



Scottish Council for
Development and Industry

POLICY SUBMISSION

BUILDING A SUSTAINABLE FUTURE

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SCDI is an independent and inclusive economic development network which seeks to influence and inspire government and key stakeholders with our ambitious vision to create shared sustainable economic prosperity for Scotland.

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Building a Sustainable Future

1. SCDI is an independent membership network that strengthens Scotland's competitiveness by influencing Government policies to encourage sustainable economic prosperity. SCDI's membership includes businesses, trades unions, local authorities, educational institutions, the voluntary sector and faith groups.

Executive Summary

- The regeneration debate must lead to a high-level National Regeneration Strategy. While the discussion paper is welcome, its long lists of disparate initiatives – often at a very local level – illustrates the current lack of a policy
- The Scottish Government should, in the near future, set out the steps and timetable to develop, in partnership, a National Regeneration Strategy. This must be outcome-focused with sustainable economic growth a key priority
- There must be a genuinely long-term commitment to policy and funding
- Significant public sector investment must be maintained for regeneration. Clearer prioritisation is needed to guide decisions on resources and send a signal to private sector investors where they can expect to make returns
- The National Regeneration Strategy should identify and prioritise: those areas where investment by the public sector in regeneration can realistically change the investment patterns of the private sector; and areas of multiple deprivation in the bottom 15% of indicators, with high priorities any areas of synergy
- While the importance of integration is referenced, the regeneration landscape has been through a period of fragmentation which needs to be addressed
- Regeneration must encompass physical, social and economic progress. Though engagement and empowerment are critical, the priority for communities is often job creation for local people. Scotland's six cities have called for alignment of Scottish Government, DWP work programmes and skills development agencies with cities' needs and which provide greater co-ordination of skills development and employer engagement at a city level
- Consideration of innovative approaches to funding development is welcome, but these models appear less likely to be appropriate in the most deprived areas, and the National Regeneration Strategy should be much clearer about the areas and circumstances in which each model could be appropriate
- The Urban Regeneration Companies are long-term commitments and partnerships, and substantial public investment in them should continue
- The public sector needs to think strategically and undertake comprehensive studies of its assets base which might be utilised to leverage in new value
- Early interventions improve future outcomes and reduce long-term demand for public spending to rectify, or reduce the consequences of, negative outcomes. The Scottish Government should maintain momentum on this he agenda. Successful preventative spending pilots are priorities for rolling-out
- A weakness of Community Planning Partnerships and Single Outcome Agreements is that businesses have limited understanding of them or input into their development, despite their often vital role in delivering the outcomes

- Area-based approaches to deprivation and worklessness must also look beyond the locality, connecting people and communities with opportunities in other areas
- The redesign of Scottish Government portfolios after the recent election has resulted in greater fragmentation of regeneration-related responsibilities and Ministers must ensure that there is a joined-up approach to policy and funding

What have we learnt and what should our priorities be?

2. At this time, it is very important to understand what has worked and what has not. With regard to the key findings presented, SCDI has a number of comments.
3. Areas of multiple deprivation are defined by a lack of resources and opportunities across a wide range of aspects. Tackling these ingrained challenges takes time. Importantly, most of these communities have already experienced failed regeneration initiatives, often wound up before they were due to end, which leads to scepticism and cynicism about government commitment to current or new programmes. Potential investors in the prevailing risk-averse climate are also seeking certainty about the long-term public sector commitment to programmes.
4. While questioning interventions and their effectiveness is necessary in the current climate, the Scottish Government must be careful not to undermine community and investor confidence and reinforce perceptions of unreliability. A National Regeneration Strategy should establish a long-term policy, rather than a collection of short-term initiatives, which should broadly set the course for governments, communities and their partners, in whatever the prevailing climate.
5. SCDI strongly agrees with the importance of jobs and the economy in lasting transformation. Regeneration is not only about reversing decline, it must also aim for diversification and growth. Sustainable economic growth, including regional equity, needs to be a key priority for the National Regeneration Strategy.
6. The discussion paper rightly states that “partnership working, along with strong leadership and clear visioning, has become the accepted approach to regeneration”. However, it also points out that some have suggested critical thinking about how partnerships should be led and whether they are appropriate in all circumstances, a view which SCDI would endorse. Partnership working must be a means to an end not - as it has become often - the objective in itself.
7. In order to integrate better approaches for the long-term, every pilot or demonstration project should have a clear plan for a roll-out or an exit strategy.
8. The statistics on deprived areas of Scotland starkly demonstrate the acuteness and multiplicity of social and economic problems. However, while they provide a snapshot, to identify what we have learnt and what our priorities should be, it would be more useful to understand - both nationally and locally - any trends. The National Regeneration Strategy should be focused on improving outcomes.

9. The discussion paper is dominated by capital expenditure. It is acknowledged that capital spending faces the biggest challenges in the next spending period, but revenue spending to maintain public services is also an important issue. Investment in a downturn needs to continue and can be an opportunity. Public sector investment needs to be strategic around health, education and transport. Maintenance of the public realm and active green space are also important.
10. The National Regeneration Strategy should state the connections between it and other key national strategies, such as the National Planning Framework and the Early Years Framework, its relationship with Strategic and Local Development Plans, and identify the roles and responsibilities of the public and private sectors.
11. Tough choices about priorities are highlighted in the Foreword. To guide decisions on the Scottish Budget, SCDI has suggested a series of Principles:
 - Increasing sustainable economic growth is now an even higher priority for Scottish government and public services
 - Scottish Budgets should ring-fence priority outcomes rather than department budgets
 - Public bodies will need to re-focus on their core functions, but this also represents an opportunity to develop new ways and partnerships in delivering public services
 - Public spending should be subject to an ‘Scottish Exports Test’
 - The historic business cases for the capital investment programme should rapidly be re-evaluated to ensure that projects are prioritised with current economic priorities
 - Scotland’s public spending should be reviewed to ensure inter-generational equity and funding to create new education, training and job opportunities for young people
12. SCDI has recommended that public funding should prioritise increased productivity in the medium to long-term. All spending programmes should be realistically re-evaluated and decisions should be based on an analysis of their long-term contribution to Scotland’s sustainable economic growth and wellbeing, for example as defined in the National Performance Framework. Local funding should also follow progress towards and attainment of local priority outcomes.
13. SCDI also proposed that, in view of the rising cost-pressures on public services demographic changes and increasing public expectations of services, a national debate should be encouraged on the public priority outcomes and the overall level and form of taxes which could deliver them. The Scottish Government and Scotland’s public services need take a more strategic long term view of priorities and direct scarce resources where there are clear needs and benefits to users.
14. We suggest that opportunities for some re-profiling of the planned capital investment programme should be considered, in light of the changing economic and public expenditure context. However, as a result of Scotland’s greater

distance-to-market and the need to improve internal and external connectivity, we believe that the Scottish Government will need to place a higher priority in its own resource allocation to capital spending than planned by the UK Government.

15. SCDI suggests that the National Regeneration Strategy should identify:

- Those areas where investment by the public sector in regeneration can realistically change the investment patterns of the private sector
- Those areas of multiple deprivation in the bottom 15% of indicators

16. The Scottish Government and partners should plan for interventions in these areas and, where there are synergies, those areas should be particular priorities.

17. SCDI believes that – along with higher exports – the low carbon economy is likely to be Scotland’s greatest opportunity to replace economic demand lost by public spending reductions, particularly given the statutory climate change targets and supporting incentives. Specific large public and private investments include the National Renewables Infrastructure Plan, and in sustainable cities and communities. It is especially important that National Regeneration Policy seeks to enable deprived areas and their people to take advantage of these opportunities.

18. As regards the most challenged areas, the National Regeneration Strategy should prioritise action in education, health and employment. While a better understanding of the wider economic and spatial factors at play would be useful, this should not delay necessary interventions in any failing local public services.

19. The redesign of Scottish Government portfolios after the recent election has resulted in a greater number of Ministers with regeneration-related responsibilities, with infrastructure and capital investment (including housing and regeneration) in one portfolio, cities in another, and local government, the enterprise agencies and employment in a third. The Scottish Government’s regeneration division has also been split and reorganised. Ministers must, therefore, ensure that there is a joined-up approach to policy, funding, shared goals and measurable outcomes at both Ministerial and cross agency levels.

20. Scotland’s cities will play an essential role in a National Regeneration Strategy. SCDI welcomes the creation by the new Scottish Government of a dedicated Cities Minister. SCDI recently published *Scotland’s Six Cities: A Shared Vision for Scotland’s Success*, which was agreed and signed by the local authority leaders of those cities. This identified the following shared priorities and values:

- Our cities need infrastructure that deliver economic impact
- Our cities need innovative finance and investment models
- Our cities are creative centres of productivity, knowledge and innovation
- Our cities are key to a sustainable Scotland

- Our cities deliver inclusive partnerships with people, regions and government
- Our cities are the international gateways to Scotland

Investing in the economic potential of our communities

21. Regeneration is a consequence of market failure which requires public intervention. These market forces cannot be changed, but they can be shaped by public investment. The level and duration of the intervention necessary to attract private sector investment has increased as the risks are higher and the returns further away. Significant public sector funding must be maintained for regeneration, sharing risk and rewards and recycling revenues for future projects.
22. Prioritising ongoing resource funding at the expense of capital investment may be seen as a less painful way of accommodating tightening budget settlements, but it is a false economy which damages economic recovery and growth and leaves a legacy of poor-condition and high-carbon assets to future generations.
23. Difficult decisions will need to be taken between public investment for infrastructure in prime locations - which has the potential to attract further private sector expenditure – and for sub-prime locations, which, at this time, will not. Clearer prioritisation is needed to guide decisions on resources and send a signal to the private sector where it can expect to make returns on its investment.
24. The delivery landscape for regeneration is already deeply fragmented and the discussion paper highlights the opportunity in Scotland “to integrate better approaches for the long-term”. In developing the National Regeneration Strategy, there is a need for a review of whether the post-2007 delivery responsibilities have left the right co-ordination, leadership, skills and budget priorities in place at all levels for regeneration and whether they will continue to do so going forward.
25. SCDI is concerned about a lack of co-ordination in regeneration. SCDI’s report *Change in the Planning System – Beyond the Planning Bill* published in 2006 described how, since the disengagement of the Scottish Development Agency from major land assembly projects, it has become increasingly difficult to promote brownfield redevelopment and town centre regeneration. The report recommended that “Scotland needs an organisation with the funding and powers of English Partnerships, and its associated Urban Regeneration Companies”. In light of the capital funding and leadership challenges, there is a case for the creation of a national regeneration agency. The Scottish Futures Trust or the Infrastructure Investment Board might also have a lead role in prioritisation, drawing on Scottish Enterprise’s knowledge of private sector opportunities.
26. The levels of local regeneration activities have not been maintained since the abolition of the Local Enterprise Companies (LECs). Local authorities believe that, even with the temporary stimulus of the Town Centre Regeneration Fund, there has been significantly less funding for them to invest in regeneration than was available to the LECs. There is concern that, in a context of budgetary

squeeze and statutory responsibilities, local regeneration and economic development will lose out in public funding and there may be even less appetite for community-based regeneration. At a national level, constraints also would seem to be at play because most of the national regeneration projects for which Scottish Enterprise is responsible pre-date the transfer of activities. The problem is, therefore, less that regeneration projects have failed or been cancelled, and more that new local, regional and national regeneration activity has slowed down.

27. A National Regeneration Strategy would be helpful in understanding the strategy of the Scottish Government and its agencies, rather than simply their projects. To inform it, the Scottish Government should immediately commission analysis on the lessons from the LECs, which should be disseminated widely, as this opportunity was missed when the responsibilities for regeneration were shifted.
28. The discussion paper recognises that regeneration requires a long-term commitment and that in Scotland, too often, it has been characterised by short-term initiatives. Programmes in the most deprived areas may take 10 to 20 years or more to deliver a physical, economic and social transformation, and sustainable legacy. The Urban Regeneration Companies (URCs) launched in 2006 were promised a ten-year mission which was necessary to the secure long-term partnership commitments with the private sector for physical regeneration.
29. While it is too soon to reach conclusions on their impacts, the public sector investment-led model of the URCs, can point to a number of significant early successes. It was, therefore, deeply disappointing that, in the most recent Scottish Budget - halfway through that journey – they were given a one-year budget settlement (involving a two-thirds cut in Scottish government funding and a one third cut in Scottish Enterprise funding) with no firm commitment to continued funding beyond March 2012. The market conditions for URCs has changed and it is right to review all approaches, but withdrawal of a committed programme of public expenditure which enables them to lever in private sector investment is a sure way of undermining their sustainability. The URCs are long-term commitments and substantial public investment in them should continue.
30. Different funding models will be appropriate according to the regeneration project. Consideration of innovative approaches to funding development is welcome, but much more work is needed on ensuring that these would offer stability and sustainability, long-term community benefits, and affordable levels of public sector indebtedness. Innovative funding streams could have an important role in some areas, particularly those where there has already been large scale public sector investment in the infrastructure and those with the capacity to borrow on the basis of predicted uplift. However, these models appear less likely to be appropriate in the most deprived areas. It is the case that, with traditional sources of funding drying up, the public sector and communities in these areas are more risk-averse. The discussion paper mentions some limitations with these funding streams, but a National Regeneration Strategy should be much clearer about the areas and circumstances in which each of them could be appropriate.

31. The public sector needs to think more strategically and undertake comprehensive studies of its assets base which might be utilised to leverage in new value.
32. SCDI has proposed that consideration should be given to how local authority pension funds could be encouraged to invest in local infrastructure projects.
33. Private sector investment should be promoted by a planning system which is an enabler and not a barrier to sustainable development. Developer contributions should be proportionate, potentially phased and not endanger project viability.
34. Social housing may be an attractive, relatively low-risk investment for equity funding. The sector is also well-placed, with its asset base, leadership capacity and experience in generating funding to play a growing role in local regeneration and the wellbeing of communities. It can help to address worklessness through its investment in regeneration and services by creating direct jobs and opportunities in procurement from local SMEs and social enterprises, better integrate services, and create communities of which their residents are proud.
35. SCDI welcomes the Cabinet Secretary's commitment to look again at procurement. As well as securing value-for-money for the public purse, procurement should be accessible for SMEs and social enterprises and encourage business growth and community benefit. We have some concerns about tick-box procurement and difficulty with access to contracts, and would support greater use of community-benefit clauses. Large-scale procurement packages, such as Hub, must offer greater opportunities for subcontracting.
36. SCDI welcomes the voluntary, non-statutory *Suppliers' Charter*, but further steps should be considered, including all public bodies jointly publishing annually the percentage of their contracts awarded to Scottish businesses. This transparency could lead to public bodies and businesses going beyond their statutory duties.

Community-led regeneration

37. Regeneration must encompass physical, social and economic progress. The discussion paper references GoWell findings that physical regeneration in the Glasgow communities studied has been more successful so far than social regeneration. It is clear that greater community-led regeneration is important.
38. Chief Medical Officer's view that it important to move to an assets-based model for improving health – the strengths and abilities of individuals and communities to take control over how to tackle their own problems – is very important. The social housing sector play an important role through community involvement and influence in decision-making, and their learning should be shared with partners.
39. At the same time, though engagement and empowerment may be critical success factors, the priority for communities is often job creation for local people. Scotland's six cities called for "alignment of Scottish Government, Department for Work and Pensions work programmes and skills development agencies with

cities' needs and which provide greater co-ordination of skills development and employer engagement at a city level" in *A Shared Vision for Scotland's Success*.

40. The Scottish Government's consideration of how we can increase the local ownership of an income generated from community renewable energy is welcome. SCDI supports, in principle, capturing a share of the value of the commercial development of Scotland's renewable energy assets for reinvestment, but this must be balanced by the need to attract investment. In respect of community benefits from commercial renewable energy projects, the main benefits are likely to be local business growth and jobs rather than income.
41. Low carbon energy generation on the public estate is a potential source of new revenue for public bodies, as well as contributing to Scotland's renewable energy and climate change targets. At present, 0.01% of UK electricity generation is by local authority-owned renewables. In Germany, the equivalent figure is 100 times higher. Joint Ventures between public bodies and between a public body and an adjacent community could be one of the potential models. SCDI, COSLA, SLAED and Aberdeen City Council are organising a conference on June 21st to explore all these opportunities and the Scottish Futures Trust will be presenting a report. The outputs of the conference will be shared with the Scottish Government.

Tackling area-based deprivation – local neighbourhood services

42. A distinction that should be made is between public expenditure for investment or for consumption. Successful early interventions - whether to address market failure in an area of deprivation or economic and social disadvantages in early years - improve future outcomes and reduce the long-term demand for public expenditure to rectify, or reduce the consequences of, negative outcomes. Preventative spending saves money and improves outcomes by reducing demand. A Scottish Government report on *The Financial Impact of Early Years Interventions in Scotland* has estimated that they generate significant savings in the short, medium and long-terms, including that the total potential saving resulting from 100% effective interventions early in life (pre-birth to aged eight) could initially be up to £131m per annum, in the medium term. Building on their work and the independent report, *Joining the Dots: A Better Start for Scotland's Children*, commissioned by Ministers from Professor Susan Deacon, the Scottish Government and local authorities should maintain the momentum on this agenda. Successful preventative spending pilots need to be priorities for roll-out.
43. A new study from the Organisation for Economic Co-operation and Development (OECD) has found that the UK's education systems perform poorly in international comparisons of how pupils from disadvantaged areas succeed academically and in the jobs market. OECD researchers found low levels of self-confidence among disadvantaged pupils when asked about their approach to a science topic. Self-confidence and motivation were found to be key factors in whether such pupils can succeed, and mentoring schemes can be particularly beneficial. They recommend "providing more opportunities for disadvantaged students to learn in class by

developing activities, classroom practices and teaching methods that encourage learning and foster motivation and self-confidence among those students."

44. These findings reflect SCDI's own experiences in our network of over 400 Young Engineers and Science Clubs. Funding to expand the network in Inverclyde and Dundee City was secured from Determined to Succeed's More Choice, More Chances. Evaluation showed that this has increased the motivation and improved the team-working skills of pupils, as well as increasing their enthusiasm for and confidence in utilising technology, and supporting delivery of the Curriculum for Excellence. Reaching schools in areas of economic disadvantage is a main aim of the Tomorrow's Engineers programme, and SCDI has been working with partners to provide significant resources to schools with the greatest academic challenges. Feedback from schools has been very positive, particularly about the motivational effects of involving pupils in hands-on Science, Technology, Engineering and Maths activities in a club environment. It is clear that many disengaged pupils in a normal classroom environment can become more participatory within the less structured club atmosphere. Staffing and funding issues are the biggest concerns for schools in establishing and maintaining clubs, and a mixture of sustained financial and ambassadorial support from both the public and private sector partners is generally needed to enable continuity.
45. A weakness of the National Performance Framework and Community Planning Partnerships and Single Outcome Agreements at a local level is that businesses have limited understanding of the process and Agreements or input into their development, despite their often vital role in delivering the outcomes. This tends to embed the belief that the public sector is alone responsible for service provision and delivery of the outcomes, and does not encourage attempts to draw on private sector finance into the provision of underlying infrastructure.
46. SCDI agrees that mainstream policies, programme and services also need to incorporate a conscious area-based focus on improving the prospects of deprived communities in their strategies if radical changes in life outcomes are to be achieved.
47. The once in a lifetime potential for the Commonwealth Games to act as a catalyst for the regeneration of the East End of Glasgow, transforming both its infrastructure and sense of community empowerment, must be supported across government. The Transformational Regeneration Areas identified in Glasgow are priorities for continued public investment to enable delivery in partnership with the private sector.
48. The discussion paper suggests that community planning partners could develop a focussed package of support and intervention to employability hot spots. Discussions by the Scottish Government and its partners on how it might take this forward should not be limited to the immediate area, but consider how to improve connectivity, both physical and in terms of awareness, with opportunities in the wider labour market.
49. An area-based approach to deprivation must also look beyond the locality. Capital investment – e.g. Airdrie-Bathgate railway - can better link communities with opportunities in other areas, supporting regeneration in those communities. It is critical

that people in those communities are supported in developing the skills and capacity in order to take advantage of employment opportunities in key growth sectors.

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