Local Government and Regeneration Committee

Regeneration Inquiry

Submission from Scottish Property Federation

Scottish Property Federation on Regeneration Aspects of the Scottish Draft Budget 2013-14

1. The Scottish Property Federation (SPF) is a voice for the property industry in Scotland. We include among our members; property investors and developers, landlords of commercial and residential property, and professional property consultants and advisers. We have some 130 corporate members.

2. The SPF is happy for the Scottish Government to publish our comments and share our views with other public authorities.

General Comments

3. Our members recognise that regeneration is a fundamental part of growing the Scottish economy, creating jobs and prosperity, improving the lives and chances of Scotland’s people. With Scotland performing behind the UK, it is vital that regeneration policy is geared towards revitalising our economic performance, to ensure that Scotland is not left behind as global recovery takes shape. Therefore, the SPF believes that economic regeneration must be the Government’s number one priority, as it is essential to kick start economic growth. If the Government fails to encourage economic growth and recovery, then Scotland will potentially be at a competitive disadvantage in relation to key investment thus missing out on future jobs and prosperity.

4. At present very little development is taking place outside prime areas. Previous regeneration models sometimes depended on large amounts of public and private sector money being directed into initiatives that were not always as effective as they should have been. However, the current economic climate means that this regeneration template is no longer viable. As regeneration is by nature on the margins of viability, it is affected more severely than more standard types of development. Therefore it is even more important that the government undertakes a fundamental review of Scotland’s regeneration strategy. Our members fear that it is unlikely that the private sector funding sources will be prepared to invest in sub prime locations or projects for at least another decade. One exception to this is the success of Clyde Gateway which has been boosted by the Commonwealth Games Legacy and is now attracting investment.
5. Our members are of the view that any review will involve a strategic shift, which will require investment activity to be focused and prioritised not where there is greatest need, but where it can be most effective.

**Strategy and Policy Issues**

6. SPF strongly believes in the importance of reviewing existing policies and priorities to direct funding to where it is most effective and should not be wasted on schemes that have little prospect of viability. This is a challenging task and will require extremely difficult decisions to be made and leadership from central government, ideally through a delivery focused agency that can provide leadership. This task must be undertaken with strong input from the private sector to ensure that proposals appeal to the market and attract investment that will stimulate economic growth. The decision-making process will need to be as de-politicised as possible when determining what projects receive support and funding and should be done through establishing a set of criteria for evaluation.

7. The creation of jobs is fundamental to alleviating deprivation. However, these must be real jobs, ideally linked to growing sectors where there is anticipated employment and skills growth. It is, therefore imperative to remove the constraints that frustrate investment being attracted to such sectors. One of the key constraints identified by our members is infrastructure and it has been suggested that the Scottish Government Infrastructure Investment Board could be the vehicle where by such prioritisation is determined.

8. Our members are concerned that business rates have become a significant burden on businesses, development and investment. This process has partially arisen from the inherent structure of the tax through incremental tax increases year on year, but it has also been added to by policy decisions such as on empty property rates and the delayed revaluation. The sum total of these factors is that rates are now a growing burden on the economy and growth. This is not to argue of course that rates are the sole or major burden, but they are nonetheless adding distress to an already difficult situation for many ratepayers in the face of continuing low economic activity and restricted access to finance.

9. We believe that the burden is now such that a significant realignment of the tax structure and basis is necessary and that a fundamental re-think of how the tax is applied to ratepayers is also called or as well as a better understanding of who is most affected by recent policy decisions.

**Partnership Working**
10. Access to information, skills and lack of experience are additional challenges that regeneration faces. This is partly caused by the lack of empowerment to officers that are charged to facilitate regeneration, which makes it difficult to consistently bring the pressure to the various departments (e.g. Transport, Economic development, Education, Leisure and Planning Departments). Some of our members have suggested that this could be addressed by the Government requesting all Local Authorities to appoint a senior regeneration champion that answers only to the Chief Executive of the Local Authority. These individuals would then be able to influence policy and budgets at the most senior level and become a ‘Client’ to the Local Authority departments. Therefore, they would be well placed to direct each department to resource and deliver in a coordinated and meaningful way. Each department would then need to prioritise the regeneration initiatives rather than participate.

11. Our members are concerned that economic regeneration is not a statutory obligation for Local Authorities and other areas of government such as education and social work tend to be prioritised by elected member. The SPF believes that regeneration proposals need to be prioritised across Scotland through policy from central government and we would also suggest that a centralised agency coordinates and facilitates regeneration across the thirty two Local Authorities. Some members have suggested that co-ordination could be done through an existing body, such as Scottish Futures Trust, which could work with the private sector to bring together knowledge and expertise to make tough decisions and direct spending to where it is most effective to stimulate economic development.

12. With Scotland performing somewhat behind the UK recovery trend line, it is vital that the Enterprise Agencies are geared towards revitalising our economic performance. There is a feeling within the SPF that in recent times the enterprise agencies have not seen economic growth as the priority, rather a more passive approach to business support. SPF believes that Scottish Enterprise could play an increasing role in terms of identifying major infrastructure requirements. We recognise this has been done in relation to NRIP, but this was restricted to renewable infrastructure issues. For example Scottish Enterprise should identify potential drawbacks to the strategic development plans – advising the SDPAs and private sector major economy drivers accordingly, as well as looking at the future development of key industry sectors and how these might be influenced by various constraints, including infrastructure.

**Funding Models**

13. The SPF recognises the difficulties of finding a suitable approach to ensure necessary and appropriate infrastructure and at the same time encourage (appropriate) development in regeneration areas. We feel it is important to examine
in detail with the development industry how future sustainable economic development can be achieved and facilitated.

14. In times of fiscal constraint and further reductions in Scotland’s Structural funds, European funding streams offer the best opportunity to stimulate urban regeneration in a cost effective manner and we welcome work done by the Scottish Government to access these funds.

15. The SPF is aware that affordable housing is a key concern for the Scottish Government and we support the contributions made to RSLs. We would also highlight the importance of the Private Rented Sector in addressing housing need and would encourage investment to be directed towards this sector. The National Housing Trust is a good step in this direction however, the pace of investment has been disappointing. We believe that it is necessary to kick start development on stalled housing sites and to provide much needed housing at mid-market rent at a time when finance is difficult to obtain. However, it must be recognised that this will make a minor contribution to a large scale problem.

16. Members generally support the concept of the establishment of Business Improvement Districts (BIDs), to aid the regeneration and asset management of our towns and villages, business parks and tourism and visitor areas where it is accepted by local rate payers. Members also support measures to encourage investment in key economic areas of Scotland such as the four Enterprise Areas in order to support jobs and secure new investment and growth.

17. The SPF also supports the retention of Business Premises Renovation Allowances and the potential it offers given the significant volume of vacant premises in town centres. By increasing the scope of the assisted areas, and by permitting residential use, then BPRA could become a more effective tool to enable regeneration. Local Authority site assembly for development is also important and it is worth noting the successful approach to the Dundee Waterfront Regeneration Project and inward investment to the area that is being led by Dundee City Council. Given the availability of future funding, this approach is likely to be more important in the future.

18. Members have strong concerns with the level of obligations required by Planning Authorities and believe that they undermine the financial viability of development in an already challenging economic climate. Circular 3/2012 on Planning Obligations issued recently by the Scottish Government emphasises the need to take account of current market conditions when framing agreements and highlights the importance of ensuring that agreements are delivered without affecting the viability of development. However members are still reporting that some Planning Authorities are ignoring the 5 tests that are set out in the circular.
19. SPF believes that where contributions are necessary, they should be phased on a ‘pay as you build’ basis. In situations where contributions affect the viability of development, developers should be allowed to demonstrate this to the Planning Authority and negotiate the timing or vary the level of contribution. However, this policy must be integrated into practice, as at present our members advise us that the contributions requested are far too high and threaten the viability of their proposals. Members warn that keeping contributions at their current level will stop development happening in Scotland.

20. One of our members has suggested that access to government backed mortgages and shared equity schemes could be made available to all sectors of the community (i.e. no means testing), which would provide an additional stimulus to encourage development. If this strategy were targeted on a national scale but only applied to regeneration areas developers would be more inclined to activate projects in these area as they would recognise the increased customer base open to them.

**Practical Issues**

21. Members have stated that engaging with regeneration initiatives in Scotland can be very frustrating and improved access to information is required for both the private and public sector. Both sectors need to develop a better understanding of different funding streams and options for regeneration. Further, the procurement process needs to be simplified, as even with Public Contracts Scotland the complicated process associated with major regeneration projects is still one of the greatest barriers and it deters investment. Members suggest that there is a need to encourage and ease the path of potential investors through a simpler, more proportionate process.

22. While the SPF recognises that there is a role for communities in regeneration projects and supports the re-use and occupation of properties that have fallen into disuse or which are categorised as underused, care must be taken not to allow community groups to promote initiatives, which are contrary to previously agreed Urban Design Frameworks and Masterplans. Some community groups could conclude wrongly, that this policy will empower them to contradict the initiatives that are already in place. The SPF has also raised concerns in relation to the proposed Community Empowerment Renewal Bill and the potential of deterring investment due to the risk of assets being constrained by community groups’ right to buy.

23. The SPF would be pleased to explain its comments in further detail at the Committee’s request.

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