



Highlands & Islands ENTERPRISE

Strengthening Communities



Developing Skills



Growing Businesses



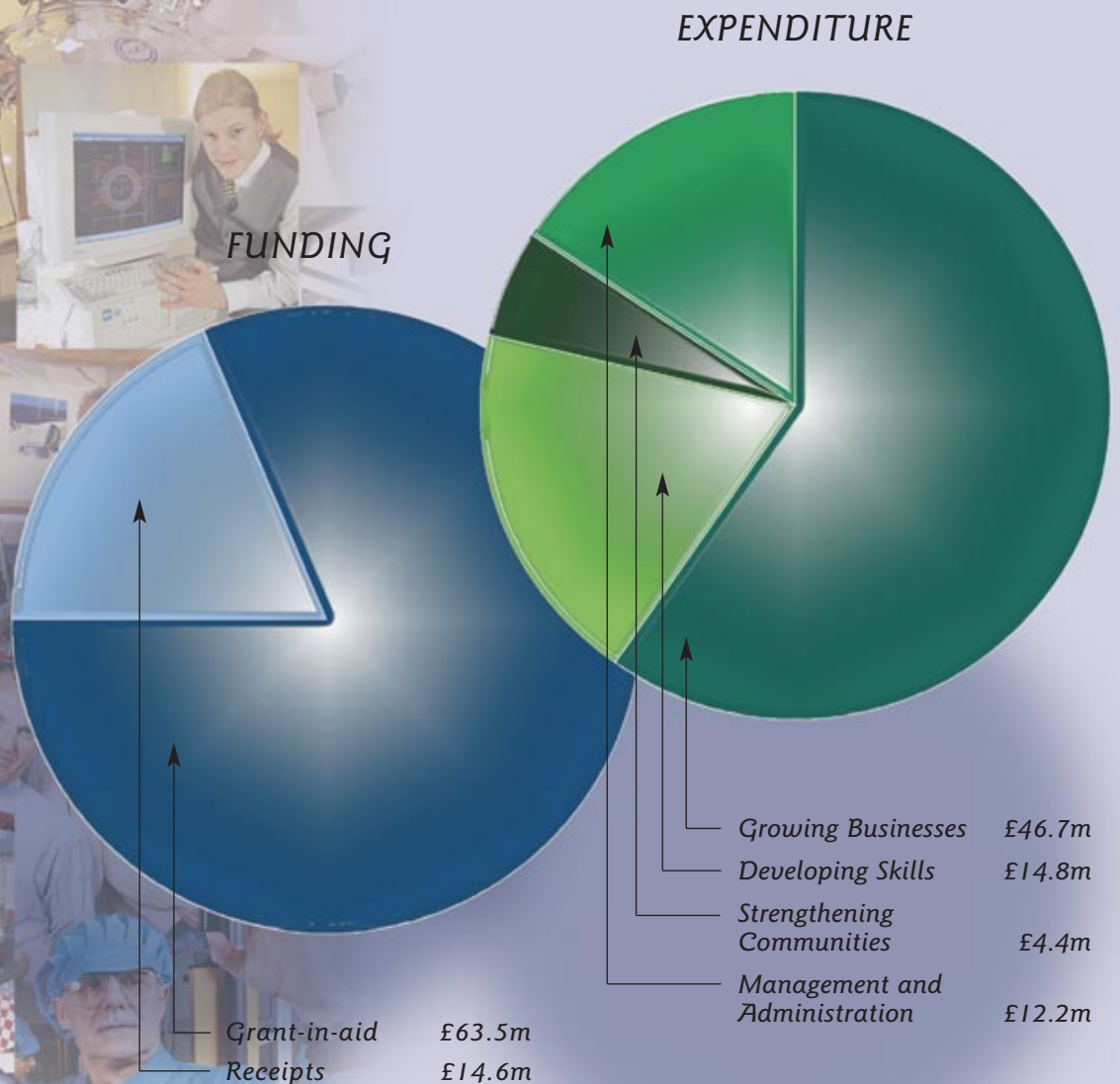
EIGHTH REPORT 1998-99

CHIEF EXECUTIVE'S SUMMARY

8th
Report
1998-99

CHIEF EXECUTIVE'S

Funding and Expenditure 1998-99



SUMMARY

In my summary to the previous Annual Report, I risked the prediction that current development work and momentum would make this last year the most successful ever for the Network's vital inward investment activities.

Why vital? Because, despite this area's recent achievements in overall population and employment growth, our economy is not yet broad enough, still needs an increase in the variety of modern technologies and requires faster GDP growth.

That is why I am delighted to say that last year's optimism about incoming business projects – harnessing fresh technologies, skills, products and markets – has been spectacularly fulfilled.

Inward investments by Cap Gemini, Inverness Medical, Iomart, AGM Batteries, BT/Manpower, SGL Technic and several more, are bringing over 1,275

new jobs through 18 separate projects across the Highlands and Islands.

However, indigenous business development remains our strongest suit, accounting for nearly two-thirds of the total of 3,322 jobs we helped to create or retain. The average cost per job was £3,253 and our investment levered £4 of private sector capital for every £1 of HIE Network funds.

Another huge goal, achieved with our several partners in the campaign to retain European structural funding for the HIE area, was the announcement of a major new special programme of 300 million euros to the year 2005, as the six-year Objective 1 programme draws to a close. This presents an opportunity for the area to build on the progress to date and our task is now to ensure that this momentum is maintained.

Together with our partners, we have reviewed and refocused the HIE Network Strategy. The new document outlines our



Iain A Robertson CBE.



Thurso: AEA Scotland's general manager Neil Buchan at AGM Batteries Limited, which will manufacture lightweight lithium-ion rechargeable batteries for the communications, defence and medical sectors.



Western Isles: Bhalto Community Trust acquired the Valtos estate in Lewis with the help of the HIE Network's community land unit.



A £4 million extension to Inverness Medical will create an estimated 280 jobs, taking employment to well over 600 in the next five years.

vision of progress and legacy, based on building a sustainable economy, sustainable businesses, sustainable communities and sustainable use of natural resources.

Excellent support from Ministers and Government initiatives such as Initiative at the Edge, Community Planning, Social Inclusion Partnerships and the Community Land Unit, have re-emphasised the inclusive and community-focused approach of the Network's strategy. This approach

presents challenges for the range of partners involved. Working together, however, we can increase the effectiveness of our own activities while enabling communities to take forward development at their own hand. Enabling the communities of Knoydart and Bhalto to take forward land ownership and management exemplifies intervention to help win local empowerment and confidence.

Confidence matched with skills provides a powerful driver for

Aviemore: Donald Dewar, then Secretary of State and now Scotland's First Minister, addressed the John McEwen lecture on land reform. He is flanked by Iain Robertson (left) and David Green, now convener of The Highland Council.



KEY OUTPUTS 1998-99

Growing Businesses

- ❖ Record inward investment achieved, with some 1,275 jobs created through a total of 18 projects
- ❖ 3,322 jobs created or retained, through financial assistance to 684 business developments, including inward investments
- ❖ Additional 227 businesses established by formerly unemployed people through the Business Start-Up programme
- ❖ Average cost per job through our Finance for Business (FFB) programme was £3,253
- ❖ £75.6m of private sector investment levered by £18.9m of HIE Network FFB funds – a ratio of 4:1
- ❖ Nearly 10,000 square metres of new factory and office properties constructed, and sales of over 12,000 square metres of property generating £2.52m for new economic development

Developing Skills

- ❖ 3,108 individuals helped to enhance skills through in-company training in 431 firms
- ❖ 1,930 young people started on the Skillseekers programme, with 761 Vocational Qualifications achieved. Proportion of Skillseekers in employment increased to 79 per cent
- ❖ 916 unemployed adults entered the Training for Work programme and 287 VQs achieved. 252 trainees achieved positive outcomes, of which 93 per cent were entries into employment
- ❖ 235 businesses and organisations awarded Investors in People status – bringing HIE area total to more than 30 per cent of Scotland overall
- ❖ New Deal programme progressed across the HIE Network and localised New Futures projects piloted for highly disadvantaged individuals
- ❖ University of the Highlands and Islands project completed several building projects, expanded its range of degree and post-graduate courses and issued its first prospectus

Strengthening Communities

- ❖ 399 Community Action projects supported with HIE Network grants totalling £1.34 million
- ❖ Every £1 of HIE Network funding attracted £5.62 from community and other sources
- ❖ HIE Network's Community Land Unit helped achieve two major new community purchases and assisted several smaller projects, with 30 active cases in hand
- ❖ Inclusive, partnership approach enhanced through active roles in new Initiative at the Edge programme, Community Planning and Social Inclusion Partnerships
- ❖ Specialised development programmes implemented through partnerships with bodies in the voluntary, arts, and Gaelic sectors

development. A key element of our skills training activities has been successful delivery of the government's New Deal for the young and long-term unemployed. We augmented this with innovations such as the New Futures programme, piloted in Caithness and Sutherland, for some of society's most disadvantaged individuals

The Skillseekers programme saw another increase in the proportion of young people training while in employment, as well as the number of Modern Apprenticeships. A wide range of businesses have worked with the Network to prepare and run in-house company training programmes for employees and management to enhance competitiveness.

Commitment to sustainable business development included support through programmes such as innovation and technology advice and through the Investors in People programme. In another record year for the Investors in People programme, some 235 businesses gained recognition. The HIE area, with less than 10 per cent of Scotland's businesses, has more than 30 per cent of IIP recognitions.

Preparations and safeguards for the new millennium progressed well, with nearly 150 businesses using support from the Network to move towards Year 2000 compliance.

The University of the Highlands and Islands project moved ahead to seek formal designation as a higher education institution, as a formal precursor for full university status. Meanwhile, the UHI project was offering some 18 degree courses and three post-graduate degrees, with construction of new facilities in hand or completed at several sites across the area.

The Highlands and Islands unemployment trend continued to improve and, for the first time since 1992, the rate remained below the overall Scottish rate throughout the year. In January, average unemployment for



Isle of Skye: The UHI project completed construction of new facilities including a state-of-the-art campus at Sabhal Mor Ostaig, Sleat.

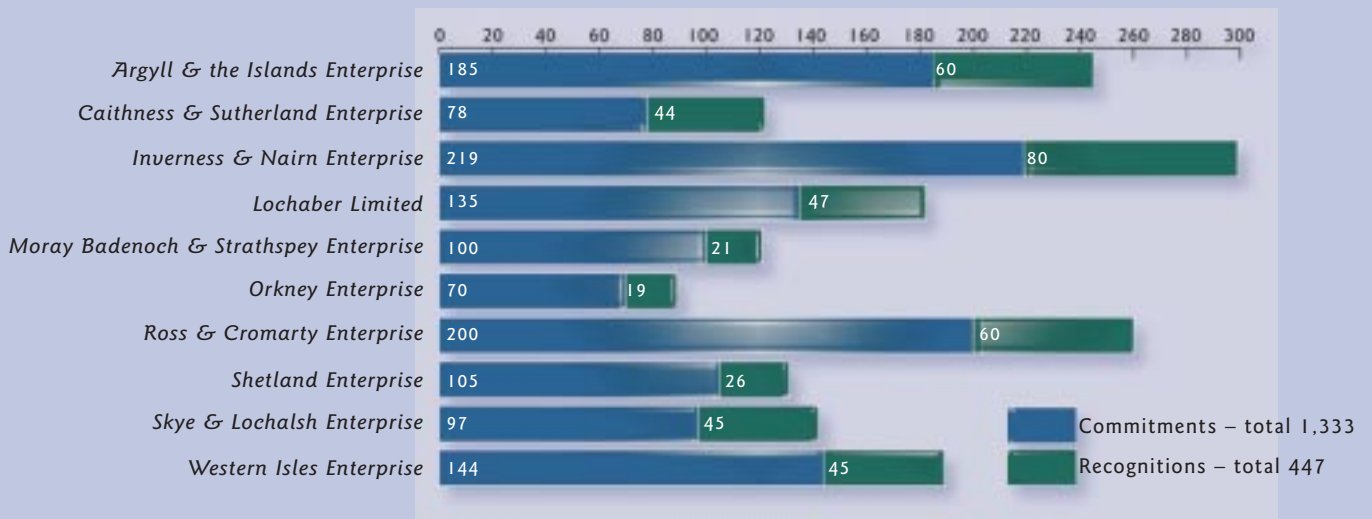
the HIE area was 5.8 per cent, one percentage point lower than in January 1998 and representing almost 1,800 fewer individuals on the unemployment register.

More localised unemployment rates demonstrate the wide variety of economic circumstances within the HIE area and unemployment rates in

Sutherland, the Western Isles, Skye and Wester Ross, and several parts of Argyll remained significantly high. However, there were dramatic improvements in some localities. For instance, a 20 per cent fall in the Dingwall area reflected the attraction of major new employers to Easter Ross.

Investors in People (IiP)

Commitments and Recognitions by LEC area 1991-99



The latest population estimates indicated continued overall growth, exceeding the Scottish rate during this decade. Nevertheless, significant falls in areas such as the Western Isles remain a concern.

The latest available export results, for 1997, showed overseas sales had slowed in the face of tough trading conditions but still grown by almost two per cent, excluding whisky and petroleum products. Food and drink generated over one-third of all manufactured goods exports, again excluding whisky. Inclusive of whisky, annual exports from the HIE area are now worth over £1 billion.

New business starts can be a useful barometer of the local economy. Figures obtained for 1998 by the Scottish Committee of Clearing Banks showed over 2,000 new businesses were started in the HIE area, representing nine per cent of Scotland's new starts compared to a population share of seven per cent. The highest rates of new starts were found in Lochaber, Skye and Lochalsh and the Western Isles.

As you will see, this report is again filled with people, communities and businesses engaging in creative, innovative and productive projects across the Highlands and Islands. Catalysing these results and successes are the year-round commitment and efforts of the HIE Network boards and teams.

In this first year of the Scottish Parliament and the advent of the new millennium, the HIE Network looks forward to new challenges, opportunities and achievements. We are grateful to our sponsor department at the former Scottish Office, and our partners in the area's local authorities, in the European Commission's DG16 and across Scotland for their assistance and co-operation during the year.

Together, we are ensuring that the Highlands and Islands will make an increasingly meaningful return to the economic and community wellbeing of Scotland, the UK and Europe.

The HIE Management Group (left to right): Sandy Cumming, director growing businesses; Gordon Moggach, senior business development manager; Bob Kass, head of communications; Alan Price, director finance and administration; Ralph Palmer, director developing skills; Iain Robertson, chief executive; Andrew Ross, head of secretariat; Sandy Brady, director strategy group; and Lorne MacLeod, director strengthening communities.

