Local Government and Regeneration Committee

Regeneration Inquiry

Submission from RICS Scotland

1. How can the linkage between the various strategies and policies related to regeneration be improved?

Scottish Government has been very active in the development of policies and strategies. What is required now is an implementation plan that sets out how such matters can be delivered. Delivery should come from a collaborative approach that seeks to bring together all interests.

The Community Empowerment Bill and the Asset Based Approach currently being promoted by Government all fit with the community based policies that are contained in the Regeneration Strategy. However, community activity alone will not suffice nor will it provide successful outcomes. There needs to be greater action in bridging all interests whether these are state, community or private. To do this one needs good leadership.

Also, the implementation plan needs to call upon the assistance of those with the essential skills and experience to bring about successful delivery. This will require some “hand holding” between local authorities and other public organisations, private sector interests and the community. Community Planning should have an important role in the implementation process but those engaged in community planning should embrace wider representation and seek involvement with those with the requisite expertise.

2. Can physical, social and economic regeneration really be separate entities? The Committee would find it useful to hear about projects distinctly focussed on one or more aspects, and the direct and indirect outcomes of such activity.

The major weakness in regeneration policies over many years is the departmentalisation of physical, social and economic elements. The policy fashion has tended to switch from physical intervention to social intervention. What is required is a bridging of the elements as any successful regeneration relies on a fully integrated approach. Successful project outcomes are achieved through good leadership and an ability of leaders to have the requisite vision and inspiration to achieve collective support. Good leaders understand that social, economic and physical connectivity is essential. Unfortunately, there are very few examples of such a regeneration approach although Dundee is demonstrating the right vision and aptitude with its proposals for regenerating its waterfront.

The best exemplar of good regeneration that demonstrated sustainable improvement was Crown Street Regeneration Project. Sadly this project is over 20 years old. The project had a good leader and sponsor. It was run on sound economic principles demonstrating an understanding of the market. It also embraced the community that played an active part in the project. The place making approach at Crown Street was
the forerunner and exemplar for a greater commitment in the UK for place making and physical renewal. For some unknown reason, Scotland did not recognise the quality of this delivery approach which has not been replicated since.

RICS Awards offer companies and firms to showcase the most inspirational regional initiatives and developments in land, property and the built environment. In 2013, there were eight categories in Scotland, one of which was regeneration. This award showcases exceptional improvements to urban, rural or coastal areas. Short listed categories this year were:

- Clyde Gateway Regeneration, Glasgow and South Lanarkshire
- Quartermile, Edinburgh
- BRE Visitor Centre, Motherwell
- The Scotsman Steps, Edinburgh

These projects were considered to have conserved or improved the built or natural environment in a way that has contributed to the viability of the area.

3. Are we achieving the best value from investment in this area? If not, how could funding achieve the maximum impact? Could the funding available be used in different ways to support regeneration?

Investment in the past was on the basis of grant funding. This approach is now largely been abandoned due to budget cut backs as a result of the economic crisis. Grant funding set up a culture of establishing annularity of budgets expenditure without any proper long term investment strategy and good practice asset management. It was a short term approach. Therefore, a change of culture is required as long term investment through loans and equity inputs replace grants. This change requires the acquisition of new skills in investment and asset management. It requires an understanding of how markets work and how they can be shaped and influenced. For example TIFS is a long term investment vehicle that brings about investment in infrastructure that liberates further action and generates sufficient income to service the TIF loan investment.

It is recognised that Government has brought forward proposals for loans. Such loans need to be of sufficient scale to have an impact on the market. Such stimulation needs to be properly targeted rather than spread thinly. Take up of loans has been variable. This could be due to investors already having loan commitments from their own lenders and lacking in confidence that future loan liabilities can be repaid. Therefore, Government should consider using funds as equity inputs into ventures. Such an approach is increasingly being used in England though Local Asset Backed Vehicles (LABV). The equity input period can be determined by the public authority but a switch to a longer term commitment is realistically the only way to achieve sustainable regeneration and growth in place activity.

Partnership Working
4. What delivery mechanisms, co-ordination of, and information on the funding that supports regeneration are required, to facilitate access by all sections of the community?

Collaborative action is required. The private sector is polarising with large corporate organisations having the ability to re-finance whereas SMEs have little or no equity, and lenders will cut rather than re-finance such smaller companies. The key issue is that Scotland needs its SMEs to achieve sustainable economic recovery and growth. However, many of its policies and procurement practices appear to be more beneficial to the larger entities than the small. This is largely an issue of risk aversion which has higher profile in project based “value for money” assessments than seeing the larger strategic question of what is value for Scotland.

What is required is investment in both “big and small”. This means setting up infrastructure investment plans which has institutional investment in physical frameworks. Such frameworks can then be populated by multi-activity from a range of smaller Scottish organisations. This is not a supply chain approach but a co-ordinated tiered approach that seeks to get the best from both “big” and “small” acting independently but within a framework of support.

5. Should funding be focussed on start up or running costs? What is the correct balance between revenue and capital funding? Please indicate reasons for your views

Funding should meet investment and business planning criteria. Funding should be based around an equity input rather than grant. Capital funding should liberate other activity by having a multiplier effect. Revenue funding is providing working capital and should be appraised on a business case basis. Clearly new ventures require some support in the early stages but projects must be able to demonstrate that they are capable of being self-funded in the long term.

6. How can it be ensured that regeneration projects are sustainable in the long term?

Project should adopt good robust business planning practices which consider externalities, market conditions (demand and supply) and future trends. Sustainable projects need skilled and experienced inputs and a demonstration that good leadership will drive and manage the project to a successful conclusion.

Practical Issues

7. What actions could the Scottish Governments forthcoming community capacity building programme include to best support communities to do regeneration themselves?
The community must be able to demonstrate the requisite capacity. While there may be well meaning commitment there is often a lack of skills. Government needs to ensure that investment comes with good leadership and competent people who have the requisite experience to manage projects. Leaders will orchestrate a team of expert players. They will support and manage a community capacity programme and give confidence to the project. Experts will attract investment from others as risks can be better managed from expert judgement. Experts will attract funding as lenders are reticent to provide funds to those who cannot demonstrate appropriate experience.

8. What role should CPPs play in supporting the community in regenerating their communities?

Competent CPPs are essential to involve, inspire and empower the community into collective action. The “Assets Based” approach should be adopted but this is not about passing the responsibility to the community and leaving them to get on with the project. It is about leading projects in a collaborative manner and providing the requisite support to enable things to happen.

9. How can CPPs best empower local communities to deliver regeneration? Please provide any examples of best practice or limitations experienced that you think the Committee would find useful in its scrutiny.

The procurement processes are a major barrier to proper community empowerment. Best practice of empowerment can be found in continental Europe where the municipality fully collaborates with community organisations. The operational structures provide a balance of community and municipal input which is geared to achieving the right outcomes. Unfortunately governance and regulations are not balanced with achieving good creative conditions for innovative action. Procurement regulations stifle energy and vitality in smaller organisations whether they are from community or private interests.

10. How can the outcomes of regeneration truly be captured and measured? What are the barriers to capturing outcomes and how should the success of regeneration investment be determined?

There is a need for:

- A change in culture by introducing a more enterprising environment that achieves a spirit of risk sharing.
- The state should seek an active equity stake in regeneration rather than taking a back seat as a debt funder and monitor.
- Long term investment based on excellent leadership, good vision, sound business planning, market shaping and a clear demonstration of commitment.

Regeneration used to be generally defined as a place of market failure. Markets are generally regarded as private interests. Good practice from continental Europe does not make such distinctions. Good practice sees investment as a democratic collaboration of interests and activity with the state participating in market activity as much as private sector and community interests. It is a mixed interest and long term approach that will deliver the right outcomes.