

BOARD MEETING
COINNEAMH BÙIRD

**MINUTE OF THE HIE BOARD MEETING HELD ON TUESDAY 30 JUNE 2020
BY TELECONFERENCE**

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

IN ATTENDANCE:

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
Karen Moncrieff	Director of Human Resources
Sandra Dunbar	Director of Business Improvement and Internal Audit
Rachel Hunter	Director of Service Delivery
Marion McCormack	Head of Enterprise Sponsorship, Scottish Government
Adrian Kitson	Head of Executive Support
Chris Roberts	Head of Corporate and Media Relations
Anna Miller	Head of Tourism, item 2.2
Nicola Ewing	Regional Head of SC Client Engagement and Development, item 2.4
Lorna Gregson-MacLeod	Head of Planning and Partnerships, item 3.2
Ruaraidh MacNeil	Project Director Inverness Campus, item 4.1
Greg Youngson	Property Development Manager, item 4.1
Elaine Hanton	Interim Project Lead – Cairngorm, item 5.1
Dave MacLeod	Head of Property and Infrastructure, item 5.1
David Howie	Project Lead, Space Hub Sutherland, item 5.3
Tim Hurst	Wave Energy Scotland Managing Director, item 5.4

1.1 Welcome and apologies

The Chair welcomed everyone, including the Chief Executive, who was attending her first Board meeting following her return to full-time duties in June. Apologies were received from Mary McAllan, Director of Economic Development, Scottish Government. Marion McCormack, Head of Enterprise Sponsorship, Scottish Government attended on Mary's behalf.

1.2 Declarations of interest

Rachel Hunter declared a conflict of interest in connection with Space Hub Sutherland, and would leave the meeting when this item was discussed.

It was noted that Paddy Crerar, Calum Ross and Freda Newton had interests concerning COVID funds, but would be able to take part in general discussion.

Amanda Bryan noted an interest as Chair of Crown Estate Scotland in the ScotWind bidding round, mentioned in the Chair and Chief Executive's update paper, and would leave the meeting if this matter were discussed.

With reference to Space Hub Sutherland, Angus Campbell noted his role as a board member of Scottish Natural Heritage. This was considered not to present a conflict of interest.

1.3 Minute of Board meeting held on 28 April 2020

The minute was approved.

1.4 Matters arising from the minutes

With reference to item 1.5, *Chair and Chief Executive Update*, the Director of Communities and Place clarified that a new capital fund for community-owned electricity networks applied to all seven such networks in Scotland, and that the total value of the fund was now £2m. All other matters arising from the minutes were covered in the meeting agenda.

1.5 Chair and Chief Executive update – June 2020

The Chief Executive expressed her gratitude to all members of the HIE Board and Leadership Team for their support over the past year, when she had been away from work on a period of extended leave. Special thanks were due to Carroll Buxton, who had performed excellently as Interim Chief Executive.

There was continuing uncertainty over South Korean company CS Wind's future plans for wind tower manufacturing at Machrihanish, Argyll, in premises leased from HIE. An appeal against an interim interdict that HIE had obtained to prevent the company removing plant and equipment from the site was due to be heard on 4 July. *[Sentence removed in the interests of the effective conduct of public affairs.]*

The Interim Director of Strategy and Regional Economy reported that all remaining customers of HIE's Connected Communities broadband network in the Outer Hebrides had been contacted to discuss their future options when the service is decommissioned. There are now fewer than 100 ConCom customers, and 4G is expected to be the optimal solution. The network had been established by HIE to fill a gap in provision at a time when alternative broadband options did not exist in the islands, and was no longer viable.

[Paragraph removed owing to commercial sensitivity.]

HIE's annual creative industries showcase, XpoNorth, had been delivered virtually this year because of COVID-19 restrictions. Its international lineup of leading industry professionals had attracted thousands of participants.

Capgemini's achievement in winning a major contract from the UK Ministry of Defence would result in around 250 jobs being created in the Inner Moray Firth area, and was very welcome news.

All HIE staff were continuing to work from home and work was under way to explore future ways of working effectively once office premises can safely be used again. Benefits from working remotely with digital technology had been identified. In addition to reducing the financial cost and environmental impact of travel, these included the ability to increase levels of cross-team working within the organisation and to support external collaboration with partners.

The Chair reported that, since his appointment in May, he had spent time meeting key individuals, including Benny Higgins, chair of the independent Advisory Group on Economic Recovery; fellow members of the Enterprise and Skills Strategic Board, and the HIE Board and Leadership Team. A full list of engagements was attached to the Chair and Chief Executive update, and suggestions made at these meetings would be brought back to a future Board meeting. A virtual meeting with HIE staff, conducted jointly with the Chief Executive, had been positively received.

Monthly meetings were now scheduled between the Chair and the Cabinet Secretary for Rural Economy and Tourism. While responding to COVID-19 impacts was the most urgent issue, these meetings were designed to look beyond the present situation and identify opportunities to strengthen economic and community resilience and accelerate recovery across the region.

The Board noted a series of appointments that the Chair had made, in line with HIE Board standing orders. Donald MacRae succeeds Alistair Dodds as Chair of HIE's Risk and Assurance Committee, and Calum Ross has been appointed as a committee member. Paddy Crerar is the new Chair of the HIE Remuneration Committee. Amanda Bryan is now the HIE Board representative on the Court of the University of the Highlands and Islands.

The Director of Business Improvement and Internal Audit updated the Board on a court case that had been brought against HIE in respect of funding awarded to Global Energy Group. Following an appeal hearing, the decision of the Inner House of the Court of Session had been issued this morning, 30 June 2020. The decision was in HIE's favour and the appeal was refused. The decision also recorded that the reclaiming motion was refused and that the judges saw no need to refer the case to the Court of Justice of the European Union for guidance. HIE would now pursue recovery of costs.. *[Sentence removed in the interests of the effective conduct of public affairs.]* The Director also confirmed that HIE had sent a note of the decision to the Scottish Government.

The Board welcomed news that SSE Renewables' decision to invest £580m in Viking Wind Farm in Shetland was expected to result in Ofgem approving plans for the Shetland interconnector. Members noted that other islands could also benefit hugely from interconnector investment and the Director of Business Growth confirmed that HIE was continuing to make a positive case for these areas.

In response to a question on the Scottish Land Fund, the Director of Communities and Place noted that HIE's role is that of delivery partner. Although demand was extremely high, there was currently no indication that the Scottish Government was looking to increase the size of the fund.

2 COVID-19

2.1 Strategic and operational planning – restart and recovery phase

The Interim Director of Strategy and Regional Development presented a draft set of priorities and objectives for HIE relating to the planned Restart and Recovery phases of the national response to the economic impact of the COVID-19 pandemic. The paper drew on the work of the national Advisory Group on Economic Recovery chaired by Benny Higgins, as well as Scottish Government guidance on restart and recovery, and the outcomes of an internal HIE strategy and prioritisation exercise.

As at present, HIE would continue to collaborate with other economic and skills agencies and the Scottish Government to address COVID-19 challenges across the country as urgently and effectively as possible. Other specific actions identified in the paper were to:

- reprioritise HIE capital and revenue budgets;
- accelerate HIE's capital programme;
- deliver a COVID-19 marketing and communications plan;
- review the cohort of business and community groups working with HIE;
- enhance HIE's digital offering;
- refresh sectoral and thematic priorities;
- maintain focus on digital connectivity; promote the Highlands and Islands, and
- work with partners to bring forward projects within regional growth deals.

In addition, HIE would work with partners in the Convention of the Highlands and Islands to develop a series of eight related transformation opportunities that had been identified as priorities for local authorities, reflecting the strength of the region's natural and human capital. This would be a focus of current and upcoming dialogue between the Chair and Chief Executive of HIE and the political leaders and senior officers of local authorities.

The Deputy Chief Executive noted that work was under way to optimise HIE's organisational structure to align with present needs and opportunities. In addition to delivering the actions listed above, this would ensure that areas of increased focus, including net zero, fair work and inclusive growth, were properly resourced. Lockdown had provided opportunities to break down organisational silos and enhance flexible and cross-team working across HIE, while the agency's role in helping deliver funds to support businesses and communities affected by the pandemic had also provided valuable insights.

The Board endorsed the direction of travel set out in the paper, and discussed several issues that arose. Members emphasised that recovery would require collective effort, with HIE continuing to work in partnership with other organisations in the public, private and third sectors. It was also vital to maintain the agency's focus on remote and fragile parts of the region. Housing would play a role in recovery, including supporting efforts to retain and attract young people, and it was important to continue to identify and pursue actions to address climate change.

The severity of the COVID-19 impact on businesses meant that many were now focused on survival, not growth, and Brexit would present further challenges. Brave decision making would be required, with input from all HIE staff and Board members to transition swiftly from dealing with the urgent challenges of the present and target limited resources on the right priorities to optimise opportunities for future success.

It was agreed that the Advisory Group on Economic Recovery had put forward many good ideas, with further work now required by the Scottish Government and agencies to determine priorities. A new Programme for Government was expected in the autumn, closely followed by updated strategic guidance from the Scottish Government.

The Board endorsed the direction of travel outlined in the paper and noted that a draft operating plan and property and infrastructure strategy were being prepared for the August Board meeting. Members were invited to submit any further comments to the Interim Director of Strategy and Regional Economy by the end of July.

2.2 Tourism sector update

Anna Miller joined the meeting.

The Head of Tourism delivered a verbal update on issues affecting the sector, a key part of the regional economy which had been particularly badly hit by the impacts of COVID-19. Although over £8m worth of funding support had been distributed, many businesses were struggling and facing hard choices about whether reopening would be viable with social distancing measures in place. Plans were being developed for a phased reopening, with self-catering and outdoor hospitality businesses able to resume trading in early July and the sector as a whole from mid-month, providing public health guidance continued to support this. Public transport was another key issue, including ferries, which were currently operating at just 18% capacity.

Engagement with communities would play a vital role in supporting recovery for the sector and it was important for the industry to provide assurance that public health would not be compromised by reopening. VisitScotland was leading on consumer messaging.

The Scottish Tourism Recovery Taskforce was being chaired by the Cabinet Secretary for Rural Economy and Tourism. Highlands and Islands representatives included HIE Board members Freda Newton and Calum Ross. The taskforce was aligning its work with that of the Advisory Group on Economic Recovery and focusing on actions to stimulate consumer demand, support sectoral recovery, and attract private and public investment to build resilience. The Head of Tourism was also participating in a national Tourism Emergency Response Group that was currently meeting weekly.

Board members involved in the sector endorsed the update as an accurate and comprehensive summary. The question of whether social distancing should be implemented at one or two metres was critical. Quarantine was another area of great concern in the industry, as was the possibility of border closure. VisitScotland had a vital role to play in demand generation, but the cost of reopening would be too high for some businesses, particularly given the need for protective screens, signage and personal protective equipment. The scale of the impact was currently being masked by the furlough scheme and future job losses would be inevitable.

Concerns were also expressed that the loss of trade from cruise ships would be highly damaging for some of the region's more remote communities. The Head of Tourism informed the Board that HIE had been invited to join a new Cruise Tourism Recovery Working Group, also chaired by the Cabinet Secretary for Rural Economy and Tourism.

The Chief Executive offered to arrange a call for further discussion with the Board members directly involved in the industry, to help define priorities and shape HIE's response. It was agreed that bank support would be essential for many businesses, and that HIE should also be active in helping to inform government decision making, both at Holyrood and Westminster.

2.3 Report on COVID-19 business funds

The Deputy Chief Executive reported on the current position regarding two Scottish Government hardship funds for businesses severely affected by COVID-19: the Creative, Tourism and Hospitality Enterprises Hardship Fund (the Hardship Fund) and the Pivotal Enterprises Resilience Fund (PERF). Scottish Enterprise had been appointed lead agency responsible for management and disbursement of these funds on behalf of Scotland's enterprise agencies and had engaged a third-party contractor, Umi, to appraise applications to the Hardship fund and PERF applications for less than £25k.

HIE led on strategic decision making relating to the Highlands and Islands, including assessing applicants' local, regional and national importance, as well as appraising PERF applications from the region. Staff in teams across the region had also taken a hands-on approach to support and guide applicants, many of whom reported difficulties and expressed frustration with the online application process. Both funds were now closed to new applications and HIE was undertaking a review process, including managing appeals from PERF applicants who had initially been unsuccessful.

The Hardship Fund had attracted 858 applications from the region with a total value of £13,463,919 – 363 of which had originally been approved, with a value of £3,199,310. PERF had attracted 983 applications (£73,334,466) and 345 had been approved (£17,952,036). HIE had established an appeals committee which had to date considered 184 appeals. Eight appeals had been upheld, resulting in new or increased awards totalling £549,436. The final date for accepting appeals would be 3 July 2020.

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

The Board welcomed the very significant levels of funding that had been distributed to Highlands and Islands businesses affected by the pandemic and expressed their gratitude to HIE staff who had put in a huge effort to deal urgently with an exceptionally high volume of applications. It was also acknowledged that the Scottish Government and other agencies had acted swiftly to meet the challenge of creating these new funds and establishing systems and processes to manage them at a time of international emergency.

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

2.4 Community Fund update

Nicola Ewing joined the meeting.

The Regional Head of SC Client Engagement and Development updated the Board on the delivery of the Scottish Government Supporting Communities Fund (SCF), which HIE was administering to support communities across the region that had been affected by COVID-19. The report also outlined other activities being delivered by HIE and partners to support communities and the third sector in response to the pandemic.

Delivered through community anchor organisations, the SCF programme for the Highlands and Islands had been approved by the HIE Board on 7 April 2020. It had an initial value of £3m, subsequently raised to £4m and with the potential to reach £5m if required. SCF was being used to support a range of actions including staff and volunteer coordination; emergency food supplies, travel costs, personal protective equipment and other emergency expenditure. A total of 148 projects had been approved across the region since April, with a total value of £3.2m, more than two-thirds of which (£2.2m) had already been paid out.

HIE was working with other bodies, including local authorities, to ensure different forms of support were being effectively coordinated, and sharing intelligence gathered from communities with the Scottish Government. Administering the fund had created new contacts with some community organisations that HIE had not previously been working with, and it was recognised that this opened up possibilities for future engagement as the focus of this work moves on to supporting resilience. There were plans to review the programme's performance, with feedback from communities that had and had not been supported, and to learn lessons.

The Board welcomed the report, noting that the programme had been delivered very effectively in all parts of the region, and thanked the team for their hard work.

Nicola Ewing left the meeting.

2.5 COVID-19 Risk Register

The Board noted a high-level summary of HIE's COVID-19 risk themes, drawn from a dedicated risk register created to support understanding and adjustments required in relation to COVID-19 issues. The COVID-19 register complements HIE's full Corporate Risk Register and will in future focus on restart and recovery. It considered both the impact of the pandemic on the region's economy and on HIE itself. Key risk themes included disproportionate impact to rural areas, client-focused challenges and intelligence; access to markets, and HIE's internal prioritisation of resources, including supporting staff to adapt to new ways of working.

3 RESOURCES AND GOVERNANCE GOIREASAN IS RIAGHLACHAS

3.1 Financial statement

The Director of Finance and Corporate Services presented a statement, summarising the financial position for the first two months of 2020-21.

Capital spend of £1.55m was 12% behind straight line, while revenue spend was 3.2% behind. COVID-19 was affecting performance in several ways, including causing business units to focus more on dealing urgently with PERF applications and less on HIE's own discretionary commitments. It was anticipated that demand for HIE revenue support was likely to rise following the scheduled closure of some government funding schemes to support businesses affected by COVID-19. The Finance team was working through different scenarios and information from teams to forecast future expenditure and inform effective budget planning

There was good news regarding HIE's backdated VAT liability from April 2014 to March 2020. Negotiations with HMRC were now concluded in sufficient time to be put through the 2019-20 HIE annual accounts. The liability would be £2.7m, plus interest that was yet to be finalised but expected to be within available resources. Methodology for future VAT calculation would need to be discussed with HMRC.

HIE's preparation of the 2020-21 annual report and accounts had been running closely to schedule, in spite of COVID-19 impacts, with the consolidation pack submitted to Audit Scotland on deadline (12 June), and the annual report half a day later than planned, on 22 June. However, the challenges of lockdown working now mean that Audit Scotland will be unable to complete their audit until mid-September, and not early August as originally timetabled. It is therefore expected that the accounts will not be laid in the Scottish Parliament and made public until the end of September, which is after HIE is due to appear at a budget session of the parliament's Economy, Energy and Fair Work Committee.

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

Issues discussed by the Board included the potential for slippage in the capital budget. HIE was aware of this, and the Director reported that both capital and revenue risks would be revisited following budget reviews in the first and second quarter of the year. A revised capital programme was being prepared that would seek to use potential slippage, although new guidance could mean that Scottish Government consent would be required before HIE could repurpose capital or revenue spend over £1m. It was noted that levels of commitment for both budgets were lower than usual at this point in the year, largely as an impact of the need to focus on HIE's role in delivering COVID-19 funds. The pandemic was also affecting the work of Wave Energy Scotland, and there was a risk of both capital and revenue slippage here too. – *[Paragraph removed in the interests of the effective conduct of public affairs.]*

The Board also noted that work was ongoing to gather evidence in respect of expenditure of EU funding under HIE's creative industries programme, and urged staff to maintain focus on this issue.

3.2 Performance update

The Head of Planning and Partnerships presented a summary of HIE's performance in 2019-20, which showed that the out-turns achieved against eight out of 12 primary output measures were either within or over the target range. HIE's activities and investments were expected to deliver 646.75 FTE jobs created or retained across the region, with an average wage of £28,058. This included 80.5 FTEs in fragile areas, with an average salary of £22,085.

HIE's performance reflected wider economic conditions, such as uncertainty caused by Brexit. COVID-19 had also had an impact towards the end of the year, including affecting data capture. Out-turns that fell below target range were: increase in international sales (£33.1m achieved against a target range of £35-45m); number of new international exporters (13 / 25-30); number of clients newly engaged in fair work practices (21 / 35-40), and number of community organisations with increased capacity (17 / 20-25).

Looking ahead, it was anticipated that demand for HIE resources would increase to support economic recovery and maximise opportunities. With revenue budgets under particular pressure, it would be critical for HIE to seek to optimise external funding. Additional activity measures would be introduced to capture resilience, restart and recovery from COVID-19 impacts, and to support the transition to a net-zero carbon economy. A new inclusive growth model was being developed, as was a property and infrastructure plan.

The Board welcomed the update, but asked for future reports to avoid unnecessary jargon and use more plain language to aid understanding and decision-making.

3.3 Corporate Risk Register

The Board welcomed the latest HIE Corporate Risk Register, noting that improvements made to the layout had made the document more accessible. The register categorised risk according to themes, including: economic resilience and recovery; major projects; financial and budgetary risks; organisational strategy and delivery, information and systems, and client-related challenges. Risk appetite statements had also been updated and would help inform activity and decision making.

3.4 Risk and Assurance Committee minute – 02 June 2020

Donald MacRae, as Chair of the Risk and Assurance Committee, presented the draft minute of the most recent meeting. Matters that were highlighted included Audit Scotland's section 23 report, *Highlands and Islands Enterprise: Management of Cairngorm Mountain and Funicular Railway*. This had concluded that hard decisions lay ahead for HIE regarding Cairngorm Mountain, underlining the need for rigorous work to prepare and scrutinise the business case that would be presented to the Board later in the year.

Work was progressing to compile evidence of ERDF investment in HIE's Creative Industries Network and Conference Programme 2014-2017. *[Sentence removed in the interests of the effective conduct of public affairs.]*

Following discussion, it was agreed that the Committee Chair and the Head of Business Improvement and Internal Audit would review the committee's terms of reference, including giving consideration as to whether a specific reference to health and safety should be added.

3.5 Risk and Assurance Committee annual report

The Board welcomed the 2019-20 annual report of the HIE Risk and Assurance Committee. The Scottish Government Audit and Assurance Committee Handbook states that an annual report should be provided as part of the committee's approach to communication and reporting.

3.6 Cairngorm Mountain Scotland Ltd: extension to board appointments - homologation

The Board homologated a decision to extend the appointments of Board members of HIE subsidiary Cairngorm Mountain (Scotland) Ltd for a further year, to the end of June 2021, noting that this would provide consistency during a time of considerable challenge for the business.

4 INVESTMENT DECISIONS CO-DHÙNAIDHEAN AIRGEAD-TASGAIDH

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

Greg Youngson joined the meeting.

HIE's Property Manager presented a paper recommending the sale of 3.44 acres net developable land (4.27 acres gross) at Inverness Campus to NHS Highland. The land, comprising plot 4 and parts of plots 3 and 5, would be used to develop a £30m elective care centre for orthopaedics and ophthalmology, with capacity to treat 1,800 in-patients and 45,000 out-patients annually. It was also proposed to grant an option to NHS Highland over the remainder of plot 3 for two years.

This development would complement plans by HIE and the University of the Highlands and Islands for a Life Sciences Innovation Centre, and was strongly aligned with the campus development strategy. The proposed design was consistent with the high quality expected at Inverness Campus and use would be restricted by a section 32 agreement.

Ruaraidh MacNeil joined the meeting.

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

Ruaraidh MacNeil and Greg Youngson left the meeting.

5 UPDATES CUNNTASAN AS ÙR

5.1 Cairngorm Update

Elaine Hanton and Dave MacLeod joined the meeting.

The Interim Project Lead – Cairngorm and the Head of Property and Infrastructure presented an update on progress with various inter-related workstreams at Cairngorm Mountain. As reported to the Board on 28 April, the full business case that will examine a range of options for investment at Cairngorm, including a solution for the funicular railway, had been delayed due to COVID-19. Good progress had been made and the full business case was now due to be presented at a special meeting of the HIE Board, to be held on 29 July 2020. A further meeting of the Cairngorm Sub-group will take place in advance of the full Board, on 17 July.

Operating company Cairngorm Mountain (Scotland) Ltd (CMSL), a subsidiary of HIE, was planning to reopen the resort on a phased basis from 15 July, in line with national guidance. Up to 18 staff, of a total 26, would be brought out of furlough between 6 July and 3 August. Elements that would remain closed included the Cas bar, tubing slides and base station. The Scottish Manufacturing Advisory Service (SMAS) was providing advice to CMSL.

The Board homologated a decision by the Chair and Chief Executive of HIE to extend the appointments of external members of the CMSL Board (subject to their agreement) to 30 June 2021. This matter had previously been discussed at the Risk and Assurance Committee and Cairngorm Sub-group.

A meeting of the Cairngorms National Park Authority (CNPA) Planning Committee on 22 May had approved HIE's planning application to carry out strengthening works on the funicular infrastructure, and HIE staff were now working with CNPA to ensure conditions attached to the approval will be delivered in full. Stage 1b approval of the safety case for these works had also been confirmed by the Department of Transport. A construction programme for the funicular was being developed with external project managers Perfect Circle, indicating a return to service during winter 2021-22.

Audit Scotland had published its Section 23 Report, *Highlands and Islands Enterprise: management of Cairngorm mountain and funicular railway*, on 18 June, and the Scottish Government had published its own review on the same day. Both reviews concluded that HIE had acted appropriately in procuring the previous operator at Cairngorm. Key findings and actions being taken by HIE in response were summarised in the update paper. A Scottish Government gateway review of HIE's Cairngorm programme had been conducted in June and its findings would follow in due course.

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

HIE is now releasing revenue funding to CMSL on a quarterly basis. Planned funding for the second quarter – July-September 2020 – needs to be revised now that summer reopening has been agreed. CMSL's accountants are preparing new cashflow projections which will be considered by the HIE Leadership Team.

Engagement is being planned to update stakeholders, including the Funicular Response Group, Scottish Government, statutory bodies, the Cabinet Secretary for Rural Economy and Tourism, MSPs and the local MP. Public engagement on the second phase of masterplanning development is being lined up for July.

In response to a question on the Audit Scotland review, the Director of Business Improvement and Internal Audit confirmed that HIE's procurement process had followed best practice and was fully compliant with guidelines, including the provision to allow moderation.

The Chair noted that the special Board meeting on 29 July would require adequate time to consider the full business case in detail, and also urged staff to be mindful of the risk of optimism bias when considering a timeline to bring the funicular back into service. It was also recommended that the team should seek a 'critical friend' to review the business case informally and provide feedback before it is submitted to the HIE Board. The team accepted this suggestion.

Elaine Hanton and Dave MacLeod left the meeting.

5.2 Space programme update

As the meeting was over-running, Amanda Bryan had to leave at 1510, with apologies.

The Interim Director of Strategy and Regional Economy provided an update on space-related activities in the Highlands and Islands.

At the suggestion of the Scottish Government, the Scottish Space Industry Leadership Group (SSILG) had formed a working group to support cooperation among spaceport developers in Scotland. SSILG had developed a concordat that HIE, as developer of Space Hub Sutherland, has been invited to sign, along with all other Scottish spaceports.

HIE staff continue to work closely with the UK Space Agency. Opportunities are currently being explored to hold more regular senior meetings with UKSA and to access recent market assessments. There is also regular liaison with the Scottish Government, particularly through the Scottish Government Space Group and with the Industrial Sectors team which is currently reviewing Scottish spaceports and their intended customers.

In advance of forthcoming Board consideration, HIE is currently seeking confirmation that Space Hub Sutherland continues to be considered a national strategic project, aligned with the infrastructure plans of both the Scottish and UK Governments. HIE policy on space is being reviewed in light of these discussions. Any changes that may be considered necessary will be brought back to the Board.

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

It was noted that, as part of its due diligence for Space Hub Sutherland, HIE staff were likely to consider aspects that could benefit other space-related activity across the region. Information would be shared with area teams to draw out the views of other spaceports and space-related organisations in the region.

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

At 1528, Robert McIntosh had to leave the meeting.

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

At 1540, Martin Johnson had to leave the meeting.

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

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

At 1600, Carroll Buxton, Marion McCormack and Freda Newton had to leave the meeting.

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

Rachel Hunter rejoined the meeting

5.2 Wave Energy Scotland update

Tim Hurst joined the meeting.

The Managing Director of Wave Energy Scotland (WES) presented the latest update, noting that, although progress was being hampered by the COVID-19 pandemic, WES was continuing to manage its overall programme successfully. Having now worked with over 200 organisations and invested almost £40m in 88 innovation projects, the HIE subsidiary had secured its place as the world's largest wave technology innovation programme.

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

Since February 2020, WES had progressed its innovation programme, with 15 projects currently active at different stages. These included two wave energy converters that had been expected to be deployed for real sea testing in Orkney in the summer. Fabrication delays owing to COVID-19 meant there was some slippage, however. Projects in the materials programme and power take-off programme were similarly affected, and there was uncertainty over two advanced control systems projects that required access to wave tanks at the University of Edinburgh that were currently closed.

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

The Board welcomed the update and agreed that the Chair would send a letter of appreciation to the WES team. The company had devised and implemented an innovative model that had proven highly successful, with the potential to be applied in other creative innovation calls. It would be important to make a strong case for continuing support from the Scottish Government to sustain momentum for Scotland's wave sector and retain expertise within the company. WES had an important role to play in delivering Scotland's net-zero carbon ambitions, and it was agreed that HIE would press the case for its inclusion in the forthcoming Programme for Government.

Tim Hurst left the meeting.

6 ITEMS FOR INFORMATION **CUSPAIREAN AIRSON FIOSRACHADH**

6.1 COVID-19 ferry services – capacity reductions

The report was noted. The Board expressed a desire for access to ports to be available to a range of operators during COVID-19 restrictions, and welcomed assurance from the Chief Executive that this point had been made in HIE's response to Transport Scotland.

6.2 COVID-19 HIE client insights June 2020

This paper was noted.

6.3 COVID-19 economic impact on the Highlands and Islands

This paper was noted.

6.4 COVID-19 economic recovery – Advisory Group report

This paper was noted.

6.5 HIE Publication Scheme quarterly approvals: January – March 2020

This paper was noted. The latest approvals list will be published on the HIE website.

6.6 HIE Publication Scheme Account Management Status Report

This paper was noted.

6.7 Any other business

There was no other business.

6.8 Forthcoming meeting dates

- 17 July 2020, Cairngorm Sub-group
- 29 July 2020, Board (additional meeting)
- 11 August 2020, Risk and Assurance Committee (tbc)
- 25 August 2020, Board

Chris Roberts
Head of Corporate and Media Relations
30 June 2020