

# BOARD MINUTE

25 FEBRUARY 2025

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Highlands and Islands Enterprise

APPROVED



## BOARD MEETING COINNEAMH BÙIRD

**MINUTE OF THE HIE BOARD MEETING HELD ON TUESDAY 25 FEBRUARY 2025, STARTING AT 09:00  
IN AN LÒCHRAN, 10 INVERNESS CAMPUS, INVERNESS**

**PRESENT (INVERNESS)**

Alistair Dodds (*Chair*)  
 Angus Campbell (*Deputy Chair*)  
 Stuart Black (*Chief Executive*)  
 Melanie Collett  
 Simon Cotton  
 Freda Newton  
 Ailsa Raeburn  
 Calum Ross  
 Anna Salgado (from item 1.7)  
 David Wilson

**PRESENT (ONLINE)** Keith Nicholson

### IN ATTENDANCE (INVERNESS)

Sandra Dunbar	Director of Corporate Services
Rachel Hunter	Director of Enterprise and Community Support
Martin Johnson	Director of Strategy and Regional Economy
Karen Moncrieff	Director of Human Resources
David Oxley	Director of Strategic Projects
Joanna Peteranna	Director of Area Operations
Chris Roberts	Head of Communications
Anne-Marie Martin	Deputy Director, Regional Economic Development, Scottish Government
Andrew Carton	Team Leader (HIE), Enterprise Agency Sponsorship, Scottish Government
Alastair Nicolson	Area Manager, Lochaber, Skye and Wester Ross, item 2.1
[Name removed for data protection]	Head of Business Growth, Lochaber, Skye and Wester Ross, item 2.1
[Name removed for data protection]	Development Manager, Strategic Projects, item 2.1
Marie Mackintosh	Subsidy Control Manager, item 2.1
Charlie Lawrence	Head of Property and Infrastructure, items 2.2, 2.3, 3.3
Greg Youngson	Property Development Manager, item 2.3
[Name removed for data protection]	Head of Strengthening Communities, Lochaber, Skye and Wester Ross, item 2.3
[Name removed for data protection]	Development Manager, Strategic Projects, item 2.5
Elaine Hanton	Cairngorm Project Lead, items 2.6, 2.7, 3.1
James Palmer	Project Manager, Construction, items 2.6, 2.7, 3.1
David Howie	Head of Strategic Projects, item 3.2
Paul Dzialdowski	Property Portfolio Manager, item 3.3
Nicola Ewing	Head of Client Products and Services, item 3.4
Lorna Gregson-MacLeod	Head of Planning and Partnerships, items 3.5, 4.1, 4.2
[Name removed for data protection]	Senior Research Manager, item 3.5

[Name removed for data protection] Senior Research Officer, item 3.5  
[Name removed for data protection] Management Accountant, items 4.3, 4.4  
[Name removed for data protection] Business Improvement Manager, item 4.5

## IN ATTENDANCE (ONLINE)

Graeme Harrison Area Manager, Orkney, item 2.4  
[Name removed for data protection] Head of Strategic Projects, Orkney, item 2.4  
Peter Guthrie Programme Head, Strategic Projects, item 3.2  
Morag Goodfellow Area Manager, Argyll and the Islands, item 3.3

## 1 **STANDING ITEMS** **CUSPAIREAN COTHROMACH**

### 1.1 **Welcome and apologies**

The Chair welcomed everyone, including Mary Bowman, who was attending her first meeting since being appointed as Shadow Board Member, and Anne-Marie Martin and Andrew Carton from the Scottish Government. Apologies had been received from Allan Clow.

### 1.2 **Declarations of interest**

There were no conflicts of interest.

Ailsa Raeburn made a transparency statement in relation to item 2.5, *Community benefits from net zero energy developments consultation*. As this related to policy, however, it was agreed that her participation would not present a conflict of interest.

### 1.3 **Draft minute of extra Board meeting on 25 November 2024**

The minute was approved as an accurate record of the meeting.

### 1.4 **Draft minute of Board meeting 10 December 2024**

The minute was approved as an accurate record of the meeting, with one correction. The acronym HIREP had been mistyped.

### 1.5 **Draft minute of extra Board meeting 21 January 2025**

The minute was approved as an accurate record of the meeting.

### 1.6 **Matters arising from the minutes and Action Grid**

Matters arising from the minutes would be covered under the Chair and Chief Executive's update and other agenda items at today's meeting.

### 1.7 **Chair and Chief Executive's update**

The Board noted a summary of significant activities and issues that were currently being dealt with by HIE employees and were not covered elsewhere on the agenda. There was discussion on the following items:

- **Legal matters**

There were no live legal matters at present. *[Sentence removed in the interests of the effective conduct of public affairs].*

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

- **Public service reform**

The Director of Corporate Services noted that HIE's Best Value work had for some time focused on generating efficiencies. This had proven effective in enabling the organisation to stay within its revenue budget, which had reduced in real terms, although improvements could be made in capturing and sharing evidence.

HIE was now actively engaged in the service reform agenda both on its own behalf and in collaborative arrangements including the Business Support Partnership. In relation to this, the Director of Enterprise and Community Support informed the Board that she was sitting on a short-life group established by the Scottish Government to review the business support system. It was also noted that HIE had made an application to the Government's new Invest to Save fund in relation to Machrihanish.

David Wilson reported on the Public Service Reform Summit, an event held in Glasgow in February and chaired by the Minister for Public Finance, that he had attended as a Board member of both HIE and Consumer Scotland. This had attracted around 250 delegates to address a range of challenges affecting public sector organisations, including agencies, health boards and local authorities.

A key theme had been implementing effective collaboration across the country, such as practised by the Highlands and Islands Regional Economic Partnership and the Convention of the Highlands and Islands. Attendees were encouraged to share best practice across the public sector and to challenge Government when they felt that specific policies, procedures or actions could be delivered more effectively. The mood overall was positive, although delegates expressed some concern that private, third and academic sector organisations were absent. The Minister indicated that a new public sector reform board is to be established and Mr Wilson noted it would be important for HIE to be involved.

The Chair thanked Mr Wilson for attending the summit and for his report. It was agreed that briefing that had been prepared by HIE staff in advance of the event would be shared with all Board members.

- **Offshore wind**

*[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].*

- **Inverness Campus**

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

- **Arnish**

The Director of Area Operations reported that Spanish company Navantia had completed a deal to purchase all four former Harland and Wolff yards on 27 January. HIE had concluded assignation of the lease at Arnish to the new company *[part of sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity]*.

Positive discussions had been held with Navantia senior management and with the local HIE team. *[Sentences removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity]*.

- **HIE funds: Green Grant / Young Business Capital**

The Director of Enterprise and Community Support informed the Board that the Green Grant Fund had attracted 91 expressions of interest, comprising 23 social enterprises and 68 businesses. *[Sentences removed in the interests of the effective conduct of public affairs]*. The Director of Corporate Services assured the Board that slippage in planned expenditure in the current financial year was being managed. The Young Business Capital Grant Fund was smaller, but had attracted a healthy level of interest.

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

The Board questioned whether the application process could be a factor affecting the pace of appraisal and it was agreed that HIE staff would conduct a review to consider potential streamlining measures.

- **Visitor levy**

The Board noted guidance that HIE had prepared to state its view on proposed visitor levies that were currently being consulted on by local authorities. The agency was encouraging businesses, communities and residents to use the consultation process to register views, and seeking to influence local authorities to reduce or avoid additional cost to businesses.

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

*Anna Salgado joined the meeting.*

- **Applications to SSEN Transmission Fund for additional funds for supporting communities**

The Board noted that HIE's applications to the SSEN Transmission Fund had been unsuccessful, but that HIE would continue to explore options to attract more external funding.

- **Land for rural housing**

The Director of Strategy and Regional Economy reported that HIE and other organisations had been working with the Scottish Land Commission (SLC) which had recently published a new report into land for rural housing. HIE agreed with the report findings, which aligned well with the agency's policy position that had been discussed at the Board meeting in December 2024, and would continue to work with the SLC on this issue. The report was also due to be presented to the HIREP Housing sub-group.

- **Policy update / Scottish Government**

The Board discussed potential implications arising from the Scottish Government's announcement that responsibility for providing national training programmes including apprenticeships will move from Skills Development Scotland (SDS) to the Scottish Funding Council (SFC). In this new environment, it was important for HIE to continue to be a strong advocate for the regional skills agenda, particularly in light of the need to capitalise on the present scale of regional transformational opportunities that had the potential to generate unprecedented economic impact over the coming years.

- **HIE 60th anniversary**

It was noted that a business and community conference to mark the sixtieth anniversary of the founding of the Highlands and Islands Development Board in November 1965 was at the planning stage.

- **Organisational development**

Appointments had been made to the posts of Head of Audit and Assurance and Orkney Team Leader. First interviews to recruit a new Chief Executive of Cairngorm Mountain (Scotland) Ltd had taken place on 24 February and interviews for the position of HIE Head of Finance were scheduled for 28 February.

- **Chair and Chief Executive engagement**

The Chief Executive had met the Chief Executive of Transport Scotland on 16 December for a wide-ranging discussion that was largely focused on economic opportunities. It was agreed that HIE and Transport Scotland will catch up regularly to examine the role of transport in ensuring potential benefits are delivered. Other topics included the prospect of support for communities that had been affected by ferry disruption and the Inverness East Link road, which is part of the Inverness and Highland City-Region Deal and vital for the planned phase two of Inverness Campus as well as new housing.

The Board welcomed news that its approval of further small business units at Wick Business Park had come through the Accountable Officer (AO) template process with a positive outcome. The Chief Executive thanked the Scottish Government sponsor team for their assistance. HIE expected to award a construction contract in the very near future.

The Director of Corporate Services reported on a productive meeting with the Minister for Public Finance, which had focused on opportunities for efficiencies. *[Sentences removed in the interests of the effective conduct of public affairs].*

The Chair had met the Deputy First Minister and discussed matters including the AO template and funding for local development officers that the Scottish Government and HIE jointly support in communities throughout the region. Regional transformational opportunities were also highlighted and the DFM indicated that she continued to receive positive feedback about HIE from businesses in the region.

Opportunities for closer collaboration with Scottish Enterprise had been discussed at an introductory meeting with the agency's new Chair. Another positive meeting had been with the Chair of Skills Development Scotland, focusing on outcomes from the Withers review and the importance of skills in realising regional transformational opportunities.

Regional skills had also featured at a meeting between HIE and the University of the Highlands and Islands (UHI).

Several Board members had visited Inverness Castle to witness progress of a complex project, part-funded by HIE, to transform the building into an international visitor attraction.

It was noted that the reconstruction of Fair Isle Bird Observatory was progressing well.

## **2 DECISIONS** **CO-DHÙNAIDHEAN**

### **2.1 Kishorn Port**

*[Name removed for data protection], Alastair Nicolson, [name removed for data protection] and Maire Mackintosh joined the meeting.*

The Area Manager, Lochaber, Skye and Wester Ross, introduced a paper requesting approval in principle for a capital grant of £24,259,000 to Kishorn Port Ltd (KPL), a joint venture between Ferguson Freight Holdings Ltd and Leiths (Scotland) Ltd.

HIE's investment would be sought from the Scottish Government Offshore Wind Investment Programme. *[Sentences removed in the interests of the effective conduct of public affairs].*

It was noted that there was no suitable subsidy scheme for phase 1A and that, if the Board were to decide to approve this investment in principle, a referral would be made to the Subsidy Advice Unit of the Competition and Markets Authority (CMA).

Board members welcomed the project as a transformational opportunity for Wester Ross, which had the potential to bring Kishorn into full productive use as a major regional asset, creating well-paid jobs and supply chain opportunities and helping retain and attract working age people and families.

*[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].*

*[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].*

The Board approved the grant award in principle, as requested, *[part of sentence removed in the interests of the effective conduct of public affairs].* Final decision was expected to be made at the next Board meeting, in April 2025, when members would also have the opportunity to visit Kishorn. Should this timescale not prove achievable, however, and there were no issues to be resolved, the Board further agreed that the final decision could be taken by the Chair and Chief Executive.

*[Name removed for data protection], Alastair Nicolson, [name removed for data protection] and Maire Mackintosh left the meeting.*

## **2.2 Property factoring 2025/26**

*Charlie Lawrence and Greg Youngson joined the meeting.*

The Property Development Manager presented a paper recommending approval of a budget of *[part of sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity]* for the operation of HIE's commercial property portfolio in 2025/26. This would be used to cover operational costs, repairs and recoveries; head rents; void business rates and service charges (including Inverness Campus); property insurance; marketing, and property management.

It was highlighted that two additional properties featured in the 2025/26 portfolio in comparison with previous years. *[Sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity]*.

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

In response to a question on using incentives such as rent-free periods to reduce the burden of vacant properties, staff answered that such measures were deployed when they were appropriate and met subsidy regulations. *[Sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity]*. Staff acknowledged that benchmarking was not currently carried out, and highlighted that HIE's vacancy rate was skewed by some large premises.

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

The Board asked if HIE had considered transferring part of its landholding at Cairngorm Estate, outwith the ski area, to another body. Staff confirmed that this issue had been raised, and that asset transfer had been considered in the past, however the immediate priorities at Cairngorm were to conclude the funicular remediation programme and stabilise the operating company.

It was noted that Board members Melanie Collett and Allan Clow and Shadow Board Member Mary Bowman planned to meet HIE's property team for a deeper discussion on HIE's overall approach to property matters. Staff would also bring a full property strategy to a future Board meeting.

The 2025/26 property factoring budget was approved, noting that there was a need to continue to pursue efficiencies, including focusing on the issue of void properties.

*Greg Youngson left the meeting.*

## **2.3 Orbst**

*[Name removed for data protection] joined the meeting.*

The Head of Strengthening Communities, Lochaber, Skye and Wester Ross, presented an update on progress with a property disposal strategy that had been approved by the Board in 2019 for the HIE-owned Orbst Estate in Skye.

Various factors had delayed the planned conversion of six smallholdings to crofts and onward sale to HIE's tenants, but progress was now being made and it was expected that the process could conclude within 12 months. Dunvegan Community Trust (DCT) was seeking to buy the 9-hectare Cruachan Wood and the nearby Bluebell Hill. The trust had expressed interest in the remaining forestry, which extends to more than 600 hectares, but considered the valuation *[part of sentence removed in the interests of the effective*



*conduct of public affairs]* to be prohibitive and could pursue an asset transfer request. HIE planned to approach Forestry and Land Scotland (FLS) to establish whether it would be interested in acquisition.

HIE was also seeking to dispose of two residential properties, a bungalow and a farmhouse, and planned to extend the lease of the farm to the current tenant, with the addition of a right to sub-let. Two workshops had been sold. Sporting rights were due to expire in March 2025 and HIE intended to advertise for let through open tender.

Members welcomed the progress that had been made. In response to questions, staff confirmed that HIE had a legal obligation to manage the deer population on the estate and that sporting rights therefore remained necessary. Options to use land in HIE's ownership for housing were constrained by topography and a lack of suitable roads and services.

The Board noted that HIE owned a few properties that were classed as 'sensitive' and agreed that this designation could now be removed from Orbst. Board approval was also given for staff to pursue the following actions:

- conclude the conversion of six smallholdings to crofts and sell them to the present tenants;
- conclude the sale of Cruachan Wood and Bluebell Hill to Dunvegan Community Trust;
- approach FLS to establish interest in acquiring the remaining forestry before seeking a best value return on the open market if FLS did not wish to pursue this option;.
- *[Sentence removed due to commercial sensitivity]*.
- Continue discussions with DCT and the Communities Housing Trust with a view to enabling community ownership of the Farmhouse;
- Seek to agree an extension of the farm lease with the current tenant, incorporating the right to sub-lease, and
- advertise the sporting lease via open tender.

*[Name removed for data protection] and Charlie Lawrence left the meeting.*

#### **2.4 Purchase of Orkney Island Council's stake in Orkney Research and Innovation Campus by HIE**

*Graeme Harrison and [name removed for data protection] joined the meeting.*

The Head of Strategic Projects, Orkney, submitted a request for the Board to approve funding of £896,500 to enable HIE to purchase Orkney Islands Council's share in Orkney Research and Innovation Campus (ORIC) which was established as a limited liability partnership (LLP) between the two organisations.

As reported to the Board on 10 December 2024, the council (OIC) had advised that it was not in a position to contribute capital towards the further development of ORIC infrastructure. Subsequent discussions had confirmed the council's desire to dispose of its share in the joint venture to HIE and a recommendation to this effect was due to be put to the full council on 5 March. HIE's internal ORIC Project Board had carried out a multi-criteria options appraisal which concluded there was a strong case for HIE to take full control of ORIC to realise the full range of economic, social and net zero benefits outlined in the original ORIC vision.

Benefits arising from full HIE control of ORIC would include: streamlined decision making and governance structures; greater alignment with HIE's strategic priorities; a simplified operating model leading in time to a more sustainable revenue position for ORIC; access to wider HIE financial and staff resources; opportunities for synergies with wider HIE activities, and potential for economies of scale through framework arrangements.

HIE's legal advisers had proposed the creation of a new subsidiary to acquire the OIC interest, which would allow OIC to make an early exit from the LLP and HIE to assume full effective control within the current financial year

Board members sought assurance that the new arrangement was not at risk of becoming a drain on HIE's limited revenue budget. Staff confirmed that new governance arrangements would address this issue and there was confidence that ORIC would become self-sustaining, although it was acknowledged that a deficit was expected in 2025/26.

Assurance was provided that the proposed change would have no negative impact on either ERDF funding or Islands Growth Deal funding for ORIC and that expert advice had been taken on tax implications, which were factored into the recommended option. The Team Leader, Enterprise Agency Sponsorship, observed that the creation of a new subsidiary might require ministerial approval and it was agreed that the Director of Corporate Services would seek advice on this question.

The Board recognised that there were risks inherent in purchasing OIC's stake in ORIC before phase 2 had gained planning consent, however these were outweighed by the benefits of taking control in the current financial year and subsequently enabling ORIC to achieve its full potential as a major innovation project for the region. It was noted that a separate proposal to fund ORIC phase 2 would be presented to a future Board meeting in the second half of 2025.

The Board approved funding totalling £896,500, comprising £846,500 acquisition cost and £50,000 legal costs, to purchase HIE's share in ORIC from Orkney Islands Council. As costs were currently indicative and may be subject to revision at the point of transfer, it was agreed to delegate approval of the final value to the HIE Chief Executive, in consultation with the Chair of HIE.

Subject to further advice being taken, approval was also given for the creation of a 100% HIE-owned subsidiary entity as the vehicle for the initial acquisition of OIC's stake in ORIC, with HIE's Director of Strategic Projects and Head of Marine Energy as the appointed directors.

*Graeme Harrison and [name removed for data protection] left the meeting.*

## **2.5 Community benefits from net zero energy developments consultation**

*[Name removed for data protection] joined the meeting.*

The Board welcomed the Development Manager, Strategic Projects, who presented an early draft of HIE's proposed response to the Scottish Government's consultation on community benefits from net zero energy developments. It was recognised that HIE had a highly relevant role in this important consultation and Board input would be valuable in shaping a strong contribution before the deadline of 11 April.

Members expressed support for the draft response and discussed it in depth, endorsing the direction of travel and commenting on a range of issues. It was agreed that a special sub-group meeting would be arranged to enable more detailed consideration before agreeing a final version for submission to the Government.

*[Name removed for data protection] left the meeting.*

## **3.1 Cairngorm update**

**Note:** *This update was taken out of sequence to provide context for item 2.6*

*Elaine Hanton and James Palmer joined the meeting.*

HIE's Cairngorm Project Lead and Project Manager, Construction, provided an update on the current status of the funicular remediation programme as well as financial and budget matters and impacts on operating company Cairngorm Mountain (Scotland) Ltd (CMSL) and HIE.

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

Balfour Beatty returned to site on 6 January to deal with these safety-critical items and completed this phase of work on 14 February, after which an update had been delivered to the Health and Safety Executive and the structure handed back to CMSL.

Residual defects that did not impact safe operation were still to be addressed and HIE had been given an interim construction certificate that was valid until 1 August. The CMSL board was meeting the following day and would make a decision on return to service.

Arrangements were in place to monitor performance following the funicular's return. Balfour Beatty were expected to be back on site in May to complete outstanding remediation works, which could require a further short period of closure in addition to evening working.

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

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

The Board noted the update report and the actions that were being taken.

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

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

*Elaine Hanton and James Palmer left the meeting.*

### **3** **UPDATES** **CUNNTASAN AS ÙR**

#### **3.2 Space**

*David Howie and Peter Guthrie joined the meeting.*

*Anna Salgado was not present at the start of this item.*

The Director of Strategic Projects introduced an update on the situation regarding Orbex and Spaceport Sutherland and work being undertaken by HIE staff to determine the best route forward for regional economic and community development in relation to the space sector.

As reported in December, Orbex had announced a pause in its planned development of Spaceport Sutherland, redirecting its initial launch plans to SaxaVord Spaceport in Shetland due to financial pressures and the need to achieve a high launch cadence. *[Sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].*

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

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

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

*Anna Salgado rejoined the meeting.*

The Board stressed the importance of carrying out a robust, fact-based options appraisal and bringing this to a future meeting to determine the best way forward. In the meantime, it was important for HIE to continue through the Caithness and Sutherland area team to support the local community and develop other opportunities.

*David Howie and Peter Guthrie left the meeting.*

### **3.3 Machrihanish**

*Charlie Lawrence, Morag Goodfellow and Paul Dzialdowski joined the meeting.*

The Property Portfolio Manager updated the Board on the current position of The Factory site at Machrihanish, which HIE leases from Machrihanish Airbase Community Company (MACC) Developments Ltd.

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

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

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

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

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

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

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

*Charlie Lawrence, Morag Goodfellow and Paul Dzialdowski left the meeting.*

### **3.4 Fair work conditionality non-compliance update**

*Nicola Ewing joined the meeting.*

The Head of Client Products and Services presented a new fair work conditionality non-compliance policy that had been created to enable HIE staff to respond consistently to circumstances in which an applicant or client could or would not comply with paying the real living wage (RLW), as per HIE's standard grant terms and conditions.

While HIE continued to be committed to fair work conditionality, and expected the vast majority of clients to be compliant, several businesses and social enterprise were increasingly finding it difficult to maintain annual uplifts to RLW and a greater number of exception requests were expected in the future.

The new policy was designed to support staff in the assessment of non-compliant cases and reflect updates to the existing fair work conditionality exceptions policy and guidance. These changes and policies had been developed in alignment with Scottish Enterprise and South of Scotland Enterprise, using the overarching Scottish Government guidance.

It was noted that non-financial interventions were exempt from fair work conditionality and that exceptions for specialist advice projects would be considered on a case-by-case basis.

Following discussion, the Board welcomed the approach described in the new policy, approved it for their interest, and thanked the Head of Client Products and Services for the update.

*Nicola Ewing left the meeting.*

### **3.5 Regional transformational opportunities**

*Lorna Gregson-MacLeod and [name removed for data protection] joined the meeting.*

The Head of Planning and Partnerships and the Senior Research Officer delivered a presentation on research commissioned by HIE and the Highlands and Islands Regional Economic Partnership (HIREP) on regional transformational opportunities (RTOs), outlining the findings to date, work still under way and next steps.

The findings confirmed that the region was at the cusp of unprecedented and transformational economic opportunity, much of it associated with renewable energy, although a mixed economy model was emerging strongly. Around 250 transformational strategic projects and investments had been identified, representing a total investment level of £100.4bn over 15 years from 2025-2040. This figure reduced to £71.3bn when adjustments were made on the basis of status and likelihood of progression.

There was a warning that many of the identified projects would not be viable if grid upgrades and capacity issues were not addressed, with the result that investment would fall to around a fifth of the status-adjusted level (£13.9bn).

It was critical to ensure that policy, legislation and regulatory frameworks were conducive to realising the scale of the opportunity. People and skills were fundamental and a well-planned, strategic skills system was urgently required. Currently, there were significant shortfalls in skills and labour that could only be addressed by importing from beyond the region, and most likely from outwith Scotland.

A likely 6% increase in the region's population was needed to fulfil requirements for the development, construction and installation phases associated with these opportunities, and a 5% uplift to support operational and maintenance roles. With the region already affected by shortfalls in housing supply, new building needed to progress at a fast pace to accommodate the requisite population growth.

The Board strongly welcomed the report and presentation, noting in particular that these opportunities extended across all parts of the Highlands and Islands. Discussion highlighted a range of issues. These included the identified requirement for short-term accommodation during construction and development phases and it was noted that innovative approaches were currently being reviewed, involving HIREP and the Scottish Futures Trust among other organisations. Staff agreed that further work was required on some graphs and charts in the document to ensure clarity.

There was a need to ensure the broader policy environment was supportive and engagement with government by HIREP and others would play an important role in ensuring the scale of opportunity was well understood and supported by policy makers as well as the wider population who stood to benefit.

In closing remarks, the Chair observed that significant work was already in progress to pave the way for maximising the region's potential, including recent, large-scale investments that had been approved in ports and harbours in different parts of the region, the work of the housing sub-group of HIREP and actions to review and address skills needs. It would be important to use both HIREP and the Convention of the Highlands and Islands to engage with partners and Government ministers and officials to ensure widespread awareness of this evidence base for the anticipated impact of these potential investments as, collectively, the biggest economic opportunity in Scotland at present.

The Board thanked the team for the report and expressed appreciation to all who had been involved in its preparation.

*[Name removed for data protection] left the meeting.*

## **4 RESOURCES AND GOVERNANCE** **GOIREASAN IS RIAGHLACHAS**

### **4.1 Performance update**

The Head of Planning and Partnerships presented an update on HIE's performance for the 2024/25 financial year up to 3 February, noting that this demonstrated very good progress, with most measures on track to be met or exceeded. Three targets looked unlikely to be met in full – increase in productivity, number of jobs supported, and average wage – however, the overall picture was positive, particularly as wider economic conditions continued to present challenges.

In discussion, the Board highlighted variances in performance outcomes across different areas within the region. The Chief Executive confirmed that this issue had been identified and was being addressed, including through quarterly reviews conducted with area teams. Challenges associated with measuring productivity among business clients were noted, including the relationship between innovation and productivity. Members welcomed increased monitoring of HIE's non-financial interventions.

The Board thanked the Head of Planning and Partnerships for the update, noting that it reflected a strong performance by employees across the organisation.

### **4.2 Operating plan update**

The Head of Planning and Partnerships outlined emerging priorities and measures for HIE's 2025/26 Operating Plan, taking into account indicative guidance from the Scottish Government for the forthcoming year. Given that many actions spanned more than one financial year, the 2024/25 Operating Plan was being used as an initial guide where appropriate and updated as required.

Measures would again feature the key themes of productivity, innovation, net zero and community wealth building and it was noted that discussions were ongoing with the Scottish Government, which wished to see a small set of common indicators agreed across the enterprise agencies to improve monitoring against Programme for Government commitments. It was noted that the annual letter of guidance from the Scottish Government was expected to be received soon and that indications were that this would be relatively high level.

The Board welcomed the direction of travel shown in this initial draft and highlighted a number of areas for potential inclusion or further development. These included female entrepreneurship; encouragement of apprenticeships; digital connectivity; childcare; skills; efforts to identify and attract additional sources of finance; investment in Gaelic, and non-financial interventions.

*Lorna Gregson-MacLeod left the meeting.*

### **4.3 Opening budget 2025-26**

*[Name removed for data protection] joined the meeting.*

The Director of Corporate Services set out HIE's draft opening capital and revenue budgets for financial year 2025/26, noting that these were indicative and would be reviewed and adjusted by the Leadership Team throughout the year. This would require an agile approach and include a review in April that would take into account any adjustments required in light of the 2024/25 outturn.

In discussion, staff confirmed that HIE expected the capital budget to be augmented in-year by additional sources of capital funding, providing a reasonable base from which to realise benefits from areas of strategic opportunity. There was, however, significant pressure on the revenue budget and a need to absorb cost pressures relating to running the business.

The Board welcomed the strong degree of alignment between in-year budgets and HIE priorities, observing that moving to a longer-term financial planning model that was fully aligned to HIE's strategy included plans to secure significant levels of additional income. An increased focus on Best Value, Public Service Reform and the need to continue to realise cost efficiencies across the organisation were also noted, along with greater use of financial targets to support in-year and longer-term financial management.

#### **4.4 Financial statement to 31 January 2025**

The Director of Corporate Services and the Management Accountant provided an update on HIE's financial position at 31 January 2025, noting that this was being actively managed by the Finance team and individual business units and through the Leadership Team and Investment Committee.

The top priority was to maximise expenditure, which was currently behind straight line for capital projects, however the Board were assured that approved and pipeline activity indicated there was sufficient activity to achieve a balanced budget by the year-end date of 31 March and that all projects that were key to achieving this had been identified. HIE staff were also leading on projects to secure additional Scottish and UK Government funding into the region, including the Offshore Wind Investment Programme and Growth Deals.

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

Actions to generate cost savings and identify additional sources of income continued to be implemented through HIE's Best Value plan.

Following discussion, the Board noted the financial position and thanked the Finance team and staff across the organisation for their continuing efforts to achieve a balanced budget outturn by the end of the financial year.

*[Name removed for data protection] left the meeting.*

#### **4.5 Corporate risk register**

*[Name removed for data protection] joined the meeting.*

The Director of Corporate Services presented the latest Corporate Risk Register. *[Sentences removed in the interests of the effective conduct of public affairs].*

Due to recent organisational changes, a new Corporate Services risk register had replaced previous registers relating to Business Improvement and Internal Audit, and Finance and Corporate Services. A further new register was in development for Executive Office, focusing initially on information governance.

The Board welcomed the latest register, noting that a comprehensive annual refresh was now under way and that the list of planned actions would be reviewed as some appeared to be out of date. *[Sentence removed in the interests of the effective conduct of public affairs].*

*[Name removed for data protection] left the meeting.*

#### **4.6 HIE pension scheme valuation update**

The Board noted the current state of the 2024 HIE pension scheme valuation, which was due for completion and submission to the pensions regulator by 31 May 2025, ahead of the statutory deadline of 5 July 2025.

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

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

#### **4.7 Authorised signatories**

The Board approved an amendment to the list of HIE authorised signatories, removing the name of the previous Director of Finance and Corporate Services and adding the Director of Corporate Services. This would be effective from 1 March 2025.

#### **4.8 Draft minute of the Risk and Assurance Committee, 19 November 2024**

The Board noted the draft minute of the Risk and Assurance Committee meeting held on 19 November 2024, which would be presented for approval at the committee's next meeting on 18 March.

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

#### **5.1 Business panel survey**

The Board noted the findings of the most recent HIE business panel survey, which had been carried out in November and December 2024 and would be published in early March.

#### **5.2 Any other business**

The Board noted that HIE's quarterly approvals lists had not been received since June 2024. It was agreed to ensure that these were sent out to Board members. There was no other business.

#### **5.3 Forthcoming meeting dates**

- HIE Risk and Assurance Committee – 18 March 2025
- HIE Board meeting – 28, 29 April 2025 – Lochaber, Skye and Wester Ross

Chris Roberts  
Head of Communications  
25 February 2025