



BOARD MEETING
COINNEAMH BÙIRD

MINUTE OF THE HIE BOARD MEETING HELD ON 23 FEBRUARY 2021, STARTING AT 0900 BY MICROSOFT TEAMS

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

IN ATTENDANCE:

David Oxley	Director of Business Growth
Douglas Cowan	Director of Communities and Place
Helen Herd	Interim 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 Support
Jessie Laurie	Head of Enterprise Sponsorship, Scottish Government
Colin MacBeath	Head of Planning and Partnerships, item 3.2
Tim Hurst	WES Managing Director, item 3.3
Ruaraidh MacNeil	Director of Business Infrastructure, item 3.4
Greg Youngson	Property Development Manager, item 3.4
Stuart Robertson	Director of Digital Highlands and Islands, item 4.1
Zoe Laird	Regional Head of Communities Infrastructure, item 4.3
James Gibbs	Area Manager – Inner Moray Firth, item 4.4
Gavin MacKay	Head of Energy Industries
Audrey MacIver	Director of Energy and Low Carbon, item 4.5
David Howie	Project Lead, item 4.7.1
Elaine Hanton	Head of Energy Technologies and Regulation, item 4.8
Dave Macleod	Head of Property and Infrastructure, item 4.8
Lorna Gregson-MacLeod	Head of Planning and Partnerships, item 4.9

1 STANDING ITEMS

CUSPAIREAN COTHROMACH

1.1 Welcome and apologies

The Chair welcomed everyone to the meeting highlighting that there was a long meeting ahead and that it was good to have the use of Microsoft Teams. It was noted that Angus Campbell would be joining the meeting late and that Amanda Bryan would have to leave the meeting for a short period of time and join again later. Apologies were received from the Director of Human Resources, Karen Moncrieff.

1.2 Declarations of interest

The following interests were declared:

- Alistair Dodds declared a related party interest in item 3.4 Inverness Campus – sale of plots 3, 4 and 5 to NHS Highland. The interest was noted as the item came up for discussion on the agenda and the Chair took advice on how the item should be managed. It was agreed that he would exclude himself from the board consideration and leave the meeting when this item is discussed. Donald MacRae was the Chair for this item.
- *[Bullet point removed in the interests of the effective conduct of public affairs.]*
- Freda Newton noted a financial interest in item 4.2 Digital Grants as an owner of a business account managed by HIE that has applied for digital enablement grants. It was agreed that she would be excluded from the current board consideration and leave the meeting when this item is discussed.
- Calum Ross noted a financial interest in item 4.2 Digital Grants as an owner of a business account managed by HIE that has applied for digital enablement grants. It was agreed that he would be excluded from the current board consideration and leave the meeting when this item is discussed.
- Calum Ross also noted a related party interest in item 3.2 Specialist Advice. It was agreed that he would be excluded from the current board consideration and leave the meeting when this item is discussed.
- Angus Campbell is Deputy Chair of NatureScot, which has been involved in HIE-led projects at Cairngorm and Space Hub Sutherland. This was noted, but considered not to present a conflict.
- Belinda Oldfield has a related party interest in Mott MacDonald, which has involvement in engineeringworks affecting the Cairngorm funicular. This was considered not to present a conflict.
- Rachel Hunter noted a conflict of interest in relation to items 4.7 Space Programme and 4.7.1 Space Hub Sutherland. It was agreed that she would leave the meeting when these items are discussed.
- Nick Kenton and David Oxley noted an interest in item 3.3 WES Novel Wave Energy Convertor (NWEC) Enhanced Testing as HIE appointed Directors on the Board of Wave Energy Scotland (WES). This was noted, but considered not to present a conflict.

1.3 Minute of Board meeting held on 15 December 2020

The minute of the meeting held on 15 December 2020 was approved.

1.4 Minute of Extra Board meeting held on 22 January 2021

The minute of the Extra Board meeting held on 22 January 2021 was approved.

1.5 Matters arising from the minutes and Action Grid

The Director of Finance and Corporate Services was asked for an update in relation to the action regarding restrictions on the use of Zoom. The Director confirmed that EIS continue to blacklist this platform which is still deemed to be a risk. Temporary access can be allowed on a case by case basis if there is no alternative – e.g. presenting a paper to a third-party meeting. Board members should contact the Director of Finance and Corporate Services if they need access.

It was noted that the format for papers to both the Risk and Assurance Committee (RAC) and to the Board had changed to include a context paper which was welcomed. The Chair noted thanks to those involved in revising the format of the papers. It was also noted that training sessions for the RAC will also be offered to all Board members. The Director of Business Improvement and Internal Audit will ensure that the full board are advised and will provide information on the State Aid session that has happened.

The Chair noted that a paper would be taken to the Remuneration Committee in an advisory capacity to discuss the proposed secondment extension and associated remuneration of the Interim Chief Executive of CMSL.

The Director of Business Improvement and Internal Audit was asked about a method for the Board to be sighted on the current position regarding projects in process. It was confirmed that the Board tracker is not the best place for this however this may be able to be added as an update to the Corporate Resources section. This will be reviewed, and a solution agreed for future reporting to be discussed with the Chair.

All other matters arising from the minute and action grid were covered in today's meeting. The Chair noted that the action grid was very helpful.

There were no actions arising from the minute of the January meeting.

1.6 Chair and Chief Executive Update – February 2021

The Chief Executive provided an update on the strategic priority of population growth. The Senior Officers Group of the Convention of the Highlands and Islands (COHI) has led on development of a taskforce set up, following the October COHI, to develop practical actions and policy interventions to address areas suffering the greatest de-population which will be presented to COHI in March .

There has been recruitment to two key roles: the Head of Information Governance and the Head of Procurement.

The Deputy Chief Executive provided an update on the Wedding Industry Fund which had gone well and was due to close on Thursday 25th March. Over £2.0m has been awarded to 240 organisations with very few applications receiving a decline. HIE expects close to the full £25.0m to be allocated. The Chief Executive highlighted that HIE was well prepared and had applied experience from managing other funds.

The Deputy Chief Executive confirmed that as a follow up to the Hotel Support Programme, HIE has supported a range of businesses who did not fit the HSP criteria using our core funds.

It was noted that a lessons learned paper on the Covid-19 Support funds and other HIE funds more generally would be presented to the Risk and Assurance Committee meeting in March.

The Director of Business Growth provided an update on CS Wind (CSW) and BiFab. HIE met with CSW on 28 January. *[Sentences removed in the interests of the effective conduct of public affairs.]*

Deloitte, the Bi-Fab administrators announced on 12 February, the sale of the BiFab assets to Infrastrata. Infrastrata currently own the Harland And Wolff operations in Belfast and another port facility in England. *[Sentences removed in the interests of the effective conduct of public affairs.]*

The Chair provided an update on his regular monthly meeting with the Cabinet Secretary where budgets remain a key topic of discussion.

A meeting had taken place with Douglas Ross MP for Moray where the Shared Prosperity Fund had been discussed.

The Chair and CE attended a strategy workshop held by SDS which was attended by a range of national and Highlands and Islands businesses to discuss skills needs and actions to address them.

The programme of engagement with all Local Authorities in the HIE region continues with discussions focusing on the Growth Deals, the agenda for the forthcoming Convention of the Highlands and Islands, including the specific follow up action for HIE on leading discussions on options for a Highlands and Islands Regional Economic Partnership.

A useful discussion had also been held with the Chair and CE of the Scottish National Investment Bank on ensuring alignment with the Bank's missions and priorities for the HIE region.

2 RESOURCES AND GOVERNANCE **GOIREASAN IS RIAGHLACHAS**

2.1 Financial Statement

Amanda Bryan left the meeting part way through this item.

The Director of Finance and Corporate Services presented a report summarising HIE's financial position to the end of January 2021. COVID funds resulted in £39m additional budget available to HIE requiring 1,764 approvals (50% more budget overall). While extremely welcome, one of the consequences of this is that we are behind normal profile of planned business as usual spend.

Capital over-commitment is now at £9.36m. The size of over-commitment is high for this stage of the year, but it reflects a conscious decision to aim for spending out the budget, which is much more challenging than in a more normal year as the Covid restrictions affect client spend and the Covid funds affect our staff's capacity to progress claims. There is still £15m capital to spend to budget and we will need to use every day of the financial year to do it. There is £12.7m of commitments profiled for March, which does offer some scope for flexibility. The downside of this level of commitment is the impact on the new financial year.

Revenue had been £1.48m over-committed against budget at November and we were waiting on decisions on COVID pressures of £863k from SG and Umi costs of £360k from SE. Those COVID pressures were funded in full and SE have absorbed the Umi costs. HIE has received £450k additional revenue from Scottish Government for tranche 2 of the Digital Enablement Grant scheme which has minimal commitment to date but is expected to be fully committed over the coming weeks with claims being able to be made until June. The position to January had therefore improved considerably and the risk of revenue overspend has now been eliminated.

It is expected that around £0.5m of the VAT commitment can be released once the legacy position is finalised. The total liability going back to 2014 is estimated to be just over £3m, depending on the final interest calculation. A formal proposal will shortly be submitted to HMRC for a new methodology effective from 1 April 2020. It is anticipated HMRC will agree to this new methodology before 31 March, so we can backdate the impact to the start of the current financial year.

Positive discussion has been held with Scottish Government on WES with agreement to carry forward £650k underspend due to Covid to next year. Cairngorm Mountain Scotland Limited is also anticipating an underspend on revenue due to Covid. Scottish Government colleagues have been alerted

Overall a break-even position on capital is expected, along with a potentially modest underspend on revenue. The Chair thanked the Director for the comprehensive run-through. The Chief Executive outlined the need to convert commitment into spend and not to seek any new commitment at this point, confirming that the whole organisation is aware of this.

The Chair thanked all who are working on this for the considerable effort in attempting to ensure a near balanced year-end position.

2.2 Draft Budget 2021/22

The Director of Finance and Corporate Services provided an update to the Board highlighting that this is still very much a draft budget. Potential remains for further funding to become available as a consequence of the UK budget.

The capital settlement is 'flat cash' plus £800k for Green Jobs and £3.9m for Cairngorm Funicular and related priority investments.

Capital carry forward commitments from the current financial year are a key factor assumed at £5.0m but we will need to refine this as year-end approaches. There is a pressure on Cairngorm of £1.6m due to a Scottish Government request to alter the funding profile and therefore close contact will be maintained with the Sponsor Team on the potential to re-adjust the profile.

Capital negative reserve of around £14m is forecast due in part to a carry forward of commitment from this year. There is also a requirement to pay £3.9m to SG as a contribution to R100 rollout, which is allowed for in estimating the £14m. In response to comments from the Board, the Director of Finance agreed measures would be implemented to reduce the negative reserve down to around £10m in quarter 1 and will keep close to the Sponsor Team on the position.

In relation to Wave Energy Scotland (WES), Scottish Government have indicated a budget of £6m which is in line with the business plan. The Managing Director of WES is meeting with the Minister, Mr Wheelhouse, this week.

The reinstatement of the £4.0m revenue reduction from last year is particularly positive, and this is augmented with a £300k uplift. In terms of the draft budget, broadly, the methodology followed was to fund top slice at cost and seek to set discretionary budgets at the same level as opening budget for 2019/20 (which is a closer comparator to the new financial year than 2020/21). No budget has been set at Area Team level to ensure alignment with the Operating Plan.

The aspiration for Block B is to hold it as close as possible to the 2020/21 opening budget, noting that once again HIE will be required to absorb wage cost pressures. Overall, the revenue position looks positive with a modest negative reserve of around £0.3m which we would hope to eliminate before finalising the budget

The Director recommended that following discussion, the Board delegate to Leadership Team the authority to finalise the detail in light of the UK Budget and to set an appropriate split across area teams. If this is acceptable, a finalised opening budget will be brought back to Board in April for confirmation. This was agreed by the Board.

The Board also asked for an update on commitment in relation to Growth Deals to be provided for the June or August meeting with a high-level update to the April meeting,

The Chair thanked the Chief Executive, the Director and the team for all of the work done and also to Jessie Laurie from Scottish Government, emphasising the need for a continuing positive relationship with SG officials and Cabinet Secretary.

2.3 Five-year Financial Outlook

The Director of Finance and Corporate Services presented a paper on the five-year financial outlook. A simple 3-year version had been prepared in October 2020 and this has now been extended to 5 years per Audit Scotland recommended practice. It is a work in progress and at this stage is not a fully developed financial plan but is simply based on existing commitment and pipeline. Future headroom will be examined to support implementation of key strategic priorities in future years.

The Chief Executive noted that efficiency savings are challenging. There are signs of stress and pressure throughout the organisation due to vacancy control, which may impact operational performance. The Board noted that they were pleased to see the five-year plan, recognising that this will develop further. The role that additional ring-fenced funds had played in mitigating Covid was welcomed although the Chief Executive highlighted the need for flexibility and discretion in budgets and funding.

The Chair thanked everyone for their comments and the Director for the progress with the 5 year plan.

2.4 Performance Update

The Director of Strategy and Regional Economy presented an update on performance, reporting that the performance out-turns in the year to end January 2021 reflect an exceptionally high volume of activity. It is difficult to make comparisons with last year and there is work still required to validate data. The focus on resilience continues with over three times as many third-party projects receiving support compared to the same period last year. Performance data includes outputs generated by HIE Grant In Aid and Scottish Government budget enhancements in response to Covid. Additional information was provided on jobs and the geographical spread.

The Chair thanked the Director for the report and the additional information on jobs. The Board also noted the need to ensure that the impact of extra funding was evidenced, and that it would be captured in the annual report.

The Board also asked about the large numbers of jobs in the Inner Moray Firth and Moray and if this is causing pressure on services such as housing. The Director of Communities and Place commented that these areas were more likely to attract commercial developments of scale and therefore did not present such a significant challenge as more rural areas.

The Board noted the excellent results in a very challenging year, although comparison with previous years is difficult. The business as usual work alongside additional funds work was appreciated, recognising that HIE has also continued to deliver on challenging strategic projects as well as mainstream business and community development.

The Chair noted thanks to the Director of Strategy and Regional Economy, Head of Planning and Partnerships and the team for the work undertaken.

2.5 Risk Register

The Director of Internal Audit and Business Improvement presented the updated Corporate Risk Register as at February 2021. No new corporate risks have been added to the risk register since it was last considered by the Board however a number of risks have been removed from the register following reassessment. Highlighting 3 key areas – a) post-Brexit impacts, especially on food and drink, and the changing subsidy environment; b) space activity remains high risk, not only SHS but the sectoral opportunity and HIE's role in leading this; and c) the need to review HIE's strategy, delivery environment and resource prioritisation arrangements to ensure these are best support HIE in dealing with the current challenges and opportunities facing the region.

Belinda Oldfield highlighted the maturity and clarity of the risk management approach as reported to the Risk and Assurance Committee meeting. She noted that good basic controls on data and cyber security are in place and that the Board can take comfort in this.

The Chair thanked the Director, the Business Improvement Manager and the Risk and Assurance Committee, commenting on how the approach to risk had developed and improved.

2.6 Delegated Authorities

The Director of Internal Audit and Business Improvement presented a revised draft of the delegated levels of authority originally presented at the December 2020 meeting where amendments and clarifications had been noted by the Board. These have been considered and incorporated into the revised version and discussed with the Leadership Team and Chair.

The Director outlined the amendments and clarifications made to the document. These were accepted by the Board except for the wording of the introduction which the Chair requested be reviewed in relation to absence of the accountable officer. The Board delegated authority to the Chair, Chief Executive and Director of Business Improvement and Internal Audit to agree amended wording and finalise.

2.7 Minute of Risk and Assurance Committee meeting – 01 December 2020

Donald MacRae, Chair of the Risk and Assurance Committee (RAC) noted that he had provided a verbal update at the last Board meeting however he had an update on 3 items.

[Sentence removed in the interests of the effective conduct of public affairs.] The Cyber security report has been redrafted and will be re-presented to RAC. A request had been received from the quality control team at Audit Scotland for feedback and it was noted that HIE staff and the Chair of the Risk and Assurance Committee had provided feedback and a discussion was held with the team from Audit Scotland leading the quality review.

The Board asked if the EIS cyber security safeguards were appropriate. The Chair of the RAC confirmed that the Committee were happy with the current level of assurance but it remains a dynamic situation.

[Sentence removed in the interests of the effective conduct of public affairs.] Processes had also been reviewed and amended to make it easier for staff to report suspected phishing attacks.

The Chair thanked the Chair of the Committee, the RAC, and staff for their input in providing assurance to the Board.

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

Angus Campbell joined the meeting at 1050

3.1 ORIC construction costs amendment – for homologation

The Board homologated a decision that had been taken by the Chair and Chief Executive to increase construction project costs for the Orkney Research and Innovation Campus (ORIC) by £85,000. HIE would incur no additional expenditure from this amendment, which would enable recovery of costs from ORIC tenants for additional works carried out at their request, as well as additional landscaping funded by a Town Centre Fund grant.

3.2 Specialist advice

Calum Ross left the meeting.

Colin MacBeath joined the meeting

The Director of Strategic Projects introduced a paper recommending that HIE should award a framework appointing a supplier of specialist advice services, to support the agency's account managed clients. Such services had been delivered through a supply partner for several years, providing valuable strategic advice on a range of specialist subjects to enable clients to build capacity, grow, and increase productivity and resilience.

The new framework had been competitively tendered, attracting nine bidders. Following appraisal, it was now proposed to appoint Anderson Anderson Brown.

To enable the framework to be awarded, the Board was being asked to approve top-sliced project costs of £2,569,200, spread evenly over the next four financial years, starting in April 2021. This sum would include a management fee of up to £969,200 (ex VAT), to be paid directly by HIE to the supplier. The balance would be paid through grants awarded by HIE to support clients to purchase specialist advice from the supplier, at an estimated cost of £400,000 per annum over four years. This represented a change from the previous framework model and was designed to deliver improved tax efficiency. It was noted that a programme structure would be set up to monitor and control service delivery and provide quality assurance.

In discussion, it was noted that, while responsibility for advising clients directly primarily lay with account managers, HIE's ability to provide specialist advice when required through a qualified and experienced supply partner was greatly appreciated. The new model would deliver a greater proportion of support online, extending the reach of the service. It was highlighted that the previous contract had been subject to an internal review, and confirmation was given that there would be regular monitoring of the service, including client feedback.

The board approved cash funding totalling £2,569,200, to enable HIE to continue to provide access to specialist advice and agreed to award the framework to Anderson Anderson Brown. The Board also agreed to delegate authority to finalise contract matters, should anything material arise that required further assurance as part of the contract award process or cooling-off period, to the HIE Chief Executive and Leadership Team.

Colin MacBeath left the meeting.

3.3 WES Novel Wave Energy Convertor (NVEC) enhanced testing: implementation

Tim Hurst joined the meeting.

Calum Ross rejoined the meeting.

Mr Hurst declared a related party interest in one of the companies for which funding was being recommended. However, the Board considered that this interest was both historic and minor and did not present a conflict.

The Director of Wave Energy Scotland (WES) presented a paper requesting approval of funding of up to £2,374,012.15 to implement an enhanced testing programme following initial feasibility work, of two novel wave energy converter devices. These were: the AWS Ocean Energy *Archimedes Waveswing* (£1,189,023.21) and the Mocean Energy *Blue Horizon* (£1,184,988.94).

The project would serve as an important steppingstone to prove technical validity of the devices prior to early commercialisation, supporting the developers through a particularly challenging stage of the process, where many technologies had faltered in the past. Both were devices currently at Stage 3 in the *WES Novel Wave Energy Convertor Programme*.

Due to COVID-19, early testing at the European Marine Energy Centre's Scapa Flow site in Orkney had been delayed, and feasibility work undertaken to assess the opportunity to redeploy the devices at the Billia Croo site which has a greater range of wave conditions. This would allow for further de-risking of the technology prior to full deployment and will serve as an important additional step prior to the development of a potential wave array project.

WES was seeking a ceiling value approval for the 'reasonable worst case' scenario, including variable costs to cover for weather risk. Costs had been reviewed by Torrance Partnership and it was anticipated that actual costs would be less than the amount approved. The proposed funding had been included in the WES business plan and budget for 2021-22, which was expected to be confirmed very soon by the Scottish Government.

Asked about the solvency of the two companies, the Director explained that it was not unusual for developers in this sector to lack large-scale funding, and that a key part of WES's role to strengthen the sector lay in supporting companies to become stronger. This next phase of testing represented the culmination of five years' work and its success would demonstrate that WES's stage gate approach to development had been well designed and executed. The next step would be to develop small arrays, leading towards commercial rollout after 2025 and the potential to make a significant contribution to Scotland's target of achieving net zero carbon emissions by 2045.

The Board expressed their appreciation for the impressive progress made by the WES team in designing and delivering an innovative development approach that had the potential to be applied to other technology programmes. The funding request was approved.

Tim Hurst left the meeting.

3.4 Inverness Campus – sale of plots 3, 4 and 5

Alistair Dodds left the meeting and Donald MacRae took the chair for this item.

Ruaraidh MacNeil joined the meeting.

The Director of Business Infrastructure updated the Board on progress with the sale of land at Inverness Campus to NHS Highland to develop a new elective care centre.

The Board had given approval in principle on 30 June 2020 for the sale of 3.44 acres, being part of plot 3, all of plot 4 and the south part of plot 5. Agreement had now been confirmed for a final price of £860,000 for the sale of this area of land, along with a £172,000 payment to HIE for topsoil disposal on Campus land, which would be treated as revenue income.

In addition, NHS Highland was now seeking to buy the remaining 0.86 acre north part of plot 5 for potential car parking, at a price of £103,063. HIE's valuers were content that this offer represented market value and reflected relatively poorer ground conditions at this location compared with other plots on the Campus.

In the context of the valuation of the sites, the Director of Communities and Place noted that the figure under "assets for sale" in HIE's Accounts was based on the historic average of £300k per acre for campus sales generally, whilst the actual sale prices reflected the specific circumstances for each site.

In discussion, the Director informed the Board that a third-party interest in acquiring part of the Campus landholding for housing had failed to progress, and that COVID had effectively paused plans to sell land to a hotel developer. It was planned to reopen dialogue with this developer, retaining the option to return to the market if there were significant uncertainties.

The Board approved the sale of part of plot 3 and the whole of plots 4 and 5 to NHS Highland, on the terms recommended and described above.

Ruaraidh MacNeil left the meeting.

Alistair Dodds rejoined the meeting and resumed the chair.

4.1 Digital infrastructure – HIE’s future role

Stuart Robertson joined the meeting.

The Director of Digital Highlands and Islands updated the Board on activities and issues relating to digital infrastructure at regional, Scottish and UK levels.

It was noted that high quality digital connectivity is an essential service, as had been demonstrated clearly during the pandemic. While significant improvements had been made in superfast broadband and 4G mobile coverage, many communities continued to be affected by poor service. The Scottish Government’s Reaching 100% Programme and Scottish 4G Infill project would go some way to close the gap. However, the UK ambition had moved to gigabit broadband and 5G and, once again, the Highlands and Islands would need significant public intervention to match progress with the rest of the country.

The Director recommended that HIE should remain active in the pursuit of improved digital infrastructure for the region, working in partnership with local authorities and the Scottish and UK Governments. In addition to providing staff support for the R100 programme, the agency’s lead role in researching and developing strategy in making the case for public intervention to bring effective and affordable modern broadband and mobile services to all parts of the region should be maintained.

Specifically, it was proposed that HIE take the following steps:

- Finalise arrangements with the Scottish Government for the current HIE Digital team to support and influence the deployment of the R100 North contract and voucher scheme;
- Allocate staffing resource to coordinate other digital connectivity activity and develop HIE’s future digital connectivity strategy;
- Form a Digital Infrastructure steering group, initially with colleagues from across the organisation, to ensure that our strategy reflects the ambitions of HIE and our local partners;
- Commission expertise to assist with drafting a regional digital connectivity plan, setting out a route to gigabit broadband and 5G mobile;
- Explore how HIE can best support the Scottish Government’s digital infrastructure ambitions, with an initial focus on the refresh of national digital strategy.

The Board discussed these proposals in depth, noting the need for ambition and advocacy from HIE to progress digital connectivity as an equality issue for the whole region. One challenging issue would be raising awareness of voucher schemes that may not present the optimal long-term solution for some communities. This would require careful messaging from HIE and partners, including government.

The Board endorsed the recommendations in the paper and approved the proposed actions. The Chair thanked the Director for his strategic input and genuine leadership in this highly challenging and vital area over several years.

Stuart Robertson left the meeting.

4.2 Digital grants

Calum Ross and Freda Newton left the meeting.

The Director of Strategic Projects provided an update on progress with HIE's Digital Enablement Grant scheme, which had been introduced in a successful pilot in August 2020 as part of the agency's response to the COVID-19 pandemic. Set up to help Highlands and Islands business introduce digital technologies to remain competitive, retain staff and continue to grow, the scheme generated high demand, especially in the tourism, food and drink, and creative industries sectors. A total of 189 projects had been approved for support across the region, at a total value of £2,303,779 in grant funding.

The Board welcomed the update, noting that the significant level of demand from businesses in the region showed that the scheme had addressed a genuine need. Further support would be required to enable businesses to fully realise the benefits of this investment, including reaching new customers and improving productivity.

Amanda Bryan, Calum Ross and Freda Newton rejoined the meeting.

4.3 Climate change action plan

Zoe Laird joined the meeting.

The Regional Head of Communities Infrastructure outlined steps that HIE is taking at its own hand to reduce carbon emissions from its own operations, including procurement, facilities management and investment in strategic property and infrastructure. The agency had established a net zero transition group and was focused on actions to raise awareness and embed net zero thinking across the range of HIE operations, both internally and externally. Staff training was under way and net zero would be incorporated into HIE's measurement framework.

The Board welcomed the update and the opportunity for regular oversight of HIE's approach to net zero transition. It was agreed that reviewing HIE's performance report to agree measures and track progress would help to keep the Board informed. Amanda Bryan offered to provide input to help staff develop HIE's approach, and this was accepted.

It was noted that, while the current paper focused on actions for HIE as an organisation in its own right, there was further work to follow that would explore opportunities for wider impact arising from HIE's role as a development agency. This would feature in a further paper, to be presented at a future Board meeting. The Board welcomed this assurance, noting that addressing climate change, like fair work, was a 'golden thread' running through the whole of HIE's operations. The importance of working with partner organisations to find common and complementary approaches was also stressed.

It was agreed that the Board should be kept updated at least annually on corporate performance and that HIE's consideration of its wider role in the region should include a review of the potential impact of conditionality. In addition to working with partner organisations, best practice and advice from those with specific expertise should be explored.

The Board thanked the Regional Head of Communities Infrastructure for her report.

Zoe Laird left the meeting.

Amanda Bryan left the meeting.

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

4.5 Freeports

Audrey Maclver joined the meeting.

The Director of Energy and Low Carbon updated the Board on proposals for Freeports in the UK, the current position being adopted by the Scottish Government, interest from sites in the Highlands and Islands, and the proposed HIE response.

The UK Government (UKG) had cited the creation of freeports as something made possible by the UK's exit from the European Union. Areas given Freeport status will benefit from a package of tax reliefs, simplified customs procedures, streamlined planning processes to boost redevelopment, and government support to promote regeneration and innovation. The Scottish Government had consulted industry and now believed that a Freeport intervention could be shaped and aligned with the Scottish economy and broader policy context, particularly to support plans for green recovery.

HIE believed SG greenport status could offer additional strategic advantage in securing significant investment in the supply chain to create more green jobs across the renewable sector and the wider regional economy. SG planned to launch a call for bids in March 2021 and HIE could be required to assist with assessment. HIE would therefore continue to provide interested bid parties with advice, support and signposting, but would not be able to financially support bid development or submissions.

The Board noted the update and endorsed the approach being taken by HIE. Further updates will be delivered as the process develops.

Audrey Maclver left the meeting.

4.6 Brexit

The Director of Strategy and Regional Economy set out current understanding of implications for HIE and the region arising from the UK-EU trade deal, reached at the end of 2020. This focused on three themes: non-tariff barriers; the Shared Prosperity Fund, and the new state subsidy regime. It was noted that Brexit would also form a substantive item at the next meeting of the Risk and Assurance Committee.

In discussion, the Director of Business Improvement and Internal Audit explained that, with regard to state subsidy, HIE was interested in exploring any potential opportunities to improve on past practice and not merely to mirror the previous regime. The Board stressed the value of maintaining a regional approach to attracting Shared Prosperity Funding, similar to that which had successfully gained EU investment over many years. Board members also expressed significant concern at the impact of Brexit on freedom of movement not only of people, but goods and services, and asked for this aspect to be explored and covered in a future update.

4.7 Space programme

Rachel Hunter and David Oxley left the meeting.

The Director of Strategy and Regional Economy described the significant economic opportunity that the global space market, particularly the growing use of small, commercial satellites, presents for the Highlands and Islands, Scotland and the UK. It was noted that an update will also be put forward to the next meeting of the Risk and Assurance Committee.

In summary, it was clear that the scale of investment required to optimise Scotland's role in what is rapidly becoming a highly competitive international market would be beyond HIE's resources as a regional development agency and require leadership from the Scottish Government. New research carried out for HIE by RSM UK and sector specialists SpaceTec would quantify the size of the opportunity and be presented to the Spaceport Alliance shortly.

The Board noted the report.

4.7.1 Space Hub Sutherland

David Oxley rejoined the meeting.

David Howie joined the meeting.

The Director of Strategic Projects presented a paper providing a strategic review of the Space Hub Sutherland Project, which had been requested during discussion at the last Board meeting in December 2020.

The project had made good progress in many areas, including confirmation of planning consent from the Highland Council in August 2020. *[Sentences removed in the interests of the effective conduct of public affairs.]* In addition, given the rise in COVID levels in December and subsequent mainland lockdown, HIE had decided it would be wise to postpone ground investigation works that had been planned to start early in 2021 until later in the year.

There was an increasing awareness of the opportunity for launch to boost the space sector, and the key role that spaceports have to deliver this with Scottish Government. For North Sutherland, the potential economic opportunity was very significant. However, three related items were key to delivery:

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

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

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

In light of the research commissioned by HIE indicating that there was potential in the market to support more than one launch site in the Highlands and Islands, Board members noted the impact of this work on the potential for multiple sites to be viable.

The Chair thanked the Director and the Project Lead for a very helpful overview.

David Howie left the meeting.

4.8 Cairngorm

Rachel Hunter rejoined the meeting.

Elaine Hanton and Dave MacLeod joined the meeting.

The Project Lead, Cairngorm and the Head of Property and Infrastructure presented an update on a range of Cairngorm-related activities. These included: funicular reinstatement works (presently paused for winter); development of the Cairngorm masterplan; operational matters concerning Cairngorm Mountain (Scotland) Ltd; financial matters; stakeholder engagement and communications, and legacy legal cases.

The Health and Safety Executive had contacted HIE after concerns were raised by a member of the public regarding funicular access and the condition of a walkway. Initial discussions had been positive and would be followed with a site meeting, when permissible.

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

Cairngorm Mountain had closed, in line with Scottish Government COVID guidance, on 24 December and most staff were currently furloughed. New appointments were planned to strengthen the company, including a post of marketing manager.

[Sentences removed in the interests of the effective conduct of public affairs.] Options were being considered to address the current post of interim chief executive and would be discussed at a meeting of the Remuneration Committee. Other items discussed included the potential for CMSL to seek funding from the rural infrastructure fund or other sources to help deal with a significant rise in the numbers of campervans visiting the area and using facilities. The Chair also stressed the importance of HIE ensuring that it continued to show fairness towards other ski resorts in the region.

The update was welcomed.

Elaine Hanton and Dave MacLeod left the meeting.

4.9 HIE Operating Plan – A plan for jobs and communities

Lorna Gregson-MacLeod joined the meeting.

The Head of Planning and Partnerships confirmed that progress was being made towards presenting a new operating plan to the Board at its next scheduled meeting, on 27 April 2021. This follows an initial working draft that was presented in December 2020 and will feature greater clarity on specific actions and outcomes to meet HIE's objectives in 2021-22. The aim is to deliver an operating plan that is shorter, more action-focused and presents clear linkages between the actions, their expected outcomes, and the objectives to which they contribute.

A broad guidance letter is expected from the Cabinet Secretary in late March, focusing on the need to support resilience and recovery and deliver Programme for Government commitments, with more detailed guidance to follow later in the year.

Board members offered to provide input into further planning before the operating plan is presented to the full Board in April. The Chair, Angus Campbell, Amanda Bryan and Calum Ross confirmed their willingness to be involved at the meeting and others were invited to contact appropriate HIE staff directly.

Lorna Gregson-MacLeod left the meeting.

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

5.1 **AOB**

Minute from 15 December – authorised signatories

The minute was approved.

5.2 **Schedule of Board area visits 2021 (virtual events)**

17 March – Lochaber, Skye and Wester Ross, Ailsa Gray and Donald MacRae to attend.

The Chair will send out a note with suggested attendees for future events to confirm availability.

5.3 **Forthcoming meeting dates:**

- Risk and Assurance Committee – 02 March 2021
- HIE Board meeting – 27 April 2021