

Cabinet Secretary for the Rural Economy
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Dear Lorne,

HIGHLANDS AND ISLANDS ENTERPRISE – LETTER OF GUIDANCE 2019-20

Introduction

1. Following our Joint Strategic Letter of Guidance to Highlands and Islands Enterprise (HIE) and other Enterprise and Skills (E&S) Agencies in January 2019, I am writing to set out more specific guidance on my expectations and priorities for HIE in 2019-20.

Strategic context

2. Our Economic Strategy maps out the priority areas where we look to invest in our economic future. This letter sets out how I, along with my Ministerial colleagues, expect the E&S agencies to work collaboratively in delivering on these priorities and deliver on our commitment to create a more prosperous nation with more jobs, fair work and a dynamic, sustainable and inclusive economy. If we are to achieve true inclusive growth for our economy, it is critical that we work together to unlock the full potential by embracing opportunities and responding to needs in the best way we can.

3. In light of the global climate emergency and advice from the UK Committee on Climate Change, Scottish Government has lodged amendments to the Climate Change Bill that will see Scotland's contribution to climate change end within a generation. All businesses, as well as individuals and public-sector organisations, will need to increase their focus and action on decarbonisation to achieve this. By leading the world in this transition, Scotland is ideally placed to reap the economic benefits of the global move to carbon-neutral technologies, business practices and innovations and HIE has a key role to play in achieving this.



4. We want Scotland to be a fair work nation by 2025. Our commitment to Fair Work is demonstrated through the publication of our [Fair Work Action Plan](#) (February 2019), which sets out how we will deliver our ambitions on fair work across Scotland. To achieve our ambition we need employers, including Highlands and Islands Enterprise, to adopt Fair Work practices and to support the delivery of Fair Work in the services it provides and through its procurement practices. I would ask that Highlands and Enterprise adopts the terms of the Scottish Government's Fair Work Agreement with the Civil Service Trade Unions with your recognised trade unions and attaches Fair Work criteria to your appropriate grants and funding streams.

5. Scottish Ministers do not underestimate the current risks posed by the uncertainty around the UK Government's plans to leave the EU and the impact that could have on your organisation's ability to deliver its business and achieve our shared ambitions for the year ahead. I would ask that HIE continues to demonstrate the high level of preparedness and resilience that has been shown to date and to continue to engage actively with my officials and your stakeholders.

6. Our ambitions and priorities have been clearly stated in recent months - in our National Performance Framework, which includes a statement of values alongside our purpose (refreshed 2018); our Programme for Government (September 2018); and the Economic Action Plan (EAP) (October 2018). The Joint Strategic Guidance Letter sent to you on 11 January highlights these and our support for the aims of the Strategic Board as set out in its Strategic Plan.

Enterprise and Skills Strategic Board – Collaboration and Alignment

7. The Strategic Board's Strategic Plan provides long term strategic direction to Scotland's E&S agencies and provides a blueprint for the Scottish Government to improve productivity and drive inclusive and sustainable economic growth. I look to you for your continued commitment to implementing the Plan and pursuing its aims in close collaboration with the other agencies, and to continue working closely with the Board and fellow agencies in support of the Board's forward-looking priorities.

8. I expect that HIE will play a vital role in delivering against the relevant key priorities over the next 12 months. I am grateful for the work you have done to develop your Strategic and Operating Plans for 2019-20 and beyond in support of the Strategic Board's ambitions. I would also ask that you continue to explore opportunities for further alignment of your planning and activities with the other E&S agencies – this should include joint decision making and genuine co-development of future plans, including at the most senior level, and mainstreaming throughout your organisation the very positive culture of co-development and collaboration that we are already seeing bring real benefits.

9. I also look to you to continue to work with the other E&S agencies to fund and support the Strategic Board's Analytical Unit to help deliver increased efficiency and effectiveness across the enterprise and skills system. This requires each E&S agency to devote a share of their investment in evidence and evaluation to support the research programme of the Analytical Unit. This, together with alignment of your plans and a shared approach to performance measurement, should ultimately demonstrate

how your individual and combined activities drive activity to achieve the outcomes from NPF, in particular those identified in the Strategic Board's Performance Framework.

10. Recognising the importance of this area of work, we ask that during 2019/20 HIE contributes to regular updates on activity and progress made against each of the relevant Strategic Plan missions and actions, as well as in relation to HIE's support for the Scottish Government's response to the recommendations in the Strategic Plan.

Highlands and Islands Enterprise Contribution

11. My ambitions and high-level asks of HIE for 2019-20 are set out in greater detail in the attached **Annexes** and are structured around the high-level themes of HIE's work.

HIE Budget 2019-20

12. In what has been a tight financial settlement for public services across Scotland, I recognise an overall decrease of 1.4% over the budget provided for 2019-20. I welcome HIE's approach to working openly with officials to better understand and consider the prioritisation and maximisation of opportunities within the confines of this settlement.

13. HIE's budget allocation for 2019-20, to support delivery of our priorities on inclusive and sustainable economic growth is set out in the table below. Any in-year transfers, both in or out of the budget, will be detailed at the Autumn and Spring Budget Revisions agreed with HIE, published each year and subject to Parliamentary scrutiny.

Financial Year 2019-20	£(m)
Resource	29.50
Capital	25.50
Non-cash	5.13
Financial Transactions	1.00
Total	61.13

Conclusion

14. In conclusion, I hope that you will find this letter helpful in carrying forward your business planning for 2019-20. I am confident that HIE will rise to meet the challenges it faces during the coming year and this Government very much values the important work that HIE carries out in helping to deliver the Government's Purpose. I look forward to that support continuing as the Board drives forward its important work in meeting our priorities to create a prosperous nation with more jobs, fair work and a dynamic, outward looking, sustainable and inclusive economy.



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HIGHLANDS AND ISLANDS ENTERPRISE'S CONTRIBUTION TO SCOTTISH GOVERNMENT'S PRIORITIES

1. In 2019-20, I look to HIE to make decisions that ensure the funds provided to it by Scottish Government are used to drive sustainable and inclusive economic growth, meet HIE's statutory obligations, contribute to the Scottish Government priorities and achieve the outcomes set out in HIE's Business Plan.
2. Mapped against our priority areas set out to deliver Scotland's Economic Strategy together with key areas of focus from HIE's Business Plan this letter sets out my strategic priorities and expectations of HIE. At the heart of these expectations are that HIE operates as a highly effective public body working in partnership with others in both the public and private sectors and with communities to improve outcomes, moderate the demand on wider public services and support an inclusive and sustainable economy, in line with the Government's commitment to public service reform building on the principles of the Christie Commission.
3. I would again emphasise that in directing your support and investment across all of your activity, HIE must focus on maximising the contribution that its investment will make to achieving the Scottish Government's priorities in conjunction with the information contained in the Annex and captured in the [National Performance Framework \(NPF\)](#), [Programme for Government \(PfG\)](#), [Scotland's Economic Strategy \(SES\)](#), the [Economic Action Plan](#), the updated [Rural Action Plan](#) and the [Enterprise and Skills Board Strategic Plan](#)..
4. HIE's planning and reporting, including your partnerships and shared service arrangements should be demonstrably based, and their effectiveness assessed, on this alignment. I expect you to use your regular engagement with Scottish Government officials and Ministerial level liaison to provide Government with a robust and timely assessment of progress and risks in relation to these plans.
5. I welcome HIE's outcome focused approach and expect HIE to continue to set challenging targets that contribute to the delivery of the NPF, PfG and SES, and to align with the performance framework developed by the Strategic Board. HIE has a clear role as the main economic development agency for the Highlands and Islands in understanding the economy and the key actions needed across the enterprise and skills system to make sure that it thrives, including working with sectors, that have strong potential to drive inclusive economic growth.
6. I also expect HIE to continue to provide support across some of the most rural and fragile areas of Scotland, supporting communities and positively engaging to help those areas prosper, including working with sectors, that have the particular potential to drive inclusive economic growth in these geographies.

7. The effectiveness of HIE in contributing to the Scottish Government's priorities depends on more than what HIE does itself. The success of Scotland's economy, requires coherent collective efforts in partnership by HIE, other public sector bodies and wider business and other communities. Similarly, community planning remains an important means through which HIE can work with others to support conditions for economic growth in local areas across the HIE region.
8. Against this background I acknowledge the role you continue to play in supporting implementation of the City Region and Growth Deals and development of associated Regional Economic Partnerships (REPs) across Scotland. I expect that you will extend the same commitment and support to the emerging regional growth deals and linked REPs at various stages of development – helping to shape and develop their economic plans and play an impactful role in their on-going implementation. Similarly, community planning remains an important means through which HIE can work with others to support conditions for economic growth in local areas across the HIE region.
9. I also welcome the commitment you have given to the South of Scotland Economic Partnership, including signing its memorandum of understanding, working as part of the Partnership and paving the way for the new South of Scotland Enterprise Agency.
10. I am keen that HIE should have a key role in promoting the Business Pledge, particularly as they understand the benefits it delivers for productivity and competitiveness. HIE should actively promote it to account-managed and, where appropriate, non-relationship managed businesses.
11. We will also look for you to support the development of an on-line service to help small and micro employers adopt Fair Work practices and support delivery of the Action Plan more widely.
12. The Year of Coasts and Waters 2020 will sustain and build upon the momentum of the preceding Themed Years to spotlight, celebrate and promote opportunities to experience and enjoy Scotland's unrivalled Coasts and Waters, encouraging responsible engagement and participation from the people of Scotland and our visitors. HIE should actively seek to work in partnership with other partners where opportunities arise ensuring an inclusive approach is taken throughout the Year and beyond, creating a lasting legacy and assisting sustainable economic development.
13. Recognising the value of the creative economy to place and regeneration, economic growth and Scotland's international profile, I expect HIE to work constructively with Creative Scotland and other partners to maximise the potential of creative businesses, their networks and wider industry.



SPECIFIC RELATIVE REQUESTS AND SUPPORTING PRIORITIES FOR ENTERPRISE AGENCIES AND PUBLIC BODIES

Programme for Government

Published on 4 September 2018 the Scottish Government's Programme for Government sets out the Government's actions for the next year including the Bills that will be introduced to the Scottish Parliament. <https://www.gov.scot/programme-for-government/>

Economic Action Plan

We want Scotland to be a leader in the technological and social innovations of the future, to harness that innovation to improve lives for the better and to export our solutions to the rest of the world and sets out that the Scotland CAN DO approach is how we will realise this ambition. <https://economicactionplan.mygov.scot/>

National Performance Framework

Introduced in 2007 and refreshed in 2011, 2016 and 2018, the NPF sets out in the Purpose and the National Outcomes, a clear, unified vision for Scotland and how our actions will improve the quality of life for the people of Scotland.

Promoting Fair Work

The SG has been clear that inclusive growth must be driven by innovation and increased productivity, and the relationship between employers and their employees should be right at the heart of this. The Fair Work Action Plan sets out the strategic approach being taken across the Scottish Government and with key partners to embed fair work, including payment of the real Living Wage, within every business across Scotland. Central to Fair Work is delivering workplace equality and promoting Fair Pay. On the latter, SG is continuing to support the Poverty Alliance to increase by 25,000 the number of workers receiving at least the real Living Wage. The Gender Pay Gap Action Plan puts a particular focus on the action we will take to address the causes of the gender pay gap.

<https://economicactionplan.mygov.scot/fair-work>

<https://beta.gov.scot/policies/gender-equality/workplace-gender-equality/>

Transforming Public Services – Supporting Growth

The Community Empowerment (Scotland) Act 2015 includes provisions to strengthen community planning. The Act, places new statutory duties on CPPs and public sector bodies - including HIE for the CPPs in its region - to improve outcomes and reduce socio-economic disadvantage for local communities (including the business community) through effective partnership working.

<http://www.legislation.gov.uk/asp/2015/6/contents/enacted>

Fairer Scotland Duty (Interim) Guidance

This guidance places a legal responsibility on particular public bodies in Scotland to actively consider (pay due regard to) how they can reduce inequalities of outcome caused by socioeconomic disadvantage. The final guidance will be developed with public bodies, grounded on experience of working on the Duty and reflecting the good practice that's already in place.

<http://www.gov.scot/Resource/0053/00533417.pdf>

The Scottish Government has funded the Improvement Service to provide advice and training for public bodies on the new duty going forward. If you would like to know more, please contact Miriam.McKenna@improvementservice.org.uk

Scotland's international policy statement 2017

This policy statement builds on the four strategic objectives outlined in Scotland's International Framework. <https://beta.gov.scot/publications/scotlands-international-policy-statement-9781788514026/>

Scotland's place in Europe: people, jobs and investment

This paper presents the latest analysis by the Scottish Government of the implications for Scotland's economy if the UK exits the European Union.

<https://beta.gov.scot/publications/scotlands-place-europe-people-jobs-investment/>

A Trading Nation – a plan for growing Scotland's exports

This plan will sets out the sectors, countries and businesses that should be the targets of public sector support for exports with a view to increasing the value of Scotland's exports as a percentage of GDP. The plan has been developed in collaboration with SDI and its priorities should be reflected in operational business plans.

<https://www.gov.scot/publications/scotland-a-trading-nation/>

Global Scotland: trade and investment strategy 2016-2021

The Strategy outlines key actions and commitments to boost Scotland's export performance and to attract inward, capital and risk investment to Scotland. The essence of this is captured in our eight point action plan for trade and investment.

<https://beta.gov.scot/publications/global-scotland-scotlands-trade-investment-strategy-2016-2021/>

Understanding the Scottish rural economy: research paper

This report outlines the Scottish Government's understanding of the Scottish rural economy and presents economic and social data.

<https://beta.gov.scot/publications/understanding-scottish-rural-economy/>

Scotland CAN DO: an innovation action plan for Scotland

This innovation action plan builds on the progress we have made, working together, to boost Scotland's innovation performance.

<https://beta.gov.scot/publications/scotland-innovation-action-plan-scotland/>

National Manufacturing Institute Scotland (NMIS).

Establishing the National Manufacturing Institute Scotland, which will be hosted by the University of Strathclyde, is a key investment being made by the Scottish Government to place Scotland at the forefront of advanced manufacturing. NMIS will be delivered through Scottish Enterprise who will also ensure that the services offered by the Institute are joined up with the wider Enterprise Support landscape.

[National Manufacturing Institute for Scotland: statement of intent](#)

Advanced Manufacturing Challenge Fund

The Scottish Government will establish an Advanced Manufacturing Challenge Fund to support the equipment and facilities needed to spread the reach and benefits of advanced manufacturing. Scottish Enterprise have agreed to operate as lead partners for fund implementation and ongoing management.

The future of energy in Scotland: Scottish energy strategy

Scotland's first energy strategy sets out the Scottish Government's vision for the future energy system in Scotland. <https://beta.gov.scot/publications/scottish-energy-strategy-future-energy-scotland-9781788515276/>

Support for Veterans and the Armed Forces community

This document sets out the work that is being done to respond to the recommendations made in the Scottish Veterans Commissioner's first three reports.

<https://beta.gov.scot/publications/scottish-government-support-veterans-armed-forces-community-scotland/>

Realising Scotland's full potential in a digital world: a digital strategy for Scotland

Scotland's refreshed digital strategy sets out our vision for Scotland as a vibrant, inclusive, open and outward looking digital nation.

<https://beta.gov.scot/publications/realising-scotlands-full-potential-digital-world-digital-strategy-scotland/>

Tourism Scotland 2020 Strategy

This sets out targets – supported by the industry and public sector alike to deliver sustainable growth in the sector. A revised tourism strategy, with which we are working in partnership with the Scottish Tourism Alliance to develop (along with HIE and SE) will be published later this year. Link attached.

<http://scottishtourismalliance.co.uk/page/national-strategy/>

Scotland's Social Enterprise Strategy and Action Plan

These documents outline collaborative work with the enterprise agencies, specifically actions 2B.2, 2B.3 and 2B.5. <https://beta.gov.scot/publications/scotlands-social-enterprise-strategy-2016-2026/>
<https://beta.gov.scot/publications/building-sustainable-social-enterprise-sector-scotland-2017-20/>

New blueprint for Scotland's rural economy: recommendations to Scottish Ministers

The National Council of Rural Advisers report detailing their final recommendations to Scottish Ministers on Scotland's rural economy.
<https://www.gov.scot/publications/new-blueprint-scotlands-rural-economy-recommendations-scottish-ministers/>

Rural Economy Action Group

We have launched the Rural Economy Action Group which was one of the NCRA's recommendations. The purpose of this groups will guide how Scottish Ministers drive forward recommendations of a recent report by the National Council of Rural Advisers (NCRA), and will be Chaired by Carol Tannahill, Head of Social Policy for the Scottish Government. <https://www.ruralnetwork.scot/news-and-events/news/new-rural-economy-action-group-announced>



SPECIFIC REQUESTS OF PUBLIC BODIES

Issue	Further information	Basis of request
Low Carbon sector and combating climate change	<p>We look to all public bodies to help realise the significant opportunity for growing the low carbon sector both through leadership and directly through reduction of energy demand and integration of low carbon and renewable heat and energy technologies across estates. More generally, we expect our public bodies to lead by example in combating climate change and making a valuable contribution towards achieving our ambitious emission reduction target of 80% by 2050. 2018/19 will mark the fourth year of mandatory reporting from 180 listed public bodies on compliance with climate change duties. The mandatory reports for 2018/19 are due to be submitted to SG by 30 Nov 2019. Reporting advice, tools, guidance and training are available from the Sustainable Scotland Network (SSN).</p>	<p>Public Bodies climate change reporting duties requirement under sections 46 of the Climate Change (Scotland) Act 2009</p>
Fair work	<p>The Fair Work Action Plan (published 27 February 2019) sets out the approach the Scottish Government will take to help employers embed and mainstream fair working practices within their workplaces, including payment of the real Living Wage. As a public sector employer, we expect Highlands and Islands Enterprise to adopt Fair Work First within your own organisation during 2019-20. We will also look for you to support the development of an on-line service to help small and micro employers adopt Fair Work practices and support delivery of the Action Plan more widely.</p> <p>The foregoing builds on SG's existing expectation that public bodies become Accredited Living Wage Employers, paying the real Living Wage to their employees and people involved in delivering public contracts. Our statutory guidance for public bodies on how workforce-related matters, including the Living Wage, should be taken into account in public procurement processes. You should continue to use the Fair Work Convention's Fair Work Framework to guide your approach.</p> <p>Central to Fair Work is recruiting and supporting a diverse and inclusive workforce and delivering workplace equality. Actions for achieving this are set out in The Race Equality Action Plan (published December 2017), Disability Employment Action Plan (published December 2018) and the Gender Pay Gap Action Plan (published on 8 March 2019). In particular these Plans spell out the actions needing to achieve our ambition to at least halve the disability employment gap in Scotland, to address the causes of the gender pay gap and to tackle discrimination. This includes action for HIE as an employer and through its delivery of services.</p>	<p>PfG; Fair Work Action Plan; Gender Pay Gap Action Plan; Disability Employment Action Plan; Race Equality Action</p>
Digital services	<p>Realising Scotland's full potential in a Digital World sets out the actions for Scotland including public bodies. In particular I can confirm in the strategy that we will create the conditions which encourage continuous innovation and improvement in our public</p>	<p>Realising Scotland's full</p>

	<p>services. The approach demands that we collectively simplify and standardise ways of working across the public sector and deploy common technologies that can be built and procured once. In addition we will create common digital platforms for services that will encourage Scottish public and voluntary sector organisations to innovate in the delivery of public services, and make better use of cloud-based solutions -cost reduction and service innovation.</p> <p>All bodies should be aware of the Scottish Government Technology Assurance Framework, which is mandatory and applies to new digital public services and new investments in technology. Please contact the Office of the Chief Information Officer if you would like to discuss the application of technology assurance within your organisation.”</p>	<p>potential in a Digital World</p>
<p>Diversity on boards</p>	<p>Most public bodies with boards have signed up to the commitment – 50:50 by 2020 – to improve diversity on boards including working towards gender balance on boards by 2020. As of April 2017 listed public authorities are required to publish the gender composition of their boards and to produce succession plans to increase the diversity of their boards by virtue of The Equality Act 2010 (Specific Duties) (Scotland) Amendment Regulations 2016. Guidance to support listed public authorities to implement the new duty will be developed by the Equality and Human Rights Commission and the Scottish Government. In addition, the new regulations also amend the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 by lowering the threshold for a listed public authority to report their gender pay gap and publish equal statements etc. from those authorities with more than 150 employees to those with more than 20 employees.</p> <p>You are encouraged to take positive action to support and enable greater diversity of Ministerial appointments, through:</p> <ul style="list-style-type: none"> • taking an active role in succession planning, and providing advice to Ministers about the board’s membership needs, both for new and re-appointments; • ensuring that suggested criteria for the selection of new board members meet the needs of the body, are unbiased and are not unnecessarily restrictive; • taking action both during and between board member recruitment exercises to attract the broadest range of candidates to the work of the board; • providing mentoring, shadowing and training opportunities for potential board members; and considering the role of nominations committees. 	<p>Page 35 of the PfG</p>
<p>Equality</p>	<p>Public bodies are reminded of the Public Sector Equality Duty (PSED) that is set out in the Equality Act 2010 and which is underpinned by Scottish regulations that are designed to ensure that public authorities: mainstream equalities; assess the impact of their policies; and, set equality outcomes. Public authorities that fail to</p>	<p>Public Sector Equality Duty within the Equality Act 2010 and the</p>

	<p>meet the requirements of the regulations may be subject to enforcement action by the Equality and Human rights Commission (EHRC).</p> <p>Those bodies that are listed within the Scottish specific equality duties 2012 are legally required to:</p> <ul style="list-style-type: none"> • report on progress in mainstreaming the PSED in to the main business of the organisation; • set, every 4 years, equality outcomes and report on progress every 2 years. We would expect to see within the business plans of the listed bodies clear links to their equality outcomes; • impact assess new and revised policies and practices as well as making arrangements for reviewing existing policies and practices; • gather and use and publish employee information; • publish gender gap information every two years, and every four years an equal pay statement that includes information on pay and occupational segregation in relation to gender, disability and race; and • consider adding equality award criteria and contract considerations into procurement exercises. <p>When fulfilling the requirements of the public sector equality duty you should take into account both general guidance issued by the Equality and Human Rights Commission as well any recommendations made by the Commission that are specific to HIE.</p>	<p>Scottish specific equality duties</p>
<p>Young Workforce</p>	<p>You have a vital role to play in working with us to implement the Scottish Government’s youth employment strategy, Developing the Young Workforce, for example, by recruiting and training young people, working towards achieving the Investors in Young People gold standard and engaging with the education system to provide development opportunities for young people. Development of procurement policies that encourage more employers to contribute to the development of Scotland’s young people.</p>	<p>Cabinet Secretary for Fair Work, Skills and Training’s letter to public bodies of 15 December 2014</p>

Efficiency	Although not explicitly mentioned in the Programme for Government, we continue to expect every public body to deliver efficiency savings of at least 3% per annum and to report publicly on the actions undertaken and the results achieved.	Efficient Government section of SG website
Scottish Growth Scheme	HIE's physical contribution to the delivery of the Scottish Growth Scheme is extremely important, especially ensuring the wider services available under the Scottish Growth Scheme are readily promoted to potential eligible businesses, working in partnership with approved Fund Managers.	Scottish Growth Scheme website
Scotland CAN DO	The Scotland CAN DO Framework was published in 2013 and established a way of working with and through partners across all sectors towards realising our entrepreneurial and innovative potential. It was based upon work undertaken with MIT through 2012 to 2014 towards developing a balanced all sector ecosystem of support through a collective-impact methodology that values diversity of input and insight. We expect our enterprise agencies to fully involve themselves with Scotland CAN DO and work through its functions to deliver its intended outcomes.	Page 45 of the PfG and the Economic Action Plan