

Cabinet Secretary for Wellbeing Economy, Fair Work  
and Energy  
Rùnaire a' Chaibineit airson Eaconamaidh do Mhath  
Dhaoine, Obair Chothromach is Cumhachd  
Neil Gray MSP  
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Chair, Highlands and Islands Enterprise  
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16 October 2023

Dear Alistair,

## **HIGHLANDS AND ISLANDS ENTERPRISE - 2023-24 STRATEGIC GUIDANCE**

In our strategic direction to Highlands and Islands Enterprise (HIE) for 2022-23, we emphasised the role of the agency in delivering the National Strategy for Economic Transformation (NSET). I am grateful for the way in which you responded by realigning your activity to help drive the implementation of the strategy.

In April this year, we published our policy prospectus: 'New Leadership - A Fresh Start' which reaffirmed our commitment to delivering a wellbeing economy by focusing on the priorities set out in NSET. This set out 3 critical and interdependent missions:

- tackling poverty and protecting people from harm - continuing to tackle poverty in all its forms to improve the life chances of people across Scotland;
- a fair, green and growing economy - delivering a wellbeing economy through harnessing the skills and ingenuity of our people and seizing the economic and social opportunities from meeting our net zero targets; and
- prioritising our public services - creating, investing in, and maintaining sustainable public services, to ensure the people of Scotland can access modern, effective, and timely services when they need to.

This year's Programme for Government, which builds on the policy prospectus, set out how we will put the three missions into action, including through the development of a Green Industrial Strategy.

HIE has a vital role to play in helping us to deliver the missions because it is by creating jobs and increasing our tax take that we are able to tackle poverty and make the investment required to improve our public services.

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HIE also makes a vital contribution through its work with communities across the region, where its place-based activities are transformative in tackling inequalities.

Over the coming years, the public sector must work together to provide the targeted economic stimulus and support for businesses needed to deliver our economic ambitions. This will require a programme of reform to improve the way that we support businesses, increase investment and realise economic opportunities in every region of the country. We must also look internationally, to attract the international investment needed to support our economic ambitions and grow our export potential. I know that this will mean difficult choices around prioritisation, and I encourage HIE to be as innovative as possible. I look to HIE to work with Scottish Government, Local Government and other partners to help shape how we deliver our collective approach to economic development.

Engagement with business, social enterprises, communities and other organisations on this programme of reform will be critical. I expect HIE to play a decisive role in delivering the recommendations made by the New Deal for Business Group. Likewise, the First Minister's Investor Panel will shortly publish recommendations about how the public sector in Scotland can take steps to improve Scotland's performance in attracting mobile capital investment. I expect HIE to play a role in implementing the response to these recommendations.

At an organisational level, I know that HIE consulted widely on development of your new five-year strategy. I fully support HIE's refreshed vision for the Highlands and Islands as a leading net zero region with a dynamic wellbeing economy. And the focus you are intending to bring on: developing an entrepreneurial culture and mindset; increasing business productivity and innovation; embracing the huge opportunities the transition to net zero offers the region; and building community capacity. I also recognise the role that HIE will play in growing a skilled workforce to support emerging sectors, whilst continuing to help more traditional sectors to evolve and continue to play an important part in the region's economy.

Within this context, I ask that HIE focuses on delivery of the following outcomes:

1. work with the Regional Economic Partnership to deliver a vision and action plan for the Highlands and Islands region which incorporates the City and Region Deals, and support work to drive up greater levels of regional empowerment and growth by delivering on the ambitions of the Regional Economic Policy Review;
2. work with public sector partners, communities, the third sector and private sector investors to support the creation and scaling of high growth businesses and social enterprises, to help establish Scotland as a global hub for start-up founders and investors;
3. support the creation and growth of key business clusters, as outlined in the Scottish Government's Innovation Strategy, in areas of importance to the regional economy, including renewables, life sciences and advanced manufacturing (including space);
4. play an active part in the design of a new National Productivity Programme to support more SMEs and social enterprises to innovate to increase their productivity;
5. work with and contribute to the work of the Scottish Government's Investment Strategy and Delivery Unit to help drive forward the recommendations from the First Minister's Investor Panel;

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6. work with public sector partners to deliver a focused role in the regional delivery of the priorities set out in the draft and final Energy Strategy and Just Transition Plan, with particular emphasis on maximising the economic, investment, supply chain, manufacturing and employment opportunities of the energy production and decarbonisation sectors;
7. working closely with Scottish Government, play a key role in the development and delivery of a Green Industrial Strategy setting out how the Scottish Government intends to help businesses and investors realise the enormous domestic and international economic opportunities of the global transition to net zero and of creating good, well-paid jobs. In this, you should draw on HIE's knowledge of markets and businesses to develop, with the Scottish Government, a shared understanding of priorities and key policy interventions for the region;
8. continue to encourage the businesses you support to baseline both their carbon emissions and climate risk/resilience, and work with them to embed a strong focus on sustainability within their strategy/operations;
9. working with Scottish Development International, support the approach and focus outlined in A Trading Nation and the Inward Investment Plan in order to drive sustained growth in international exports while diversifying into new markets and strengthening efforts to bring more higher-quality inward investment into Scotland;
10. support the delivery of the Inverness and Cromarty Green Freeport and work with partners to realise the benefits;
11. in addition to supporting the development of inclusive business models, continue to engage in and promote local and regional Community Wealth Building initiatives, and explore how, as an 'anchor organisation', you can use your economic levers such as spend, employment and land and assets, to maximise benefits for the economy, local communities and the environment;
12. ensure that, in line with SG guidance, recipients of grants awarded by HIE pay at least the real Living Wage and provide appropriate channels for effective workers' voice, and continue to provide feedback on implementation of the new grant conditionality requirements;
13. contribute to the development and delivery of the Rural Delivery Plan, which will set out how all parts of the Scottish Government are delivering for Scotland's rural, coastal, and island communities;
14. continue to work with partners to ensure rapid progress on the development of the Master Customer Record, and play a full and active part in the programme of work to develop a common digital offer for business. This work will be delivered through the Business Support Partnership, which will require a resource commitment from all partners.

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I look forward to discussing these areas of work with you in our regular meetings and to hearing your feedback on progress at the close of the financial year.

Yours sincerely,



**NEIL GRAY**

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