

The Convention of the Highlands and Islands

23.3.09

Agenda Item	
Report No	

The benefits and challenges of community planning in a period of economic recession

Report by Highland Council

1. Purpose of the report

- 1.1 The purpose of the report is to enable productive discussion at the Convention on the benefits and challenges of community planning in a period of economic recession.
- 1.2 The paper should provide information to enable delegates to:
 1. share their current actions in helping businesses and families cope with the recession;
 2. identify further short to medium term actions required to help businesses and families cope with the recession;
 3. consider the longer term plan required for sustainable communities and growth once the recession is over;
 4. examine critically the readiness of their Community Planning Partnerships and their Single Outcome Agreements in addressing the challenges of the recession;
 5. identify the impact of the recession on their organisations and how this might influence change in the public sector landscape.

2. The importance of community planning in times of economic recession

- 2.1 During times of economic recession public expectations of Government and of public services are heightened. In the current recession UK and Scottish Government responses focus on support to the economy, to business and to households. These are implemented through UK, Scottish and regional government departments, bodies and agencies. The Scottish Government has a Six Point Economic Recovery Plan and Highlands and Islands Enterprise (HIE) has a Seven Point Economic Recovery Plan.
- 2.2 Locally Councils are politically accountable for a range of services, with new economic development duties through the Business Gateway. They also have important representative and community leadership roles. In representing their communities they are expected to protect them from any negative economic impact. In the Highlands, this often finds expression through the Council's involvement in local campaigns to sustain local services, particularly in rural areas. Examples of Council activity to retain: Post Offices; a Job Centre; a Revenues and Customs Office; and pay phones have all arisen in the past 12 months. Given public expectations of the Council and the services it provides, Highland Council agreed an action plan covering six service areas in response to the economic downturn in December 2008. This is monitored and reviewed for each meeting of the Council. Similarly, other councils in the Convention area have identified actions to deal with the recession.
- 2.3 The Scottish Government's purpose is to focus Government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth. Purpose targets,

strategic objectives, national outcomes, indicators and targets are all developed to support the Government's purpose. There is recognition that the national outcomes cannot be achieved unless progress is made locally¹. In addition the Scottish Government has been explicit about the need for all parts of the public sector to work together to achieve local and national outcomes. Clearly there is a need to deal with the recession collectively. This places particular responsibilities on local authorities given their duty to facilitate and lead community planning in their area.

2.4 The introduction of Single Outcome Agreements (SOA) between the Scottish Government and Councils for March 2008, and extended to Community Planning Partnerships by March 2009, creates a new working relationship and accountability regime² for improving local outcomes which will contribute to national outcomes. This is with a view to improving quality of life and improving opportunities in life against the overall purpose of increasing sustainable economic growth. The challenge for the public sector will be to achieve this within more difficult economic circumstances. Better awareness of impacts globally, nationally and locally is needed with the ability to adapt services quickly in response to emerging needs.

2.5 Single Outcome Agreements and Community Planning Partnerships (CPPs) are to have a strategic focus, be about actual outcomes, draw on evidence for decision-making, be capable of delivery and promote continuous improvement³. They require new ways of thinking and working in the public sector at all levels, seen as a change process where:

... both nationally and locally, we should be clear about the outcomes which our communities need and then review and align our arrangements to ensure that they are fit for purpose to support the delivery of those outcomes. (SOA Guidance October 2008, page 4).

2.6 There is a clear expectation that the SOA must 'move beyond business as usual' and '...questioning...whether existing arrangements are fit for purpose including the wider CPP itself or specific delivery partnerships that are part of it. (Governance and Accountability Guidance, paragraph 12⁴).

2.7 There is recognition in guidance and within the Highland CPP that a fully functioning SOA and CPP require a development process. The steps can be summarised helpfully as follows:

1. Sharing evidence and agreeing the analysis of need for the area strategically.
2. Agreeing what needs to be achieved, expressed as high level local outcomes for the population and aligned to national outcomes.

¹ Single Outcome Agreements: guidance, format and indicators for Scottish Local Government, produced by Audit Scotland, Cosla, Scottish Government, The Improvement Services and SOLACE February 2008

² The new working relationship is underpinned by the Concordat between the Scottish Government and COSLA.

³ Single Outcome Agreements: Guidance for Community Planning Partnerships, produced by Audit Scotland, Cosla, Scottish Government, The Improvement Services and SOLACE October 2008

⁴ Scottish Government (5.2.09) Single outcome Agreements (SOAs) 2009 Governance and Accountability for SOAs, prepared by the Concordat Oversight Group.

3. Agreeing the extent of improvement required over periods of time and setting appropriate targets. This involves challenge within the CPP on contributions from partners.
4. Agreeing the action to support delivery against the targets, being imaginative about contributions from partners, recognising both leading roles and 'value added' roles and accepting shared accountability for the delivery of outcomes.
5. Reviewing structures, processes and resource deployment to deliver outcomes, ensuring they are fit for purpose for steps 3 and 4 above. This will include a review of the methods for engaging people and communities.
6. Aligning partnership commitments and performance indicators with organisational business planning and performance management and reporting (the 'golden thread'⁵ for accountability).
7. Partnership self-assessment, management and scrutiny of performance, with partners held to account for their performance within their organisations, within the partnership, with Government and publicly.

2.8 The Governance and Accountability Guidance states that 'moving beyond this position, and developing the CPP as a more robust basis for collective governance and aligned performance management is an important task for the next phase of SOA development'. (2009 para.17). These steps form part of the wider public sector reform agenda, along with efficiency, regulatory reform (including Best Value 2 audits) and the Government's target to reduce the number of Scottish public bodies by 25% by 2011. The public sector reform agenda seems more pressing as the demand for public services and support is likely to increase while available public funding will become more pressured.

2.9 SOA development also supports the general move in social policy over the past decade to welfare pluralism, with public services provided increasingly by the Third Sector and with individuals encouraged to take more responsibility for improving their own circumstances. The Key Messages document⁶ states:

We cannot 'do' outcomes to people: we need to work with them to support positive outcomes in their lives. This goes beyond conventional community engagement and is about fuller partnership with people in pursuing outcomes. This will take time, effort and commitment but key outcomes like improved health, economic opportunity etc. can only be achieved this way. (2009, page 2).

This is reinforced by the Governance and Accountability Guidance: "Public services need to engage people and communities, and work with them to achieve mutually shared outcomes" (para.15).

2.10 Since the "SOA drives review, development and innovation..." (Governance and Accountability guidance, para. 12), it is valuable and timely to consider how CPPs are dealing with the immediate service needs and pressures arising from the recession and to consider how public services should be planning together to move

⁵ "The 'golden thread' needs to run from high level outcomes in the SOA through to the underlying planning, delivery and performance systems of all partner. Key Messages document (February 2009, page 1)

⁶ Key Messages (February 2009) from the SOA High Level Steering Group

from recession to sustainable economic growth.

- 2.11 The following sections in this report describe the assessment of risks and threats to Highland communities from the recession and how the public sector is responding to these at this time. It outlines the pressures which may arise in the medium term and questions the extent to which public services have capacity to adapt. Views are provided on how the public sector might consider planning for the long term and this identifies the need for CPPs to ask the right strategic and sustainability questions. A view on the readiness of the Highland CPP to deal with the short and long term issues from the recession is provided, drawing on the steps to successful CPPs and SOAs, outlined in paragraph 2.7 above. This is provided to stimulate a similar assessment of the efforts made in other CPPs in the Highlands and Islands area and to identify where the Scottish Government can provide further support and direction. Finally questions are raised about changes to the public sector landscape from the reform agenda and from the impact the recession may have on future public spending. The analysis begins with a consideration of the partnership and economic positions in Highland at this time.

3. The evolution of the Highland CPP

- 3.1 The Highland SOA agreed in 2008 was received well by the Scottish Government, Highland Council and its partners. A year ahead of target it included several community planning partners all represented at the Convention. It was comprehensive, identifying relevant local outcomes which would also contribute to all 15 national outcomes. Evidenced context statements were provided and a range of over 200 performance indicators were identified to help measure progress, drawing on the menu of local and national indicators.

- 3.2 However the extent to which this moved away from 'business as usual' is questionable. Although the local outcomes were straight forward to identify across partners, they were not prioritised and the extent of improvement expected was drawn almost entirely from the separate performance frameworks used within each public organisation. The first SOA provided useful contextual information on the issues for the Highlands and a compendium of a number of performance targets each partner was already working towards⁷.

- 3.3 Partners agree that the first SOA was useful as a starting point to develop the second SOA in 2009, where they have to prioritise high level local outcomes and review arrangements for delivering them against an agreed rate of progress. This is far more challenging, requiring potentially changes in resource allocation, joint working arrangements and behaviours. Yet this is what is required if SOAs are to be meaningful and deal with challenge of recession. Arguably the recession brings the need to move from co-ordination to integration into sharper focus. It requires willingness to change, strong leadership and Government support.

4. The economic position in the Highlands

- 4.1 Prior to the recession the socio-economic challenges for the Highlands related to sustaining population growth with more people living, working and studying in the Highland region to enable economic growth. This requires: appropriate housing provision; attracting skilled people to the region to improve the competitiveness of the business base; retaining population; and encouraging people to return.

⁷ A notable exception to this is found in the information and performance targets relating to children where service planning, delivery and performance reporting are integrated and effective.

- 4.2 In addition, sustainable economic growth means greater fairness, with the benefits of growth shared. In Highland this requires targeted economic development for:
- particular areas (Caithness and north Sutherland, fragile rural areas and areas of concentrated multiple deprivation⁸);
 - for particular sectors (research and development and the knowledge economy (higher value jobs providing higher wages);
 - and for individuals (supporting people into work, tackling income and health inequalities and the drivers of poverty). Highland has had relatively low unemployment, but low incomes, seasonality of employment and underemployment are found.

4.3 Further information on the long standing challenges for the Highlands is provided in Appendix 1. These challenges may need new responses given the recession which has brought new issues to address.

5. Risks and threats to Highland communities from the recession

5.1 An immediate threat is rising unemployment, at 2.8% in January 2009 (3639 Job Seekers Allowance JSA claimants) for Highland and expectations that this will increase further. In the same period last year it was below 2%, following a downward trend of JSA claimants from 1999 (see Table 1 in Appendix 1).

5.2 Business risks and threats

At this time HIE identifies that the economic situation is variable across the region with some businesses and sectors performing well and others experiencing difficulties. Difficulties for Highland appear to be:

1. Businesses reporting reduction in domestic spending on their goods and services.
2. Reductions in businesses and households obtaining credit from banks and holding back from making key investment decisions. Reductions in working capital will have a negative impact on the performance of many small businesses.
3. A slow down in the housing market and a substantial reduction in new private house building. This is corroborated by Highland Council data on housing completions, numbering 1471 in 2008; a 19% reduction from 2007 levels. Where major industrial and commercial developments are dependent on a private housing element, these are jeopardised or delayed.
4. Job losses and redundancies in manufacturing (around 450 staff from 3 employers)
5. Reduction in the apprentice uptake in construction sector in the Inverness area.
6. Reductions in retail jobs.

5.3 HIE notes that more diversified economies have a better chance of surviving poorer economic conditions and this may mean that the Inner Moray Firth could be more recession - resistant. On the other hand island economies are seen as more resourceful, self sufficient and with pluri-activity and may survive partial unemployment or under-employment better. SNH advise that businesses associated with wildlife tourism and outdoor adventure events appear to be holding strong in the current recession.

5.4 Risks and threats to families

⁸ Areas of concentrated multiple deprivation are found in Inverness, Caithness, Easter Ross and Lochaber 17 data zones are within the 15% most deprived in Scotland – Scottish Index of Multiple Deprivation 2006.

The risks and threats to families currently understood arising from the recession relate to actual and potential job losses with unemployment anticipated to last for longer periods of time. This makes it particularly difficult for people who are less job-ready to access employment.

- 5.5 With unemployment rising, increased demand for money advice and welfare rights services is expected. At the start of 2008-9 the Council invested an additional £100,000 in advice provision (a 10% increase in budget), mostly commissioned from independent advice providers such as CAB. From April to December 2008 there were 30,161 separate contacts for general advice (an 8% increase on the previous year) and 836 separate contacts for money advice (a 9.5% increase on the previous year). This increase in contact reflects the increase in capacity to provide services and is likely to include new demand generated from the recession.
- 5.6 While new house building has slowed down in 2008, demand for affordable housing continues to increase. Economic factors could result in increases in homelessness as a result of eviction or mortgage repossession. Advice providers are being contacted more often for housing advice, but at this time no increase in homelessness from repossessions is being recorded.
- 5.7 Any increase in poverty will exacerbate health inequalities; however at this time no impact on health services is evident.
- 5.8 The Northern Constabulary report a recent increase in crimes of dishonesty⁹ and are anticipating a likely increase in other offences which can be poverty related such as drug and alcohol abuse and road safety in terms of vehicle maintenance.
- 5.9 Positive factors which may counter risks and threats
There are positive factors and current activities in the Highland economy which could help the region weather the recession. They are:
1. Significant development interest in Inverness and east of Inverness, Fort William and Caithness.
 2. Accelerating capital programmes and with Government support (hospital contract £20m and affordable housing programme £5m).
 3. Derelict Land Fund supported by the Government and managed by the Council to bring sites into productive use and stimulate economic growth in Inverness, Invergordon, Alness and Wick.
 4. The growth of UHI, with capital investment and increased student and teaching numbers as it moves towards full University title and, in time, research degree awarding powers. The UHI reports an increase in registrations for Higher National awards and professional development short courses, potentially demand from people to refresh and gain skills to survive the recession.
 5. With the public sector accounting for nearly a third of all jobs in the region, presumably in the short term these posts should be more secure¹⁰. However with the efficiency agenda reductions in staffing could be more

⁹ Against the context of reductions in crimes of dishonesty over several years, Northern Constabulary report a 3.2% increase in Highland for these crimes between April 2008 to January 2009 compared to the same period in 2007-8 (4424 and 4286 crimes respectively). For the Northern Constabulary area as a whole the increase over this period is 4.2% (5120 crimes of dishonesty compared to 4913).

¹⁰ In addition, the Council's move to single status for its workforce will lead to increased expenditure on wages of £7.5m in 2008-9 rising to £11m in 2009-10. The indirect and induced impact of this increased expenditure can also be noted, particularly for local economies since 95% of Council staff are located out with its head quarters.

likely (the Council will delete 110 posts in April 2010¹¹); although Northern Constabulary are recruiting more Police Officers (60-80 new recruits in 2009).

6. The sectors of growth potential, namely: creative industries (e.g. the Fas Centre in Skye); energy (notably wave and tidal power in the Pentland Firth); food and drink; life sciences (e.g. the Centre for Health Science at Raigmore Hospital); tertiary education (UHI); and tourism.
7. The region's abundance of natural assets providing a key competitive asset to attract people and business to the area.
8. The availability of EU programmes of support.
9. The reduced value of the pound will make exports cheaper and there is scope for export growth in the region.
10. The reduced value of the pound could attract more domestic and international tourists. This should be supported by the Year of Homecoming 2009.

In addition, the actions being pursued by public sector bodies, outlined below, should have a positive impact.

6. Current responses to support business, families and communities

- 6.1 At this time most community planning partners in Highland have identified areas of concern arising from the recession and actions to address it in the short term. This has been done individually and shared at a meeting of the CPP Performance Board in January 2009. They are summarised below.
- 6.2 HIE's Seven Point Economic Recovery Plan for the Highlands and Islands sets out a phased response from December 2008 to March 2009. It is attached at Appendix 2. It focuses on: one to one business advice sessions; establishing an HIE Advice Line for business; running local business clinics from early February 2009; enhanced on-line information; five events on business survival through recession; targeted interest relief grant; and acceleration of capital spend. In addition HIE is mindful of the need for positive reporting given the importance of confidence in business.
- 6.3 The Highland Council's response as an up-dated action plan is attached at Appendix 3. It identifies actions by March 2009 and beyond covering six service areas: supporting more housing development; accelerating the capital programme; improving advice and support to individuals through an extra £100,000 of investment and better information; additional employability services; a number of business advice and support activities, including paying invoices within 10 days and EU programme support; and wider regeneration actions.
- 6.4 The Council's capital programme is around £75m to £80m per annum. The base Scottish Government Affordable Housing Investment Programme for Highland is £26m for 2008/2009. This has been increased to £28m by the Scottish Government with the Council itself committing a further £5m from its land bank fund. The draft programme for 2009-10 is £32m. Assuming £60,000 in construction expenditure supports one full time job for one year¹², with every four jobs creating another job, the capital programme will support up to 1700 construction jobs per annum.

¹¹ This does not mean 110 redundancies given the Council's redeployment policy and natural turnover of staff.

¹² The Annual Census of production (AOCP) indicates that approximately £60,000 in construction expenditure is required to support one full time job for one year.

6.5 Information gathered by Cosla shows the following responses reported for other Councils in the Convention area:

- Orkney: new project to build and acquire 125 Council houses, accelerating the capital programme particularly to support or sustain apprenticeships and reviewing financial assistance towards SME start ups and expansions.
- Argyll and Bute: accelerating RSL housing investment from 2010-11, regeneration of town centres and waterfronts, Campletown / Kintyre economic development initiatives and infrastructure improvements for ferries, economic seminar with banking, business and construction sectors and employability support through Project Craftwork.
- Comhairle nan Eilean Siar: accelerating the capital programme by £12m, partnership task force to take forward co-ordinated actions to deal with a range of actions to support business and families.
- North Ayrshire: increasing and improving referrals for welfare rights and money advice and a fuel poverty initiative.

6.6 Community Planning Partners in Highland

In addition to monitoring changes in service needs by NHS Highland and by Northern Constabulary, NHS Highland is accelerating capital works for dental care projects and SNH is seeking to support voluntary action further¹³.

6.7 A key question for the Highland CPP, and potentially for other CPPs within the Convention area is whether more could be done or done better by integrating their immediate responses and to consider what mechanisms might be needed for that to happen. One obvious idea would be to align the capital programmes across the public sector regionally and identify what else could be accelerated by joint working on shared facilities. This would provide better information and confidence for the private sector.

7. Other pressures on public services and the ability to adapt

7.1 Current responses to the recession within the Highlands have focused mostly on a short term response. While recognising that there are uncertainties about the depth and length of recession there are lessons to learn from earlier recessions and considering scenarios of pressures in the medium term would be helpful. This is needed if public services are to adapt to changing needs from the public. This raises a question of whether we have good and swift systems for understanding changing needs. In a partnership context the question is also whether we can communicate and share information on new and emerging needs which may impact on other organisations. The ability of our organisations to adapt may be constrained if demands rise while revenues fall.

7.2 Further Business / economic pressures

Other pressures which may arise from the business community could include:

- Reduction in jobs in finance sector – through rationalisation and restructures;
- Expected slow down in oil and gas related investment due to falling oil prices;
- Potential difficulty for niche markets for more expensive products from the region e.g. organic and specialist food;
- Any negative impact on the whisky industry, which has potential to grow

¹³ In 2008-9 SNH has grant aided projects to the value of £5.675m in Highland, Western Isles, Orkney and Shetland Councils, with the majority of this funding to third sector bodies.

exports, arising from minimum pricing on alcohol as part of the Government's response to reducing problematic alcohol consumption;

- Added vulnerability of temporary and contract staff as businesses focus on core activity and responsibilities to permanent staff.

7.3 Household and community needs

It would not be unreasonable to expect increasing demands for social services as more people face unemployment or reduced income and poverty. It is more difficult to predict what this might look like, but pressures could be anticipated from:

- Increasing homelessness from evictions and mortgage repossessions, which would be even more challenging given current levels of around 2,000 homeless households per annum and the extension of responsibilities to assist more homeless people.
- Increasing demand for family support services and emotional support if an increase in family breakdown is found.
- Increasing uptake of concessionary priced services.
- Additional need for welfare rights and money advice.
- More difficulty in assisting people with barriers into employment, e.g. young people with no positive destination from school, long term unemployed people, carers, lone parents, people with disabilities, ex offenders and people requiring condition management. They will be competing with others who are more job ready to take up employment.
- Increasing hate crime against economic migrants.
- Increases in other crimes, dishonesty, vehicle maintenance and drug and alcohol misuse are already highlighted, with wide impacts on feelings of community safety.
- Increased demand for health services arising from poorer diet, unaffordable heating, mental health difficulties, dental neglect and substance misuse.
- Economic development taking precedence over environmental quality.
- Fragile areas become more fragile and areas experiencing deprivation extend.
- Economic migrants leave, including skilled workers likely to be in short supply after the recession.

7.4 Pressures on public sector bodies

Pressures arising for public sector bodies in the medium term are likely to arise from:

- A reduction in income for services. Highland Council for example raises income from fees and sales in addition to Council Tax collection. Fees and sales amounted to around £47m in 2007-8 and with reduced consumer spending income levels could reduce. Receipts from sales of assets may also reduce if property and land values decrease.
- Procurement, with suppliers in financial difficulty and disrupting supply. This may apply more to smaller enterprise including Third Sector organisations with low assets or reserves. There is also scope for greater disputes with contractors if they are pressured financially.
- Developer contributions reduce or are phased over longer periods which could create pressure for Councils to front-fund.
- Inability to match fund EU funding applications if increasing demand for services has to be contained within current budgets.

- Potentially higher efficiency targets if demands increase while income falls.
- Public sector pension arrangements, particularly in those schemes where employee contributions are low and final salary schemes apply. This has media interest given the relatively better pension provision within the public sector.

7.5 Individual organisations and CPPs should work through these scenarios, identifying others if appropriate, and consider how adaptable their organisations are. A risk assessment approach to these would be helpful, but this should also include a consideration of the best systems to have in place to track changes in demand and funding and how this information can be shared for improving the joint planning of services.

8. From recession to sustainable economic growth – planning now for the long term

8.1 The Government's aim of sustainable economic growth is shared with CPPs. Even with the length and depth of the recession unknown, there is a need to consider how the public sector might plan for the long term. A good starting point might be to define the key sustainability questions for the Highlands and Islands. These might centre around:

1. Investing jointly in infrastructure now for the future

- What else needs to be done by partners and Government to deliver the UHI University title to expand tertiary education to the population of the region, awarding research degrees and attracting and retaining highly skilled people?
- How to move more quickly towards domestic energy security and overcome the barriers to renewable energy development¹⁴.
- How to ensure the right housing supply and support the construction sector - overcoming the historic and current difficulties, especially for affordable housing and housing developed to sustainable design standards.
- Doing more to deal with skills shortages now and planning to deal with the skills which may be in short supply post recession (NB current reduction in apprenticeships).
- Identifying what the public sector should invest in now to save later (e.g. carbon reduction and wider environmental performance management) and how this might support local economies.
- How to achieve sustainable design in our new development plans.

2. Targeting resources jointly – to places, sectors and to people

- How to encourage sustainable growth in the sectors with growth potential i.e. creative industries, energy including renewable energy, food and drink, life sciences and tourism. Including where support can be targeted given the need for more balanced economic growth across the Highlands.
- How to develop lasting improvement from tourism development, e.g. the Year of Homecoming and the Island Year of Culture.

¹⁴ Examples are the electricity grid for exporting renewable energy, dealing with skills shortages, e.g. the marine renewables sector is competing with the oil sector for staff with similar engineering related qualifications and for other resources such as tug boats and hire of specialist underwater equipment.

- How to support hard to reach groups as they compete with people more job ready to access employment.

3. Improving and aligning our operations

- How to move to more sustainable and adaptable public service delivery where budget pressures may increase.
- How to maximise contributions from the EU and develop proposals of lasting effect for the region.
- How to achieve sustainable procurement without protectionism.
- Whether the Power of Community Wellbeing can assist.

9. Readiness in Highland CPP to deal with the recession

9.1 The Highland CPP is probably more ready now to deal with the recession in both the short and long term having developed the first SOA and working towards the second SOA. Against the seven steps of SOA and community planning evolution, as outlined in paragraph 2.7 above, steps 1 and 2 are the most progressed in sharing evidence and agreeing high level outcomes. Steps 3 to 6 covering performance and partnership delivery arrangements will be set out in the SOA for May 2009. These are more challenging if there is acceptance that 'business as usual' will not make enough impact. Other CPPs within the Convention are asked to consider the readiness of their CPPs and SOA in tackling the recession.

9.2 The onset of the recession which can affect all of our communities and our organisations does make the success of community planning and SOAs more pressing. All CPPs will be dealing with the impact of recession, considering the impacts and identifying the best responses given their local operating context. In this way it may assist the CPPs and the Scottish Government if there was a Recession Impact Assessment Tool developed and if this could cover not just immediate or emerging needs for all public services but also prompt the right questions to be considered to plan for sustainable economic growth in each CPP area. If it is designed to be done through dialogue with partners the tool could be a powerful mechanism for ensuring the community planning approach is adopted. With impact assessment tools in use already for e.g. equalities and climate change adaptation, there is evidence that this approach works and could be developed for agreeing recession impacts and what to do about them. If Convention members feel that this would be of use, The Scottish Government is asked to develop the Tool.

10. Questions for the Scottish Government about the impact of the recession on public sector operations

10.1 The lasting effects of the recession could change the route, or speed up the pace, of public sector reform. In particular questions about future public spending are raised. Grant income could be limited in future as public debt grows, tax income falls and costs for certain services rise (e.g. welfare benefits). On the other hand the demand and expectations of public services generally will increase if people require more support to sustain acceptable standards of living.

10.2 In terms of capital spending, the Government's offer to accelerate capital spending is welcomed. Council house building however remains constrained by the debt associated with former sales in some local authority areas and a change in UK Government policy would support economic development and help meet housing needs.

10.3 Some issues and questions the Scottish Government may want to address at the

Convention are:

1. What is the long term picture for public sector finance and for CPP partners?
2. How can the Scottish Futures Trust work for CPPs to support new capital investment in infrastructure as a way of getting out of recession?
3. What are the core public services which need to be provided – can we afford to continue to grow services?
4. Can we expect to see a greater use of Third Sector provision, more commissioning of public services and greater personal self-reliance in social policy?
5. How much faster will we need to move to aligned or shared services?
6. What might the move beyond collective governance and aligned performance management look like?
7. Should we expect banks to be part of the CPP, given the public sector interest in their business?
8. Whether a recession impact assessment tool could be developed for CPPs to use and share with Government, prompting dialogue around:
 - agreeing the risks and threats to businesses and families;
 - the capacity for public bodies in the CPP to adapt to changing needs in the community and assessing financial risk to operations;
 - planning now for the long term – to see us through and beyond recession.

11. Discussion points for the Convention

A community planning approach to dealing with the recession in the Highlands has been explored in this paper. In addition to the questions posed of the Scottish Government, members are invited to discuss the following points:

1. How can we respond better in our CPPs to the risks and threats to our communities in the short term?
2. What are the key strategic questions for CPPs to consider for developing a longer term plan for sustainable communities and growth across the Highlands and Islands to get us through and beyond recession?
3. How might the recession bring about further change in public sector operations and how do we gear up for this change individually and collectively?
4. A final question for the Convention is about the Convention itself. In what ways can the Convention provide value in enabling dialogue for the achievement of sustainable economic growth for the Highlands and Islands, particularly in time of recession?

Author: Carron McDiarmid, Head of Policy and Performance, Highland Council (Tel 01463 702852).

Date: 9.3.09

References:

1. Single Outcome Agreements (October 2008) Joint Publication from Audit Scotland, COSLA, The Scottish Government, SOLACE and the Improvement Service
2. High Level Steering Group (February 2009) Key Messages
3. Scottish Government (February 2009) Single Outcome Agreements (SOAs) for 2009 Governance and Accountability for SOAs
4. The Scottish Government (2008) Six Point Economic Recovery Plan <http://www.scotland.gov.uk/Topics/Economy/economic-situation>
5. HIE (2008) Economic Recovery Plan <http://www.hie.co.uk/hie-review-winter-2008-09.htm>
6. HIE (November 2008) Implications for HIE arising from the changing economic climate
7. HIE (January 2009) Partnership Response to the Economic Downturn, paper for the CPP Board 19.1.09 and Highland Council notes from the discussion prompted by the paper.
8. HIE (February 2009) Monthly Economic Report for HIE No. 1
9. Highland Council (December 2008) Response to the Economic Downturn <http://www.highland.gov.uk/NR/rdonlyres/0F8074BA-A129-407F-A51C-2F01E247C82F/0/Item11hc5208.pdf>
10. Highland Council (February 2009) Draft Area Profile for SOA 2
11. CIPFA Performance Improvement Network (2008) Coping with the credit crunch: a collection of articles from CIPFA PIN advisers and associates.
12. COSLA (March 2009) Summary of Council Responses to the Economic Downturn.

Features of the Highland Economy

- 1.1 The Highlands have benefited from a sustained period of economic growth measured by GVA output, and population growth; 4.3% population growth to 217,440 and 13.6% household growth to over 98,000 households from 1997 to 2007. Growing prosperity can be seen also in the scale of new development, with Highland Council dealing with the most planning applications of any Council in Scotland¹⁵. Growth has been concentrated in the Inner Moray Firth area and population growth is found also in the Isle of Skye and East Sutherland. However population decline is still a feature of more remote and fragile communities and in the small towns in the north of the region. This uneven development will be exacerbated in the north of the region unless the job losses arising from the decommissioning of the Dounreay facility can be countered¹⁶.
- 1.2 The provision of new housing has been pivotal in the economic development of the region, supporting the construction industry and accommodating the growth in households. The most pressured housing areas are in the Inner Moray Firth area, Badenoch and Strathspey, Skye and Lochalsh, Wester Ross and rural Lochaber. In these rural communities second home ownership continues to be problematic where affordable housing is limited; accounting for around 50% of housing in remote and island communities. With average house prices doubling between 2002 and 2006 and demand for affordable housing increasing (Over 9,000 are registered for social rented housing through the Council's Common Housing Register), it is unsurprising that the Government's research (2007) found Highland the least affordable local authority in Scotland (along with the Lothians). Around 2000 homeless households have approached Highland Council as homeless each year for the past three years. In 2007-8, 75% were in priority need because they were vulnerable and over 650 homeless households were families with children aged under 16 years.
- 1.3 Housing affordability is also a feature of incomes, with average incomes in Highland below the average incomes in Scotland and the UK¹⁷. Relatively lower incomes reflect the low share of employment in high value sectors such as research and development and the knowledge economy. The largest sectors are: 'public administration, education and health' accounting for up to one third of jobs; 'agriculture and fishing' featuring strongly in Skye, Wester Ross and Lochaber; 'distribution hotels and restaurants' are important in all areas; and 'energy, water and manufacturing' featuring in Caithness and Sutherland. 'Construction, banking and finance' are stronger in the Inverness area, where life sciences are found as well, dominated by one major business.
- 1.4 The sectors with growth potential in the region are: creative industries; energy (including renewable energy); food and drink; life sciences; tertiary education and knowledge economy; and tourism.
- 1.5 Small business and social enterprise contribute significantly to the regional economy. Almost 60% of employees work in businesses with less than 50 employees, compared to 40% for Scotland as a whole. Census 2001 data shows 1

¹⁵ In 2007-8, 5289 planning applications were made for commercial and domestic development, 4058 building warrants were applied for and 3427 completion certificates were issued.

¹⁶ Around 600 jobs are expected to be lost by 2012 and 1600 jobs lost by 2025.

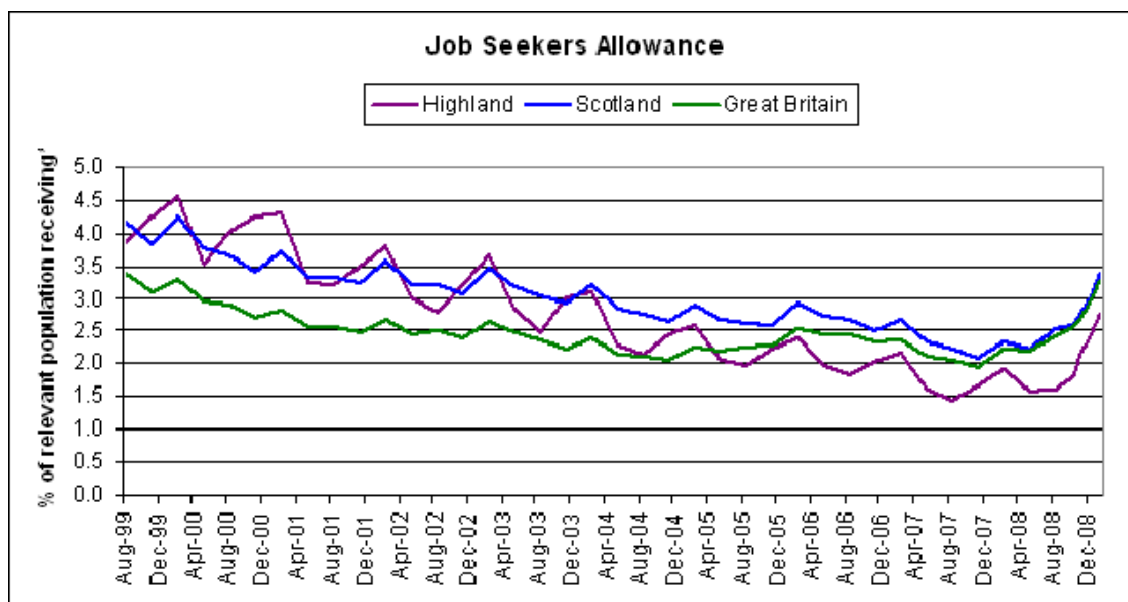
¹⁷ In 2008 the average income from all jobs in Highland (full and part-time) was £20,700; 90% of the Scottish average (£22,900) and 84% of the UK average (£23,500). Source: Annual Survey of Hours and Earnings.

in 10 people of working age as self-employed compared to 1 in 15 for Scotland. Self employment levels tend to be higher in remote and island areas, associated with the primary sector.

- 1.6 With primary sector and tourism important to the Highland economy¹⁸, seasonality as well as low average GDP and wage rates is a feature of employment. This often to leads to people having a number of part-time occupations throughout the year and can mean relatively highly qualified people are under-employed.
- 1.7 Seasonal unemployment is evident from the table below. This shows also that unemployment rates, based on the proportion of the working age population claiming Job Seekers Allowance (JSA), are relatively low and have been below the Scottish and British average for most of the last four years. The overall unemployment rate in Highland in January 2009 is 2.8% (3639 claimant count). This compares to 3.4% for Scotland. Variation in levels of unemployment range from 1.3% in the Inverness South Ward to 4.7% in the Wick Ward. The changing economic climate is having an impact on the Highland economy and unemployment levels are rising above seasonal levels expected from October 2008 and are expected to rise further during the course of the year. It is worth noting that increases in JSA claimants from October to January 2009 will be inflated by changes to benefit entitlement and benefit switching, accounting for a third of the increase over this period¹⁹.

Table 1

% Working Age Population in receipt of Job Seekers Allowance August 1999 to January 2009



¹⁸ SNH quantify that the value of the natural environment to the Highland economy (the output from farming, fishing, forestry, tourism and renewable energy activities) as £1.233m in GVA and supporting 17,000 jobs (direct, indirect and induced).

¹⁹ The number of people claiming Job Seekers Allowance (JSA) is expected to increase from changes to benefit entitlement especially for lone parents and people with disabilities. From October 2008 to January 2009, 258 lone parents are expected to switch from Income Support to JSA, with a further 473 switching in 2009.

Highlands and Islands Enterprise Update on Economic Recovery Plan 19 January 2009

HIE launched its 7 point recovery plan in early December 2008, as a phased response over three months. An update on each point is given below:

1. **One to one advice sessions** – the one to one advice available via HIE's supply partner continues as normal in advance of the introduction of Business Gateway. Advice is available to businesses of all sizes, and in all sectors. To date, there has been no significant increase in demand for advice relating to the economic downturn.
2. **HIE Advice Line** – the HIE Advice Line was established in mid December, and is being delivered by HIE's supply partner. It can be accessed via a Freephone number **08000 884 884**, and operates 0800 – 1800 Monday to Friday, and 0900 – 1300 on Saturdays. On 5 January, a media campaign was launched to promote the service – this involves press and radio advertising. The press release on 5 January received both TV and radio coverage. On calling the advice lines, callers have direct contact with an advisor who will either deal with the query immediately, refer them to a named contact – for example in HRMC, or a bank – or refer them for more, in depth, free advice.

Use of the line is being monitored, and calls to date vary from preparing cash flow projections to advice on potential redundancy.

3. **Local business Clinics** – are due to start in early February. These will take place in Lerwick, Kirkwall, Stornoway, Benbecula, Thurso, Inverness, Tain, Fort William, Portree, Ullapool, Elgin, Oban, Dunoon and Campbeltown. Clinics will run from 1500 -1900 and comprise a series of short video presentations on a series of topics such as tax changes, finance and seeking opportunities. The presentations will involve key partners and be repeated throughout the clinics. Representatives from partner organisations will also be available for short one-to-one sessions.
4. **Enhanced on line information** – the HIE website front page has been updated to include a direct link to the HIE Business site, and information on some of the advice available.
5. **Business Masterclass Programme** – the first in a series of events will take place on 13 January entitled 'Business Survival through a Recession' delivered by Sir Richard Needham. A further 4 events are planned over the next 3 months.
6. **Targeted Interest Relief Grant** – Interest Relief Grant has always been part of HIE's package of support, but not widely used in recent years. This can be used to assist businesses with the cost of borrowing.
7. **Acceleration of Capital Spend** – Two capital projects (in Moray and Argyll) have been brought forward, to start immediately. The potential for accelerating other projects will be reviewed.

Additionally, HIE staff continue to work closely with Account Managed businesses, and also to provide support to businesses facing challenges. The key issue continues to be accessing finance from the banks, relating to both businesses seeking finance for development projects as well as businesses having to review existing finance arrangements.

HIE representatives have met with senior bank officials to discuss how best to support Highland businesses in the months ahead, and a follow up meeting is planned for February.

THE HIGHLAND COUNCIL
Response to the Economic Downturn Action Plan: Up-date 5.3.09

1. Housing - Action		Up-date as at 5.3.09 with comment
1.1	Council to forward fund affordable housing elements of mixed tenure developments ahead of Scottish Government Funding	£5million of additional funds allocated. (Projects in Inverness, Fortrose, Aviemore and Fort William)
1.2	Enabling developers to build low cost housing first by providing flexibility in planning	Ongoing work through local offices. New pre-application advice for major projects starting with meeting on 24 February.
1.3	Encouraging mortgage to rent schemes	There are issues with banks resulting from economic climate which inhibit this action. A seminar on bank funding for shared equity to be organised for local banks and financial advisers.
1.4	Land purchase for low cost housing	£2m of land purchase at present
1.5	Consideration of direct provision of housing for rent by the Council	Not doing so in short term because of HRA implications. http://www.highland.gov.uk/NR/rdonlyres/96F2DB63-A92F-485A-B711-58F3291348D1/0/hsw0909.pdf
1.6	Consideration of innovative funding models for homes for rent	Meeting being set up at end of March.
1.7	Consideration of the Council's potential role as a funder of last resort	<p>The powers for local authorities to make advances for the purpose of increasing housing accommodation, including housing loans to individuals are contained in section 214 and sections 215 to 235 of the Housing (Scotland) Act 1987. A local authority may advance money to any person for the purpose of: a. acquiring a house, b. constructing a house, c. converting another building into a house or acquiring another building and converting it into a house, d. altering, enlarging, repairing or improving a house, e. subject to certain other criteria, facilitating the repayment by means of the advance of the amount outstanding on a previous loan made for any of the purposes specified in a. to d. above. When the Highland Council's Housing and Social Work Committee considered this matter on 14 August 2002, they noted that as part of the modernised Right to Buy introduced by the Housing (Scotland) Act 2001 it was no longer mandatory for local authorities to act as lender of last resort. The Committee agreed to a recommendation that no new applications for home loans be accepted from 1 October 2002.</p> <p>The Council would need to consider whether to assume a level of financial risk deemed unacceptable by other financial institutions. Council staffing structures and processes are not currently in place to address administrative issues and establishing these would</p>

		generate on-going operational costs.
1.8	The development of an action plan for a further meeting with the property sector to discuss the way forward	Ongoing
1.9	Tracking demand for low cost housing through housing waiting list	Ongoing and monitoring any increase in homelessness through house repossessions.
1.10	Council funding infrastructure	Seminar to be held on this topic with development interests.
2. Capital Programme - action		Up-date as at 5.3.09 with comment
2.1	Ensuring successful implementation of this £60m+ pa programme has the potential to create several hundred construction jobs with multiplier impacts	Paper being discussed. All Service Directors have confirmed their intention to fully spend their Capital Programme allocations.
2.2	Additional private sector resources could be brought to bear to help deliver the programme eg on design and project management	Ongoing
2.3	The scope to accelerate some high impact aspects of the capital programme eg on areas with weaker local economies will be looked at	Ongoing, an example is the Thurso streetscape project between TECs and P&D
3. Money Advice and support to individuals - Action		Up-date as at 5.3.09 with comment
3.1	Public information will be distributed on how to access advice from the public sector (Government, Council and community planning partners) and the third sector including independent advice agencies. This will show the choices available for: debt and money advice; benefit entitlement; energy efficiency measures; employment rights; business advice; housing advice; consumer advice; emotional support. This will be distributed through the newspaper supplement (December 2008), Service Centre for callers, web site and Service Point Network, libraries, Council offices and partner organisations.	<p>Action complete.</p> <p>CAB and Independent providers: total number of customer contacts for general and welfare advice from April to December 2008 was 30,161. This compares with 27,922 for the same period in 2007. This is an 8% increase. However the third quarter figures are lower in 2008 than in 2007 (8878 compared to 9499).</p> <p>For money advice from April to December 2008: 551 customers contacted advice agencies and 285 contacted the Council's in-house team (836 contacts in total). This compares to 516 and 248 respectively (764 in total) in the same period in 2007. This is a 9.5% increase. However quarter 3 figures in both years are similar.</p> <p>Job Centre Plus (JC+) is keen to hold employment and benefit advice surgeries in Service Points in short term and in co-location in medium to longer term. Relevant staff to engage with JC+.</p>

3.2	The additional funding of £100,000 for welfare rights, money advice and benefit entitlement for 2009-10 will be brought forward into January – March 2009 with a £35,000 increase in this year's budget (around £1m). Total new investment will be £235,000 in 2008-9 and 2009-10. This can be targeted on extending advice provision where there are emerging pressures, specialist employment and housing advice, volunteer recruitment and development and an additional resource for the Council's in-house advice team.	Options developed with advice providers. Agreed at Resources Committee 18 th Feb 2009 http://www.highland.gov.uk/NR/rdonlyres/B9D16B69-AB2F-4E5E-96E3-FDAA4175E29E/0/Item16res1709.pdf Approval to build capacity in in-house team, develop joint training further with the third sector, extend contact time with advice providers and to fund the recruitment of a specialist employment advisor for one year.
3.3	The income-maximisation team to continue to promote benefits and also access social tariffs from energy providers.	Total gains generated by the in-house Customer Income Maximisation team as at 31 December 2008 amount to £173k. The Team has produced an Essential Guide to Benefits and Money Advice which has been well received by customers and practitioners alike. This Guide is available from Council Service Points, libraries - including mobile libraries, and via the internet. Work is ongoing to extend coverage of this Guide. Both the Customer Income Maximisation and Money Advice Teams continue to provide energy advice and to secure social tariffs for customers. The attached statistical information illustrates that there has been quite a significant increase in the amount of debt being handled by the in-house Money Advice team. There has also been a shift in the profile of customers making use of these services. For example, 41% of clients in Quarter 3 of 2007/08 rented their properties from the Council, whereas for the same Quarter in 2008/09, this figure fell to 30%. A comparison of the same Quarters show that 54% of clients in 2007/08 had an income of less than £10k; this figure fell to 46% for the same Quarter in the current year.
3.4	Energy advice should be promoted and strengthened for tenants and residents.	Meetings have taken place with Manager of Changeworks and joint work will be developed
3.5	A partnership feasibility study into affordable credit for the Highlands is nearly completed. The Council could support the preferred options, including the development of a new Highland wide Credit Union and better money guidance.	Study scheduled for completion by end March 09

4. Employability and support to individuals - Action		Up-date as at 5.3.09 and comment
4.1	The Council could take a lead role in the PACE initiative – Partnership Action for Continuing Employment – to ensure it is ready to cope with likely increases in large scale redundancies.	Work with HIE, Job Centre Plus and Skills Development Scotland
4.2	The Council will sign up to the Local Employment Partnership Initiative in February 2009 with Job Centre plus to help people on benefit into jobs or training with the Council.	Aimin for signing at April Resources Committee.
4.3	The Council hosted an employability conference on 18 th November. A new employability strategy will be outlined in February with public consultation to follow. This will set out what the Council and partners will do to help people facing barriers into work.	Successful conference. Draft Employability Framework to be presented to Resources Committee in April. Job Centre Plus offering secondment to Council to join up services to get people into work.

5. Business advice and support - action		Up-date as at 5.3.09 and comment
5.1	The Council should work with HIE to ensure there is no confusion about the delivery of business support whilst also continuing development of the Business Gateway	Newsletter and helpline used to promote HIE's activity
5.2	Additional resources could be made available through Highland Opportunities Ltd to help with small business finance. An ERDF application is currently being considered by HIPP	Advisory Group considered this and approved the bid
5.3	The Council will seek to work with HIPP and partners to ensure the maximum spend from the EU Convergence programme in the Highlands	Supporting people into work and tackling deprivation agreed as one priority for EU engagement from 2009-11. FSF seeking at least 75% leverage from EU funds (e.g. around £400k in 2009 and again in 2010). LEADER shadow round completed. http://www.highland.gov.uk/NR/rdonlyres/1FE6BBAD-9BC0-4E10-90DF-5C790784FA39/0/Item13res1409.pdf
5.4	A joint economic seminar will be held with HIE, SCDI and the private sector early in the new year.	Highland Economic Forum (first meeting held)
5.5	The Council's support for tourism initiatives such	Ongoing

	as the Winter Festival and the £500k Highland 2007 legacy fund for events will be promoted.	
5.6	The up-coming public sector procurement seminars could have an increased focus on dealing with the recession for local businesses and the third sector.	Joint event being held with Inverness Chamber of Commerce – Drumossie Hotel, 24 February
5.7	The Council will work with partners to manage the £14m LEADER Programme 2007-13 to benefit communities and businesses across Highland.	Ongoing – first round held
5.8	Small Business Bonus Scheme	<p>The Small Business Bonus Scheme was introduced in Scotland on 1 April 2008 to progressively reduce the rates burden for properties of which the combined rateable value across Scotland is £15,000 or less.</p> <p>Prior to implementation of this Scheme, the Highland Council wrote to all businesses with potential entitlement and invited them to apply for the Scheme. Advertising and promotion of the Scheme has continued post April 2008. In view of the economic downturn, businesses which have not applied for the Scheme and which have potential entitlement will be written to again. An advertising campaign will also be undertaken.</p>
5.9	The Council should ensure it pays bills promptly to avoid cash-flow problems for small businesses. The UK government has stated that it will try to pay invoices within 10 days rather than 30 for example.	Ongoing

6. Wider economic initiatives/other actions Action		Up-date as at 5.3.09 and comment
6.1	The Council will emphasise its role in fostering economic development and inward investment through the effective delivery of its development services across Planning and Development, TECS and other services.	Ongoing. Talks to business groups etc. Pre-application advice for developers – new process starting in February.
6.2	The importance of the Council's leadership role in regeneration activities in areas such as the Nigg Fabrication yard, Caithness and North Sutherland and Dounreay de-commissioning should be emphasised.	Ongoing. Nigg Masterplan consultation closes 16 February
6.3	The Council will produce regular reports with	Web site now has info on benefit claimants by Council Ward, up-dated monthly for Job

	<p>information at Ward level, drawing on data from DWP and in association with HIE and other partners, analysing changes in benefit claimants as a measure of changes in unemployment. This will take into account recent changes in benefit entitlement for an accurate measure of change.</p>	<p>Seekers Allowance and quarterly for other benefits (e.g. Income Support, DLA)</p> <p>Information on benefit switching and the extent of over-reporting clarified from JC+.</p> <p>To track the take-up of Council Tax benefit and Housing Benefit.</p>
6.4	<p>The Council should stress the importance of partnership working across the public and private sectors to address the economic downturn through delivery of the Single Outcome Agreement. The inaugural meeting of the Highland Economic Forum to be chaired by Cllr Ian Ross is to be held on 27 January 2009.</p>	<p>Ongoing and through new Economic Forum.</p> <p>Discussion at CPP Performance Board on the work partners are doing in the Highlands to mitigate against effects of the recession. To be a standing item on quarterly agendas. All partners accelerating capital programmes. Request for engagement with energy providers for same action. Some positive as well as negative issues emerging.</p> <p>The Council is also presenting a paper to the Convention of the Highlands and Islands in March on the importance of community planning during economic recession.</p>
6.5	<p>There is a need to produce a communications strategy to publicise the Council's action plan. This will include use of the public performance report, regular press releases, and radio adverts. Efforts should be made to promote more locally consistent messages using both local media and spokespersons</p>	<p>Progressing.</p>