

**Economy and Fair Work Committee
Wednesday 11 September 2024
22nd Meeting, 2024 (Session 6)**

**Pre-budget scrutiny 2025-26
Note by the Clerk**

Background

1. Subject committees' budget scrutiny is a continual process to provide an evidence base of the impact of spending. Committees are encouraged to embed budget scrutiny considerations throughout the year.
2. A recent [SPICe blog](#) highlights in-year changes to the Budget passed by Parliament a few months previously and scrutiny challenges.
3. The Scottish Government recently announced its 2025-2026 budget will be published on 4 December. At least six weeks prior to publication, Committees are expected to write to their respective Cabinet Secretary setting out their views on future spending priorities for the coming year.
4. Today's evidence session is with Highlands and Island Enterprise, South of Scotland Enterprise, and Visit Scotland. Scottish Enterprise and Scottish National Investment Bank will give evidence on 25 September 2024.

Witnesses

5. Witnesses are—
 - Stuart Black, Chief Executive; and Nick Kenton, Finance Director, Highlands and Islands Enterprise;
 - Jane Morrison-Ross, Chief Executive; and Anthony Daye, Director of Finance and Corporate Resources, South of Scotland Enterprise; and
 - Vicki Miller, Director of Marketing and Digital; and Ken Neilson, Director of Corporate Services, Visit Scotland.
6. Highlands and Islands Enterprise, South of Scotland Enterprise, and Visit Scotland have provided written submissions. These can be found at **Annexe A**.

**Clerks to the Committee
September 2024**

SCOTTISH PARLIAMENT ECONOMY AND FAIR WORK COMMITTEE

11 September 2024

Written submission
Highlands and Islands Enterprise



11 September 2024

Written submission from Highlands and Islands Enterprise

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.

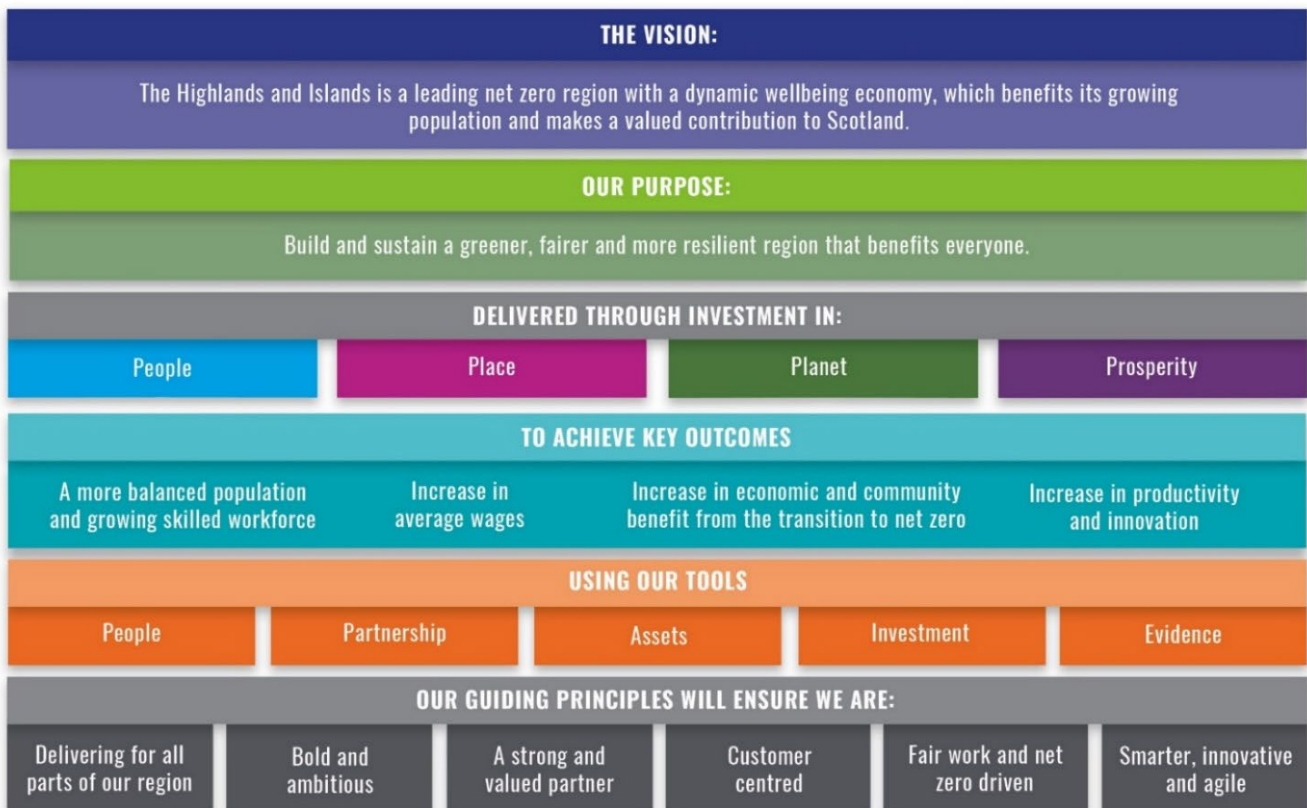
This document provides a short summary of our 2023-28 strategy and our 2024/25 Operating Plan. Both documents are available in full, in both English and Gaelic on our website at hie.co.uk/strategy

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.

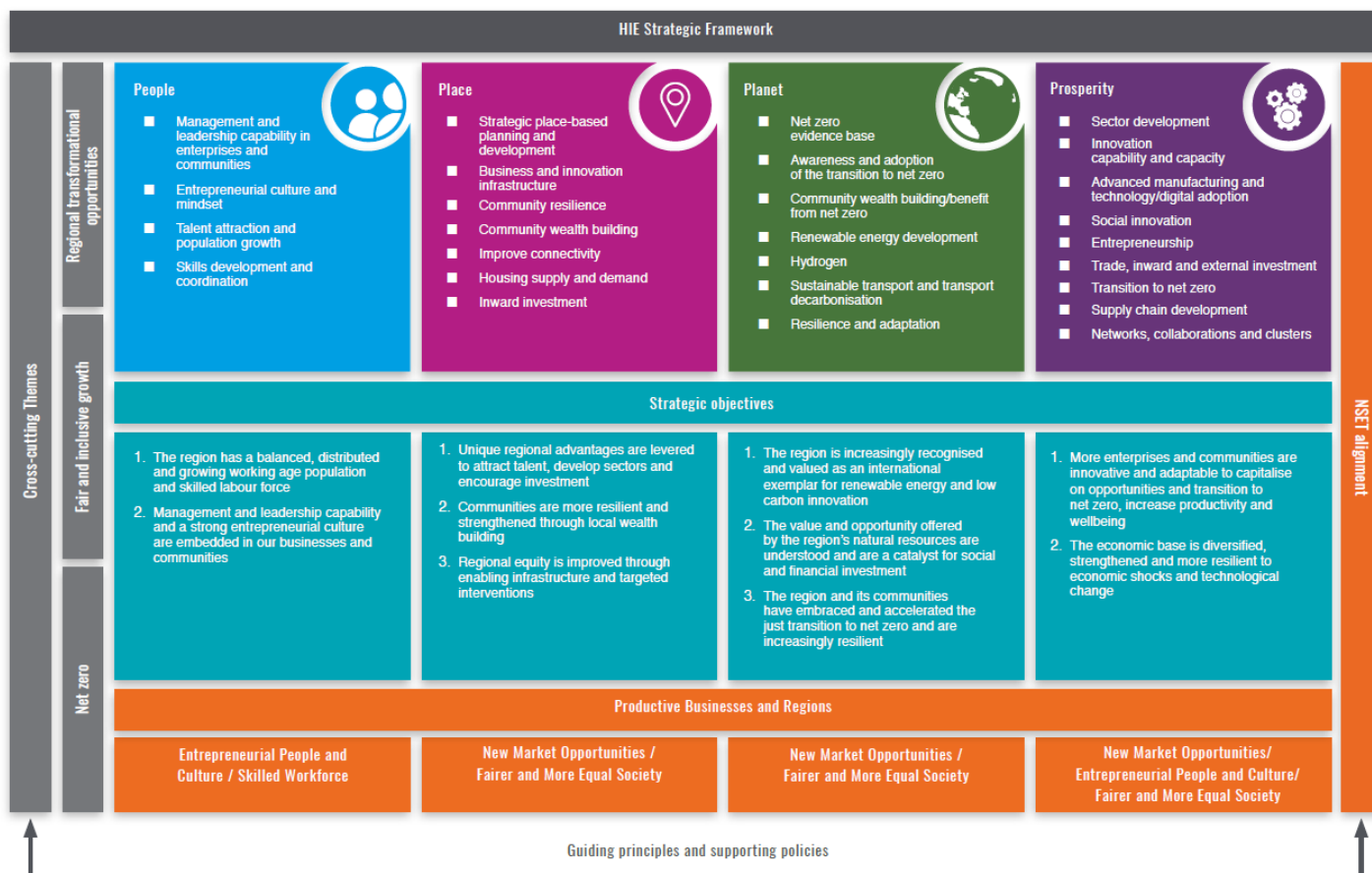
2 Our strategy 2023-28

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.

Highlands and Islands Enterprise
September 2024

Scottish Parliament Economy and Fair Work Committee Meeting of Wednesday 11 September 2024 Written Submission by South of Scotland Enterprise

Introduction

South of Scotland Enterprise (SOSE) welcomes the opportunity to provide a written statement in advance of our appearance in front of the committee as part of its pre-budget scrutiny.

We are now into our fifth year of operation, as Scotland's newest Economic Development Agency, with a remit set out in the South of Scotland Enterprise Act 2019, that brings together a focus on the economy, on our community and on our environment.

It is this focus on prosperity, place and people that guides our actions, to create an economy that supports the Just Transition to Net Zero and a Wellbeing Economy. We do so by providing tailored support to enterprises and communities right across Dumfries & Galloway and the Scottish Borders. Our SOSE colleagues are key to this approach, they are experts and specialists in many different fields and sectors and bring tangible value to the organisations they work with.

The past twelve months have been set in a challenging economic landscape. Maximising our collective impact across organisations working in the South of Scotland is more vital than ever and so the partnerships and strategic relationships we have built helps us to do more.

Those partnerships have also helped us to begin to address some of the region's key challenges – including our housing challenge. As Scotland's Natural Capital Innovation Zone, we have the ambition and potential to use our natural capital to bring greater economic benefit and tackle climate and nature emergencies.

The past year was the first year of Our Five-Year plan, which set out our priorities as part of our framework of our 'Six As'. These bring a clear focus in effort to our work, and the contribution we make to leading and delivering the South of Scotland's Regional Economic Strategy, the National Strategy for Economic Transformation, and contributing to the Scottish Government's focus on eradicating child poverty, growing the economy, tackling the climate emergency and delivering better public services.

Overview of our Delivery in 23/24

As previously highlighted, we launched our first Five-Year Plan in April of 2023, which set out the medium-term focus for SOSE. This is an ambitious plan which sets out our vision to create a rural economy powerhouse in the South of Scotland. SOSE aspires to be a bold, striving and inclusive development agency "to create success, increase opportunity, lead a sustainable just transition to Net Zero and advance equality" and ultimately deliver success for the South of Scotland.

This introduced our new priorities framework, the Six A's (see below) which are rooted in the needs and ambitions of the South and were informed by the ambition and goals of the people of the South of Scotland. Our priorities are interlinked, parts of the whole solution, and also supported by our key enabling activity, collaboration, innovation and acceleration.

Figure 1 – Priorities from Our Five-Year Plan



2023/24 was a year of further successful delivery for SOSE, striving ahead to deliver the vision for a Green, Fair and Flourishing, South of Scotland.

Over the course of the year we:

- Engaged with 1,300 enterprises.
- Approved £9.2m worth of grants and loan funding to 152 organisations. Including:
 - Supporting 15 new or improved income-generating community assets, supporting 34 community projects and 9 charity projects, with £1.4m in capital cost and £200k in revenue, which are creating 16 jobs and safeguarding a further 55, 16 apprenticeships and including 25 green jobs.
 - Provided £1.5m in capital grants and loans to Inward Investors, as well as providing non funded support too.
 - Provided capital funding to unlock the Borderlands Investment for the Dairy Nexus, a co-innovation hub for R&D in dairy farming.
- This activity helped to create 377 jobs while safeguarding a further 1,316 posts.
- The forecast increase in gross additional turnover and profitability on improved projects totalled £208.4m and £61.5m respectively.

It is not just in our direct funding awards where we are making a difference, it is also through other key strategic projects. Over the course of the last year, we have:

- Engaged 1,455 people in entrepreneurship activities.
- Provided one-to-one support to 62 female led, and 24 youth-led businesses, as well as designing a specific fund to support female and youth led businesses with start-up costs.
- Launched our Entrepreneurial Road Map.

- Tailored one to one Digital Development support to 60 businesses and delivered 14 digital themed workshops.
- Provided development support to communities to help build their capacity and confidence.
- Encouraged ambition and entrepreneurial thinking in our communities by providing more opportunities for networking, sharing good practice, developing awareness and stimulating interest in new market opportunities.
- Commissioned research on Community Benefit from Onshore Wind in the South of Scotland, and on Community Wealth Building opportunities from new woodland creation with Scottish Forestry.
- Invested in national initiatives in Heatsource cluster/network, European Clean Energy Transition Partnership and Clean Heat Expert Support.
- Hosted our second Hydrogen Brokerage event.
- Explored innovative finance models for responsible investment in natural capital such as the Wild Heart Expansion Project (WHEP) - a pioneering public and private backed project which promotes a collaborative approach to land use, through expanding native woodland whilst delivering a range of community and financial benefits.
- Created a Youth Advisory Forum to help to better inform our decision making.
- Further developed our property portfolio to support new enterprise opportunities, in particular through purchase of part of the Chapelcross Energy Transition Zone with plans to develop this into serviced land for market, and through capital support for development of the Borders Innovation Park in Tweedbank.
- Secured £123k to deliver enterprising activity in the newly opened Hawick Business Centre.
- Helped our clients to access expert help support through our Enterprise and Business team.
- Supported 106 clients to innovate.
- Delivered approximately £4.7m of value add expertise and consulting using SOSE team members.
- Advancing the delivery of the Mountain Bike Innovation Centre in Innerleithen.

Regional partnerships are critical to the way that we work, by working together with key players in the South of Scotland, we can achieve more, deliver more and deliver it faster.

Some key examples of this include:

- Established partnerships with SRUC in delivering support for agriculture in the region via regenerative agriculture.
- Supported community-led regenerations and enterprise development through a Place Approach with Local Authorities and Third Sector Interface partners in the region.
- Supported the ongoing delivery of the South of Scotland Cycling Partnership Strategy. The South of Scotland hosted events at the UCI Cycling World Championships in 2023.
- Developed and funded the creation of the Kirkpatrick C2C Cycle Route.
- Co-developed the ten-year South of Scotland Responsible Tourism strategy which launched in March 2024, aiming to grow tourism spend in the region by £1bn and to support a further 6,000 jobs by 2034.
- Launched www.investinsouthofscotland.com a dedicated website to highlight the inward investment opportunities in the region with a focus on key sectors such as Energy Transition and Natural Capital; Food and Drink Innovation and Regenerative Agriculture; Health Innovation; Cycling; and the Creative Economy.

- Produced the South of Scotland's first Net Zero Investment Guide.
- Worked with SDI to provide a bespoke one to one property service and location identification support for inward investors looking to locate in the region.
- Worked with SRUC and Borders College to deliver a series of TechScaler workshops.
- Developed a strategic partnership with SRUC to drive innovation and entrepreneurship.
- Worked with CodeBase to deliver TechScaler in the region.
- Continued support for the delivery of the South of Scotland Regional Economic Partnership and its Regional Economic Strategy, including leading on the development and delivery of a Housing Action Plan looking to address the challenges of housing in the South of Scotland.
- Supporting two Convention of the South of Scotland meetings to discuss the key economic issues facing the South.

The latest is our partnership with the Pathfinder project, and the pilot in the South of Scotland, where SOSE secured £1.3m of additional funding to accelerate business start up, scale up and scale deep.

We recognise the challenges on public sector finances and have taken pro-active action to ensure we respond, adapting our organisation to meet these challenges head on. As part of that, over the last couple of years we have:

- Reviewed our structure and strategy to stay as lean and effective as possible.
- Sought to lean and streamline our processes.
- Put in place a strong project pipeline and robust performance measurement framework.
- Worked hard on developing our organisational culture which holds true to our values.
- Implemented our People Strategy, to make the most of the wide-ranging knowledge and skills in our workforce, while also implementing a headcount freeze and review of backfilling posts.
- Developed and deepened our collaboration with key partners in region and nationally
- Implemented targeted pots of funding, aligned to key priorities such as Net Zero and Entrepreneurship.
- Leveraging funding externally of around £5 for every £1 invested and wrapping our services around other service provision for mutual added value.
- Innovatively utilised our Financial Transactions budget to provide additional investment for clients.
- Implemented a strategic and broad focus on deep rooted and foundational barriers to economic growth, such as the work on housing.

Our Focus for 2024/25

In June 2024 we launched Operating Plan for 2024/25 setting out our priorities for the year ahead, this is underpinned by directorate plans. It sets out the actions we will take to drive even more progress against our Six As and to help drive progress against the three widely agreed foundational / regional challenges of housing, transport and skills.

This year we are making a difference through direct support to businesses and communities and creating the conditions for future success, including:

- Launching a second round of our Net Zero Accelerator Fund to accelerate the region towards Net Zero, a Natural Capital Innovation Fund to test and accelerate the deployment of nature-based solutions, an enhanced Communities Ambition Fund to

unlock potential in ambitious communities, a second CreaTech fund to help unlock potential and drive innovation across creative industries, and a new Work Smarter Fund.

- Developing the new Invest in South of Scotland website and an Inward Investment Strategy for the region, to refine and enhance our inward investment proposition, including launch of a Property and Land prospectus.
- Setting out the way forward working on diverse strategies and action plans – from screen to space.
- Delivering an annual programme of enterprise sessions to help enterprises to thrive and grow alongside a series of CreaTech showcase events to help network creative entrepreneurs.
- Working with regional Registered Social Landlords and University of Edinburgh School of Engineering to develop a progressive procurement pilot for energy efficiency retrofit, based on the nationally recognised archetypes approach.
- Developing and launching the Hawick Business Centre with a series of programmes to support businesses and enterprises across the Scottish Borders.
- Driving forward the shared ambitions and actions of No One Left Behind, through active participation in the regions' two Local Employability Partnerships.
- Supporting the implementation of local Child Poverty Action Plans, maximising opportunities to directly eradicate poverty through economic growth and transformation.
- Strengthening and expanding our knowledge of the South of Scotland through the work of our insights team, including a regular business survey.

We are establishing strong partnerships and working across the region to raise its profile, including through:

- Developing an engaging and creative campaign to raise awareness of the region nationally and internationally to help attract ambitious investment to the region.
- Supporting South of Scotland Destination Alliance (SSDA) to put the South of Scotland on the map through the 'Scotland Starts Here' brand to drive a sustainable increase in visitors to the area.
- Supporting the operational delivery of place planning and investment in Borderlands Priority Places and leading work on the Borderlands and nationally significant Mountain Bike Innovation Centre and Trail Lab at Innerleithen.
- Developing the South of Scotland Natural Capital Innovation Zone, establishing the formal Regional Land Use Partnership and working with SRUC to create an entrepreneurial campus within the region focussed on unlocking the potential of the South's natural capital.
- Supporting delivery of the nationally significant Dairy Nexus, a flagship facility driving transformational research and innovation to decarbonise the dairy sector and move towards a circular bioeconomy.
- Working with our partners to deliver a South of Scotland route map to Net Zero and Energy Transition Plan.
- Implementing a South of Scotland Housing Action Plan, supporting REP driven work to enhance transport connectivity and sustainability and seeking to influence a future approach to regional skills planning that delivers for the South of Scotland and supports reform of the national skills landscape.

- We will launch the South of Scotland Space Strategy in the last quarter, and develop an early stage partnership with both The Rice Institute and the Houston Spaceport'

Internally we are strengthening our management and engagement structure, whilst keeping the focus on creating a lean and efficient organisation:

- Through our cross-directorate communications team we are raising our profile and helping people to better understand what we do at SOSE and how to access our support.
- Delivering a Continuous Improvement Strategy so we utilise our resources for the most impactful outcomes for the South of Scotland through a high-performance culture underpinned by wellbeing, continuous growth through learning and development and smarter ways of working.
- Launch and implementing MySOSE, a new Customer Relationship Management system.
- Expanding our youth advisory forum to ensure we hear from young people.
- Drawing on the learning from the evaluation of our inclusion in the Scottish Government's 4 Day Working Week pilot to inform future working arrangements that maximise productivity and wellbeing gains.
- Working towards accreditation as a Platinum Carbon Literate Organisation and developing practical proposals to realise our ambition of having a Net Zero operational footprint by 2038.
- Tracking our progress and measuring the impact that we want to have through our own efforts and our involvement in wider strategic and partnership working
- Ensuring a robust approach to our cyber security.
- Successful annual audit and accounts.

Conclusion

SOSE is still a new development agency, but the results are already visible. SOSE is working hard to compensate for the first two years being focused on Covid and crisis response. We are making a positive impact across the South of Scotland. We are building on this momentum into this financial year, unlocking the potential and opportunities which the South of Scotland has to offer. Our regional vision for "A Green, Fair and Flourishing South of Scotland" will deliver for our people, businesses and communities in the South of Scotland, and will help to ensure that our environment is protected and enhanced. Doing so will not just benefit us in the South, but will also ensure that the South of Scotland economy makes its contribution to Scotland's success and becomes the first rural economy powerhouse where innovation and traditional industries flourish, and we deliver on the potential of our economy, environment and communities.

Economy and Fair Work Committee: 2025/26 Pre-Budget Scrutiny VisitScotland submission

1. Background information

1.1. About VisitScotland

VisitScotland is an economic agency driving growth across the country, throughout the year, by developing and marketing our tourism and events offering to the world.

Our core purpose is to drive the visitor economy, growing its value to Scotland. Our vision is that we contribute to a vibrant and dynamic visitor economy, creating better places for people to live, work, and visit. Through strategic leadership and industry partnerships, we lead, support, and contribute to a globally competitive visitor economy. We deliver activities across key areas of marketing, events, destination development, insight and business advice and support.

Our strategic framework is informed by the industry strategies for tourism and events – Scotland Outlook 2030 and Scotland the Perfect Stage 2024-2035. Our activities directly support the interwoven ambitions and outcomes of the United Nations Sustainable Development Goals (UNSDG), Scottish Government’s National Performance Framework (NPF) and Scottish Government’s National Strategy for Economic Transformation (NSET).

VisitScotland is operating in an ever-changing environment, with constraints on public finances, a competitive travel landscape and ongoing challenges facing the sector. Therefore, we must adapt to change, responding to the challenges and opportunities with a strong focus on our core purpose. With continued investment, we will remain in a strong and unique position to drive sustainable economic growth across the country and build Scotland’s brand on a global stage.

1.2. Scotland’s Visitor Economy

By delivering activities aligned to our strategy, we grow the value of the visitor economy, driving one of Scotland’s most important sectors.

The value of the visitor economy to Scotland is considerable. The sector is **worth £10.7 billion (c.6% of Scotland’s economy)**. It generates **229,000 jobs (8.7% of all employment)** and there are **15,500 businesses (9.3% of all businesses)** which both add considerable weight to the value of the visitor economy to Scotland. Both directly and indirectly, there is significant stimulus to tourism and leisure related industries and a wide variety of local supply chains (such as food & drink, arts & culture, retail construction, transport).

Events make a vital contribution to the visitor economy, showcasing Scotland and impacting on tourism and local economies. For example, the 2023 UCI Cycling World Championships delivered **£344m of incremental spend**, resulting in **£205m Gross Value Added (GVA)** economic impact for Scotland, £129m GVA for Glasgow and £214m GVA for the UK.

Tourism is a key sector for Scotland. It is one of six Scottish Government Growth Sectors and accounts for a high share of total **growth sector employment (30%) and businesses (22%)**. Since 2016 tourism employment growth has outperformed the growth sector average (+11% compared to +7%) While overall growth sector business numbers have contracted, the number of tourism businesses have grown (+12% compared to -8%).

VisitScotland has a critical role to play in generating higher spend from our visitors, bringing positive impacts to our communities and regions. International visits to Scotland resulted in **£3.6bn of visitor expenditure** in 2023 (an increase of 41% on 2019). International visitors continue to spend more, helping to drive recovery (+23% on 2022), with North American (+16%) and European (+19%) markets particularly strong.¹

Scotland has delivered strong international results compared to the previous levels recorded in 2019. Recovery here has outpaced all nine GB regions and England and Wales. This is a payoff of our activity throughout the pandemic, when our strategic focus internationally was to keep Scotland top of mind in all key markets. We inspired potential visitors through ‘dream now, travel later’ messaging, showcasing what a holiday in Scotland could offer once safe to travel.

We also promote Scotland to visitors within the UK and Scotland is one of the most popular destinations by those intending on a UK-based trip. However there remain ongoing issues in relation to intent conversion, trip length and spend. There has been a **decline in GB overnight stays (-6%)** and day visitors (-2%) with the cost-of-living crisis remaining a major barrier to domestic travel. This decline in domestic visitors has contributed to a **decrease in overall visitor numbers (-2%)**.²

While recent figures indicate relative resilience, demand and performance is mixed across Scotland. This is partly due to very challenging operating conditions for businesses, particularly in relation to costs, labour and demand challenges. We are working to support more destinations and businesses to capitalise on our international visitors, helping them to reach and understand these markets.

2. VisitScotland’s contribution

Through our work to create a strong destination brand, we are growing the value of the visitor economy and influencing Scotland’s global reputation. That in turn is integral to attracting inward investment which makes it easier for Scottish businesses across all sectors to trade internationally and break into new markets.

We are operating in a highly competitive travel landscape and competing with destinations that are investing significantly, for example Ireland (marketing budget of €78 million, 2023). In this context, we work with the resources we have to ensure that Scotland is a must visit, must return year-round destination for leisure and business visitors.

¹ International Passenger Survey (IPS), ONS 2023

² Great Britain Tourism Survey, 2023

Through our marketing activities, we can deliver and drive immediate impact. In 2023/24, our marketing activity delivered c.**£56.7 million additional NEI** to the Scottish economy. We have supported new aviation routes, which have delivered an additional c.**£22.4 million** to Scotland.³

Our ambition is to encourage visitors to stay longer and outwith the busy periods, making for a more sustainable approach to travel. Long haul visitors have spent an **additional average 5.6 nights** in Scotland due to VisitScotland influence and **25% long haul visitors** visited in low season due to VisitScotland influence.⁴

Through our events activities, we reinforce Scotland as the perfect stage for events, supporting a diverse portfolio and developing a strong pipeline of business events. In 2023/24, we supported events that delivered an additional **c.£32.4 million** across Scotland's economy and our National Conference Bid Fund delivered c.**£13.5 million** additional value.

3. Strategic approach

3.1 Strategic context

VisitScotland is operating within a challenging fiscal environment which is impacting all organisations across the public sector. Tourism, hospitality and events businesses are also facing a difficult economic and geo-political backdrop. We must continue to focus on making the most of the resources we have to play a vital role in providing industry support, stimulating and managing demand and encouraging spread of visitor spend.

While we recognise the scale of these challenges, it is also critical that we understand the opportunities they present, ensuring we are agile enough to adapt and respond effectively. This ensures we can continue to deliver our core purpose of growing the value of the visitor economy in Scotland.

The key changes and challenges we are responding to are:

- Cost of living pressures
- The climate emergency
- A competitive travel landscape and changing traveller behaviour
- Constantly evolving digital environment
- A challenging operating environment for businesses in tourism and events
- The requirement for public sector bodies to operate more efficiently in line with public service reform

Within our strategy, we have five core strategic pillars which inform and shape our activities:

³The economic impact of our work is measured through a robust and rigorous assessment of our activities. Our methodology adheres to both HM Treasury Green Book standards and Scottish Government guidance

⁴ VisitScotland 2023 Conversion Studies

- Stimulating and managing demand.
- Supporting tourism and events businesses.
- Working collaboratively with partners, including community, destination and sector partners
- Enhancing our organisation insight, capability, planning, and compliance.
- Supporting and enabling our people.

3.2 Stimulating and managing demand

Through our integrated marketing strategy, rooted in data and insight, we are building a destination brand to increase global awareness and propensity across target markets and audiences. We prioritise key markets and audiences to expand Scotland's share of global travel through an integrated mix of consumer and intermediary marketing. We continually assess our activities and investment, prioritising for optimal delivery to meet our statutory obligation in a challenging fiscal environment.

Our integrated approach enables us to make Scotland discoverable across the visitor journey, from awareness to planning and booking. We focus on encouraging regional and seasonal spread, driving higher spend for each visit and improving outcomes for our environment and communities. We know we best influence behaviours and destination choice by reaching travellers early and often in their user journey. Throughout all our activity, we encourage visitors to tread lightly and appreciate the impact of their visit.

Our work with Online Travel Agent (OTA) partners, such as Expedia and Skyscanner, drives direct and measurable return. Crucially, this is a single part of a coordinated, integrated mix that ensures we reach the right audiences, in the right places and at the right times, to build both immediate returns and long-term benefits. We work with Scottish businesses to ensure their inventory is listed and accurate on OTA platforms and therefore product is bookable, driving increased economic return. The annual (immediate) return on marketing investment from our Expedia OTA activity last year, for example, equates to an **ROI of £77.79 generated for every £1 spent** by VisitScotland.

Events deliver excellent experiences and showcase Scotland, our values, and assets globally, achieving national and international profile and reputational benefits. Through our work, we leverage internationally renowned events such as our world-leading Edinburgh Festivals, our strong portfolio of major sporting events including the Open Championship, and also our business events to shine a spotlight on Scotland's world-leading event destination credentials. This also includes regional events around the country which define, reflect and celebrate local and regional culture and key assets.

In 2023, the inaugural UCI Cycling World Championships were delivered by VisitScotland through a subsidiary – a collaboration between VisitScotland, the UCI (Union Cycliste Internationale), Scottish Government, Glasgow City Council, UK Sport, British Cycling and Glasgow Life. The event generated significant benefits for Scotland, the UK, and raised the profile of cycling globally. In addition to the

economic impacts, 86% of stakeholders felt the Championships were delivered in an environmentally responsible way and 93% of spectators with a disability found the event to be accessible.

Our work on business events has a policy-driven approach to new business generation, which has already secured a strong pipeline of opportunities for the coming years, including the Ocean Sciences Meeting 2026 and World Agritourism Conference in 2026. This client-facing work targets and supports business events that strengthen our sector and academic areas of excellence through influencing decision-makers and selling and positioning Scotland as a destination for business events. Sectors represented at association events in 2022/23 include life sciences, energy and engineering.

Business events can act as a catalyst to attract and spread further investment, generating positive societal and economic benefits far beyond the additional visitors they bring. These events typically take place mid-week and during the quieter parts of the year, which is important for a balanced visitor economy, as well as having lead-times of up to seven years which enable yield management of a year-round visitor economy in both city and regions, including rural destinations.

3.3 Supporting tourism and events businesses

We support Scotland's tourism and events businesses directly through our extensive programme of activity including one-to-one and one-to-many advice, self-help guides and factsheets, industry events and marketing opportunities. These cover areas such as quality, accessibility, sustainability and digital capability. We also work with tourism businesses to enable them to understand the demands of intermediaries such as tour operators and travel agents, helping them become travel trade ready and grow their business internationally.

We directly support businesses to create and develop new products that will appeal to different markets, helping them navigate the different ways they can reach new markets either directly to consumers or via intermediary channels. Among international visitors, 64% plan their trips to the UK using travel intermediaries, this rises to 73% among long-haul travellers.

In light of challenges in relation to the cost of doing business, we seek to create more low-cost and no-cost opportunities to help businesses connect with intermediaries. This includes delivery of our flagship VisitScotland Connect event, creation of low-cost business development events in London and Edinburgh and free of charge webinar pitches to buyers, including global luxury agents.

Our work to support the sector includes a strong focus on net zero – with advice, support and guidance available for businesses. The *Destination Net Zero* group comprises VisitScotland, Scottish Government and enterprise agencies who together delivered £4million of post-covid recovery funding on projects to support the industry with their transition to a low carbon economy. Since the immediate post-covid period, agencies have developed actions to drive net zero into their organisational delivery plans. The group has continued as a forum for agencies to collaborate, avoid duplication, share knowledge and ultimately maximise our impact.

3.4 Working collaboratively with partners, including community, destination and sector partners

Across all areas of our work, we collaborate with industry, destination and sector organisations and other partners. We aim to ensure that tourism and events deliver for communities in every part of Scotland.

VisitScotland has innovative partnerships with like-minded organisations who put responsible tourism and climate action at their centre. In 2023/4 this included establishing a partnership with The Travel Corporation (TTC), and an international sustainable tourism organisation, the Travel Foundation. The goal of this project is to accelerate the de-carbonisation of the tourism supply chain in Scotland and its anticipated learnings from the project will be of international relevance.

In 2023/4, we had a particular focus on business support to make the tourism and events sector more inclusive. Through our industry programme, we directly engaged with over 400 businesses, sharing the value and benefits of inclusive tourism, and providing support to maximise the opportunities of the market. This included webinar series in partnership with regional partners, conferences and supporting the delivery of training.

A key element of our partnership work to date has been delivery of wide-reaching match-funded industry and public sector marketing collaboration. This ensures enhancement of budgets with third party funding where goals between VisitScotland and selected partners align. Together we maximise collective reach and impact, focused on strengthening objectives and adding value. This has included working with brands, travel partners and organisations such as LNER, Historic Environment Scotland, Sustrans, DFDS, airline partners and Ramblers Scotland.

4. Strategic change programme and public service reform response

In 2024, we began to implement a strategic change programme following a review of our activities. The review commenced pre-Covid but was put on hold as we supported the industry throughout the pandemic and recovery from 2020-2023.

Our multi-year strategic change programme considers the current environment, change drivers and future trends to ensure the organisation is set up for the future with the required skills and resources that we need to deliver our core purpose. This means shaping our marketing, events and industry advice activities to deliver what is needed now and in the future. The decisions that have been taken in relation to our strategic change programme ensure we can continue to deliver ROI for public investment by growing the visitor economy, in turn supporting jobs and communities.

As an organisation, we are delivering all our activities in line with the Scottish Government's public service reform agenda. This will enable us to be more efficient in delivery, removing duplication and increasing alignment, agility and pace.

4.1 Information

VisitScotland is changing the way we provide information to consumers, to prioritise pre-arrival information and target visitors via the channels we know they are using.

In our strategic review of information, we considered a wide range of research and insights which looked at how visitors plan and book their holidays. This showed the majority of visitors plan most aspects of their holiday before they leave home, gaining inspiration from online sources or are using specialists like tour operators and travel agents to plan their visits.

VisitScotland therefore has a much greater role to play in getting information to visitors at the early stages of their holiday planning. This allows us to have greater influence on where, when and how long they visit, which will crucially grow the value of the visitor economy in a sustainable way.

We are currently managing a two-year phased closure programme across our iCentre network. This considers issues like staffing and leasing. We expect all iCentres to close by the end of March 2026.

Looking ahead, we will influence consumers at the beginning of their journey, with an understanding of how visitors plan and book travel. Our approach will focus on both the creation and curation of multimedia content that feeds social media search and third-party platforms, as well as our own channels. This will make the best use of the resources we have to build demand and intent for Scotland, maximising our impact on the visitor economy.

4.2 Business advice and support

VisitScotland provides tourism and event businesses with tailored advice and support to help them grow and deliver quality, memorable experiences. As part of our strategic change programme, we are currently managing a transition period to retire our paid Quality Assurance (QA) schemes and focus on a free-to-access business advice programme, designed to drive up the quality of Scotland's tourism product and improve the visitor experience/event.

Research shows that consumer behaviour and the needs of our businesses are changing. Consumers are looking to user reviews to help inform their own holiday planning and businesses are using the rich information provided by these reviews to manage their online reputation, driving their marketing, and informing their business planning and investment in their product.

Businesses value the advice that we provide, and we'll continue to play an important role in providing quality, and free-to-access, advice to businesses. We will expand our work supporting tourism and events businesses to identify and exploit opportunities. This will help spread visits across regions and seasons, encouraging longer stays and higher spend, and generating positive engagement and jobs in rural, island and urban communities.

Our new approach will focus on the development of our Tourism and Events Business Support Programme. Through this, we will seek to reach more businesses with relevant insight and quality advice. This will be done through a one-to-many delivery model with targeted support where

required. We will take a sector specific approach, to ensure support is tailored to the needs of businesses.

We are a member of the multi-agency Business Support Partnership (BSP) and continue to support the collective aims of that work, ensuring signposting to appropriate support that VisitScotland does not provide.

Together, the BSP aim for no duplication in service provision, supporting the aims of public service reform and benefiting businesses by providing sector-specific, tailored advice where it is most relevant. Working together, we aim to build a more streamlined, effective, efficient and easy-to-navigate system of support to help businesses across Scotland achieve their growth ambitions.

4.3 Workforce

We are supporting our staff throughout our strategic change programme as we work to ensure we are the right size and shape with the right roles and skills for the future. The specialist skills required to realise our strategy are changing and we need to identify and integrate the skillsets required to ensure we continue to effectively deliver on our core purpose.

Our work is being delivered in line with public service reform, to manage and drive efficiencies across the organisation. We are facing into the challenges of change, using a blend of reskilling, redeployment and voluntary redundancy.

4.4 Estates

We are taking steps to maximise use and efficiency within our estate. To ensure VisitScotland is getting the most out of our estate, we consider value for the community, co-location and office capacity.

Since 2018 VisitScotland has reduced its local office space by 5,472 square metres (58,902 square feet) by relocating to smaller premises at lease ends, this included the exit of our previous Edinburgh head office at Ocean Point.

As part of our engagement with local authorities and other public bodies, VisitScotland currently co-locate or sub-lease in the following offices:

- Edinburgh Head Office – co locate with City of Edinburgh Council
- Aberdeen – co locate with Aberdeen City Council
- Perth – co-locate with Perth & Kinross Council
- Ayr – co-locate with Skills Development Scotland
- Inverness – co-locate with NatureScot
- Edinburgh, Royal Mile, - co-locate with City of Edinburgh Council
- Orkney – sub-lease to Destination Orkney
- Brodick – sub-lease to Visit Arran

- Glasgow - sub-lease to Scottish Tourism Alliance

These co-locations deliver both significant savings to VisitScotland and to the wider public Sector.

As we consider our options for the disposal of our iCentre network, we are following the Scottish Government's guidance in relation to public sector withdrawal from an owned or leased building.

4.5 Digital first

Over the past ten years, VisitScotland has undertaken a digital transformation. As part of this, we have managed a staged approach to moving services to the cloud, in line with the Scottish Government's requirement to be 'cloud first'. The initial target of this was to move large enterprise systems into the Software as a Service (SaaS) model. This included Oracle ERP, Microsoft 365, Dynamics CRM and Bloomreach Content Management System. Services such as backup and web infrastructure are now being moved to SaaS and IaaS providers. The VisitScotland data centre was decommissioned in 2023/24.

Looking ahead, our strategic change programme includes a workstream which will focus on our data strategy, technical infrastructure and business processes. This work will include an evaluation of our digital and IT assets, establishing a clear strategy for investment to support our digital-first, but not digital only, approach. It will enable us to enhance and maximise our digital and data capabilities to drive efficiencies and help future-proof the organisation.

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