

**FINANCE COMMITTEE CALL FOR EVIDENCE
COMMUNITY EMPOWERMENT (SCOTLAND) BILL;
FINANCIAL MEMORANDUM SUBMISSION FROM
HIGHLAND AND ISLANDS ENTERPRISE**

Consultation

Did you take part in any consultation exercise preceding the Bill and, if so, did you comment on the financial assumptions made?

1. HIE has contributed extensively at all stages of the consultation on the Bill, through meetings, one to one discussions and the formal responses at every stage, however this is the first response we have prepared focusing solely on the Financial Memorandum.

If applicable, do you believe your comments on the financial assumptions have been accurately reflected in the FM?

2. The direct and indirect comments we have made in earlier consultations in respect of costs/financials such as indications on resource requirements have helped inform the resulting Bill.

Did you have sufficient time to contribute to the consultation exercise?

3. HIE has had sufficient time to make contributions to the FM estimated impacts. We feel that additional time would not have enabled greater accuracy of the FM's cost assessment. This is as a result of the inevitable uncertainties associated with the extent to which communities will participate in and uptake the new opportunities presented within the Bill. The degree of community participation will be the determinant of the resource implications associated with the Bill in key areas, particularly regarding asset transfer. In the Highlands and Islands we anticipate our communities will want to engage strongly and utilise the new powers conferred in the Bill.

Costs

If the Bill has any financial implications for your organisation, do you believe that they have been accurately reflected in the FM? If not, please provide details.

4. The Bill will require us to take a range of steps to address its content. Most of the additional costs to HIE are anticipated to be staff time applied to responding to its provisions, most notably in relation to asset transfer. We note this as not wholly quantifiable at this point, a result of the impacts of the Bill being associated with community demand, this being a feature throughout the FM.

We recognise however key areas where we can identify change which will have resource implications. These include enhancing our internal focus on CPP delivery. We will respond to participation requests and would expect to be able to absorb that to a large extent within the costs of staff time currently devoted to on-going business improvement activities.

The community right to buy provisions will have limited direct impact on HIE. Previously, we funded the development of a template model Articles of Association for a community body (company limited by guarantee) and have updated this, as

required, over the 10 years since the initial Act was passed. This was developed in partnership with Scottish Government and OSCR. We will consider developing, with partners, similar templates for other organisation types relevant to these provisions. We anticipate these costs to be in the region of a one-off cost c£15,000 and £1000/annum for reviews/updates. We also provided 'easy read' guides for the community right to buy and crofting community right to buy. We intend updating these to reflect the CEB amendments and anticipate this having minimal cost. We would expect that these costs can be met from existing resources, and are well aligned as expenditure areas to HIEs work.

There will be indirect costs relating to our work to support communities to use the community right to buy provisions. However, the impact will be limited as we have few 'excluded areas' in our region and we already provide support to communities to acquire and manage assets across all of our operating area. On occasion we have assisted with the costs of community ballots pertaining to the community right to buy, however these will now be funded by Scottish Ministers.

The asset transfer provisions will apply to HIE's assets and as much of the detail will be determined by the regulations, it is difficult at present to assess the likely cost implications. Our portfolio of assets is largely industrial/commercial premises and land zoned for commercial use - both in furtherance of our development remit. Our policy is not to be a long-term landlord; rather we seek to sell on properties – often to a sitting tenant – to assist in achieving wider economic development outcomes. We have also sold assets to community bodies. As we already engage with prospective purchasers regarding our asset portfolio, and are minded to dispose of our assets in appropriate circumstances, we do not anticipate that the Bill's provisions will add significantly to our existing costs in this regard. As we do not, on the whole, deliver services from our assets (other than our administrative centres and regional offices) we are unlikely to benefit from cost savings as a result of asset transfer.

In order to demonstrate best practice regarding asset transfer we do however intend to build on the CEB requirements by undertaking a review of our current asset transfer procedures, developing an online asset register and reviewing our asset transfer policy. This will have an impact, mainly on staff resources, in the short term.

Do you consider that the estimated costs and savings set out in the FM are reasonable and accurate?

5. It is not practical for HIE to comment on the accuracy of the identified costs, the majority of which are associated with Scottish Government or local authorities, however, on our first review, those do appear reasonable.

See also our answer to question 7, which highlights the 'unit' versus 'total cost / total cost range' issue relative to the as yet unknown uptake of powers implications.

If applicable, are you content that your organisation can meet any financial costs that it might incur as a result of the Bill? If not, how do you think these costs should be met?

6. As detailed in Q4 the Bill will have some direct cost implications for HIE. These are largely short-term costs that will be incurred as we respond to and accommodate the Bill's requirements. As we have a corporate focus on

strengthening communities these requirements can be integrated into our existing working practices with relative ease. We are confident we can implement the Bill's requirements from a prioritisation of existing resources.

The indirect costs of the Bill will have greater impact for us. Supporting communities to develop and grow is a central focus for our organisation. The CEB is aligned to our strengthening communities remit and as we have done with the Community Right to Buy of the Land Reform (Scotland) Act 2003, we will seek to support communities to utilise, and benefit from, this Bill's provisions. We will do this across our region and also through our pan-Scotland work supporting communities through the Scottish Land Fund and Community Broadband Scotland.

The CEB is therefore most likely to stimulate additional demand for our services which at this stage, as articulated in the FM, is difficult to quantify.

Does the FM accurately reflect the margins of uncertainty associated with the Bill's estimated costs and with the timescales over which they would be expected to arise?

7. The FM makes a good 'estimate' of 'unit costs' for aspects of the Bill's delivery, in many cases providing ranges where those are informative, however, the inability to profile demand take up makes it impractical for the FM to estimate the total costs that might be expected in say the first three years of operation.

Wider Issues

Do you believe that the FM reasonably captures any costs associated with the Bill? If not, which other costs might be incurred and by whom?

8. We believe the FM has made a reasonable attempt to capture the costs associated with the Bill from our perspective. We have two comments to offer:

The provisions in the Bill to streamline **the Community Right to Buy** and to extend these rights to all of Scotland is likely to generate significantly more community right to buy applications. We agree it is difficult to quantify the increased demand and consider an increase of between 5 and 10 per year to be on the conservative side. There are around 15 applications/year to register an interest at present. Extending these provisions to urban communities (with 80% of the population) is, in our view, likely to generate more applications than anticipated which will generate additional costs for Scottish Government.

Guidance regarding the assessment of overall benefit of an **asset transfer** (to include costs, benefits, savings, improved outcomes etc.) would be helpful and would aid consistency of approach. This will have a cost implication in the short term but would lead to cost savings in the long term arising from a more efficient process, and perhaps fewer appeals. We would suggest Scottish Government leading on this with active involvement from public bodies and local authorities.

Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation? If so, is it possible to quantify these costs?

9. It is in the nature of conveying meaningful powers, such as those proposed by the Bill, that there will be tasks and duties assigned to various parties in order to access those powers, with those being articulated in future subordinate legislation.

At this time, it would be realistic to assume that there will be future costs, however HIE would not be able to offer an opinion on the quantum for those costs ahead of an understanding of that subordinate legislation. As with all things, if we can evolve subordinate legislation that functionally adds value, in a straightforward and efficient manner, then we can minimise additional costs through good design.