

## SUBMISSION FROM HIGHLANDS AND ISLANDS ENTERPRISE

### INTRODUCTION

Highlands and Islands Enterprise (HIE) is pleased to provide this written evidence to Scottish Parliament's Economy, Energy and Tourism Committee which provides a brief update on HIE's activities. The Committee will appreciate that budget information is difficult to provide pending the outcome of the Spending Review.

It is hoped that this update will be helpful, and we look forward to discussing issues arising with Committee members at our forthcoming session in the Scottish Parliament on 11 November.

### HIGHLANDS AND ISLANDS ENTERPRISE

HIE is an ambitious organisation with a unique remit which integrates economic and community development, reflecting the distinctive needs and opportunities of our region.

2015 marks an important anniversary – 50 years since the formation of the Highlands and Islands Development Board (HIDB), the predecessor to HIE. Established to address “The Highland Problem” – rapid population decline, poor economic performance, high unemployment and low employment and a narrow industrial base – the work of the agency, partners and Government, over 50 years has contributed to a remarkable turnaround in the region's fortunes.

Our aim is to build on that work. Our 2015-18 Operating Plan, which we have titled *Building Our Future*, recognises the many positive economic indicators in the region, business confidence and investment activity, and the significant opportunities for future growth.

Through the delivery of our Operating Plan, HIE is making a contribution to all seven of the Scottish Government's Purpose Targets – with a particular emphasis on economic growth, population, productivity and cohesion – and to 13 of the 16 National Outcomes.

### DELIVERING SCOTLAND'S ECONOMIC STRATEGY

*Scotland's Economic Strategy* (SES), published in March 2015, has a direct bearing on HIE's activities. We have structured our submission around the four themes of investment, innovation, inclusive growth and internationalisation.

#### 1. Investment

Attracting and delivering investment which helps drive the growth of businesses, social enterprises and communities across the region is a vital part of HIE's role. We have a range of investment tools at our own hand and supplement this with investment from other sources including European funds. Investment covers a range of areas important to the prosperity of our region, including:

- The rollout of superfast fibre broadband and delivery of Community Broadband Scotland.
- Provision of business support and financial investment to organisations.

- The creation of business premises to support growth and inward investment and the development of important sectoral infrastructure.
- Encouraging the growth of the Universities sector.
- Building the capacity of communities and in support of community asset ownership.
- Investing in the people and skills needs of the region.
- Delivery of a portfolio of Regionally Significant Investments (RSIs) – projects which deliver long-term benefits in terms of the structure of the economy and value created.

### **Examples of Progress:**

- More than 135,000 premises now have access to superfast broadband across the region combining coverage from our £146m project and commercial roll out by BT.
- The first aggregated Community Broadband project – GigaPlus Argyll - will provide service to 1,400 premises in remote parts of Argyll.
- In 2014/15 HIE investment supported more than 1,120 jobs across the region.
- The Inverness Campus was officially opened by Deputy First Minister in May 2015.
- HIE's new digital excellence centre will open at the Inverness Campus in early 2016. It will showcase digital technologies, deliver events and promote the Highlands and Islands as a digital region.
- HIE has increased resource available to work with universities to grow collaborative and commercial activities.
- HIE's review of account management highlighted the success of HIE's approach in delivering economic impact across the region. Building on this positive evaluation we have enhanced our account management service to realign and focus our resources.
- The Highlands and Islands Regional Skills Investment Plan has been implemented through a partnership of local and national organisations. A number of businesses, large and small, are currently in receipt of skills investment grants.
- HIE investment in significant projects included Nigg Energy Park, Lochboisdale Port of Entry, the new Isle of Harris Distillery, Scottish ski Centres and Millport Marine Station.
- HIE is contributing to the £52m Phase 1A MeyGen tidal array demonstration project. Construction is underway and on schedule off the coast of Caithness, with the first electricity anticipated to be delivered to the grid by 2016.

## **2. Innovation**

Innovation is a fundamental driver of business competitiveness. Boosting innovation is a key aim for HIE and we seek to develop an innovation strand to our work with all account managed clients. Innovation takes many forms, from new products and services, R&D, to changes in workplace design and practice. HIE's enhanced support for innovation will ensure the most appropriate resources are made available to maximise innovative activity. Our activities include:

- Establishing a dedicated Innovation Service to support organisations.
- Providing a range of products and services to encourage innovation and R&D.
- Ensuring Highlands and Islands organisations benefit from national innovation resources.
- Supporting social enterprise and community-led development through our Community Account Management programme.

- Promoting the uptake of superfast broadband and the business opportunities which enhanced digital connectivity brings.
- Stimulating sectoral innovation and greater integration of digital technologies.
- Providing access to world leading entrepreneurship education.
- Investing in infrastructure such as Inverness Campus, European Marine Science Park, Enterprise Park Forres and other locations.
- Promote a culture of innovation across the wider business base through our Innovate your Business programme.

### **Examples of Progress:**

- Responding to the increased focus on innovation, HIE has expanded its Innovation Service, deepening specialist sector knowledge supporting businesses and social enterprises at every stage of their growth.
- Over 350 businesses have benefited from our Innovate for Business programme with resource increased to widen the reach, making it available to every business in the Highlands and Islands.
- In response to the challenges facing the wave sector, HIE has established Wave Energy Scotland to bring together the best engineering and academic minds to collaborate on innovative projects and accelerate development of wave energy technologies.
- Our Pathfinder Accelerator which supports early stage life sciences and technology based businesses has been launched.
- Following a pilot project run by HIE, we are working with partners on a pan Scotland Digital Tourism Scotland programme. This is a £1.2m initiative to be delivered over 3 years. We are also running a series of webinars to support digital development in the tourism sector.
- Over 150 organisations have benefitted from our partnership with MIT, and an additional 70 attended the first ever Can DO SCALE summer school in August 2015, delivered as a unique partnership between MIT and Harvard Business School.
- The HIE/Business Gateway IT Engagement programme is being extended until the end of 2016 with funding of £250k from Digital Scotland. This will provide digital health checks for 120 additional businesses and workshops for at least 480 businesses and social enterprises.
- Our Graduate Placement programme adds staff capacity for up to 12 months to businesses and social enterprises wishing to explore innovative ideas with regional or international market potential. The programme has now placed 458 young people across the region.
- Through our Creative Futures partnership with The Glasgow School of Art, HIE has launched a Creative Industries Design network, which is an internationally connected group of entrepreneurs working to further the value of design in business. In addition, five PhD places focus on knowledge exchange in design innovation as a route to economic renewal and regeneration.

### **3. Inclusive growth**

Scotland's Economic Strategy highlights the mutual importance of developing a competitive economy and addressing inequalities. This twin focus fits well with the unique remit of HIE as an economic and community development agency. We are working to promote inclusive growth in a number of ways including:

- Addressing some of the challenges of the most remote and fragile parts of our region through our Strengthening Communities remit.
- Delivering our Community Account Management programme to provide bespoke support to communities and invest in projects which enable growth and tackle fragility.
- Promoting the Scottish Business Pledge to organisations that we support.
- Empowering communities through community asset ownership.

- Supporting social enterprises to provide valuable employment and delivery of local services.
- Supporting young people through providing graduate placement opportunities.
- With partners, addressing the challenges of living in remote areas as identified through our Minimum Income Standard research.
- Through collaboration with the Government, SDS and other agencies, HIE is helping to harness labour market intelligence that better informs both employability and sectoral investments for the future.
- Continuing the rollout of superfast and community broadband solutions.
- Strengthening academic and vocational cultural development opportunities for young people.
- Support the development of the University of the Highlands and Islands in providing local access to higher education.
- Mainstream equality considerations in HIE programmes.

### **Examples of Progress:**

- HIE is supporting 45 communities through its Community Capacity Building Programme (CCBP), and supporting a further 9 social enterprises to realise aspirations for growth through CCBP.
- 16 businesses in the region signed up for the Business Pledge.
- In the year to date, asset acquisition and development support provided to 63 groups.
- 264 graduate placements and 194 summer placements in companies in the region between now and the programme launch in 2010.
- Community Broadband Scotland is actively supporting 89 pipeline communities across Scotland through the development process for a community broadband project, and has approved capital funding of £1.8m for 13 communities, covering 3,516 premises.
- HIE, in partnership with others, has appointed a Director to lead the Science Skills Academy project which is developing a programme of outreach STEM provision targeting young people aged 8 – 18 to inspire and educate them about the exciting applications of science and technology.
- HIE has established the Youth Employment Accelerator which delivers a combination of training, work experience and networking. Between September 2013 and December 2014, more than 200 young people were supported. 80 (40%) are now in work (self-employed or employed) or have gone into further or higher education.
- HIE is working with the government to support the roll out of 8 Developing Young Workforce Groups across the Highland and Islands, helping to ensure that partners and client companies are fully prepared and supported to deliver the intended impacts.
- Through HIE's account management relationships, we are currently engaged with 60 Social enterprises to support increased capacity, development and organisational growth.
- Adopting a "gender-aware" approach to HIE's Leadership for Growth programme in the Outer Hebrides increased women's participation to 45%, helping achieve HIE's equality outcome to increase the proportion of women in leadership in the Highlands and Islands.

#### **4. Internationalisation**

In a highly competitive world, our businesses and sectors need to be able to compete against the very best and to identify and pursue growth opportunities in countries around the globe. At the same time it is important to promote an international profile of the region as a highly attractive place for businesses and people to locate and develop. Our activities in support of internationalisation include:

- Providing an extensive range of support for businesses, whether existing, new or potential exporters.
- Assisting organisations to attend international trade shows and exhibitions, particularly associated with priority sectors.
- Provision of international marketing events and country opportunity awareness seminars.
- Maximising resources available through our partnership with SDI and UKTI.
- Encouraging innovations such as our Food and Drink Collaboration initiative for small scale premium producers.
- Seeking to attract inward investment which complements our indigenous company base and creates new employment.
- Promoting the region's globally recognised and innovative social economy.
- Influencing the development of connectivity into the region.

#### **Examples of Progress:**

- We launched a new International Highlands and Islands initiative in July 2015, which will focus on increasing global ambition in our region. This is a three year programme, with an initial budget of £3.7m.
- In 2014/15 international support generated £50m international sales and secured inward investment of £126m into the region
- In partnership with Scottish Development International (SDI) HIE supported 175 business in 2014/15 to develop international trade activity. Organisations from the region have attended international trade fairs including Medica, Gulfood and Showcasing Scotland.
- In 2014/15, HIE's Smart Exporter programme provided support to 114 companies with training, market awareness, and strategy development to access and develop overseas opportunities.
- In partnership with SDI, HIE brought together ten small, ambitious food and drink companies to explore a collaborative approach to exporting. HIE is now looking to explore this collaborative model for other sectors.
- We supported the business case for air route development, including the newly announced Inverness/Heathrow route which will commence in May 2016.
- 200 business managers from circa 150 businesses have attended Preparing to Export training courses from Smart Exporter launch in 2011 to 2015.
- 21 Food and Drink companies attended SDI's Showcasing Scotland 2015 where they met with 80 international and UK buyers over two days.

## FINANCIAL OVERVIEW

Highlands and Islands Enterprise's budgets for 2014/15 and 2015/16 143 outlined below. Our Operating Plan outlined an indicative budget similar to the current year for 2016/17. However, as we are currently in the Spending Review process, it is not possible to provide a definitive 2016/17 budget at this time.

	<b>Op Plan budget 2014/15 £m</b>	<b>Actual outturn 2014/15 £m</b>	<b>Op Plan budget 2015/16 £m</b>	<b>Full Year Forecast 2015/16 £m</b>
<b>Financial Plan</b>				
<b>Income</b>				
GIA Baseline	58.6	59.7	59.0	60.6
DEL/AME non cash funding	23.2	12.4	22.7	22.7
<b>Scottish Government Total</b>	<b>81.8</b>	<b>72.1</b>	<b>81.7</b>	<b>83.3</b>
European Funds	5.0	3.3	5.0	5.0
Capital Receipts	4.5	4.6	5.0	5.0
Revenue Receipts	5.6	6.0	6.0	6.0
<b>Total Income</b>	<b>96.9</b>	<b>86.0</b>	<b>97.7</b>	<b>99.3</b>
<b>Investment</b>				
Supporting businesses & social enterprises	12.0	12.1	12.2	12.2
Strengthening communities & fragile areas	8.0	7.9	8.1	8.5
Developing growth sectors	15.0	15.2	15.0	15.0
Competitive & low carbon region	16.6	16.6	17.0	18.2
Development support	4.4	4.1	5.0	5.0
DEL/AME non cash expenditure	23.2	12.4	22.7	22.7
Operating costs	14.5	14.5	14.5	14.5
Strategic forum savings target	3.2	3.2	3.2	3.2
<b>Total Investment</b>	<b>96.9</b>	<b>86.0</b>	<b>97.7</b>	<b>99.3</b>

**Notes:**

1. Investment allocations are indicative only. HIE manages its budgets in a flexible manner to enable us to react to challenges and opportunities which may arise.
2. Additional funds are being provided to HIE for projects such as digital infrastructure, Wave Energy Scotland, Community Broadband Scotland and the Scottish Land Fund, which are not shown here.
3. The increase in GIA in 2015/16 reflects energy sector support for Shetland and additional allocation for Strengthening Communities programme investment totaling £1.2m and £0.4m, respectively.

**CONCLUSION**

Across the Highlands and Islands, HIE is committed to building our future and ensuring that the region continues to provide Scotland with significant opportunities to achieve sustainable economic growth. HIE's unique combination of economic and community development powers enables the agency to support ambitious businesses, social enterprises and communities to generate jobs and prosperity across the region, including its most fragile areas.

As we mark the 50th anniversary of Highlands and Islands Enterprise and our forerunner, the Highlands and Islands Development Board, our region today is a vastly different place. Our economy and society have been transformed, population is growing and key economic indicators continue to show the Highlands and Islands performing strongly.

**HIGHLANDS AND ISLANDS ENTERPRISE**

November 2015



