



Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean

ACTION FOR JOBS AND COMMUNITIES | OPERATING PLAN 2022

OPERATING PLAN 2022-23

PLANA GNÌOMHACHAIS 2022-23

The recent publication of the National Strategy for Economic Transformation (NSET) heralds a new approach to deliver a green recovery and wellbeing economy for Scotland and all its regions. HIE welcomes this new focus and especially the strong regional dimension to NSET and recognition that careful consideration should be given to rural and island areas to ensure NSET delivers for all parts of Scotland.

Through our unique assets, the Highlands and Islands is ideally placed and ready to make a significant contribution to the ambitions set out and benefit from the major opportunities to transform our region. This will require new approaches, pace, partnership and investment to deliver successfully.

HIE has already taken bold steps this year by setting out our clear commitment to drive the Fair Work agenda, with conditionality extended to all financial investments from 1 April 2022. We will continue to strive to support our businesses and community organisations to adopt and embed Fair Work. Achieving net zero requires similar bold approaches to further support the vital shift. HIE is committed to working with businesses, social enterprises and communities to encourage and support carbon measurement and the development of net zero plans, as well as showcasing the exemplar good practice across our region, inspiring others to act. We will be learning and developing our own approach alongside and in partnership with the businesses and communities of the Highlands and Islands, starting with training all our Board and staff in carbon literacy. We are committed to becoming a net zero organisation and will agree a target date for achieving net zero emissions over the coming year.

This Operating Plan sets out our focus for the year and emerging priorities for the development of our new longer-term strategy which will publish in 2023.

Figure 1: Our Vision, Ambition and Programmes of Action for Scotland's Economy by 2032



ECONOMIC AND REGIONAL CONTEXT

SUIDHEACHADH EACONAMACH IS ROINNEIL

The outlook for the UK in the near term remains challenging, given the unprecedented turbulence caused by the Coronavirus pandemic, the UK's exit from the EU and the crisis in Ukraine, with inflation likely to hit 10% later this year, wages failing to keep pace and increases in global energy prices which have provoked a cost-of-living crisis. An economic slowdown is anticipated towards the end of 2022 with a possible recession in 2023, pointing to further turbulent times ahead. Parts of the region's economy have proved especially susceptible to the pandemic lockdowns, with the Highlands and Islands experiencing the greatest fall in GDP between 2019 and 2020 of all Scottish regions¹.

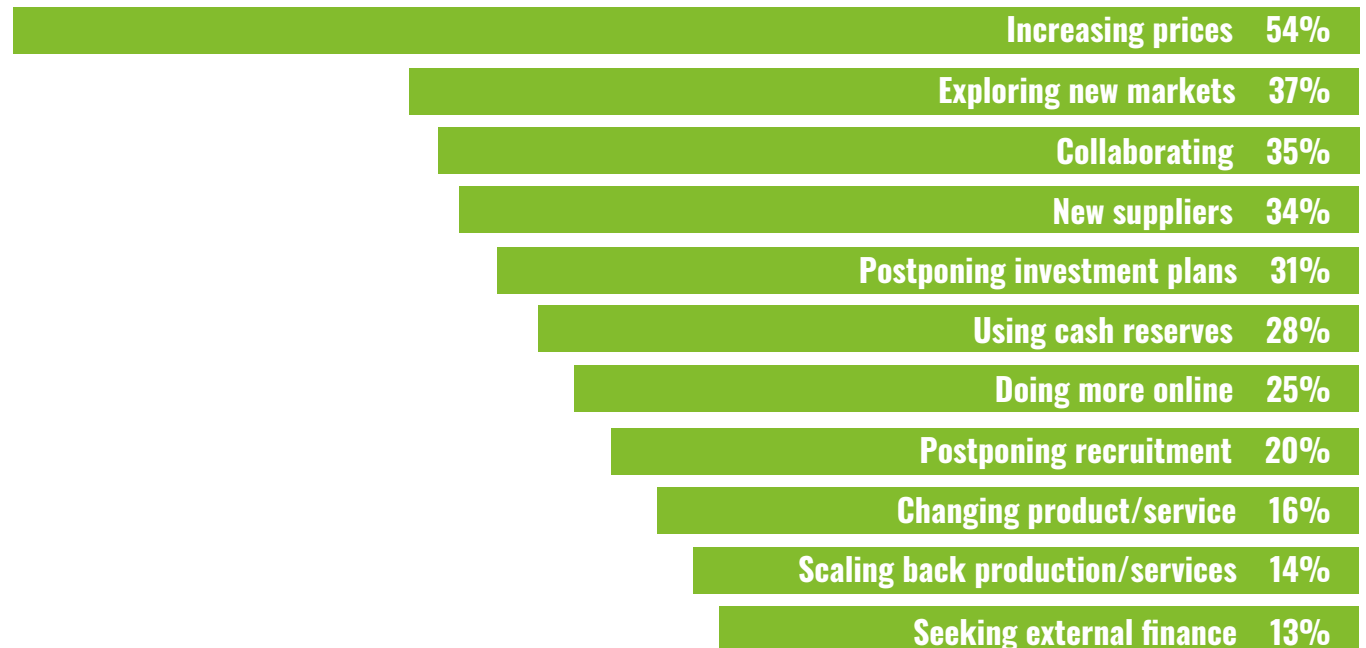
Businesses and communities in the region still need to persevere to overcome issues of remoteness, peripherality and distance to markets, access to labour and housing, as well as higher energy costs, and a reliance on more expensive fuel sources. Improved transport infrastructure is an important enabler for investment in the region, but challenges with the reliability and resilience of services, particularly ferry links, impacts business confidence. The vast majority (94%) of our businesses are concerned about rising costs and whilst increasing prices may ensue, many businesses are exploring new markets and suppliers, seeking to collaborate and innovate to address this. Workforce challenges are cited by 70%² of businesses, particularly for the tourism and hospitality sector, however many businesses are taking measures to address this through upskilling and using apprenticeships, increasing wage rates, investing in technology and new working practices, and through collaboration with others. Our region is well positioned to take advantage of the "new normal" as people increasingly prioritise quality of life, access to outdoor space and remote working. Our analysis of regional economic performance will support our response to delivering NSET ambitions and provides a focus for the year ahead.

HIGHLANDS AND ISLANDS GDP DECREASE

-11.8%,
compared to
-10.7%
in Scotland and
-9.7%
in the UK



HIGHLANDS AND ISLANDS BUSINESS RESPONSES TO COST INCREASES



1 Gross Domestic Product (GDP) chained volume measures (CVM) in 2019 money value, <https://www.ons.gov.uk/economy/grossdomesticproductgdp/datasets/regionalgrossdomesticproductallnutslevelregions>
2 <https://www.hie.co.uk/media/12263/hie-business-panel-february-2022-report.pdf>

Entrepreneurial activity

The highest rate of total early-stage entrepreneurial activity as a proportion of the working age population

High growth companies

2.5 high growth companies per 10,000 people of working age (Scotland 2.1)

Self-employment

Higher levels of self-employment (10.3% compared to 7.7% in Scotland)

Renewable energy

34% of Scottish operational installed renewable capacity

Commitment to net zero

70% of businesses identified moving to low carbon ways of working as a priority (rural Scotland 65%)

Space

Four of the five proposed spaceports in Scotland in our region

Offshore wind

Eight of the 17 new sites in the ScotWind round are in our region

Innovation active businesses

35% of businesses in Highlands and Islands and South West* were innovation active (Scotland 32%)

Very good perception of neighbourhood

Neighbourhood satisfaction higher across region from 63% in Moray to 90% in Innse Gall (Scotland 57%)

Community owned land

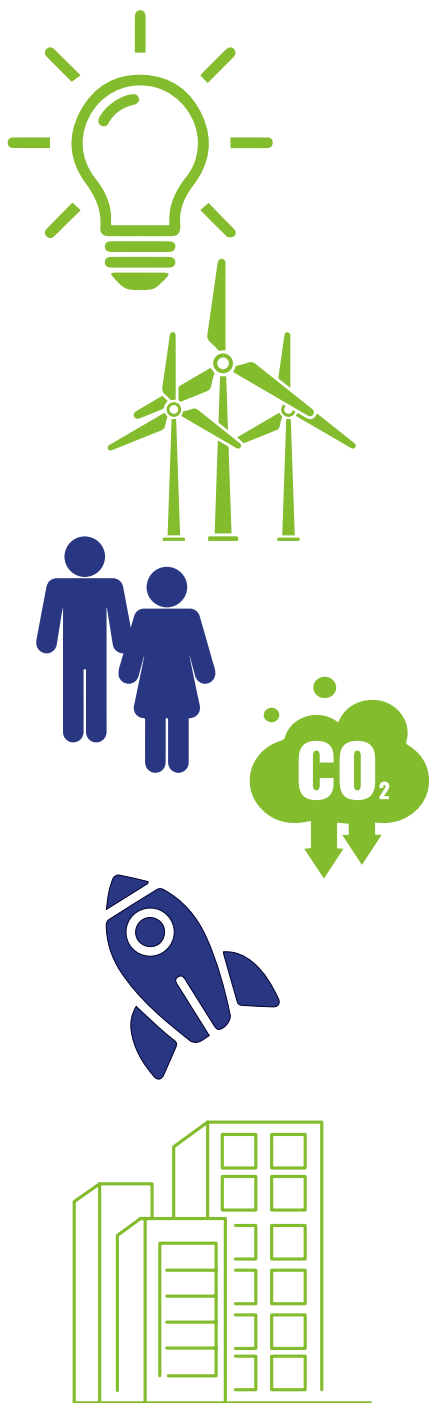
99% of Scotland's community owned land is in our region

Gender employment gap

Gender employment gap is lower (3.6 percentage points vs 4.7 in Scotland)

Social enterprises

1,272 social enterprises (21% of Scotland)



Business start-ups

46 new enterprises per 10,000 people of working age (Scotland 51)

Inward investment

Our region accounted for 7% of all Scottish inward foreign direct investment (FDI) flows into the UK

Exports

Exports as a proportion of GDP was 23% (Scotland 27%)

GVA per hour worked

95% of the Scottish level

Business expenditure on R&D

2% of R&D spend in Scotland was in our region**

Pay

Mean annual pay for all employees 87% of the Scottish level

Skills under-utilisation

36% of employers reported skills under-use within their organisation (Scotland 33%)

Population change

Lower rate of population growth (0.3% compared to 3.1% in Scotland) between 2011 and 2020

Dependency ratios

Higher dependency ratio (0.66 compared to 0.56 in Scotland)

Housing – Second homes

Our region has 37% of Scotland's second homes (9% of overall dwellings)

Extreme fuel poverty

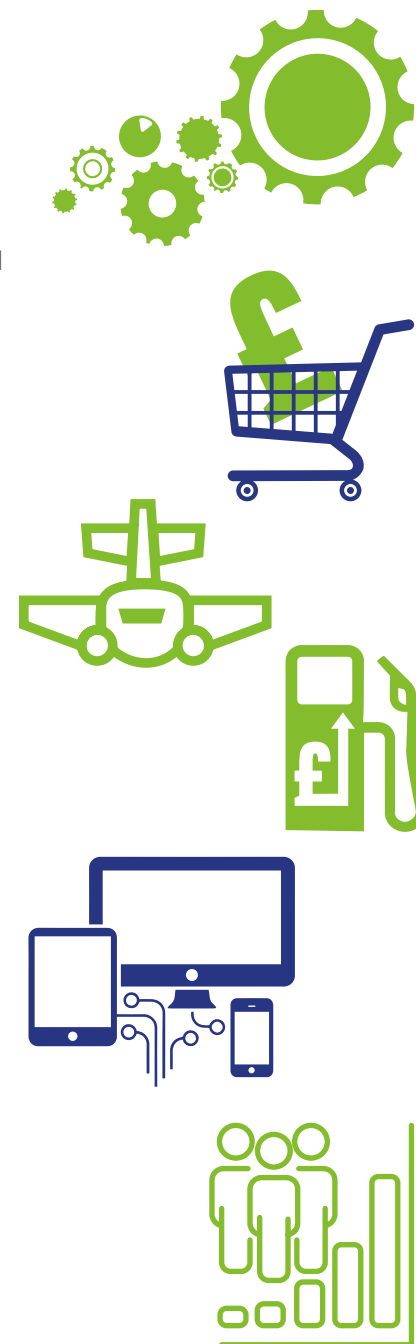
All main local authorities in our region have the highest extreme fuel poverty in Scotland

Cost of living

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

Digital Connectivity

21% of households in our region are able to receive gigabit broadband (63% in Scotland)



* Includes the NUTS2 categories of South West Scotland and Highlands and Islands
 ** Figures not available for Outer Hebrides and Orkney

REGIONAL OPPORTUNITIES

COTHROMAN ROINNEIL

There is no doubt economic conditions will remain challenging, and for parts of our economy a focus on resilience and adaptability will be key, however there are also good foundations on which to build a green economic recovery.

Our recent Business Panel survey indicates our businesses are focusing on productivity, adopting new technologies and increasing planning or taking action to move to low carbon ways of working. The Highlands and Islands will play a significant and transformational role in the national journey to net zero emissions by 2045. **It is no exaggeration to suggest that the ambition of Scotland and the UK to achieve net zero and to adapt to climate change will be impossible unless we maximise the contribution from our region.** The enviable renewable energy generation potential of Highlands and Islands is enormous. This is recognised through the recent ScotWind leasing round as well as regional bids for Green Freeport status. It provides us with a once-in-a-generation opportunity to drive economic growth on a massive scale, while reversing population decline, supporting community wealth building and expediting the regional and national just transition to net zero emissions. The region is also well placed to support and increase community benefit from carbon capture and sequestration through its unique natural capital with vast peatlands, woodland and marine resources.

These exciting and burgeoning opportunities for regional transformation extend further with the first commercial space flights from UK soil expected to take place over the coming year, with the region hosting four out of the seven proposed UK Spaceports. In recognition of further distinct regional advantages, HIE is developing a Blue Economy Strategy with increasing focus on aquaculture, marine energy and renewables, marine environmental services and marine biotechnology and processing. This will build on the vision set out by Scottish Government this year. The region is privileged to be home to the University of the Highlands and Islands (UHI) with world renowned specialisms in marine and environmental science as well as health. It is important that HIE aligns and works even more closely with UHI to realise shared aspirations.

The region's Growth Deals aim to grasp these opportunities through the development of strategic assets across the region to support the transition to net zero, stimulate innovation and entrepreneurship, develop manufacturing capability, and enhance heritage and tourism.

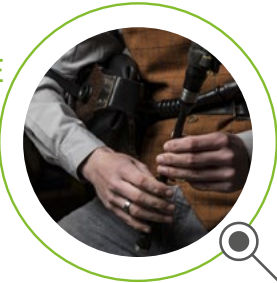


Picture Credit Ewen Weatherspoon/UHI

OUR REGIONAL OPPORTUNITIES

AUTHENTICITY, PROVENANCE AND HERITAGE

Key drivers for tourism, creative industries and food and drink. Maximising the role of the Gaelic language.



BLUE ECONOMY

We have a major natural advantage in the green and blue economies along with significant ports and harbour assets:

- Aquaculture
- Marine Biotechnology
- Marine Energy and Renewables
- Marine Environmental Services



UNIVERSITY OF THE HIGHLANDS AND ISLANDS (UHI)

The University of the Highlands and Islands is a key asset. Given its world leading expertise in remote learning and specialisms in marine and environmental science and health, it can positively contribute to the region's net zero ambition / potential.



REMOTE AND HOME WORKING

More remote and home working will provide opportunities to attract more people to live, work, study and invest in the region.



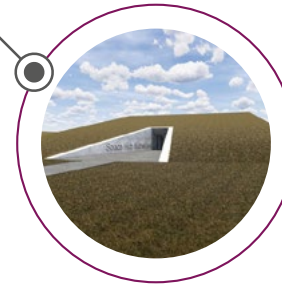
NET ZERO AND NATURAL CAPITAL

Major potential exists in offshore wind and green hydrogen development and deployment; maximising Circular Economy opportunities; land use and natural capital; and decarbonisation of heat. We're uniquely placed for net zero research, development, and supply chain opportunities and to disproportionately contribute to national targets. Opportunity exists for early decarbonisation of traditional sectors e.g. to establish the region as a low carbon destination.



SPACE/AEROSPACE

Our geography offers huge opportunities for spaceports and associated space and aerospace supply chain activities.



ADVANCED MANUFACTURING AND TECHNOLOGY

Technology and innovation will increase productivity, accelerate a data and digital driven economy and evolve health care, overcoming geographic barriers and supporting delivery of the just transition to net zero.



AREA TEAMS IN YEAR FOCUS

FÒCAS AIR SGIOBAIDHEAN SGÌREIL



1. ORION project
2. Ultra Deep Water Port, Dales Voe
3. Fair Isle Bird Observatory
4. ORIC Phase 2
5. SATE project, Kirkwall
6. EMEC
7. Tongue, Melness and Skerry Area Plan
8. Denchi House
9. Wick Business Park
10. Golspie Business Park
11. Manufacturing Innovation Centre Moray/Aerospace Advanced Technology Innovation Campus
12. Buckie Harbour
13. Forres Enterprise Park
14. Energy Factory Nigg
15. Opportunity Cromarty Firth
16. Inverness Castle Project
17. Stornoway Deep Water Port
18. Islands Growth Deal Projects
19. Uist Repopulation Pilot Area
20. Skye and Raasay Future
21. Kishorn Port
22. Fort William 2040
23. European Marine Science Park
24. Machrihanish

SHETLAND

Declining population: 22,940*

- Partner with Shetland Islands Council on project ORION, a 'Shetland Energy Hub' concept to develop new market opportunities.
- Lead a sector initiative with partners to develop an action plan to tackle significant construction sector capacity issues.
- In partnership, support and influence the development of key Islands Deal projects, taking a leading role in the ultra deep water port.

ORKNEY

Increasing population: 22,540*

- Progress key Orkney-led growth deal projects to Full Business Case/approval (ORIC II; Pier Arts Centre; World Heritage Site Gateway).
- Support the establishment of a Scottish Floating Offshore Wind Test and Demonstration facility, building on the established expertise and infrastructure at EMEC.
- Develop proposals for infrastructure provision, inward investment propositions and supply chain development in response to the next stage of the Sustainable Aviation Test Environment project, Kirkwall.

CAITHNESS AND SUTHERLAND

Declining population: 38,037

- Widen our client engagements to help businesses to enhance productivity, decarbonise and create new jobs.
- Support the acquisition/enhancement of community assets; build community capacity and resilience; and work in partnership to develop innovative approaches to acute housing and staffing shortages in priority repopulation pilot areas.
- Work with the private and academic sectors to develop incubation and accelerator facilities in support of the space sector.

MORAY

Increasing population: 96,410*

- Support the development and delivery of the Moray Economic Strategy framework for action.
- Increase productivity to drive higher wages, contributing to closing the gender pay gap.
- Support the diversification of Moray's economy into new high value areas and markets.

INNER MORAY FIRTH

Increasing population: 158,311

- Support a transition in the energy economy in the Inner Moray and Cromarty Firth from oil and gas to renewable energy.
- Invest in growth and development of the life sciences, technology and advanced engineering, timber processing and food and drink sectors, through development of the skill-base, increased automation and both inward and indigenous investment.
- Support the transformation of the tourism sector to transition to net zero, adapt and respond to labour market conditions and provide higher-added value.

OUTER HEBRIDES

Declining and ageing population: 26,640*

- Support population and talent attraction initiatives especially targeting Uist.
- In partnership, identify, develop and support solutions to housing constraints.
- Work with partners to develop the evidence base for ferry investment and services.

LOCHABER, SKYE AND WESTER ROSS

Stable population: 39,082

- Work with partners to attract and retain the skilled workforce businesses require in order to realise their growth potential.
- Make the case for significant infrastructure investment to support both growth and net zero ambitions.
- Foster collaboration to ensure success of Place Principle ambitions in key communities across the area.

ARGYLL AND THE ISLANDS

Declining and ageing population: 65,486

- Support innovation in the construction sector to alleviate housing market pressures.
- Grow our business portfolio to support productivity enhancements and drive innovation.
- Develop community assets and capacity to support net zero transition, housing and business units and support population and talent attraction and retention.

* Ten year trend used and NRS: Mid-2021 Population Estimates Scotland where available

THE YEAR AHEAD

AM BLIADHNA AIR THOISEACH

HIE has a strong commitment to partnership working. Collaboration is fundamental to tackling key issues such as housing supply, transport and digital connectivity, the climate and ecological emergency and to achieving regional prosperity and transformation as evident in our longstanding local, community, regional, sectoral and national partnerships – such as the Business Support Partnership – which will undertake a leading role in realising NSET delivery commitments.

The recent creation of the Highlands and Islands Regional Economic Partnership (REP) provides a new springboard and it will prioritise the translation of NSET ambitions into appropriate actions for the region during the year ahead. We must exploit our collective knowledge, experience and influence in order to develop solutions and deliver these ambitions and actions.

We will continue to engage with the Scottish Government to support the development of the NSET delivery plans and use our latest analysis of regional performance to inform our approach for the year ahead. This indicates a need to:

- capitalise on strong new market opportunities in renewable energy, blue economy, space, natural capital and transform our more traditional sectors, such as tourism and food and drink, to become more competitive and resilient;
- build on our strong entrepreneurial culture and work with partners to encourage more young people and women to start up their own enterprises;
- support our businesses and communities to transition to net zero;
- increase productivity, innovation, and exports;
- evolve a community wealth building approach for the region in conjunction with our partners;
- support social enterprises to create new opportunities;
- extend Fair Work practices, increase incomes and tackle rural disadvantage;
- adapt and develop a skilled workforce which can support our new market opportunities and meet the needs of existing sectors;
- ensure appropriate enabling infrastructure and connectivity throughout the region to support growth and community sustainability; and crucially
- stem the population decline and grow our population which has been significantly impacted by the exit from the EU and the pandemic.

In addition, the current economic climate will result in some parts of our region and economy continuing to focus on resilience and adapting to the conditions. Through our client engagement and research, we will aim to better understand the challenges they are facing to both implement solutions and benefit from the transition to net zero to help inform future action.

We will develop our new strategy during 2022 and our partnerships, particularly the REP, provide a good opportunity for increased consultation.

Our focus for the year ahead is set out in our actions below:

ENABLE STRONG, CAPABLE AND RESOURCEFUL COMMUNITIES / A' TOIRT COMAS DO CHOIMHEARSNACHDAN LÀIDIR AGUS DÈANADACH

We will enable communities and social enterprises to fulfil their vital role in contributing to the social and economic wellbeing and growth of the region. We will continue to support the acquisition and development of income generating assets and encourage communities to benefit from and exploit the many opportunities presented by the transition to net zero and from our unique culture and heritage, including from the Gaelic language.

RESILIENCE AND CAPACITY	COMMUNITY ASSETS	NET ZERO TRANSITION AND GREEN RECOVERY
Actions	Actions	Actions
<ol style="list-style-type: none"> 1. Deliver resilience and capacity support for communities. 2. Provide a suite of products and services which build capacity and financial independence for community led development. 3. Explore the role HIE can play in further development of community led tourism. 4. Work with Comhairle nan Eilean Siar on the Community Wealth Building pilot to review procurement opportunities and assess the routes to strengthening the engagement of the local supply chain and use learning to support development across the region. 5. Stimulate new and strengthen existing innovative social enterprise activity through supporting innovative ownership models such as cooperatives, and opportunities to engage in supply chains. 6. Support the Scottish Government review of social enterprise development and employee-owned businesses and cooperatives in Scotland. 	<ol style="list-style-type: none"> 1. Support and promote socially productive use of land and assets. 2. Support community landowners to engage in natural capital marketplace. 3. Support place-based working that encourages use of Gaelic as an asset. 4. Manage and deliver the Scottish Land Fund. 5. Establish a Community Right to Buy Fund to encourage communities to register an interest in land, thus facilitating community land ownership should the asset be offered for sale. 6. Support research on changing trends in community land ownership. 	<ol style="list-style-type: none"> 1. Support and promote community led approaches to net zero. 2. Lead a multi stakeholder group to develop a common approach to understanding, attracting and deploying community benefits from natural capital. 3. Complete, promote and disseminate findings from the Argyll and Islands 'Optimising carbon sequestration for community wealth building' project. 4. Support research on mechanisms to deliver community benefits arising from the natural capital potential of privately owned land. 5. Support, develop and share lessons from innovative projects which explore HIE's role in net zero from the perspective of communities. 6. Develop a carbon pathways project which supports community landowners to understand the potential of their natural capital.

Deliverables

- Social enterprises supported
- New social enterprises created
- Community Anchor Organisations supported
- Community organisations with increased capacity
- Organisations supported to develop new business models
- Support 40 community led organisations with delivery resource
- Successful completion of the SUNSE programme, supporting social entrepreneurs and publicise the online future support.

Deliverables

- No of Scottish Land Fund acquisition approvals
- New/improved income generating community assets
- Launch the Community Right to Buy Fund
- Successful completion of CUPIDO and consideration of evaluation findings
- Deliver and review the Social Impact Measurement pilot

Deliverables

- Profile our clients on the new HIE net zero ladder
- Use a Carbon Emissions Impact Control Categorisation for HIE investments
- New / improved income generating green community assets
- Deliver a stakeholder conference on natural capital market development
- Scope and commission an energy innovation pilot project in the Outer Hebrides as part of the RIPEET³ programme.

TRACKING MEASURES

- Increase in turnover in the social economy (£m)
- Jobs supported (FTEs) / Green jobs supported (FTEs)
- Increase in productivity of supported social enterprises
- Average wage of jobs supported (FTEs)
- Capital asset investment (£m) / Green capital asset investment (£m)
- External investment secured (£m) / External green investment secured (£m)

3 <https://www.hie.co.uk/support/browse-all-support-services/ripeet/>

BUILD SUCCESSFUL, PRODUCTIVE AND RESILIENT ENTERPRISES / TOGAIL IOMAIRTEAN SOIRBHEACHAIL, CINNEASACH AGUS ATH-LEUMACHD

We will support enterprises of all sizes in our growth sectors to be dynamic and entrepreneurial; target market opportunities; diversify the regional economy; use innovation, fair work and net zero as key drivers of growth; and to create employment and wealth. Identifying opportunities to accelerate growth and scale enterprises will contribute to Scotland's productivity aspirations. HIE will step up engagement with new and existing inward investors in the region to secure sustainable and inclusive growth opportunities for diversification, expansion and job creation.

CAPACITY AND GROWTH	PRODUCTIVITY	INNOVATION	NET ZERO TRANSITION AND GREEN RECOVERY
Actions	Actions	Actions	Actions
<ol style="list-style-type: none"> 1. Increase client and sector awareness of fair work, net zero, the circular economy and innovation as key drivers of competitiveness and growth. 2. Increase HIE's reach and engagement through expansion of our Enterprise Support Service, one-to-many and online delivery of information and support, including self-service. 3. Support clients to adapt and develop business models through sectoral and area team expertise using the Business Review Tool as a starting point. 4. Review current suite of core business skills and entrepreneurship offer to inform future delivery. 5. Support client growth and capacity through graduate and technology placements. 6. Work with Business Gateway to identify start-ups with high growth potential and provide support as required e.g. Young Business Capital Investment Grant. 7. Partner with Business Gateway to develop a more strategic approach to stimulate entrepreneurship in the region. 	<ol style="list-style-type: none"> 1. Increase client and sector awareness and knowledge of the key drivers of productivity: scaling and investment in digital technology, advanced manufacturing, automation, fair work, skills development R&D and innovation. 2. Work with partners such as NMIS and SMAS to provide advice and support to enable clients and sectors to implement productivity improvements in their organisations. 3. Provide support directly to new and early-stage exporters, while also maximising the support available through the A Trading Nation framework for the region's experienced exporters. 4. Proactively target new inward investment opportunities that fit well with the region's strengths and natural assets and are aligned to the opportunity areas identified in Scotland's Inward Investment Plan: Shaping Scotland's economy. 5. Implement a refreshed and proactive approach to strategic engagement with HIE's existing inward investors, to attract new regional investment. Focusing on those that align well to the region's strengths and values. 6. Increase demand for, knowledge of and access to finance and investment, including supporting businesses to access appropriate vehicles including the Scottish National Investment Bank. 	<ol style="list-style-type: none"> 1. Embed innovation into every client engagement and monitor progress using the Innovation Ladder tool. 2. Launch our new 3-year Innovation Programme providing tailored support to clients to adopt more disruptive innovative processes and practices in their organisations including advanced digital adoption and manufacturing. 3. Provide R&D support – including in non-R&D intensive sectors – taking a placed based approach to stimulating demand and support. 4. Work in partnership to lever maximum benefit for the Highlands and Islands from Scotland's innovation centres. 5. Continue delivery of a suite of programmes to develop entrepreneurial mindset and skills e.g. Impact 30 and Pathfinder Accelerator. 6. Continue to support the development and, in some cases, lead the delivery of a suite of innovative Growth Deal projects and capitalise on any synergies across different Deals to maximise benefit for the region. 7. Continue to horizon scan for new sectoral and sub-sectoral opportunities that could benefit the region and work with partners to maximise any potential benefits. 8. Conclude the development of a Blue Economy strategy for HIE and develop an action plan, which will outline sub-sectoral priorities for HIE influence and investment. 9. Consider the findings from the OECD Rural Innovation Project (to report Autumn 2022). 	<ol style="list-style-type: none"> 1. Embed net zero into every client engagement and monitor progress using the Net Zero Ladder tool 2. Work with partners (Zero Waste Scotland in particular) to signpost clients to the most appropriate support to help them achieve their resource efficiency and de-carbonisation goals. 3. With partners and other key stakeholders such as ILGs, influence the decarbonisation of key sectors, such as distilling, space, aquaculture and oil and gas. 4. Continue to support the development and, in some cases, lead the delivery of low carbon Growth Deal projects capitalising on synergies to maximise benefit for the region. 5. Work with partners to develop the supply chain for nature-based solutions throughout the region.

Deliverables	Deliverables	Deliverables	Deliverables
<ul style="list-style-type: none"> Organisations supported to increase resilience Organisations adopting / embedding Fair Work practices New organisations supported (defined as under 3 years old) Organisations developing management and leadership capability Number of participants in XpoNorth events supported to collaborate, network and develop new market opportunities Graduate and Technology Placements supported Number of clients profiled on the HIE Business Values Ladder Number of Business Reviews completed Number of client action plans completed 	<ul style="list-style-type: none"> Organisations supported to improve financial readiness Organisations supported to access investment Increase in productivity in supported organisations Organisations supported to develop new international markets and increase international sales Inward investors supported to locate in the Highlands and Islands for the first time Number of existing investor expansion projects 	<ul style="list-style-type: none"> New products and services developed Number of clients profiled on the HIE Innovation Ladder Increase the number of innovation active businesses Increase business expenditure in R&D A new HIE Blue Economy Strategy Successful completion of Co-Innovate Programme and promotion of outcomes 	<ul style="list-style-type: none"> Number of clients profiled on the HIE Net Zero Ladder Use a Carbon Emissions Impact Control Categorisation for HIE investments Lead a multi partner group exploring the supply chain for natural capital solutions across Scotland

TRACKING MEASURES

- Increase in turnover (£m)
- Increase in international sales (£m)
- Jobs supported (FTEs) / Green jobs supported (FTEs)
- Average wage of jobs supported (FTEs)
- Increase in productivity in supported enterprises
- Capital asset investment / Green capital asset investment (£m)
- External investment secured (£m) / External green investment secured (£m)

CREATE THE CONDITIONS FOR GROWTH AND A GREEN RECOVERY / CRUTHAICH SUIDHEACHAIDHEAN AIRSON FÀS AGUS EACONAMAIDH UAINNE

Maximising the opportunities presented, especially by the unique natural capital of our region and our cultural heritage, requires strong foundations and investments in enabling infrastructure, skills and education, population growth and access to talent, and research capacity. This is critical to meet the ambition of a green recovery. HIE will play a pivotal role through leadership, advocacy, influence, support and developing the evidence base for investment.

ENABLING INFRASTRUCTURE AND REGIONAL ASSETS	POPULATION ATTRACTION AND RETENTION	DEVELOPING THE EVIDENCE BASE AND SUPPORTING POLICY DEVELOPMENT	NET ZERO TRANSITION AND GREEN RECOVERY
Actions	Actions	Actions	Actions
<ol style="list-style-type: none"> 1. Establish Space Hub Sutherland and assist and support the development of other spaceport activity. 2. Manage and develop a property and land portfolio with partners, implementing the HIE property strategy to support strategic investments to respond to place-based opportunities. 3. Maximise the long term economic, social and environmental impact of Cairngorm Mountain estate. 4. Work with local and national partners to ensure equitable access to future-proofed digital infrastructure. 5. Support the development of business cases for key projects across the Moray, Argyll and Bute, and Islands growth deal programmes and early implementation. 6. Assist local authorities and other key partners to maximise the infrastructure opportunities within growth deals and support targeted impactful place-based town centre regeneration projects. 7. Work with partners to realise the benefits of large strategic projects such as Inverness Campus. 8. Engage with partners to identify port and harbour infrastructure investment opportunities and options for delivery to support supply chain and build out of ScotWind and hydrogen. 9. Collaborate with potential accommodation sharing partners and Scottish Futures Trust on the development of hubs for co-working. 10. Work with UHI to agree a set of joint objectives to support regional growth and opportunities. 	<ol style="list-style-type: none"> 1. Work with partners to develop new approaches to attract and retain working age population in the region. 2. Through the work of the COHI Population Working Group and HIE's own targeted interventions, support projects and initiatives for nine communities experiencing serious population decline. 3. Provide evidence to Scottish Government to support the development of its Population Action Plan and the methodology for Repopulation Zones through the COHI Population Working Group. 4. Create infrastructure and opportunity to develop core skills within the region. 5. Influence the development of new approaches / models to increase the supply of essential housing stock with partners and seek opportunities to utilise HIE landholding to support development. 6. Support the Scottish Childminding Association to create new childminders in areas where there is a current lack of provision. 	<ol style="list-style-type: none"> 1. Host the Highlands and Islands Regional Economic Partnership (REP) secretariat and support the REP work programme. 2. Work with partners to maximise regional access to and benefit from UK regional and other funding programmes including Levelling Up and Shared Prosperity Funds, and further develop the evidence base to ensure the region's characteristics are understood. 3. Undertake research and evaluations to support HIE's approach to delivering NSET, inform decision making and influence policy. 4. Work with NHS Highland and other partners to establish an innovation driven health campus network that will accelerate sectoral growth over the next decade, increase critical mass and ensure that the benefits extend to other parts of the region. 5. Collaborate with partners to identify key transport constraints and improve provision throughout the region. 6. Support and influence the development of major transport reviews being taken forward by Transport Scotland, such as the Islands Connectivity Plan. 7. Pursue international engagement opportunities where they offer exchange of intelligence, expertise and best practice in support of HIE priorities. 	<ol style="list-style-type: none"> 1. Support the region's bid(s) to secure Green Freeport Status and benefits realisation thereafter. 2. Facilitate world leading wave and tidal energy development through partnership working with EMEC, WES, industry, government, Crown Estate Scotland and investment community, and seek to secure both project and manufacturing opportunities for the region. 3. Support early-stage delivery of ScotWind and wider offshore wind opportunities through developer engagement and active participation on Scottish Offshore Wind Energy Council. 4. 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. 5. Internal focus on climate literacy, re-baselining HIE's operational carbon footprint, with a view to informing and shaping an internal net zero action plan and formally agreeing a corporate net zero target date. 6. Prepare a net zero plan for HIE's property portfolio, embedding greater energy efficiency measures and onsite renewable generation in appropriate properties. 7. Raise the profile of the region through support for awards such as VIBES and Green Energy Awards, attendance at key industry events, and inward investment proposition development. 8. Engage with governments and regulators to ensure access to and investment in electricity and gas networks to support net zero ambitions, whilst working to address fuel poverty. 9. Seek opportunities in cross border and cross-sectoral collaborations to increase the pace of sustainable innovation in key growth sectors.

Deliverables

- Construction commences on Space Hub Sutherland
- Commence work on site at Breasclete, the small units at Broadford on Skye, and progressing the small units at Eabhal phase 2, on Benbecula
- Deliver priority investments at Cairngorm Mountain Estate including completion of strengthening works to the funicular and return it to operations during winter 22/23; deliver early masterplan investments and actions; conclude initial stages of operating and governance review
- Define and scope Inverness City Highland City Region Deal project in relation to digital connectivity in agreement with local stakeholders and SG / UKG
- Progress at least one key Growth Deal project which HIE leads on to Full Business Case
- Complete the development of the Life Sciences Innovation Centre (LSIC) in partnership with UHI on Inverness Campus
- Manage fit out of Malin House first floor and conclude the design process for the Phase 2 building at the European Marine Science Park
- Commence the formal master-planning for phase 2 of Inverness Campus to maximise the entrepreneurial opportunities across knowledge industries
- Progress Inverness Campus Plot 14 project to “shovel ready” status

Deliverables

- Review the 12-month pilot Settlement Officers located in three local authority areas, to inform future interventions and Scottish Government development of Repopulation Zones
- Number of housing initiatives supported
- Increase awareness amongst young people of STEM (science, technology, engineering and maths) related careers through the Growth Deal supported Science Skills Academy and share learning and outcomes to support other approaches across the region
- Work with our skills and education partners to enable and ensure appropriate opportunities for young people and adults including upskilling, vocational skills and scientific research
- No of new childminders supported

Deliverables

- In partnership, deliver a Highlands and Islands REP NSET vision and action plan
- Deliver the Highlands and Islands, South of Scotland and Rural Scotland Business Panels
- Disseminate, promote and act upon completed research and evaluations

Deliverables

- Develop plan with partners for successful delivery of ScotWind opportunities
- Achieve Green Freeport status for Highlands and Islands location
- Develop commercialisation plan for Wave Energy Scotland
- Progress the Green Offshore Tech Programme
- Develop an audit process to assess the progress to net zero of HIE's commercial portfolio

TRACKING MEASURES

- Increase in turnover (£m)
- Increase in International Sales (£m)
- Jobs supported (FTEs) / Green jobs supported (FTEs)
- Average wage of jobs supported (FTEs)
- Capital asset investment / Green capital asset investment (£m)
- External investment secured (£m) / External green investment secured (£m)



DELIVERY LÌBHRIGEADH

The Scottish Government sets out clear ambitions in NSET to transform delivery in Scotland and ensuring the needs and expectations of our customers, partners and staff are met is core to HIE's approach. We will build on our place-based approach, previous investments and successes and the excellent, collaborative foundations established with our partners. Our business transformation plan is aligned to Best Value and represents a single organisation-wide approach, founded on the following themes:

- Simplified and streamlined **processes** which support efficiencies and rigorous decision making and accessibility;
- Optimised use of **resources** using a strong evidence base and considering cost efficiencies, including delivery of our Workforce plan and focus on youth;
- Continue to build on the flexibility and opportunities through increased use of data and digital **technology**;
- Ensure that our **product and service** offering is fit for purpose and place, ensures added value, aligns with priorities, and maximises partnership opportunities;
- **Flexing** our approach and adjusting our intervention rates and criteria to take account of the place dimension;
- Close partnership working and **collaboration** to ensure more cost-effective services, joined up customer experience, and place-based solutions; and
- Greater transparency and continuous improvement based around insights, **measurement** and evaluation.

We will further develop our net zero approach and commitment this year, increasing carbon literacy within the organisation, working with partners to evolve carbon measurement and conditionality. Our new net zero ladder will provide an opportunity to position and monitor client progress, enabling staff to identify opportunities, refine the support we provide, and analyse where the greatest impacts are being achieved and where additional resources may be required to support our objectives.

2022/23 Opening Budget

HIE BUDGET	FORECAST 2022/23 £M
Capital – Baseline	25.6
Capital – Green Jobs Fund	1.4
Capital – Cairngorm Mountain	3
Capital – Wave Energy Scotland (WES)	4.2
Revenue – Baseline	29.6
Revenue – Scottish Land Fund*	0.5
Financial Transactions	2.6
Total	67.0

Further budget will be required to cover anticipated Cairngorm funicular pressures. In response to the Scottish Government requirement for public bodies to deliver 3% revenue efficiencies annually, HIE is in the process of establishing a Best Value Efficiency Group that will take a lead on this in respect of non-pay budgets. This will be complementary to the existing Workforce Planning Group which is responsible for delivering pay savings.

TARGETS TARGAIDEAN

OUTCOME MEASURE	TARGET (LOWER BOUND)	TARGET (UPPER BOUND)
Business turnover	£200M	£220M
Turnover in the social economy	£9M	£11M
International sales	£45M	£55M
Jobs supported (FTE)	1,000	1,200
Jobs supported (FTE) in fragile areas	150	200
Green jobs supported (FTE)	150	180
Average wage of jobs supported (FTE)	£29K	£29K
Capital asset investment	£80M	£90M
Green capital asset investment	£12M	£14M
External investment secured	£35M	£45M
External green investment secured	£5M	£6.5M

In addition to the outcome measures above, the following output indicators will be monitored and reported:

OUTPUTS

- No of organisations supported to:
 - ▶ build resilience and capacity
 - ▶ adopt / embed Fair Work
 - ▶ enhance digital capacity and utilisation
 - ▶ innovate
 - ▶ access external investment
- No of new social enterprises and businesses created/supported
- New / improved income-generating community assets
- No of business and community leaders supported
- No of graduate and technology placements supported
- No of assets with net zero objectives supported

During the year, we will review the HIE Performance Measurement Framework as part of the strategy development and to ensure alignment with NSET. In addition, we will implement a new approach to valuing the long-term impact from strategic assets along with the next stage of our Inclusive Growth Pilot to inform our place-based approach which includes testing new approaches to weighting outcomes according to their relative impact across our region, and support decision-making.

Highlands and Islands Enterprise

An Lòchran
10 Inverness Campus
Inverness
IV2 5NA
Scotland
Contact

T. +44 (0) 1463 245 245
E. enquiries@hient.co.uk



Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean