



BOARD MEETING
COINNEAMH BÙIRD

MINUTE OF THE HIE BOARD MEETING HELD ON MONDAY 24 AUGUST 2021, STARTING AT 0900 BY TELECONFERENCE

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

IN ATTENDANCE:

David Oxley	Director of Strategic Projects
Douglas Cowan	Director of Communities and Place
Helen Herd	Interim Director of Human Resources (from item 3.2 onwards)
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
Stuart Black	Lead Area Manager, Moray
Adrian Kitson	Head of Executive Support
Chris Roberts	Head of Communications
Colin Cook	Director of Economic Development, Scottish Government
Jessie Laurie	Head of Enterprise Sponsorship, Scottish Government
Emma Stevenson	Financial Systems Accountant, item 2.2
Elaine Hanton	Head of Energy Technologies and Regulation, item 3.1
Dave MacLeod	Head of Property and Infrastructure, item 3.1
James Palmer	Project Manager – Construction, item 3.1
Tim Hurst	WES Managing Director, item 3.2
James Gibbs	Area Manager, Inner Moray Firth, item 4.2
Gavin MacKay	Head of Energy Industries, item 4.2
David Howie	Project Lead, item 4.3 and 4.3.1
Stuart Robertson	Director, Digital Highlands and Islands, item 4.4
Andrea Rutherford	Head of Policy – Digital Highlands and Islands, item 4.4
Robbie McGhee	Deputy Director, Digital Connectivity, Scottish Government, item 4.4
Morven Cameron	Head of Universities, Education and Skills, items 4.5, 4.6
Rona Campbell	Regional Population and Talent Attraction Manager, items 4.5, 4.6
Lorna Gregson-MacLeod	Head of Planning and Partnerships, item 4.6
Andy Sarjeant	Head of Corporate Information, item 4.6

1 STANDING ITEMS

CUSPAIREAN COTHROMACH

1.1 Welcome and apologies

The Chair opened and welcomed everyone to the meeting, noting that this was the first hybrid meeting of the Board with some members joining from the Boardroom at An Lòchran, Inverness which had been set-up to comply with current COVID-19 guidance. Those present in person in Inverness were: Alistair Dodds (Chair), Carroll Buxton (Interim Chief Executive), Amanda Bryan (Board Member), Freda Newton (Board Member), Sandra Dunbar (Director of Business Improvement and Internal Audit) and Nick Kenton (Director of Finance and Corporate Services). All other attendees joined virtually using Microsoft Teams.

The Chair extended the welcome to Jessie Laurie (Head of Enterprise Sponsorship, Scottish Government) and to Colin Cook who was attending for the first time in his role as Director of Economic Development, Scottish Government.

1.2 Declarations of interest

The following interests were declared:

- [Removed in the interests of the effective conduct of public affairs].
- Belinda Oldfield has a related party interest in Mott MacDonald, which has involvement in engineering works affecting the Cairngorm funicular, item 3.1. It was agreed that she would be excluded from the current Board consideration and leave the meeting when this item was discussed.
- Rachel Hunter declared a conflict of interest in relation to item 4.3.1 Space Hub Sutherland. It was agreed that she would leave the meeting when this item was discussed.
- Calum Ross, Paddy Crerar and Freda Newton declared a general interest in tourism. This was noted, however the members' experience was considered a benefit to tourism-related discussions, and would only present a conflict in instances concerning specific businesses or organisations in which a Board member is involved.
- Freda Newton declared an interest in relation to item 2.1 Financial Report, where the Port of Cromarty Firth was mentioned in Appendix 3c Top Sliced Capital projects. Ms Newton's business, Jacobite Cruises Ltd, is a beneficiary due to the docking of cruise liners. This was noted, but considered not to present a conflict in this instance.
- Nick Kenton and David Oxley declared an interest in item 3.2 Wave Energy Scotland as HIE-appointed directors on the Board of Wave Energy Scotland (WES). This was noted, but considered not to present a conflict which merited leaving the meeting when this item was discussed.
- Angus Campbell declared an interest in items concerning ferries, noting that he is the Chair of the CalMac Community Board. It was agreed that HIE would benefit from Angus's knowledge and experience when discussing wider strategic issues, and he could participate in discussion.

1.3 Minute of Board meeting held on 28 June 2021

The minute of the Board meeting held on 28 June 2021 was approved with one amendment: to note times when Amanda Bryan had left and rejoined the meeting.

1.3.1 [Item removed in the interests of the effective conduct of public affairs]

1.4 Matters arising from the minutes and action grid

1.4a Nigg

The Board asked for an update on the Nigg court case expenses. The Director of Business Improvement and Internal Audit (BIIA) confirmed that a schedule had been prepared for court.

1.4b [Item removed in the interests of the effective conduct of public affairs]

1.4c HIE investment in tourism

The Board asked about progress in relation to an outstanding action to provide a summary of current HIE investment in the tourism sector, noting that it would be useful for the Board to understand the full quantum of support that the sector had sought from HIE in response to COVID, including unfulfilled demand. The Interim Chief Executive confirmed that there had been a delay owing to issues with the transfer of data between systems during the move to MyHIE. However, the information on approvals was now available and would be provided. It was uncertain whether requests for support made to HIE could be fully evaluated, but this information will be reviewed and provided if possible.

1.4d Ferries

The Board also welcomed the action taken with regards to the Ferries update. The Interim Chief Executive updated that she and HIE Transport Manager Nicholas Sobey had met Scottish Government Minister for Transport Graeme Dey. The Minister outlined that the Scottish Government was working closely with CalMac on fleet resilience. HIE will continue to work closely with Transport Scotland and will continue to raise issues with Ministers.

All other matters arising will be covered during the meeting.

1.5 Chair and Interim Chief Executive update

The Interim Chief Executive provided an update, noting that HIE is preparing a response to the Ofgem Access and Forward-looking Charges consultation. Charges for smaller scale electricity generation would have cumulative impacts on the development of renewable resources in the north of Scotland relative to the rest of Great Britain. HIE is concerned over messaging and is aligned with local authorities and Scottish Government.

HIE continues to work with SE and SDI to develop proposals for the Scottish Innovation and Investment Zone (SIIZ) at the COP26 conference and is also exploring collaborations to showcase the regional potential for green finance via carbon sequestration.

The DSSB project has seen uptake of installation of superfast broadband to over 143,000 homes and businesses.

The recently published Digital Economy Business Survey shows the Highlands and Islands making progress, but lagging slightly behind Scotland as a whole.

Meetings had been held with Transport Minister Graeme Dey, as noted under matters arising, and with Richard Lochhead, Minister for Just Transition, Employment and Fair Work.

The return of staff to offices has commenced on a phased basis with island locations first and the expectation that all offices will re-open by mid-September. Guidance has been published for staff and detailed risk assessments will generate control measures for each location.

The Board asked if the new agreement between the SNP and Green Party was expected to have an impact on how HIE appraises funding applications. The Interim Chief Executive confirmed that conditionality has been raised and HIE is already speaking to clients regarding transition to Net Zero.

The Board asked about the return to office working and urged that the benefits of working remotely should not be lost. The Interim Chief Executive outlined that HIE would not go back to the 'old normal' and the majority of staff were seeking blended working. There will be a review of the office footprint but there remains a commitment to have a presence in each area of the region, possibly shared with other organisations.

The Board was interested in the Ofgem consultation and the impacts on smaller operators and islands. It was agreed that HIE's response would be shared with Board members. It was also agreed that the Interim Chief Executive would seek information regarding an item in the former Chief Executive's diary, listed as 'NDPB review' and provide this to the Board.

The Chair provided an update on Chief Executive recruitment, noting that the closing date was Friday (27 August). There would be an opportunity for the Board to meet shortlisted candidates on 4 October with final interviews taking place on 5 October. A good level of interest had been shown in the post.

Further virtual Board engagement events had been confirmed, with Argyll and the Islands in September and others to follow before the end of the year. A reminder will be sent to Board members involved in these events.

Draft terms of reference had been developed for a Highlands and Islands Regional Economic Partnership. A further approach will be made to Local Authorities to gauge interest.

The latest meeting of the Enterprise and Skills Strategic Board had discussed the new SG 10-year economic strategy; tourism, food and drink where an all-Scotland approach was required, and collaboration and working relationships between the enterprise agencies and Government.

A meeting had taken place with the new Principal of the University of the Highlands and Islands. The new Chair of the UHI Court is seeking to strengthen working relationships with all 13 UHI bodies.

The Interim Chief Executive and the Director of Finance and Corporate Services are to give evidence to the Economy and Fair Work Committee of the Scottish Parliament on 15 September 2021. A written submission is to be provided to the Committee in advance and will be shared with the Board.

2 RESOURCES AND GOVERNANCE GOIREASAN IS RIAGHLACHAS

2.1 Financial statement

The Director of Finance and Corporate Services presented the financial statement to 31 July 2021, with the key points to consider being commitment and spend to date against budget.

The Director confirmed that the VAT position had been settled to April 2020 with a new method from April 2020. Calls are underway with HMRC with progress being made. This will result in an accrual for this year and VAT issues being within budget going forward.

Cairngorm budget figures reflect the best estimate prior to the emergence of the design issues set out in the separate paper to the Board.

Financial forecasting had been affected by the transition to MyHIE which has presented some challenges to reporting. There is now a solution in place for commitment reporting and the Finance team are currently working with all budget holders to refresh forecasts over the course of the next few weeks, at which point they will be better placed to assess the situation.

Progress had been made on reducing the capital negative reserve. *[removed in the interests of the effective conduct of public affairs]* gave some flexibility to allow the refurbishment of the Ptarmigan at Cairngorm (£780k) and associated projects to be funded from HIE's business as usual capital rather than the full business case. The net result is that the negative reserve has reduced from £7.5m per the previous Board report to £5.6m. Overall, capital is showing a commitment level of 112% which is a little low. There are no particular concerns at this stage about spending the budget.

The revenue negative reserve has increased from £490k to £571k. This is regarded as too high and will be brought down. However, there is currently an under commitment of £4.2m of which £2.9m related to Covid consequentials. This has been discussed with area teams recently and they are still comfortable that HIE can hit spending targets.

For financial transactions (FTs) £550k of commitment is currently forecast against a budget of £2.6m. Discussions are being held with Scottish Government (SG) about the accounting arrangements for FTs which are complex and potentially onerous. FTs also carry a risk that any loans written off must be scored against Revenue yet the loan itself still remains payable to SG in full. There is a risk of underspend on FTs. *[Sentences removed in the interests of the effective conduct of public affairs]*

The Board asked about the problems being experienced with MyHIE and the issues that this had caused with reporting and if this was unexpected. The Director of Finance and Corporate Services outlined that this was a consequence of the improvements made and had now been resolved. The Director of Business Improvement and Internal Audit confirmed that the report function was working and was providing better data with only accurate information carried-over to MyHIE. Phase 2 of the project will move to benefits realisation and sharing and collaboration with a closing report to be provided to the September Risk and Assurance Committee.

The Board commented on the level of uncertainty. The Director of Finance and Corporate Services outlined that the percentage of spend was based on straight-line capital and revenue split as at 2019/20 so does seem behind. There is uncertainty re commitment and further uncertainty with Cairngorm this year however these are discussed weekly by the Leadership Team.

The Chair thanked the Director for his update, noting the need to keep the budget and the issues raised under review.

2.2 Write-offs

Emma Stevenson joined the meeting.

The Director of Finance and Corporate Services and the Financial Systems Accountant presented a paper providing details of all write offs for the 2020/21 financial year. The write offs were presented to Leadership Team (LT) on Monday 10th May 2021, where LT approved the approach being taken for each write off. Additionally, these were presented to the Risk and Assurance Committee (RAC) on Tuesday 1st June for information. The RAC requested assurances around ongoing monitoring of potential impairments and it was confirmed that this was already in progress and a formal summary of HIE's arrears will be presented to LT on a quarterly basis going forward.

Each year HIE reviews historic aged debts, and where all efforts have been made to recover debts, but no further recovery is possible, the debts are formally written off. As per the 2021 Delegated Levels of Authority, the HIE Board is required to approve the write off of any case over £250k. There is one write-off over £250k related to Inside Biometrics with all of the other write offs presented for information only. The detail behind each write off including the lessons learned had been provided, with the recurring theme being a need to keep closer to the client or tenant.

The write offs are fully reflected in HIE's accounts and the net budget impact will be zero as HIE can release Annually Managed Expenditure provisions to match the impact to revenue.

The Board asked if there were any issues from the lessons learned for Inside Biometrics (IB) that reflected any issues with HIE due diligence. The Interim Chief Executive highlighted that this was always a very high risk project and the due diligence had been robust. With higher risk interventions, learning is being taken into consideration and built into the due diligence process. It was also noted that a new company, Inside Biometrics International, had taken on assets and employees from IB in Dingwall and was continuing to provide skilled employment and generate economic benefits derived from HIE's investment.

The Board approved the write-off for Inside Biometrics and noted the other write offs.

Emma Stevenson left the meeting.

2.3 Performance update

The Director of Strategy and Regional Economy provided an update on progress against targets to date for 2021-22. Key points to note are 1) Jobs (with exception of fragile area jobs), sales and exports are relatively low to previous years with the latter expected from BREXIT impacts; 2) Lower levels of investment compared with previous years (with 2019-20 used as the reference year given the unusual circumstances surrounding 2020-21) account for lower outcomes; 3) A healthy pipeline will start to impact on outcomes later in the year; and 4) Due to the change from the HIE Management System to MyHIE some data is not yet available due to different reporting mechanisms. These will be updated in due course and this will allow further analysis to support resource prioritisation.

The Board asked how long it would be before reporting issues with MyHIE don't limit information available and asked about the healthy pipeline. The Director confirmed that the reporting issues were mostly sorted with new reports coming online. Pipeline has been reviewed and there is confidence that we will be able to use the budget to good effect and activity will be visible from October onwards.

The Board noted the report.

Due to a technical problem, Stuart Black had to leave the meeting.

2.4 Risk register

The Director of Business Improvement and Internal Audit presented the updated risk register at August 2021, highlighting new and amended risks and the movement of scores over time.

No new corporate risks have been added or removed from the register. Since the register was last considered by the Board a number of risks have had their scores reduced, namely: Arnish Fabrication Yard; *[removed in the interests of the effective conduct of public affairs]*, and governance; Budget Challenges; and the new VAT Regime partial exemption special method arrangement for VAT.

Some of the current areas of key risk were noted as being 1) Subsidy environment which is challenging but HIE is as knowledgeable as it can be; [removed in the interests of the effective conduct of public affairs]; and 4) MyHIE benefits realisation.

The Board noted the register and the change made where there is no longer a distinction between Strategic and Tactical risks. A request was also made to review the reduction in score for budget challenges.

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

3.1 Cairngorm

Belinda Oldfield left the meeting.

Elaine Hanton, Dave MacLeod and James Palmer joined the meeting.

HIE staff presented an update on a range of Cairngorm-related activities, focusing particularly on progress with the current programme of engineering works to strengthen the 1.9km viaduct that supports the funicular railway. Multiple factors, including [removed in the interests of the effective conduct of public affairs], COVID impacts and challenges associated with working on an existing structure rather than a new build, meant that concluding these works in winter 2021/22, as originally scheduled, would no longer be possible. Instead, it was now expected that the construction programme would continue through the following spring and summer, enabling the funicular service to be reinstated in autumn 2022.

As a result, it was clear that costs would now exceed the approved budget for reinstatement works, professional fees and optimism bias allowance that had been detailed in the Cairngorm full business case approved by the HIE Board and Scottish Government in August 2020. The scale of the impact on budget was unknown at present and its implications were being discussed with the Scottish Government. [Sentences removed in the interests of the effective conduct of public affairs]

Recognising the need for openness, the update included a communications plan to inform the public as quickly and fully as possible of the change to the project timescale, the range of factors that had made this move inevitable, and the fact that this would have an impact on budget. The Board emphasised the importance of communications, including a clear message that HIE was working to ensure that increased expenditure at Cairngorm would not impact other investment decisions in the Highlands and Islands. It was agreed that a news release announcing the changes to the programme would be distributed directly to board members and other stakeholders.

The Board thanked HIE staff for a detailed update and welcomed assurance that discussions had begun with the Scottish Government regarding the possibility of additional funding. It was noted that the complex nature of the project would continue to present design challenges and inevitably carried a risk of cost escalation that HIE was seeking to mitigate. [Sentences removed in the interests of the effective conduct of public affairs]

In relation to governance and best practice, the Board noted that the update included helpful case studies to highlight best practice and lessons learned, and suggested that HighLife Highland should be added to this list. This was agreed.

[Sentence removed in the interests of the effective conduct of public affairs]. Updates will continue to be provided to the Cairngorm sub-group and the full Board.

Elaine Hanton, Dave MacLeod and James Palmer left the meeting.

3.2 Wave Energy Scotland (WES)

Belinda Oldfield and Stuart Black rejoined the meeting.

Tim Hurst and Helen Herd joined the meeting.

The Director of HIE subsidiary Wave Energy Scotland (WES) updated the Board on EuropeWave, a €22.5m EU programme to develop wave energy technology. EuropeWave is based on the successful WES model of procuring developers to develop technologies through a 'stage gate' process and WES is a partner along with the Basque Energy Agency (EVE) and Ocean Energy Europe.

The programme will offer grant funding totalling €19.6m, including €3.78 (19%) from WES, to procure and fund projects in three phases over a 53-month period, with the final phase involving three scaled wave energy devices being tested at sea. Commitment had been received from the EU, Scottish Government and EVE, and all sea testing will be carried out in Scotland and the Basque Country.

The Board was asked to grant delegated authority to Leadership Team to approve funding awards to individual projects within phases one and two of the programme. This would accelerate decision making by HIE and in turn help successful developers to progress their projects as swiftly as possible.

The Chair welcomed assurance that all parties involved had agreed to support the programme, and sought confirmation that strong governance arrangements would be put in place, particularly to ensure a clear audit trail to provide the European Commission with evidence of valid payments. The Director confirmed that all processes and procedures had been approved by the EC. Governance arrangements were based on those applied effectively within WES over five years and would be robust.

The Director of Business Improvement and Internal Audit added that an update on WES governance was due to be provided to the Risk and Assurance Committee and she would work with WES to review arrangements regarding EU funding in advance of this so that full assurance could be provided.

In response to broader questions on WES's progress to date and future plans, the Director confirmed that the organisation's ambitions for its first five years had been achieved, with sea testing now under way of two devices developed in Scotland. The next phase would focus on further sectoral development, including the supply chain, and written confirmation of future Scottish Government funding was anticipated shortly. Scottish Government representatives at the Board meeting agreed to follow up on this point.

The Board approved the request to delegate decision making for EuropeWave phases one and two to HIE Leadership Team.

Tim Hurst left the meeting.

4 UPDATES **CUNNTASAN AS ÙR**

4.1 Scottish Government's 10-year Economic Transformation Strategy

The Interim Chief Executive introduced a paper to update the Board on the development of the Scottish Government's 10-year economic transformation strategy, which aims to 'deliver a green economic recovery and support new, good, green jobs, businesses and industries for the future'. The government had established a new Council for Economic Transformation to support development of the strategy, and three thematic groups had been formed, with members from government policy teams and all three

Scottish economic development agencies. HIE would also be providing a written submission. Stakeholder consultation on the strategy was taking place online and due to conclude on 27 August.

HIE had initiated a collaborative approach between the three enterprise agencies to ensure strong and consistent representation on key issues. The agencies were due to take part in two dedicated discussions with Gary Gillespie of the Office of the Chief Economic Adviser, who is leading development of the strategy.

The Board welcomed progress to date, highlighting the emphasis on place-based development, regional outcomes and entrepreneurship in particular as key elements that would ensure the strategy was relevant to the whole of Scotland, including rural areas and islands. It was helpful to see longer-term objectives that would prove useful in shaping other strategies by the government and agencies, including HIE itself. Members noted the importance of continuing to invest in projects and programmes that promote economic activity, including infrastructure, as well as outcomes such as productivity.

At 1200, Belinda Oldfield had to leave the meeting, due to a previous commitment.

In response to a request from the Chair, the Scottish Government representative agreed to arrange a meeting for direct discussion between the Board and the Chief Economist.

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

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

4.3.1 Space Hub Sutherland

Rachel Hunter left the meeting.

The Director of Strategic Projects reported on several matters pertaining to HIE's plans to develop Space Hub Sutherland as a commercial satellite launch site on the A' Mhoine peninsula. The judicial review had upheld the Highland Council's decision to award planning permission for the development in August 2020, although the petitioner had until 10 September to appeal. A decision on HIE's application to the Scottish Land Court was due imminently.

[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 Chair thanked the Director for his updates and responses to Board questions.

David Howie left the meeting.

4.4 Digital infrastructure

Rachel Hunter rejoined the meeting.

Robbie McGhee, Stuart Robertson and Andrea Rutherford joined the meeting.

HIE's Director, Digital Highlands and Islands updated the Board on recent changes to the delivery of improved digital infrastructure, including new initiatives from BT Openreach, the Shared Rural Network

mobile project, and the launch of the UK Government's Project Gigabit programme in England. In particular, it was noted that the Scottish Government's R100 programme was no longer considered a suitable vehicle to deliver the digital strand of the Inverness and Highland City-Region Deal, but gigabit rollout could be possible with a combination of Deal and UKG funding.

The Scottish Government's Deputy Director of Digital Connectivity then delivered a presentation on national initiatives, covering the new national digital strategy and highlighting progress with R100, 4G infill, and Project Gigabit. In discussion, the Board welcomed the strategy's commitment to ensure nobody in Scotland would be left behind. However, members noted that the proportion of hard to reach places was highest in island and rural mainland areas, and urged government to make every effort to address this, including providing vouchers and clear and accessible information to ensure people throughout the country can find effective solutions for a reliable and affordable service.

Summing up, the Chair highlighted the importance of digital connectivity in tackling the population challenge across the Highlands and Islands and stressed the need for government, agencies and local authorities to work together to find solutions to reach the maximum number of people and premises across all parts of Scotland. There would no doubt continue to be a great deal of engagement on this issue, and the Board would be seeking further updates from the Scottish Government as rollout progresses.

The Chair also expressed the Board's gratitude to the Director, Digital Highlands and Islands, who would be retiring from HIE shortly and whose knowledge, insights and dedication had been invaluable to advancing the digital agenda both regionally and nationally over many years.

Robbie McGhee, Stuart Robertson and Andrea Rutherford left the meeting.

4.5 Population and talent attraction

Morven Cameron and Rona Campbell joined the meeting.

HIE staff delivered a comprehensive paper and presentation on HIE's approach to addressing population issues across the Highlands and Islands and the work of the Convention of the Highlands and Islands (COHI) working group on population.

While it was acknowledged that HIE's activities underpin population retention and growth in a variety of ways, including job creation and support for businesses and communities, the presentation focused on specific interventions, including place-based approaches, designed to target the underlying causes of depopulation.

It was clear that several communities across the Highlands and Islands might not be sustainable unless urgent action was taken to address projected population decline. The presentation outlined current and planned actions by HIE and the COHI working group, including engagement with Scottish Government departments and the communities themselves, that are designed to make progress to tackle this issue and its underlying factors over the next twelve months.

It was recognised that solutions would require short, medium and long-term interventions, with new legislation or reform of existing legislation almost certainly part of the approach needed to sustain and increase the population of the region, including current areas of decline in the Outer Hebrides, Argyll and the Islands, and Caithness and Sutherland.

Key actions could include encouraging government and public bodies agencies to adopt a 'location neutral' approach to recruitment and to support the Scottish Government's aspiration for a more

geographically balanced population. It was important that HIE should also play a role in promoting and influencing infrastructure issues that lie outwith its remit but are critical to address population issues. These include access to land (particularly crofting land), housing, transport (including ferry services) and broadband.

It was noted that the COHI working group on population would pilot projects across the region with partners and test new approaches to address demographic challenges. It was expected to report to COHI in October. In response to questions, it was explained that specific geographic areas whose projected decline was highlighted in the report had been identified through a combination of research, national statistics and information from COHI partners.

The Board welcomed the presentation and endorsed the approach and actions currently being taken by HIE and partners in government and other bodies to address this vital issue, although it was important to be realistic about the scale of the challenge and recognise the limitations of operating in a free market economy. Members argued the case for positive interventions to go further than the 'location neutral' approach currently proposed and highlighted the importance of housing and education as related topics. It was widely considered that a lack of affordable housing across the region was a very serious barrier to business growth. Perception was a factor in many places, and important lessons could also be learned from other countries and from parts of the region, including those where population had grown.

It was agreed that the subject was deserving of further consideration and that a dedicated workshop would be arranged for Board members and HIE staff to consider issues in greater depth, think creatively and agree actions. The Chair also encouraged HIE staff to continue to demonstrate leadership with partners and call on the Board for support should that be necessary.

4.6 Inclusive growth area profiles

Lorna Gregson-MacLeod and Andy Sarjeant joined the meeting.

HIE's Head of Planning and Partnerships and the Head of Corporate Information summarised the outcomes of data analysis that HIE had undertaken with the James Hutton Institute to inform inclusive growth policy and investment decisions. The report identified nine area typologies or clusters in the Highlands and Islands, defined as areas that share a similar profile in terms of characteristics relevant to inclusive growth across a range of indicators. These would enable inclusive growth weighting to be applied to the agency's interventions and support the development of a tool to guide prioritisation.

Staff underlined that the new approach was designed to add nuance and consistency to decisions on prioritisation, but should be viewed as an additional tool, with limitations, and not a substitute for local knowledge and experience. It was also acknowledged that underemployment was a key issue for the Highlands and Islands for which there was not currently a strong evidence base, although this could be indicated by analysis of other data.

The Board welcomed the approach being taken and encouraged staff to continue to refine the tool through deeper and more detailed analysis, which would prove helpful in defining a number of issues relating to inclusive growth, including decisions on types and locations of specific HIE interventions. It would also embed inclusive growth weighting as a key element of HIE decision making to optimise use of resources and inform the development of future regional and national strategy.

Morven Cameron, Rona Campbell, Lorna Gregson-MacLeod and Andy Sarjeant left the meeting.

5 ITEMS FOR INFORMATION
CUSPAIREAN AIRSON FIOSRACHADH

5.1 Any other business

There was no other business.

5.2 Forthcoming meeting dates:

- Risk and Assurance Committee meeting 23 September 2021
- Board meeting 26 October 2021

CLOSE DÙNADH

Adrian Kitson, Head of Executive Support
Chris Roberts, Head of Communications

24 August 2021