

HIGHLANDS AND ISLANDS ENTERPRISE

Case Studies



Auchrannie Leisure Limited

Tourism

Brodick, Isle of Arran

CLIENT DETAILS

HIE has worked with the business since its inception in 1988. Auchrannie has grown from a 16-bedroom guest house to a resort comprising two 4-star hotels with 85 rooms, 30 5-star self-catering luxury lodges, three restaurants, a shop, two leisure clubs with pools, a destination spa, an outdoor adventure centre and a children's Playbarn.

An Employee Ownership Trust was formed in 2017 and holds 100% of the shares on behalf of the employees. It marks the first time a hotel or resort in Scotland has become employee-owned. The Resort is now established as a vital strategic driver for the Arran economy, as such the continuity of the growth and sustainability of the business and its contribution to economic and social development on Arran is of continuing importance to HIE. HIE maintain a strategic relationship with the Company to remain aware of the business issues and opportunities.

HIE SUPPORT

HIE has supported the growth of Auchrannie with a range of targeted interventions, these include:

- £110,000 (Feb 13) and £507,000 (Mar 14) - Resort expansion towards total project costs of c£3m. Part of the overall plan for establishment of the capacity of the resort on a sustainable basis.
- £15,000 - Consultancy to explore employee ownership models (Aug 17) towards total project costs of £30k.
- £60,000 - Staff Development Programme (Oct 17 – released over 3 years) towards total project costs of £172,926. Targeting reduction in staff turnover and attendant recruitment costs and improving visitor experience.

Specialist Advice

Support provided to the business in reviewing its opportunities to develop its sales and marketing and e-commerce strategies.

IMPACTS AND OUTCOMES

30 jobs have been created with turnover impact of £1,530,000 and 25 career paths developed.

Auchrannie is recognised as the focus for the wellbeing and growth of the tourism sector of Arran. The resort stimulates generation of indirect impacts throughout the tourism, food and drink, service and leisure sector on Arran. Anecdotally, the business attracts staff from across Scotland and seeks to retain as many as possible. The career path development and training being implemented is directly targeting a reduction in staff turnover and is also expected to contribute to population growth for the island. Auchrannie pays a minimum of the real living wage to all staff.

FUTURE PLANS AND POTENTIAL SUPPORT

HIE continues to work with the business with a view to monitoring its sustainability and opportunities for growth and supporting /challenging/ facilitating development where change would not be achieved without HIE support.

- Establishment of the business at a sustainable scale through development of further bedspaces in the form of “Couples Retreats”.
- Establishment of offsite kitchens and reformatting of onsite kitchens to achieve greater catering capacity commensurate with site and quality demands.
- Staff accommodation to enable a higher level of staff retention and career based employment.

Angus Kyleo Partners Ltd

Technology and Advanced Engineering business

Kirkwall, Orkney

CLIENT DETAILS

Kyloe builds software products for SME clients to help maximise the return on their investment in the market-leading Bullhorn online CRM system. The Kyleo team of experts provides a range of high-value services to over 250 clients worldwide, including custom workflows and reports, system configuration, data manipulation and custom-designed app integrations. The company also undertakes direct development commissions from Bullhorn.

Set up in 2015, Kyleo now employs over 50 people worldwide: 25 of whom are based in Orkney (expected to rise to 30 by December 2018) and the remainder spread across the UK, US, Europe and Australia.

HIE SUPPORT

HIE has account managed the business since 2016, providing a broad range of support to accelerate the growth of its operations in the region. These include:

- £67,500 against total project costs of £135,000 (50% assistance) towards Marketing and Trade Show Attendance.
- £191,250 against project costs of £850,000 (22.5% assistance) towards Expansion of Business – Capital and Staff Costs.
- Directors have benefited from participation in HIE supported leadership programmes.
- Benefitted from ScotGrad placements.
- Internationalisation support with Scottish Development International, assisting with the set-up of a wholly owned US subsidiary.
- Membership of Scotland House in London.
- Case studies, including production of a recruitment video.

IMPACTS AND OUTCOMES

When HIE first had contact with the business, it employed 5 people locally. HIE's most recent package of assistance will take the company to 40 locally-based employees.

In their first three years of business, Kyleo's turnover has grown from £328K in 2016 to £1.9m in 2018. It is expected to reach £2.6m by 2019, with approximately 35% from international sales.

Kyloe is the first company to recruit IT developers to any extent within Orkney and this has led to a number of people previously underemployed being able to use appropriate skills. It has also allowed Orcadians to return home and retained a number of young graduates who would have settled outside Orkney if they had not been able to secure employment in their chosen field.

FUTURE PLANS AND POTENTIAL SUPPORT

Potential further internationalisation support through Global Scot and SDI. Assistance with securing appropriately skilled staff, which could become a challenge for the business. There is high demand for developer skills and Kyleo is beginning to find it difficult to recruit and find housing for staff.

Isle of Harris Distillers Ltd

Food and Drink Business

Tarbert, Isle of Harris

CLIENT DETAILS

Isle of Harris Distillers Ltd (IOHD) was established in 2007 to create a niche distillery producing a premium malt whisky on the Isle of Harris in the Outer Hebrides.

IOHD was established by project sponsor Anderson Bakewell who appointed a team of sectoral experts to design and deliver his concept. Described as a 'social distillery', the enterprise aims to benefit the local community and promote the island around the world. The distillery opened in September 2015 and will produce around 300,000 bottles of single malt whisky a year. Called 'The Hearach', (Gaelic for an inhabitant of Harris), it will be distilled, matured and bottled in Tarbert.

The distillery produces a multi-award-winning gin which is sold online direct to customers and has achieved results beyond expectations. Meanwhile, casks of The Hearach are maturing in its warehouse by the shores of Loch an Siar.

HIE has been working with the business since 2011 with IOHD account managed since the end of 2015.

HIE SUPPORT

IOHD originally raised £11m from public and private investors to build and equip the distillery. This included £1.9m Scottish Government grant funding through its Food Processing, Marketing and Co-operation scheme and an investment of £1.5m from the Scottish Investment Bank.

HIE has approved investment totalling £1,251,420, as follows:

- £900,000 approved in December 2013 towards establishing the distillery.
- £93,600 approved in January 2015 to support business development, design, packaging and marketing
- £244,895 approved in March 2015 towards constructing a warehouse
- £12,925 approved in March 2016 to attend international trade fairs during 2015 and 2016

HIE helped the business to connect with Skills Development Scotland (SDS), to assist with training, and with Scottish Development International (SDI) to develop its presence overseas.

The company has used Scotland House in London for media events and anticipates making further in the future.

IMPACTS AND OUTCOMES

IOHD's results to date have far exceeded the original projections and the company's expectations. Turnover has increased from £300k in 2015 to over £2.6m in 2017. Although it is a whisky distillery at its core, early success of the business has been down to the popularity of the Isle of Harris Gin. The company is now employing around 30 permanent staff compared to the 12 jobs at time of approval, when with the original expectation had been to increase to 21 by 2021. The number of visitors has been double the forecasts - visitor targets had been in the region of 40,000 per annum but in the first year they reached 60,000 and rose to over 80,000 in 2017.

As well as launching in the far east in November 2017, the distillery is now supplying the Canadian market through the Liquor Control Board of Ontario (LCBO), one of the world's largest buyers and

retailers of alcohol.

The company has won two recent awards:

- Scotland Food & Drink Product of the year 2018
- Scottish Gin Awards Distillery of the Year 2018

FUTURE PLANS AND POTENTIAL SUPPORT

The company's direct-to-consumer model has been crucial in keeping more of the work on Harris and adding to the prestige of this premium brand. This model is now being employed for the Isle of Harris Gin in European markets and Japan, and supply of The Hearach looks likely to follow the same format. The direct-to-consumer model may not work in all countries and markets however the company is willing to look at adapting this approach in some territories, as it has already done in Canada. The distillery is working closely with SDI on prioritising international markets for 2018 and onwards.

The success of the Isle of Harris Gin means the company is now looking at expansion for continued growth. It has also enabled IoHD to lay down more spirit, potentially bringing forward plans for a second offsite warehouse.

Fair Isle Unified Low Carbon Electricity Generation & Storage Project

Community Energy
Shetland Islands

BACKGROUND

Fair Isle, roughly half way between mainland Shetland and the Orkney Islands, is not connected to the national grid network. Developing the islands local energy system supply was one of the highest priorities identified in the recent community development plan, paving the way for further development activity across the island.

Fair Isle has always been a pioneering and innovative community. The UK's first 60kW wind turbine was commissioned three in 1982 as a community effort, supported by council and development agencies, and proved an extremely successful alternative to expensive diesel-powered generators. The Fair Isle Electricity Committee (now Fair Isle Electricity Company) set charges that encouraged consumers to use wind generated power rather than the more expensive diesel generated electricity, helping to alleviate fuel poverty on the island. With a very attractive pricing structure customers are also encouraged to maximise electricity for heating at peak production times.

PLANNING FOR A MORE SUSTAINABLE FUTURE

After 30 years of running their own electricity company, with various improvements and additions to the scheme along the way, FIEC teamed up with partners including Scottish Water (SW), Fair Isle Bird Observatory (FIBO), Shetland Islands Council (SIC) and the National Trust for Scotland (NTS) to increase the stability of the system through the addition of new onshore wind turbines, solar PV, storage and an island wide high voltage distribution network to transmit power across the island. The new system provides a 24-hour power supply for the first time, and enhances the level of generation available to allow new customers to connect and community services to develop. The project is taking an innovative and collaborative approach to deliver further generation capacity and infrastructure to allow extra customers online, addressing fuel poverty by reducing costs of energy production, while also stimulating local economic and social development on the island. Ultimately this project seeks to develop an innovative and collaborative local energy business model which can be copied across other island communities.

The project will enable services such as emergency airfield lighting to allow an extension of the available flight hours in a day, as well as providing energy for Scottish Water treatment works, energy provision for the airport, harbour, bird observatory and additional domestic loads – increasing the customer base and providing a sustainable income from electricity sales.

PROJECT DEVELOPMENT SUPPORT

The project was successful in securing Development Stage support through the ERDF-funded Low Carbon Infrastructure Transition Programme (LCITP), Shetland Islands Council, Scottish Water and Highlands and Islands Enterprise. This support enabled a Project Manager to be put in place, which in turn led to the appointment of legal, financial and technical advisors to provide support and advice for the lifetime of the project. A Steering Group was in place for key decision making as the project progressed, which involved all of the key project partners.

The project received LCITP's Transformational Low Carbon Demonstrator capital funding (securing 50%), with the remaining 50% of total project costs, of c£3.5m, being supported by a number of funders, including the Big Lottery, Scottish Water, Shetland Islands Council, Fair Isle Bird Observatory, the National Trust for Scotland and Fair Isle Electricity Company. Highlands and Islands Enterprise provided £250k funding towards some additional development stage activities.

The project won the Judges Award at the 2018 Scottish Green Energy Awards.