

# SCOTTISH PARLIAMENT ECONOMY AND FAIR WORK COMMITTEE

11 September 2024

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Written submission  
Highlands and Islands Enterprise



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1 Purpose of this document

Highlands and Islands Enterprise welcomes the opportunity to provide evidence to the Economy and Fair Work Committee and to take part in discussions to inform pre-budget scrutiny.

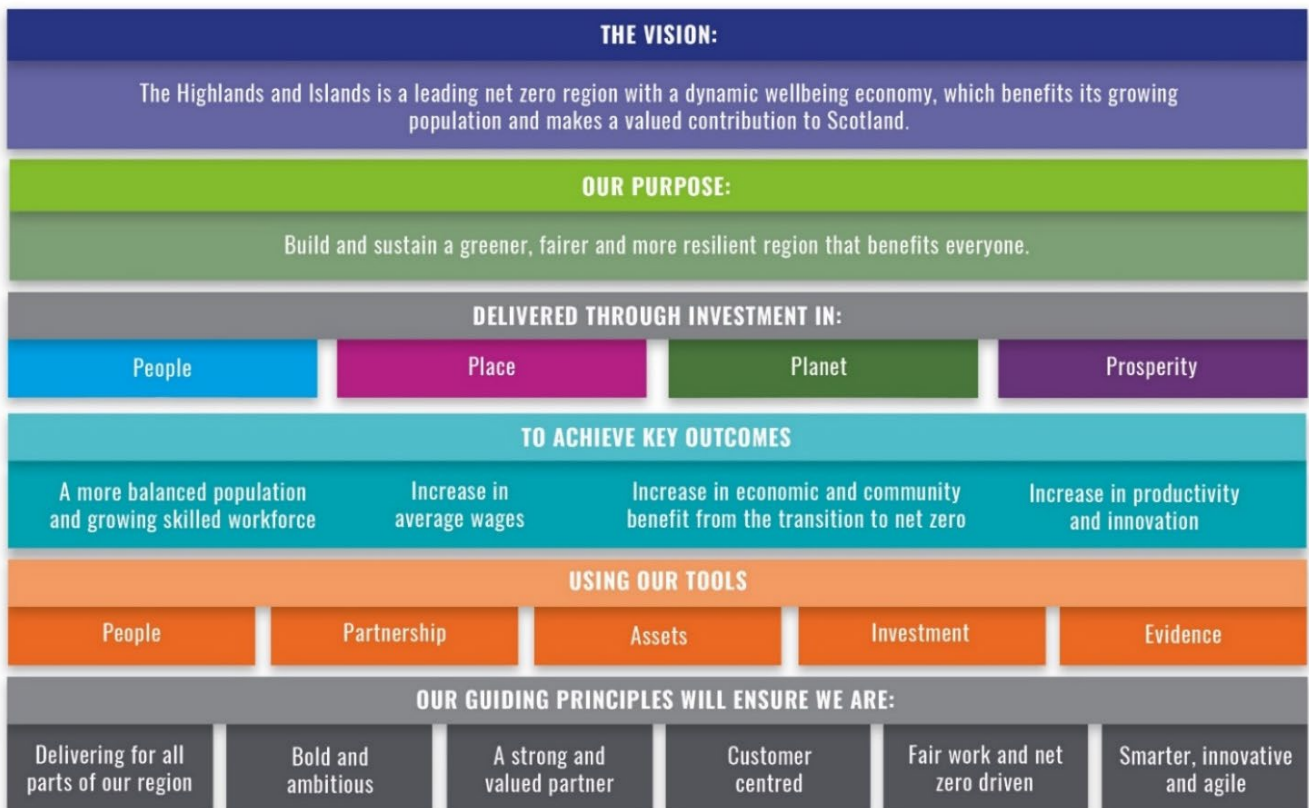
This document provides a short summary of our 2023-28 strategy and our 2024/25 Operating Plan. Both documents are available in full, in both English and Gaelic on our website at [hie.co.uk/strategy](http://hie.co.uk/strategy)

We are also including HIE’s unaudited performance out-turns for the 2023/24 financial year. These are currently being audited by Audit Scotland for inclusion in our next annual report and accounts, which are due for publication and laying in the Scottish Parliament in December 2024.

We hope this information will be helpful to the Committee and look forward to addressing points arising when we meet in person.

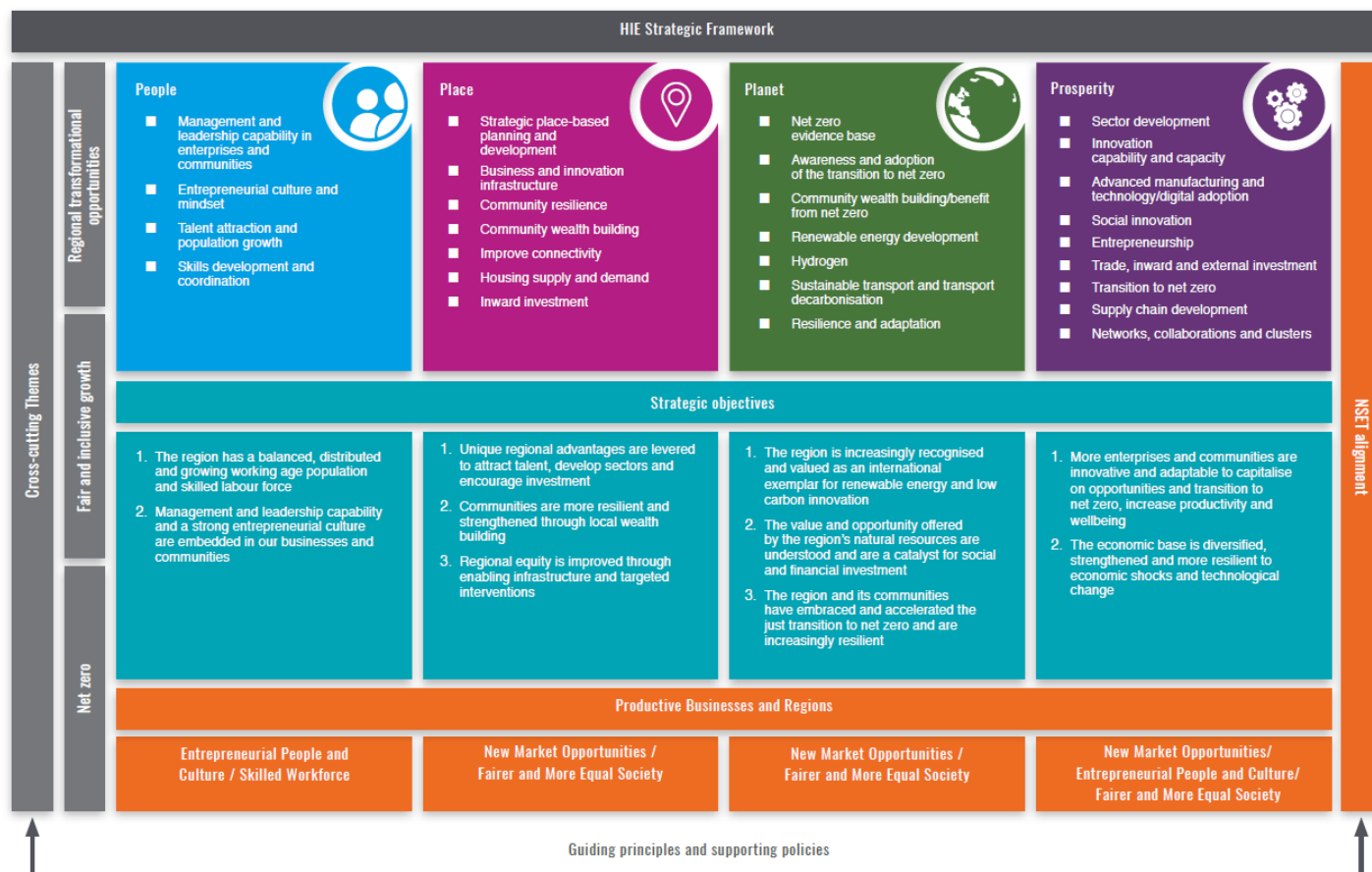
2 Our strategy 2023-28

Published in August 2023, HIE’s current five-year strategy sets out a clear vision for the region and direction for HIE and illustrates how we will contribute to delivery of the National Strategy for Economic Transformation.



We are focusing delivery on four pillars: **People, Place, Planet, Prosperity**.

The cross-cutting themes of **net zero, fair and inclusive growth, and regional transformational opportunities** run through our framework and represent key strategic drivers.



There is strong evidence that our region is on the cusp of significant, once-in-a-generation economic opportunities, many arising from natural and built assets, including our ports and harbours. These are across long-standing sectors like energy (notably offshore wind, hydrogen and hydro pump storage), tourism, food and drink, creative industries and aquaculture – as well as newer sectors such as life sciences, technology and space.

We are committed to working with partners – nationally, regionally and locally – to capitalise on these opportunities and to address the need for improvements to be achieved in wider issues affecting the economy, including housing, digital connectivity and transport.

Through this approach, we aim to fulfil our ambition to build a strong wellbeing economy in every part of our region and maximise our contribution to achieving **all** of the Scottish Government’s priorities:

- To eradicate **child poverty**;
- To grow **Scotland’s economy**;
- To tackle the climate emergency by investment in **green energy and infrastructure**, and
- To improve **Scotland’s public services** as an investment in Scotland’s future health, equality and prosperity.

Together with our forerunner, the Highlands and Islands Development Board, we are an agency whose remit has encompassed both economic and community development for almost sixty years. As such, we are experienced in enabling local community organisations across the Highlands and Islands to own and develop assets that provide services and generate income to improve resilience and sustainability. Community wealth building can drive new business models and create new opportunities for **increasing community benefit**.

We aim to make full use of our resources including the experience, expertise and strong local knowledge of our staff, our extensive property assets, our investment decisions and our evidence base to deliver our strategy and be a passionate advocate for our region.

A key area of focus is retaining and attracting **young people** to the region through investing in opportunities, supporting young entrepreneurs, creating graduate placements and working with partners to deliver population initiatives, including enabling communities to employ local development officers, whose posts we co-fund with the Scottish Government.

As businesses and communities continue to be impacted by the effects of the pandemic, Brexit and inflation, transitioning to net zero, fair work and innovation will be key to **building resilience and sustainability**.

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. Real change in delivering improvements in **housing, transport, digital, and education and skills** will be accomplished through collaborative working with central and local government and across the private, public and third sectors.

Pursuit of **Best Value** underpins all our operations as an agency and supports both efficiency and effective performance. As an active member of the Business Support Partnership, we are making it easier for businesses across the country to access support services quickly and easily. Our innovative MyHIE digital platform, which supports client journeys, is now firmly embedded with HIE and accounts for more than 90% of our financial transactions. In an example of cross-agency partnership, MyHIE is now being adopted by our sister agency South of Scotland Enterprise.

### **3 Our Operating Plan 2024/25**

Our [operating plan](#) sets out how HIE will implement our five-year strategy during 2024/25, building and sustaining a greener, fairer and more resilient region making a strong contribution to the Scottish and UK economies.

Innovation, productivity, fair work, fair wages and wellbeing are all key to regional prosperity, while embracing opportunities associated with the transition to net zero, including the growing role of offshore wind energy, will help the region maintain its place at the forefront of climate action.

In areas that face disadvantage, HIE is working with communities to support resilience and wealth building, delivering programmes and projects to attract people and investment and improve regional equity through infrastructure and targeted intervention.

### **4 Our performance in 2023/24**

Given the challenges of the current economic climate, we believe our out-turns for 2023/24 demonstrate a strong performance by Highlands and Islands Enterprise in supporting businesses and communities across the region.

Our efforts, delivered through a combination of financial and non-financial interventions, are set to create or retain more than 1,200 jobs across the region, including 82 in fragile areas.

We approved investment of up to £56.8m in 339 projects with a combined total cost of £426.9m. Businesses that we supported are expected to see their combined turnover rise by £619.7m and international sales grow by £47.7m. Our support for social enterprises, meanwhile, is forecast to bring about a £9.8m uplift in the social economy.

We underscored a strong commitment to the promotion and development of Gaelic in the region, including publishing our fourth Gaelic Plan in September 2023, and supporting the development of VisitScotland’s five-year Gaelic Tourism Strategy for Scotland, launched during *Seachdain na Ghàidhlig* (World Gaelic Week) in February 2024.

Primary outcome measure	Target range 2023-24	Forecast out-turn 2023-24	% Lower Bound achieved	Previous out-turn 2022-23
Capital asset investment (£)	320m – 350m	412.8m	● 129%	116.8m
Green capital asset investment (£)	240m – 270m	371.7m	● 154%	65.7m
External investment secured (£)	40m – 50m	270.9m	● 677%	35m
External green investment secured (£)	10m – 12m	248.5m	● 2485%	15.1m
No. of organisations baselining their CO2e emissions*	100 – 120	59	● 59%	na
No. of organisations supported to develop a net zero action plan*	50 – 60	47	● 94%	na
Increase in business turnover (£)	500m – 550m	619.7m	● 124%	682.7m
Increase in international sales (£)	45m – 55m	47.7m	● 106%	48.8m
Increase in turnover in the social economy (£)	9m – 11m	9.8m	● 109%	8.5m
No. of enterprises Increasing productivity	50 – 60	50	● 100%	na
No. of jobs supported (FTEs)	1,000 – 1,200	1,248	● 125%	1,424
No. of jobs supported in Fragile Areas (FTEs)	150 – 200	82	● 55%	159
No. of green jobs supported (FTEs)	370 – 420	271	● 73%	639
Average salary (£)	£32,000	£33,664	● 105%	35,581

Ten of our 14 targets for the year were achieved or exceeded. Some out-turns were far above the targets set, including £270.9m external investment secured against a target of £40m-£50m, largely due to the Sumitomo subsea cable factory project. Located at Nigg, within the Inverness and Cromarty Firth Green Freeport, this is one of the region’s largest-ever inward investments and a clear endorsement of the vast potential that exists in the region’s renewable energy sector in particular.

2023/24 proved to be a record year for the number of inward investors deciding to set up or expand in the Highlands and Islands, highlighting the many strengths and natural advantages the region has to offer. We were involved with 13 such projects – in Argyll and the Islands, Highland, Moray, Shetland and Orkney – that jointly are expected to create more than 400 new jobs. Seven of these projects were from investors that are new to the region, while six had an existing presence.

Along with the Scottish Government, we supported 49 community organisations to employ local development officers to deliver a range of projects delivering community benefit in some of our most fragile areas, including housing initiatives and acquiring assets to sustain key services. On the island of Raasay, for example (population 161), the local development officer enabled Raasay Development Trust to secure funding to build 5 new housing units and 5 self-build plots, completed in 2023/24.

Altogether, we supported communities to deliver small-scale but much-needed housing projects in Caithness and Sutherland, Lochaber, Skye and Wester Ross, and Orkney. HIE's Chief Executive chairs the Housing sub-group of the Highlands and Islands Regional Economic Partnership, established in 2024 as a collaborative response to one of the most serious challenges affecting our region.

We had deliberately set ourselves stretching targets, conscious that we need to keep challenging ourselves as an organisation. Four targets were not achieved in full, impacted by highly challenging regional and national economic conditions that are particularly acute in fragile islands and rural mainland areas.

These included the number of jobs supported in fragile areas, which was 82 against a target of 150, while the number of green jobs was 271 against a target of 370. Two targets relating to the numbers of businesses we helped to reduce emissions and transition to net zero were also lower than we had aimed to achieve. However, the fact that we are choosing to maintain the targets for these workstrands in 2024/25 underlines the scale of our ambition for the region and commitment to continual improvement as an organisation.

## **5 Looking ahead**

In common with all publicly-funded organisations across the country at present, we are affected by the very tight fiscal environment and the challenge of delivering our strategy with a reduced core budget looks set to continue for some years. Nonetheless, we will continue to act with ambition and commitment to deliver community and economic growth in all areas of the Highlands and Islands, mindful of the scale and quality of the opportunities we currently enjoy to build a prosperous, sustainable and dynamic wellbeing economy.

It is now even more important that we seek to access funding from other sources and work collaboratively with a broad range of organisations to maximise our impact and the benefits that our projects and programmes can deliver. Feedback from our clients also recognises the importance of non-financial support that our staff can deliver, with the knowledge and experience HIE has accrued over almost sixty years.

We have nurtured a culture of continuous business improvement within HIE and are now implementing a new, customer-centred Best Value plan aligned with our five-year strategy.

In response to a request from the Scottish Government, we have estimated that the tax revenue generated by three years of HIE's activities is roughly two and a half times its budget, when considered across a 10-year timeframe. The vast majority of this revenue results from jobs supported by HIE's activities.

This provides a clear demonstration not only of the return on investment from economic development, but also the role that HIE is capable of playing in delivering NSET and the Programme for Government priorities to eradicate child poverty, grow Scotland's economy, tackle the climate emergency and improve public services.

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