

BOARD MEETING
COINNEAMH BÙIRD

MINUTE OF THE HIE BOARD MEETING HELD ON TUESDAY 27 OCTOBER 2020, STARTING AT 0900 BY TELECONFERENCE

PRESENT: Alistair Dodds (Chair)
Charlotte Wright
Amanda Bryan
Angus Campbell
Paddy Crerar
Ailsa Gray
Donald MacRae
Robert McIntosh
Freda Newton
Belinda Oldfield (until 1045)
Calum Ross

IN ATTENDANCE:

Carroll Buxton	Deputy Chief Executive
Nick Kenton	Director of Finance and Corporate Services
Douglas Cowan	Director of Communities and Place
David Oxley	Director of Business Growth
Martin Johnson	Interim Director of Strategy and Regional Economy
Sandra Dunbar	Director of Business Improvement and Internal Audit
Jessie Laurie	Head of Enterprise Sponsorship, Scottish Government
Helen Herd	Senior HR manager
Chris Roberts	Head of Corporate and Media Relations
Alice Bruce	Executive Support Administrator
Lorna Gregson-MacLeod	Head of Planning and Partnerships, item 2.5
Marie Mackintosh	State Aid Manager, item 2.9
David Howie	Project Lead, Space Hub Sutherland, item 3.1
	RSM UK, item 3.1
	RSM UK, item 3.1
	SpaceTec Partners, item 3.1
Ruaraidh MacNeil	Director, Inverness Campus, item 3.2
Elaine Hanton	Interim Project Lead – Cairngorm, item 4.1
Tim Hurst	Managing Director, Wave Energy Scotland, item 4.3

1 STANDING ITEMS
CUSPAIREAN COTHROMACH

1.1 Welcome and apologies

The Chair welcomed everyone to the meeting. Apologies had been received from Director of Service Delivery Rachel Hunter and HR Director Karen Moncrieff.

1.2 Declarations of interest

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

- Angus Campbell is Deputy Chair of NatureScot, which has been involved in HIE-led projects at Cairngorm and Space Hub Sutherland.
- Belinda Oldfield has a third party interest in Mott Macdonald, which has an involvement in the Cairngorm funicular.
- Freda Newton owns a business that is account managed by HIE and is currently applying for a digital enablement grant, and also has a third party interest in a business that has applied to the Hotel Support scheme.
- Calum Ross owns a business that is account managed by HIE and is currently applying for a digital enablement grant.
- Paddy Crerar owns a business that had applied unsuccessfully to the Hotel Support programme.
- Nick Kenton and David Oxley are HIE-appointed directors of Wave Energy Scotland.

1.3 Minute of the Board meeting held on 25 August 2020

Two corrections were noted in the draft minute. A reference on p4 to HIE's revenue budget related to 2020-21 and not the previous year, as had been stated. In item 4.2 on p8, the correct figure for additional capital funding that the Scottish government had agreed to provide HIE to reinstate the Cairngorm funicular was £10.16m.

Subject to these amendments, the minute was approved as an accurate record.

1.4 Matters arising from the minute and action grid

The Chair confirmed that Angus Campbell had volunteered to represent HIE on the Court of the University of the Highlands and Islands, and thanked him on behalf of the Board.

It was noted that HIE's policy on the space sector would be informed by work currently being carried out by RSM and SpaceTec (item 3.1 on today's agenda) and an update would be provided in December.

All other matters arising from the minute and action grid were covered in today's agenda.

1.5 Chair and Chief Executive update

The Chief Executive commented on severe difficulties facing renewables manufacturer BiFab, which operates from two fabrication yards in Fife and is HIE's tenant at Arnish in the Outer Hebrides. [*Sentences removed in the interests of the effective conduct of public affairs.*]

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

Employees across HIE would be taking part in a virtual staff conference on 4 November, when the agenda would focus on strategy and organisational development to support regional economic recovery. Board member Angus Campbell would address staff during a session on the green economy.

On the subject of next generation broadband, it was reported that a legal challenge to the Scottish Government concerning the North Lot of the R100 programme had been resolved. [*Sentence removed in the interests of the effective conduct of public affairs.*]

A meeting to clarify the respective roles of partners in Orkney Research and Innovation Campus, a joint venture between HIE and Orkney Islands Council, had been productive. While some issues were still to be resolved fully, the Chief Executive reported good progress.

The Deputy Chief Executive responded to a question on a new HIE innovation project to explore data-driven logistics solutions in the food and drink sector. It was explained that the project had been set up in response to issues raised by food and drink business leaders in the region who were now conducting more trade online and was designed to explore smart logistics that could use data innovatively. It was agreed that the project would look carefully at the potential for smaller logistics companies located in the Highlands and Islands to be part of the solution.

The Chair reported that a pilot engagement session between HIE Board members and businesses in Moray had been held as a virtual meeting and proved successful, attracting more than 30 companies. It was agreed that a written summary would be provided to Board members, and that similar events would now be arranged across the region, with appropriate Board representation at each one. These will be designed to attract a broad representation of stakeholders, thereby encouraging meaningful discussion on HIE's role and issues affecting businesses and communities.

The Chair had held a productive meeting with the Chair of the North Highland Initiative, focusing on sustainable tourism, and the importance of Gaelic as both a cultural and economic asset for the region had been discussed with Bòrd na Gàidhlig.

A positive meeting had been held with Aviemore and Glenmore Community Trust, and the Chair emphasised the need for open engagement with the wider community around Cairngorm, particularly as works progress to reinstate the funicular railway and the new masterplan is finalised for implementation. A further round of meetings was under way with local authorities, with particular focus on ensuring successful outcomes from growth deals, and the Chair and the Chief Executive had also met with the Chair of Crown Estate Scotland.

The Convention of the Highlands and Islands had met online, owing to COVID restrictions, and key issues had included economic recovery, greening Scotland, Gaelic, and population growth, particular in the west, the Hebrides and Caithness and Sutherland. It was agreed that papers from the meeting would be circulated to all Board members for information. The Chief Executive also offered to arrange a meeting with Board members who wished to discuss further the organisation's support for Gaelic.

2 RESOURCES AND GOVERNANCE **GOIREASAN IS RIAGHLACHAS**

2.1 Financial statement

The Director of Finance and Corporate Services presented a report summarising HIE's financial position for the six months of the financial year to 30 September 2020. This showed a healthy pipeline of capital expenditure in the remainder of the year which made achieving a break-even position possible. However, this would require strong focus to convert pipeline to approval and mitigate the risk of underspend.

HIE's revenue budget continued to be impacted both by the reduction of £4m in the year's baseline allocation from the Scottish Government and pressure arising from the need for HIE to mount an effective response to the COVID-19 crisis. The position was also affected by the sale of the Centre for Health Science, which had previously generated income for HIE. Achieving a break-even position on revenue remained possible, but difficult to achieve without potential consequences for client cashflow and knock-on effects next year. HIE had held initial discussions to inform the Scottish Government of its position.

HIE's Leadership Team maintained oversight through a weekly 'vital signs' tracker. All staff had been made aware of the present position and the need to manage both capital and revenue budgets effectively. In

response to questions, the Chief Executive assured the Board that capital spend would continue to be aligned with core objectives to achieve maximum impact.

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

2.2 Financial outturn and summary of final accounts 2019-20

The Director of Finance and Corporate Services reported that the production of HIE's annual report and accounts, including the independent auditing process, had been affected by COVID-19. However, delays had been minimised and the accounts, which received an unqualified opinion from Audit Scotland, were ready to be laid in parliament well within the statutory timescale. The Director noted a typographical error in the covering paper issued to Board members: a reference to HIE's intention to provide support to Cairngorm Mountain (Scotland) Ltd should have read, 'for a 12-month period to 30 September 2021', and not '2020'.

The Board welcomed the annual report and accounts and sought assurance that HIE's staff resource remained adequate to deal effectively with current pressures, both in the Finance team and more widely, particularly to deal with significant impacts arising from COVID-19. It was noted that the Finance team had been strengthened recently and that organisational efficiency and effectiveness would be covered by the Deputy Chief Executive later in the meeting, under item 2.4, *Strategic and operational planning*.

2.3 Budget planning

The Director of Finance and Corporate Services provided an indicative outlook for HIE's capital and revenue budgets, covering a three-year period to 2023-24. The paper was intended to be read in conjunction with work under way to prepare a new operating plan.

On capital, HIE's projections assumed a 'flat-cash' settlement from the Scottish Government over the period. It was noted that the organisation's capital commitments were forecast to decline sharply from 2022-23, creating headroom to invest in new activity aligned with strategic priorities. Revenue projections assumed a one-year settlement at the 2019-20 level. The Director highlighted the impact of growth deals, particularly on capital, noting that the timing and extent of these was uncertain at present and would be monitored.

In discussion, members referred to work that was under way to create a property and infrastructure strategy, with the expectation that this would be incorporated in future reports. It was also important to keep the prioritisation of pipeline projects under review and to reflect on the impact of changes in the external environment. The Chief Executive assured the Board that this was done and highlighted the value of HIE's prioritisation framework in enabling the organisation to determine how best to align investment with the delivery of strategic priorities across the region.

The Chair welcomed the report and thanked the Director. It was requested that future reports would be delivered twice a year, and that the timescale extended from three years to five, reflecting Audit Scotland guidance on best practice.

2.4 Strategic and operational planning

The Chief Executive introduced this item by thanking Board members for their valuable input to two strategic planning sessions to shape development of a new operating plan for jobs and communities in 2020-21 and 2021-22. It was noted that, once the plan was finalised, it was intended to produce a single-page summary in graphic format for external communications.

The Interim Director of Strategy and Regional Economy provided a high level summary of the current version of the plan, outlining a refreshed vision statement, priorities, characteristics of HIE's approach and proposed targets and key performance indicators.

HIE would build its focus on strong, capable and resourceful communities and seek to engage with more customers, using digital tools. Other priorities would include competitiveness and productivity; green recovery and net zero, and regional opportunities, including the marine economy, space and local growth deals. The organisation's resources would be prioritised around place, theme and opportunity, and support would be given to inclusive growth, wellbeing and fair work. HIE would also seek to optimise the agency's role as an advocate for the region, including influencing national strategy and policy.

A draft plan would be ready following the planned all-staff virtual conference in November, and circulated to Board members in advance of the December Board meeting.

Board members recommended that customer commitment should feature specifically in the plan, and consideration be given to adding a key performance indicator relating to the optimal timescale to decide on applications from customers. In cases when applications were unsuccessful, it was recommended that HIE should consistently provide a rationale for its decision. It was also recognised that swift decision making had to be balanced against the need to carry out proper due diligence, and that timescales were sometimes affected by delays on the client side.

The Board highlighted the need for clear targets and actions to achieve reduction in carbon emissions and progress towards net zero, both for HIE as an organisation and for account managed businesses and communities. The importance of the circular economy should be recognised. It was also recommended that longer-term, strategic targets and measures be included in HIE's planning, reflecting benefits realisation over a period of time, including those generated by investment in infrastructure.

Belinda Oldfield left the meeting at 1045

The Deputy Chief Executive outlined organisational changes that would enable HIE to optimise performance by aligning resources as effectively as possible with changing national and regional priorities, including strengthening resilience and planning for recovery from the impacts of present economic challenges. Key changes included the creation of a new Enterprise Support directorate that would maximise coordination between core and area teams to enhance client service delivery, including business and community account management. The programme of change would begin immediately and be completed over the next six to nine months.

Board members welcomed the update. There was discussion on the new Enterprise Support directorate, and greater clarity was requested on the respective roles of the Deputy Chief Executive and Director of Service Delivery in this area. It was agreed that consideration would be given to a suggestion from the Board that the Deputy Chief Executive should have the functions of a chief operating officer, working in close partnership with the Chief Executive.

Future models of staff working were also discussed. The transition to home working that had been made necessary by COVID-19 had gone very smoothly, and greater flexibility would feature in a new model, with a combination of home and office-based working becoming the norm. A recent staff survey had shown strong support for more flexible working models in future, and would be circulated to the Board for information. The Deputy Chief Executive added that HIE would continue to be a widely dispersed organisation, with staff located across the region.

The Chair emphasised that communities would continue to be a key priority for HIE, and that this should be made absolutely clear in any new operating plan and associated communications. Board members were invited to send any further comments or questions directly to the Deputy Chief Executive by the end of the week.

2.5 Performance update – half-year

Lorna Gregson-MacLeod joined the meeting.

The Head of Planning and Partnerships presented a performance report describing out-turns achieved by HIE at the mid-year point of 2020-21. The report outlined efforts to support clients during the pandemic and the organisation's focus on restart and recovery for the region. It also provided an update on priority investments and actions to ensure that HIE's approach remained balanced and responsive to immediate and medium-term challenges whilst steering a course to deliver longer-term regional competitiveness.

During the pandemic, HIE's top priority continued to be protecting and creating employment. Resources were focused on supporting key sectors and locations that had been affected severely, including tourism and hospitality, and islands and remote mainland areas. Going forward, the aim was to move from response into recover, working collaboratively with other organisations. New opportunities included the growing space sector, life sciences, energy, and the marine economy, all areas in which the region had natural, place-based advantages. HIE would continue to invest in enabling infrastructure, including digital, land and property, and regional opportunities in transitioning to a net-zero economy.

The agency's performance was being monitored against key output measures and good progress had been made. However, given the unprecedented challenges faced this year, it had not been considered appropriate to set target ranges at this time. Targets for the remainder of 2020-21 would be agreed once HIE's guidance letter from Scottish Government had been received.

HIE's impact in fragile areas was discussed and it was noted that HIE was reviewing how this outcome was measured, including taking account of the fact that opportunities created in a specific location that may not be considered fragile, such as a locally-significant town, can deliver benefits to communities across a wider area. The Board were also concerned about the impact of current challenges on young people in particular. It would be useful to know whether jobs supported through HIE investments were addressing this issue, although it was also recognised that data protection regulations made it difficult to gather evidence.

The Board welcomed the report and endorsed the importance of HIE continuing to focus on supporting and creating jobs, particularly those paying at least the real living wage.

Lorna Gregson-MacLeod left the meeting.

2.6 Risk register

The Director of Business Improvement and Internal Audit presented the latest version of HIE's corporate risk register, highlighting new and amended risks and the movement of scores over time. These included updates to risks associated with Cairngorm, now that the business case has been approved and funicular reinstatement will shortly be under way. The register had also been updated to reflect regional opportunities in the space sector, HIE organisational change, and Brexit challenges, including uncertainty over future State Aid arrangements.

2.7 Draft minute from Risk and Assurance Committee held on 23 September 2020

Donald MacRae, as Chair of the Risk and Assurance Committee, reported on matters discussed at the most recent meeting, held on 23 September 2020. This had been an additional meeting that focused mainly on consideration of HIE's annual report and accounts 2019-20, which had received an unqualified opinion from Audit Scotland and were subsequently signed by the Chief Executive as accountable officer. The Committee had also received 2019-20 audit external reports for HIE Ventures, Wave Energy Scotland, Cairngorm Mountain (Scotland) Ltd, and Orkney Research and Innovation Campus. In addition, updates had been delivered on Cairngorm, space, creative industries and Brexit. The next meeting was scheduled for 1 December.

2.8 Authorised signatories

The Board noted the findings of a review of arrangements for authorised signatories in HIE and approved a recommendation to update the present list. Authorised signatories have the authority to sign specified documents on behalf of HIE, following conclusion of appropriate approval processes.

The following list of authorised signatories was approved: Director of Finance and Corporate Services Nick Kenton; HIE Solicitor Alison Lyner; HIE Solicitor Keir Marshall; Head of Executive Support Adrian Kitson, Deputy Chief Executive Carroll Buxton; Director of Business Growth David Oxley, and Interim Director of Strategy and Regional Economy Martin Johnson.

Arrangements will continue to be reviewed to ensure they remain appropriate.

2.9 Future state aid / UK subsidy regime

Marie Mackintosh joined the meeting.

The State Aid Manager provided current information on expectations for the future European Union State Aid / UK subsidy regime following conclusion of the Brexit transition period in December 2020. Although HIE staff were continuing to monitor the situation closely and were alert to the need for action to prepare for and mitigate risks, there remained a lack of clarity concerning what rules and controls would apply.

A statutory instrument on state aid regulations had cleared the House of Commons and was now going through the House of Lords, with a third hearing expected in late November. Following royal assent, this would disapply EU State Aid Law and apply World Trade Organisation (WTO) subsidy rules and obligations under free trade agreements. The UK Government was planning to publish guidance for public authorities, and it would be important for aid grantors to be familiar with WTO rules.

The new regime would bring both opportunities and challenges for HIE and the region. It was noted that the present EU Assisted Areas map would remain in place for 12 months which a UK maps was prepared. HIE was bidding to be involved in this process, and eager to ensure a level playing field for rural and disadvantaged areas. HIE would need to design new procedures, along with guidance and training for staff, and this will be made even more challenging if new legislation and guidance are not ready by January 2021. The pipeline of HIE projects would be kept under close observation to minimise disruption to approvals and payments at the end of the transition period.

The Board thanked the State Aid Manager for a clear presentation in a time of considerable uncertainty.

Marie Mackintosh left the meeting.

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

3.1 Highlands and Islands space sector

The Chief Executive introduced this session, which had been arranged to inform the Board and facilitate discussion on a broad range of issues concerning the potential development of the space sector in the Highlands and Islands.

3.1a Space Hub Sutherland update

The Director of Business Growth reported that progress was being made to prepare strategic and business cases to inform a Board decision on future options relating to Space Hub Sutherland, HIE's planned vertical launch site for satellites on the Mhoine peninsula. It was also noted that, as this project is considered 'novel and contentious', any HIE Board decision would require confirmation by the Scottish Government.

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

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

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

3.1b RSM due diligence presentation

RSM and Space Tec Partners updated the Board on progress made and emerging findings from a market assessment of near-space opportunities for Scottish spaceports, option analysis and Space Hub Sutherland (SHS) due diligence.

[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.]

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

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

3.1c Ground investigation

The Director of Business Growth requested Board approval to proceed with ground investigation works at the proposed Space Hub Sutherland launch site on Melness Crofters Estate. Ground investigations were a crucial precursor to the next stage of spaceport design, and approval would enable HIE to finalise appointment of a contractor to start work in January 2021, in line with the current schedule and outwith deer shooting and bird breeding seasons.

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

The Board approved the request to begin work to initiate ground investigations, subject to further consideration at its next meeting (15 December 2020) , when greater clarity will be provided on the Space Hub Sutherland business case.

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

3.2 Life Science Innovation Centre – Plot 15 Inverness Campus

Ruaraidh MacNeil joined the meeting.

The Director, Inverness Campus, presented a paper seeking Board approval to carry out an OJEU tender process for the main works to build the Life Science Innovation Centre (LSIC) which is being developed jointly by HIE and the University of the Highlands and Islands (UHI) on Plot 15 of the campus. To maintain pace, the Board was asked to delegate authority to HIE’s Leadership Team for two matters: 1) to award a contract for

these works, provided the winning tender was within the approved project budget, and 2) to sell a portion of plot 15 (0.9 acre) at market value to UHI.

Progress had been made on several key workstreams since the last update to the Board in April 2020. HIE and UHI had signed a memorandum of understanding to establish partnering and governance arrangements and work to conclude a development agreement for the construction phase was advancing well. A design team had been appointed and applications submitted for planning permission and building warrant. Site investigation works had been completed, with the only significant issue being a requirement to remove and replace topsoil. Design work was nearing conclusion, including some value engineering, and would be used in the procurement exercise. Heads of terms for the land sale to UHI were close to being finalised. It was also noted that NHS Highland had received planning permission for an elective care centre on plots 3, 4 and 5, which would be complementary to the LCIS.

It was expected that the overall construction cost of the LSIC would be in the region of £8.8m, with HIE's share being £4.4m, including fit-out costs. An application had been submitted to the European Development Fund, seeking £1.1m towards HIE's project costs and an outcome was anticipated in November.

The Board approved the requests to proceed to procurement and to delegate contract award to Leadership Team, providing the winning tender was within the approved project budget. However, if the winning tender were to come in at a level higher than the approved budget, it would need to be referred to the Board again for decision. The request for Leadership Team to be delegated authority to agree the land sale to UHI, on the basis that market value is achieved, was approved.

Ruaraidh MacNeil left the meeting.

3.3 Hotel support programme

The Deputy Chief Executive presented a paper seeking Board permission for HIE to deliver the Hotel Support Programme in the Highlands and Islands on behalf of the Scottish Government, and to accept an allocation of £3,336,500. The programme had been established as part of the government's response to the COVID-19 crisis and would deliver £14m across the country, awarding up to £250,000 per hotel, plus bespoke packages of wraparound business support. It aimed to secure up to 3,000 jobs in tourism and hospitality, and help selected companies build a sustainable future, delivering maximum employment opportunities in each location.

The programme would benefit from experience gained through the Pivotal Enterprise Resilience Fund (PERF) and a delivery model had been developed that would maximise flexibility. It had opened to larger hotels on 26 August and 211 expressions of interest from hotels and hotel groups were received by the closing date of 9 September, including 56 from the Highlands and Islands. These had all now been reviewed and a cohort of 90 hotels, including 22 in the Highlands and Islands, were identified to progress to the next stage.

In response to questions, the Deputy Chief Executive confirmed that administration would be carried out at HIE's own hand and the organisation would not be expected to bear any additional costs in relation to the scheme. Payments would be released to successful applicants in line with agreed milestones and efforts would be made to ensure as much spend as possible within the present financial year.

The Board were pleased to accept this offer of additional funding from the Scottish Government for key businesses in an important sector and gave consent for HIE to deliver the scheme, as requested. The Chair also acknowledged the additional efforts of HIE staff in continuing to respond to the impacts of the pandemic on businesses and communities, and expressed the Board's gratitude.

3.4 EMEC green hydrogen demonstration – homologation

The Board noted that HIE Leadership Team had agreed by written procedure to approve cash funding of £2,775,000 to enable the European Marine Energy Centre in Orkney to undertake two high profile demonstrations of green hydrogen within the local energy system. Full funding would be provided by the Scottish Government through a grant-in-aid capital transfer in financial year 2020-21, as part of a £10m scheme to promote hydrogen pilot projects across Scotland.

[Sentence removed in the interests of the effective conduct of public affairs.] Each had been designed to advance knowledge of green hydrogen use significantly and be widely replicable.

The Board agreed to homologate the Leadership Team’s decision to approve this funding.

4 UPDATES CUNNTASAN AS ÙR

4.1 Cairngorm

Elaine Hanton joined the meeting.

The Interim Project Lead, Cairngorm, updated the Board on progress across several matters relating to Cairngorm.

These included conclusion of HIE’s contractual negotiations with Balfour Beatty, who had been appointed through Scape procurement as the civil engineering contractor to carry out the reinstatement works, following HIE Board and Scottish Government approval of the full business case. HIE had worked with the government to ensure the decision to approve the business case was communicated effectively to stakeholders and the wider public, and had published the business case on its website, with some commercially sensitive information withheld. HIE staff were now working to finalise the purification of pre-planning conditions with the Cairngorms National Park Authority and it was expected that Balfour Beatty would be able to begin work on-site during week beginning Monday 2 November 2020.

With contractual negotiations concluded, HIE had issued funding assurance to operating company Cairngorm Mountain (Scotland) Ltd (CMSL). CMSL’s auditors had confirmed that HIE’s assurance met the ‘going concern’ test to enable the company to conclude its 2019-20 annual accounts, which the CMSL Chair was content to sign. Conditions attached to HIE’s funding assurance included an agreed business plan, regular reporting (at least monthly), strong key performance indicators focusing both on business operations and wider impact, and business cases for future investment to be presented to HIE as appropriate.

HIE’s Leadership Team had approved grant-in-aid revenue funding of £760,000 to CMSL for the period 1 October 2020 to 31 March 2021. [Sentence removed in the interests of the effective conduct of public affairs.] It was noted that funds would only be drawn down against evidence of need and based on cashflow reporting.

The second round of public consultation to inform a new Cairngorm masterplan had concluded on 14 September. This had attracted more than 300 responses which had now been analysed. Legal claims processes that had been instigated by HIE against the original funicular contractor and design team, and in respect of guarantees provided by the previous operator and its main shareholder were ongoing.

The Board welcomed the update and expressed appreciation to HIE’s Cairngorm team for the significant progress that had been achieved. It was noted that a meeting was being arranged to discuss the masterplan with the Cabinet Secretary for Rural Economy and Tourism. Several Board members expressed interest in taking part in this discussion, and in a pre-meeting which HIE staff would organise. The Chair emphasised the importance of providing the local community with information on the masterplan once it had been concluded, and ensuring effective communications and stakeholder engagement on an ongoing basis.

Elaine Hanton left the meeting.

4.2 Brexit and freeports

The Interim Director of Strategy and Regional Economy presented an update on matters associated with the UK's exit from the European Union. At this stage, the outcome of negotiations to agree a Brexit deal between the UK and the EU at the end of the present transition period on 31 December 2020 was unknown and could not be predicted.

HIE was working with partner agencies who had jointly developed an action plan to support business and economic resilience and recovery in response to challenges presented by both Brexit and COVID-19. This focused on helping businesses prepare by raising awareness of risks and opportunities; providing advice, recovery tools and other services; direct engagement with customers, and gathering information and intelligence to inform decision making at regional and national levels. It was noted that details of the Shared Prosperity Fund set up by the UK Government to replace European Structural and Investment Funds were expected at the time of the comprehensive spending review, in November.

The UK Government had consulted on proposals to establish freeports – secure customs zones that can reduce administrative burdens for businesses and provide relief from duties and import taxes. This had attracted around 21 expressions of interest from sea ports and airports, including five in Scotland. In the Highlands and Islands, [sentence removed in the interests of the effective conduct of public affairs.] bid that included HIE and had adopted the title *Opportunity Cromarty Firth (OCF)*. As a principle, it had been agreed that whatever support HIE may provide OCF would also be available to other potential freeport projects that may come forward elsewhere in the region.

In discussion, echoed reservations that the Scottish Government had expressed on freeports, noting the potential risk of displacement and potential Barnett consequentials arising from taxation. Members expressed support for the Shared Prosperity Fund being managed at a regional level, as had been done successfully with EU structural and investment funds in the past.

The Chair thanked the Director for his update, and asked for the Board to be provided with a timetable on the expected progress of freeport plans.

For technical reasons, Paddy Crerar left the meeting at 1500 Hrs.

4.3 Wave Energy Scotland – progress to commercialisation

Tim Hurst joined the meeting.

The managing director, Wave Energy Scotland (WES), presented a report describing the significant progress achieved by the company in its first five years of operation and the challenges and options that it now faced to continue to progress towards commercialising wave energy technology in Scotland.

Established as a subsidiary of HIE, and with an annual budget of around £10m from the Scottish Government, WES had supported a wide-ranging programme of technological research and development that would culminate early in 2021 with the testing of wave devices from two Scottish companies in real sea conditions off Orkney. If these tests produce a viable outcome, Scotland would then have two potential routes to commercialise wave technology – grid-scale electricity production and alternative applications that are typically off-grid. Both options had potential to support domestic projects and export opportunities, creating a sustainable wave energy sector that would generate economic benefit and help reduce carbon emissions.

Challenges that had arisen during the past five years included the removal of a specific subsidy of £305/MWh for wave energy and the low cost of other low carbon technologies, including offshore wind at £39/MWh.

Positive developments included commitments by the Scottish and UK governments to achieve net zero carbon emissions, a similar commitment by the UK oil and gas industry in the North Sea, and the EU's Energy Implementation Plan, offering €300m support.

Board members expressed their appreciation to the WES team for successfully delivering its initial objective to enable Scottish companies to develop technology that was now ready for testing in the open sea. [Sentences removed in the interests of the effective conduct of public affairs.]

Tim Hurst left the meeting.

5 ITEMS FOR INFORMATION **CUSPAIREAN AIRSON FIOSRACHADH**

5.1 Strategic transport projects review

In discussion, Board members underlined the need for urgent action to address ongoing problems affecting the A83 Rest and Be Thankful in Argyll as a top priority for the region. It was noted that Transport Scotland was currently considering 11 options for a permanent solution and that HIE would be working with the agency to inform economic appraisal. The vital role of ferry services was also emphasised, with concerns expressed over the age and condition of vessels serving some routes.

It was agreed that an opportunity for Board discussion on transport would be scheduled as part of a future meeting agenda.

5.2 Growth deals update

The update was noted. Further updates will be delivered as growth deals across the region continue to develop.

5.3 Towards inclusive growth update

The Board welcomed the update and requested that a presentation on this topic be scheduled for a future meeting.

5.4 HIE publication scheme: account management status report

The paper was noted.

5.5 Any other business

There was no other business.

5.6 Forthcoming meeting dates

The Board noted the following upcoming dates:

- 4 November 2020 – HIE All-staff conference
- 10 November – Property strategy session for Board members
- 1 December 2020 – Risk and Assurance Committee
- 15 December 2020 – Board meeting

Head of Corporate and Media Relations

27 October 2020