

# HIGHLANDS AND ISLANDS ENTERPRISE

2019-2022 STRATEGY



Highlands and Islands Enterprise  
Iomairt na Gàidhealtachd's nan Eilean



# OUR REGION

## Shetland

**Stable population: 23,080**

- Very low unemployment rate
- Highest jobs density in Scotland
- Seafood industry worth £300m to the Shetland economy
- Significant potential in renewable energy and oil and gas decommissioning

## Orkney

**Increasing population: 22,000**

- High net migration
- Highest employment rate in region
- World leading development of the marine energy sector
- Identified as 'best place to live in the UK' in 2019 survey

## Outer Hebrides

**Declining, ageing population: 26,950**

- Strong school leaver attainment rates and highly qualified working age population
- 70% of all community owned land in Scotland
- Most visited of the island groups with 220,000 visitors per year
- Largest of Scotland's marine regions with 23% of the sea area

## Caithness and Sutherland

**Declining population: 38,520**

- Highest unemployment rate in region
- Plans underway to launch satellites into space
- Home to Scotland's first European Geopark
- High value skills in nuclear power and decommissioning – a key asset

## Lochaber, Skye and Wester Ross

**Stable population: 39,248**

- Lowest population density in the region: 4 people per sq km
- Low unemployment rate
- Strong tourism sector based on natural capital
- Ambitious masterplan – Fort William 2040 – produced for future growth

## Inner Moray Firth

**Increasing population: 157,412**

- High net migration
- World famous attractions including Loch Ness and Cairngorms National Park
- Growing life sciences and technology sectors supported by Inverness Campus
- Construction ports for the world's largest cluster of deep water wind projects worth around £7bn

## Moray

**Increasing population: 95,780**

- Highest population density in the region: 43 people per sq km
- Lowest rate of economic activity in region, comparable to Scottish level
- Food and drink production makes up one-fifth of the area's GVA
- High share of global markets in tourism, forest products, textiles and specialised metalworking

## Argyll and the Islands

**Declining and ageing population: 66,534**

- Low net migration
- High levels of self-employment and highly qualified working age population
- Home to world leading marine science cluster
- Highest number of inhabited islands: 23



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# FOREWORD AND INTRODUCTION



## FOREWORD

As chair of Highlands and Islands Enterprise, the economic development agency for the Highlands and Islands of Scotland, I am pleased to introduce our new strategy.

Significant progress has been made, the region's productivity is improving and we continue to attract major new investments that bring fresh and exciting opportunities in sectors such as space and energy. Recent research showed an increasing number of young people want to live and work in the Highlands and Islands. However there is still a job to be done. To build the population across the whole of our region we need to grow businesses and strengthen communities and infrastructure to build on our success. Inclusive growth and wellbeing and having a strong commitment to the Fair Work agenda are fundamental to developing our vibrant rural economy.

We enter this three-year period in an environment of stronger collaboration in Scotland and the collective pursuit of improved delivery through the work of the Enterprise and Skills Strategic Board. This is vital in a time of major change.

That need for change is more urgent following the First Minister's climate emergency announcement. As an agency we must be responsive and support our businesses and communities in the drive towards being a carbon neutral nation by 2040. Our region has a lot to offer and deliver for Scotland.

At the same time, the National Council of Rural Advisers has sent a strong message on ensuring that rural and remote businesses and communities benefit from a tailored, place-based approach that meets their needs. We are ready to embrace that challenge.

I am proud of the significant contribution our agency makes to our region, and that our region makes to national economic growth. We have major untapped potential arising from our unique natural, physical and human assets and have much more to offer. We will continue to provide leadership and support to ensure the Highlands and Islands maintains its progress and that positive outcomes are felt in all corners of our region.

**Professor Lorne Crerar CBE, Chair**



## INTRODUCTION

This three-year strategy sets out our ambition for each and every part of the Highlands and Islands. The opportunities are immense. Our vision and priorities aim to harness our region's potential, working closely with our local, regional and national partners.

HIE will provide a strong voice for the region, making sure our opportunities and needs are understood. We will work tirelessly to address them whether through our direct support or through our influence and leadership. Opportunities and needs vary across our area and inclusive growth is central to our strategy. Increasing population and incomes, while reducing isolation and inequalities can only be achieved through such an approach. We will prioritise investments that achieve the longer-term impacts required, including those which support Scotland's ambitious climate change targets.

The Enterprise and Skills Strategic Board and the Scottish Government have set out a clear vision for sustainable and inclusive economic growth for Scotland. We are ready and eager to make a significant contribution to that vision. We will combine our leadership, enthusiasm and experience with that of our partners to develop our region and provide opportunities for those that live, work, study and do business here.

We will listen to our customers, ensuring that the services we offer are designed to meet their needs, and that our approach is flexible and accessible. We will focus more strongly than ever on aligning and collaborating with partners to maximise our impact on the economy and provide an excellent customer experience.

Enhanced regional economic partnerships will achieve the strongest possible outcomes from our collective resources. The Inverness and Highland City-Region Deal has set the pace and the Islands, Argyll and Bute and Moray deals are expected to follow. These growth deals, along with the strong collaboration on strategic priorities through the Convention of the Highlands and Islands, provide every chance for real transformation of the region.

**Charlotte Wright, Chief Executive**

**Good pay, availability of high quality jobs and low cost of living are critical to making the region attractive to young people, along with quality of life and affordable housing.**

*(Young People and the Highlands and Islands: Maximising Opportunities 2018)*

# OUR VISION

We want the Highlands and Islands to be a highly successful, inclusive and prosperous region in which increasing numbers of people choose to live, work, study and invest.

People and place are at the heart of this strategy and our vision can only be achieved through supporting inclusive growth and having a **strong regional perspective**.

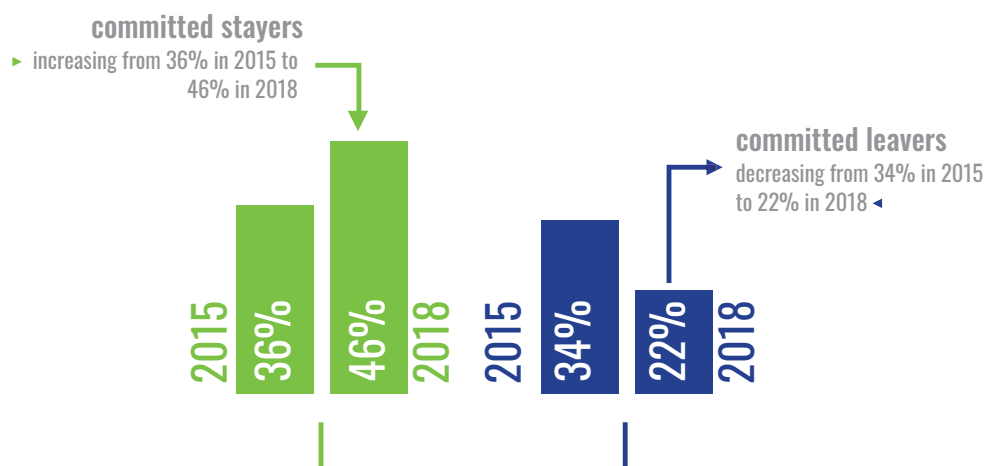
We are ambitious for **all parts** of our region to sustain and develop a vibrant rural economy based on:

- successful, productive and resilient businesses;
- strong, capable and resourceful communities; and
- a region which is well connected and well placed to maximise opportunities – creating the conditions for growth.

We will:

- contribute significantly to Scotland's economic development through our leadership, expertise and influence;
- combine our efforts and resources to deliver successful outcomes with our partners;
- push boundaries - be bold and proactive, demonstrating leadership and pilot new approaches; and
- have an active commitment to Fair Work First.

## CHANGING ATTITUDES OF YOUNG PEOPLE



### MARINE ECONOMY

The Highlands and Islands has an outstanding marine environment and contains almost two thirds of the UK's coastline and coastal waters. Home to world class marine science and innovation.

### SPACE INDUSTRY

The Highlands and Islands is the best placed location in Europe from which to launch small satellites into polar and sun-synchronous low Earth orbits. Jobs in the space sector are 2.6 times more productive (GVA per employee) than the UK average. Space Manufacturing in the UK grows at a rate of 27% per annum.

*Size and Health of the UK Space Industry 2018. A Report to the UK space agency Space Agency*

## STRATEGIC POLICY CONTEXT

## THE SCOTTISH GOVERNMENT'S ECONOMIC AGENDA

We have a clear ask from the Scottish Government in terms of how we help deliver its long-term aspirations for Scotland's economy. It has set out its direction and guidance in the following documents: Programme for Government; Economic Action Plan; Enterprise and Skills Strategic Board's Strategic Plan; and Scotland – A Trading Nation.

Each of these documents recognise the role Scotland's enterprise and skills system plays in creating the right environment to build a strong, vibrant and diverse economy that promotes wellbeing and attracts investment.

The Economic Action Plan expects us to develop the potential of our communities and our rural economy, take a place-based and wider partnership approach, and underlines the importance of investing in infrastructure. This potential is being further considered by the Scottish Government following recommendations by the National Council of Rural Advisors on a new approach and delivery model for rural policy, development support and investment.

They provide important strategic context which is reflected in our own plans. At the centre of the Government's aspirations is a Fair Work First approach, which recognises that successful economies put fair work practices at the heart of everything they do.

## ENTERPRISE AND SKILLS STRATEGIC BOARD

The Enterprise and Skills Strategic Board has tasked the enterprise and skills agencies with collectively helping Scotland move towards the top quartile of OECD countries for productivity, equality, wellbeing and sustainability.

Achieving this ambition would mean more spending power for individuals, improved business competitiveness and profits, and consequently higher tax revenues to help fund better public services.

The Board's Strategic Plan outlines how a joint agency approach can help towards achieving this shared ambition for Scotland. Over the next three years, we will further collaborate with Scottish Enterprise, Skills Development Scotland, the Scottish Funding Council and the new South of Scotland Enterprise Agency to develop this approach.

The Strategic Plan and the Scottish Government's Economic Action Plan both identify initial actions for the agencies to take in pursuit of our shared vision. Our commitment to deliver these is reflected throughout our plans.

The Board's Strategic Plan includes four separate policy missions, which the agencies will work towards collaboratively:

### Future Skills Needs (FS):

building a more demand led skills system that better responds to the current and future skills needs of employers and individuals

### Business Creation and Growth (BCG):

creating a nation of dynamic and high achieving entrepreneurs, with a focus on inclusivity, and provide a new structure of support for business scale-up

### Business Models and Workplace Innovation (BMWl):

harnessing the full potential of progressive business models, workplace innovation and fair work to enhance productivity, equality, wellbeing and sustainability

### Exporting (Exp):

increasing export growth by increasing the number of exporters, including greater reach at regional level, and the value of exports.





This table shows how the agencies will collaborate and contribute towards achieving the actions and recommendations set out in the Strategic Board's Strategic Plan. In taking these activities forward, we are developing new forms of joint decision-making and ways of working with our partner agencies.

STRATEGIC BOARD ACTIONS	HIE	SE	SDS	SFC
Establish a campaign to foster entrepreneurship and ambition across society, with particular focus on inclusivity (inc. women, minority ethnic groups, rural considerations etc).	●	●		●
Create a main online entry point as part of a wider transformation to a truly digitally-enabled business support service providing rapid, tailored support.	●	●	●	●
Boost overseas acquisitions through specialist support for scale up from a new public/private/SNIB collaboration.	●	●		
Co-ordinate a national exporting service – a one Scotland approach to export delivery organisations and services.	●	●		●
Explore new public/private sector partnerships which will provide support to scale-up, and refresh export support resources.	●	●		
Develop digital, sales and international language training programmes for exporters.	●	●		●
Deliver an 'Innovating Workplaces' campaign to create awareness of productivity issues of business models, workplace innovation and Fair Work.	●	●	●	●
Utilise data-led approaches to proactively identify and support sectors and firms who can exploit opportunities for growth or to enhance their resilience.	●	●	●	
Co-ordinate a programme of business models and workplace innovation activity that is driven by agency-fluid teams.	●	●	●	●
Implement the 5-stage skills alignment model and a one system approach for learners and employers.			●	●
Define the meta-skills for use in future skills provision.			●	●
Review greater scope for working with Business Gateway, specifically the best way to support start-ups.	●	●		
Build on existing Brexit readiness work to strengthen the Scottish-level response.	●	●	●	●
Support Scotland's businesses to respond to challenges by leveraging maximum funds from the Industrial Strategy Challenge Fund.	●	●		

The Board's Strategic Plan's actions have new and collective ways of working at their core. These aim to ensure agencies work together proactively to help companies reach their potential.

We are working closely with Scottish Enterprise (SE), Skills Development Scotland (SDS), the emerging South of Scotland Enterprise agency and Business Gateway to make it more straightforward for customers to access the help, funding and advice we provide. Together we are developing an intuitive, clear and easy customer experience for the tens of thousands of Scottish businesses and employers who come into contact with us each year.

In support of the Strategic Plan, Highlands and Islands Enterprise (HIE) aims to:

- provide an uncluttered support environment with clear eligibility criteria, better cross-agency working and effective signposting and referral processes;
- simplify access to support by developing common customer experiences supported by common business processes and maximising the use of digital technology;
- use and share data more effectively to inform and improve service design, enable intelligent targeting of support and resources, and facilitate assessment of impact; and
- support the delivery of flexible and tailored solutions alongside new universal products and services.

The enterprise and skills agencies are ambitious for Scotland. To achieve our shared vision and outcomes will require our collective efforts and resources. Partnership working has long underpinned our work and values as an organisation, however, we know that to achieve our vision and that of the Strategic Board, new ways of cross-agency working and deeper, more meaningful collaboration will be not just desirable, but necessary.

This enhanced collaboration will complement our existing partnership working at national, regional and local levels.

# THE STATE OF THE NATION

We know that global economic events will continue to have an impact on the Scottish economy over the next three years. The Scottish Government's State of the Economy report tells us that economic growth is expected to be slower or relatively weak in many of our key markets – including Europe, the USA and the rest of the UK. At the same time, growth in Scotland is expected to slow down as a result of low productivity and a decrease in the working age population.

Despite this, the labour market is performing well. Scotland's population is highly qualified and employment is at a record high, with unemployment at a record low. This creates its own challenges:

- skills shortages for some businesses and sectors;
- unequal access to the best job opportunities;
- overqualified workers whose talent is not fully utilised; and
- low wages caused by low productivity and vice versa.

However, Scotland is still one of the most attractive locations in the UK and Europe for inward investment, due to our skills, talent and knowledge. There are still significant opportunities for Scottish businesses to sell their goods and services overseas.

## GLOBAL TRENDS

Brexit is not the only major global event that will influence the long-term shape of our economy. Although we know change can bring uncertainty, many of these trends also present new opportunities for Scotland to take advantage of.

The world's population is getting older, with the number of people aged over 60 expected to double globally to two billion by 2050. In Scotland, we expect the number of people of traditional working-age to decline by around 150,000 over the next 20 years. At the same time, it's predicted that the number of people aged over 65 years will increase by more than 400,000. This will bring opportunities to develop and create new markets, products and services for healthy, productive and active ageing.

Similarly, rapid changes in technology present significant opportunities. Although artificial intelligence, robotics and other forms of automation will replace some employment, these technological changes have the potential to boost the global economy by over 25% by 2030 whilst creating new types of quality jobs. We must take advantage of this to drive new jobs in high skilled industries, for example, applying these new technologies to transform the competitiveness of Scotland's high value manufacturing sector.

Climate change is one of the biggest risks to the future resilience of the global economy. A move to a low carbon world economy could deliver huge economic growth and job-creating benefits for innovative businesses.

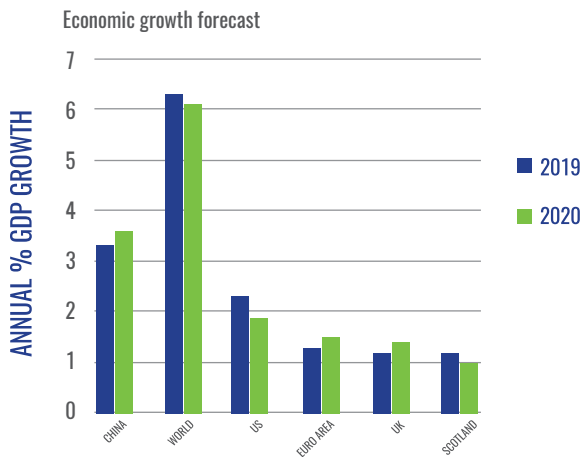
We have a critical role in shaping and delivering Scotland's response to this fast-changing environment. We must build resilience and ensure we realise new opportunities as they arise. We need to innovate our way into new economic territory and we must be confident in our ability to work together to do so.

## ENERGY

Offshore wind projects in the Moray Firth have potential to meet 100% of Scotland's household electricity requirements.



## GLOBAL ECONOMY



Whilst the global economic environment is challenging there still are **MAJOR OPPORTUNITIES IN EXTERNAL MARKETS**

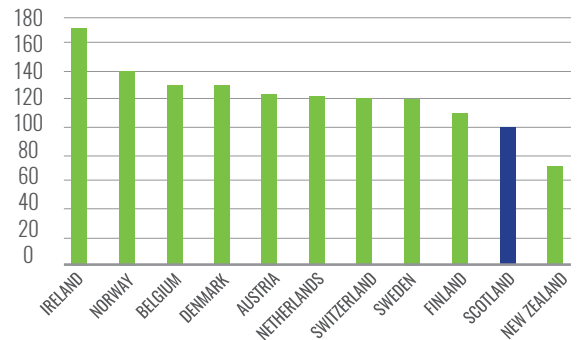
## PRODUCTIVITY

### GROWING PRODUCTIVITY

is key to creating more, quality and raising wages

Scotland's economy could be £50BN bigger if we could match **THE MOST PRODUCTIVE COUNTRIES**

Productivity levels in small, advanced economies, 2017 (index: Scotland=100)



**LOW PRODUCTIVITY IS AFFECTING REAL WAGE GROWTH**

median earnings are still below 2010 levels and in-work poverty for working-age adults is rising

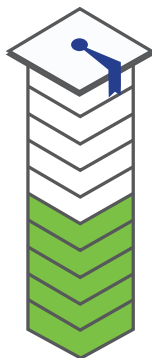
## SKILLS

**47%** of 25 to 64 year olds have a tertiary education - 5th highest rate in the OECD

But skills and qualifications are not being fully used:

**35%** of businesses have at least one employee with skills or qualifications higher than needed

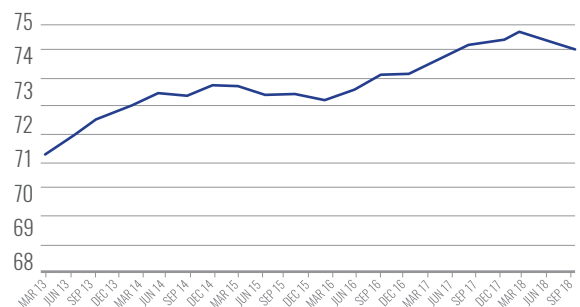
**225,000** employees overqualified/skilled for their current roles



## LABOUR MARKET

SCOTLAND'S EMPLOYMENT IS NEAR **RECORD HIGHS**

Scotland's employment rate (16-64 year olds), %



However, in the top performing areas the employment rate is **OVER 10 PERCENTAGE POINTS HIGHER** than the bottom

Some businesses are experiencing **SKILL SHORTAGES**

## GLOBAL CHALLENGES AND OPPORTUNITIES FOR SCOTLAND

### AUTOMATION

**CHALLENGE**  
Potentially 230k Scottish jobs at risk from automation

**OPPORTUNITY**  
New jobs can be created in robotics, informatics, and data

### CLIMATE CHANGE

**CHALLENGE**  
Scotland has an ambition to be carbon neutral by 2040

**OPPORTUNITY**  
Growing global low carbon markets for innovative businesses

### AGEING POPULATION

**CHALLENGE**  
By 2041 the number of people in Scotland aged 65+ is expected to rise by 413k

**OPPORTUNITY**  
Developing new products and services to support healthy, active and productive ageing globally

## HIGHER AND FURTHER EDUCATION



**4** OF OUR UNIVERSITIES ARE IN THE WORLD'S TOP 200

**6** OF OUR COLLEGES ARE IN THE WORLD'S TOP 10



**£1BN** HIGHER EDUCATION R&D AND GROWN BY 50% SINCE 2001

## INWARD INVESTMENT

**SCOTLAND PERFORMS WELL IN INWARD INVESTMENT**

Helped by a combination of high workforce quality, supportive business environment and world-leading research

Total number of projects secured last year remains higher than any year prior to 2015

Leading UK location outside of London for global investment for the sixth year out of seven

# BREXIT

Brexit represents a fundamental shift in the economic landscape which will impact on Scotland's businesses, sectors and communities.

We want to help Scotland's businesses plan so they can adapt to this new landscape, maintaining and growing their competitiveness in the face of both the immediate and ongoing uncertainty and the longer-term consequences.

We have been working with partners across the enterprise and skills system, including the Scottish Government, Business Gateway and a range of industry bodies, to mitigate the impact Brexit will have on businesses.

Central to the response is the Prepare for Brexit campaign ([www.prepareforbrexit.scot](http://www.prepareforbrexit.scot)) which aims to support businesses to actively develop and implement their own Brexit plans. It is also why we are determined to help businesses become more resilient, coping with short-term challenges while also investing in people, technology and markets that will pay dividends over the longer term.

For some businesses, change will be a trigger for them to look at previously unconsidered opportunities. New and existing exporters may look to access different global markets, employers may invest in workforce development to address skills gaps, while others may broaden their recruitment plans to hire talent from new sources.

We need to be sensitive to the needs of businesses, particularly in rural areas which face a unique combination of challenges. Uncertain support to the primary sector and potentially major impacts on market access for food and drink products will mean substantial change throughout the agri-food supply chain.

Tourism, health and social care and the food and drink sectors are particularly dependent on migrant workers and labour retention and availability is becoming an increasing concern. More widely, rural businesses must respond to more limited opportunity to attract labour and skills from overseas.

In addition, EU policy and regulation will continue to shape our business and wider social environment, regardless of what type of Brexit deal or no deal is reached. We will continue to work in partnership with Scottish Government and other stakeholders on EU policy engagement, to gather intelligence to support our approach to economic development. We will still actively engage in European networks and build relationships with others beyond our borders to secure our region and Scotland's position and influence.

Over the past 25 years, EU funding has made an immense contribution to the development of the Highlands and Islands especially in relation to academic, transport, digital and business infrastructure and our rural communities, whether through support to the primary sectors or social inclusion and community-led development. Continued access to appropriate levels of funding is critical to regional economic growth.

It is vital that we share our learning and expertise, working closely with our partners to ensure the region's needs are clearly articulated and supported through future funding and engagement opportunities for businesses, communities, universities and colleges.

# OUR REGION

Our remarkable region covers more than half of Scotland's land mass with a complex geography, incorporating the UK's highest mountains, a fjord-like coastline and around 100 inhabited islands. The environment is rich in opportunities founded on natural and created resources, the skills and talents of our people, a dynamic business and academic base, rich culture and creativity, an excellent quality of life and a strong sense of community and belonging.

The region is home to Inverness, one of the fastest growing cities in Europe, which is situated within the Inner Moray Firth area. It provides a hub, not only in relation to connectivity, but also acting as a catalyst for wider regional economic growth. However, the Highlands and Islands also faces a distinctive set of challenges: a small and scattered population, a narrower range of education and career opportunities compared to Scotland, below average wage levels in certain areas, higher cost of living, transport and digital connectivity and the physical barriers and constraints to growth imposed by geography.

Whilst productivity has been improving, the region still lags Scotland and the UK largely due to a lower share of employment in higher paying sectors. This is particularly evident in the Outer Hebrides and Argyll and Bute with Shetland conversely tracking above national levels. Increasing productivity is a key priority and challenge across all of Scotland. In the Highlands and Islands it is exacerbated by the nature of our business base and geography, the higher cost of doing business and a lack of company headquarters in the region. The latter masks our real output and contribution to the national economy particularly from our energy and food and drink sectors.

## OUR PEOPLE

The Highlands and Islands is characterised by population sparsity (the most sparsely populated region in the UK), an ageing population and net out-migration of young people. The region witnessed a population increase of some 2.8% between 2007 and 2017, boosted by net migration. Population decline is most marked in our sparsely populated areas and out-migration most concentrated in the 15-19 years age group.

The region has a strong, but tight, labour market with higher employment, lower unemployment, higher self-employment and relatively more employees in high or medium skilled occupations than Scotland as a whole. However, these characteristics mask the out-migration of young people, skills under-utilisation, seasonality, lack of full-time employment opportunities and occupational segregation. Underemployment therefore remains a key challenge.

## ENTERPRISES

The business base in the region comprises a greater proportion of SMEs and a dominance of micro businesses, with the majority of employees working for an enterprise with fewer than 50 staff. Tourism and the public sector are the main employers whilst the primary sector is the largest by number of enterprises and remains critical to our rural economy and the vitality of our communities. The region has diversified its business base in recent decades in particular with energy, life sciences, food and drink and creative industries all featuring prominently and providing a wider range of employment opportunities. Emerging opportunities from the marine economy is one example of cluster development which will help increase productivity in the region and provide alternative employment opportunities.

## COMMUNITIES

The region is also home to diverse communities, from urban centres to crofting communities. Compared to Scotland overall, those living in the region have higher levels of personal well-being and life satisfaction. They rate their neighbourhood highly as a place to live and report a greater sense of belonging to, and affinity with, their community. Pride is particularly high among young people from the region, with increasing numbers keen to be able to work in their home communities. Despite this, people in the region face challenges with local employment opportunities, high cost of living and access to appropriate and affordable housing. With high levels of community land ownership (the highest in Scotland) and growing confidence among communities to develop their asset base, opportunities are opening up for more local and sustainable development.





## PEOPLE



Population  
**469,500**

Increasing steadily since 2001



**45%** of the population  
aged 50 or over

compared to 39% in Scotland



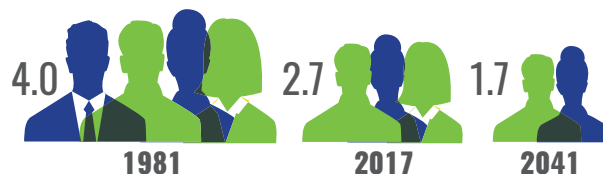
**12** people  
per km<sup>2</sup>

compared to 70 in Scotland



Population growth is expected in Moray  
(8.3%) and Highland (1.3%) by 2040

Ratio of working age people to those aged 65+



**26%** population decline projected in the  
**SPARSELY POPULATED** areas between 2016  
and 2046

## ENTERPRISES

### SOCIAL ENTERPRISES

**1,196 enterprises** across the region:

- > **21%** of social enterprises in Scotland
- > Generating **£144m** in GVA
- > Supporting over **6,000 FTEs**



Average number of  
employees per enterprise  
compared to 11 in Scotland

**7.2**

Average turnover of  
compared to £1.5m  
in Scotland

**£810k**

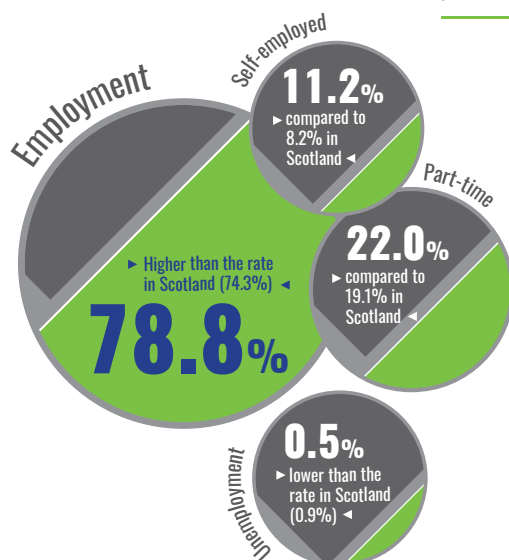
### ENTERPRISES

**£18.2bn turnover**  
(7.0% of Scotland)

**22,135 enterprises**  
(12.6% of Scotland)

**£12.4bn GVA**  
(8.3% of Scotland)

**207,000 employees**  
(8.4% of Scotland)



High growth  
enterprises

**1.5%**

of enterprises  
compared to 1.0% in Scotland



Improving qualification levels

**41.5%**

of the working age population  
had at least level NVQ4 qualifications  
in 2017 compared to 31.6% in 2008

although this is still lower than Scotland at 43.9%

### SKILLS GAP

Employers deem **6.1%** of their employees  
as having a **skills gap**, compared to **4.8%** in Scotland

### SKILLS UNDER-UTILISATION

**34%** of businesses report having staff with higher  
qualifications and skills than are required for their current  
role, compared to **29%** in Scotland

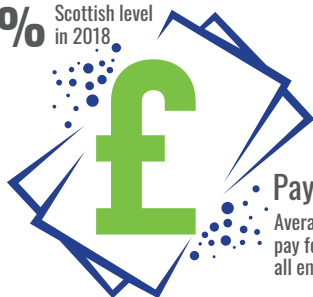
### FUTURE RISKS TO BUSINESS

**88%** reported increased costs

**65%** reported poor transport links

GVA per head lower

**95%** of the  
Scottish level  
in 2018



Pay levels lower

Average annual  
pay for  
all employees

**87%**

of the  
Scottish level  
in 2018

## COMMUNITIES

The region has:

**99%** of community owned land in Scotland

**61%** of the land parcels/assets owned  
by communities in Scotland

**5.4%** of land under community  
ownership (Rest of Scotland 0.05%)

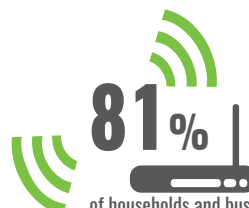
**75.3%**

very satisfied with their  
neighbourhood as a place to live

compared to 59.3% in Scotland



Six of the region's seven local authorities  
are the **most fuel poor** and amongst  
the **highest for extreme fuel poverty**.



of households and business premises  
have access to superfast broadband  
with download speeds of >24Mbps  
Compared to 93.9% in Scotland

# REGIONAL OPPORTUNITIES

HIE's strategic approach is founded on maximising the opportunities presented by the unique natural capital of our region and our cultural heritage. In seeking to deliver benefits in each and every part of our area, we are actively pursuing a wide range of opportunities that have the potential to sustainably deliver significant economic and social impacts. These impacts extend well beyond our borders and contribute heavily to the purpose and vision set out in the Scottish Government's policy frameworks and to Scotland's position on the world stage.

## ENERGY

The low carbon economy and renewables sector already contribute significantly to the region and represent a major economic, social and industrial opportunity. Our oil and gas industry will continue to play a key role in supplying energy but will also afford the skills and expertise to support our transition to a highly productive, low carbon future. HIE is committed to building on the region's international reputation for excellence in energy and low carbon, and to forging collaborative partnerships to further strengthen the industry and our position in it. From early advances in local energy systems on our islands and marine energy technology development and deployment, through to large scale industrial developments supporting offshore wind, subsea engineering and ultra-deepwater capabilities for decommissioning, the whole region is exceptionally well-placed to capitalise upon the UK and Scottish Governments' commitments to move to a lower carbon, decentralised and locally based energy system.

## MARINE ECONOMY

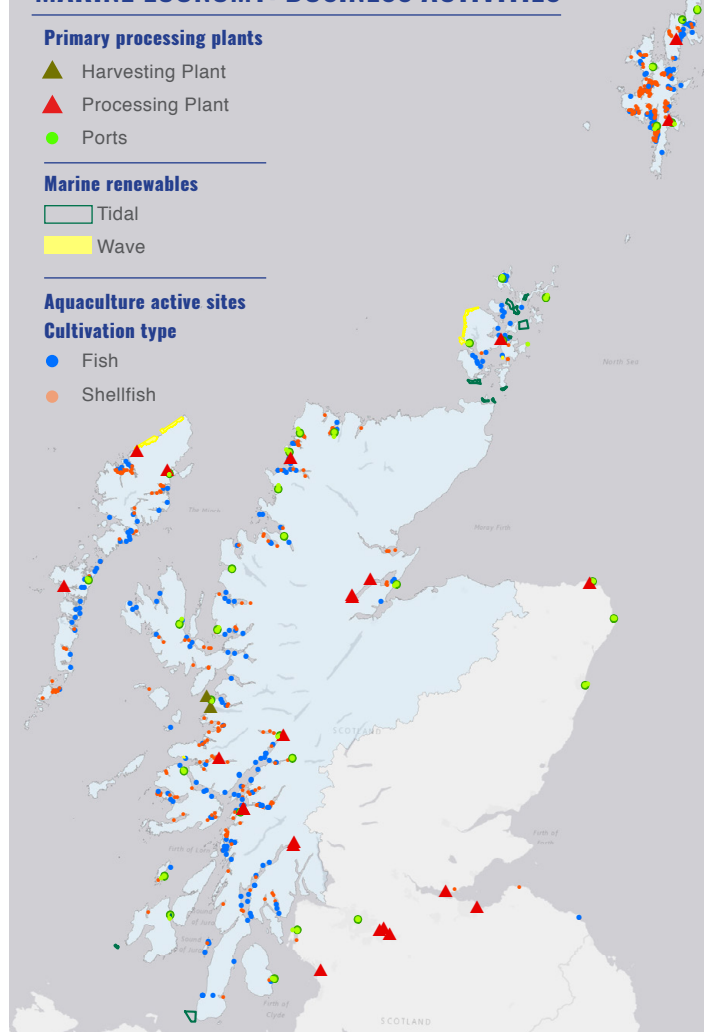
Our unique marine resource has created and maintained valuable economic opportunities for generations in sectors as varied as aquaculture, fisheries, life sciences, tourism, marine engineering and renewable energy. Globally, the protection of, and economic value to be gained from, our oceans is becoming a major focus of national strategies. There is a huge opportunity for HIE to be at the heart of developments and to lead from the front in those marine sectors which are unique to our region – specifically aquaculture, marine renewables and marine biotechnology. By combining these most innovative and technology-hungry sectors, enhancing the scientific, industrial and physical assets, and focusing sharply on workforce requirements, the Highlands and Islands can become recognised as a driver of the Scottish and UK's marine economy. Our vision is to create an internationally recognised platform for marine innovation, technology and skills that will support existing companies, attract new investors, double the size of its skilled workforce, and in doing so protect and respect the communities that are custodians of this world-class resource.

## AQUACULTURE

The Highlands and Islands accounts for almost all Scottish aquaculture production which contributes £620million to the Scottish economy and supports more than 12,000 jobs.

*The value of aquaculture to Scotland, 2017*

## MARINE ECONOMY: BUSINESS ACTIVITIES



# REGIONAL OPPORTUNITIES

## FOOD AND DRINK

Food and drink from the Highlands and Islands has a unique reputation, with value associated to provenance, place, people and culture. There are significant opportunities for expansion into new premium markets by story-telling our brands and our region. Technological investment will continue to improve productivity and competitiveness, and will preserve value through authenticity and traceability, directly attributing the quality of our premium products to our world class natural assets. Advances in sciences, technology and engineering will enable us to grow the region's global reputation in low carbon food and drink production. We will seek opportunities to optimise sustainable inclusive growth, for example through an ambitious Marine Strategy, the Northern Innovation Hub and new Food Tourism Strategy.

Moray is home to around 44% of all malt whisky distilleries in Scotland supporting 1,500 jobs.

## TOURISM

The benefits of tourism reach every part of our region, from our vibrant cities and towns to our rural and remote communities. The continued appeal of the region as a world-class visitor destination presents a major opportunity for our region's businesses and communities to grow and flourish. As digital technology and the use of data evolves, we will work with the industry to innovate and integrate new ways of working to better understand, predict and exceed visitor expectations. Our region's businesses, communities and stakeholders will work together in collaboration around themes including marine and outdoor tourism to responsibly develop successful and sustainable tourism destinations, creating new products and offerings through investment in skills, infrastructure and partnerships. The Year of Coasts and Waters in 2020 presents a unique opportunity for the Highlands and Islands tourism sector to work together to celebrate and showcase our magnificent coastlines, world renowned beaches and rich network of islands, lochs, rivers and canals.

## CREATIVE INDUSTRIES

The creative industries is a high value growth sector in Scotland. Within the region, it is complex and diverse, ranging from community-based arts activity to commercially successful businesses working across multiple creative sectors and often serving international markets. It is characterised by fluid networks of individual practitioners, freelance workers and micro-businesses often collaborating with larger international partners. The sector impacts significantly on our region's tourism offering, is a distinct component of our regional attractiveness particularly for young people, and is rooted in our communities, contributing strongly to a sense of place. Market demand is increasingly focused on product authenticity and provenance and therefore key to success will be developing the narrative, customer engagement and experience. Businesses must take advantage of technology and respond to changing consumption patterns.

## LIFE SCIENCES

We benefit from the distinct advantages of our natural environment whilst our geography also presents opportunities in digital health and medical diagnostics as we demonstrate how technology can successfully overcome barriers caused by distance. We are working in partnership with the NHS and University of the Highlands and Islands (UHI) to establish a 'rural centre of excellence' test bed where innovative point-of-care, digitally-enabled medical technologies can be developed, tested, evaluated and procured. HIE's objective is to develop a 'rapid access' pathway, with a focus on SMEs, to test and evaluate innovative products and services in our remote and rural communities. This development will deliver a wide range of benefits including graduate level employment, export opportunities for businesses, and community-based treatment for patients. To create significant synergies, we are engaging with Scotland's Rural College (SRUC) to attract new business and research opportunities to our region based on Scotland's world-class reputation for excellence in animal health and welfare.

Tourism is crucial to sustaining economic and community growth in the Highlands and Islands providing up to 15% of employment, well above the national average of 8%.

Source: VisitScotland using Scottish Government Growth Sector Statistics October 2018





## SPACE

The potential economic and community benefits that can be realised from the emerging space sector opportunity are significant and the characteristics of our region mean it is uniquely placed to capture them. In July 2018, UK Space Agency and HIE announced funding to establish Space Hub Sutherland. Subject to planning and other regulations, this will result in the build of a vertical launch site for a new generation of small rockets to launch micro communication and earth-observation satellites. We will pursue opportunities across our region to create high value employment, including supply chain and manufacturing jobs, and work with the developers of other potential launch sites.

## CAIRNGORM

Cairngorm Mountain is a unique asset for Scotland, both in environmental and economic terms. Activities that attract visitors to the mountain play a key role in underpinning the local economy of Badenoch and Strathspey, which has a strong tourism focus. As a development agency, and as owner of Cairngorm Mountain (Scotland) Ltd, we will seek new opportunities to develop Cairngorm as one of Scotland's premier visitor attractions, with a focus on year-round activity. HIE's long-term aim will remain unchanged: to ensure that the estate is properly managed as an asset that continues to deliver wider economic and community benefits to the local area and to the region's tourism sector.

## TECHNOLOGY, ENGINEERING AND MANUFACTURING

Our region has a strong base of specialist engineering and manufacturing businesses which service multiple sectors and are building international competitiveness. This includes in construction, forestry and timber, digital and creative industries. Many are family owned or led by well-established expert teams, which enables long term planning and investment. Providing access to best practice in automation, workforce development

and process efficiencies will be priorities, to increase the pace of technology integration and growing competitive advantage. Supporting both capital and R&D investment, alongside capacity building will be important, at a pace appropriate to business size and market. To address the characteristics of our rural region, we will encourage cluster building to enable groups of SMEs to share knowledge and compete for larger contracts. Drawing upon expertise located within Scotland's innovation centres and the emerging National Manufacturing Institute for Scotland will underpin this work. We are at the beginning of a data revolution, forecast to contribute to a significant boost to national productivity and business growth in the next five years. The investment in digital infrastructure, alongside regional and national collaboration projects e.g. The Data Lab Innovation Centre, will support businesses to drive value from data, stimulate entrepreneurship and increase data talent and skills.

## FORT WILLIAM MASTERPLAN

Plans by Liberty British Aluminium to establish an alloy wheel plant adjacent to the UK's last smelter have acted as a catalyst to the development of a long-term vision for Fort William. The Fort William 2040 Masterplan identifies some 20 projects which, cumulatively, will transform the town as a place to live, work and study. Key projects include the establishment by West Highland College UHI of a Centre for Science, Technology, Health and Engineering to supply the local labour market with the flow of skilled individuals it requires to support a growing business base.

A new hospital is also planned, as are more than 600 new homes. Key to long term success will be upgrading of the transport infrastructure to meet the needs of a growing community and to cope with the increased volume of through traffic, both tourist and commercial. HIE will play a key role in delivering this collaborative programme.

**"The development of a small-satellite launch facility at the Moine, Sutherland is a significant first step towards stimulating space sector activity across the whole of Scotland and beyond."**

*Derek Mackay, Cabinet Secretary for Finance, Economy and Fair Work*





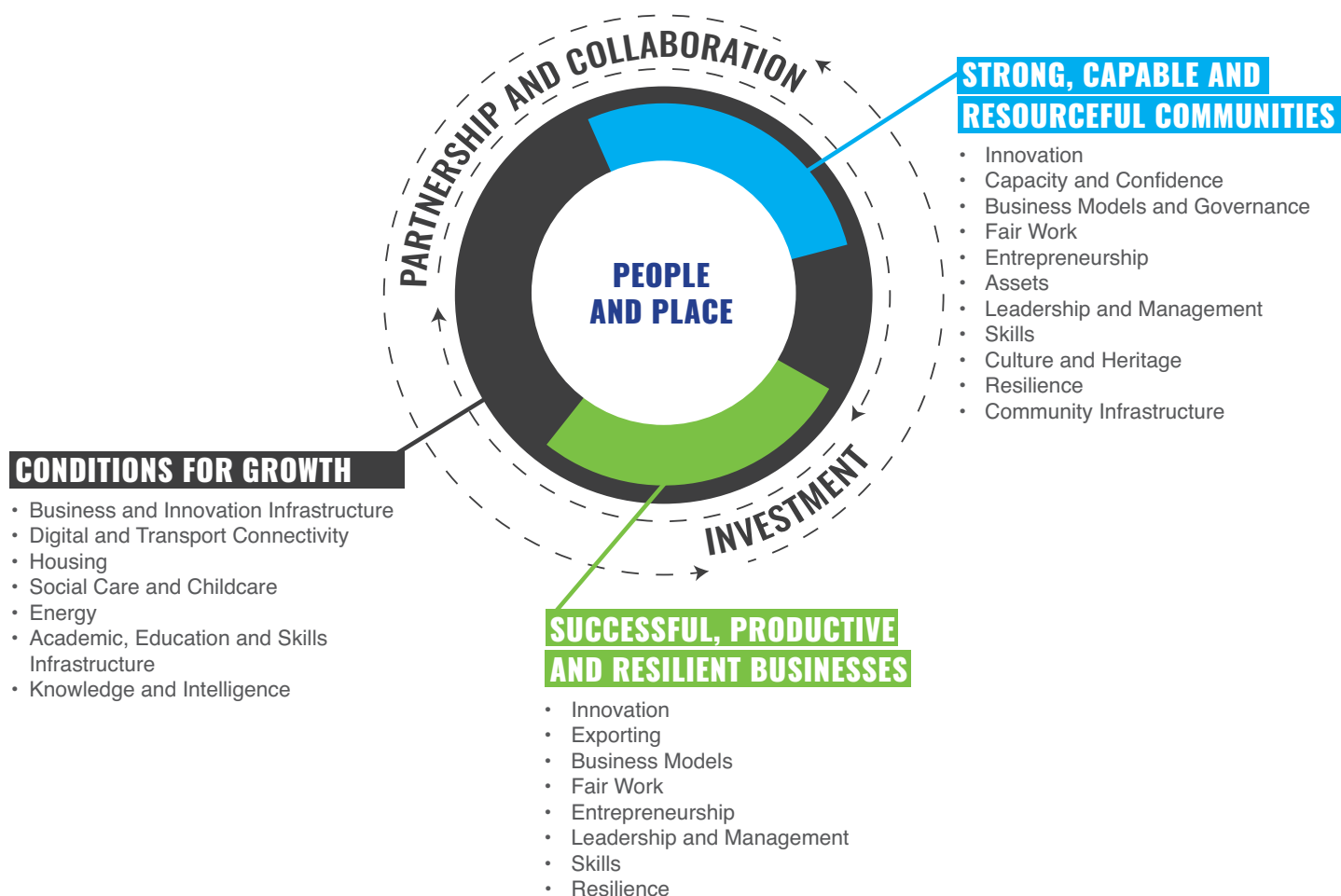
# OUR NEXT STEPS

This regional and national context underlines the productivity and population challenge for the Highlands and Islands. We require investment in all areas of the region and a holistic approach: combining business and community support with vital infrastructure enhancements. The strengthened collaboration with the Enterprise and Skills agencies along with our local and regional partnerships will be central to success in achieving our vision.

We need to:

- **grow our working age population** by implementing policies to attract and retain young people to the region and through positive net in-migration;
- **pursue opportunities** making sustainable use of the region's natural assets, harnessing ambition and culture and investing in skills;
- **build an inclusive economy** through a place-based approach, reaching all parts of our region, increasing income levels and tackling inequalities;
- **accelerate progress** in developing a low-carbon economy that provides opportunities for businesses and communities and responds to the climate change emergency;
- **develop a regional comparative advantage** through cluster activity and collaboration between industry and academia, exploiting the potential of key sectors such as the marine economy and further developing our world-class energy and manufacturing sectors;
- **stimulate start-ups and grow businesses** which are resilient, flexible and adaptable to the ever-changing economic environment;
- **develop a productive business base** which is innovative, entrepreneurial and globally ambitious to build prosperity and productivity and therefore increase the value of goods and services per worker;
- **nurture strong local and regional partnerships** to support effective delivery, including City and Growth Deals;
- **invest in enabling infrastructure** to support business and community growth;
- **foster a confident and ambitious social enterprise** sector across our region; and
- **empower and enable our communities** to fulfil their ambitions.

# OUR PRIORITIES



The Scottish Government's economic and policy frameworks provide a clear vision and set of actions which collectively ensure that sustainable and inclusive economic growth is achieved in all parts of Scotland.

Our three priorities are to: grow successful, productive and resilient businesses; create the conditions for growth; and build strong, capable and resourceful communities. These will deliver outcomes which strongly chime with Scottish Government's frameworks and with the strategic priorities set out by both the Convention of the Highlands and Islands (CoHI) and current growth deal plans. Success will require:

- **stronger alignment and partnership** – working in local, regional and national partnership is fundamental to our approach and is essential to strengthen impact;
- **rural leadership** – delivering direction, support and advocacy as appropriate; and
- **a people and place-based approach** – playing to our strengths at a regional and local level and tailoring support to meet our area's needs and drawing on the talent and potential of all our people.

This approach is reflected in the Economic Action Plan which importantly highlights the fundamental differences in a rural economy stating that *'the way services and policies are delivered needs to be tailored to the local situation'*.

This is critical to delivering inclusive growth in remote areas and we will be flexible and adaptable according to our place, business and community need.

Finally, our priorities are not mutually exclusive. Continuing to lay the foundations and create the conditions which will both encourage our young people to stay or return and attract inward investment is key to achieving our vision.

The ambition is founded on successfully combining our three priorities with our unique regional opportunities and working collaboratively using regional economic partnership vehicles such as CoHI and the growth deal partnerships.



# SUCCESSFUL, PRODUCTIVE AND RESILIENT BUSINESSES

Creating successful growth businesses and identifying opportunities to accelerate growth and scale business activity across the region, remain a key priority and will contribute to Scotland's productivity aspirations. We will support businesses and social enterprises of all sizes to be dynamic and entrepreneurial, to target market opportunities and to use innovation as a key driver of growth, creating employment and wealth. We will also provide appropriate support to build resilience and sustain business competitiveness in challenging economic conditions.

The Strategic Board's Strategic Plan highlights the strong links between management practices, effective skills utilisation and positive impact on business performance and productivity. We will be an active partner in effecting change in skills development and application.

To help shape opportunities for significant growth we will increase the flow of capital into Highlands and Islands businesses. Working across Scotland and the rest of the UK we will match investment to the right clients, bring fresh thinking to the region and build relationships with key investors, intermediaries and stakeholders. We will continue to engage in the establishment of the Scottish National Investment Bank (SNIB) and to provide feedback on how its policies and products can reflect the needs of businesses across our region, working in partnership to support its development. We will help address equality of access to finance through increased knowledge, information and support

We are committed to developing and delivering the Scotland CAN DO approach and will continue to use this to drive entrepreneurship in the region.

Improving the customer journey is essential. We will make it more straightforward for customers to access appropriate help, funding and advice and, with our partners, we will develop a diagnostic tool to identify opportunities and challenges for clients to develop a targeted and tailored action plan.

We will actively promote the Scottish Government's Fair Work First agenda to drive productivity and develop workforce talent across the region by supporting businesses to adopt innovative workplace practices.

## COMPETITIVE ADVANTAGE

Aspects that give businesses a competitive advantage (top 6)

Quality of product/service	96%
Reputation of the brand	93%
Quality of customer service	92%
Loyalty of our customers	92%
Skilled workforce	82%
Location	71%

HIE business panels survey, October 2018

## BUSINESS CREATION AND GROWTH

To achieve our objectives, there is a need for the public and private sectors to collaborate to create lasting solutions. We will focus on:

- **start-ups** – co-location and collaboration with Business Gateway; high growth starts; university spin outs; R&D or innovation focused;
- **core business skills** – leadership, management, financial acumen;
- **fostering entrepreneurship and ambition** through broader and deeper support and addressing the entrepreneurship gender gap;
- **building an entrepreneurial mindset and culture**, including raising awareness through all levels of education from primary to Higher Education (HE) of the opportunities for self-employment;
- **scale** – providing a higher level of support to businesses who have the ambition and potential to scale;
- **inward Investment** – attracting new inward investment to all parts of the region, focusing particularly in areas where we have a unique competitive advantage;
- **existing inward investors** – engaging closely with them to sustain and grow their Highlands and Islands operations; and
- **inclusivity** – providing tailored approaches to encourage and support target groups with a particular focus on women, young people and rural and remote areas.

Despite acknowledging the importance of digital technologies, most businesses (80% in the Highlands and Islands and 76% in Scotland) do not have a digital plan/strategy in place. There is a growing digital skills gap, with only around a quarter of businesses fully equipped to meet their organisation's digital technology needs.

Digital economy business survey, 2017

## BUSINESS MODELS AND WORKPLACE INNOVATION

Supporting businesses to adopt progressive workplace practices and embed workplace innovation and Fair Work will enhance productivity, equality, wellbeing and sustainability. We will prioritise:

- **leadership and management** – building capability and capacity, and increasing the diversity of leadership and workforce participation including helping address the gender pay gap and occupational segregation;
- **workplace Innovation** – promoting the economic and business benefits of fair work (whilst being alert to the unintended consequences that could arise from conditionality);
- **business models** – developing awareness and providing information on the appropriate models for growth, succession planning, employee ownership, social enterprise; and
- **data driven approaches** – exploiting data for market opportunities, product and wider business development and diversification.

## EXPORTING

The challenge of internationalisation is of increasing importance in the current economic climate. It is a particular issue for our region given the dominance of micro and small enterprises, distance to market and labour shortages in key sectors and a limited support infrastructure in many communities. Our objectives are to build resilience; increase the number of exporters; transform our trade performance in priority markets; and encourage a global mindset in our business community

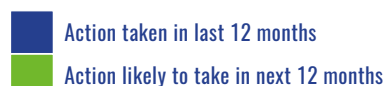
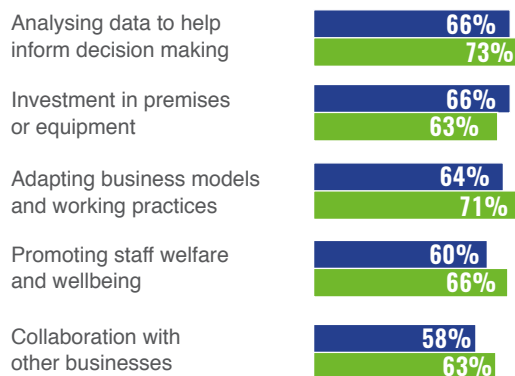
We will work in close partnership with Scottish Development International (SDI) ensuring we complement their support and will focus on:

- improving awareness
- building capability and capacity to trade effectively
- developing knowledge and skills and partnership
- access to finance to support implementation

### ACTIONS TO IMPROVE COMPETITIVE ADVANTAGE

94% had taken action in the last 12 months to improve their competitive position.

#### Action taken/planned (top 5)



HIE business panels survey, October 2018

## INNOVATION

Innovation is increasingly important in helping to address the productivity gap. As society innovates, technologies advance and people can produce more with the same or fewer resources. This results in increasing competitive advantage for innovating regions, leading to strong and successful economies. To sustain and increase our regional competitiveness, HIE will adopt a holistic approach to innovation, ensuring it is at the heart of our account management and wider business support.

#### We will:

- deliver advice, networking opportunities, and finance to encourage both account managed clients and a wider group of SMEs to adopt new ways of working;
- support product and service/process innovation;
- improve access to data driven opportunities, including through the creation of The Data Lab hub in Inverness;
- invest significantly in R&D within businesses to accelerate the commercialisation of new ideas; and
- focus on distinctive opportunities in our region, for example in engineering and manufacturing.

## DIGITAL

Our focus will be digital technology adoption across the wider business base, boosting business resilience, productivity and growth. For our region to play its part in promoting Scotland as a digital nation, we will:

- provide specialist digital technology support and advice;
- provide digital demonstration and showcase facilities, such as #hellodigital, and co-ordinate with other initiatives e.g. Science Skills Academy / Newton Rooms;
- provide cyber security and ethics advice and support, working in partnership to ensure businesses stay safe whilst developing digital capability;
- explore and provide information on external sources of funding to support our businesses with their digital ambition; and
- support the delivery of a coding academy to address the immediate shortage of digital skills in the region, helping technology businesses to access talent which is vital for business growth.

Competitive, innovative businesses focused on best practice, leadership and management are vital. They support sustainable jobs, incomes and our quality of life.

Scottish Government Economic Action Plan 2018-20

# CONDITIONS FOR GROWTH

The region's distinctive geography with around 100 inhabited islands, dispersed communities and mountainous areas presents challenges for those that live, work and do business in the area. The region's potential is undermined by a lack of appropriate infrastructure. Through effective partnership and collaboration, with the public and private sectors and our communities, HIE will continue to develop vital infrastructure to support economic and community growth. We will adopt a place-based approach to cohesively address identified challenges and opportunities to enhance regional competitiveness and contribute effectively to the delivery of our talent attraction and retention and inward investment strategies.

## ENABLING INFRASTRUCTURE

Our efforts and resources will be targeted on investments which generate the transformational opportunities to create a prosperous and attractive region. We will identify those which can deliver a disproportionate positive impact for more rural communities and maximise inclusive growth.

### Business and innovation infrastructure

HIE's investment in infrastructure will reflect the pace of change in working practices and the responsibility to minimise the environmental impact of the built environment.

#### We will:

- promote innovative construction techniques and technology to improve the quality and flexibility of new buildings in the region;
- continue to develop sites for demand-led industrial and business space where there is market failure, exploring multi-use solutions especially in more remote areas to address barriers to growth (for example, housing/care);
- focus on supporting projects which offer strong commercial opportunities and research and innovation which exploit our distinct sectoral and geographic advantages. These developments will also provide a platform for a 'cluster' approach to economic growth; and
- continue to work closely with partner agencies to maintain the momentum of development at Inverness Campus and establish a strong commercial presence, and develop our regional campuses, ensuring they deliver maximum economic return through business and talent attraction.

Availability of broadband has grown remarkably with over 80% of premises in the region able to access services at over 24 mbps although this compares to 95% for rest of Scotland

*Think Broadband, March 2019*

A minimum acceptable standard of living in remote rural Scotland typically requires between a tenth and a third more household spending than in urban parts of the UK.

*A minimum income standard for remote, rural Scotland; Policy update, 2016*

### Connectivity

The quality, availability and accessibility of transport and digital infrastructure varies across the region, with people living in remote parts of the Highlands and Islands often being access deprived. Research by HIE has shown that good quality and affordable transport and digital links are particular issues for our businesses and for the attraction and retention of young people.

#### We will:

- work closely with Scottish Government to extend fibre broadband and 4G mobile provision across the region and encourage take-up and utilisation by businesses, communities and individuals;
- identify key transport constraints across the region which hamper socio-economic development. HIE will take a key role in developing the case for public investment by informing improvements through relevant socio-economic analysis and research; and
- collaborate with regional partners to identify objectives and potential major transport interventions including the transition to low carbon transport solutions as part of the second Strategic Transport Projects Review. HIE will provide an important bridge between the public and private sectors.

### Housing

The availability, quality and energy efficiency of housing has been a major constraint to inclusive growth in the Highlands and Islands for many years. It constrains the aspirations of our businesses, communities and people and, weakens our ability to successfully retain and attract talent, especially young people, into our region. To address market failure we will work more closely with partners and do more with our own resources to effect change.

#### We will:

- work with local authorities, housing associations, communities and the private sector to enable the planning, funding and delivery of challenging sites, particularly in rural areas;
- support innovative solutions, piloting new approaches including those which improve energy efficiency e.g. live-work spaces, assisted living, and master planning for town centre regeneration including alternative uses for former retail space;
- maximise/make best use of our own land bank; and
- support communities in asset transfer.



## Social care and childcare

A shortage of supply in social care and childcare is an identified barrier in many parts of our area and demographic trends will intensify the challenge.

### We will:

- work with partners and support communities to identify solutions and innovative delivery models which include opportunities for businesses and social enterprises across the region.

## Energy

Our region has witnessed significant investment in ports, harbours and fabrication facilities and as a result is exceptionally well placed to take advantage of offshore energy developments and stimulate supply chain opportunities. Competitiveness, productivity and an increasing focus on cluster development to realise offshore wind benefits will be key. The region is also the ideal test bed for demonstration of low carbon, decentralised whole energy systems, with increasing scope for economic and social gain in remote, rural and island areas from the low carbon energy transition.

### We will:

- continue to push for a supportive policy and regulatory regime which ensures the region, with exceptionally high renewable resources, is able to fully contribute towards Scottish and UK climate change ambitions;
- influence investment and support test and demonstration activity in low carbon technology, including a focus on benefits realisation from EMEC and Wave Energy Scotland, demonstration of local energy systems (including hydrogen and energy storage), and advancing the region's capability in subsea/decommissioning technology development;
- secure supply chain opportunities from energy developments including onshore wind, major offshore wind farms, new gas field developments and decommissioning contracts; and
- continue to support and enable communities to engage in local energy systems in remote, rural and island areas where gas and electricity grid distribution remains challenging.

Housing supply and its affordability has a critical influence on the ability of businesses in the Highlands and Islands to recruit and retain staff, with business expansion affected by these issues.

This is particularly problematic in areas where tourism and second homes put pressure on accommodation, and other areas of seasonal or cyclical employment. The issue is exacerbated in more remote and rural areas where the risks and costs to enable viable housing development are often too great, without intervention.

*Stimulating Housing Development in the Highlands and Islands Research, 2017*

## ACADEMIC, EDUCATION AND SKILLS INFRASTRUCTURE

Universities are recognised throughout the world as one of the critical drivers of economic growth, providing the intellectual and human capital required for a modern, competitive economy. In addition to the core benefits related to students, staff and investing in capital and infrastructure, they deliver wider impacts relating to business, innovation and regional development. They are also fundamental to talent attraction and inward investment.

### We will:

- continue to work collaboratively with existing and new academic partners to expand provision across the region;
- work in partnership with our regional university, the University of the Highlands and Islands, to support our collective ambitions for young people and to address the imperatives of emerging sectors;
- work with partners, particularly with SFC and SDS, to grow student numbers and training provision. Support the development of infrastructure where appropriate, recognising the need for additional HE provision, particularly to address long-term public and private sector recruitment difficulties;
- continue to develop the Science Skills Academy, and promote STEM opportunities across the region with our partners including the development of Newton Rooms through the Inverness and Highland City-Region Deal; and
- work in partnership with the wider innovation landscape, particularly Scotland's Innovation Centres and the excellent research and expertise that can be accessed through them.

## KNOWLEDGE AND INTELLIGENCE

Relevant quality data and research is essential to provide an evidence base on which we make investment decisions and influence policy in the region and across Scotland. National statistics and research often cannot adequately span the issues relating to our region or how they manifest in our more remote areas. Improving access to economic intelligence alongside undertaking increased knowledge transfer, particularly sharing our experience and expertise and learning from others in similar regions and nations will add value and contribute to the reputation of the region and Scotland.

### We will:

- develop economic intelligence with University of the Highlands and Islands and other partners to deliver high quality data and analysis to support regional and rural socio-economic development;
- take a lead role and work in partnership to identify areas of interest and deliver high quality research and evaluation to enhance the evidence base for decision-making;
- contribute positively to the development and implementation of growth deals across the region using our experience, knowledge, data and research; and
- continue to actively share our expertise, information and experience particularly to support collaboration with similar regions and further EU engagement.

# STRONG, CAPABLE AND RESOURCEFUL COMMUNITIES

Strong, capable and resourceful communities and social enterprises are vital for the social and economic growth of the Highlands and Islands. They generate economic activity, have an important social impact and are key to attracting new talent to the area.

Our region's social organisations complement the private and public sectors of our economy. They have progressed and adapted, responding to the needs and opportunities of our changing demographics and economy. HIE has pioneered innovative approaches over many decades supporting and delivering inclusive growth across our dispersed region. We work closely with local communities to make sure their voices are heard and look to increase the synergies between businesses and community-led organisations.

The acquisition and development of assets is essential to achieving sustainable development, underlined by Scotland's evolving community empowerment and land reform policies. Community assets underpin social and cultural development, are crucial to protecting and enhancing the environment and contribute to climate change resilience. We will build on our support to grow and strengthen the community ownership sector, focusing our efforts on the sustainability of asset-based enterprises. We will prioritise post-acquisition investment and support together with developing new approaches to promote private and community investment in local assets. Partnering the National Lottery Community fund, on behalf of Scottish Government, we will continue to deliver the Scottish Land Fund.

Our ambition for the social enterprise sector is to be strong and confident: addressing market opportunities and social need, supporting fair work practices and building resilience. There is huge potential within the sector in driving low carbon transition at a community level with opportunities to expand and build on the success of community-led renewable energy systems. We will foster an entrepreneurial and innovative culture within the sector utilising value driven models, through both our account management approach and individual projects.

**83% of the population of the Outer Hebrides live on community owned land, which covers more than 50% of the land mass.**

**93% of businesses reported contributing to local community as a key business value.**

Through our continued commitment, expertise and experience in community-led and broader place-based development, we have the opportunity to play a pivotal role in Scotland. We will work closely with partners and stakeholders, proactively influencing the policy, legislative and delivery environment, and developing new initiatives and programmes in support of our communities and social enterprises. This will include contributing to the Scottish Government's Social Enterprise Action Plan for 2020-2023 and supporting the establishment of the South of Scotland Enterprise agency through sharing our experience and expertise.

We will invest, empower, and enable by influencing the conditions and creating opportunities for growth and sustainability. Collaborating and taking a holistic and long-term approach to address the opportunities and challenges, particularly in our most remote, rural, island and disadvantaged communities, is fundamental.

In creating opportunities for future generations, we have a responsibility to protect, enhance and utilise our unique natural capital. We will explore ways in which our businesses, social enterprise and communities can seek to benefit from this valuable resource.

Economic and social development, conducted collaboratively around a defined place, creates the shared ownership, alignment and investment which delivers transformation. We will focus on piloting approaches and engagement in places with growth opportunity and in our more fragile and disadvantaged communities such as those experiencing population decline.

## KNOWLEDGE AND INFLUENCING

Acting as a strong advocate for our region is integral to our approach. Combining our knowledge, economic intelligence and research with that of our communities and social enterprises and collaborating with a wide range of partners, we will:

- influence strategy, policy and legislation to ensure the needs of our region, social enterprises and communities are represented;
- support knowledge exchange and networking opportunities, and capture and share best practice;
- engage with relevant local and regional collaborations, such as community planning and other local partnerships, bringing our community-led development and social enterprise experience; and
- influence a supportive framework for community engagement in local energy systems and transition to low carbon with a focus on renewable technologies and facilitating a reduction in carbon based heating and transport.

## CAPACITY AND INNOVATION

Increasing the adoption of progressive business models and stimulating and developing social entrepreneurship enhances socio-economic impact. Continuing to build capacity, improve governance and sustainability will help secure investment and stimulate innovation. We will:

- encourage strong community participation in place-based work;
- connect social enterprises to investment, innovative business models, leadership and entrepreneurial practices;
- enhance community and social enterprise knowledge, skills, capacity, governance and innovation;
- encourage networking opportunities, leveraging community benefits and capitalising on culture and heritage as economic drivers;
- actively promote opportunities for the Gaelic language and indigenous dialects where it adds economic value; and
- support communities and social enterprises to explore and identify innovative models and solutions to social issues and opportunities such as child and adult care.

## COMMUNITY ASSETS

Access to assets is the foundation for growth, sustainability and resilience. Supporting robust business planning, governance, business models and investment in acquisition and development, we will:

- deliver the Scottish Land Fund, in partnership with the National Lottery Community Fund, to ensure that Scotland's communities have access to physical assets on which to build their resilience;
- promote uptake of contemporary ownership structures to enhance robust governance and financial viability;
- work with asset owning communities to secure the investment required to deliver economic, environmental and social outcomes; and
- continue to explore models for delivering local energy systems, through our place-based working.



Social enterprises in the Highlands and Islands have greater community impact and accountability with 85% of social enterprises accountable to people in a particular neighbourhood/community (compared to 70% in Scotland).



# OUR DELIVERY

HIE has a responsibility to provide sound leadership and advocacy and safeguard the interests of those who work, live, study and do business in the region. We will act as leader, partner, enabler, implementer or facilitator as appropriate. Extensive partnership, a customer focus and more innovative use of digital will form the basis for delivery.

Delivering the strategy will require innovative use of our full range of resources: from investing directly and leading significant capital projects to delivering partnership initiatives; from supporting and connecting our businesses and social enterprises to appropriate financial instruments and wider funding streams to building capacity and providing advice; and from optimising the opportunities from our land and buildings to influencing the policy and legislative frameworks to safeguard the interests and needs of our region. We will deploy all the tools at our disposal to maximise the opportunities for businesses, communities and the Highlands and Islands region.

Our eight area teams enable us to effectively respond to emerging local needs and opportunities, providing a place-based approach. We will continue to provide support using our customer-focused account management approach for businesses, communities and social enterprises and also widen access to services and products to enhance our impact, working with Business Gateway to ensure businesses have access to a range of appropriate support.

## **PARTNERSHIP AND COLLABORATION**

Our delivery of the strategy will be underpinned by strengthened collaboration and partnership: locally, regionally, nationally and internationally. Economic partnerships are vital to achieving our ambitions and fundamental to maximising our regional opportunities. We will continue to actively contribute, both through our local area and our regional and sectoral teams, in a wide range of partnerships and collaborations. These range from community planning and growth deal planning to sectoral and regional partnerships such as the Convention of the Highlands and Islands and the Highlands and Islands European Partnership. We will also continue to directly deliver in partnership e.g. the Scottish Land Fund with the National Lottery Community Fund and fibre roll-out with Digital Scotland.

Our enhanced relationship and commitment to align more closely with our Enterprise and Skills agency partners aims to deliver stronger outcomes for Scotland through streamlining and strengthening the eco-system of support and advice and maximising opportunities presented by the establishment of SNIB. Placing the customer at the centre, this will also provide a more consistent approach to service delivery.

## **BUSINESS TRANSFORMATION**

We have outlined the planned improvements to the customer journey. Driven by this commitment, HIE is undertaking a wider business transformation programme – enabled by digital – ensuring this improved experience maximises economic and community impact across our region. Themes include: maximising opportunities for customers; being creative and innovative in our delivery; inspiring confidence through our high standards of accountability; embracing opportunities for collaboration and an active approach to engagement and use of digital.

Data is a thread that runs through our approach to transformation. Never before has the opportunity offered by data and analytics been greater. Through exploiting new analytical tools and techniques we will ensure that it's potential to inform decisions and generate insight is maximised. This insight will be central to shaping the services we deliver in future to the benefit of our customers and the Highlands and Islands as a whole.

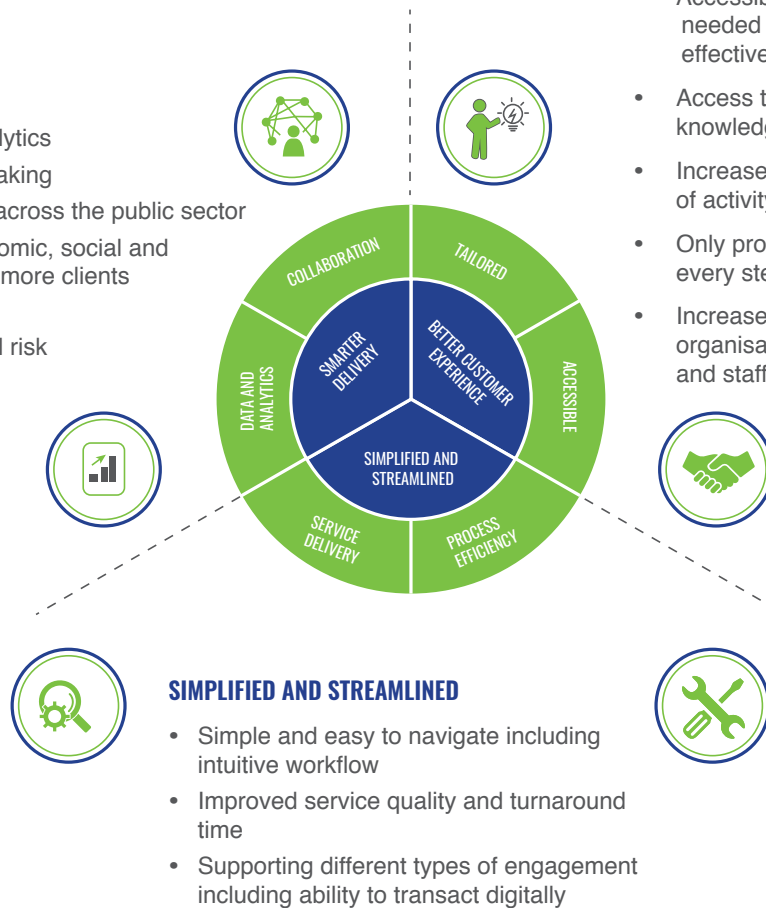
As part of the programme, we will refresh our approach to account management. Working with a wider pool of businesses with enhanced services, we will ensure it is flexible and agile to respond to demands and economic changes and our varied business base.

We will develop our investment strategy to strengthen strategic prioritisation, ensuring the most appropriate investment tools are understood and utilised and maximising external funding for our customers and our own projects. Our decisions will be informed by a refreshed approach to our area and inclusive growth policy taking account of disadvantage and opportunities across the region.

# BENEFITS

## SMARTER DELIVERY

- Improved data and analytics
- Data driven decision making
- Aggregate opportunity across the public sector
- Achieving greater economic, social and community impact with more clients supported to do more
- Reduced organisational risk
- Improved security



## BETTER CUSTOMER EXPERIENCE

- Accessible - available when and where needed with no wrong entry point and effective sign posting
- Access to tailored information, knowledge, insights and solutions
- Increased visibility and transparency of activity
- Only providing information once and every step intuitive and value added
- Increased confidence in HIE as an organisation both from our customers and staff

## FAIR WORK AND FAIRER SCOTLAND DUTY

Our delivery will embrace the Fair Work First approach, supporting business adoption of the Scottish Business Pledge and utilising trends identified by HIE's business values ladder to inform account management delivery. We will ensure compliance with the Fairer Scotland Duty by using impact assessment to identify opportunities to address socio-economic disadvantage alongside the economic, social, environmental and equality impact of our interventions.

## OUR VALUES

HIE is an outward-looking and customer focused organisation whose staff are empowered to use all their talents, skills and knowledge.

Our values:

- We are passionate about our purpose and proud to make a difference to the region we serve
- We are outward looking and think long term
- We are customer focused
- We work together and learn from each other
- We are committed to excellence and innovation
- We encourage diversity and respect each other
- We network and collaborate - inside and out
- We listen and communicate clearly

Our values clearly align with those of our Enterprise and Skills agency partners with whom close collaboration is key to delivering this strategy.

We want to demonstrate our commitment to the young people in the Highlands and Islands. Our own research highlights the importance of having young people involved in decision making and governance and, to that end, we will work with Scottish Government to extend Board membership to a young business leader.

# OUR MEASURES OF PROGRESS

We have achieved significant impact in the Highlands and Islands over the past 50 years and we know from experience that it takes considerable time and resource to achieve the type of success we want to emulate in all parts of the region. Our outcomes can only be achieved through combining actions across our priorities.

We will track progress and change as a direct result of our interventions and also in our account managed portfolio overall through a set of primary and support measures which contribute to the short, medium and long-term outcomes in the Strategic Board performance framework and the National Performance Framework of Scotland (NPF). The NPF sets out the purpose:

***To focus on creating a more successful country with opportunities for all of Scotland to flourish through increased wellbeing, and sustainable and inclusive economic growth***

HIE's strategy contributes to all of the national outcomes, but most directly to:

- *a globally competitive, entrepreneurial, inclusive and sustainable economy;*
- *thriving and innovative businesses, with quality jobs and fair work for everyone; and*
- *communities that are inclusive, empowered, resilient and safe.*

The targets we will set annually will take into account that different areas within the region have different challenges and opportunities and so these targets will reflect the local context. This area dimension will play an important role in piloting new approaches to measurement for the future.

New measures will evolve alongside system development and we will pilot new approaches where these add value. This will include the development of a model to capture the long-term benefits of investment in infrastructure and community assets. We will also work closely with Scottish Enterprise and the South of Scotland Enterprise agency, in particular, to more effectively monitor and evaluate inclusive growth.

Measures alone do not convey the relative impact of interventions in different geographic areas or among groups that are under-represented or facing disadvantage in social or economic terms. It therefore does not represent the extent to which alternative investments contribute to inclusive growth. To address this inclusivity gap, HIE is seeking to adopt a model through which individual investment options can be compared not only in terms of their economic benefit but also in terms of their inclusive growth impact. We expect this approach to add significant value in optimising resource allocation across the region.

<b>Published Targets</b>	Target ranges are set against HIE's primary measures to each of our organisational priorities.
<b>Supporting Measures</b>	HIE also tracks performance and output via supplementary supporting measures.
<b>Tracking Measures</b>	Core to HIE's measurement approach are the 'ladders' representing factors recognised as drivers of productivity and growth. These are designed to understand client progress and identify opportunity for intervention.



# 2019-2020

# OPERATING PLAN

**Highlands and Islands Enterprise's three-year Strategy sets out our ambition to develop sustainable and inclusive growth, in each and every part of the region.**

Our Operating Plan 2019/20 focuses on the short to medium term actions that need to be taken to build the vibrant economy that will deliver our objectives.

Throughout 2019/20 we will continue to work with our partners to deliver for the region, and for Scotland.

Our Operating Plan details our areas of focus under each of our organisational priorities which are interdependent. Taken together, these actions will help deliver the longer-term ambitions in our three-year strategy.

## **OUR THREE PRIORITIES ARE TO:**

- **grow successful, productive and resilient businesses;**
- **create the conditions for growth; and**
- **build strong, capable and resourceful communities.**

# SUCCESSFUL, PRODUCTIVE AND RESILIENT BUSINESSES

	OBJECTIVE	ACTIONS WE WILL TAKE	OUTPUT	INTERIM OUTCOMES	LONG-TERM OUTCOMES							
Business Creation and Growth	Rationale	Create a main online entry point with SE, SDS and Business Gateway as part of wider business transformation.	Published, Supporting and Tracking Measures	Businesses have growth ambitions, are investing, and provide more quality jobs	Businesses and organisations in Scotland adopt Fair Work practices and approaches	Scotland has more resilient, sustainable, dynamic and high growth businesses	Scotland's businesses, organisations and regions have high levels of capital investment					
	To increase regional productivity and prosperity we need to grow and diversify our business base; develop an entrepreneurial culture; and create more and higher value jobs across the region.	Support businesses to raise ambition, grow and scale through: <ul style="list-style-type: none"><li>Developing core business skills with a particular focus on leadership and management capabilities;</li><li>Tailored support and accelerator programmes (eg Impact 30, Pathfinder, Elite);</li><li>Increasing demand for, knowledge of and access to finance and investment;</li><li>Working with partners, including SNIB, to develop suitable products, services and support to fill gaps in the market;</li><li>Attracting new inward and financial investment to the region, leveraging public and private sector support;</li><li>Working closely with our foreign direct investors at site and at headquarters to attract expansion and mobile investment;</li><li>Providing specialist support to boost overseas acquisitions.</li></ul>		The business base in growing with increasing entrepreneurialism								
	Focus	Work in partnership to develop a campaign to foster entrepreneurship and ambition across Scotland, tailored to our region's needs with a particular focus on inclusivity - especially young people, women and rural and remote areas. We will deliver support including the Entrepreneurial Academy and masterclass workshops across the region.		Businesses are accessing more growth funding								
	Stimulating business starts, growing businesses and developing entrepreneurship whilst promoting Fair Work practices.	Delivering appropriate support to build resilience and sustain business competitiveness including capacity building, market awareness, access to finance, management and leadership.		More inward investment projects are attracted								
		Engage with Business Gateway on support for start-ups. Adopt a focus on inclusivity particularly targeting young people, women, rural and remote areas.										
	Support the development and delivery of the national Brexit response plan across the region.											
	Support resource efficiency planning and implementation through closer collaboration with partners including Zero Waste Scotland.											
Business Models and Workplace Innovation	Rationale	Promote the principles of Fair Work First and support their adoption by businesses and organisations.						Scotland's businesses export more	Scotland has more resilient, sustainable, dynamic and high growth businesses	Scotland's businesses, organisations and regions have high levels of capital investment		
	Increased adoption of progressive workplace practices and workplace innovation are vital to the growth and sustainability of our businesses.	In partnership with SE, SDS and SFC, develop awareness of business models to support growth and resilience. Address issues of succession planning which are particularly relevant in family owned businesses and social enterprises across the region.		More businesses and organisations adopt progressive business models and demonstrate quality management and leadership practices								
	Focus	Support the co-ordination of business models and workplace innovation in partnership with SE, SDS and SFC.										
	Embed innovative and progressive workplace practices that support the structure of the region's business base	Develop and use data-led approaches to target support more effectively to enable businesses to grow or enhance resilience										
Exporting	Rationale	Support the delivery of the Scottish Government's new export plan - "A Trading Nation" - via tailored provision including events, case studies and using digital tools that best suit our businesses, sectors and geography.		Published, Supporting and Tracking Measures	More businesses are exporters and exporting more			Scotland's businesses export more			Scotland has more resilient, sustainable, dynamic and high growth businesses	Scotland's businesses, organisations and regions have high levels of capital investment
	The challenge of internationalisation is of increasing importance in the current economic climate.	Explore new public/private sector partnerships which will provide support to scale-up, and refresh export support resources.										
	Focus	To attract and retain talent, aligning with the work of SDI, HIE will tailor messages and communications that best suit the circumstances of businesses, sectors and geographies within the Region.										
	To build resilience, increase the number of exporters; transform trade performance in priority markets and develop a global mindset in our business community.	Support the development and delivery of the national Brexit response plan across the region.										
Innovation	Rationale	Provide innovation and R&D support directly and through linking our businesses to appropriate national products and services. Support will be tailored to the needs of our geography and regional/ sectoral opportunities.			Published, Supporting and Tracking Measures			More people with digital skills, more business using digital technology				
	To increase the number of innovation-active businesses and gain more value from our resources to increase regional productivity and attractiveness.	Deliver targeted programmes through the Northern Innovation Hub, part of the Inverness and Highland Region City Deal with a particular focus on life sciences, food and drink, tourism and creative industries.										
	Focus	Support the delivery of the Advanced Manufacturing Challenge Fund and NMIS to maximise opportunities for our region.	More businesses innovate									
	Expand and embed innovation across our business support as a driver for productivity	Draw upon expertise within Scotland's innovation centres to support businesses with R&D and commercialisation.										
		Provide specialist digital technology support and advice and support the delivery of a new Coding Academy and Data Lab hub.										

# A REGION WHICH IS WELL CONNECTED AND WELL PLACED TO MAXIMISE OPPORTUNITIES - CREATING THE CONDITIONS FOR GROWTH

OBJECTIVE		ACTIONS WE WILL TAKE	OUTPUT	INTERIM OUTCOMES	LONG-TERM OUTCOMES
Enabling Infrastructure	Rationale	Work in partnership to develop business space, responding to local and regional opportunities and market failure including exploring multi-use solutions, especially in more remote areas.	Published, Supporting and Tracking Measures	Assets and capacity exist to attract investment and talent.	Scotland's businesses, organisations and education sector innovate and invest in Research & Development
	To enhance regional competitiveness and deliver inclusive growth through addressing identified challenges and maximising regional and sectoral opportunities.	Develop business and innovation infrastructure to provide a platform for a cluster approach to economic development including the Centre for Health Science 2 at Inverness Campus; Orkney Research and Innovation Campus; and the European Marine Science Park.		Universities produce internationally competitive basic and applied research.	
		Continue to partner with Scottish Government to extend fibre broadband and encourage take up.			
		Work closely with local, regional and national partners to identify key transport constraints which hamper development across the region. Take a key role in developing the case for public investment and contribute to the second Strategic Transport Projects Review.			
		Address housing market failure through working with partners to develop and pilot innovative solutions and new approaches, maximise our land bank and support communities in asset acquisition.			
		Work with partners to identify solutions and new delivery models to address social care and childcare barriers, supporting both communities and businesses to embrace market opportunities.			
		Support the development of strategic energy investments and piloting of innovative systems across the region, particularly in renewables, oil and gas, decommissioning and local energy systems.			
		Support the work of the Infrastructure Commission, through contributing to the evidence base and criteria for prioritisation and evaluation.			
		Work in partnership with SFC, SDS, UHI and other academic partners to expand provision and infrastructure to meet the needs of emerging sectors and the ambitions of our young people.			
	Focus				
Academic, Education and Skills Infrastructure	Target investments which generate transformational opportunities and deliver a disproportionate positive impact for more rural communities and maximise inclusive growth.	Develop and deliver the Science Skills Academy as part of the Inverness and Highland City Region Deal promoting STEM opportunities across the region and open further Newton Rooms in the region.		There is more collaboration and connection between business, academic and public sectors.	Scotland has a high-performing skills and learning system, which meets the needs of learners, employers and the economy
		Work with Convention of the Highlands and Islands (COHI) partners to refine the talent attraction and retention strategy and develop and deliver a new action plan.			
Regional and Sectoral Opportunities		Actively contribute to growth deal partnership development and implementation.		Unlock the greatest productivity gains through the development of regionally significant strategic and sectoral priorities.	Scotland has more resilient, sustainable, dynamic and high growth businesses
		Collaborate with partners to develop and implement COHI strategic priorities and projects.			
		Influence a supportive energy policy and regulatory environment which recognises the full potential of the region in contributing to UK and SG climate change ambitions. This will include securing maximum economic and social benefit from large-scale renewable developments.			
		Continue to work in partnership to influence sectoral policy and development to maximise opportunities for our region. Support Scottish Government with the development of an Arctic policy.			
		Contribute to EU funding and engagement programmes as a lead and supporting partner. Continue to seek to maximise the benefits of EU funding streams and work with regional partners, particularly Highlands and Islands European Partnership to promote the case for post-Brexit funding.		Policies take account of the unique characteristics of the region.	
		Stabilise operations and identify a route to a sustainable long-term business model for Cairngorm Mountain, a key economic driver in Badenoch and Strathspey. In particular, we will address current issues with the funicular railway and seek to enhance the longer-term year-round offering.			
		Continue to work with partners and stakeholders to identify and pursue a range of regional opportunities in the Space sector. A key area of focus will be the potential development of a vertical launch facility in Sutherland.			
Scotland has an internationally competitive academic research base					
Scotland attracts high levels of quality inward investment and talent					




## STRONG, CAPABLE AND RESOURCEFUL COMMUNITIES

OBJECTIVE		ACTIONS WE WILL TAKE	OUTPUT	INTERIM OUTCOMES	LONG-TERM OUTCOMES				
Knowledge and Influencing	<b>Rationale</b>	<ul style="list-style-type: none"><li>Using our knowledge, expertise and experience to influence strategy, policy and and legislation impacting on social enterprises, communities and the rural economy</li><li>Jointly lead on "Faster Rate of Progress" Gaelic action plans with SDS (on economy and labour market plan) and with Comhairle Nan Eilean Siar (on Outer Hebrides communities plan)</li><li>Support for the establishment of the South of Scotland Enterprise Agency</li><li>Actively contributing to the development of the 2020-2023 Scottish Government Social Enterprise Action Plan</li><li>Constructively contribute to Community Planning Partnerships</li><li>Exploring natural capital and net zero carbon opportunities</li><li>Using our networks and influence to service increasing demand for, knowledge of, and access to finance and innovative investment packages</li></ul>	Published, Supporting and Tracking Measures	Communities benefit from policies that recognise their circumstances, needs and opportunities	Scotland has high levels of quality jobs and inclusive economic participation across all regions	Businesses and organisations in Scotland adopt Fair Work practices and approaches	Scotland's social enterprises grow, and are central to achieving Scotland's vision of a fair and inclusive economy		
	<b>Focus</b>			Rural and community and social enterprise policy interventions				More social enterprises adopt progressive & sustainable business models and demonstrate quality management and leadership practices	
Social Enterprise Capacity and Innovation	<b>Rationale</b>	<ul style="list-style-type: none"><li>Invest in community-employed delivery posts through leveraging Scottish Government investment</li><li>Deliver a national strengthening communities conference</li><li>Lead and deliver the EU funded Support Network for Social Entrepreneurs (SuNSE) project</li><li>Support and nurture culture and heritage activity, e.g. delivering the EU funded CUPIDO project</li><li>Pilot a programme to increase the capacity of communities to effectively participate in the tourism sector</li><li>Realise community benefits from procurement</li><li>Optimising community benefits from larger investments</li><li>Supporting the development and adoption of innovative business models for service delivery e.g. rural childcare</li><li>Supporting a Highlands and Islands Rural Leadership Programme cohort</li><li>Piloting Rural-Food-Tourism Places</li><li>Working with partners to pilot innovative ways of realising housing projects</li><li>Deliver a support framework for local energy systems</li></ul>		Social enterprises are accessing more growth funding to enhance their social and economic impact				Scotland's communities fully collaborate in place-based development	
	<b>Focus</b>			Increasing the adoption of progressive business models and stimulating and developing social entrepreneurship enhances socio-economic impact					Communities and social enterprises have improved knowledge and skills that build social capital
				Building capacity, capability and innovation in our social enterprises and communities					
Community-owned Assets	<b>Rationale</b>	<ul style="list-style-type: none"><li>Delivering the Scottish Land Fund</li><li>Develop guidance on contemporary ownership structures to enhance robust governance and financial viability</li><li>Investment in post-acquisition development</li><li>Develop and adopt long term measures</li><li>Ownership and operation of off-grid energy assets</li><li>Maximise opportunities from the Low Carbon Infrastructure Transition Programme</li></ul>		Communities are participating in their development					
	<b>Focus</b>		Supporting robust business planning, governance models, and investment in acquisition and development	Communities have assets, from which to build their resilience					

## BUSINESS TRANSFORMATION

OBJECTIVE		ACTIONS WE WILL TAKE	INTERIM AND LONG-TERM OUTCOMES
Customer Experience	<b>Rationale</b>	Deliver a new website and new technologies to enable customers to transact more digitally with HIE and our partners.	Enhance effectiveness and efficiency in delivery against outcomes under all priorities.
	To more effectively meet customer needs and expectations.	Through the Business Support Partnership, contribute to the delivery of a partner wide contact model including shared entry point and universal engagement service, common processes and future operating environment.	
	<b>Focus</b>	Support the delivery of flexible and tailored solutions alongside new universal products and services.	
Data and Insight	Delivery of a new customer support environment enabled through our transformation programme and working in collaboration with our partners.	Collect, manage, use and share data more effectively to inform and improve service design, enable intelligent targeting of support and resources and facilitate assessment of impact.	

# OUTPUT MEASUREMENT 2019-20

SUCCESSFUL, PRODUCTIVE AND RESILIENT BUSINESSES		STRONG, CAPABLE AND RESOURCEFUL COMMUNITIES		A REGION WHICH IS WELL CONNECTED AND WELL PLACED TO MAXIMISE OPPORTUNITIES - CREATING THE CONDITIONS FOR GROWTH	
Published Targets					
Capital asset investment					
Jobs supported (FTEs created and retained) Average wage of jobs supported Funding raised by supported enterprises/community organisations. <b>Clients newly engaged in fair work practices</b> Jobs supported in Fragile areas (FTEs)				Interventions in partnership plans	
Increase in business turnover Increase in international Sales <b>New international exporters</b>		Increase in turnover in the social economy <b>Community organisations with increased capacity</b>			
		New/improved income-generating community assets			
Supporting Measures					
R&D jobs supported				Floorspace developed by (m sq) Housing units enabled Renewable energy produced (kw/hr) Premises with access to superfast broadband Sectoral infrastructure projects developed Academic infrastructure projects completed	
High value jobs supported					
Jobs supported above the Living Wage					
Jobs from new/existing inward investors New markets entered <b>Innovation-active enterprises</b> Clients engaged in entrepreneurial activity Clients engaged in R&D activity		Land in community ownership (ha) New/enhanced cultural venues Projects supporting the Gaelic economy			
				Increased childcare provision	
Tracking Measures					
					
Digital Maturity		Business Values		International Trade	

PRIMARY MEASURE	TARGET RANGE
Increase in business turnover (£M)	£90M - £110M
Increase in international sales (£M)	£35M - £45M
Increase in turnover in the social economy (£M) (trading income)	£2.5M - £3M
No. of new international exporters	25 - 30
No. of jobs supported (FTEs)	400 - 500
No. of jobs supported in Fragile areas (FTEs)	80 - 100
Average Wage of Jobs supported (FTEs)	£26k
Capital asset investment (£M)	£14M - £18M
Funding raised by supported enterprises/community organisations (£M)	£16M - £20M
No of clients newly engaged in fair work practices	35 - 40
No of community organisations with increased capacity	20 - 25
New/improved income-generating community assets	16 - 20
Interventions in partnership plans	

Operating Plan Budget	2019/20 (£M)
GIA Baseline	56.0
European Funds	3.2
Capital Receipts	3.6
Revenue Receipts	4.2
<b>Total Income</b>	<b>67.0</b>
Successful, Productive and Resilient Businesses	26.8
Conditions for Growth	10.2
Strong, Capable and Resourceful Communities	6.1
Development Support	5.2
Business Transformation	2.2
Operating Costs (Block B)	16.5
<b>Total Expenditure</b>	<b>67.0</b>
<b>Non-cash DEL</b>	<b>5.0</b>

## Notes

Investment budget allocations are indicative only. HIE manages its budgets in a flexible manner to enable us to react to challenges and opportunities which may arise.

Additional funds are being provided to HIE for projects such as digital infrastructure, Wave Energy Scotland, Inverness City Region Deal and the Scottish Land Fund.

**hie.co.uk**

**corporate.relations@hient.co.uk**

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