

Scottish Affairs Select Committee
Poverty in Scotland – Inquiry Submission
Respondent: THE HIGHLAND COUNCIL

Executive Summary

It is universally recognised that poverty is no longer just about no or low incomes. Poverty is multi-dimensional and this is especially true of the Highland Council area. In addition to the traditional issues surrounding poverty, the rural dimension across the Highlands introduces considerable pressures.

The Highland Council have highlighted several key areas in the following submission to inform the Committee's inquiry into *Poverty in Scotland*.

- The difficulties posed through the **low wage rural economy**.
- The **higher costs of living**, transport and housing placed on people living within rural areas.
- **Lack of access to essential services** such as banking, post offices, cash machines and financial advice.
- Households within Highland spending proportionately higher amounts on heating their homes leading to **fuel poverty**.
- The national focus upon **spatial concentrations** of deprivation whereas in rural areas deprivation is **spatially dispersed**.
- The disadvantage placed on rural communities through the use of the Scottish Index of Multiple Deprivation as a proxy for need in **resource allocation** and in national policy interventions.

- 1.1 The area served by the Highland Council is considerable. Covering 26,484 square kilometres, it spans an area nearly 25% larger than the whole of Wales. It is an area of extremes with rapidly developing urban centres around the inner Moray Firth yet a vast rural hinterland. The overall population density for the Highlands sits at 8 people per square kilometre, in comparison with 66 across Scotland as a whole. Half of the region's population is found in the inner Moray Firth area. Only 25% of the population live in settlements of over 10,000 people and 40% in settlements of over 1,000 people. The nature of rural living in Highland is also characterised by the extent of remoteness experienced by a significant proportion of the population:
- 37% live in Remote Rural data zones, defined as settlements of less than 3,000 people and with a drive time of over 30 minutes to a settlement of 10,000 people or more;¹
 - 26% live in Super Sparse areas, defined as anywhere which is more than 40km (25 miles) by road from any settlement with a population of 7,000 and over.
- 1.2 It is universally recognised that poverty is no longer just about no or low incomes. Poverty is multi-dimensional and this is especially true of the Highland Council area. Whilst Highland has many of the expected causes and consequences of poverty associated with urban settings, the rural dimension introduces further pressures. Poverty in rural areas can be a consequence of the lack of access to resources, lack of access to suitable housing, fuel poverty and rural isolation. The costs of living are generally higher within rural areas, whereas wages and incomes are on the whole lower. People are often restricted to these areas and are tied to these higher costs of living due to an inability to access adequate transport to reach cheaper market sources. Poverty within rural areas though is often invisible. The geographical mix within rural areas can result in individuals experiencing extreme poverty living alongside households of considerable affluence. These pressures, although less conspicuous than areas of concentrated multiple deprivation, have considerable effects on the population but yet there is little recognition given to spatially dispersed deprivation and poverty while the current focus is on concentrated and therefore urban deprivation and poverty.
- 2. Highland's Economic Picture**
- 2.1 *Wage and income levels*
Employment and unemployment have a considerable impact upon poverty levels. Although unemployment within the Highland's is relatively low, in comparison with the national average (2.2% Highland and 2.8% Scotland), wage levels and income are also low and impact upon poverty levels across the area.
- 2.2 Table 1 below notes the differences in the Gross Annual Pay of individuals employed both full and part time

¹ Scottish Executive's "Urban Rural Classification" – the most rural classification is "Remote Rural".
<http://www.scotland.gov.uk/library5/rural/seurc-00.asp>

across Highland, Scotland and the UK. This highlights the lower level of wages in Highland in comparison with the Scottish and UK averages.²

Table 1

	Gross Annual Pay - Mean	Gross Annual Pay - Median
Highland	£18,880	£15,960
Scotland	£20,592	£17,370
UK	£22,000	£18,200

Source: Annual Survey of Hours and Earnings 2005

- Mean pay in Highland is 91% of the Scotland mean and 86% of the UK mean.
- Median pay in Highland is 92% of the Scotland median and 88% of the UK median.
- Only six local authorities have lower average earnings than people living within the Highland Council area.

2.3 The survey also highlighted that our lowest paid workers are generally paid less than their counterparts in the rest of Scotland.

Table 2

	Gross Annual Pay - 10%ile	Gross Annual Pay - 20%ile
Highland	£5,250	£8,010
Scotland	£5,510	£9,260

Source: Annual Survey of hours and Earnings 2005

2.4 Highland has a relatively high proportion of part time workers. The Annual Population Survey 2005³ showed that 74.4% of employed people in Highland worked full time (and 25.6% worked part time) compared with a national rate of 76.1%: 22 other Authorities had a higher percentage of full time workers. Therefore this impacts upon the overall earnings of the Highland population and results in a higher proportion of individuals on lower average incomes.

2.5 Seasonal unemployment

Highland experiences greater seasonal fluctuations in unemployment than the rest of the country due to the nature of the dominant service sector economy. Longitudinal data on people moving in and out of employment is not available but analysis of monthly figures between May 2005 and April 2006⁴ shows that during this period:

- the highest unemployment figure was 3,393 (February 2006).
- the lowest unemployment figure was 2,602 (September 2005).
- simple analysis at data zone level shows that up to 2,300 people in Highland could have suffered from seasonality of employment / unemployment.

2.6 Analysis for all data zones in Scotland over the same period shows that out of the 292 data zones in Highland, 52 were in the 10% of data zones in Scotland with the highest seasonal fluctuation in employment rate, and 88 were in the top 20%. Highland has two data zones, Glengarry and Portree West & Rural, with the joint highest seasonality rate in Scotland. Seasonal unemployment impacts in particular on some of Highland's most vulnerable rural areas. The lack of employment opportunities within rural areas dictates the dependence of individuals on the tourism and service sector who tend only to require staff for the peak summer period.

2.7 The societal as well as individual consequences of seasonal employment are considerable. The lack of permanent employment for the individual can result in an inability to qualify for credit facilities or mortgages and be forced to undertake multiple employment in order to survive. One household may need at least four or five part time posts in order to survive. For these families it is then very difficult to leave that community or seek new employment opportunities as they are tied to a number of positions. Seasonal employment also impacts upon society and rural communities as a whole. The lack of permanent positions can lead to an inability to attract people into the area which in turn leads to the demographic decline experienced in many rural areas. This, and the lack of graduate level jobs, can result in the forced out migration of a community's young people who find they

² National Statistics, *2005 Annual Survey of Hours and Earnings*, Office for National Statistics, 2005

³ The Scottish Executive, *Annual Population Survey in Scotland 2005*, Scottish Executive 2006

⁴ National Statistics, *NOMIS – Official Labour Market Statistics*, Office for National Statistics 2006

cannot access suitable employment.

3. Poverty in Rural Areas

- 3.1 The Highland community is diverse. Over recent years there has been considerable growth within urban areas around the Inner Moray Firth, a housing boom across the area and unemployment is at its lowest level. However this growth masks the difficulties and problems faced by rural communities. Centralisation of services in urban centres poses difficulties for rural communities in terms of accessibility, increasing dependence and can lead to the decline of local services. It can also compound issues of isolation for vulnerable members of rural communities.
- 3.2 Rural deprivation is often difficult to identify and define. Many rural communities appear affluent and thriving, yet pockets of poverty are often hidden behind these successful exteriors and spread throughout the area. Poverty in rural areas is not clustered but spread often over considerable distances. This has considerable implications when trying to quantify deprivation. (Please see section 4) A study using the British Household Panel Survey showed that between 1991 and 1996, one in three people in rural areas are poor at some time.⁵
- 3.3 Poverty and deprivation are often associated with urban situations, with less recognition of rural experiences. Many families in rural areas will run a car at the expense of other essential requirements in order to access education, employment and essential services. In addition, food and fuel are often more expensive within rural areas. Issues such as increased travel costs to access employment and services, low pay – often linked to seasonal employment as documented in section 2 - and the historical low take up of benefits in rural areas all compound the issues of poverty within rural areas across Highland. There is also little doubt that the general problems associated with poverty are compounded when combined with the issue of isolation.
- 3.4 The financial inclusion agenda within Highland has highlighted a number of challenges facing residents, especially within rural areas. Accessing essential services such as post offices, banks and cash machines can prove complex and restrictive. Individuals facing financial difficulties can also struggle when trying to access money and welfare advice and support.
- 3.5 The development of credit unions to provide local financial support have met with only limited success within Highland. The need for such organisations to work only within a defined geographical area inhibits their use across more dispersed communities. The sparse and dispersed nature of many rural communities does make the provision of services more expensive and difficult to provide.
- 3.6 The difficulty of individuals to access money advice and credit can lead to the operation of high interest money lenders. This is still essentially a hidden problem across the Highland area but has considerable social and personal implications. An increase in the level of resources is required to identify and tackle this issue effectively.
- 3.7 The advent of greater computer technology into banking systems and personal usage of computers is changing the way that many individuals access banking services which in turn is affecting the number of local banks in Highland. This also has implications for people who do not have access to IT or are not computer literate.
- 3.8 The majority of people now use Automatic teller machines (ATMs) to access their money but the introduction of ATMs is not always a sufficient substitute banking services. Additionally the number of ATMs which charge a fee to access money has grown to around 40% of the total UK case machines.⁶ In rural areas in particular people often have no choice to use these machines where banking services have closed. This is targeting individuals with among the lowest incomes, for which a charge of £1.50 can have a considerable impact on an already limited income.
- 3.9 The threat of closure on rural post offices across the Highland also raises concerns about the ability of people to access their money and advice free of charge. With the closure of a number of rural banks, the Post Office has become the only option through which people can access their benefits and money. An investigation by Postwatch Scotland⁷ estimated that 86% of elderly rural residents would lose their independence should their local post office

⁵ Institute for Social and Economic Research, *British Household Panel Survey*, University of Essex

⁶ CAB Evidence Briefing , *Out of Pocket – CAB Evidence on the Impact of Fee-charging Cash Machines*, Social Policy Department Citizens Advice, July 2005

⁷ Postwatch Scotland, *The Importance of Rural Post Offices*, Postwatch 2006

close. There are also more general implications for rural communities. 75% of rural post offices are attached to another business, generally a shop. The study estimated that 77% of these businesses would be unable to survive should the post office be forced to close. Over a third, 38%, were the only shop in that area.

- 3.10 Despite government intentions to encourage benefit payments direct into bank accounts, security and fraud now require considerably more personal identification checks when opening accounts and reduced accessibility to accounts. Awareness of this needs to be promoted and work undertaken with organisations to overcome any possible obstacles for customers.
- 3.11 Recent research also indicates a clear geographical dimension to income status in old age.⁸ Older people in remote and rural areas are found to be worst off. Remote rural areas are typically low wage economies. Low incomes during retirement are likely to reflect earlier employment and income patterns. The research highlighted the importance of benefit income to the overall income of older people but also the lower than average uptake of state benefit within these areas. This will have considerable implications for the future. In common with the rest of Scotland and Western Europe, Highland has an ageing population, but the ageing population in Highland is growing at a faster rate with projections suggesting that the proportion of those over 65 is likely to increase by 65% by 2024.⁹
- 3.12 There has been an increasing demand on social rented housing in the Highlands over recent years. The lack of available housing has led to a considerable increase in the number of people presenting as homeless within the Highland area. The increase in number of homelessness applications has been at a rate far higher than the national average. The increase between 2002/3 and 2003/4 was the highest in Scotland. Between 2001/2 and 2005/6 there has been a 148% increase in the number of homeless applications in Highland. Although the majority of homeless applications came from the Inverness area, homelessness is a problem across all areas of the Highlands.

4. Measuring Deprivation

- 4.1 The Scottish Index of Multiple Deprivation (SIMD) 2004 allows a comparison of relative deprivation at small area level (data zones) across Scotland and pockets of deprivation to be identified. Of the 6,505 data zones within Scotland, 292 are in Highland with an average population of 800 people per data zone. There are 17 data zones within the Highland Council area that fall within the 20% most deprived areas in Scotland. Of these, three data zones fall within the 5% most deprived in Scotland.
- 4.2 When examining population, 6.2% of Highland's population fall within the 20% most deprived wards in Scotland. This appears relatively low in comparison with Glasgow City where half the population live in the most deprived data zones. However, although the SIMD has allowed examination of deprivation at a lower level than previous, concerns exist regarding its ability to capture deprivation within rural areas. The SIMD concentrates on identifying **spatial concentrations** of deprivation whereas in rural areas deprivation is **spatially dispersed**. As a result, the Council feels that the SIMD does not capture or reflect the scale of the problem within rural areas. The index itself shows that in Highland 90% of income and employment deprived people live outwith the areas where deprivation is concentrated.
- 4.3 There are considerable implications in relying on the SIMD to identify deprivation within Scotland. SIMD has compounded the view that poverty is a predominantly urban issue and as a result, policies are focused upon tackling the causes of urban deprivation. (*Please see section 6*) In addition, there is evidence that the SIMD has been used as a proxy for need generally in resource allocation and in national policy interventions. The Council, along with other rural Councils and partnerships has campaigned against such inappropriate use of the SIMD.

5. Fuel Poverty

- 5.1 Within Highland one of the main challenges is that households need to spend a higher proportion of their income on heating their homes than most other areas of Scotland. A household that needs to spend more than 10% of its income on household fuel is said to be in fuel poverty. Extreme fuel poverty is when households need to spend more than 20% of their income on fuel. This level of spending is disproportionately high and can force people to

⁸ L Philip et al, *Income in Old Age: Rural/Non-rural Perspectives on an Ageing population in Great Britain*, RGS-IBG Annual Conference, September 2005

⁹ Highland Council Planning and Development Service, *Policy and Information Briefing Note 12 – Council Area Population Projections 2004-2024*, The Highland Council 2006

make difficult decisions about whether to keep their homes warm or spend their money on food and other essentials.

- 5.2 Those most affected tend to be among our most vulnerable in society, often on low incomes: older people, lone parents, disabled people and those with a long term limiting illness. They are all people who are often at home more than most households and use heat for more of the day. However, fuel poverty is common among all housing tenures and is also common amongst those households that do not receive any benefits.
- 5.3 A number of factors can lead to fuel poverty including poor energy efficiency, low incomes and high fuel costs. Fuel choice is often limited within many parts of Highland. Mains gas, which has tended to be the cheapest of energy sources, is only available in a small number of areas. The way fuel systems are operated can also lead to fuel poverty. Fuel suppliers develop attractive deals for customers paying by direct debit. Those on low incomes who choose certain methods, such as expensive pre-payment meters, are often penalised as a result.
- 5.4 The age and type of houses within Highland also contribute to fuel poverty. Properties with thick stone walls are often difficult to heat and the harsh climate also results in a greater need for heating. 16% of households in Highland are energy inefficient.¹⁰ This is double the Scottish average and of the five authorities with higher energy inefficiency, all are predominantly rural areas.
- 5.5 It is difficult to know exactly how many people are in fuel poverty because households can move in and out of fuel poverty as their circumstances change. The Scottish House Condition Survey is one of the best sources of data on fuel poverty.¹¹ Highland has a considerably higher proportion of households in fuel poverty than the Scottish average. 21% of Highland Council households were experiencing fuel poverty in comparison with the Scottish average of 13%. 7% of these households were in extreme fuel poverty. Highland had the 5th highest proportion of fuel poor households in Scotland. All areas with higher proportions of fuel poor were also predominantly rural areas.
- 5.6 The effects of fuel poverty impact on society as a whole with both health and social consequences. Cold homes can lead to ill health, aggravating illnesses such as heart disease, strokes and respiratory diseases. Fuel poverty can also have wider social effects increasing social isolation. Older people may not wish to go out because they will return to a cold home but may not want to invite people to their home if it is cold. 35% of pensioner households within Highland were in fuel poverty, with 15% experiencing extreme fuel poverty.¹²
- 5.7 Survey results tell us that people living within rural areas are more likely to experience fuel poverty which explains the higher proportion within Highland experiencing fuel poverty. It is worth noting that the SIMD does not include fuel poverty as an indicator of deprivation.

6. Impact of Government Policy on Poverty

- 6.1 The Scottish Executive's Financial Inclusion Action Plan,¹³ is a key document in the fight to tackle poverty and deprivation in Scotland. It has brought to the fore many of the challenges faced within Scotland and sets out a series of priorities for public and private sector organisations to address over the coming years. However, the new resources made available across Scotland to address some of these priorities have been targeted at those areas that the Scottish Executive categorises as having the 'greatest current problems'. None of this new money has come to Highland, although the issues here, as highlighted above, are considerable.
- 6.2 Scottish Executive policy has come to rely on the use of the SIMD to quantify deprivation and poverty within Scotland. In recent years the Executive has utilised the SIMD to allocate funding and this has considerable implications for the Highland area. When used to target resources at the 15% most income deprived areas in Scotland, few areas within Highland are included. As has already been noted, 90% of the income and employment deprived people in Highland fall out with this bracket and are therefore excluded from assistance.

¹⁰ House Condition Surveys Team Communities Scotland, *Fuel Poverty in Scotland – Further Analysis of the Scottish House Condition Survey 2002*, Scottish Executive/Communities Scotland, 2002

¹¹ Scottish House Condition Survey 2002

¹² Scottish House Condition Survey 2002

¹³ Scottish Executive, *Financial Inclusion Action Plan*, Crown, Edinburgh 2005

- 6.3 However the Scottish Executive are not only using the SIMD to direct resources at the most disadvantaged but are using it to direct a range of funding from Supporting People allocations to new teacher allocations. This has considerable implications for the Highland Council area. Rather than tackling the issue of rural deprivation, this policy is in turn compounding many of the factors causing deprivation within rural areas.
- 6.4 Academics involved in the construction of the SIMD have stressed that measuring deprivation at the small area level does not imply that this is the most appropriate scale at which to intervene to tackle deprivation. A single index for both urban and rural deprivation does not work. Urban deprivation is spatially concentrated while rural deprivation is spatially dispersed. A complementary approach is needed for rural areas.
- 6.5 The Scottish Executive has recently announced the creation of Rural Service Priority areas. However, the funding to support these areas is limited to one year and this will not make any changes sustainable. There is an overall feeling that this does not go far enough for rural communities. There is a need for the Scottish Executive to develop a strong evidence base for rural deprivation, built upon methodologically sound processes. This as of yet has not happened.
- 6.6 In England there is a Commission for Rural Communities which is an expert body in watching out for the interests of rural communities and people, especially those suffering disadvantage. The Commission is currently undertaking work on a major study about rural disadvantage to address gaps in the evidence base. The study was due to conclude in 2006. The Commission has a role in rural proofing all government policy and assessing the extent to which rural service entitlements are met. There is no equivalent body at present in Scotland to protect the interests of rural communities although the situation in Scotland is more prevalent.

7. Priority Areas

- 7.1 The Highland Council welcomes the opportunity to submit evidence to the Scottish Affairs Select Committee on the issue of *Poverty in Scotland*. The following are priority areas and actions which the Council feels are crucial to addressing the challenge of poverty within Scotland and specifically the Highland area.
- The Council seeks support for the development of an evidence base for rural deprivation and exclusion, linked to an agreed national Rural Development Strategy. This is currently being undertaken in England, whose rural exclusion is far less extreme than it is in Scotland.
 - There is a Commission for Rural Communities in England which is an expert body watching out for the interests of rural communities and people, especially those suffering disadvantage. The Council seeks support for the consideration of such a body or remit within Scotland given the extent of peripherality and super sparsity.
 - The Council seeks agreement that the Scottish Index of Multiple Deprivation should be used only for issues around concentrated deprivation and not to be seen as a proxy for need or deprivation more widely.
 - The Council views with real concern the large energy price increases which have already been imposed in the current financial year. The increases are disproportionately affecting low income consumers and fuel-poor households in the Highlands and driving more people into poverty. The Council therefore supports the initiative taken by Energywatch who have launched a campaign to stop penalising the poor.
 - The Council supports the call on all energy suppliers to reduce the prepayment meter tariffs and bring them into line with prices paid by quarterly bill payers.
 - The Council shares Energywatch's fears that increasing numbers of consumers will disconnect themselves or severely ration out energy use because they will not have enough money to feed their meters.
 - The Council is concerned that the widespread practice of energy suppliers installing prepayment meter system to recover energy debt is both unfair and counterproductive.
 - The Council calls on the UK government and specifically the Chancellor of the Exchequer to ensure that the large energy price increases are seriously taken account of when the government begins its benefit uprating process later in the year.

8. Respondent Details

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