



REGIONAL ECONOMIC STRATEGY

Report by Chief Officer, Economic & Community Regeneration

PURPOSE

- 1.1 The purpose of the report is to seek approval of the HIREP Regional Economic Strategy, and of a proposed update to the Outer Hebrides Economic Strategy.

EXECUTIVE SUMMARY

- 2.1 The Scottish Government has sought to establish Regional Economic Partnerships (REPs) across Scotland. REPs seek to bring regional interests together to help drive economic growth through the alignment of resources and through collaboration between Government, agencies, academia and the private sector. Since 2021, the Comhairle has participated in the Highlands and Islands REP (HIREP).
- 2.2 HIREP partners have developed a Regional Economic Strategy (Appendix 1) which articulates a shared 10-year vision for the Highlands and Islands, responding to the once in a generation opportunity presented by a just transition to net zero, and the resulting wider opportunities for businesses and communities. It also recognises the enabling infrastructure, assets and services which will be critical to realising collective ambitions.
- 2.3 Individual HIREP members are now seeking approval of the Regional Economic Strategy through their own governance processes. From an Outer Hebrides perspective, the focus and direction of the strategy is relevant, and it offers a framework within which the Comhairle can work collaboratively with regional partners on areas of common concern and opportunity, to optimise outcomes for the islands. The Comhairle, along with other REP partners, has emphasised the need for a flexible structure which recognises resource constraints, avoids duplication, and which is focused on those areas where collaborative working will be of most benefit.
- 2.4 It is proposed to update the Outer Hebrides Economic Regeneration Strategy to align with the HIREP Strategy, the Scottish Government's National Strategy for Economic Transformation, and the Comhairle's Corporate Strategy 2022-27. This will also reflect the need to respond to challenges and opportunities within the current economic context. A broad outline of the proposed direction of travel is at Appendix 2. Further work will be done to detail this out in consultation with partners, and it is anticipated that Member approval of a final version will be sought at the February series. The aim will be for a high-level and focused strategy that will support prioritisation of resource within the relevant Comhairle services, our external funding strategy, and the Comhairle's work with external partners such as HIE.

RECOMMENDATIONS

- 3.1 **It is recommended that the Comhairle approve the Highlands and Islands Regional Economic Strategy at Appendix 1 and agree to a refresh of the Outer Hebrides Economic Strategy as outlined at Appendix 2.**

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Appendix: 1. Highlands and Islands Regional Economic Strategy 2025-2035
2. Outer Hebrides Economic Strategy 2025-2035 (Draft Framework)

IMPLICATIONS

4.1 The following implications are applicable in terms of the Report.

Resource Implications	Implications/None
Financial	None
Legal	None
Staffing	Potential resource implications through participation in the work of the REP.
Assets and Property	None
Strategic Implications	Implications/None
Risk	Risk to the Outer Hebrides position within the wider Highlands and Islands picture if there is not active participation in the work of the REP.
Equalities	None
Corporate Strategy	Work of HIREP supports the Corporate Strategy 2022-2027 ambition to strengthen the local economy.
Environmental Impact	None
Consultation	Consultation on the Regional Economic Strategy has taken place.

BACKGROUND

5.1 The Highlands and Islands Regional Economic Partnership (HIREP) was established in 2022, to bring together public, private, academic and third sector interests in pursuit of economic opportunities across the region. The Comhairle Leader chaired the REP until December 2022, at which point the Chair moved to Highland Council. Secretariat support is provided through HIE.

5.2 Its agreed terms of reference states:

“The Highlands and Islands Regional Economic Partnership’s purpose is to enable inclusive and sustainable economic growth and build resilience throughout the region, by identifying and focussing on areas of joint strategic purpose to provide co-ordinated action in pursuit of regional growth opportunities and to address shared challenges.”

5.3 HIREP fulfils its purpose through:

- Identifying opportunities for collaborative and co-ordinated action in pursuit of agreed regional priorities, ensuring, where appropriate, that stakeholders plans are aligned, and resources are deployed efficiently and effectively.
- Advocating on agreed regional economic opportunities and challenges, and where appropriate leading in discussions with Scottish Government, UK Government and other organisations.
- Being future focused in looking ahead to identify emerging regional opportunities and challenges where collaborative action can maximise outcomes and impact.
- Working to understand evolving approaches to external funding and reacting to maximise impact across all parts of the region.
- Understanding sub-regional economic dynamics and, where appropriate, formulating solidarity actions to ensure that no part of the Highlands and Islands is left behind.

5.4 HIREP’s work complements that of individual partners at regional and sub regional scale by focusing on those areas where regional collaborative action is required to realise opportunities and where such collaboration will deliver the best outcomes.

REGIONAL ECONOMIC STRATEGY

- 6.1 The work of HIREP has been drawn together through the development of a Regional Economic Strategy. The Regional Economic Strategy articulates a shared 10-year vision for the Highlands and Islands, responding to the once in a generation opportunity presented by a just transition to net zero, and the resulting wider opportunities for our businesses and communities. It also recognises the enabling infrastructure, assets and services which will be critical to realising our collective ambitions. While recognising that the work of individual HIREP partners will continue, at regional or sub regional level, the strategy focuses where collaborative action is necessary or where it offers the prospect of delivering the best outcomes. The strategy will be implemented through a two-year delivery plan. Formal approval of the HIREP Strategy is currently being sought by individual HIREP Members through their own governance processes. The HIREP Strategy is at Appendix 1.
- 6.2 The strategy has been evidence based and has been informed by input from all HIREP members. Consultation with key stakeholders, including business, third sector academic and community interests took place in November / December 2023 to seek validation of regional opportunities and challenges identified by HIREP. An open, online consultation, seeking views on the draft strategy document, took place in July / August 2024.
- 6.3 The HIREP strategy sets out a 2034 vision for the region:
“The Highlands and Islands is a dynamic, connected, resilient and prosperous region with a balanced and growing population and a vibrant economy, embedding community wealth building, leading Scotland’s transition to net zero, and enhancing our natural environment.”
- 6.4 The achievement of this vision is visualised below:



- 6.5 The strategy identifies drivers for change, and an analysis of the region's strengths, weaknesses and opportunities. Identified 'enablers and challengers' are:
- Housing
 - Transport services and infrastructure
 - Population and shortage of labour
 - Skills shortages
 - Energy
 - Digital connectivity
 - Accessible public and private services across the region
 - Natural habitat and climate change
- 6.6 Key sectors identified are:
- Renewable energy and energy transition
 - Sustainable tourism and hospitality
 - Food and drink, and primary sectors (including aquaculture)
 - Life, marine and health industries
 - Heritage and creative industries
- 6.7 The Strategy identifies four cross-cutting themes considered fundamental to meeting its goals and adding value to its actions:
- Community Wealth Building and Benefit
 - Innovation and Entrepreneurship
 - Population
 - Just Transition
- 6.8 The strategy identifies six strategic goals, underpinned by a set of actions.
1. Increase the profile and understanding of the Highlands and Islands to support effective policy and unlock regional investment.
 2. Become a region which delivers high quality and affordable housing for residents.
 3. Enhance the region's transport and digital infrastructure to become an exemplar of efficient rural connectivity.
 4. Build resilience and competitiveness through place-based opportunities and stimulating an active culture of entrepreneurship and innovation.
 5. Maximise the economic and community benefits from renewable energy investments and drive the region's move to net zero and climate resilience/adaptation.
 6. Develop a coordinated response to skills and labour requirements across the region.
- 6.9 From an Outer Hebrides perspective, the focus and direction of the strategy is relevant, and offers a framework within which the Comhairle can work collaboratively with our regional partners on areas of common concern and opportunity, to achieve best outcomes for the islands. The coverage of the strategy is comprehensive, however, leading to a large suite of actions and potential delivery sub-groups. Partners, including the Comhairle, have emphasised the need for a flexible structure focused on the areas where collaborative working will be of most benefit.

OUTER HEBRIDES ECONOMIC STRATEGY

- 7.1 The Comhairle's Corporate Strategy was refreshed in 2024 to cover the period 2024-2027. The Corporate Strategy sits above a range of specific Economic Regeneration Strategies in recent years, either taken forward through the Community Planning Partnership, in partnership with HIE, or as Comhairle-specific documents. Most recently, the Comhairle has worked to the vision and aims of the 'Outer Hebrides Community Planning Partnership Economic Regeneration Strategy to 2020'. The Comhairle approved its COVID-19 Economic Recovery Strategy in June 2020 which also operated as a refreshed economic strategy setting the development agenda for the following period.

- 7.2 It is timely therefore to update the Outer Hebrides Economic Regeneration Strategy to reflect the challenges and opportunities facing the islands both now and over the next ten years, and to align this with the direction of the HIREP Strategy, the Scottish Government's National Strategy for Economic Transformation, and the Comhairle's Corporate Strategy 2022-27. A broad outline of the proposed direction of travel is at Appendix 2. Further work will be done to detail this out in consultation with partners, and it is anticipated that Member approval of a final version will be sought at the February series. The aim will be for a high-level and focused strategy that will support prioritisation of resource within the relevant Comhairle services, our external funding strategy, and the Comhairle's work with external partners such as HIE.

CONCLUSION

- 8.1 HIREP continues to be a useful collaborative vehicle for joint-working across the Highlands and Islands on areas of common priority and concern. The Regional Economic Strategy is strongly evidence based and reflects opportunities for growth across the whole region, and the benefits of taken a cohesive approach to challenging areas such as housing provision and transport infrastructure. It is important that the Comhairle's participation in HIREP remains proportional and adds value.
- 8.2 Due to the level of unprecedented private sector investment set to come into the islands over the coming decade, there is a need for the Comhairle to prioritise its focus and resourcing in relation to economic development and to set this out through an updated Outer Hebrides Economic Regeneration Strategy.

Outer Hebrides Economic Strategy 2025-2035 (Draft Framework)

Introduction

- Area Profile: place, economy, people
- Drivers of change
- SWOT Analysis

Vision

- Population: *Sustain and grow our population*
- Prosperity: *Increase productivity and average wages*

Taking a Sectoral Focus

- Renewable Energy
- Food & Drink, including Primary Industries
- Tourism, Cultural and Creative Industries
- Innovation, Entrepreneurship and Business Growth

Underpinned by cross-cutting themes

- Community-wealth building and community led development
- Just transition, including community benefit from renewables
- Enabling infrastructure
- People & skills

Achieved through Delivery Plan

- Actions
- Resourcing
- Collaboration