



**COMMUNITY ECONOMIC FUND**

Report by Director for Communities

**PURPOSE OF REPORT** To allow the Comhairle to discuss and agree criteria for the utilisation of monies within The Crown Estate Community Economic Fund.

**COMPETENCE**

1.1 There are no legal, financial, equalities or other constraints to the recommendations being implemented.

**SUMMARY**

2.1 At its meeting on 21<sup>st</sup> August 2020, the Comhairle agreed to establish a Community Economic Fund (CEF) to the value of £810k, utilising funds from the year two allocation of monies the Comhairle received through the revenues generated by The Crown Estate in Scotland. The objective of CEF is to fund projects that will support growth in the economy of the Outer Hebrides.

2.2 The main short to medium term prospects for growth will be through the implementation of projects within the Islands Growth Deal, the implementation of elements within the Comhairle's Economic Recovery Strategy and how successful the area is in sustaining otherwise viable businesses and community enterprises through the economic shock generated by the Covid-19 pandemic. It is therefore proposed to target the £810k at three areas of activity as follows:

- Islands Deal Support;
- Community Economic Recovery Projects; and
- Business Bridging Fund

2.3 Further detail around the deployment of these funds is outlined in the main body of the Report.

**RECOMMENDATION**

**3.1 It is recommended that the Comhairle give consideration to and agree the proposals for the implementation of a Community Economic Fund.**

Contact Officer                      Calum Iain MacIver, Director for Communities  
Appendix                                None  
Background Papers:                Communities Department Business Plan

## **COMMUNITY ECONOMIC FUND**

- 4.1 It is proposed to establish the Community Economic Fund (CEF) around three areas of activity as outlined at paragraph 2.2. The following provides additional detail in regard to these three areas of activity.

## **ISLANDS GROWTH DEAL**

- 4.2 In July 2020 the UK and Scottish Governments announced a Growth Deal to the value of £100m (£50m from each Government) for the Scottish Islands. The Deal will allow a suite of projects, developed by the Comhairle and its public and private sector partners, to move towards delivery. The Deal, as presently formulated is based around a suite of five Outer Hebrides proposals and three innovation projects linking the Outer Hebrides, Orkney and Shetland. These can be summarised as follows:

- Outer Hebrides Energy Hub
- Outer Hebrides Destination Development
- Spaceport 1
- Primary Industries Development
- Outer Hebrides Campus Development
- Skills, Talent Attraction and Entrepreneurial Support
- Island Centre for Net Zero Carbon
- Creative Islands and Wellbeing

- 4.3 The next stage in the process is the completion of Strategic and Outline Business Cases for each of the proposals. These Business Cases require to be completed to Treasury Green Book standard and will form the basis of the Deal's Heads of Terms. The Head of Terms document will define exactly what projects each Government will support and the level of support they will provide. Heads of Terms is anticipated to be achieved in spring 2021.

- 4.4 Developing Strategic and Outline Business Cases will require dedicated resource and a lead officer has been appointed to each project. Each project will also require additional research and specialist consultancy support to underpin the case being made. Highlands and Islands Enterprise (HIE) have confirmed support of £400k towards development activity to Heads of Terms. It is therefore proposed to allocate a proportion of the CEF to support Islands Deal activity to Heads of Terms.

- 4.5 It is unlikely that either Government will 100% fund any project within the Growth Deal, with each Government looking for leverage on their investments. Each of the local Outer Hebrides projects carries the potential for private and public sector leverage. Local Authority involvement and contribution to Deal projects is always viewed by Government as being strategically important. It will therefore be useful that the Comhairle has a strategic fund that it can utilise to support elements of investment within selected projects. It is therefore proposed to allocate a proportion of the CEF to support investment into Islands Deal projects.

## **COMMUNITY ECONOMIC RECOVERY**

- 5.1 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.
- 5.2 The overall economic impacts of the pandemic will only become fully apparent as we move into 2021. There are many sources of data around the overall impacts, many of the showing different scales of impact. Perhaps the data that gets closest to local business sentiment is the recent Business Panel Survey of 1,000 businesses in the Highlands and Islands.

- 5.3 This showed that 79% of respondents reported their confidence in the economic outlook had fallen in the past six months – not surprisingly, the most marked decline in the 16 business panel surveys that have been commissioned since 2014. Disruption to trade, decline in sales, loss of income, and furloughed employees were reported as some of the main impacts of Covid-19. Overall, 85% reported they had experienced a decline (61%) or no sales at all (24%), while a very small proportion (4%) reported an increase in trade.
- 5.4 Nearly half (49%) of firms had been able to continue operating throughout the lockdown and a further 12% had reopened after closing initially. Of those who continued or had restarted trading, 65% said business was below the pre-Covid level, 26% much the same and 8% above. Three quarters (75%) believed their businesses will still be viable in six months.
- 5.5 Looking ahead, firms reported both concerns and potential opportunities. The main concerns for the next six months were economic downturn (61%), future waves of coronavirus and lockdown (55%), and sustainability of the business (25%). Opportunities centred on adapting products or services (26%), changing customer behaviour or preferences (26%) and growing an online presence (26%). Others include targeting new markets (25%), using technology differently (22%), and repositioning the business (15%).
- 5.6 Although the survey is at a Highlands and Islands level, the sentiments broadly match the feedback from local business and sectoral representatives in the Outer Hebrides.
- 5.7 The Comhairle's Recovery Strategy identifies a range of high level strategic opportunities around a Green, Digital and Community Wealth recovery. The Community Wealth Recovery speaks to the concepts of localism, community capacity and resilience and a positive prioritisation of local supply chains and local procurement. The Strategy identifies areas of activity where opportunities lie to do things differently and to test new community-based approaches. Some of these can be summarised as follows:
- 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
  - opportunities to restore a crofting / community food development fund
  - opportunities to purchase additional quota to support the local fishing fleet
  - new ways to market and deliver produce and services to local consumers, such as the digitisation of the community shop sector
  - 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
  - opportunities for innovation around environmental designations to allow community control and a more appropriate balance between environmental and economic / community development considerations
- 5.8 If progress is to be made in these areas it will require human and financial resource to stimulate activity and drive progress. It is therefore proposed to allocate a proportion of the CEF to support investment into small scale community projects that will test new approaches.

## **BUSINESS BRIDGING FUND**

- 6.1 The overview from the Business Survey outlined above gives an indication of some of the significant business impacts that are accruing. We are aware from communications from individual businesses and from sectoral representatives that there are businesses who have long-term viability, but short-term challenges as they restart their business and seek to rebuild sales. These businesses will require support to bridge them through that rebuilding phase of their recovery. Public sector assistance will be particularly important given the posture towards business lending being adopted by the banking community at this stage. It is therefore proposed to allocate a proportion of the CEF to support viable businesses to bridge short-term trading challenges.

## **ALLOCATIONS**

- 7.1 Based on the above it is proposed to allocate funding as follows:

- Islands Deal Support - £400k
- Community Economic Recovery Projects - £100k
- Business Bridging Fund - £310k

- 7.2 For approval of funds delegated authorities as follows are proposed:

- Islands Deal Support - Director for Communities in consultation with the Chief Executive
- Community Economic Recovery Projects - Director for Communities
- Business Bridging Fund - delegated to Business Gateway to be delivered in conjunction with existing business support funds.

- 7.3 The theme allocations proposed above are indicative and it is proposed that there is flexibility between the themes to ensure the fund is well-utilised and that the funds have an early and positive regenerative impact within the economy and within the wider community.