

OUTER HEBRIDES ECONOMIC STRATEGY 2025-2035 (FINAL)

INTRODUCTION

With a population of around 26,000 across a 130-mile-long island chain, the Outer Hebrides feature outstanding natural resources with an unspoilt environment, excellent quality of life, and a unique community in terms of Gaelic language, culture and heritage. The benefits of living or relocating to the Outer Hebrides are often reflected in national polls highlighting island residents as among the happiest in the UK– contributed to by low crime rates, excellent levels of educational attainment, good public services, and evidence of strong community cohesion and collaboration reflecting in a vibrant community and third sector. Despite these strengths, fragility and lack of diversity in the islands economy, and decades of under-investment in infrastructure have resulted in low wages and productivity, contributing towards a trend of population decline to increasingly unsustainable levels.

The Outer Hebrides already make a distinct contribution to the UK economy and international presence, but there is scope for us to do more. Over the coming decade, there is an opportunity to retain and attract population to the islands, and achieve a productivity step-change, through the development of new and high value economic propositions for the islands. Central to this is proposed investment related to the realisation of our renewable energy resources, as well supporting our existing key sectors of food and drink, tourism and creative industries to add more value locally and increase resilience. Realisation of these opportunities can only be achieved if they are supported by infrastructure investment, particularly around roads, transport, digital connectivity and housing.

The Outer Hebrides Economic Strategy sets out how the Comhairle will seek to work with community, public and private sector partners to support the realisation of these opportunities. In the context of declining public sector resources, it seeks to prioritise and focus effort on where there is a tangible impact that can be made, rather than seeking to be too wide-ranging and all encompassing. The focus of the Economic Strategy has been informed by the evidence base and strategic framework, including the National Strategy for Economic Transformation, HIE's Operational Plan, the Highlands and Islands Regional Economic Partnership Economic Strategy, and the Comhairle's Corporate Strategy 2022-27. The final version will be informed by public and partner consultation. The Strategy and associated actions are anticipated to evolve as economic conditions change and opportunities emerge.

Once the Strategy is finalised, a delivery plan will be put in place to further detail out and monitor progress. Existing Economic Development structures will be reviewed to ensure that they are aligned to delivery of the strategy, and there may be a need to prioritise actions based on internal resources. We will seek to work in partnership with HIE where actions are co-aligned to reduce duplication and make best use of resource. Progress reporting will be published on an Annual Basis, with quarterly reporting on those actions integrated within the Service Business Plan.

VISION

Our vision for 2035 is an Outer Hebrides which is thriving, prosperous, and sustainable.

What will success look like by 2035:

- Population has increased and the demographic balance has improved across all parts of the island chain.

- People have more access to well-paid and diverse employment opportunities.
- Homes and businesses have access to high-speed digital infrastructure offering parity with rest of UK
- Businesses are innovating, diversifying and resilient.
- There is tangible evidence of significant economic, social, and community benefit arising from our renewable energy resources.
- Communities are continuing to lead social and economic regeneration efforts, capitalising on the value of our natural and cultural resources.
- Significant investment in infrastructure has supported inward investment and business growth.
- Transport infrastructure and housing options have improved from the 2025 position, fuel poverty has reduced and there is increased resilience against climate change.
- Our carbon footprint has reduced as households and businesses benefit from a just transition to net zero.

How will this be measured:

- Evidence of population growth and a trend towards a healthier demographic balance.
- Reduction in the gap between the Outer Hebrides and the wider Scottish economy in respect of average wages and GVA.

CONTEXT

- **Population:** The estimated population in 2023 was 26,030, a decline of 4.8% over the previous decade, while Scotland as a whole saw population increase of 3.2%. This trend is projected to continue. By 2043, our overall population is forecast to decline to 22,542, a decrease of 16% from 2018, compared to a projected 2.5% increase in Scotland over the same period. The islands have an older age profile than regionally or nationally in terms of those aged 65+, with this trend projected to continue.
- **Workforce:** Participation in the labour market is above the Scottish average by c3% and a high level of self-employment a particular feature (15% compared to 8% nationally).
- **Productivity and Wages:** GVA per job in 2024 was estimated at £40,900 compared to Scotland wide estimate of £52,000. Economic growth is forecast to be slower in the islands compared to Scotland and the UK as a whole. In 2023, full time average earnings in the Outer Hebrides at £29,992 were 12% below the Scotland average of £33,690. (ASHE, 2023)
- **Economic structure:** The top 3 employment sectors in 2023 were Agriculture, forestry and fishing (31.2%), Human health (12.5%), Wholesale, retail and repairs (10.3%). Public sector employment is 10% above the Scottish average. SMEs are critical to the economic base, accounting for 79% of private sector employment compared to 51% nationally.

SWOT Analysis has been used to further inform the priority themes, areas and actions.

| Strengths | Weaknesses |
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| <ul style="list-style-type: none"> • Food and drink sector, including shellfish & aquaculture, and other products recognised for provenance and brand such as Stornoway Black Pudding and Isle of Harris Gin and Whisky. Increasing number of distilleries across the island chain. • Tourism is a major employer across the islands, | <ul style="list-style-type: none"> • Ageing and declining population, particularly in more remote and rural communities. • Low Productivity and Wages • Costs of living, working and doing business: Island households experience higher living costs than those in mainland Scotland, including other rural parts of the country. From a business perspective this |

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| <p>and the Outer Hebrides has a strong and high value destination brand, with benefits across a range of sectors including retail, hospitality and creative industries.</p> <ul style="list-style-type: none"> • Harris Tweed, which can only be woven on the islands as internationally recognised (and protected) brand with high-value contribution and evidence of diversification. • Breadth of creative industries activity founded in environment, language and culture, including visual arts and crafts, and a significant Gaelic media presence in the islands. Gaelic TV channel MG Alba is headquartered in Stornoway, and there is an associated range of media facilities and independent production companies and large production facility at Studio Alba. • Completion of major infrastructure for cruise and renewables through Deep Water Terminal, with significant increase in cruise visitors. • Engaged and active community, with track record in community asset development, social enterprise, community landownership and community renewable development. • Presence of UHI and strengths in areas of academic research such as sustainable development, Gaelic and energy engineering. | <p>includes areas such as higher freight charges, higher energy costs, cost of goods and of sales, supplies and services.</p> <ul style="list-style-type: none"> • Fuel Poverty: Partially due to energy costs, but also due to weather conditions and energy efficiency, the Outer Hebrides has the highest levels of fuel poverty in the UK. • Transport infrastructure and connectivity: Ferry services are overstretched, in need of investment and showing declining reliability and service performance. Air connectivity has also diminished over the past decade. The internal road network through the spinal route and series of causeways in the Southern Isles need investment and are vulnerable to climate change. |
| <p>Opportunities</p> <ul style="list-style-type: none"> • Further development of Tourism and Cruise Market sector • Clean Energy Industries, with some of the strongest wind and wave resources in Europe, the potential of renewable energy resources offers the islands the prospect of transformational economic benefit • Community Landownership and Land Use Diversification: 77% of the population live on community owned land and Community Estates are leading on economic and community investment in their areas. Nearly all the land in the Hebrides is under crofting tenure with the area being home to over 6000 registered crofts, about a third of all crofts in Scotland. • Attractiveness of place: evidence that younger and working age people would choose to stay or relocate in the islands if the right employment opportunities and other enabling factors were available to them. • Space - one of only two locations in the UK which can provide direct access to low earth orbits for satellite launches. Completion of the Spaceport 1 sub-orbital launch site in North Uist, offers scope for supply chain and added value spin-offs. | <p>Threats</p> <ul style="list-style-type: none"> • Achieving appropriate balance between development and protection of community, environmental and other intrinsic assets. • Recruitment challenges due to population decline and skills gaps. • Access to affordable housing across a range of tenures and gaps in childcare provision impacting on population attraction and retention. • Increased capital costs for projects and 'islands uplift'. • Climate change impacts likely to include rising sea levels, increased flooding, and coastal erosion which could lead to disruption to transport, utilities, and services, alongside impacts on our natural environment and infrastructure. • Digital Connectivity: Delivery of R100 in the Outer Hebrides is now lagging well behind initial forecasts, with implementation of R100 in the Outer Hebrides now pushed back to 2026. • Contractor and infrastructure capacity: Extent of private sector investment foreseen in coming decade, in addition to BAU investment, and Islands Growth Deal may be unable to be met by current supply chain. • Match funding landscape becoming increasingly limited and challenging. |

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| <ul style="list-style-type: none"> • Opportunity for inward investment from high energy users such as data centres | <ul style="list-style-type: none"> • Public sector budget cuts have reduced staff and resource capacity to deliver strategic aspirations. |
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PRIORITY AREAS AND ACTIONS

| THEME | PRIORITY AREA | ACTIONS |
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| KEY SECTORS | Renewable Energy and a Just Transition to Net Zero | <ul style="list-style-type: none"> • Support the delivery of community and commercial renewable energy developments, ensuring that island supply chain and workforce impact is maximised at all stages. • Develop a Community Benefit Charter to underpin discussions with renewable energy developers • Realise Community Shared Ownership opportunities offered by proposed onshore wind schemes at Stornoway and Uisenis • Secure an 'island tariff' for householders and businesses and develop 'Hebrides Energy' as a vehicle for local energy supply in the long term. • Progress Green Hydrogen production for on-island use in heat and transport, and explore future export opportunities. |
| | Primary Industries | <ul style="list-style-type: none"> • Support Community Landowners to develop added value activity around food production, particularly in relation to Deer Management. • Support fisheries, aquaculture and wider food and drink sector investment in infrastructure, production, processing and value-added opportunities. • Deliver and explore new Community Quota opportunities. • Deliver the Fisheries Investment Scheme through Business Gateway • Food and drink supported to capitalise on the Outer Hebrides brand. |
| | Tourism, Cultural and Creative Industries | <ul style="list-style-type: none"> • Support delivery of the Tourism Outer Hebrides 2030 strategy. • Explore introduction of a Visitor Levy to support investment in tourism-related infrastructure. • Support the delivery of the Cruise Destination Plan. • Lead the Islands Deal-funded Creative Islands Wellbeing programme and associated Creative Hubs at Taigh Chearsabhagh and An Lanntair. • Support delivery of projects within the Outer Hebrides Destination Development Programme • Promote recognition of the Outer Hebrides as a designated 'Gàidhealtachd' area, and support activity which recognises Gaelic as an economic asset for the islands. • Support heritage-related economic activity through implementation of the Great Place Strategy. • Support the modernisation, digitisation and up-skilling of the Harris Tweed® sector. |
| | Innovation, Entrepreneurship and Business Growth | <ul style="list-style-type: none"> • Deliver Business Gateway services to support business start-up and growth. • Source external funding to support business start-up and growth • Engage with UHI and other academic and industry partners to expand R&D activity and commercialisation, particularly in relation to island challenges and key sectors. • Maximise community and business spin-offs arising from the delivery of Spaceport 1. |

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| PEOPLE & COMMUNITY | Community Led Development | <ul style="list-style-type: none"> • Embed community wealth building principles in economic development activity, including commitment to progressive procurement, localism and retention of wealth within the local economy. • Support community ownership of assets and community led economic development projects. • Encourage communities to take forward opportunities through the Planning (Scotland) Act 2019 for the establishment of Local Place Plans. |
| | Skills and Talent Attraction | <ul style="list-style-type: none"> • Deliver the Uist Repopulation Zone and Resettlement Programme. • Support delivery of the Islands Deal funded 'Talented' Programme in the Outer Hebrides, with a particular focus on Green Jobs opportunities and skills gaps. • Deliver accredited skills and training to meet employer and workforce needs, particularly targeted at younger people. • Support provision in areas such as childcare to enable labour market participation. • Develop an integrated approach to Talent Attraction area promotion with HIE. |
| INFRASTRUCTURE | Housing | <ul style="list-style-type: none"> • Deliver the Outer Hebrides Local Housing Strategy and Strategic Housing Investment Plan. • Support innovation in local housing design and construction, tenure, ownership and financing models. |
| | Transport | <ul style="list-style-type: none"> • Implementation of the Local Transport Strategy to secure affordable, reliable and high quality external and inter-island transport links. |
| | Digital | <ul style="list-style-type: none"> • Lobby for the acceleration of R100 in the Outer Hebrides. • Engage with the development and rollout of other investment in Scotland's digital infrastructure to ensure Outer Hebrides parity in future coverage. |
| | Inward Investment | <ul style="list-style-type: none"> • Support major infrastructure investment, such as proposals for Deep Water Terminal South. • Work with HIE to support a long-term vision for Arnish and ongoing activity at the Arnish Fabrication Yard. • Develop an integrated response to inward investment opportunities with HIE. |
| | External funding and Policy | <ul style="list-style-type: none"> • Maximise funding to the islands from external funding sources and achievement of leverage, including delivery of the Islands Growth Deal and the Community Renewal Partnership. • Explore alternative financing mechanisms for investment priorities, including SNIB, National Wealth Fund, private sector and philanthropic. • Seek to influence the direction of future funding schemes and lobby for devolved decision making • Update previous work on piloting potential fiscal measures and derogations within the islands and promote in discussions with UK and Scottish Government. |