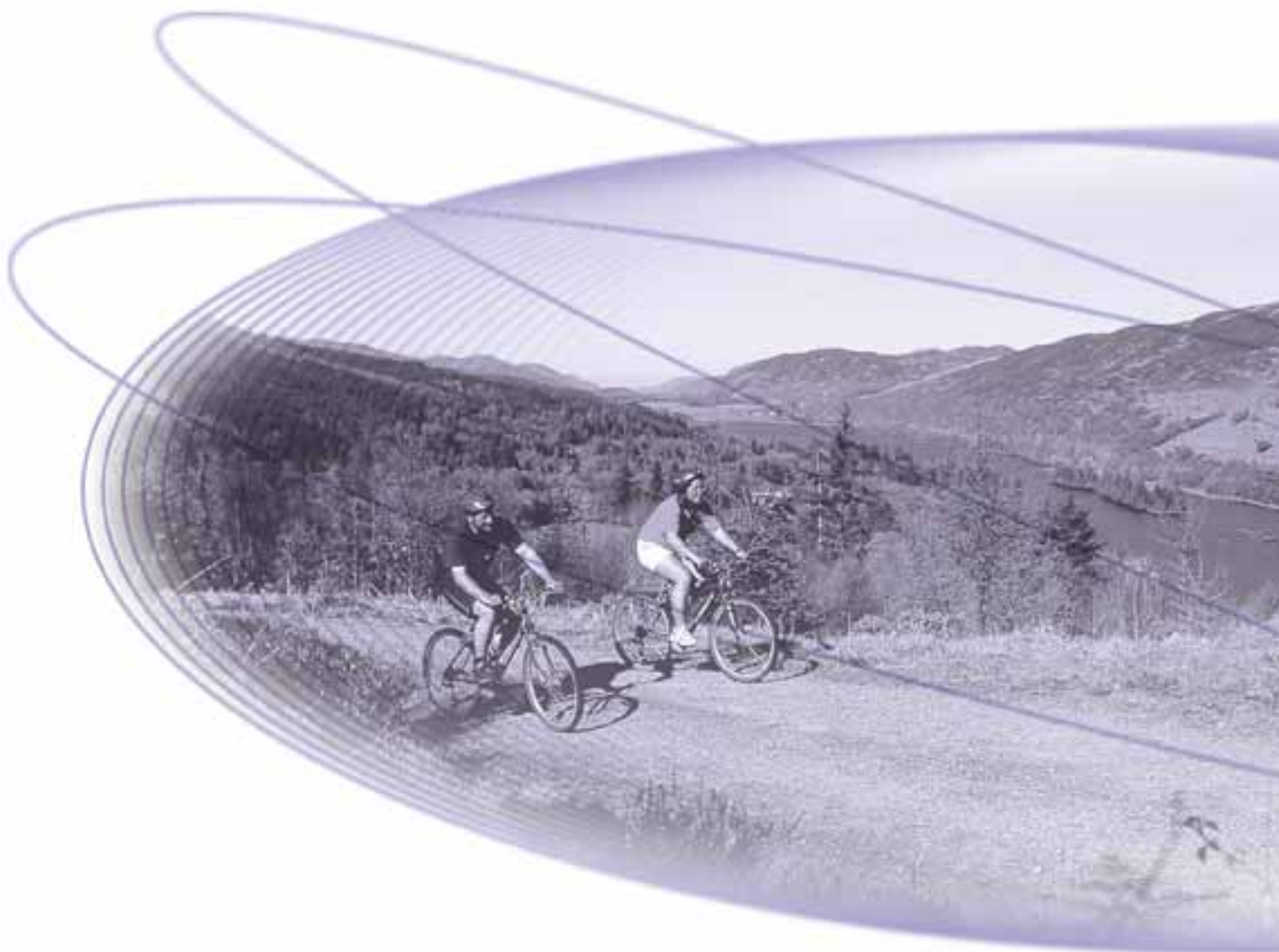




Highlands & Islands
ENTERPRISE

A Smart, Successful Highlands and Islands
An enterprise strategy for the Highlands and Islands of Scotland



The Highlands and Islands Enterprise network



Stornoway Harbour, Lewis.

The Highlands and Islands Enterprise network (HIE) is responsible for economic and community development across a diverse geographical area which covers more than half of Scotland and is home to more than 460,000 people.

Established in 1991, the Network has played a major role in diversifying the area's economy – assisting locally-based businesses and attracting new ventures, helping people acquire work-related skills and supporting a host of community and cultural activities.

With the creation of Careers Scotland as part of both HIE and Scottish Enterprise in 2002, the organisation took on a new role, delivering all-age career guidance services through a network of centres across the Highlands and Islands.

These centres complement the range of services provided through the Network's ten local enterprise companies (LECs), each of which serves a distinct geographical area and shapes its activities to address local needs and priorities.

Through LECs, customers gain access to a wealth of specialist information, professional advice, help to identify and address training needs and financial assistance to start a new venture or improve business performance.

The HIE core organisation, based in Inverness and Benbecula, provides strategic direction and support services for the whole Network.

Contents

Chairman's foreword	2
What the people, communities and businesses of the area think	4
Creating a smart, successful Highlands and Islands	8
Framework for action	12
Aim and objectives	14
Priorities for strengthening communities	16
Priorities for developing skills	18
Priorities for growing businesses	20
Priorities for making global connections	22
The area dimension	24
Principles of implementation	26
Measuring progress	28



Highlands and Islands Enterprise chairman William Roe and chief executive Sandy Cumming.

Chairman's foreword

The refreshed version of *A Smart, Successful Scotland* was launched in November 2004. The present document carries forward the strategic objectives of the national enterprise strategy, together with its two cross-cutting themes of sustainable development and closing the opportunity gap.

It also builds on the *Framework for Economic Development in Scotland (FEDS)*, the Scottish Executive's economic development strategy. How the enterprise strategy will be implemented in the north-west half of Scotland is set out in the pages which follow – *A Smart, Successful Highlands and Islands*.

In these early years of the 21st century, we find ourselves at a vitally important stage in our economic and community development. As huge economic, political, environmental and technological changes sweep across the world, our focus is shifting so that the Highlands and Islands of Scotland can meet the new challenges and seize the new opportunities in the global economy over the coming years. We are in the process of changing gear to a *higher-value economy*. We are actively welcoming *new residents* to the area – and we need many more. We are seeking to embed *sustainable development principles*, building the region's reputation for managing and enhancing its outstanding natural heritage assets.

But the Highlands and Islands Enterprise network cannot do these things alone. That is why we see *partnership* at the heart of pursuing an enterprise strategy for the region – partnership with the Scottish Executive, with the European Commission, with businesses, with local authorities, with public agencies, with the voluntary sector, with communities and with the people of the area. That is why we began the preparation of this document by mounting the largest consultation exercise we have ever undertaken. Some of the comments we received are highlighted throughout this document. We believe that successful partnership begins with shared understanding and shared ownership of the challenges and opportunities. Through the Convention of the Highlands and Islands, we have the platform to strengthen the strategic basis for our partnership approach and to share our aspirations with Scottish Executive Ministers.

“There is a need to engage positively, and at an early stage, with prospective or actual in-migrants and to target those with the skills most needed in the area.”

NHS Highland

For our own part, we feel passionately about the future of the Highlands and Islands and the task of making it a smart, successful region to rival any rural region in the world. Later, we describe the five Ps – *population, place, productivity, pay and prospects* – which we believe will be the crucial contributors to achieving that success. I should also take the chance to introduce the four Is – *investment, influence, innovation and internationalism* – which characterise how the HIE network will seek to undertake its role. We are well-known for the first of these, but increasingly influence, innovation and internationalism will be essential in meeting our aim to ‘*enable people living in the Highlands and Islands to realise their full potential on a long-term sustainable basis*’.

The opportunities which we must grasp are described in more detail later, but the most significant ones stand out. The *University of the Highlands and Islands* is on course to be launched in 2007 – a hugely important milestone – but we need to build its capacity both as a higher education institution and as a driver of the regional economy. The strategic opportunity to be seized by exploiting the region’s unrivalled *renewable energy* resources is potentially massive. Our job is to realise the benefits for businesses and communities, while contributing to national energy targets and sustainable development aims.

Science and technology offer a diverse and exciting range of opportunities, from medical research and production to marine biotechnology to nuclear decommissioning. The combination of multi-media and creative industries (both English and Gaelic), enhanced by universal broadband access, provides major prospects for businesses in international markets. *Tourism* is a sector where our potential remains very great, despite its having been a cornerstone of the economy for decades: we have to meet the sophisticated demands of the worldwide market, ensuring every visitor would love to return.

We want the Highlands and Islands to be one of the best regions in the world to live, work, study and visit – where economic prosperity combines with an unparalleled quality of life. We want to grow and attract young entrepreneurs who will build their businesses here to serve international markets, a prospect made infinitely easier with good telecommunications. We want to build on the region’s reputation for the good things of life – clean energy, life-giving industries, organic products from land and sea, a distinctive culture, creative people and communities.

That is why more people from many places are choosing to come to the Highlands and Islands and we believe that those numbers are set to grow. To welcome a growing population, we must equally be an outward-looking region, adapting successes from elsewhere to our own needs while sustaining the distinctiveness which helps to define our part of Scotland.

Where might our aspirations take us?

I believe we should aim to become a region of half a million residents in twenty years’ time.

I believe we should seek to create a further 20,000 or so full-time equivalent quality jobs over that period.

I believe we should raise income levels by 10-15 per cent in real terms.

I believe we should contribute to building A Smart, Successful Scotland by being an international shop window for the best our country has to offer.

The progress of the Highlands and Islands towards these aspirations will be the measure of success against which we, together with our partners, will be judged.



Prospects: Lochaber is promoting itself as the UK's 'outdoor capital'.

What the people, communities and businesses of the area think

A clear majority of residents and businesses are confident about the future – believing that economic conditions will remain the same or improve.



Energy: Orkney is home to the world's first test centre for wave and tidal energy devices.

“HIE should look to build on what has been successful to date in the larger centres of population and transfer these success factors to the remoter regions.”

Outer Hebrides Local Economic Forum

“The availability of accessible high quality education to our young people is vital in the development of their growth.”

Local business person

To ensure our refreshed strategy would be as wide reaching and inclusive as possible, we undertook an extensive consultation process. This involved written consultation with over 100 key partners and stakeholders, an online web forum and questionnaire, a survey of the Network’s staff, and, most significantly, an independent telephone survey to gather a representative sample of opinion from residents, businesses and community groups. This aspect ensured all sections of the population were given the opportunity to express their views on the future direction of economic and community development in the region. The findings from this research provide an evidence base from which we can derive important messages.

A clear majority of residents and businesses are confident about the future – believing that economic conditions will remain the same or improve. Optimism in the Highlands and Islands is higher than in Scotland or the rest of Great Britain. Confidence is highest among businesses and residents in the Inverness and Nairn area, reflecting the greater economic success experienced around the Inner Moray Firth. The sectors of the economy that are most optimistic are those that have grown, or offer excellent prospects for growth in the future. Confidence is the foundation on which successful economies are built. Strong evidence that there is confidence right across the region should act as a catalyst for investment and new activity from both the public and the private sectors.



Spin-out: New businesses, like Integrin Biosystems in Argyll, are leading the drive to commercialise scientific research.

There is strong agreement that encouraging more people to live, work and study in the Highlands and Islands will improve prosperity and quality of life for everyone.



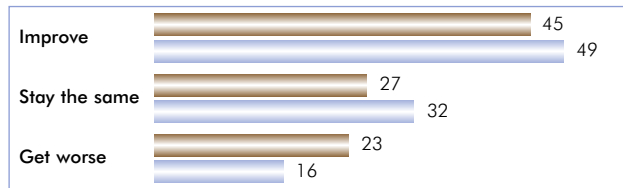
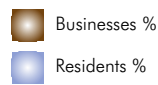
Connected: Regional, national and international transport links are vital to the future of the Highlands and Islands.

“We don't want to fall behind other areas, but we want to keep our culture and traditions intact and also be up to date in technology.”

Highland Youth Voice

Optimism in the Highlands and Islands

Prospects for the Highlands and Islands economy over the next 3-5 years:



It is clear that, in order to deliver this aspiration, we need to work closely with local authorities and infrastructure providers to increase the supply of houses that will be necessary to accommodate newcomers across the area – from Inverness and the main towns to the most remote island community.

The business community views talent attraction as a key part of the population growth agenda upon which resources should be focused. Those coming to the region should have skills which complement those of the indigenous workforce, and should be able to add value to the local economy.

Unemployment remains low across the Highlands and Islands. Survey evidence suggests, however, that broadening the economic base to provide greater opportunities for existing and new workers would be beneficial. Lack of jobs or job prospects was identified by both residents and community and voluntary organisations, while creating employment opportunities was viewed by businesses, residents and the community and voluntary sector as a fundamental area of focus for the HIE network’s efforts.

Higher education is a very important opportunity which the region must grasp. Support is particularly strong from those currently in full- or part-time education and those aged under 25 (two-thirds of all 20-24 year olds believe it should be the most important development priority for the area). This suggests that a university in the Highlands and Islands might encourage more young people to stay in the region and, crucially, attract students from much further afield.

Improving transport links is vital for the future of the Highlands and Islands. There is almost complete agreement among all stakeholder groups that continued improvements in the transport infrastructure are essential to the long-term development of the Highlands and Islands. The vision of a strong, vibrant community will require a range of integrated transport links including rail, road, sea, and air within the region and to the rest of the UK and internationally. A stronger public transport network will improve

quality of life, draw new people to the region and support the growth of rural areas.

The need for improved business productivity and competitiveness and the routes to achieving it also come through clearly from the research. This will involve the introduction of new products, processes and technology which will in turn require more skilled workers to be active in the economy. Over eight in ten businesses, residents and community groups believe more businesses investing in research and development would improve prosperity and quality of life in the Highlands and Islands. Positive attitude among businesses is particularly evident in those with more than 50 employees (93 per cent in favour), although smaller businesses are also supportive (79 per cent).

Housing is a complex issue about which many expressed their views. Changing household composition will mean that significantly more houses are needed to accommodate the existing population, and a step change in the rate of new-build will be required to house the newcomers the area wants and needs. Concern was expressed at the lack of supply of affordable housing, which is regarded as a significant constraint on economic growth.

Support for further provision and use of broadband is also high among businesses and community and voluntary organisations. It is particularly interesting to note that support for broadband is substantially stronger from those who currently make use of the technology, with 83 per cent of all users regarding further use as beneficial, compared to 71 per cent of non-users.

These headline findings from the consultation exercise, together with a large number of more detailed comments, have been embraced in the thinking laid out in the sections which follow.



Capital: Inverness will continue to grow as a city gateway for the region.

Creating a smart, successful Highlands and Islands

The outside perception of the area is still a mixed one and it will require continuous effort to persuade fellow Scots, fellow Europeans and those from further afield that it is a wonderful place to live, work, study and visit.



Culture: Gaelic, Norse, Scots and Doric traditions all contribute to the area's rich heritage.

“Promotion of indigenous culture will boost self-esteem and confidence – the same qualities essential to social and economic revival – as well as giving the native and the visitor alike a sense of place.”

Bòrd na Gàidhlig

In seeking to interpret the national challenges and priorities of *A Smart, Successful Scotland* and drawing out what will be required in a Highlands and Islands context to create a smart, successful area, there are five crucial contributors to success:

- **population**
- **place**
- **productivity**
- **pay**
- **prospects.**

On **population**, it is clear that more people living, working and studying in the Highlands and Islands are essential to sustaining our long-term progress. These newcomers will embrace different groups of people coming to the area for different reasons: entrepreneurs seeking to develop their businesses and enjoy a great lifestyle; students coming to learn, study and research; former residents returning to settle, change career, etc. The approach to attracting new population needs, therefore, to be segmented, recognising the different aspirations of these types of groups.

A determined drive to attract new residents must include stimulating the provision of affordable housing, including developing flexible planning policies towards housing in the countryside. The attraction of people also requires an open-arms approach to newcomers, recognising that the scale of population increase needed will not come from return migrants alone. That means aspiring to build a modern, progressive society that appeals to people from faraway places as well as those closer to home.

In practice, this means the continued growth of Inverness as a city gateway, as well as bigger, busier towns and villages, offering wider housing, retail, services and facilities choices. But it also means increased rural population in the smallest of our communities, where their very viability will rely on attracting more residents to create demand for, and sustain, local service provision. The implications for housing and infrastructure investment are potentially large, but without creation of the required capacity, even modest population growth may prove difficult.

The attraction of return migrants and new residents to the area will need other ingredients for success, including ‘a tolerance/diversity reputation’. International research points to this as being one of the fundamental conditions explaining the progress of successful regions throughout the developed world. It implies a society which welcomes human diversity, displays a willingness to receive and embrace people, irrespective of colour, nationality, creed or sexuality and indeed has a desire to exploit the creative benefits which flow from it. In reality, this inflow is already happening and we are benefiting from the economic activity of incomers, including many from the new member states of the European Union.

The importance of **place** is a key factor in both regional and national success, as recognised in *A Smart, Successful Scotland*. This is a very positive finding for the Highlands and Islands since we have one of the most attractive natural environments in the world and our research into recent in-migration bears this out. But we have to do more to enhance and capitalise on these assets, especially in terms of our built environment.



First, we have to build the role of Inverness and our main towns as international-standard gateways. The aspiration has to be set that high, because what needs to be done is to capture the heart of everyone who steps off the train, plane or ferry that this is the quality place they envisaged. They may be business travellers on an overnight stay, they may be archaeologists heading for Orkney, they may be 1980s-emigrants who have not been home for twenty years or they may be people who will bring new investment to the area, making a product of which we have not yet heard.

International-standard gateways start with quality built environments, which civic leaders, planners, developers and, above all, the people who live there have worked consistently to turn into something both highly attractive and highly distinctive. In the case of many of our largest settlements, we are blessed with great natural sites, with mountains, land and sea intertwined. If the reality currently does not do full justice to the setting, we should aspire to change that progressively, even if the timescale might be long. Of course, upgrading the built environment always works more easily when development (and development cash) is able to lubricate the process. Thus growing populations are crucial to successful gateways.

A *Smart, Successful Scotland* underlines the **productivity** challenge facing the nation as a whole. The challenge is generally more acute for businesses in the Highlands and Islands where higher input costs can combine with lower volumes of output to keep overall unit costs high. These realities face the small hotel operator just as much as the maker of manufactured goods or the producer of livestock. Thus, we must aspire to create more businesses of scale, as well as exploiting those sectors (eg in the science, technology and media areas), where these realities are more able to be combated through internet-based working and e-commerce, etc.

The focus of business development efforts needs, therefore, to be on raising productivity in all of our economic sectors. That will require ambitious leadership, supported by continuous capital investment, allied with investment in skills, harnessing of research, creativity and innovation and greater effectiveness of management in driving improvements forward. Equally, the excellent work which has taken place on upgrading the area's physical infrastructure must clearly continue, with special emphasis on transport, as well as electronic communications, educational and community facilities. Investment horizons for transport infrastructure can be especially long and we need to focus our attention now on planning ambitiously for the decade beyond 2010.

The prospective importance of the renewables sector to the future prosperity of the area offers an example of where we must aspire to the highest levels of productivity. It is absolutely critical that we build a long-term competitive industry in power generation, the fabrication (and maintenance) of infrastructure and in the field of energy storage, given our distance from big energy users. We stand on the threshold of a significant number of major developments in the field of renewable energy and one of the great tests of our intent will be how we approach that challenge. Extensive development of wind, marine and biomass energy can be brought to fruition and the benefits to local communities captured on a permanent basis.

Linked to the productivity issue is that of **pay**. To be clear, absolute earnings levels in the Highlands and Islands have risen hugely over the last 25 years, as a result of the general growth and diversification of the economy. In relative terms, however, our position has worsened slightly over the last few years, measured against the national and EU averages. While this may help campaigns for extending EU Structural Funds support, it is not an outcome that the area would wish to see.



Kylesku bridge.

Recent research has indicated that the main causes of low earnings include:

- the rundown in oil-related and other manufacturing employment
- a low share of national employment in higher-paying sectors
- a lack of private-sector head offices
- increases in employment in lower-paid sectors
- out-migration of young people to other parts of the UK.

There is no single or easy answer to the low earnings challenge facing the Highlands and Islands. Long-term improvement requires a steady expansion of employment in higher-paying economic activities, for example, through building the knowledge economy and establishing the University of the Highlands and Islands.

Finally, *A Smart, Successful Highlands and Islands* requires people to believe in the area's **prospects** for success. For alongside simple positiveness about the future helping to make a difference, one of the exciting aspects of the economic development process is that several of the projects, which might make the greatest difference, are unknown to us today.

Nevertheless, a foundation for success will be long-term investment in the communities of the area. In addition to world-class gateways, it is important to underline the need for a wide range of investment throughout the more sparsely-populated parts. There are good examples of what has been done to date, such as new school provision in remote areas, but if community planning is to have real value, it must pave the way for locally-based assessments of what needs to be done, appreciating the choices that will have to be made between competing priorities.

This long-term investment must be aimed at improving the overall attractiveness of the area and enabling residents to perceive their communities' prospects as very positive. The area boasts a wonderful natural environment and correspondingly many natural heritage designations. These assets underpin many of our key sectors (such as tourism and aquaculture), though they need to be better interpreted and further invested in, if we are to enhance the area's biodiversity. We also need to invest more in our cultural assets and sport, if we are to achieve continuing acclaim for what the area has to offer its residents, old and new.

All of these things which need to happen have in turn to sit within a framework of public and private sector policies that work for Scotland's rural communities. The Scottish Parliament is instinctively sympathetic, but we will have to strive to convert that feeling into policies and resources that enable the conditions for economic growth to be fostered. To match that support, the Highlands and Islands do need to hang out a 'welcome' sign. The outside perception of the area is still a mixed one and it will require continuous effort to persuade fellow Scots, fellow Europeans and those from further afield that it is a wonderful place to live, work, study and visit.

“Creating a university with a strong research base is a serious challenge. As the only higher education institution in the region, UHI carries enormous responsibilities and expectations.”

UHI Millennium Institute

Framework for action

“The provision of affordable housing can be a catalyst for economic development or rural regeneration.”

The Highland Council



Aim and objectives



Strengthening communities



Developing skills



Growing businesses



Making global connections

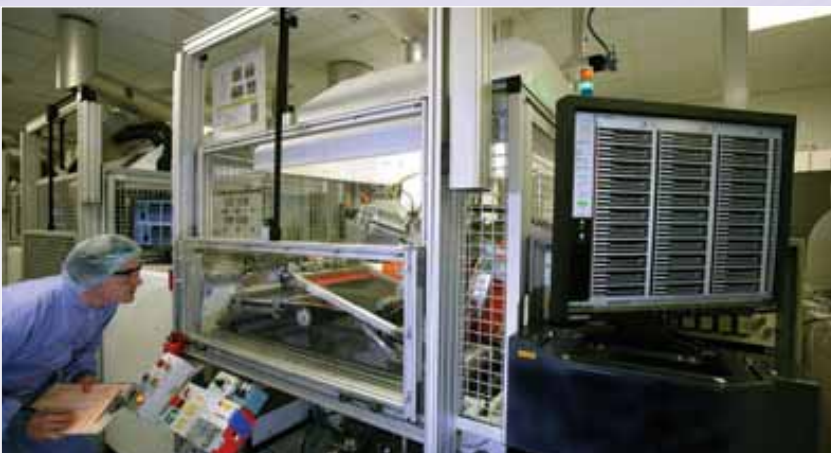


Vision: In the 21st century, businesses need to be able to change swiftly and be internationally competitive.

Aim and objectives

Our aim is to enable people living in the Highlands and Islands to realise their full potential on a long-term sustainable basis.

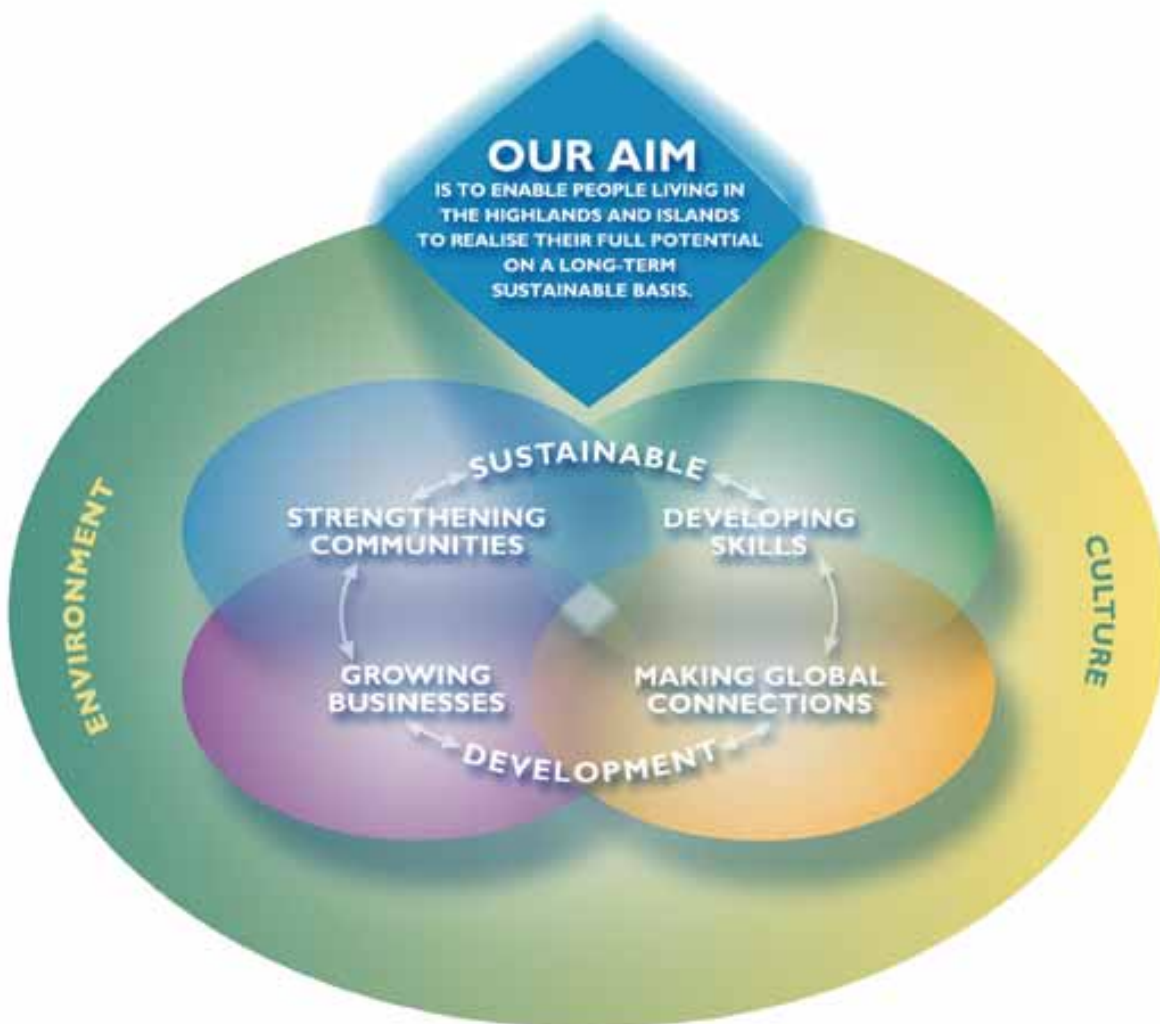
The aim is founded on the belief that the people who live here have the prospect of enjoying one of the most fulfilling existences in the developed world.



Global: Companies such as Lifescan Scotland, Inverness, trade worldwide from the Highlands and Islands.

The aim will be realised by pursuing four strategic objectives:

- Strengthening communities
- Developing skills
- Growing businesses
- Making global connections.



The concept of sustainable development lies at the heart of this approach. Enabling people to realise their full potential is about utilising our resources wisely in a way that assists current residents to improve their lives, without constraining

the ability of future Highlands and Islands residents to make their own improvements from an enriched, rather than depleted, resource-base.



Vibrant: Community-managed facilities, like the Loft, Keith, provide services and boost confidence.

Priorities for strengthening communities

“Cultural and economic activity is inextricably linked to our natural environment and its protection and restoration must continue to be a key priority.”

Shetland Islands Council



Roadshow: The arts play an important role in community regeneration.

Creating community assets

Strong and vibrant communities with high quality and diverse amenities and services are essential to retain local populations, especially young people, and make places attractive to in-migrants. Communities in the Highlands and Islands have a long history of doing things for themselves, and community organisations continue to play an important role in creating and enhancing attractive places. Community-owned and managed assets enhance local amenities and services, contributing to high quality of life and generating income to invest in further community activities.

Priorities for action

- Supporting community-based organisations and the voluntary sector to build assets and provide services, including multi-use community centres, sports facilities and local services.
- Providing advice and support for the acquisition and management of land and marine resources to generate community benefits.
- Enabling communities to harness the area's renewable energy potential through technical assistance and financial investment.
- Working with agencies, such as local authorities and Communities Scotland, together with the voluntary and private sectors, to bring more integrated and innovative approaches to community regeneration and asset management, including housing and other infrastructure.

Building capacity and leadership

A central plank of Scottish Executive policy is engaging communities in managing their own development. Increasingly, voluntary groups are enhancing their commercial activities and evolving into 'social economy' organisations. Building the capacity of communities to identify and exploit opportunities and manage resources is central to this process.

Priorities for action

- Raising capacity through skills provision (of employees, boards of directors and volunteers), advice and signposting, building networks, utilising ICT and, where appropriate, employing development workers.
- Implementing social economy skills programmes, building on the Highlands and Islands Community Capacity Partnership.
- Building the social economy through the Highlands and Islands Social Enterprise Zone and other social economy partnerships.

- Co-ordinating the implementation of Initiative at the Edge (Iomairt aig an Oir) to address development challenges in the area's most remote communities.
- Nurturing and supporting community leaders with a focus on young people, building on the Youth Parliament movement.

Enhancing natural and cultural heritage

The area's natural and cultural heritage are vital ingredients of local amenity, quality of life, health, community confidence and a sense of place. They are unique assets which offer clear economic opportunities in the creative industries such as music, cultural and environmental tourism – with potential for considerable community benefit – and make a major contribution to sustainable development aims. Equally, sport has a strong tradition across the area rooted in community participation in a wide range of activities from shinty to SPL football.

Priorities for action

- Strengthening the Gaelic language through focuses on young people, broadcasting, cultural tourism and the arts – working with partners, including Comunn na Gàidhlig, Bòrd na Gàidhlig, Fèisean nan Gàidheal, and Pròiseact nan Ealan.
- Pursuing initiatives with the area's Nordic, Scots and Doric traditions.
- Developing museum and genealogy facilities which have cultural, as well as tourism, benefits.
- Fostering the important role the arts play in regeneration, developing arts facilities, projects and events through our strategic partner HI-Arts.
- Building the role of sport in the life of our communities, especially as a means of engaging young people.
- Harnessing the value of natural heritage designations as assets which can create community benefits.
- Supporting social economy opportunities (and at the same time pursuing sustainable development objectives) in environmental improvement, waste management and recycling.



Foundation: Modern Apprenticeships are helping young men and women gain skills while in paid employment.

Priorities for developing skills

“The achievement of university status should not be an end in itself. The objective should be the provision of high quality, relevant and flexible learning provision that meets the needs of learners and employers in the Highlands and Islands.”

Scottish Higher Education Funding Council and
Scottish Further Education Funding Council



In tune: Young people are being helped to develop an enterprising attitude.

Improving the operation of the labour market

Changing employer demands require a culture of lifelong learning among those in, and supplying, the labour market and an ability to respond quickly and flexibly to new and emerging needs. There is also a need to increase the number of people participating in the region's workforce. The challenge is to create conditions conducive to a healthy labour market which will enable people and organisations to thrive.

Priorities for action

- Achieving university title for UHI and supporting its ongoing development as a centre of teaching and research and as a catalyst to growth in the region.
- Providing labour market intelligence through Futureskills Scotland to inform decisions of individuals, the design and prioritisation of skills interventions and the development of learning provision.
- Offering career planning assistance through Careers Scotland to people of all ages, thereby developing increased career resilience within the population.
- Tackling the skills needs of today, while anticipating and planning for the needs of new and emerging opportunities.
- Promoting the career, learning and business opportunities of the region to residents and encouraging growth in the number of people coming to live, work and study in the area.
- Achieving a sustainable network of learning centres through partnership of public and private sectors and maximising the benefits of technology in learning.

Best start for all our young people

All young people need to be equipped with the skills, advice and support to maximise their contribution to, and benefit from, the world of work. The provision of a coherent range of opportunities for young people at school, and moving into the workplace, is required to meet the needs of individuals and employers.

Priorities for action

- Implementing the Scottish Executive's enterprise in education strategy, 'Determined to Succeed', to develop enterprising attitudes and a greater understanding of the world of work.
- Providing career-related learning opportunities outwith school and in the community, while helping to inform decisions through career guidance, provision of practical labour market information and insights and work experience opportunities.
- Tackling the identified gap in soft skills.
- Increasing the range of vocational learning opportunities which smooth transition from school to work and reducing the number of young people who leave school and are neither in employment, education or training.

- Providing high-quality vocational training through Modern Apprenticeships for young people in work and assisting those with additional needs or facing barriers to employability with specialist support services.

Developing people who are in work

Motivated and appropriately-skilled people are a fundamental component of increased productivity, innovation, growth and business success. The level of investment in training by business varies considerably and skills development is not always sufficiently integrated into business planning. Raising awareness of the role of skills in business performance, addressing barriers to investment and stimulating demand will contribute to the growth of more businesses of scale.

Priorities for action

- Fostering a strategic approach to people development by businesses, supported through the provision of business advice, business improvement tools and online resources via the Learning Works web portal.
- Developing sector skills plans, informed strongly by industry, with priority given to identified skills needs and sectors which are significant to the Highlands and Islands economy.
- Generating increased graduate recruitment into Highlands and Islands companies as part of the development of the knowledge economy.
- Raising management and leadership skills and those required to seize the transformational potential of ICT and e-business, seeking to bring about a step change through significant infrastructure development.

Narrowing the gap in employment and reducing economic inactivity

Employment rates are at historically high levels and unemployment rates have fallen dramatically in most parts of the region. This has resulted in tight labour markets with employers experiencing difficulty in recruitment. Unemployment data hide a significant inactive potential workforce, people of working age but who, for a variety of reasons, are not in work. Addressing economic inactivity will improve labour market conditions and help to address social exclusion.

Priorities for action

- Developing through the Scottish Executive's employability framework and local employability plans an integrated portfolio of services to build employability skills and address the barriers to employment.
- Offering training opportunities to assist people to acquire the skills to secure sustained employment.



Innovation: Science and technology have huge potential as one of the area's knowledge-intensive industries.

Priorities for growing businesses

“Broadband at home and work offers us a means of communicating globally while living locally.”

Local business person



Cutting edge: HIE support is enabling UHI to take forward an ambitious research strategy, with centres of excellence including the SAMS marine laboratories in Argyll.

A culture of enterprise and more businesses of scale

We need to focus on raising entrepreneurial aspirations and capacity to encourage more firms to grow, both for new starts and existing firms. Encouraging existing businesses to expand their horizons will in some instances imply a change in culture but the benefits can be substantial. We will focus on a range of programmes to embed enthusiasm for starting or running businesses across the Highlands and Islands, as well as targeting young people leaving secondary, further and higher education.

Priorities for action

- Stimulating a wide range of new businesses, as well as assisting business starts on a targeted basis, so that the area has a pool of new firms, working in the fields of creative industries, science and technology and knowledge industries, which offer significant opportunities for growth.
- Challenging owners/managers to be ambitious in their aspirations to grow their businesses, as well as improving their leadership and management skills.

Increased innovation and commercialisation of research

The region's low employment in high-tech industries, low levels of patent applications, low levels of graduate employment in the private sector and low productivity can all be linked to the absence of a strong, research-based university in the Highlands and Islands. The long-term, catalytic role UHI will play in stimulating research, inspiring commercialisation and acting as a focus for innovation in people, process and technology cannot be overestimated.

Priorities for action

- Supporting the UHI research strategy in economically significant areas, such as healthcare, environmental science and agronomy.
- Pursuing other significant areas of research opportunity, in areas such as ICT and renewable energy.
- Linking with other universities and research institutes, particularly in the short-term, to develop mutually-beneficial research and commercialisation.
- Encouraging a comprehensive programme of knowledge transfer activities.
- Enabling businesses to undertake their own research and development activity – the key to success will be to develop a critical mass of 'clever people doing clever things' in fields relevant to the area.

Success in key sectors

The Highlands and Islands' various industry sectors make radically different contributions and demand tailored strategies for competitiveness, wealth creation and sustainability. Some, in science and technology, offer huge wealth-creation potential through intellectual property development. Tourism will remain one of the most important sectors of the economy in the long-term and its further development around sustainable development principles is a clear opportunity for the area. Primary industries underpin rural populations and added-value manufacturing, while services and engineering distribute income across our area.

Priorities for action

- Building knowledge-intensive business sectors, including marine bio-tech, creative industries, renewables, healthcare and nuclear decommissioning, which require research, knowledge transfer and commercialisation activities.
- Achieving enhanced sustainability in the primary activities of agriculture, aquaculture, forestry and fishing through market adaptation, diversification and production efficiencies.
- Fostering the competitiveness of the major food and drink, timber and tourism industries, where the needs for product excellence and market focus fit well with sustainable development aims.
- Engaging private sector leadership in planning and implementation and forging strong public-sector strategic partnerships.

Use of e-business to create business advantage

With the enabling technologies for e-business – computers and broadband – now becoming widely available throughout the region, the challenge is to help businesses use these technologies to improve productivity, grow existing markets and expand into new international markets.

Priorities for action

- Enabling ambitious businesses to transform themselves through new business processes and investment in innovative technologies, skilled graduate staff and quality initiatives, bringing significant productivity gains.
- Stimulating businesses to develop new, often international, markets.
- Encouraging investment in e-business systems, to aid development of new plant and machinery, innovative technologies and new ways of working.
- Offering high-quality specialist advisory services, new business improvement tools and flexible and innovative ways of transferring knowledge from the higher and further education sectors.



Vital: EU funding fuels regeneration, including HISTP support for visitor attractions like the Ice Factor, Kinlochleven.

Priorities for making global connections

“Improved transportation and accessibility [are required] to establish the level playing field upon which the islands and remote, sparsely populated areas can compete with the wider economy.”

Argyll and Bute Council



Trade: Wind turbine towers manufactured in Argyll and destined for export.

Increased involvement in global markets: taking knowledge to the world and bringing the world's knowledge to the Highlands and Islands

A high-performance Highlands and Islands economy hinges on carving out global markets and relationships. That means internationalising our perspectives and multiplying the number and range of international business activities. These include exporting of products and services, through research, development and commercialisation, to joint-venturing, licensing, and co-operative manufacturing.

Priorities for action

- Revolutionising access to international market information for our widely-scattered businesses.
- Providing expert advice and support, harnessing the global reach and resources of Scottish Development International.
- Encouraging businesses of scale and smaller niche players to compete individually and in international supply chain, research and other alliances.
- Developing innovation in business leadership, marketing and product development to improve productivity, competitiveness and value-adding.
- Stimulating specialist groupings of business, academic and other interests to help devise and deliver improvements through collaborative networks.
- Sharing best practice with other regions and countries.

The Highlands and Islands to be a globally-attractive location

People, businesses and capital are increasingly mobile, influenced by factors including earnings, lifestyle, skills or communications standards. Modern amenities, from visitor attractions to business premises, and high living standards must complement distinctive natural and built environments.

Priorities for action

- Developing high-wealth business sectors to attract and retain able people, while boosting community confidence.
- Attracting mobile businesses, capital and expertise, through extensive global intelligence and networking.
- Harnessing our natural and cultural heritage to enable sensitive development of quality industries, including tourism, aquaculture and food and drink, within communities which welcome new faces and fresh ideas.
- Strengthening business and social infrastructure – foremost is transport, but also including business premises and telecoms, affordable housing, education, recreation and healthcare – through advocacy and partnerships with others.

Connecting to the rest of the world

Eliminating economic and social remoteness requires intelligent solutions to geographic and market-failure challenges. Our population is widely scattered and short of scale-economies to acquire higher bandwidth telecoms, capital-intensive infrastructure and efficient transport networks. EU funding has made a vital contribution to development and we will continue to make effective use of HISTP funding, as well as pressing the case for further Structural Funds post-2006.

Priorities for action

- Working in partnership on a regional scale to address the area's quality and range of physical communications, including a strong air services network together with improved road, sea and rail transport facilities.
- Ensuring the area is equipped with the most advanced telecoms services, through anticipation of change, influence and implementation of solutions with partners.
- Stimulating businesses to develop competitive online business processes, e-marketing and other skills, to win contracts, develop supply chains and cut business costs.
- Developing 'softer' global connections mechanisms, such as linking into the globalscot business network.
- Playing an active role in the development of regional policy within the European Union, including the attraction of additional EU Structural Funds.

More people choosing to live, study and work in the Highlands and Islands

The scale of our long-term ambition for population growth across the Highlands and Islands is set out at the beginning of this document. Localised losses need to be addressed as part of that overall growth, including age-balance and skills availability. Challenges include increasing the range and accessibility of high-quality employment, educational and social amenities.

Priorities for action

- Generating high-quality employment by raising business competitiveness and development of wealth-creating business sectors.
- Dispersing new commercial and public-sector employment across the area, through communications technology and innovative delivery solutions.
- Providing strategic support to ensure successful evolution of primary sector activities in the face of major change, eg CAP reform.
- Recruiting incoming businesses and people to fill competitiveness and skills gaps.
- Harnessing the University of the Highlands and Islands as a 'global magnet', enriching the region's academic, cultural and creative mix and providing a driver for knowledge transfer and commercialisation.



Fragile: Yell, Shetland, is part of an Initiative at the Edge area.

The area dimension

The HIE network operates on the principles of balanced development across the entire Highlands and Islands.

We recognise the important role cities play in regional development and see Inverness as fulfilling that function for much of the area, though Aberdeen and Glasgow also provide city services to parts of the region (most notably Shetland, Orkney and Argyll). In contrast to other Scottish cities, Inverness is small, services a very large hinterland and has a relatively narrow economic base. While its continued development will act as an economic driver for the region, achieving the desired balanced growth will require resources to be targeted towards the less prosperous parts of the area.

This positive targeting is a recognition of the greater difficulties that are encountered in bringing forward projects in remote areas – and the additional costs which living and operating in remote areas involve. The HIE network has developed area targeting to aid the process of resource allocation and to provide broad operational guidance on priorities at local level. Within the overall development requirements of the Highlands and Islands, we have categorised two types of special priority area: *fragile areas* and *regeneration areas*.

Fragile areas

These are economically and socially disadvantaged parts of the area with long-term structural problems of economic decline. They are characterised by a number of factors including: poor infrastructure, remoteness, low levels of economic activity and high reliance on primary sectors for employment. These areas are given greatest priority by the HIE network, with support targeted at projects that contribute to the development of sustainable communities. This will include supporting communities to take control of their resources, as well as providing infrastructure and supporting employment creation projects.

Regeneration areas

These areas face, or have experienced, a sudden shortage of employment opportunities as a result of a major closure or an economic shock to a key industry. Alternatively they may have a consistently high level of unemployment and/or long-term unemployment which requires to be addressed by targeted utilisation of resources. Our priorities for these areas are to broaden employment opportunities and enable individuals and groups to acquire appropriate skills for use in employment or taking forward community initiatives. In addition to tackling pockets of unemployment, we will focus our efforts on encouraging and supporting economically inactive people to return to the labour market.

In working to reduce disparity we will ensure that the activities and projects supported across the Network complement each other and do not result in disadvantage to other parts of the area. We will, however, reserve the option of supporting projects in certain areas, such as fragile areas, which contribute to our strategic objectives and have local benefits, but which may result in minor negative impacts elsewhere.

Initiative at the Edge

A subset of the fragile areas are the Initiative at the Edge areas. These have been identified by the Scottish Executive as suffering from particular constraints and receive special support from all public sector agencies. We will play a leading part in assisting the regeneration of these communities and in helping those designated in the earliest period to implement exit strategies from the initiative.

Resource allocation

In a climate of low unemployment and high rates of participation in the labour market, our focus will be less on creating large numbers of new jobs, and more on implementing strategic projects designed to increase the capacity of the local economy, and to stimulate investment in high value-added sectors. Funding for these strategic projects (typically accounting for 15-25 per cent of the total) will be 'top-sliced' from our annual budget, prior to the remaining resources being allocated. Projects likely to receive a share of the 'top-slice' will go through an early assessment process to ensure that they offer significant strategic impacts for the area.

The formula share

An essential principle of the HIE network's approach is the targeting of resources to meet different local needs. To do this we operate a formula that takes account both of the population base and the level of need in the different parts of the area. The allocation of budgets to these localities will be guided by this formula approach.

Area	Population share	Formula share
Shetland	5.1	5.6
Orkney	4.4	4.7
Western Isles	6.1	12.9
Skye and Lochalsh	2.8	4.3
Caithness and Sutherland	9.0	14.3
Ross and Cromarty	11.5	11.6
Inverness, Nairn, Badenoch and Strathspey	20.6	10.4
Moray	20.0	10.1
Lochaber	4.3	4.8
Argyll and the Islands	16.1	21.4
TOTAL	100.0	100.0

Factors taken into consideration when calculating the formula share include the population of the local area; the proportion living in fragile and regeneration areas; and recent population changes.



Sustainability: Horizon Scotland, Moray, provides accommodation and services for innovative young businesses and is home to the Sustainable Development Research Centre.

Principles of implementation

“It will be important to adopt the up to date goal for sustainable development and the guiding principles for the policy in this area.”

Royal Society for the Protection of Birds



Dispersal: The HIE network’s financial administration has been devolved from Inverness to Benbecula.

“Local initiatives in rural areas are essential to their vitality and generate the income that enables people to remain in remote communities.”

Crofters Commission

Sustainable development

Investment will be targeted at activity that will establish a legacy of lasting prosperity. The progress we wish to see for the area will be responsible and will not deplete the resources available to future generations. The forthcoming Sustainable Development and Green Jobs strategies will set the national framework, but we believe that the Highlands and Islands can lead the way in terms of translating the broad aims of sustainable development into practical actions across our economy and communities.

Partnership

Effective delivery of an enterprise strategy for the Highlands and Islands depends on working between public bodies, communities, businesses and individuals. The achievement of our vision will, for example, require considerable investment in the transport infrastructure, a significant increase in the supply of housing and establishment of a high-class higher education institution – virtually all of which will be provided by other public bodies. We will work with partners at a strategic level and through the community planning partnerships to achieve shared aims.

Equality of opportunity

Our vision is of an inclusive, tolerant society which embraces diversity in all its forms. We are determined to enable equality of access to employment, business and development opportunities across the Highlands and Islands. We will encourage activity among under-represented groups, raise awareness among businesses of equality responsibilities and seek to eliminate discrimination, enabling the area to realise the benefits of equality and diversity.

Value for money

Effective use of public resources is vital when the area is faced with a growing range of development opportunities. Targeted intervention to maximise impact will be a key discipline – based on high-quality appraisal, sound project implementation and systematic evaluation of impact – set in a framework of strong corporate governance. Equally, we will endeavour to deliver better value for money, year-on-year, through the HIE network’s own efficiency and transparently measure our progress.

Efficient government

We fully support the Scottish Executive’s drive in this area and will work to achieve efficiency and effectiveness in our own work and in our partnership working. In particular, we will seek to maximise resources going into front-line services and exploit the full potential of electronic transaction of business.

Corporate social responsibility

The HIE network is a significant public sector presence and employer in the area and we will play a full part in contributing to the wellbeing of the communities we serve.



Left
 Consultation: HIE listened to the views of partners, customers and residents before drafting its strategy.

Right
 Skye: Gaelic college Sabhal Mòr Ostaig is part of UHI Millennium Institute.

Measuring progress

A Smart, Successful Scotland gives direction to enterprise development at national level and tracking progress towards achievement of its objectives will continue through the Joint Performance Team (JPT), established between the Scottish Executive, Scottish Enterprise and HIE.

How these national priorities will be addressed in the Highlands and Islands is set out in the preceding pages. The following pointers indicate the scale of progress which we aspire to for the area over the next twenty years:

- A growing population (overall total approaching half a million, ie up around 15 per cent on the 2005 figure) in every part of the area.
- A more diverse employment base (around 20,000 new full-time equivalent jobs, ie up around 10 per cent), embracing the knowledge economy, science and technology, renewable energy, creative industries and higher education, as well as longer-established activities such as tourism and food and drink.
- Higher personal and household incomes (10-15 per cent above 2005 levels in real terms).
- World-rated attractiveness of both natural and built environments, fully embracing sustainable development principles.
- A modern, progressive society, steadily building a sustainable future for the next generations.
- An open-arms approach to attracting people, with the Highlands and Islands an international shop window for Scotland.

The progress of the Highlands and Islands towards these aspirations will be the measure of the area's – and the HIE network's – success.





Highlands and Islands Enterprise
Cowan House · Inverness Retail and Business Park
Inverness · Scotland
IV2 7GF

Tel: 01463 234171 · Fax: 01463 244469
E-mail: hie.general@hient.co.uk
www.hie.co.uk



INVESTOR IN PEOPLE

