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Your Reference: HIE Budget Query

24 September 2020

Dear Mr Mackie,

Thank you for your letter of 25 August to the Cabinet Secretary for Finance. I work in the Enterprise Sponsorship Team and your enquiry has been passed to me for reply. As you note, COVID-19 has had a significant impact and the Scottish Government recognised this by advising Highlands and Islands Enterprise (HIE) in their interim guidance letter of 22 April that they should prioritise spending towards responding to the pandemic.

We have worked collaboratively with HIE to manage their in-year pressures during this time, with regular discussions taking place either at Ministerial and/or official level. Their core baseline funding has already been, and will further be, supplemented with in-year adjustments to reflect the requirement for key financial interventions in order to respond to COVID-19 amongst other key priority projects.

HIE is continually reviewing and reprioritising spending plans for 20/21 so that existing funds can be used to support economic recovery, enabling them to continue to deliver existing products and services as well as essential funding support in response to the pandemic.

The Inverness & Highland City Region Deal, designed by Highland Council and local partners, secured an investment of £188.1m (£135m from Scottish Government and £53.1m from UK Government) for the region and is now in year 4 of delivery. Several projects within the Deal will benefit the Caithness & North Sutherland area: The Science Skills Academy opened the first Newton room in Thurso in 2019; the Northern Innovation Hub provides support for businesses and entrepreneurs from across the region; and Albyn Housing has identified a site in Tongue to develop their Innovative Assisted Living - Fit Homes, in partnership with NHS Highland.

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Similarly, the Digital Connectivity project has already provided free Wi-Fi to Thurso and Wick and will, within the lifetime of the Deal, further enhance the digital infrastructure throughout the Highlands. I hope this brief outline of projects demonstrates that the impact of the Inverness & Highland City Region Deal is far reaching and attempts to benefit as much of the region as possible. The Deal also recognises the importance of ensuring continued air access for the economic development of the region, and has established the Highland Air Access Group to look at connectivity across the region.

The Scottish Government recognises the issues faced by the Caithness area both specifically in relation to the loss of the Wick-Edinburgh and Wick-Aberdeen air services and more generally. The Scottish Government is considering carefully the business case submitted by the Caithness Chamber of Commerce for the direct subsidy of air services to Wick and will respond as soon as possible. The Cabinet Secretary for Transport, Infrastructure and Connectivity has been clear that any intervention would require multiple funding partners to restore scheduled services at Wick. The Scottish Government has held discussions with both Highland Council and the Nuclear Decommissioning Authority about potential contributions.

You will be aware that the Scottish Government did previously attend the Caithness and Sutherland Regeneration Partnership, however the Chair was notified that the Scottish Government representative would step back as they had no levers to directly support the partnership. Whilst we understand that the lack of Scottish Government representation may be disappointing, we believe that HIE is better placed to participate in the partnership and support the work it takes forward.

Yours sincerely



Paul McKay

**RED : Enterprise Sponsorship**

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