

POLICY DISCUSSION PAPER

REIMAGINE AND REFORM: POST COVID-19 ECONOMIC RECOVERY

Global and National Economic Conditions Post Covid-19

- 1 The economy of the Outer Hebrides has been severely impacted by the Covid-19 pandemic. The shock of the pandemic and resulting lockdowns and social distancing measures will reverberate through the local economy for many years. A significant economic downturn, and most likely a deep economic recession, can be anticipated.
- 2 What the pandemic has clearly demonstrated is that the economy of the Outer Hebrides does not operate in isolation and will be impacted on, and will continue to be impacted on, by global events. It has been impacted by the international nature of the present crisis and the economic downturn arising from global lockdowns. Similarly, the international and national response to recovery and the related stimulus approach will have knock-on impacts into the local economy.
- 3 Much of the overall global and national recovery response remains in development and will become more apparent over the coming weeks and months. As lockdown restrictions begin to ease the local economy will require to operate in an international context. That context will most likely be characterised by the following features:
 - international trade will continue to be severely disrupted by deep and ongoing supply and demand-side shocks
 - multi-country / multi-region value and supply chains will continue to be severely interrupted by emergency closures
 - travel and tourism will have come close to collapse and will re-emerge in new formats and formulations
 - there will be diminished air freight capacity and ocean container shipping will continue to be disrupted
 - the availability of trade finance will have reduced due to credit market stresses
 - there will be significant international, national and local GDP / GVA losses
 - social distancing and related measures will become the new “norm” for an extended period – if not permanent
- 4 The Covid-19 crisis should also be viewed as a precursor to sustained future shock events such as virology and climate shocks. The Intergovernmental Panel on Climate Change, for example, has warned that global warming will likely accelerate the emergence of new viruses and pandemics.
- 5 The above does not purport to be a comprehensive overview of all the impacts but it does give a feel for the difficult economic background against which local economic recovery will have to take place. The actions taken at national and international level will continue to trickle down and will continue to have impact (positive and negative) at local level. It will therefore be essential that the economy of the Outer Hebrides seeks

new mechanisms to build capacity and resilience within both the overall local economy and within each of the sub-economies within the Outer Hebrides.

General Recovery Themes

- 6 It is difficult to predict the exact nature and trajectory of the recovery either at national or local level. The Government's strategy for exiting lockdown will, for example, have an impact on what sectors and what businesses emerge and when they will emerge. Similarly, social distancing restrictions and any targeted economic stimulus packages will have differing impacts on emerging sectors / businesses. With these caveats in mind it is probable that the following will be key local features:
- economic sectors, businesses and social enterprises will recover at different rates
 - depending on the sector (or the individual business) recovery may be swift – for others it will be delayed
 - a proportion of activity will not fully recover, and some businesses may perish
 - there will be issues around self-employment such as seasonality of cash flow, characterised by irregular and volatile earnings
 - there will be enhanced risk of business, community and individual debt
 - staff safety / protection of employees and customers will become a paramount business issue – new and safer working models will require to be introduced (remote working; physical distancing; temperature screenings; disinfecting procedures; communication and reinforcement), which may challenge the capacity of some businesses
 - some businesses may rethink / reallocate work practice with a move to greater levels of remote and home working
 - in response local businesses will have to move to create fully digital, streamlined customer experiences – digital adoption should be key for every local business
- 7 The composition of the local economy will also have a bearing. Much of the economy is in the public sector (up to 50% on some calculations) and will have remained operational, albeit it with significant productivity and related impacts. This, to some degree, will have shielding effect. It also means that the most severe impacts will be concentrated in a number of key industries, such as the tourism, primary and self-employed sectors.

Opportunities

- 8 Despite the uncertainties and the challenges, disruptive events will bring different types of opportunity. The early identification of and considered action to implement these opportunities should be a critical goal for the next period. Some of the potential opportunities can be summarised as follows:

- population movement – there is potential for island and rural areas to become more attractive; there will be opportunities as businesses and employees realise that they can work remotely away from urban conurbations. (this also carries the downside danger of economically inactive seeing the islands as a safe retreat)
- greater appreciation for local production and shorter supply chains – there will be opportunities for products and produce to be created closer to the point of consumption, e.g. potential for increases in local food production
- fewer people choosing to holiday abroad opening opportunities for local destinations
- dangers of centralisation ever more apparent – there will be greater opportunities to decentralise the public sector and to reverse health care and other centralisations
- the need to create greater levels of local market resilience and capacity will open opportunities to explore alternative structures / enterprises and to align with locality and social objectives
- new ways to market and deliver produce and services to consumers opening opportunities for digitally enabled local businesses
- opportunities to reinvigorate efforts around renewable energy, to push forward new mechanism for local decarbonisation and to identify opportunities to adapt and mitigate against climate change.

Key Recovery Themes

- 9 Despite the uncertainties and the challenges there is imperative to consider the best way to support businesses coming out of lockdown and the actions to be taken to seize emerging opportunities. The new economy will be different from the “old” and it will be important to think beyond simply returning to a pre-Covid-19 norm. It may, therefore, be worth set a high-level goal, for example:

we aspire to reimagine and reform the economy of the Outer Hebrides by supporting a socially inclusive recovery that creates strong, resilient communities where community capacity and wealth, based in the green economy and digital inclusion is prioritised

- 10 The following may offer a suite of recovery themes:
- a) a “Community Wealth Recovery” that builds on the concepts of localism, community capacity and resilience and that positively prioritises local supply chains and local procurement
 - b) a “Green Recovery” that maximises the Outer Hebrides unrivalled renewable resources; that aspires to achieve Net Zero Carbon by 2035 and that ensures a robust set of climate change mitigations and adaptations
 - c) a “Digital Recovery” that ensures high speed digital infrastructure to every domestic property and every business premises by 2022 and uses that infrastructure to stimulate new business opportunity

- d) a “Recovery Group” established to provide business and community intelligence, to monitor on-going business impacts, to inform policy, to maximise effectiveness of interventions; to ensure the local relevance of Government support measures and to identify opportunity for sectoral innovation
- 11 A suite of potential actions in support of a Community Wealth, Green and Digital recovery are outlined at Appendix 1.

Islands Deal

- 12 In addition to the above delivery of the “Islands Deal” that is presently in discussion between the three Island Authorities and the UK and Scottish Governments will become a critical component of the overall recovery effort. The Deal is presently in discussion with both Governments, with initial feedback suggesting they are interested in supporting the following Outer Hebrides based projects:
- Outer Hebrides Energy Hub
 - Outer Hebrides Destination Development
 - Spaceport 1
 - Outer Hebrides Primary Industries
 - Outer Hebrides Campus Development
- 13 In addition, there is also interest in supporting three joint-islands projects under the following themes:
- Skills, Talent Attraction and Entrepreneurial Support
 - Island Centre for Net Zero Carbon
 - Creative Islands and Wellbeing
- 14 The next phase of the work programme will revolve around populating Outline Business Case (OBC) templates using Treasury Green Book methodology.

Economic Development Service Prioritisation

- 15 Working in tandem with the proposed recovery themes and the Islands Deal activity outlined above are the on-going projects and activity being undertaken by the Comhairle’s Economic Development service. The key elements of that activity can be summarised as follows:

Business Gateway

- on-going delivery of business advice
- on-going delivery of the Comhairle’s business support funds
- delivery of public sector-led financial interventions to support the recovery of the local business community, post-Covid-19

Regeneration Capital Grant Fund (RCGF)

- finalise list of projects for Round 8, Stage 1 (deadline 19 June)
- support the delivery of previous projects funded through RCGF

Rural Tourism Infrastructure Fund

- delivery of Round 1 projects, including the Comhairle's in-house elements (waste disposal points and chemical disposal points at recycling points)
- support the suite of community applications to Round 3 and subsequently support the delivery of approved projects

Year of Coasts and Waters / Dualchas na Mara

- project development, implementation and delivery
- delivery of a programme of learning and recreational activities and events for all ages linked to the Islands heritage collections

Castle Grounds Regeneration Project

- delivery of project through to completion (anticipated to be October 2020)
- activity plans and community engagement to continue through to 2022
- on-going Comhairle responsibility as NHLF responsible body and grantee for the project

Great Place Project

- Action Plan and associated strategy circulated to Steering Group in May
- implementation to commence with scheduled meetings and ongoing engagement through to completion of project end – November 2020
- actions subsequently to be progressed by Steering Group working with partner agencies on delivery

Spaceport 1

- submit a new planning application for sub-orbital launch
- deliver the sub-orbital launch activity
- secure funding for all project activities
- secure private investor for the Orbital launch activity
- deliver the orbital launch project

Heritage Service

- support of the Uist Virtual Archaeology Project
- support of Scottish Islands Research Framework for Archaeology project
- deliver the "Between Islands Project Exhibition" in partnership with Shetland and Orkney Museums
- deliver the "Sonraichte Collections Project" focused on Archaeology collections
- deliver the "British Museum Knowledge Exchange Project"
- deliver the "Lews Castle Interpretation"
- investigate funding options for the "Collections Resource Centre Projects" including funding options for new museum stores project and preparations for the Heritage Horizons fund application
- develop and Implement the online Historic Environment Record, curated by the Archaeology Service.
- develop and implement the digital preservation strategy including digitisation of collections in endangered formats.
- retain and renew formal partnerships with British Museum and National Museums Scotland, including loan agreements, and seek opportunities for partnerships with other museums and archives (local and national).

- deliver the Hebridean Connections project in line with the detailed project plan – including technical improvements, updating of guidance and delivery of volunteer training – to enable roll out and ongoing support of new version, and improved user experience

Risk Assessment

- 16 These are a range of on-going risks for the local economy in general and attached to the themes outlined above and the actions outlined in the Appendix. These risks range from high-level global risks down to more localised risks. These risks require to be understood and factored into consideration of the overall recovery plan.
- 17 The World Economic Forum has identified the top five economic risks by likelihood over the next 10 years as being:
- extreme weather events (e.g. floods, storms, etc.)
 - failure of climate change mitigation and adaptation
 - major natural disasters (e.g. earthquake, tsunami, geomagnetic storms)
 - major biodiversity loss and ecosystem collapse
 - human-made environmental damage and disasters
- 18 Critical local risks may therefore be stated as follows:
- unpreparedness for global risks, particularly climate shocks
 - failure of mitigation and adaptation measures
 - continued retrenchment of public sector finances
 - non-recovery or slow recovery of key sectors
 - non-recovery or slow recovery of key supply chains
 - inadequate transport infrastructure and capacity
 - failure to capture the full potential of the emerging green and digital economies
 - economic losses from on-going centralisation

Resources, Structure and Governance

- 19 To ensure effectiveness of the proposal's consideration of resources, structure and governance will be required. This requires to be finalised.

APPENDIX 1: ACTION PLAN

support a “Community Wealth Recovery” that builds on the concepts of localism, community capacity and resilience and that positively prioritises local supply chains and local procurement

- support businesses and communities to create greater local market resilience and capacity
- identify opportunities to decentralise the local public sector to create new opportunities in communities across the Outer Hebrides
- work with, and make a case to Scottish Government and its agencies, for a greater level of public sector decentralisation to fragile island communities; for example, CalMac, Bord na Gaidhlig, MG Alba and related cultural organisations
- work with, and make a case to Scottish Government, to prevent its agencies removing economic capacity and skills from the Outer Hebrides or working against key economic development objectives
- identify opportunities for products and produce to be created closer to the point of consumption, e.g. potential for increases in local food production and for that to be better integrated into the local supply chain and the local market
- identify new ways to market and deliver produce and services to local consumers, such as the digitisation of the community shop sector
- support opportunities for greater localisation, market resilience and capacity in the local construction sector
- identify opportunities and methodologies to make public procurement regulation and supportive of greater re-localisation of spend
- identify opportunities through the Planning (Scotland) Act 2019 for the establishment of Local Place Plans – identify and work with a community wishing to test and pilot such an approach
- identify opportunities for innovation relating to affordable homes and the potential of alternative procurement and approaches

support a “Green Recovery” that maximises the Outer Hebrides unrivalled renewable resources; that aspires to achieve Net Zero Carbon by 2035 and that ensures a robust set of climate change mitigations and adaptations

Development

- support the delivery 500MW of onshore wind
- support the delivery of 200MW of community-owned onshore wind
- support the delivery of 600MW of floating offshore wind

- support the delivery of the present “Needs Case” for a 600MW inter-connector and work with the community and industry to understand and lobby for future requirements
- create up to 500 island jobs in the islands as a result of these investments
- seek to maximise opportunities for local content in Supply Chain Plans for Contract for Difference Allocation Rounds and Offshore Wind Leasing Rounds
- review and refresh the Uist Renewable Energy Scoping Study to identify potential for new investment projects
- support the delivery of the Outer Hebrides Energy Hub including relocation of the Stornoway town gas and transport fuel / heating oil storage and distribution from existing town Centre locations
- support the delivery of green hydrogen production at the Outer Hebrides Energy Hub for on-island use (heat and transport) and for export by liquefaction or ammonia conversion
- work with commercial and community stakeholders to develop a mechanism that will allow low-cost electricity to be delivered to local consumers through a community owned, not-for-profit Energy Supply Company
- deliver a decarbonised Stornoway Town Centre gas network for 1,400 consumers by 2026
- develop a route-map for the full decarbonisation of the Outer Hebrides transport system
- further develop the concept of the Local Energy Economy to allow the full decarbonisation of heat
- work in partnership with Orkney Islands Council and Shetland Islands Council to deliver an Islands Centre for Net-Zero Carbon

Climate Change Mitigation

- deliver significant energy saving by scoping a programme of physical interventions to new and existing buildings
- develop and implement a community education programme of stimulate greater levels of behavioural change (Education)
- support an enhanced programme of active travel
- waste management interventions
 - reduce the level of waste being produced by assessment of resource needs, procurement policies and analysis of whole life costs
 - combine waste and recycling community education programmes with climate change education programmes
 - implement policies to encourage re-use across the community and push to make recycling the norm.

Climate Change Adaptation

- undertake appropriate research to fully understand and assess overall impacts and risks
- explore opportunities around flexible land use, particularly in the areas susceptible to coastal and fluvial flooding
- undertake regular review of development management policies to ensure effective land planning in light of new, updated research and information
- ensure early identification of “at risk” infrastructure such as roads, piers and buildings

support a “Digital Recovery” that ensures high speed digital infrastructure to every domestic property and every business premises by 2022 and uses that infrastructure to stimulate new business opportunity

- make an investment case to the UK and Scottish Governments for the delivery of gigabyte fibre out with and beyond the Reaching 100 project
- explore opportunities within the Islands Deal for enhanced opportunities in relation to gigabyte fibre infrastructure
- support businesses with digital adoption and support the creation of fully digital, streamlined customer experiences
- support opportunities to build on eSgoil and other educational initiatives by innovating, rolling out and commercialising new digital education experiences
- explore opportunities to market and package the Outer Hebrides to “digital nomads” and other potential business relocations
- explore opportunities to market and package the Outer Hebrides to members of the diaspora seeking a route back to their home island
- explore opportunities to expand and commercialise research and development activity in the Outer Hebrides (private, public and academic sector)
- identify opportunities to attract new university / research capability to the Outer Hebrides