



BOARD MEETING
COINNEAMH BÙIRD

MINUTE OF THE HIE BOARD MEETING HELD ON 1 MARCH 2022
STARTING AT 0900 BY TELECONFERENCE

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

IN ATTENDANCE:

Carroll Buxton	Deputy Chief Executive
David Oxley	Director of Strategic Projects
Douglas Cowan	Director of Communities and Place
Karen Moncrieff	Director of Human Resources
Martin Johnson	Director of Strategy and Regional Economy
Nick Kenton	Director of Finance and Corporate Services
Rachel Hunter	Director of Service Delivery
Sandra Dunbar	Director of Business Improvement and Internal Audit
Michael O'Donnell	Senior Development Manager, item 3.1
Lorna Gregson-MacLeod	Head of Planning and Partnerships, item 3.2
Mairi Buchanan	Senior Development Manager, item 3.3
Neil Ross	Head of Community Growth, item 3.3
David Howie	Project Lead, item 4.1
Roy Kirk	Project Director, item 4.1
Peter Guthrie	Senior Project Manager, item 4.1
Greg Youngson	Property Development Manager, item 4.2
Kathleen Stewart	Head of Enterprise Support – North, item 4.3
Charlie Lawrence	Property Manager – Major Projects, item 4.3
Jessie Laurie	Head of Enterprise Sponsorship, Scottish Government
Ivan McKee	Minister for Business, Trade, Tourism and Enterprise, Scottish Government, item 3.2
[Name Redacted]	Deputy Private Secretary for the Minister for Business, Trade, Tourism and Enterprise, Scottish Government item 3.2
Colin Cook	Director of Economic Development, Scottish Government, item 3.2
Adrian Kitson	Head of Executive Support
Chris Roberts	Head of Communications

1 STANDING ITEMS

CUSPAIREAN COTHROMACH

1.1 Welcome and apologies

The Chair, who was in An Lòchran with Board members Stuart Black, Amanda Bryan, Calum Ross, Freda Newton and Robert McIntosh, and Leadership Team members Martin Johnson, Nick Kenton and Rachel Hunter, welcomed everyone to the meeting.

It was noted that Mr McKee, the Minister for Business, Trade, Tourism and Enterprise would be joining the meeting at 1:30pm for a 45 minute slot on Scotland's 10-year National Strategy for Economic Transformation (NSET).

The Chair highlighted that this would be Robert McIntosh's last Board meeting and thanked him for his valued contribution to the Board over the last six years. The Chair also noted that the day marked the last day of Carroll Buxton's 30th year in post and congratulated her on behalf of the Board.

1.2 Declarations of interest

Amanda Bryan noted an Interest in relation to Stornoway Port Authority. This relates to her role as Chair of Crown Estate Scotland. Amanda confirmed that she would be leaving the meeting prior to this item being discussed due to a prior commitment. It was noted that the paper had not been restricted from view for Amanda, however she had not read it, and this has since been rectified.

Calum Ross noted an interest in relation to the published quarterly approvals for October to December 2021 where there was an approval listed for Argyll and the Islands Tourism Cooperative Limited (AITC), This relates to Calum being a co-opted Director to AITC.

Nick Kenton and David Oxley noted an interest in relation to Wave Energy Scotland (WES) as HIE-appointed Directors of WES. There are no items on the Agenda relating to WES.

1.3 Minute of Board meeting held on 14 December 2021

The minute of the meeting of 14 December was approved with one amendment.

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

1.3.1 Minute of extra Board meeting held on 15 February 2022

The minute of the extra Board meeting of 15 February 2022 was approved.

1.4 Matters arising from the minutes and Action Grid

Paddy Crerar raised a query from a discussion at the previous meeting where he asked how HIE records applications or approaches to HIE that had been unsuccessful, asking if project officers could record approaches made and detail those not taken forward. It was noted that MyHIE can record all enquiries received and this could be used to identify successful and unsuccessful approached made to HIE.

It was agreed that where information is available, this should be circulated to the Board.

1.5 Chair and Chief Executive update

The Chief Executive reported that he had been busy with a large number of meetings since taking up post.

Outlining some key areas, he confirmed that SG has informally confirmed that completion of the funicular reinstatement has been approved by Ministers and additional funds will be made available to HIE during 2022/23.

Up to 50 tourism enterprises are currently receiving one-to-one sessions with an HR specialist to recommend actions within their businesses. Alongside our new *Introduction to Fair Work* guide, this is helping the sector understand the benefits of embracing fair work practices.

In relation to Space Hub Sutherland, it was confirmed Wildland and Braesgill Limited had signed a Memorandum of Understanding with HIE and a new Sporting Lease with Melness Crofters Estate.

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

In relation to the Ukraine situation, a small working group has been established to review any issues identified including the application of sanctions, cyber threats and staff support.

The Board noted a reference to a joint response from the Regional Economic Partnership (REP) on the fourth National Planning Framework (NPF4) and asked if HIE will respond in its own right. The Chief Executive confirmed that HIE will respond, as had happened with the Strategic Transport Review. The Chair also confirmed that Councils intended to respond individually.

The Chair welcomed Stuart Black to his first formal meeting of the HIE Board since taking up the role of Chief Executive. Noting that the Greening Community Assets fund had been oversubscribed, the Chair asked the Director of Communities and Place to provide an update. The Director reported that there were currently 40 projects approved with a total value of £535k and around £450k spend expected this financial year. The oversubscription related to early expressions of interest, with many of these not being eligible for assistance.

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

The Board asked about the Green Offshore report mentioned in the Chief Executive's update. It was agreed that the Director of Service Delivery would review and if possible, circulate the report to Board members.

The Chair updated that there had been a number of meetings with Cabinet Secretaries and Ministers. Meetings that had taken place included with the Cabinet Secretary for Finance and the Economy, Kate Forbes, and the Minister for Business, Trade, Tourism and Enterprise, Ivan McKee, where the conversation focussed on the National Strategy for Economic Transformation (NSET), Budgets, Nigg / Green Ports and Space. It was noted that Ms Forbes was expected to attend the HIE Board meeting in April. The meeting with Cabinet Secretary for Net Zero, Energy and Transport, Mr Matheson, covered Transport, including Ferries, Net Zero and Energy agenda.

A meeting had taken place with the Chair of SNIB to discuss working together as well as the second meeting of the Regional Economic Partnership (REP) which had been a positive meeting and picked-up NPF4 and Governance.

A good two-day visit had taken place to Orkney and included Aquatera, the European Marine Energy Centre, Orbital Marine Power, Kirkjuvagr Gin, Sheila Fleet Jewellery, the Pier Arts Centre and Heriot Watt University. The Chair confirmed that he would like the Board to recommence face-to-face engagement and it was agreed that visits would be planned around the June or September Board meetings.

The Chair finished his update by noting that the Board member recruitment was underway with the vacancies being advertised on the HIE website and on the Public Appointments website. Board members were encouraged to share the opportunities via their own networks. Extension / reappointment letters had also been issued to Board members Donald MacRae, Paddy Crerar, Amanda Bryan and Belinda Oldfield.

2 RESOURCES AND GOVERNANCE **GOIREASAN IS RIAGHLACHAS**

2.1 Financial statement

The Director of Finance and Corporate Services presented the latest financial statement, detailing HIE's position to 31 January 2022 with the key points to consider being commitment and spend to date against budget.

Starting with capital, spend to date remains fairly healthy, but there are some changes to budgets, of which the headline changes are as follows. *[Sentences removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].*

The revenue budget year to date spend is now 14.9% behind straight line, compared with 15.6% in November so it has caught up to an extent but still compares poorly with all previous years where it tracked straight line closely.

Overall, we are on target to achieve capital and revenue targets.

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

The Chair asked if staff working from home due to the pandemic had impacted on supporting businesses and communities and overall spend. It was confirmed with restrictions easing, staff were keen to engage with clients. The Chief Executive noted that the speed of response had stepped-up and he was actively encouraging staff to return to the office as part of a hybrid working pattern.

2.2 Draft budget

The Director of Finance and Corporate Services presented a paper with the draft opening Financial Year 2022/23 Capital and Revenue Budgets.

The opening budgets follow on from the five-year financial outlook presented to the Board in December. Discretionary budgets have largely been set on a historical basis which reflects a formula-based approach.

On capital, a key point to note is the extent of in-year allocations anticipated from Scottish Government (SG) of circa £18.0m. There are two strategic reserves of £0.5m each for fragile areas and innovation. The opening negative reserve is £5.0m and converting pipeline to approvals for large top slice projects would increase the negative reserve. Discretionary capital is currently only 57% committed.

The assumption for financial transactions (FTs) is a spend of £2.6m which will be closely monitored, and SG kept informed.

A 10% reduction to most discretionary budgets was agreed to avoid starting the year with a negative reserve. Overall discretionary revenue commitment is currently at 78% of opening budget which is circa £2.0m under-committed.

On Block B the assumptions set out in the December paper regarding the funding of the pay award have been revisited. A Resource Management Group has been set up to scrutinise all vacancies and challenges any 'like-for-like' proposals. This Group should play a part in delivering savings to fund the pay award.

The Board asked if there was a direct link between HIE's priorities and the budget figures. The Director agreed, noting that everything that HIE does is in line with its priorities and that budgets can flex in-year. The Board noted that the National Strategy for Economic Transformation (NSET) allows commitment to forward planning and needs an action plan.

The Chair noted the ask of £17.6m from SG and asked if HIE was confident of receiving this. The Director confirmed that there had been positive discussions with SG and he was confident that HIE would receive enough to deliver but this may not be for the full £17.6m. The Head of Enterprise Sponsorship, Scottish Government confirmed that they were happy to continue working with HIE regarding funding.

The Board thanked the Director for the summary and noted the opening budgets.

2.3 Performance update

The Director of Strategy and Regional Economy provided an update of HIE's performance against key measures for the period from 01 April 2021 to 21 January 2022. This covered a summary of targets set in HIE's Operating Plan, noting that additional detail is provided on HIE activities, especially in relation to Net Zero and Innovation. It was noted that a number of significant projects are in the pipeline that will help towards targets.

The Corporate Data and Analytics team is currently undertaking monthly discussions with the Area teams to advise on measures and improve data quality. Amendments will be incorporated into end year reporting. Following the introduction of MyHIE, the team is currently in a reporting development phase including new dashboards and interactive thematic reporting. This will enhance performance reporting for 2022/23.

The Board welcomed the clear table asking if jobs created figures were actual or forecast. The Director outlined that this was a future figure looking forward three years. The Board also asked about the increase in Business turnover and Social Enterprises in relation to key measures and if these trends reflected a typical year. The Director highlighted that a large project could skew figures, noting the positive impact one company was having on figures for Lochaber, Skye and Wester Ross. It was also noted that the Inner

Moray Firth was expected to be strong in both. The Director confirmed that the trend feels right and he would provide trend information in advance of the Board session.

Further discussion will take place with the Board on what is needed from reporting and to ensure that like-for-like information is being compared and any identified issues will be addressed moving forward. The Chief Executive confirmed quarterly performance reviews were planned with Area teams to ensure the early identification of issues and improvements in scrutiny and performance.

2.4 Risk register

The Director of Business Improvement and Internal Audit presented the latest corporate risk register outlining that there has been a significant refresh of the risk register since it was last considered by the HIE Board, particularly in relation to the corporate risks, to address points raised by both the Board and the Risk and Assurance Committee.

The main changes highlighted were 1) A 'Blank sheet' approach has been taken, resulting in significant decrease in the number of corporate risks; 2) The themes under which risks are categorised has been extensively reworked; 3) The table showing the movement of risk scores over time now allows for the documentation of the reasoning behind changes in risk scores and 4) All corporate risks are now owned by a named Director.

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

It was further noted that an action group had been set-up to identify and review any required actions for HIE in relation to the Russian invasion of Ukraine.

The Board welcomed the refresh to the Risk Register and the work that had gone into this and asked if trends could be indicated with the introduction of a "trend arrow" to show if the risk had increased or decreased. The Director confirmed that this would be included.

The Board also noted that NPF4 does not adequately reflect Green Ports and whether the risk register needed to specifically factor in areas not reflected. The Chief Executive confirmed that there were opportunities to refresh the risk register alongside the strategy review.

The Chair asked why a Strategic Risk was recorded in relation to the Regional Economic Partnership under Strategic Priorities. The Director of Strategy and Regional Economy confirmed that this was an old risk and could now be removed.

The Board otherwise noted the report.

2.5 Draft minute of Risk and Assurance Committee meeting held on 7 December 2021

Following a verbal update at the last Board meeting, the Chair of the Risk and Assurance Committee (RAC) provided a summary of the minute of the meeting of 7 December 2021 confirming that this was draft until it had been approved by the Committee at its next meeting.

The areas covered included 1) Resources; 2) The annual accounts process and any lessons learned; 3) Legal issues review; 4) Lessons learned from the SEPA cyber-attack; and 5) Review of Audit Committee.

It was noted that the agenda for the RAC is always busy and will be kept under review.

The Chair thanked the Chair and the Committee and their self-evaluation which had been undertaken and underlined his confidence in their approach and performance.

3 UPDATES CUNNTASAN AS ÙR

3.1 Growth deals – programme update

Michael O'Donnell joined the meeting.

Senior Development Manager Michael O'Donnell presented a programme update relating to five local authority-led growth deals that are currently at different stages of development across the Highlands and Islands. This update covered the status of each of the deals (Inverness and Highland; Ayrshire; Moray; Islands, and Argyll and Bute); the potential financial ask of HIE, and risks associated with the deals themselves and individual projects. Collectively, the deals will bring £404m of government funding and £500 million from partners into the region over 15 years.

The Board noted there were over 50 individual projects going ahead, many of which were making an ask of HIE for match funding and other financial support, including assistance with staff posts and business case development. Staff acknowledged that the level of demand for HIE resources presented a risk and it was important for the agency to be involved with partners in business case development for each project in order to align them with HIE priorities. Steps were also being taken to ensure a fair and consistent approach across all growth deals and to learn from experience in each local authority area that could benefit other parts of the region.

Michael O'Donnell left the meeting.

3.2 Strategy update

Lorna Gregson-MacLeod joined the meeting.

The Director of Strategy and Regional Economy outlined the main points from the Scottish Government's new *Strategy for Economic Transformation (NSET)*, which had been launched earlier that day and will inform the development of HIE's own forthcoming Strategic Plan and Annual Operating Plan. Members were assured there was strong alignment between NSET and HIE's draft plans, and looked forward to participating in upcoming strategic workshops where these could be explored and developed more fully. It was suggested and agreed that HIE would consider extending the timeframe of the next Strategic Plan from three years to five, and would discuss this idea with Scottish Government and partner bodies.

The Board stressed the importance of setting the right metrics at national level to direct and measure performance, and noted that HIE anticipated having a voice in this process through a new NSET delivery board and working groups. While members supported the emphasis in NSET on improving Scotland's productivity, this ambition would have to be balanced with other national priorities on fair work and social inclusion, which were particularly important in rural areas, and it would be incumbent on the HIE Board and Leadership Team to keep advocating on behalf of the Highlands and Islands.

Scotland's 10-year National Strategy for Economic Transformation (NSET)

The Minister for Business, Trade, Tourism and Enterprise, Ivan McKee MSP, joined the meeting, along with [Name Redacted], and Colin Cook.

The Chair welcomed the Minister and summarised the Board’s discussion on NSET and the forthcoming HIE strategy and operating plan, confirming that there was strong alignment with the national approach. The Chair stressed that partnership across the whole of the business, public and the third sectors would be vital, including the new Regional Economic Partnership. He underlined the significant contribution the Highlands and Islands can make to delivery of an all-Scotland strategy, not least in regional strengths such as green hydrogen, offshore wind, space, life sciences, tourism, food and drink and the creative industries.

The Minister agreed that the Highlands and Islands would play a strong role in delivering NSET, echoing the Chair’s comments and highlighting the renewed focus on entrepreneurship and innovation.

In discussion, the Board raised several issues that HIE hoped to see addressed as NSET is rolled out, including investment in enabling infrastructure such as housing, transport and broadband, and the respective roles of HIE and Business Gateway in supporting and helping to sustain start-up businesses. Members reiterated that challenges of geography and population loss, which were particularly acute in rural areas, would need to continue to be addressed. The Minister stated that consideration of these issues as well as opportunities affecting the Highlands and Islands had informed development of NSET, and highlighted community wealth building as one illustration of this.

The Chair thanked the Minister for a very useful and productive discussion which was particularly timely on the day that the national strategy had been launched.

The Minister, [Name Redacted], Colin Cook and Lorna Gregson-MacLeod left the meeting.

3.3 Gaelic plan

Mairi Buchanan and Neil Ross joined the meeting.

The Board welcomed the latest draft of HIE’s fourth Gaelic Plan, which had been developed following consultation with a range of partners and the public. Some amendments were discussed, including additional wording to clarify how implementation of the plan will be resourced within HIE. Once these edits were made, it was agreed that the plan would be ready to be submitted for approval to Bòrd na Gàidhlig by 8 March 2022.

It was noted that Bòrd na Gàidhlig was currently processing a very high volume of Gaelic plans from a range of organisations and it could take several months for HIE to receive feedback and prepare its plan for publication. In the meantime, HIE would continue to implement its current Gaelic plan.

Mairi Buchanan and Neil Ross left the meeting.

4 INVESTMENT DECISIONS CO-DHÙNAIDHEAN AIRGEAD-TASGAIDH

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

4.2 HIE property factoring and consultancy 2022-23

Greg Youngson joined the meeting.

The Board approved a budget of *[figure removed due to commercial sensitivity]*, to cover all expenditure for the operation of the HIE commercial property portfolio throughout 2022-23. It was noted that an update on HIE’s property strategy was scheduled to be presented to a future Board meeting, in June 2022.

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

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

Greg Youngson left the meeting.

4.3 Stornoway Port Authority

Kathleen Stewart and Charlie Lawrence joined the meeting.

The Head of Enterprise Support North and the Property Manager, Major Projects presented a paper originally presented to the Board at an extraordinary Board meeting on 15 February 2022 where the decision was deferred to allow the provision of additional requested information. The paper seeks approval of a request from Stornoway Port Authority (SPA) for an additional £1,835,000 towards the delivery of Stornoway Deep Water Port (DWP). This would increase HIE's contribution to the project to £11,835,000.

The areas updated since the last report to the Board can be summarised as follows. 1) The economic impacts and third-party financial review has been completed; 2) Land negotiations with the Stornoway Trust have also progressed. Heads of Terms between Stornoway Port Authority and Stornoway Trust are currently progressing through legal approvals. In addition, Stornoway Trust have agreed to extend the boundary of HIE lease area at Arnish Point to allow a subsequent sublease to Stornoway Port Authority of the remaining land required for development;

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

4) The subsidy assessment has been completed as far as possible. This cannot be finalised until the terms of the CnES loan and the Scottish Government Growth Accelerator Model are confirmed to HIE. It is anticipated that this will be known during week commencing 28 February 2022.

Following discussion, the Board highlighted that a number of areas in the paper were still to be addressed. The Board therefore conditionally approved the project amendment for an additional £1,835,000 to Stornoway Port Authority (SPA) towards the delivery of Stornoway Deep Water Port (DWP) increasing HIE's contribution to the project to £11,835,000. The conditions set by the Board were as follows:

- Appropriate agreement between SPA and the Stornoway Trust.
- *[Line removed in the interests of the effective conduct of public affairs].*
- Ensure that the subsidy assessment is completed.
- Confirm that all other funding in place.

Once the conditions have been addressed, an update will be provided to the Chair and Chief Executive who will be asked to confirm that they are satisfied that the conditions set by the Board have been met.

Kathleen Stewart and Charlie Lawrence left the meeting.

5 ITEMS FOR INFORMATION **CUSPAIREAN AIRSON FIOSRACHADH**

5.1 Our People Strategy

The Board welcomed HIE's *Our People Strategy* which defines the organisation's ambition for its workforce, giving priority to staff development within an organisational culture that expects, encourages and recognises high standards of capability, professionalism, and performance. In discussion, it was confirmed that HIE operates a robust performance appraisal process and that succession policy is included in the *Our People Strategy*. The whistleblowing policy was currently being reviewed, for consideration at the Risk and Assurance Committee in the summer.

The Director of HR informed the Board that discussions were ongoing with Finance and Corporate Services to ensure the affordability of a new workforce development plan, due to be introduced as a priority action in year one.

The Chair noted that wording within *Our People Strategy* should reflect the new National Strategy for Economic Transformation, including references to delivery and accountability. It was agreed to review the HIE strategy to ensure terminology was aligned.

5.2 Developing the young workforce

The Board welcomed a paper on developing the young workforce in HIE.

5.3 HIE publication scheme – quarterly approvals October – December 2021

The quarterly approval list for the period October – December 2021 was noted and will be published on the HIE website.

5.4 AOB

There was no other business.

5.5 Forthcoming meeting dates:

- **Risk and Assurance Committee – 15 March 2022**
- **Board meeting – 26 April 2022**

Adrian Kitson
Chris Roberts
1 March 2022