



HIGHLANDS AND ISLANDS ENTERPRISE

# STRATEGY

2023-28



Highlands and Islands Enterprise  
Iomairt na Gàidhealtachd 's nan Eilean

# CONTENTS

## CLÀR-INNSE

Front page images L-R: River Ness Hydro, Science Skills Academy activities, Badachro Gin being bottled and cyclists at Nevis Range.

Foreword by chair and chief executive .....	3
Our region at a glance.....	5
Introduction .....	11
Our vision, purpose and ambitions .....	12
Our strategic framework .....	13

Cross-cutting themes.....	14
Embedding net zero .....	14
Fair and inclusive growth .....	15
Regional transformational opportunities.....	16

Our pillars.....	21
People .....	21
Place.....	23
Planet .....	25
Prosperity .....	27
Delivering our strategy .....	39
Partnership.....	30
Measuring and achieving best value.....	31
Glossary .....	33





## FOREWORD BY CHAIR AND CHIEF EXECUTIVE FACAL-TÒISICH BHON CHATHRAICHE IS ÀRD-OIFIGEAR

It is no exaggeration to say that the next five years are set to present several once-in-a-generation opportunities for the Highlands and Islands.

These are prospects of a scale and potential to transform our region and make a lasting positive impact on Scotland's economy, often capitalising on our enviable natural assets and previous investments in world-class strategic infrastructure.

Our islands and coastal areas are already pivotal in developing Scotland's blue economy, including marine energy, biotechnology and aquaculture. Now, offshore wind energy leasing through the ScotWind and INTOG initiatives can be a powerful driver of further growth.

We are making significant progress in our aspiration to be an exemplar in climate action. We are providing a platform to grow the national space sector. And we remain committed to maximising the value of tourism, food and drink and creative industries both to our region and to Scotland.



**ALISTAIR DODDS CBE**, Chair

**STUART BLACK**, Chief Executive

At the same time, alongside our partners, we need to address the very serious challenges that constrain our economy and affect businesses and communities from Shetland to Argyll.

The high cost of living and doing business, housing, transport, digital connectivity, labour market constraints and slow population growth affect communities and businesses across the whole region, and especially those in our islands and more rural mainland areas. These issues can only be addressed through close working with our customers and stakeholders, our local authority partners and other public sector organisations, and with the support of government.

Ours is a resilient, innovative, ambitious region, with the potential to become a more dynamic economy that supports fair work and benefits all who live and work here and continues to contribute to Scotland's economic transformation.

This strategy sets out the role that HIE will play over the next five years to achieve that vision, drawing on our extensive experience over six decades. Guided by national policy, principally the National Strategy for Economic Transformation (NSET), it takes account of the leading role our region plays in developing sectors including energy, life sciences, creative industries, tourism, food and drink, and space. All of these are areas in which we are practising innovation and playing a pioneering role, often in partnership with others, to deliver actions that will enhance Scotland's prosperity and help achieve net zero emissions of greenhouse gases by 2045.

Critically, we have listened to our many partners and stakeholders, both national and local, and to our clients and customers among the region's businesses and communities.

These voices are vital to strengthen our understanding of the real issues affecting those who live and work here, and the role they expect us to play as an effective economic and community development agency that supports their ambitions and serves all parts of the Highlands and Islands.

## FACAL-TÒISICH BHON CHATHRAICHE IS ÀRD-OIFIGEAR FOREWORD BY CHAIR AND CHIEF EXECUTIVE

Chan eil mi a' cur am meud a ràdh gu bheil an ath chòig bliadhna a' dol a sholarachadh chothroman don Ghàidhealtachd 's na h-Eileanan nach fhaicear ach ainneamh.

Bheir iad sin seachad dùil air sgèile agus comas a nì cruth-atharrachadh air an roinn againn agus a bheir buaidh mhaireannach air eaconamaidh na h-Alba, glè thrì a' calpachadh air ar stòrasan nàdarra agus tasgaidhean a rinneadh roimhe ann am bun-structar ro-innleachdail aig ìre chruinneil.

Tha ar n-eileanan agus ar raointean oir-thireach mar-thà aig teis meadhain leasachaidh air eaconamaidh gorm na h-Alba, a' gabhail a-steach cumhachd mara, bith-teicneòlas agus tuathanachas uisge. A-nis, faodaidh lìosadh air cumhachd gaoithe tro iomairtean ScotWind agus INTOG a bhith nan stiùir chumhachdach air tuilleadh fàis.

Tha sinn a' dèanamh adhartas cudromach nar n-amas air a bhith nar n-eisimpleir ann an gnìomhadh gnàth-shìde. Tha sinn a' solarachadh àrd-ùrlar airson na roinne fànaidh nàiseanta fhàs. Agus tha sinn a' fuireach dealasach a thaobh an luach as àirde a thoirt à turasachd, biadh is deoch agus na gnìomhachsan cruthachail an dà chuid do ar roinn agus do dh'Alba.

Aig an aon àm, còmhla ri ar com-pàirtichean, tha feum againn air dèiligeadh ris na dùbhlain mhòra a tha a' cuingealachadh ar n-eaconamaidh agus a' toirt buaidh air gnothachasan is coimhearsnachdan bho Shealtainn gu Earra-Ghàidheal.

Tha cosgais àrd bith-beò agus dèanamh gnothachais, taigheadas, còmh-dhail, co-cheangailteachd dhidseatach, cuingealachdan margaid agus fàs mall air àireamh-sluaigh, a' toirt buaidh air coimhearsnachdan agus gnothachasan air feadh na roinne, agus gu h-àraid iadsan nar n-eileanan agus sgìrean dùthchail air tìr-mòr. Cha ghabh dèiligeadh ris na cùisean sin ach a-mhàin tro dhlùth-obrachadh le ar custamairean agus luchd-ùidhe, ar com-pàirtichean sna h-ùghdarrasan ionadail agus buidhnean eile san roinn phoblaich, agus le taic bhon riaghaltas.

Tha an roinn againn fulangach, ùr-ghnàthach agus àrd-amasach, le comas air a bhith nar eaconamaidh innsgineach a tha a' cur taic ri obair chothromach agus a tha buannachdail do na h-uile a tha a' còmhnaidh agus ag obair an seo agus a' leantainn air adhart a' cur ri cruth-atharrachadh eaconamach Alba.

Tha an ro-innleachd seo a' mineachadh na dreuchd a bhios aig HIE thar nan còig bliadhna ri teachd gus an lèirsinn sin a choileanadh, a' tarraing air ar n-eòlas fharsaing thar sia deicheadan de bhliadhnaichean. Air ar stiùireadh le poileasaidh nàiseanta, sa mòr-chuid leis an Ro-Innleachd Nàiseanta airson Cruth-atharrachadh Eaconamach (NSET), tha e a' gabhail cunntas air a' phrìomh àite a tha an roinn againn a' gabhail ann an leasachadh raointean a' gabhail



**ALASDAIR DODDS CBE**  
Cathraiche

**STIÙBHART MACILLEDHUIBH**  
Àrd-Oifigear

a-steach cumhachd, saidheansan beatha, gnìomhachasan cruthachail, turasachd, biadh is deoch, agus fànaidh. Tha na raointean sin uile anns a bheil sinn a' cur an gnìomh ùr-ghnàthachas agus a' gabhail dreuchd thùsaireach, glè thrì ann an com-pàirteachas le càch, gus gnìomhan a libhrigeadh a neartaicheas soirbheachas Alba agus a chuidicheas le neoini sgaoilidhean ann an gasaichean taigh-glainne a choileanadh ro 2045.

Gu deatamach, tha sinn air èisteachd ri ar mòran chom-pàirtichean agus luchd-ùidhe, an dà chuid nàiseanta is ionadail, agus ri ar luchd-dèiligidh is custamairean am measg ghnìomhachasan is coimhearsnachdan na roinne.

Tha na guthan sin deatamach airson ar tuigse a neartachadh do na fìor chùisean a tha a' toirt buaidh orrasan a tha a' còmhnaidh agus ag obair an seo, agus an dreuchd a tha iad a' sùileachadh dhuinne a ghabhail mar bhuidheann leasachaidh èifeachdach coimhearsnachd agus eaconamach, a tha a' cur taic ri an amasan agus a' frithealadh gach ceàrn den Ghàidhealtachd 's na h-Eileanan.

# OUR REGION AT A GLANCE

## SÙIL AIR AR ROINN

### Geography

The Highlands and Islands is an expansive, sparsely-populated region that includes most of Scotland's mountainous areas and over 90 inhabited islands. While rurality and peripherality drive disadvantage, and topography creates challenges for service delivery, the region's unique environmental assets are creating transformational opportunities with the potential to make a significant contribution to Scotland's net zero ambitions.

**51%** of Scotland's **land mass** (17% of UK land mass)

**72%** of Scotland's **remote rural land mass**

**86%** of Scotland's **coastline** (61% of UK coastline)

**Almost 50 islands** with a population of **less than 100**; **five** with **over 5,000**

**12 people** per sq km (Scotland = 70)

**22%** live on an island

**22%** live in a large mainland settlement

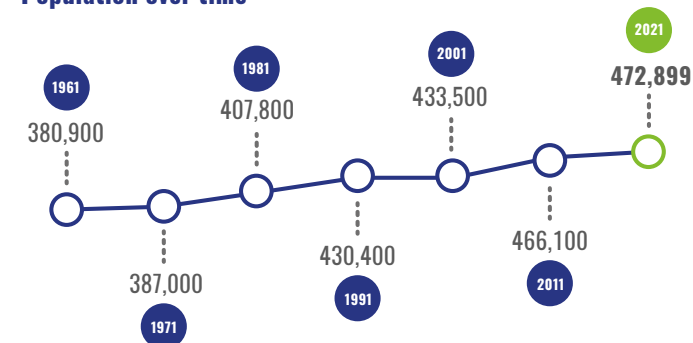


Blanket bog, Scotland's largest terrestrial carbon store, covers almost a quarter (23%) of the region's total land area.

### Population

Population growth has slowed in recent years and overall growth masks an ageing population structure and pockets of marked decline. This contributes to labour market challenges and impacts on service delivery. Despite this, there is growing eagerness amongst young people to remain, return or move to the region.

#### Population over time



Population **grew by 1.3%** between 2011 and 2021 (Scotland 3.4%)

**60%** of the population are aged 16-64 (Scotland 64%)

Working age population **declined by 3.2%** between 2011 and 2021 (Scotland grew 0.2%)

**5% population decline projected\*** between 2018 and 2043 (Scotland 3% growth)

\*Population projections are trend-based and do not take account of changes in policy or development aims.





Galson Estate Trust, Isle of Lewis, Outer Hebrides

## Communities

The region has strong and resilient communities, with high levels of satisfaction and participation. Regional attractiveness is underpinned by rich culture, language and heritage.

The region has

**99%** of Scotland's community-owned land and  
**59%** of community-owned assets

**88%** of residents are proud to live in their local area, rising to 94% in island communities

**33%** of people living in rural areas of Scotland have volunteered for an organisation or group (26% in urban areas)

**88%** of Scottish adults perceive Gaelic as important to the cultural heritage of the Highlands and Islands, and 79% to Scotland overall

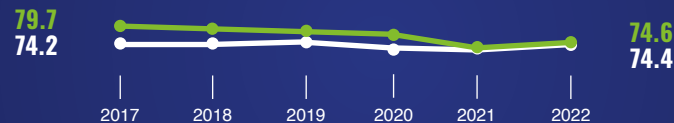
## Labour market and skills

The region has a tight and tightening labour market arising from consistently high levels of participation and low unemployment. This has been compounded in recent years by declining working-age population and higher levels of economic inactivity, driven by lifestyle choices among older workers post-pandemic. Labour and skills shortages persist and wages lag national averages. Public sector employment, self-employment and plurality of employment are higher than nationally, particularly in more rural areas. New ways of working, fair work practices, and emerging sectoral opportunities are creating high-value job opportunities and supporting workforce recruitment and retention.

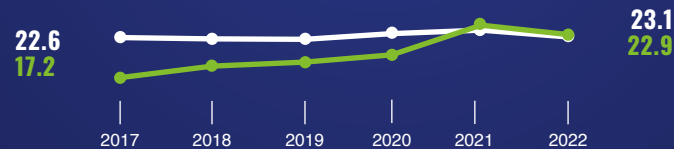


AES Solar, Forres, Moray

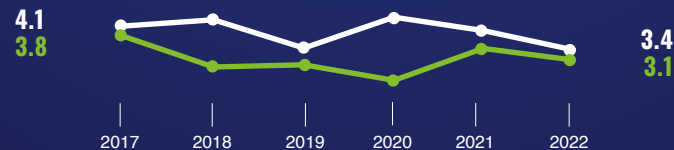
### EMPLOYMENT RATE



### ECONOMIC INACTIVITY RATE



### UNEMPLOYMENT RATE



■ Scotland ■ Highlands and Islands

Total employment of

**241,000**

Median annual pay of

**£25,862**, (93% of Scottish median pay - £27,698)

**13.4%** employed in skilled trade occupations  
(Scotland 8.8%)

**46%** of school leavers went into employment and  
**46%** into further or higher education (Scotland 32%  
and 58%, 2021-22)

## Business and social enterprise base

Businesses and social enterprises are resilient in the face of ongoing macro-economic challenge, responding to local need and supporting community sustainability. Traditional sectors are evolving, new and emerging sectors are diversifying the business base and creating opportunity. Sectors offering greater levels of employment do not necessarily correlate with those contributing most to regional GVA. Social enterprise activity increasingly reflects community asset ownership and offers new opportunities to support community wealth building.

**22,530** registered **BUSINESSES** in the region, 13% of all businesses operating in Scotland

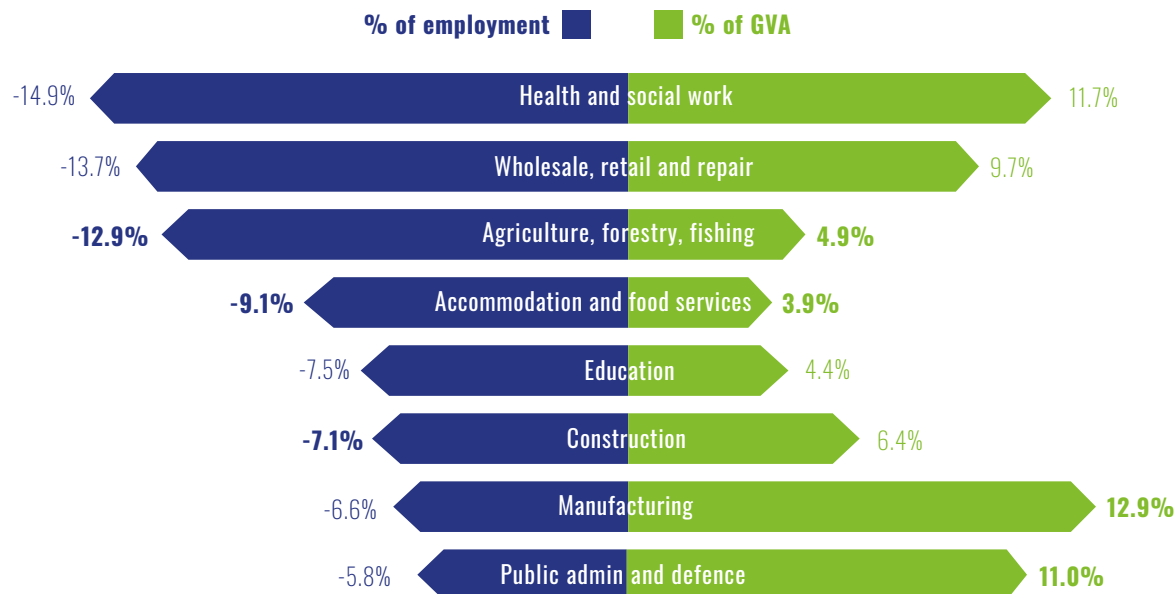
**1,277** social enterprises, 21% of Scottish total

**SMEs account for 68%** of private sector employment (Scotland 51%)

**13%** of businesses are women-led

**57%** of social enterprise directors are female (Scotland 48%)

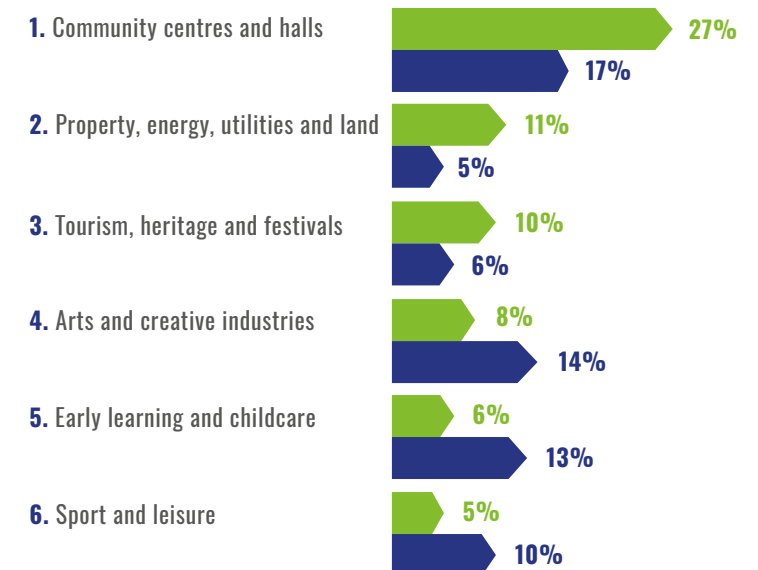
### TOP 8 SECTORS OF EMPLOYMENT AND THEIR SHARE OF REGIONAL GVA\*



\*Bold figures indicate those notably higher than for Scotland overall

### TOP 6 SOCIAL ENTERPRISE MARKETS

(% of social enterprises operating in each market)



**Highlands and Islands**

**Scotland**

## Entrepreneurship, innovation and productivity

A strong entrepreneurial spirit endures, with adaptable and innovative enterprises operating in a range of markets. Productivity gains could be better leveraged through enhanced technological adoption and more targeted innovation support. New and greener ways of working are strengthening local supply chains and creating opportunities for import-substitution.

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**51** new enterprises

per 10,000 people of working age (Scotland 54)

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**9.2%** of female adults

engaging in total early stage entrepreneurial activity (Scotland 7.8%)

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**7.9** high growth companies

per 10,000 people of working age (Scotland 4.4)

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GVA per hour worked is

**95%** of the Scottish level

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**2%** of all business expenditure

on research and development in Scotland

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**48%** of businesses selling to the rest of the UK and **28%** internationally

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Exports as a proportion of GDP is

**26%** (Scotland 31%)

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## Infrastructure

Infrastructure investment supports both economic growth and community sustainability. Lack of access to appropriate and affordable housing, childcare and transport presents constraints to employment, impeding population attraction and retention. Mobile and broadband connectivity is improving, and harnessing digital and other forms of technology to address challenges of peripherality and rurality remains vital for reducing regional inequality.

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**45%** of businesses cited lack of **staff accommodation** and **42%** lack of **transport** as risks to their workforce (22% and 29% across all rural Scotland)

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**18%** of properties are in the social rented sector (Scotland 23%)

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While the region has **9%** of all SCOTLAND's dwellings, it has

**41%** of SCOTLAND's second homes

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Over **60** ferry routes; **10** regional airports and **10** local authority airports in operation

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**29.3 km** of road per 1,000 people (Scotland 10.4)

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**84%** of residential and business premises have **superfast broadband** (>30 Mbps) and **28%** have **full fibre to the premises** (Scotland 97% and 47%)

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## Orkney

**Population : 22,540**

- World-leading development of the marine energy sector
- European Marine Energy Centre is the world's first and leading wave and tidal test facility
- Orkney shellfish attracts global demand, with 3,000 tonnes landed annually
- Demonstration location for production and use of green hydrogen and derivatives
- Kirkwall Airport is host to UK Government-sponsored Sustainable Aviation Test Environment (SATE) initiative
- Tourism and heritage opportunities through the UNESCO World Heritage Site, Heart of Neolithic Orkney, and cruise sector expansion

## Shetland

**Population : 22,940**

- Seafood industry worth £300m to the Shetland economy
- Significant potential in renewable energy and oil and gas decommissioning
- SaxaVord Spaceport and opportunities for launch, data, skills and tourism
- First class harbour infrastructure and deep water facilities to service multiple industries
- Strong and active third sector operating assets and delivering world renowned events, with the highest level of volunteering in Scotland
- World renowned Fair Isle Bird Observatory

## Outer Hebrides

**Population : 26,640**

- 50% of land is community-owned; 83% of the population live on community-owned land
- Growth in aquaculture and seaweed processing - largest of Scotland's marine regions with 23% of the sea area
- Stornoway Port masterplan
- A repopulation pilot area
- Highest percentage of Gaelic speakers

## Caithness and Sutherland

**Population : 38,489**

- Sutherland Spaceport
- Home to Scotland's first European geopark
- A key asset in high value skills in nuclear power and decommissioning
- The Flow Country with a fifth of the nation's blanket bog, Scotland's largest terrestrial carbon store
- A repopulation pilot area
- Wick and Scrabster harbours - key assets supporting the transition to net zero

## Lochaber, Skye and Wester Ross

**Population : 39,968**

- Strong tourism sector – Isle of Skye/outdoor capital of the UK
- Ambitious Fort William 2040 masterplan to develop future growth
- Significant R&D investment in aquaculture in Wester Ross
- Kishorn Port development plans
- Coire Glas proposed hydro scheme

## Moray

**Population : 96,410**

- Manufacturing significantly contributes to the area's GVA, with 6,000 employed
- Home to more than half of Scotland's whisky distilleries
- New assets planned to support aerospace, advanced technology, manufacturing and innovation
- Orbex expansion to support space sector growth in Scotland
- Buckie Harbour - indigenous growth, offshore wind O&M and hydrogen economy opportunities
- High percentage of forestry cover at 33% of the total land area compared to the national average of 18%

## Argyll and the Islands

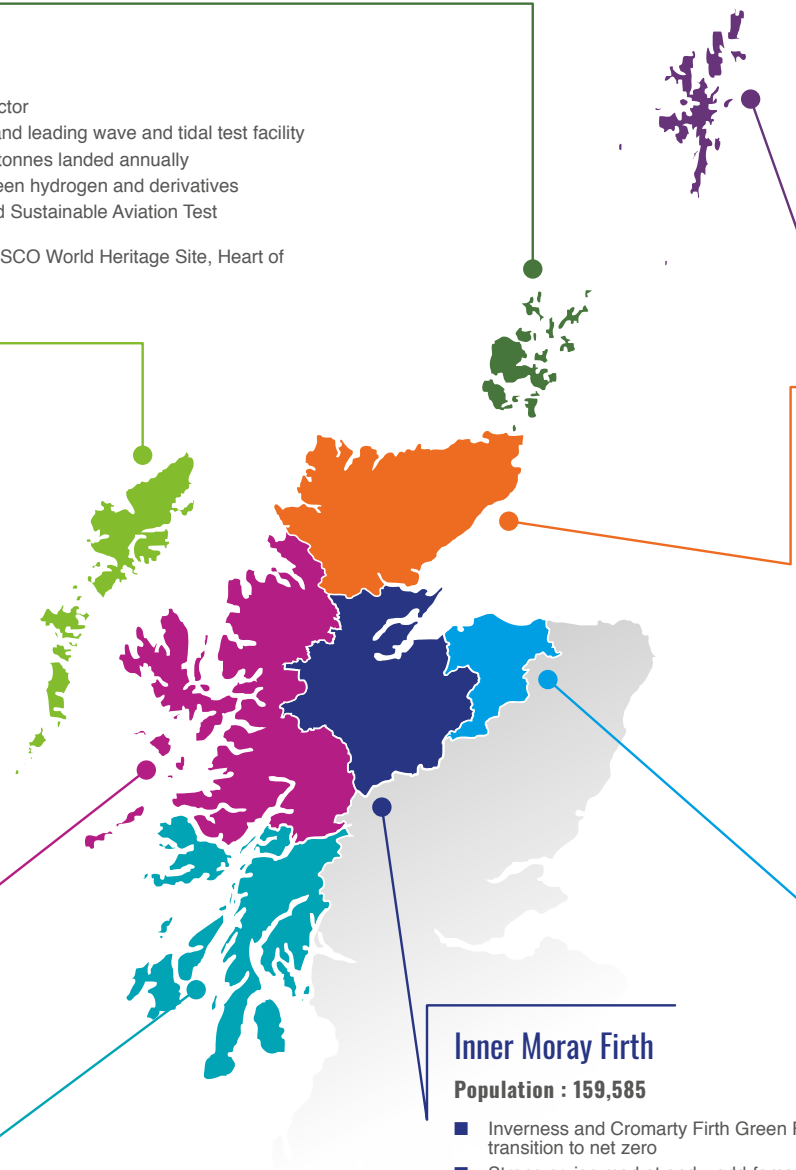
**Population : 66,309**

- Highest number of inhabited islands: 26
- Home to world-leading marine research, education and industry cluster near Oban
- Increasing assets in community ownership including land, housing, business units and tourism infrastructure
- Key sectors in tourism and food and drink with world renowned distilleries and Oban the "Seafood capital of Scotland"
- A repopulation pilot area
- Strong renewables sector including onshore wind and pumped hydro.

## Inner Moray Firth

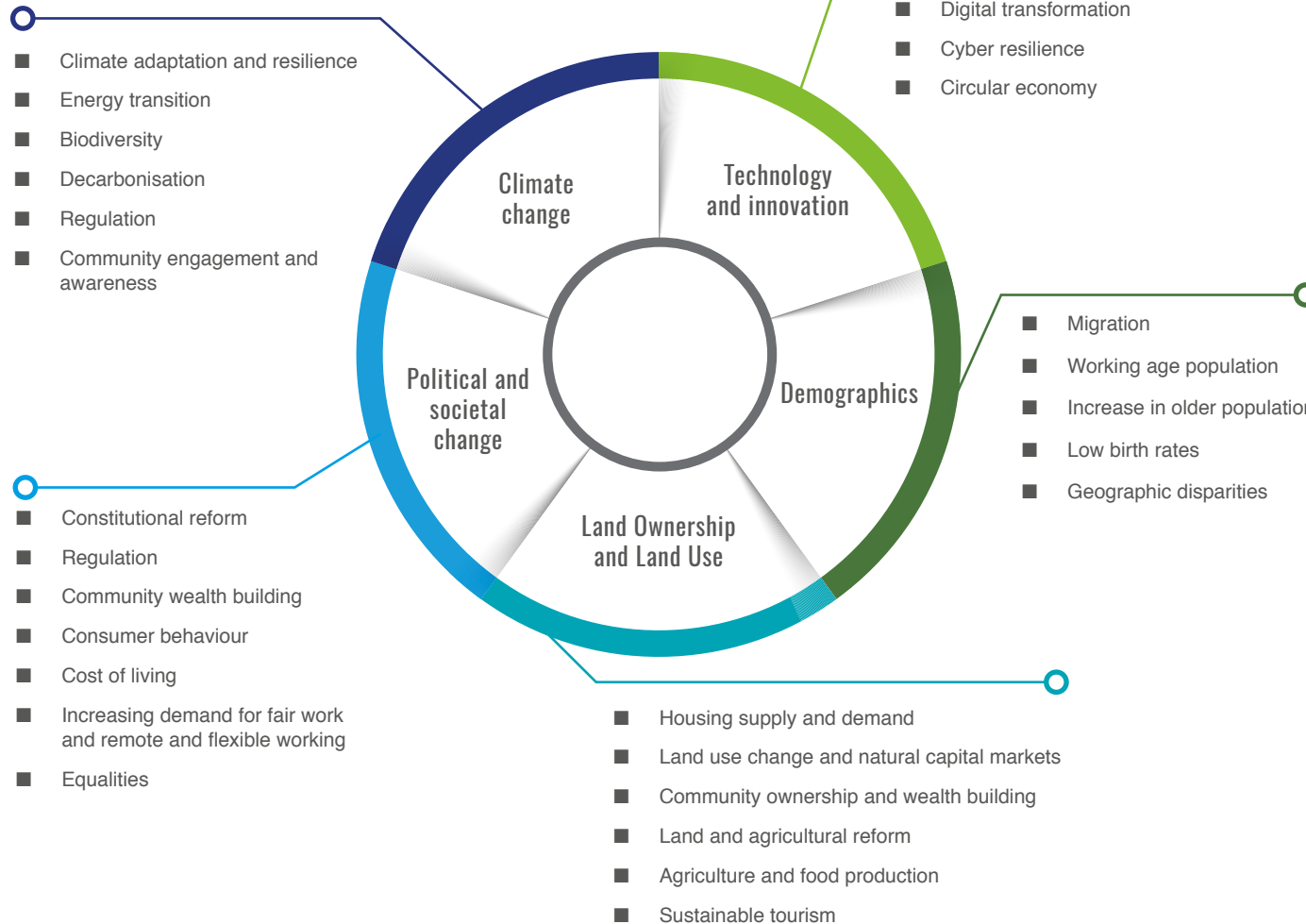
**Population : 159,585**

- Inverness and Cromarty Firth Green Freeport designation will drive the transition to net zero
- Strong cruise market and world-famous attractions incl. Loch Ness, Cairngorms National Park and future Inverness Castle development
- Growing life sciences and technology sectors
- Inverness Campus with significant innovation assets incl. the Life Sciences Innovation Centre and Rural and Veterinary Innovation Centre
- Inverness Airport Business Park with over 200 acres for development



# DRIVERS OF CHANGE

## ADHBHARAN AIRSON ATHARRACHADH



The region has experienced periods of rapid growth in response to historic drivers of change. The current drivers are not mutually exclusive – combined, they present new opportunities but also risks we need to plan for and mitigate to achieve further and sustainable growth. Catalysts for change evolve but critical factors remain constant, including a need for: a balanced population; a growing and skilled workforce able to meet current and future needs; resilient and empowered communities; a diversified economic base which provides good employment opportunities; sustained infrastructure investment to enable opportunity; and harnessing technology to overcome disadvantage and maximise competitiveness.

1965



Establishment of Highlands and Islands Development Board (HIDB)

1975



Local government reform

1970's



Exploitation of North Sea oil

1970/80/90's



Upgrading of transport infrastructure

1980/90/00's



Upgrading of telecoms infrastructure

2000's



University of the Highlands and Islands

2010's



Offshore Renewables

2020-30's



Net Zero

### As the economic and community development agency for the Highlands and Islands, HIE continues to be ambitious for every part of our region.

This part of Scotland has always faced significant challenges and that remains the case today. Equally, however, the scale of opportunities to strengthen and grow our economy has arguably never been greater. This strategy aims both to address the needs of local businesses and communities, and to capitalise on our natural capital and other assets to stimulate growth in a wellbeing economy that promotes fair work and a just transition to net zero for a region that is contributing significantly to Scotland's progress.

Recent years have seen a succession of economic shocks, culminating in the present cost of living crisis that affects everyone living and working in Scotland, and is particularly acute in island and rural mainland communities and businesses. In addition, the impacts of the climate and ecological emergency are now being felt more acutely across the region. While facing and recognising these realities, we continue to be bold and ambitious in our plans for our region, and with good reason.

The Highlands and Islands is at the forefront of relatively young sectors that are vital to Scotland's economic transformation, including energy, life sciences and space. Just as importantly, more traditional industries such as tourism, food and drink, and creative industries continue to enjoy huge potential for further growth enabled by innovation.

That is why we believe HIE and our partners must continue to be bold and ambitious in our outlook and actions, with a strong appetite for intelligent risk-taking to maximise the benefits our investments can deliver. In the current, tight fiscal environment, this approach applies just as much to realising the benefits of previous investments – such as those we have made to develop business premises, enterprise parks, ports and harbours, community assets and business innovation – as it does to entirely new projects.

The University of the Highlands and Islands (UHI) is another prime example of historic investment from HIE and others that will continue to play a major role in providing skills for young people and others and retaining and attracting population in local areas across the region.

Delivering the ambitions set out in this strategy will depend on the continued commitment, experience and can-do attitude of the region's business and community leaders, and of our staff, who have proven themselves up to the challenge again and again. It will also require strong collaboration across public bodies and government, both to progress individual projects and attract investment, and to work in partnership to deliver shared goals through the likes of growth deals, the Regional Economic Partnership and the Convention of the Highlands and Islands.

Population growth, labour supply and critical improvements to our enabling infrastructure and services will be key areas of focus for HIE and our partners. Our island communities and businesses in particular totally depend on good connectivity and cannot prosper without these improvements.

Building a wellbeing economy is at the core of this strategy. Achieving this requires embracing community wealth building; improving access to opportunity and reducing inequality; tackling poverty through well-paid jobs; continuing to extend and embed fair work and supporting inclusive growth. The acquisition and use of Gaelic offers further potential to create prosperity in parts of our region and increase the viability of our Gaelic communities. A just transition to net zero also offers major opportunities to tackle fuel poverty and strengthen community resilience.

The challenges of recent years have required HIE to be adaptable and responsive. The UK's exit from the EU and the Covid pandemic have left scars and still impact our economy. However, the regional response also brought out some of our best qualities as a region, including increased innovation and partnership, a strong entrepreneurial approach and community spirit. The region has been a strong international collaborator and we need to continue to be outward looking and encourage our enterprises to seek new market opportunities and global connections.

All of these qualities will stand HIE and the businesses and communities of the Highlands and Islands in good stead as we go forward to address both the challenges and the opportunities of the next five years.



# VISION, PURPOSE AND AMBITIONS

## LÈIRSINN, ADHBHAR IS ÀRD-AMASAN

Our five-year strategy sets out our long-term vision and ambitions for the Highlands and Islands and the outcomes we will strive to achieve.

### THE VISION:

The Highlands and Islands is a leading net zero region with a dynamic wellbeing economy, which benefits its growing population and makes a valued contribution to Scotland.

### OUR PURPOSE:

Build and sustain a greener, fairer and more resilient region that benefits everyone.

### DELIVERED THROUGH INVESTMENT IN:

People

Place

Planet

Prosperity

### TO ACHIEVE KEY OUTCOMES

A more balanced population and growing skilled workforce

Increase in average wages

Increase in economic and community benefit from the transition to net zero

Increase in productivity and innovation

### USING OUR TOOLS

People

Partnership

Assets

Investment

Evidence

### OUR GUIDING PRINCIPLES WILL ENSURE WE ARE:

Delivering for all parts of our region

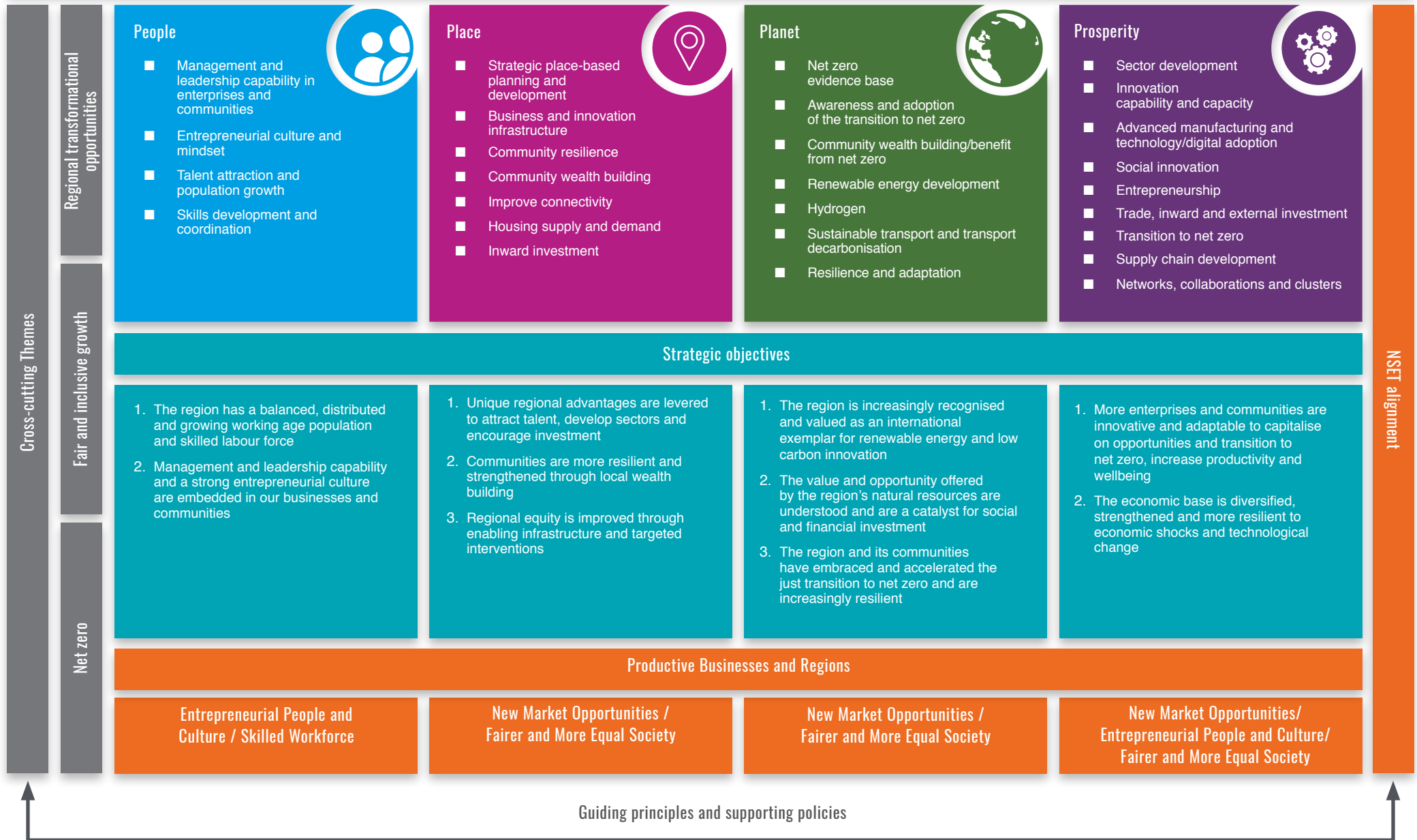
Bold and ambitious

A strong and valued partner

Customer centred

Fair work and net zero driven

Smarter, innovative and agile



## CROSS-CUTTING THEMES

### CUSPAIREAN A GHEARRAS-TARSAINN

The cross-cutting themes of net zero, fair and inclusive growth, and regional transformational opportunities run through our framework. These represent key strategic drivers for HIE and the region in terms of what is delivered and how. For each pillar of our framework, there is the opportunity not only to gain added value but to ensure these critical themes are embedded and our vision is achieved.

#### EMBEDDING NET ZERO

The region is already an international exemplar in renewable energy and, with our exceptional natural assets set out in this strategy, will contribute significantly to the Scottish Government's climate change ambitions. Taking climate action and ensuring the region realises economic and community benefit from a just transition to net zero is a top priority. We recognise that this should be achieved not only through what and how we target support, but how we operate.

Taking an evidence based, data driven approach to embedding net zero in all we do, we will:

- Increase HIE's ability to proactively engage with the climate and ecological emergency through delivery of a climate literacy training programme for our staff
- Increase our knowledge and understanding of our regional carbon footprint through completion of a regional baselining inventory of greenhouse gas emissions
- Review the current and potential contribution of the region and develop an opportunity assessment and action plan
- Refresh our carbon and cost baseline for HIE and set a net zero target date
- Introduce net zero conditionality to HIE support (and internal governance and training to ensure this is robust and successfully delivered)

- Profile our clients on HIE's Net Zero Ladder (a tool to baseline and monitor progress) and support development of credible net zero action plans
- Develop our carbon assessment approach, implement new net zero measures and set targets to ensure we prioritise actions and monitor progress
- Transition our building portfolio from fossil fuels to renewable energy sources
- Use our own assets, pilot approaches and knowledge for demonstration value and learning to help businesses and communities with their net zero journey

Through our framework, we will seek to use every opportunity to increase awareness and support implementation of relevant interventions across all pillars to realise the region's transition to net zero and our transformational opportunities.

**23%** decline in greenhouse gas emissions between 2005 and 2019 (Scotland 35% decline)

**70%** of regional businesses are already reducing, or planning to reduce their carbon emissions

**34%** of Scottish operational installed renewable capacity is in the Highlands and Islands, 9% of UK total



## FAIR AND INCLUSIVE GROWTH

HIE sent a clear message in 2022 that we were fully committed to embedding fair work by being one of the first public sector organisations in Scotland to apply full fair work conditionality to financial support. The benefits are clear: embracing fair work, tackling inequalities and investing in workplace innovation improve staff retention and wellbeing and contribute directly to productivity and resilience. There is strong evidence of a correlation between peripherality, socio-economic experiences, economic growth and wellbeing. Rural and regional disadvantage is often poorly understood. There is a need for more nuanced, rural-proofed and available data to capture rural and regional disadvantage to support policy and delivery. Wages are typically lower and have further to stretch, more people are likely to be employed in multiple jobs or in part-time employment, and there are significant additional costs of living, particularly transport and fuel costs. Recognising there are disparities within the region, we need to increase access to opportunity, strive to remove barriers, and support participation and growth. Embracing community wealth building will be critical to achieving fairer and more inclusive growth through developing a more people and community focused approach that prioritises wellbeing and retaining wealth in the communities across our region.

We will tackle poverty, inequalities and inclusive growth through growing a wellbeing economy and accelerating community wealth building across all of our pillars:

- Supporting interventions which create higher paying, fair employment and increase average wages in the region
- Developing a community wealth building action plan, and encouraging and supporting community wealth building through increasing awareness and knowledge; developing capacity and confidence; supporting inclusive plural ownership models, and improving access to investment; and seeking community benefit from our procurement
- Embedding fair work and equalities in our delivery and operations
- Investing in people - capacity, capability, entrepreneurship, leadership, volunteering, innovation
- Undertaking place-based development and tailoring support to meet the needs of our area
- Supporting interventions to attract and retain young people in the region
- Increasing access and reach through use of digital tools and support
- Increasing geographical targeting to disadvantaged areas and interventions which support women entrepreneurs and young people, flexing our criteria to stimulate demand where needed
- Developing the evidence base to ensure the region's needs and challenges are well understood and can influence policy and investment effectively
- Broadening our measures and implementing new approaches to monitor and evaluate our contribution to the wellbeing economy and support resource prioritisation

## REGIONAL CHALLENGES

**Structural disadvantage, higher living costs and lower than average incomes, particularly in rural and island areas, compound rural poverty. Aligned with this, inequalities persist in access to services.**

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Minimum living costs are **15-30%** higher for households in remote rural Scotland than in urban areas of the UK

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**17%** of children aged 0-15 living in low-income families (Scotland 19%)

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Local authority areas across the region have the **HIGHEST LEVELS OF FUEL POVERTY** and extreme fuel poverty in Scotland

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Around a quarter of datazones identified as being at **HIGH RISK OF TRANSPORT POVERTY** are in the Highlands and Islands (region has 9% of all datazones)

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**49%** of the region's population live in the 20% most deprived parts of Scotland in terms of access to services

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## REGIONAL TRANSFORMATIONAL OPPORTUNITIES

Always pioneering, always visionary, HIE and our predecessor, Highlands and Islands Development Board, have embraced regional opportunity. This is clear in the evolution of the energy sector with the Highlands and Islands synonymous with world-leading technology and innovation. From the network of hydroelectric power stations built in the post-war era, to the pump storage system developed at Cruachan; a fast breeder nuclear reactor at Dounreay; the building of oil and gas platforms to survive in the harsh environment of the North Sea; the world's first grid connected wave and tidal test centre at EMEC in Orkney; to the scaling up of onshore and offshore wind, the Highlands and Islands has consistently led the way.

We continue to focus on the unique advantages arising from our natural and built assets which have created growth and sustained communities. Our islands especially contribute to our distinctiveness, setting the region apart from the rest of Scotland and the UK, with nearly two thirds of the UK coastline and access to enviable resources. Our rich heritage and culture, Gaelic language and high-quality environment have enabled world class tourism destinations, food and drink products and flourishing creative industries.

Through the Convention of the Highlands and Islands, regional transformational opportunities were identified by regional partners as game-changers with the greatest impact. These were based on agreed features ranging from delivering clear and substantial shifts as opposed to incremental change; requiring a systems-based approach through increased local, regional and national partnership; and delivering major and cross-cutting impacts across the region. All have the potential to make a significant contribution to key Scottish and UK policy objectives. In our strategy, these have been enhanced to reflect the opportunities to evolve our established sectors to ensure their long-term contribution to our economy.

As a cross-cutting theme, actions under our four pillars will be employed to further these opportunities through:

- Improving access to, and investment in, training and education and increasing the number of relevant employment opportunities, including both retention of existing workers and attraction of talent to address skills shortages and facilitate sectoral growth
- Securing investment into the region in the form of both inward investment and creating financing and development pathways (public and other sources) to support enterprise development across sectors
- Supporting the conditions for growth and ensuring that Growth Deal and wider investments, local assets and supply chain development relevant to the regional transformation opportunities provide both economic uplift and attractive places to live and work
- Actions to ensure that the transition to net zero is undertaken and supported in a just and differentiated way to support different sectors
- Ensuring the region keeps pace with and leverages new technologies and data



Photo credit: EMEC



Gregg Arthur Aquaculture Manager, UHI Shetland here with FlowCytobot, Shetland



MeyGen project turbine being prepared for deployment at Nigg Energy Park





## OFFSHORE WIND

- Major economic opportunities in floating wind manufacturing, marshalling, construction and Operations & Maintenance.
- Creation of an estimated 2,400 direct FTEs to 2035 regionally based on securing c.60% of ScotWind's 27GW capacity in the waters off the region, and further INTOG capacity.
- Long-term, sustainable manufacturing and operational offshore wind roles.
- Major construction employment impacts.

## A UNIQUE OPPORTUNITY FOR THE REGION

- Ideal geography.
- Home to deepwater ports, available laydown areas, wet storage facilities, and experienced supply chain.
- Build upon investment of c£300m in the region's key energy ports in last decade.
- Inverness and Cromarty Firth Green Freeport Status.

## REALISING THE OPPORTUNITY

- **Support scaling and growth of the supply chains** through tailored programmes, cluster support and company interventions.
- In partnership with SDI, **identify and fill capacity and capability gaps through targeted inward investment**, with a particular focus on floating wind components.
- In partnership with Scottish Enterprise and South of Scotland Enterprise ensure **coordinated engagement with all ScotWind and INTOG project developers, and tier one contractors**, to determine industry needs, regional opportunities, and appropriate public sector response.
- Working through the Scottish Offshore Wind Energy Council, **ensure the region's capability to support offshore wind delivery is well understood** and secures the necessary public and private sector investment.
- Through HIREP, **work with regional partners to influence the development of essential enabling infrastructure and skills** to ensure successful offshore wind project delivery.

## GREEN HYDROGEN

- Home to innovative, world leading hydrogen demonstration activity, paving the way for large scale production and export.
- Opportunity to support a Just Transition of the region's oil and gas terminals, with an estimated 600 direct, green, fair, high value FTEs estimated to be generated by ScotWind projects.
- Additional high value opportunities in production, storage, distribution and end use.

## A UNIQUE OPPORTUNITY FOR THE REGION

- Abundant renewable resources.
- Alternative route to market for onshore wind (grid constraints) and offshore wind.
- Potential to utilise existing enabling infrastructure (O&G terminals).
- Early domestic demand from industries located in the region, such as distilling to stimulate production.
- Green Freeport Status.

## REALISING THE OPPORTUNITY

- Seek to **influence a regulatory, market and consenting framework** that fosters a green hydrogen economy.
- Work with SG and partners to **advance proposals for energy transition hubs** such as Shetland (Orion), Orkney (Flotta) Cromarty Firth (North Scotland Hydrogen Hub) and Outer Hebrides Hydrogen Hub (Arnish).
- **Stimulate innovation and supply chain development** in partnership with SE and SOSE through establishment of an innovation network and an industry cluster, and work with organisations such as NMIS to focus on key manufacturing opportunities.
- Engage with international interests in hydrogen production, distribution, and end use, working with SDI and intermediaries such as the Net Zero Technology Centre, to secure existing and identify **new international trade and investment opportunities**.
- Through HIREP, and in consultation/collaboration with industry, work to ensure that essential **enabling infrastructure and skills** are delivered to enable a successful hydrogen economy.
- Continue to **lever external funding to support new hydrogen demonstration projects**, building on early successes led by EMEC.

## MARINE ENERGY

- Opportunity to secure high value manufacturing, construction and O&M jobs as tidal (and later, wave) energy moves towards commercial scale deployment in ideal environments surrounding the Highlands and Islands.
- An estimated 4,000 jobs supported in the UK by 2030.
- Ambition to secure device manufacturer and associated sector development in the region.

## A UNIQUE OPPORTUNITY FOR THE REGION

- Exceptional wave and tidal resources.
- World's leading wave and tidal test centre, EMEC.
- First mover advantage via the world's largest planned tidal stream array (MeyGen) and world's first tidal array (Nova Innovation at Bluemull Sound).
- World's largest tidal turbine (Orbital Marine Power).
- Wave Energy Scotland's leading technology development programme.

## REALISING THE OPPORTUNITY

- **Targeted engagement with tidal developers** currently seeking to build out up to 45MWs of projects secured through the Contract for Difference scheme, to support delivery and supply chain development.
- Further **influence the market and consenting framework** to reduce project delivery risks and increase private sector finance.
- **Support Wave Energy Scotland's** next phase of technology development and the sector's route to commercialisation.
- Work with Scottish and UK Governments, and with industry groupings to **increase sector attractiveness and ensure the availability of relevant skills**.

## SPACE

- Potential to create 450 jobs across the region through Sutherland and SaxaVord Spaceports (<20,000 in Scotland over next decade).
- Multiplier effects across the supply chain - estimated £4bn GVA per annum within next decade.
- Market for launch is increasing, growing by 9.9% each year.
- Potential for a total addressable market for the Highlands and Islands of 81 orbital launches per year from the region.

## A UNIQUE OPPORTUNITY FOR THE REGION

- Ideal geography and the opportunity for Scotland to become a leading nation in the Space sector through domestic launch capability within 2 years.
- Four of the five proposed spaceports in Scotland are in our region.
- One of two Scottish launch vehicle manufacturers are based in the Highlands and Islands.

## REALISING THE OPPORTUNITY

- Remove barriers to **launch-site development**.
- Showcase Scotland's green approach – develop Sutherland Spaceport to be the **world's greenest spaceport**.
- Cumulative investment of c£100m (public and private) over the next 3 years in **enabling infrastructure** (Spaceports, manufacturing facilities and innovation support), required to kickstart the sector.
- A sustainable **long-term launch programme and integrated national Space strategy** is critical to success.
- A new partnership with the USA to **maximise inward investment and export potential**.
- Develop a **plan for STEM engagement** on Space.

## MARINE BIOTECHNOLOGY AND PROCESSING

- A nascent and potentially high value sector with significant opportunities for high quality job creation.
- Abundance of raw materials in the region.

## A UNIQUE OPPORTUNITY FOR THE REGION

- Global market growing at 5-6% annually and forecast to be worth \$6.4 billion by 2025.
- Estimates from IBioIC indicate the Highlands and Islands sector could be worth £600M per annum by 2030.
- Specific R&D capabilities in Scotland e.g. SAMS.
- Availability of raw material in the region.
- Opportunities to reduce waste and create value from other successful sectors in the region.

## REALISING THE OPPORTUNITY

- **Strategic leadership and decisions** are required in the relatively short term by a partnership of organisations as to the extent to which Scotland will seek to capitalise on high value marine biotech and processing opportunities.
- **Investment in R&D** to define and develop the opportunity for different types for biomass, to develop practices of extraction and processing, and to develop new high value applications.
- **Collaboration between academia and businesses** to respond to emerging market demands.
- **Supply chain development** to capture high value opportunities in Highlands and Islands.
- **Investment in innovative and entrepreneurial enterprises** which have the potential to quickly upscale.
- **Leverage of national innovation funding** to develop this nascent industry.

## LIFE SCIENCES, DIGITAL HEALTH AND SOCIAL CARE

- Potential for collaborative working to increase adoption and diffusion of innovation in health and care to boost health, wellbeing and economic growth.
- Home to c80 companies with clusters in Inner Moray Firth and Argyll and Islands.
- High average wages and high level of GVA.
- Unprecedented global and national health challenges of our time seek answers for sustainable and affordable healthcare solutions.
- Scotland is internationally renowned for medical technologies, pharmaceutical services, digital healthcare, animal health, aquaculture and agritech (AAA), and industrial biotech and is well poised to develop export markets.

## A UNIQUE OPPORTUNITY FOR THE REGION

- Region has an established and growing digital healthcare hub at Inverness Campus.
- Technology profile of the region includes a significant concentration of know-how in medical technology, biotechnology, analysis of biological materials and related instruments.
- Established collaborative working between academia, NHS Highland and HIE to support aligned economic opportunities and improved health outcomes.
- Our geography presents opportunities in digital health and medical diagnostics to demonstrate how technology can successfully overcome barriers caused by distance.

## REALISING THE OPPORTUNITY

- Support companies to grow and accelerate opportunities underpinned by data to **develop innovative diagnostic devices and digital products and services**.
- **Increase public sector collaboration** to develop a more joined up approach to major capital investments across the region.
- **Drive economic benefit from planned healthcare investments** across the region.
- Through HIREP, develop a plan to **increase access to relevant skills** e.g. healthcare and data analysts and build STEM engagement.
- Collaborate with SRUC to capitalise on the opportunities through the new Rural and Veterinary Innovation Centre (RAVIC). The centre will focus on **data driven innovation** and include a commercial zone.

## FOOD, DRINK AND AQUACULTURE

- Opportunity through development of sustainable products with provenance and heritage which are desirable in high value markets.
- 5,355 registered businesses in 2022 (up 0.3% from 2019).
- Employment of 36,000 in 2021 (up 4.3% from 2019), 15% of regional employment.
- Region has 31% of Scotland's registered food and drink businesses; 28% of all Scottish Food and Drink employment.
- Aquaculture - good quality employment for c11,400 people with around 2,400 direct employees and 9,000 indirect jobs; salaries higher than Scottish and UK averages.

## A UNIQUE OPPORTUNITY FOR THE REGION

- Coastline c18,743 km.
- Two-thirds of the total UK coastline split almost equitably between the Scottish mainland and islands.
- Aquaculture contributes £560m GVA (11% of the GVA in the marine economy (2019)).
- Manufacture of food, beverages and tobacco has GVA of £833m in 2021.
- Above average local quotient demonstrates the importance of the sector to regional economies and supply chains.
- Opportunity through increasing community wealth building to significantly contribute to a wellbeing economy.

## REALISING THE OPPORTUNITY

- **Increase innovation and sustainable growth in primary production** through the local application of the national food and drink strategy, through targeted interventions and programmes, and by enabling collaborations across the sectors and with academia.
- **Focus resources to accelerate a transition to net zero**, prioritising agriculture and whisky sectors.
- Support the development on the animal health, aquaculture and agritech sectors, focusing on **creating opportunities for innovation, inward investment and scale-up business growth**.
- Future proof the sector through **investment in digital technologies, automation and skills**.
- **Influence national policies and investment initiatives** ensuring they achieve positive outcomes on the sustainable growth on a premium food a drink sector.

## TOURISM

- The region's tourism sector has the potential to be a driver for sustainable growth which maximises the benefits for businesses, communities and the natural environment.
- Tourism spend of £2bn (2019), 18% of Scottish total.
- GVA for sustainable tourism in the region was over £0.5bn a year pre pandemic.
- Employment of 25,900 in 2021, 11% of regional employment
- 12% of Scottish tourism employment.
- 2,615 registered businesses in 2022 (up 3.6% from 2019).

## A UNIQUE OPPORTUNITY FOR THE REGION

- World-renowned tourism, natural landscapes and rich cultural assets.
- Significant opportunities for tourism businesses to take climate action and develop the region as a leading low carbon destination.
- Strong foundations on which to further develop community-led tourism and support community wealth building.
- The region's Gaelic language and heritage is engaging and authentic and is an economic, social and cultural asset.
- Visitor spend and tourism related employment sustains rural communities and contributes to the wellbeing of those who live, work and study in the destination.

## REALISING THE OPPORTUNITY

- Support the sector to transition to net zero and ambition to be a recognised **sustainable visitor destination**.
- Contribute to strong place-based tourism partnerships with industry, communities and the public sector to manage **investment and destination planning**.
- Work with partners to **address labour market issues, embedding fair work, investing in skills** and contributing to population attraction and retention.
- Increase the **adoption of advanced technologies and digital** to improve operating efficiencies and increase innovation.
- **Develop strong and capable leaders with an entrepreneurial approach** to capitalise on emerging trends and new market opportunities.

## CREATIVE INDUSTRIES

- Opportunity to capture greater market share and increase employment through digital and technology transformation and skills development.
- The region hosts 5,500 jobs (value £740m) and supports wider supply chain worth £1.3bn and 18,000 jobs (2018).
- World's fastest growing sector; Scotland's growth 57% - £10.3bn (2001-21); largely driven by transformational adoption of technology.
- Forecast growth in employment of 3000+ employment across Scotland; 85% businesses need creative skills to grow; 63% struggling to recruit (UK Business Survey).

## A UNIQUE OPPORTUNITY FOR THE REGION

- Globally recognised reputation with strength in areas of largest growth - digital content, authentic traditional crafts, digital heritage, environment and sustainability.
- Regional collaborative networks creating scale.
- Growing demand from international companies to collaborate on digital products and services.
- Regional advantage - cities increasingly perceived as homogenous.
- UHI students with digital skills are an untapped resource: 83% of UK CI graduates work in sector and on average earn £2,600 p.a. more than peers (CIF 2022).

## REALISING THE OPPORTUNITY

- **Increase digital skills and adoption**, including AI, ensure connectivity with fulfilment and distribution platforms and prepare businesses for technological change.
- **Increase business start-ups and opportunities for young people in the region** and address identified skills gaps.
- Enhance access to international industry decision makers - **increase commercial collaborations, scale, investment, infrastructure and market access**.
- Support and encourage **transition to net zero**.
- **Increase collaboration** with international creative and innovation networks.
- **Develop cross sectoral working** including, tourism, health and wellbeing, and consider community wealth building.



## The Highlands and Islands has benefited from population growth over the past two decades, with signs that some areas are repopulating and drawing on local strengths.

Exceptional quality of life and unique natural environment place the region consistently at the top of polls and are of growing importance to residents, investors and visitors alike. Parts of the region have seen levels of depopulation over the same period however, a trend that is forecast to continue and is more marked in our island and rural areas. The decline in working age population regionally presents a challenge for labour markets, public services and community sustainability. However, there is an increasing appetite amongst young people to live, work and study in the region and recent repopulation pilots in the Outer Hebrides, Argyll and the Islands, and Caithness and Sutherland will help shape future action across the region.

Scotland's National Population Strategy provides a strong framework for our regional response. New opportunities arising from an increase in remote working and new ways of working, as a result of the pandemic, provide major potential to strengthen the region's attractiveness and reduce geographic inequality. We recognise that labour supply constraints could impact significantly on socio-economic development and maximising opportunities, and that the contributing factors are complex and vary across the region.

This is exacerbated by the lack of appropriate and affordable housing to support business and employment opportunities and students. Addressing these issues will require a concerted partnership effort tackling talent attraction, upskilling and reskilling, and reducing economic inactivity, which has seen an increase over the past few years.

The region is known for its high levels of self-employment, start-ups and social enterprises. That strong entrepreneurial spirit is visible across the region with a positively engaged workforce, and adaptable and innovative enterprises. The region has solid foundations: growing and supporting entrepreneurship can be a catalyst to strengthen supply chains and tackle market failure. There is a need to ensure entrepreneurs, businesses and communities are supported with the skills to develop, adapt, transition and innovate. Leadership and management capability and capacity are pivotal to building resilience and growth and especially important to handle and respond to change; illustrated perfectly over the past few years with the pandemic, the UK's exit from the EU, climate change and rapid advancements in technology. Fair work is critical to developing a wellbeing

economy, retaining and attracting staff and aiding business growth. HIE was one of the first public agencies to implement full fair work conditionality on financial support and will continue to promote and support the adoption and embedding of fair work.

To drive action on population, labour supply and skills, the region has two powerful assets in the University of the Highlands and Islands (UHI) and in the Highlands and Islands Regional Economic Partnership (HIREP), coupled with considerable planned skills and academic infrastructure investments through the region's growth deals. With world-leading expertise in remote learning and specialisms in marine and environmental science and health, UHI is well-placed to respond to future skills needs, support research and development and is a key talent and population attractor. The presence of several other renowned academic institutions enhances regional attractiveness and responsiveness. From the outset, HIREP has deemed tackling declining population, labour force and skills constraints as a top priority. It is committed to ensuring that the region's distinct challenges and needs are understood and recognised in national policy and delivery and is committed to ensuring the appropriate responses are put in place. Our People pillar acknowledges this priority by setting out key actions.

## ACTIONS

### STRATEGIC OBJECTIVES

The region has a balanced, distributed and growing working age population and skilled labour force

Management and leadership capability and a strong entrepreneurial culture are embedded in our businesses and communities

#### **Develop management and leadership capability in our enterprises and communities**

- enhance business and community resilience and growth through more effective management and ambitious leadership to accelerate investment, innovation and productivity. There will be specific targeting of young leaders, female leaders and support for rural leadership.

#### **Develop entrepreneurial culture and mindset**

- support entrepreneurs with practical tools, techniques, training and mentoring to develop confidence, innovation and capability. There will be specific targeting of young entrepreneurs, female entrepreneurs and those in more rural and island locations.

#### **Support talent attraction and population growth**

- work with regional partners to develop the evidence base; support repopulation and talent attraction strategies, action plans and interventions; capitalise on opportunities for remote working; and support graduate placements. Areas with higher levels and forecasts of population decline will be targeted.

#### **Support skills development and coordination**

- support businesses with skills and workforce planning, contribute to the planning and implementation of a regional response to the identification of skills needs and aligning investment in skills and education with local and regional transformational opportunities, especially to support the energy transition, nature-based jobs, emerging space sector and construction supply chain.

### OUTCOMES

Balanced population and growing skilled workforce

Increased proactivity and entrepreneurialism

Improved business and community leadership

Improvement in labour market and skills availability

Skills system is more aligned to regional priorities

**Place has always been at the heart of our strategic direction: the inextricable link between economic and community development in the Highlands and Islands, reflected in the HIE's founding legislation, remains core to HIE's purpose today. There is a long history in the region of taking a place-based approach, with the public sector, communities, businesses and the education sector combining their knowledge, resources, skills and assets to make a difference.**

Whilst there are common characteristics and needs across the region there are very different contexts and opportunities that require distinctive solutions. Places will have unique propositions around key sectors, especially those that link closely to a just transition to net zero, many of which will be the focus of the current and emerging regional growth deals. We have well established local, regional and thematic partnerships which provide a strong foundation to influence, design and deliver targeted place-based plans and interventions. Our presence across the region through our area teams enhances our local understanding and engagement in local partnerships and locality planning.

Community wealth building forms a key element of our place-based approach. It supports inclusive growth and equality and aims to retain and build wealth within a place, for the community. The Highlands and Islands has pioneered community-led development, which empowers communities to be active participants and partners in community wealth building. As a result, the region has unrivalled levels of community asset ownership, community participation and social enterprise development. We need to build on this experience and commitment to develop community wealth building further through collaboration. There are actions across the strategic framework that will contribute, with a major focus on asset development, capacity building,

knowledge and collaboration under this pillar. Land ownership and use, and its crucial role in improving the social and economic future of the Highlands and Islands remains core to realising regional opportunities today, underpinning community wealth building and fundamental to the realisation of net zero ambitions. We will continue to have a key role in supporting community land ownership through the Scottish Land Fund which is managed by HIE in partnership with the National Lottery Community Fund.

Our regional attractiveness is underpinned by strong culture, language and heritage and enviable natural environment. The Gaelic language and regional dialects help shape confident, diverse communities and are an asset to the regional economy. However, rurality and peripherality can drive disadvantage and regional topography creates difficulties for the development of physical clusters, networks and support infrastructure. Enabling infrastructure and services, such as education and childcare provision, are critical to advance our regional transformational opportunities, attract and leverage external and inward investment, and ensure our communities thrive. Lack of housing provision and affordability is a significant constraint to economic and population growth and talent attraction and retention: this is further challenged by the region having 41% of Scotland's second homes. Major transport and digital connectivity improvements have been

made over past decades and the region is well-connected, but there is room for improvement. Service resilience issues and the need for continued investment remain and contribute to regional inequality, both within the region and externally, and inhibit prosperity. We will maximise the benefit from our land and property assets across the region and work with partners to consider appropriate approaches and interventions when market failure exists, particularly in our more rural and islands areas, to ensure our businesses and communities have access to flexible, adaptable and quality accommodation.

The region has benefited from significant EU funds for over thirty years, prioritised due to our unique structural, demographic and economic characteristics, many of which remain. The loss of these funds is already impacting on HIE and our partners' ambitions and plans. A strong regional evidence base and partnership are key ingredients in ensuring the region's voice is heard and our needs are understood and in increasing the relevance, reach and effectiveness of interventions. HIREP will be pivotal in building regional collaboration and responses, and we are collectively committed to continuing to raise the profile of the region to attract investment and support and ensure it remains a world-class visitor destination.

## STRATEGIC OBJECTIVES

Unique regional advantages are levered to attract talent, develop sectors and encourage investment

Communities are more resilient and strengthened through local wealth building

Regional equity is improved through enabling infrastructure and targeted interventions

## ACTIONS

**Strategic place-based planning and development** - support through the development of strategic plans; assets and unique propositions. We will enable with research, economic intelligence, business case development, facilitation and investment planning and support.

**Develop business and innovation infrastructure** - maximise the impact of our existing portfolio and collaborate with stakeholders to identify needs, promote innovation and deliver new property assets. Interventions will be focused on projects which aid the delivery of regional transformational opportunities and in repopulation target areas.

**Build community resilience** - working with the third sector and other partners to ensure capacity building is in place where opportunities arise. Capacity building will increase access to external investment, support governance/business model development, volunteer development, and aid impact measurement.

**Community wealth building** - support community asset ownership and development, manage the Scottish Land Fund in partnership with the National Lottery Community Fund. Raise the profile of opportunities for new shared or wholly community-owned assets; raise awareness of and opportunities for socially productive use of land and property; support and encourage fair employment and just labour markets; and encourage progressive procurement of goods and services. Work with partners to inform the need for localised training and skills development to strengthen local supply chains.

**Improve connectivity** - become the regional centre of expertise in digital connectivity: supporting regional stakeholder activity to find solutions and reduce barriers to improved connectivity, identify demand and need; encourage take-up and adoption; and facilitate investment. Work with local, regional and national partners to support and influence the development of major transport reviews, the implementation of infrastructure and service commitments, and the regional case for transport improvements.

**Support housing supply and demand** - work with our partners to undertake research to understand the housing policy and funding environment, market demands, constraints and barriers to inform regional solutions and support community-led and employer-led responses.

**Inward investment** - proactively target new inward investment to the region, aligned to our distinctive strengths, natural assets and regional transformational opportunities and to Scotland's Inward Investment Plan: Shaping Scotland's economy.

## OUTCOMES

Improved awareness and perceptions of the Highlands and Islands

Improved capacity and capability to sustainably leverage place-based advantages

Communities are equipped to drive benefits

Increase in new and enhanced revenue generating community assets

Increased investment and improvements in enabling infrastructure

The green freeport, other key port and wider infrastructure accelerate economic and community benefit

Regional and national collaborative actions drive positive change and increase the profile of the region



The five-year timeframe of this strategy holds immense significance for the Highlands and Islands. It represents a crucial window of opportunity to build on the significant work already undertaken to put us at the vanguard of climate action nationally, whilst embracing the huge opportunities the just transition to net zero offers our region over the coming decades.

Our region's unique geographical features, abundant natural resources, and innovative business base position us as a key player in the global shift towards sustainable energy solutions. It is also essential that our businesses and communities are positioned to benefit from the economic opportunities and shifting consumer demand that the transition to net zero and circular economy will deliver. Similarly, the need to prepare and plan for climate change is critical, to ensure we continue to have a strong, resilient and investable region and that we ensure our natural resources are used responsibly and sustainably.

The Highlands and Islands is internationally recognised for its biodiversity as well as being an important carbon sink, with significant areas of forestry and peatland that will be crucial if Scotland is to end its contribution to climate change by 2045. Our natural capital is a critical asset that can create new, skilled green jobs and has the potential to deliver investment that helps maximise our regional carbon sequestration opportunity, whilst also providing associated downstream potential e.g. for our distinctive forestry and timber industries and as a material for low carbon construction.

The region has the opportunity to contribute disproportionately to national net zero ambitions through its capacity to generate renewable energy from remarkable resources, particularly in wind, tidal, wave power and pumped hydro. ScotWind and INTOG, the offshore wind leasing rounds initiated by Crown Estate Scotland, as well as the repowering of existing onshore wind projects, provide an unprecedented opportunity for the region.

The next five years are critical in respect of the investment in infrastructure and manufacturing facilities to support the build-out of multi-gigawatt infrastructure from 2028/29 and beyond. Maximising the benefit of these projects is heavily dependent on significant improvement to transmission grid infrastructure, and HIE has a key strategic role to play to ensure the planned investment in the grid aligns with the build-out of generating facilities. These programmes create an enviable platform for significant investment, job creation, and local economic growth. The development of offshore wind projects will not only provide clean energy but also stimulate the local supply chain, attracting companies to establish and base their operations here.

In addition to wind power, the Highlands and Islands possesses tremendous potential for wave and tidal energy. Wave Energy Scotland has already demonstrated considerable success in terms of its technology development programme whilst attracting private sector finance. The technology is entering a new phase of commercialisation with the potential for co-location with floating wind developments to help unlock commercial development at scale. With continued research and investment, and the greater prospect of commercial scale tidal generation, the marine energy sector has the potential not only to offer zero carbon power generation but also supply chain growth and employment opportunities in manufacturing, installation, and maintenance of marine energy devices.

Furthermore, the region is well-positioned to embrace hydrogen production as a key component of the national energy transition. Hydrogen has emerged as a promising alternative to fossil fuels, particularly in sectors such as

transportation and heating as well as dispatchable power. The abundance of renewable resources like wind and tidal energy can facilitate the production of green hydrogen through electrolysis, contributing to a decarbonised economy. The region is already host to significant test and demonstration in production, storage, distribution and use of green hydrogen, paving the way for commercial scale rollout whilst harnessing the skills and know-how to support UK and international development. The nascent hydrogen sector therefore presents an opportunity for the Highlands and Islands to develop hydrogen production facilities, attract investment, and create a hydrogen infrastructure that can drive economic growth and job creation across the whole region.

The Inverness and Cromarty Firth Green Freeport will act as a catalyst to maximise the opportunity offered by both the offshore wind and green hydrogen economies. It will represent an additional and significant asset in our regional economic toolkit and, alongside other significant port and harbour assets, will deliver benefits across the region and beyond.

A significant challenge which remains to be addressed across the whole region is fuel poverty. Whilst there is no simple solution, our ability to generate much more energy than we can consume, whilst working with partners to ensure benefits from energy projects are directed to where there is clear local need, must be a constant focus over the coming years.

The opportunities, outcomes and impacts we set out are dependent on protection and enhancement of our vital natural assets, improvements to grid infrastructure, labour, skills and enabling infrastructure.

## STRATEGIC OBJECTIVES

1. The region is increasingly recognised and valued as an international exemplar for renewable energy and low carbon innovation

2. The value and opportunity offered by the region's natural resources are understood and are a catalyst for social and financial investment

3. The region and its communities have embraced and accelerated the just transition to net zero and are increasingly resilient

## ACTIONS

**Advocacy** - articulate regionally distinct opportunities and barriers to renewable deployment and wider decarbonisation of the region, with a particular focus on addressing grid constraints, technology adoption in rural areas, and investment in necessary infrastructure to support the transition to net zero.

**Build our net zero evidence base** - baseline both the region and HIE's greenhouse gas emissions to inform strategy and policies (critical in terms of shaping HIE's sectoral approach, transport, heat and power, and barriers to transition e.g. investment mechanisms, planning, workforce needs).

**Raise awareness and encourage adoption of the just transition to net zero** - develop and deliver net zero and circular economy awareness and training programmes including those targeted at the young workforce.

**Support community wealth building/benefit from net zero** - develop awareness of nature-based and circular opportunities for communities and develop and deliver the investment strategies for the Carbon Neutral Islands programme.

**Renewable energy development** - support renewable deployment and associated supply chain development, with a particular focus on offshore wind (ScotWind and INTOG), wave and tidal energy (including further technology and commercialisation activity through Wave Energy Scotland), onshore wind (repowering and circular opportunities) and pumped hydro.

**Hydrogen** - increase focus on green hydrogen opportunities, ranging from demonstration through to potential large-scale export, understanding technical and regulatory barriers, and building knowledge of business cases.

**Support sustainable transport and transport decarbonisation** - stimulate regional investment and action through an enhanced evidence base, support for active travel plans, development of business cases and supporting project delivery.

**Support resilience and adaptation** - support our businesses and communities to better understand regional climate and ecological risks and opportunities and increase resilience to the impacts of extreme weather events (locally and globally).

## OUTCOMES

The region secures greater economic and community benefit from renewable energy and decarbonised heat and transport

The green freeport, and other key ports and wider infrastructure, accelerate the national just transition to net zero.

Our businesses and communities have embraced the just transition to net zero and are engaged in the circular economy

Carbon Neutral Islands investment plans expedite opportunities for other island and rural communities regionally and internationally to benefit from just transition to net zero

Our communities have the tools and power to engage with and benefit from natural capital projects

Increase the proportion of green jobs in the regional economy

Unprecedented change has taken place over the past few years. We must respond to the climate and ecological emergency whilst adapting to the UK's exit from the EU, the impacts of the pandemic and the increased cost of living and doing business.

In the face of these complex challenges, our businesses and communities have demonstrated their willingness to adapt, innovate and collaborate, to build resilience and be prepared to respond to future drivers of change. Knowledge exchange and collaboration between businesses and academia, and across different sectors and supply chains will be critical to generate new ideas and solutions to common challenges. The region has been a keen international collaborator and should continue to explore new opportunities and networks which create innovation, trade and investment opportunities for enterprises and build on our considerable reputation as a reliable international partner and investible region.

Digital and technology adoption increased rapidly during the pandemic and further advancements, especially in automation, real-time data technologies and artificial intelligence, will require increased awareness, understanding and support to exploit. New opportunities will arise for enterprises to diversify and develop new commercial models which will enhance regional competitiveness and encourage export growth. The skills and knowledge required within enterprises will inevitably change, and we will work with our clients and partners to support the development of the workforce of the future. Leveraging external and inward investment will help support innovation and broaden the economic base.

Established sectors such as food and drink, tourism, creative industries and the primary sector will continue to play a vital role in supporting employment and communities across the Highlands and Islands. Regional prosperity will be driven by a thriving university presence alongside competitive and sustainable enterprises who have embraced challenges and are building their businesses on the region's history, traditions and sustainable use of natural resources. It is vitally important that sectors transition to net zero, to embrace the opportunities in a circular economy and diversify business models to reduce costs and react to market trends. Responding to changing employment opportunities and tight labour markets, enterprises will require support to embed fair work practices to improve labour retention and attraction. These actions will directly contribute to a more equitable and prosperous society.

Our region is uniquely placed to take advantage of exciting new opportunities in the blue economy, space and renewable energy. There are also significant new assets on Inverness Campus, such as the Life Sciences Innovation Centre and the Rural and Veterinary Innovation Centre, along with the planned expansion of the European Marine Science Park in Argyll, which will support growth in human and animal health sciences and enable our delivery of Scotland's

National Innovation Strategy. Innovation will be key to improving productivity, competitiveness, profitability and entrepreneurship. There are good levels of innovative active enterprises, however businesses are not sufficiently engaged in research and development to drive performance and growth, and developing and accessing skills can be a challenge. The region has considerable existing and planned innovation infrastructure and links to national enablers, such as the National Manufacturing Institute Scotland (NMIS) and the innovation centres, which will be a catalyst for sectoral growth and development, advanced manufacturing, the just transition to net zero and business and academic collaboration. With a strong social enterprise sector, it is unsurprising that social innovation is an intrinsic part of the region, often focused on enhancing the delivery of services, problem solving, cultivating collaboration, and centring its approach around people and place.

The region can build on its strong entrepreneurial culture with the highest total early-stage entrepreneurial activity, (TEA), with female rates outperforming male, and the lowest rates of fear of failure in Scotland. The region also had the highest rates of those thinking that starting a business was a good career choice. Working closely with Business Gateway, Techscaler and other partners, we need to continue to stimulate and support start-ups and scale-ups, particularly those led by young entrepreneurs and female entrepreneurs and in businesses that can strengthen supply chains and tackle market failure.

## STRATEGIC OBJECTIVES

More enterprises and communities are innovative and adaptable to capitalise on opportunities and transition to net zero, increase productivity and wellbeing

The economic base is diversified, strengthened and more resilient to economic shocks and technological change

## ACTIONS

**Sector development** - take a systems-based approach to support well-established and emerging sectors, ensuring that our interventions accelerate innovation and increase collaboration, and support the region's journey towards net zero and a wellbeing economy. Raise awareness of the principles and value of fair work to support productivity and attract and retain talent.

**Support innovation capability and capacity** - encourage and accelerate the pace of knowledge exchange and the development and application of new ideas, processes and products within enterprises by facilitating collaboration between businesses, social enterprises and academia within sectors, and identifying sources and supporting access to external innovation investment.

**Encourage advanced manufacturing and technology/digital adoption** - working with partners, increase the pace of adoption of new technologies and data by raising awareness and understanding of their practical application and by encouraging enterprises to adapt their business models and improve productivity.

**Enable social innovation** - encourage the development of approaches, services, and products to tackle societal challenges and contribute to a wellbeing economy.

**Develop entrepreneurship** - complementing actions under the People pillar, we will work closely with partners to stimulate and grow new enterprises through advice, access to finance, networking and business model development, including inclusive plural ownership models to support community wealth building.

**Increase trade, inward and external investment** - develop new and early-stage exporters and maximise support for experienced exporters through SDI and the UK Government. Work with the region's existing inward investors to develop opportunities for further regional investment and collaboration. Increase knowledge of, stimulate demand for, and support access to investment.

**Support the transition to net zero** - work with sectors and enterprises to understand how they will transition to net zero, to monitor their carbon footprint, and use our resources to expedite that journey.

**Develop supply chains** - develop capacity and capability within local and regional supply chains, ensuring local enterprises can engage and support the growth of key sectors in the region.

**Foster networks, collaborations and clusters** - building on HIE's extensive networks, identify and extend opportunities for knowledge sharing and collaborations that will enable business innovation and growth in the region, and internationally.

## OUTCOMES

The underpinning principles and practice of fair work are embedded in the economy

Sectoral development plans are established and underway, developing clusters of excellence

Increase in business productivity and innovation

Increase in high quality employment opportunities

Improvements in start-up and business survival rates

Region is recognised as an excellent location for business and inward investment

Increased collaboration and knowledge exchange



## DELIVERING OUR STRATEGY

### A' LÌBHRIGEADH AR RO-INNLEACHD

To deliver our vision we will be proactive and responsive, ensuring we deliver for every part of our region, our customers and stakeholders. We will build on our previous investments and successes and the excellent collaborative foundations established with our partners.

We will need to maximise our resources and prioritise, especially given the challenging fiscal environment and the loss of valuable EU funding. Accessing external investment for our clients and for the region will be vital. We are privileged to have many assets to draw from. Our experienced and expert staff are driven by a shared passion to do their best for their region. Through our eight Area Teams, we ensure we are connected to our local communities and economies. Our extensive property portfolio facilitates innovation and economic and community development and addresses market failure, particularly in our island and more rural areas.

The role we will take to deliver our outcomes will vary and be cognisant of our remit, our partners, the operating environment and needs. Our annual operating plans will set out key actions and roles for the year ahead.

Our embedded fair work principles, including a flexible approach to family and carer friendly working, have delivered a positive impact for HIE: attracting a wider range of diverse talent, retaining staff, improving business reputation and creating a happier, more engaged workforce. These will continue to underpin our delivery.

Focusing on creating the best outcomes from every intervention, and extending our reach across the region, we will maximise all our resources and tools using our:

- **People** - with strong local, regional and sectoral knowledge, expertise and experience, leadership and passion
- **Partnership** - combining knowledge, resources, assets to collaborate to make a difference
- **Assets** - focusing on realising the benefits of prior infrastructure investments, maximising their potential and their demonstration value and using digital tools to increase engagement
- **Investment** - maximising internal, external and inward investment, stimulating demand, using different financial instruments
- **Evidence** - ensuring the region, our businesses and communities are well understood and evidence used to influence and support effective responses



### Leader

Shaping and driving **shared policies, strategies and evidence**. **Direct delivery** of programmes or interventions.



### Co-owner

The same functions as a leader but **as a partner, rather than main or primary driver**



### Broker – Facilitator

Advocacy, influencing and **coalition building**. **Connecting actors**, developing the **evidence base**, contributing to policy design and facilitating programme delivery.



Bute Community Land Company

## PARTNERSHIP COM-PÀIRTEACHAS

Achieving the ambitions and addressing the challenges and opportunities set out in our strategy can only be accomplished through collaborative working, involving partnership with government and across the private, public and third sectors.

HIE is committed to being a valued partner to all those whose actions play a positive part in advancing economic and community development across the Highlands and Islands. This is a constant feature of our approach, evident in our relationships with the local business and community leaders whose ambitions we support; in our close working with our regional university UHI, in the delivery of specific projects from Shetland to Argyll; in formal groupings such as community planning partnerships, and initiatives with a local remit, for example Focus North.

We will continue to play an active role in several well-established partnerships that have been instrumental in advocating for the region, planning, development and delivery. These include the Convention of the Highlands and Islands, which continues to provide an important forum for partners to work closely with Scottish Government - raising issues, sharing ideas and forming actions. Established more recently, the Highlands and Islands Regional Economic Partnership (HIREP) has evolved from mutual aspirations with our local authorities and wider partners to raise the profile of the region, promoting its needs and interests and setting out priorities for regional collaboration and action.

Nationally, we will continue to work in harmony with our enterprise and skills agency partners, local authorities and other public bodies on delivering NSET and responding to the need to modernise enterprise support delivery. This will include our contribution to the success of the Business Support Partnership (BSP), which has a crucial role to play. The BSP has increased collaboration across the main economic development delivery organisations and will continue to focus on improving access, targeting and the effectiveness of support: a key objective of the NSET Culture of Delivery Programme. Outcomes will be enhanced through combining knowledge, experience, skills, resources and influence.



## MEASURING AND ACHIEVING BEST VALUE

### A' TOMHAIS AGUS A' COILEANADH LUACH AS FHEÀRR

Understanding the difference we are making is fundamental to informing our policy and decision-making and enabling us to respond to changes in government policy and economic conditions. We have evolved our measurement framework and our approach to achieving best value to support our new strategy. We will continue to draw on our extensive experience whilst developing new techniques and tools that enhance our ability to better support and understand our impact on the region, our contribution to the National Strategy for Economic Transformation (NSET) and tell our story.

Our approach to measurement is multi-faceted. Monitoring and evaluation data allow us to determine whether individual projects and programmes have delivered expected outcomes. Key measures and targets, refreshed annually as part of our operating plan, will be used alongside tracking measures to understand client progress and identify opportunities for intervention in areas identified as drivers of productivity, resilience and growth. We will use longitudinal tracking to understand the longer-term impact for our investments in infrastructure and in our support for communities where the delivery of projects and realisation of benefits can extend over longer timescales.

We tailor our delivery to reflect the needs of different parts of our region and prioritise projects that have the potential to deliver disproportionate impacts. This will be supported by enhanced capability to assess the contribution of individual projects in terms of their relative impact on inclusive growth and articulate HIE's contribution to the wellbeing economy. We expect this approach to add significant value in optimising resource allocation across the region as well as helping identify where further effort may be needed.

Using these measurement approaches, alongside evidence gained through our research and evaluation, we will be able to monitor progress towards the outcomes we set out in this strategy and the long-term measures of success to achieve our vision.

Our outcomes can only be achieved through recognising dependencies, combining actions across the four pillars of our framework and embedding the cross-cutting themes. HIE will achieve best value through:

- Attracting, retaining and developing a diverse, high-performing workforce;
- Optimised use of resources and assets using a strong evidence base;
- Flexing our approach and providing place-based solutions;
- Increased use of data and digital technology;
- Fit for purpose products and services;
- Effective partnership working and collaboration;
- Simplified and streamlined processes;
- Demonstrating effectiveness through insights, measurement and evaluation.

# MEASURING FOR SUCCESS

## OUR ASSESSMENT

VALUE FOR MONEY

EVALUATION

LONGITUDINAL TRACKING

WELLBEING  
ECONOMY  
CONTRIBUTION

## LONG-TERM INDICATORS OF SUCCESS

Balanced population growth	Increased community and economic resilience	Highlands and Islands increases its net contribution to UK net zero	Increased economic competitiveness
Reduced labour shortage	More prosperous and sustainable communities	Improved perceptions and understanding of Highlands and Islands	Improved adaptability of the region's businesses
Increased place-based talent retention and attraction	Improved longer-term perceptions of opportunity	Increased regional cohesion/ partnership work taking place	Increased GVA and average wages

## STRATEGIC FRAMEWORK – PILLAR OUTCOMES

## PRIMARY MEASURES

Net Zero	Enterprise Growth and Innovation	Capital Assets and Investment	Employment	Community Wealth Building
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## TRACKING CLIENT PROGRESS

Fair Work - Net Zero – Productivity – Innovation

EXTERNAL  
EVIDENCE  
BASE

ECONOMIC  
INTELLIGENCE

RESEARCH



# GLOSSARY

## CLÀR-MÌNEACHAIDH

- **Blue Economy** - a range of economic sectors and related policies that focus on the productive use of ocean resources, whilst at the same time pursuing sustainable environmental, social, and economic management. Within the Highlands and Islands context, the Blue Economy encompasses: Aquaculture; Fisheries; Seafood processing; Marine renewable energy; Oil and gas; Decommissioning; Seabed mining; Marine biotechnology and bioprocessing; Marine environmental services; Marine transport and shipbuilding; and Marine and coastal tourism.
- **Community wealth building** - an approach to building an economy that retains more wealth, prosperity and opportunity for the benefit of local people through five key principles:
  - Plural ownership of the economy
  - Making financial power work for local places
  - Fair employment and just labour markets
  - Progressive procurement of goods and services
  - Socially productive use of land and property
- **Conditionality** - applying a requirement that needs to be met in order to obtain public sector funding.
- **Data zone** - a geographic area used to report statistics for small areas, usually containing around 500 to 1,000 household residents.
- **Enabling infrastructure** - infrastructure that is critical to supporting community and economic development such as transport, housing, digital, education, commercial and industrial property and community facilities.
- **Fair work** - secure employment with fair pay and conditions, where workers are heard and represented, treated with respect and have opportunities to progress.
- **Growth deals** - a package of funding delivered by local partnerships and agreed between Scottish and UK Governments and local authorities to drive sustainable and inclusive growth.
- **GVA** - Gross Value Added - a calculation of the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used in the production of these goods and services.
- **Inclusive growth** - economic growth that is distributed fairly across society and creates opportunities for all.
- **INTOG** - Innovation and Targeted Oil and Gas - a leasing round for offshore wind projects that will directly reduce emissions from oil and gas production and boost further innovation.
- **Inward investment** - investment arising from a company or institution headquartered outside of Scotland that establishes a base of operations within Scotland, creating jobs and associated capital investment. The term 'inward investment' covers both foreign direct investment (FDI) and similar investment from the rest of the UK into Scotland.
- **Just transition** - tackling climate change and greening the economy in a way that is as fair and inclusive as possible to everyone.
- **Leverage** - maximise the potential benefits and advantages of something.
- **Natural capital** - natural resources, environmental and ecosystem resources that provide social, environmental and economic benefits to people. Includes geology, soils, air, water and all living organisms.
- **Net zero** - net zero means cutting greenhouse gas emissions to as close to zero as possible, with any remaining emissions re-absorbed from the atmosphere, by oceans, peatlands and forests, for example.
- **Place-based** - approaches which focus on the people and distinct characteristics, needs and opportunities of a place.
- **R&D** - research and development - activity that creates new products, knowledge, processes, methods or services, or results in improvements to those that already exist.
- **ScotWind** - a leasing process which enabled developers to apply for seabed rights off the Scottish coast to plan and build windfarms.
- **SDI** - Scottish Development International - agency which promotes Scotland as a place for investment and trade.
- **SME** - small and medium enterprise - any organisation that has fewer than 250 employees and a turnover of less than €50 million or a balance sheet total less than €43 million (EU definition).
- **TEA** - [total early-stage entrepreneurial activity rate](#) – this measures the proportion of the adult working age population that is actively trying to start a business, or that own and manage a business that is less than three and a half years old.
- **Wellbeing economy** - an economy which prioritises people and the planet rather than focusing solely on economic growth, and where sustainable, fair and equal economic development is pursued.







Highlands and Islands Enterprise  
Iomairt na Gàidhealtachd 's nan Eilean