

*Going Forward
Together*



STÒRAS UIBHIST

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Iain Smith MSP
Convenor - Economy, Energy and Tourism
Committee
Scottish Parliament
Holyrood
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Dear Mr Smith,

REVIEW OF THE ENTERPRISE NETWORK

Stòras Uibhist is the largest community landowner in Scotland, managing the 93,000 acre estate covering the islands of South Uist, Eriskay and Benbecula (part) in the Outer Hebrides. The estate has a resident population of 3,000 people and the land buyout took place in December 2006 for a purchase price of £4.5M. The company operates as a membership organisation with 850 members who elect a board of directors who oversee the work of the 18 full time equivalent employees.

The company has 996 crofts, and leases property to other agriculture tenants, fish farmers, quarry operators and commercial organisations. A sporting lodge is run directly by the company, and the turnover of the entire business operation has increased from £300k to £600k since the land purchase took place. Key development projects being progressed include a £10M wind farm, a £9M development of Lochboisdale Harbour, the restoration of Askernish Golf Course, and the creation of a business centre at Daliburgh.

We answer the questions raised by your Committee in the following submission, and concentrate our answers on the role of Highlands & Islands Enterprise (HIE). We are happy to provide any further information and explanations to the Committee to help them with their review.

Yours sincerely

Angus MacMillan
Chairman

24mh Lùnastal 2010

Iain Smith BPA

Neach-gairm – Comataidh an Eaconamaidh, Lùth agus Turasachd

Pàrlamaid na h-Alba

Holyrood

Dùn Èideann

EH99 1SP

Mgr Smith a charaid chòir

Sgrùdadh air Lionra na h-Iomairt – (Review of the Enterprise Network)

'S e Stòras Uibhist an t-uachdaran coimhearsnachd as motha ann an Alba, a' stiùireadh oighreachd ann a bheil meud 93,000 acraichean agus a tha a' gabhail a-steach Uibhist a Deas, Èirisgeigh agus pàirt de Bheinn na Faoghla. Tha timcheall air 3,000 neach a' fuireach agus ag obair air an oighreachd. Chaidh an oighreachd a ceannach anns an Dùbhlachd, 2006 air prìs £4.5 millean. Tha an companaidh ag obair mar bhuidheann ballrachd le 850 ball a bhios a' taghadh bòrd-stiùiridh a tha a' stiùireadh 18 neach-obrach làn-ùine.

Tha 996 croitean aig a' chompanaidh agus tha talamh air a thoirt seachad air mhàl do mhuintir àiteachais eile, do thuathanasan èisg, do chunnraidhean chuaraidhean agus do bhuidhnean coimearsalta. Tha Loidse-seilg cuideachd aig a' bhuidhinn agus tha luach malairt na companaidh air èirigh bho £300k gu £600k bhon a chaidh an oighreachd a gabhail thairis. Am measg nam prìomh phròiseactan againn tha tuathanas-gaoithe - luach £10 millean, leasachadh air sgìre Cidhe Loch Baghasdail – luach £9 millean, leasachadh Raon-goilf Àisgernis agus stèidheachadh Ionad Gnìomhachais ann an Dalabrog.

San tagradh a leanas tha sinn a' freagairt nan ceistean a thog a' chomataidh agaibh a' cur cuideam air pàirt Iomairt na Gàidhealtachd 's nan Eilean (HIE). Bhitheamaid deònach tuilleadh fiosrachaidh agus tuilleadh mìneachaidh a thoirt dhan chomataidh gus an cuideachadh leis an sgrùdadh ma tha sin a dhìth.

Is mise le meas

Aonghas Mac 'Ille Mhaoil
Cathraiche

Value of recent reforms

What impact has the rationalisation of the enterprise network and the abolition of the LECs had on the quality or effectiveness of the services delivered?

We believe that the impetus for the rationalisation of the enterprise networks was largely focused on SE, with HIE requiring to reflect those changes within its own structure. HIE's role in sustaining businesses in remote and fragile communities was largely ignored in the consideration of those changes.

Reduced budgets have had a direct effect on business support. The combined effect of the budget transfers and the efficiency savings resulting from the recent reforms has seen the grant in aid for HIE fall by £40 million (43%), once adjusted for exceptional items. This is a hugely significant decrease in budget and has resulted in less support being provided for organisations. The loss in experienced personnel following redundancy programmes has also had a significant impact on the level of service provided.

The knock-on effect of a reduction in HIE's budget has been that organisations are having to spend considerably more time in assembling finance packages, with more time spent on completing applications to a larger number of grant giving bodies.

Given the budget reductions imposed on HIE, we question the decision of HIE to award £25M to the development of the Beechwood Campus in Inverness, when clearly this should have been a funding responsibility of the Scottish Funding Council.

HIE's focus since rationalisation has been on larger strategic projects to the detriment of projects in peripheral areas. Recently, some attempts have been made to re-adjust this focus, with HIE now starting to give greater attention towards fragile areas, however, this is somewhat late in the day.

The abolition of LECs has resulted in a loss of direct input by locally based business and community representatives. In particular, the Outer Hebrides has no representation on the HIE Board. Local knowledge, and an understanding of local circumstances, is essential to the effective development of local economies.

Has the transfer of activities, such as the Business Gateway service, to local authorities improved the delivery of services to local businesses and what evidence is there of this?

The transfer of Business Gateway services to the local authority was not associated with an appropriate transfer of budget. The splitting of business start up activities away from HIE has not been helpful, as there are benefits in all business support activities being delivered by the one agency.

What has been the experience of businesses that are not account-managed by Scottish Enterprise/Highlands and Islands Enterprise since the 2007 reforms? Are such companies finding it difficult to attract the support they need from the enterprise agencies and what evidence is there of this?

Businesses which are not account managed by HIE do not receive the integrated support package which most businesses could previously have expected. In fragile areas, non account-managed businesses may be eligible for HIE support, but, we are unaware of the

uptake of this. We would certainly question whether non account-managed businesses are fully aware that HIE may still offer support to them if they are based in fragile areas.

How joined up are the various agencies that are now charged with supporting economic recovery? Are there examples of successful partnership working between, for example, SE or HIE and local authorities? How has the establishment of the strategic forum assisted in this regard?

We feel unable to provide a detailed response to this question as we know of no examples of such partnership working at a local level, nor of the existence of a strategic forum.

What distinctive contribution has been made by HIE as a result of its social/strengthening communities remit? Should the same obligation be applied to SE?

There's a perception across the Highlands and Islands that the priority given by HIE to strengthening communities is lower than it once was. The strengthening communities role is vitally important in remote and fragile communities, and we would argue that it should be enhanced and re-emphasised as a core purpose of HIE. The community land buyout which took place in South Uist could not have taken place without the financial support from HIE, and this community has benefited greatly from the transformational effects of that support.

We are disappointed that HIE's Community Land Unit has been depleted in terms of staffing and budget, and we would urge investment in resources to ensure that appropriate support services are provided to the community land owning sector. Half of the land mass of the Outer Hebrides is now community owned, and more than two-thirds of the population live on community owned estates. It is essential that appropriate economic support services are provided to this emerging and growing sector.

Have COSLA and SE been able to agree on what constitutes local, regional and national regeneration? Are local authorities maintaining levels of local regeneration activities? What benefits have accrued from the transfer of local regeneration activities to local authorities? What has been the impact on regional regeneration projects? Have any regeneration projects failed or been cancelled as a consequence of this transfer of responsibilities?

No comment.

The Cabinet Secretary envisaged that Regional Advisory Boards would provide a link between local, regional and national delivery. How is this working in practice and what links have been provided?

HIE has stated that it has established 'area panels' to compensate for the loss of local knowledge as a result of the LECs being disbanded, but we are not aware of the existence of these. The HIE Board Members are often seen as remote in terms of local knowledge, with three out of seven non-executive board members resident out with the Highlands & Islands. It is essential that those who make decisions about the development of local communities have a good understanding of these areas, and are aware of local issues.

What advantages has the establishment of Skills Development Scotland brought in terms of the delivery of the skills agenda and have there been any difficulties?

Since the restructuring of HIE, and the loss of their skills development role, there would appear to be less awareness of the training and skills development support available at the local level. SDS has had little impact, or evident presence, in the Outer Hebrides to date.

How will services be protected in light of any planned further restructuring exercise within Scottish Enterprise and/or Highlands and Islands Enterprise?

We are concerned whether the services currently delivered by HIE can be sustained if there is a further significant reduction in budget beyond the 43% reduction (£40M) already cut. If any further restructuring of HIE were to take place, then it requires to be planned in such a way that the focus is retained on client needs.

More fundamental, first principles analysis

Could the Scottish Government's economic aims be achieved in a different way? Are there more successful or efficient models of delivery in other parts of the world?

Údarás na Gaeltachta is the regional authority responsible for the economic, social and cultural development of the Gaeltacht in Ireland. We consider that its more focused approach on peripheral and fragile areas is a role that should be developed by a revamped HIE (to be known as Úghdarras na Gàidhealtachd and its Norse equivalent name). The Inner Moray Firth area (Moray, Nairn, Inverness, East Ross) should be transferred to SE, as there is little to differentiate that area from areas presently served by SE, and it no longer warrants a focus on regeneration.

The revamped HIE's headquarters should be located in the South Uist Estate area, to signal its new focus and priorities. It is essential that those staff charged with the regeneration of the fragile communities of the Highlands & Islands should be based in a fragile, peripheral community.

Could services be delivered as effectively, with greater efficiency, by a single agency or some other structure with increased shared services etc? Conversely, are a single economic strategy and the SE account management model suitable for both Scotland and the Highlands & Islands?

Please refer to the answer to the question above.

The government's present economic strategy has encouraged the enterprise networks to focus on supporting investment and innovation by companies and sectors which have growth potential and are of national or regional significance. While business located in remote and fragile areas may not be able to make a significant contribution to gross value added (GVA), they can have a significant effect on the local economy. This is not recognised within the current strategy.

There is the need for the government to develop an economic strategy for the rural, peripheral and island communities in the Highlands & Islands which focuses on sustaining business, retaining populations and strengthening communities. The emphasis on GVA in the current economic strategy is inappropriate for peripheral areas.

HIE have lost the focus on “enterprise” and are more risk averse and bureaucratic than a development organisation ought to be. The organisation is now too conservative and not looking at new and innovative projects that will make a difference to changing population decline and provide more diverse opportunities for employment and investment.

What should be the role for a publicly-funded enterprise network, what activities should it be expected to deliver and what resources are required? Alternatively, what alternative exists to the current model in Scotland and what benefits would this have?

We consider that HIE should be restructured with a renewed emphasis on providing economic and community development support to the peripheral, fragile and island communities. A revamped HIE should have both economic and social development roles, working to an economic strategy which is part of the Scottish overarching economic strategy, but specifically tailored to the development needs of these peripheral communities.

The sectoral approach adopted by the former Highlands & Islands Development Board (HIDB) should be adopted by the ‘new’ HIE, as it was seen to be very effective. Specialist advice and support should be provided by the organisation to the emerging renewable energy sector; tourism; information technology; primary industries; and other SME’s reflecting the make up of the local economy. Community development and social enterprise ventures should also be prioritised for support.

SE should assume responsibility for the Inner Moray Firth area currently part of HIE, and an appropriate split of resources should be agreed.

The newly revamped HIE can then concentrate its energies on those areas disadvantaged because of geography, transport, low population density, under-employment and low wage levels.

Do the enterprise agencies’ methodologies for calculating the return on investment bear scrutiny? Which activities have been identified as delivering most return on investment?

We do not have a detailed knowledge of the methodologies adopted by HIE for calculating return on investments. However, we feel that HIE’s decision to allocate a grant of £25M (a major percentage of its annual budget) towards the creation of a campus at Beechwood, Inverness was inappropriate, and we feel that this decision was driven by the national economic strategy and its emphasis on growth projects and GVA. Such methodologies do not appear to provide sufficient weighting towards projects which provide job retention and allow for the sustainability of local businesses in peripheral areas.