

OPERATING PLAN SUMMARY 2009/12



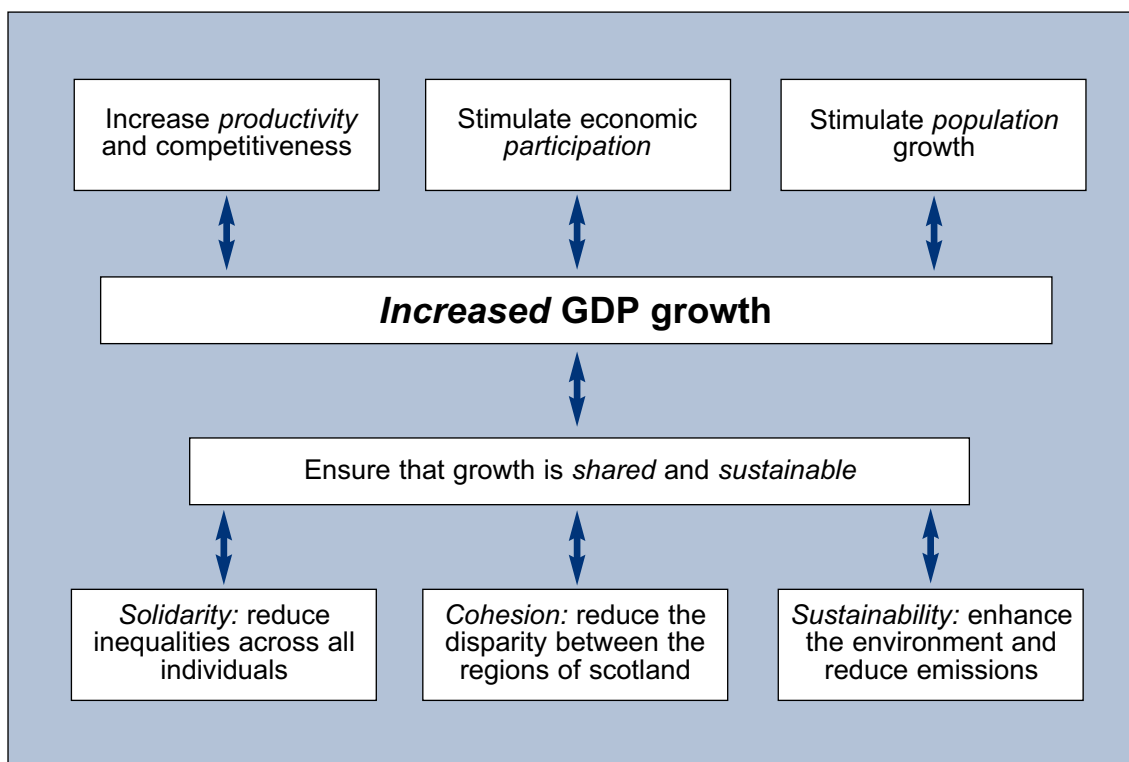
Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean

The Government Economic Strategy

The Government Economic Strategy (GES) sets out the purpose of the Scottish Government:

To create a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.

The table below from GES highlights the key components of increased growth – increased productivity, participation and population. It also illustrates the desired characteristics of solidarity, cohesion and sustainability.



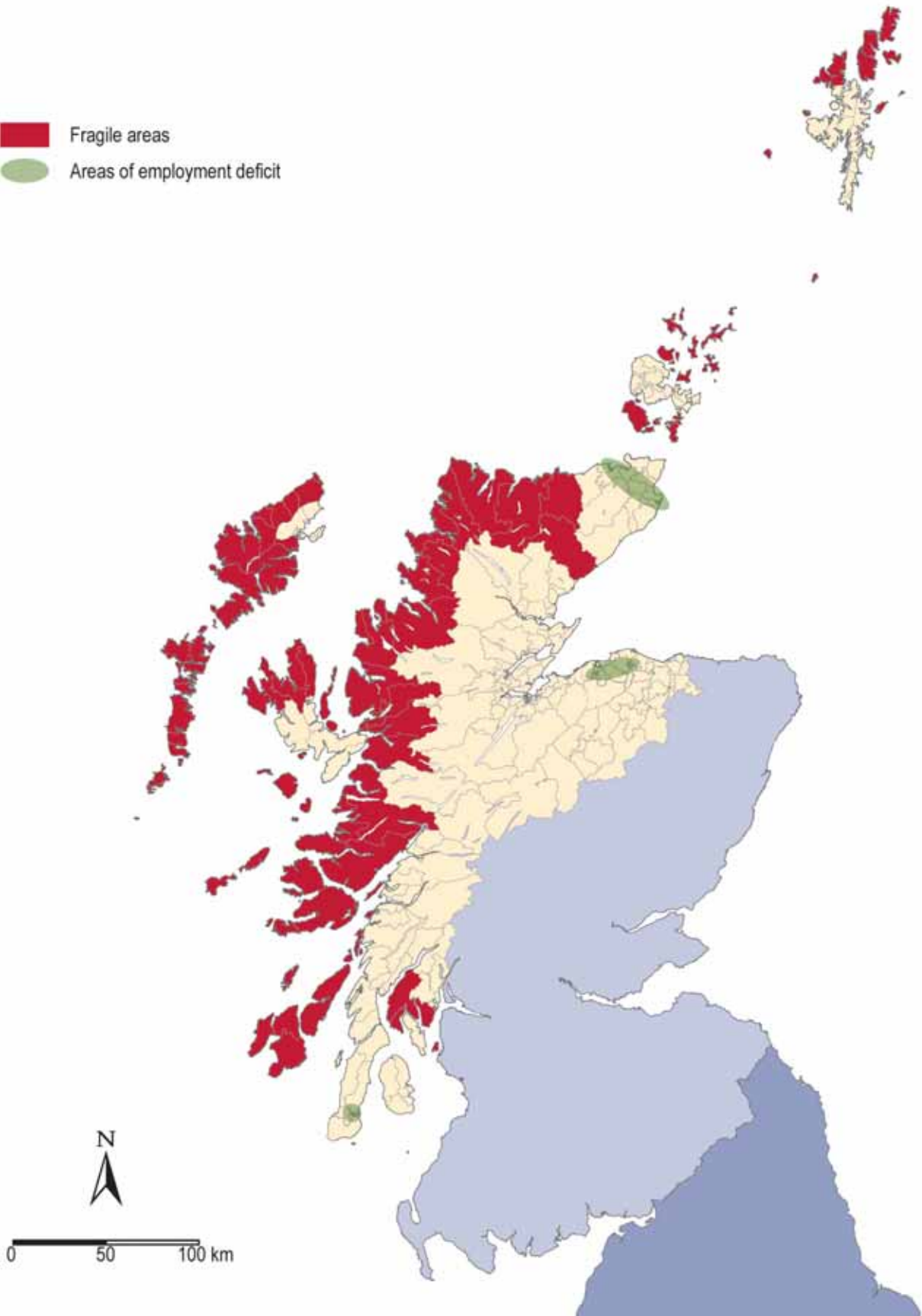
It is HIE's role to implement GES, building sustainable growth in all parts of the Highlands and Islands. Our focus lies in three broad areas of activity:

- Supporting significant and high-growth businesses and sectors, so raising regional and local growth rates.
- Strengthening communities, especially in the fragile parts of the area.
- Creating the infrastructure and conditions to improve regional competitiveness.

This Operating Plan Summary outlines our activities and investment priorities for the period from April 2009 to March 2012. Within the development requirements of the area as a whole, we recognise two types of area facing particular challenges: Fragile Areas and Areas of Employment Deficit (see map overleaf).

The Plan has been prepared against a background of global economic downturn, which is affecting every business and community in the Highlands and Islands. It therefore lists the actions which we have put in place as part of the Government's overall recovery plan. Across Scotland, the alignment of the efforts of the public sector is focussed on achieving a collaborative approach to action and HIE is working with Government, local authorities and public bodies to ensure successful emergence from the current difficulties.

Area challenges 2009



HIE's response to the current economic situation

From 1st April 2009 the Business Gateway service, administered by local authorities across the Highlands and Islands, began delivering a range of services, including the business helpline and local business clinics. HIE's response will therefore focus on the following:

Specialist Advice

HIE is providing specialist advice to significant businesses and those with growth potential, in addition to offering access to national support bodies such as SMAS and SDI.

Economic and Business Reviews

HIE is commissioning independent research and working closely with the business community, banks and representative bodies to collate business intelligence to improve our understanding of the impact the global recession is having on the Highlands and Islands.

Business Masterclass/Virtual Conference Programme

High-profile speakers are addressing business people on key issues in the current climate. Early conferences covered business survival and financial management, with future events on motivating staff, business processes, sales/marketing and energy use/waste minimisation.

Business Mentoring Programme

HIE, in partnership with the Scottish Chambers of Commerce, is providing a support programme for business-to-business mentoring, covering both new and growing businesses. Additional support is available through the Institute of Directors Development Programme.

Investment

In selected cases HIE is considering the use of de minimis or IRG support to complement lending from other sources. Any business which is of significant importance to the economy and can demonstrate it has a sustainable future may be considered for support.

Investor Readiness Programme

HIE is providing support to growth businesses seeking to prepare an investment portfolio. Support includes assistance with engaging professionals to prepare projections, sensitivity analysis, market research etc and with the professional presentation of information.

Development Opportunities for Social Enterprises

HIE is working with Business Gateway and HISEZ to provide support to social enterprises to enable them to identify opportunities to ensure lifeline facilities and services in rural areas.

Enhanced PACE Arrangements

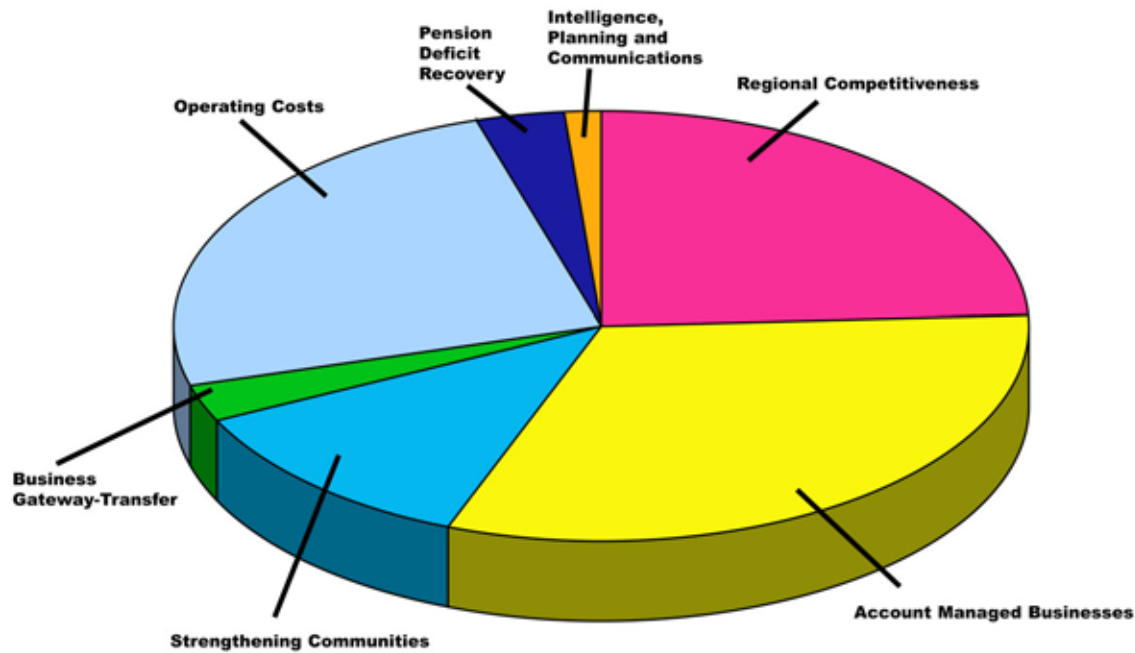
HIE is working with key partners to ensure the delivery of an enhanced PACE service across the Highlands and Islands, aimed at engaging with businesses to avoid or minimise potential job losses, in addition to delivery of a service to individuals affected by redundancy.

Ten-Day Invoice Payment

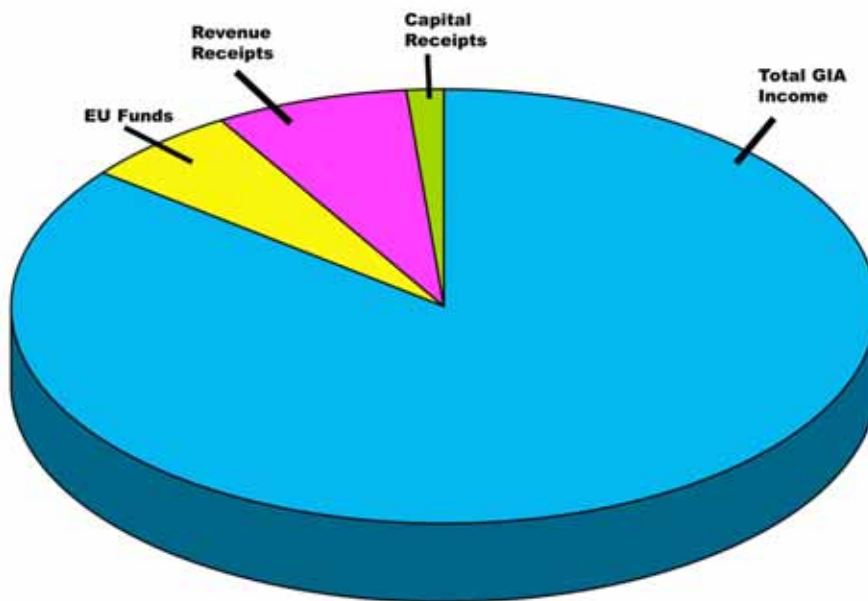
HIE is committed to the payment of uncontested invoices within 10 working days of receipt.

HIE budget 2009/10

EXPENDITURE - £71,386m



INCOME - £71,386m



The 09/10 budget is a very challenging one. Other income will be much lower than originally planned due to the inability to realise 'normal' amounts of capital receipts from property disposals due to the depressed market. It will therefore be highly important to maximise income from EU funding and revenue receipts. Total investment expenditure has been set at £49.386m, and this budget is already heavily committed with little capacity to fund major new investment opportunities. HIE's capital target for 09/10 has been set at £8.2m.

HIE targets 2009/12

-HIE has a central role in ensuring that the Highlands and Islands makes a strong contribution towards the achievement of the national targets. These targets have informed the development of desired outcomes for the region and, in turn, the choice of transformational projects and enterprise programmes that HIE delivers.

HIE's Contribution to the GES Targets - Regional Level

HIE harnesses its resources to maximise the contributions the Highlands and Islands make towards the GES challenges. The contributions summarised in the following table represent realistic aspirations:

Challenge	Highlands and Islands contribution	HIE role
Economic growth	GVA growth rate in the Highlands and Islands to match Scottish growth rate by 2011	Major
Productivity	Raise productivity in assisted growth businesses by 20% by 2011	Major
Population	Average annual population growth rate of 0.7% 2008-17	Major
Participation	Economic activity rate of the working-age population of 85%	Support
Solidarity	Raise median income levels in real terms	Major
Cohesion	Achieve population growth and increased income levels in the most challenging parts of our area	Major
Sustainability	Reduce Highlands and Islands emissions levels	Support

As the table makes clear, HIE plays a major role in achieving the target for five of the seven challenges, while fulfilling a support role in achieving the remaining two. A key partner in realising economic growth is the private sector and HIE is working to ensure that the ambition of the targets is fully shared with individual businesses and their representative bodies.

Though limitations in availability and robustness of regional statistics constrains the extent to which measurement can take place at the Highlands and Islands level, HIE is monitoring progress towards the above targets on an annual basis to give an overview of the contribution which the area is making to the GES targets.

HIE's Contribution to the GES Targets - Project Level

A key part of HIE's work lies in the **transformational projects** which it undertakes. These have been selected on the basis of their strategic importance to the area and the level of HIE resources involved. The following tables list those transformational projects which are (a) in implementation or have funds committed and (b) which are at planning or initial appraisal stages. The main contributions of each project to the GES strategic challenges are shown, together with the principal outcomes. Work is underway to quantify the GVA impacts these projects and programmes are expected to generate. While this work forms an important element in articulating the benefits that will be delivered to the region, given the complexity and varying timescales associated with these investments and given that some are nationally as well as regionally significant, it is important to use a range of indicators to assess the impact they will have on the targets set out in the Government Economic Strategy.

Transformational projects – in implementation (as at March 2009)

Project	GVA Impact	Other GES Impacts	Key Outcomes
University of the Highlands and Islands	High, Long-term	Productivity Population Cohesion	- A vibrant, multi-site university attracting students from the UK and beyond - A supply of graduates contributing to the regional economy - A strong research capacity underpinning knowledge-based growth sectors
European Marine Energy Centre (EMEC)	Medium, Long-term	Sustainability	A world-class marine energy research facility, supporting the marine renewables sector and generating significant economic benefits for Scotland
Caithness and North Sutherland Action Plan	Medium/High, Medium/ Long-term	Productivity Population Cohesion	A diversified growing economy following the decommissioning of the Dounreay nuclear facility
Inverness Campus Development	Medium/High, Long-term	Population	A contemporary university campus in Inverness, attracting high-calibre staff and significant numbers of students, with particular linkages to the healthcare sector
Argyll Marine Science Initiative	Medium, Long-term	Productivity Population Sustainability	An international centre of excellence for marine science, incorporating research and development, education and commercial activity
Kintyre Action Plan	Medium, Medium/ Long-term	Productivity Participation Population Cohesion	A more diversified and re-energised economy, based on renewables fabrication and re-establishment of the ferry link with Northern Ireland
Mareel, Shetland	Medium, Medium/ Long-term	Population	An internationally renowned creative industries centre, acting as a hub for the growth and development of the sector in Shetland and beyond
UHI Clinical Research Facility	Medium, Long-term	Population	A facility for healthcare research and development activity in the Highlands and Islands, with collaborative opportunities and potential for high-value business spin-outs
Greenspace Research, Stornoway	Medium, Long-term	Productivity Population Sustainability	An expanded research unit in Stornoway, focusing on energy efficiency and green building design to reduce reliance on non-renewable forms of energy
Creative Industries and Media Centre, Stornoway	Medium, Long-term	Productivity Population	A vibrant facility which acts as a catalyst for the development of successful creative industries activity, including the expansion of Gaelic media broadcasting
Inward Investment, Machrihanish	Medium/High, Medium/ Long-term	Productivity	A successful wind turbine tower manufacturing operation, which offers high-value employment and supply-chain opportunities

HIE's Contribution to the GES Targets - Programme Level

A second major component of HIE's work lies in the **enterprise programmes** which it undertakes. These are particularly important under the Account Managed Businesses and Strengthening Communities headings (see Section 3). The following table shows the set of growth measures for the main programmes over the three-year planning period. It includes targets for the activities to be undertaken during each year and the anticipated outcome at year three as a result of those activities. Each measure is based on a clear definition and data for each individual assistance package are gathered in a systematic and transparent way through the HIE Management System (HMS):

Growth Measures	2009/10	2010/11	2011/12
Account Managed Businesses			
Account managed businesses with growth plans	150	150	100
Cumulative total of account managed businesses	250	400	500
Added value to national growth through account managed businesses	£85m	£85m	£85m
Private Sector Earnings Index	125	130	135
Strengthening Communities			
Account managed social enterprises with growth plans	40	30	20
Cumulative total of account managed social enterprises	80	110	130
Increase in turnover in the social economy	£2m	£2m	£2m
Account managed communities with growth plans	18	12	12

Monitoring and Reporting

Progress towards the achievements of the targets for transformational projects and enterprise programmes will be monitored on a quarterly basis by the HIE Management Team, with comprehensive half-year and year-end reports being submitted to the HIE Board and the Scottish Government.