



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

LOCAL GOVERNMENT AND REGENERATION COMMITTEE

Wednesday 21 September 2011

Session 4

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LOCAL GOVERNMENT AND REGENERATION COMMITTEE

5th Meeting 2011, Session 4

CONVENER

*Joe FitzPatrick (Dundee City West) (SNP)

DEPUTY CONVENER

*Kevin Stewart (Aberdeen Central) (SNP)

COMMITTEE MEMBERS

*Ruth Davidson (Glasgow) (Con)

*Kezia Dugdale (Lothian) (Lab)

*Mark Griffin (Central Scotland) (Lab)

*David Torrance (Kirkcaldy) (SNP)

*Bill Walker (Dunfermline) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Ian Cooke (Development Trusts Association Scotland)

David Dorward (Dundee Partnership)

Fiona Garven (Scottish Community Development Centre)

Calum Graham (Glasgow's Regeneration Agency)

Jackie Killeen (Big Lottery Fund Scotland)

Ian Manson (Clyde Gateway)

Alasdair McKinlay (Scottish Government)

Bill Nicol (Riverside Inverclyde)

Laurie Russell (Wise Group)

CLERK TO THE COMMITTEE

Eugene Windsor

LOCATION

Committee Room 4

Scottish Parliament

Local Government and Regeneration Committee

Wednesday 21 September 2011

[The Convener *opened the meeting at 10:01*]

Decision on Taking Business in Private

The Convener (Joe FitzPatrick): Welcome to the fifth meeting in 2011 of the Local Government and Regeneration Committee. I ask everyone to switch off their mobile phones and any other electronic equipment, as they interfere with the sound system. We have a full house; we have received no apologies, and I thank all members for attending.

The first item on the agenda is to decide whether to take in private items 3 and 4. Are members agreed?

Members *indicated agreement.*

Regeneration Policy in Scotland

10:02

The Convener: The next item on the agenda is a round-table evidence session on regeneration policy in Scotland. This is the third such event, whose aim is to help the committee to formulate its work programme for the years ahead. We have already agreed to finalise that after the October recess.

First, I suggest that we go round the table and introduce ourselves for the committee's information and for the purposes of the *Official Report*. I am the committee convener and MSP for Dundee City West.

Kevin Stewart (Aberdeen Central) (SNP): I am the deputy convener and member for Aberdeen Central.

David Dorward (Dundee Partnership): I am chief executive of Dundee City Council.

Mark Griffin (Central Scotland) (Lab): I am an MSP for the Central Scotland region.

Fiona Garven (Scottish Community Development Centre): I am director of the Scottish Community Development Centre.

Bill Walker (Dunfermline) (SNP): I am the MSP for the Dunfermline constituency.

Alasdair McKinlay (Scottish Government): I am from the regeneration and Commonwealth games division of the Scottish Government.

Laurie Russell (Wise Group): I am chief executive of the Wise Group.

Ruth Davidson (Glasgow) (Con): I am an MSP for the Glasgow region.

Ian Manson (Clyde Gateway): I am chief executive of Clyde Gateway.

Bill Nicol (Riverside Inverclyde): I am chief executive of Riverside Inverclyde.

David Torrance (Kirkcaldy) (SNP): I am the MSP for the Kirkcaldy constituency.

Jackie Killeen (Big Lottery Fund Scotland): I am director of the Big Lottery Fund Scotland.

Kezia Dugdale (Lothian) (Lab): I am an MSP for the Lothian region.

Calum Graham (Glasgow's Regeneration Agency): I am chief executive of Glasgow's Regeneration Agency.

Ian Cooke (Development Trusts Association Scotland): I am the director of Development Trusts Association Scotland.

The Convener: Thank you very much. For anyone who is unaware of the round-table format, I should explain that we are trying to instigate an open discussion on various issues. I will kick off by asking for folks' thoughts about the impact on regeneration of the banking crisis, the subsequent recession and the squeeze on public finances.

Ian Manson: I am happy to say some of the obvious things about the recession. Because of it, we have been pushing things uphill for three years now with regard to investment and confidence. The property industry in particular has been going backwards, not forwards. In areas of regeneration, our brief has been to deal with market failure; however, in Scotland, there has been market failure even in property hotspots. Our regeneration work has been made doubly difficult over the past three years and anything that has been achieved in that period—there have been some notable achievements—has been achieved in the face of unprecedented difficulties in the property market.

My view of regeneration, which has had to be pushed by the urban regeneration companies in Scotland, is that the private sector must ultimately have confidence to invest in our areas and to create the jobs and opportunities that our people demand from us. Over the past few years, things have been very difficult, but we have been grabbing what investment we can for our areas. More important, though, is that we have been doing the groundwork for economic recovery to ensure that when the investment and jobs come back, our areas will be ready to take advantage rather than—as has happened historically—be bypassed. In some of Scotland's regeneration areas, good groundwork has been carried out to take advantage of the next period of recovery.

David Dorward: I take a two-level view of regeneration. First, on the physical regeneration of areas, I agree with Ian Manson's comments. Over the past two or three years, we would not have been able to develop some of the regeneration areas in our city in the way we have but for Scottish Government help.

The real crisis, though, is that the private sector has gone absolutely cold on housing developments; it is proving to be very difficult to stimulate that area. You can draw your own conclusions as to why that might be, but in Dundee there have been a number of occasions when we have negotiated a deal for the sale of development land and the developer has pulled out at the last minute simply because of funding. A lot of physical development is now going ahead through public sector agencies, by which I mean not just the local authority but the national health service and so on, and in Dundee that has led to the central waterfront development and our joint developments with NHS Tayside.

The second level of regeneration is social or community regeneration. Although there is not a great deal of money for that sort of work, our pilot sites, particularly for our joint work with the health board on "Equally Well: Report of the Ministerial Task Force on Health Inequalities", are having great benefits for community regeneration. However, there is real concern that welfare reforms will have a fairly serious effect on areas of severe deprivation. Community planning partnerships, which involve councils, play a key role in addressing situations in such areas, and social regeneration is very much required. Of course, jobs are key to all of this, so we have to examine how we can generate more jobs as we emerge from recession.

Kevin Stewart: I am glad that Mr Dorward mentioned the impact that the Welfare Reform Bill will have. Obviously the committee will examine that at a later date, but has Dundee City Council analysed the possible impacts of welfare reform? I know that other local authorities have done quite a lot of work on the matter. It is hard to identify and analyse all the possible impacts, but you might be able to tell us how the measures might impact on Dundee and affect regeneration of communities there.

David Dorward: Unfortunately, I cannot give a full a response as Mr Stewart might like. I have seen the submissions that have been made by the City of Edinburgh Council, Glasgow City Council and the Highland Council and I believe that the effects that have been set out by them will be writ large in other areas. However, our work is not yet complete and we have still to take it to our committee. Suffice it to say, though, that we expect the number of people on housing benefit to increase, although the proposal to raise the age threshold from 25 to 35 will, I think, have a fairly dire effect. Dundee has a significant number of single occupiers in rented accommodation—we have a large student population as well as many single persons who rent—and our concern is that, if those people are not employed, they will find it difficult to afford their rent. Indeed, welfare organisations such as the Dundee North Law Centre and Citizens Advice Scotland have already experienced an increase in the number of clients.

One could argue that that is before the more severe welfare reforms hit. I am sorry that I cannot be specific, but the sense that we get from partners in the voluntary sector and our work on housing and council tax benefits demonstrates that we are already seeing an effect which, although it is at the margin, is increasing. We are predicting—as are Glasgow and Edinburgh councils—that the effect of the welfare reforms will be severe. I have seen a report to the same effect from the Highland Council.

Kevin Stewart: Is it fair to say that welfare reforms will hit hardest in areas of deprivation? As well as the impact on housing benefit, the reforms will take a huge amount of money out of the economies of places that can least afford to lose it.

David Dorward: I have no analysis to prove that, but one's instinct is that that would be the case.

Laurie Russell: Can I comment further on the welfare reform aspect of the question? The Wise Group is a social enterprise that works with people on benefits and supports them to work through various schemes. Some of the support is to provide the employability aspect to physical regeneration projects. Our experience in the past few months is that there are a number of aspects to the welfare reforms. Earlier witnesses said that the main universal credit system has not been introduced. We have seen an increase in pressure on those who have been on incapacity benefit to undergo work capability assessments, and a high proportion of them are being deemed fit to work. Therefore, their income potentially reduces from a higher benefit to a lower benefit, so the point about having money to spend in the economy is correct.

We want to encourage people off benefits and into work as a way out of poverty, but there must be jobs available. Our experience is that some sectors continue to churn, with jobs being created, while others are stagnant. Working with people who are on benefits means they require support in order to get into work. The jobs that they get into tend to be for the minimum wage or for wages that are not much beyond the minimum. The work programme system involves payment by results and attempting to sustain people in work for two years. Although that is a laudable aim, would anyone at this table who was working in a job that paid the minimum wage stay there for two years? They possibly would not—unless there were opportunities for career development. It is a complex issue, but we are beginning to see the impact, particularly on people who are on incapacity benefit.

Bill Walker: I am interested in what Mr Russell said. I would like to widen the discussion to social enterprises. No one in this room would argue that social enterprises are not a good idea; they are obviously a good idea from social, community and personal points of view. As a new MSP and, formerly, as a councillor, I have come across plenty of people who wanted to start up social enterprises; some of them did so.

Many people have laudable aims, but how many have reasonably good business cases? I have come across super people who propose businesses that are not viable. We are looking at regeneration, which is a multibillion pound area. With the best will in the world, can social

enterprises contribute significantly—to be blunt—to regeneration?

Laurie Russell: I could take up the rest of the hour talking about social enterprises, but I will not. A number of good points were raised in that question. Social enterprises range from small, community-based organisations—Ian Cooke can speak on the development trusts that operate in different parts of Scotland—through to quite large organisations such as the Wise Group, which operate like commercial businesses except that surplus is reinvested so there are no shareholders or owners.

10:15

The Wise Group has survived for coming up to 28 years, as have a number of other larger organisations in Scotland. We have grown over that period, and the Government is currently supporting a growth fund for the whole third sector. The deadline for the first phase of those bids was this week, and we had 650 applications to that £4 million fund. That demonstrates that there are an awful lot of good ideas out there. I do not know whether they are all commercially viable and will be sustained, but the third sector generally has the capacity to respond to current conditions and the current Government's objectives. We need to find ways of getting more support into that sector. Bill Walker is right to say that some social enterprises have ideas that may not be commercially viable; they may need support over a period of time to allow them to become commercially viable.

Ruth Davidson: Can you see any significant benefits that social enterprises can provide that Government cannot provide? I know that the Wise Group does a lot of work to help offenders into employment. You perhaps have the advantage of having a more attractive reputation than a department of state. Do you find that, in general, social enterprises are able to be more nimble and locally appropriate than elements of Government might be?

Ian Cooke: I will respond to your first question and then move on to your second. From a development trust perspective, the preferred model of regeneration in Scotland is being seriously undermined, because it was heavily reliant on a buoyant property market. That creates a problem for regeneration in Scotland, but it perhaps provides an opportunity to consider different approaches that might be smaller in scale but more sustainable and more long term.

I agree that it is important to separate physical regeneration from the socioeconomic side, which is the much more challenging part. I was over in Derry last week, where literally millions of pounds

have been poured into some of the poorest communities. The physical environment has improved tremendously, but some of the underlying problems stubbornly remain. Going back to the question, the community's ability to drive and own the process of regeneration encourages creative responses that are in tune with the local community, and which seize the opportunities that are around and try to build on them. The process can sometimes be slow and organic, but it is about communities beginning to own assets and being enterprising. We see many examples, in many parts of Scotland, of communities finding solutions to quite difficult problems.

If you look at the economic side of things, you will see that there is a huge challenge. There has been an overfocus on the long-term unemployed. That focus has been important, but if we are trying to shift poverty we must also consider the people who are on the minimum wage. A lot of people are in entry-level jobs with few prospects, or are juggling two or three part-time jobs. The ability of social enterprises to work with folk who are fundamentally job ready but have not, through the school system or whatever, been given the opportunity to be enterprising and to boost their household incomes, is important. So, yes: community enterprises have a lot to offer.

Jackie Killeen: I will add to what Ian Cooke has said and return to the question about whether social enterprises can make a dent in the wider regeneration objectives. The Big Lottery Fund provides funding across a very broad spectrum, working with social enterprises on employability but also, significantly, on community regeneration and, increasingly, on community-led regeneration. We now have quite a lot of evidence that, if a large-scale regeneration programme rolls past or over the local community and there is no way for them to have some traction on that, there is a bit of a missed opportunity.

However, social enterprise and community ownership of assets can be good ways for people living in regeneration areas to take a bit of benefit, to be creative and to build a vision of what they would like to be able to do. We have seen a lot of evidence of communities being able to do that—right up to things such as setting up new businesses and creating new jobs. That has often happened on a fairly small scale but on a sturdy basis, and it has powerful ancillary benefits such as increased confidence in the community, improvements in how an area looks and feels, and raised aspirations. Fiona Garven from the Scottish Community Development Centre can probably give you a more academic slant on that.

I would also like to pick up on Ian Cooke's point about social enterprise and folk who are ready to

enter the labour market. We think that social enterprise is probably also the best way to help people who are very far removed from the world of work. A lot of support can go into working with groups of people who are currently very disengaged, but where are the jobs going to be and what kind of jobs will they be able to sustain? We think that social enterprise provides the best kind of jobs because there is in-built support in the design of the model.

Fiona Garven: I agree. There is a concern that the term "social enterprise" is used to describe a lot of different things. Although there are quite a lot of successful social enterprises around, quite a lot of informal community activity takes place that is low cost and that involves local people responding to local need and organising around local issues. We are concerned that the support that is needed, particularly in communities that have suffered long-term disadvantage, has gradually been withdrawn over the years and there is a bit of a disconnect between what we are talking about at policy level and what is being resourced within those communities. Lots of good activities are taking place through the community development trusts and community-based housing associations; however, there is a fundamental need to watch that we do not create barriers for that low-level activity, which leads to positive outcomes.

Kevin Stewart: My question follows on from what the witnesses have just said. A number of areas around the country have had various regeneration schemes for several years. In some cases, we have seen physical change numerous times but no change in the folk themselves. The committee has also heard that, in some areas, people are a little bit tired of getting involved but seeing no changes. How can we get round that? I think that some communities have had things done to them without our having taken the people with us, and that we have sometimes failed to listen to ideas for simple solutions to the difficulties.

I will give an example. A number of years back, Aberdeen was short of swimming-pool lifeguards and it was difficult to get folk to apply for those jobs. A young guy from the community that I represented at the time said, "If somebody gave me money for the training, I'd go and do that job." Simple solutions whereby we allow folk access to small amounts of money to allow them to do what they want to do would sometimes benefit everyone and would be an easier way of doing things. What are your comments on that?

The Convener: Before I bring in David Dorward, I declare an interest in the fact that two of my nieces performed duties as lifeguards in Aberdeen.

David Dorward: I support that point. There is a danger of communities getting things done to them. Community engagement and involvement are absolutely critical to sustainable and successful regeneration. There is an example of that in Ardler, in Dundee, where the community was deeply involved in the physical regeneration of the area. That has left a lasting legacy that is very positive.

I want to make a point about social enterprises. I had been the director of finance in Dundee City Council for 15 years and had never come across the social enterprise network. As soon as I did, I recognised that the council had not really supported it or tried to assist it in growing its businesses. Given that we had vacant units in industrial estates and people were looking for low-cost or no-cost accommodation from which to start their social enterprises, it seemed logical to put the two together.

One of the social enterprises that I went to—Dundee International Women's Centre—demonstrated to me that they were bringing in women who would never get into the employment market by themselves. They joined the organisation and created businesses in childcare and food production. Those businesses were beneficial, because some communities could not get low-cost childcare. Here was a social enterprise that provided employment for people who may not have been able to get back into work, and which provided low-cost childcare for people in communities who could not afford even local authority childcare. It was a win-win. Social enterprises have a real place. They are not an add-on, but have a real role to play in the regeneration of our city—especially in this period of recession.

Sometimes, council officers considered social enterprises as business plans and said, "Too risky." I am sorry, but you have to take a risk sometimes. If the enterprise does not pay the rent for the first two years, that is a risk worth taking. We are not going to let those units anyway, so what risk is being taken? We have to take a much more positive view of social enterprises, and take a risk sometimes in setting them up and supporting them.

Kezia Dugdale: We have heard about engaging communities and about community-owned assets. We also know that, in the next 18 months, the Government will introduce a bill on community empowerment and engagement. Does anyone wish to say what they would like the bill to do in order to enhance some of the issues that we have been talking about?

Fiona Garven: Legislation will be useful because it will give people a framework within which to operate—especially in relation to

community engagement. Although the ownership of assets is extremely empowering for communities, it is often a long-term aspiration. Part of empowerment would involve reducing dependence on public services; so the more activities—supported by legislation—that there are to reduce such dependence, the better. Communities have to be freed up to do some of the things that they want to do professionally. The local authority and its partners have to let go.

A lot of good work has been done on community engagement, and it is now established that community engagement is a fundamental part of modern participatory governance. Some of the structures that we have put in place have inhibited good community engagement and made it much more formal. I am hoping that the bill on community empowerment and renewal will loosen some of the structures, so that we can support communities directly and take an enabling role that allows the communities to do things for themselves.

Ian Manson: From all the years of regeneration, the most important lesson has been that we need to put communities in the driving seat. If we all accept that, and if we all do everything that we can to ensure that it happens, we can start to talk about some of the other things that we need to add to it. The single most important thing is that the community must feel that it is in charge of what is happening, and it must want what is happening. That, of course, becomes an asset. They are the people who will spread the word that the place is changing and who will give confidence to others to move into the area, to invest in the area, or to create jobs in the area.

However, putting the community in the driving seat in that way brings responsibilities. In the east end of Glasgow, the first responsibility is to remember that the community wants jobs. That means that any regeneration activity has to try to attract jobs for local people—and everybody knows that that is challenging.

The second responsibility is not to let the community down again. We need an end to short-termism in regeneration. We cannot do things in two, three, four or five years; we have to stick with the community and work alongside the people. Clyde Gateway has 20 years in which to try to make a transformation, but we are trying to turn back the tide of 100 years of neglect. The lesson of the Glasgow eastern area renewal project in the 70s is that you cannot chuck it after five years—you have to stay there and work with the community.

Community empowerment places responsibilities on us to be consistent and to stick with the job.

10:30

Kevin Stewart: In a number of cases around the country money was thrown at something for a short period and when it dried up people were still at square 1. Do you agree that, far too often in the past, short-termism, in relation not just to regeneration but to almost every area of Government policy, has held things back? Do we need to change how Government policy works and start thinking strategically over the long term?

Ian Manson: In some cases of Government policy there has been short-termism. In others, such as the community-based housing association movement in Glasgow, a long-term approach over 30 to 40 years has led to high-quality, community-controlled housing in the east end of Glasgow. There is a mixed picture, but people need to stick at things. We find that the normal workings of Government or business tend to put the east end at the end of the queue. It is incumbent on us all to think about how our policies impact on the most deprived people in our communities. In some cases, we need to put in place special measures, because business as usual is often to the detriment of such areas.

Kevin Stewart: All members could argue that certain communities that they represent are at the end of the queue—I understand the feeling. We need to think strategically and we need to think about preventative spend, rather than spend that deals with problems after they have arisen. Can the witnesses give examples of preventative spend benefiting the communities that we are talking about?

Bill Nicol: On your comment about how initiatives come and go, there have been a few initiatives in Inverclyde, where I work. What we have done, which differs from some initiatives, is to take a longer-term perspective on social and economic regeneration. It is not about one part of the equation or the other. Our fear is that the funding issue might curtail the investment that is needed.

Our approach has been to go for growth, on one side of the spectrum, by working with the market and intervening, when the banks started to fall by the wayside, in a countercyclical way. We need a specific amount of funds to work with the private sector over the period. On the other side, we have looked at social benefits—we talked about changes to welfare. We have looked at the business community and the local community. We work closely with the private sector and construction companies, to ensure that they benefit from the capital spend—130-odd companies come along. We work in the local postcode area on job creation and training opportunities.

It is not about choosing between one part of the spectrum or another. That is an important lesson that has been learned from the past, when physical and social regeneration were separate and there was a scattering of community engagement. We bring together community engagement, social regeneration and economic development. A benefit of working in a tight team, which works with national and local agencies, is that we can drive things forward, through the URC framework.

Bill Walker: David Dorward, from Dundee, talked about the availability of facilities for social and community businesses and small businesses in general. I am a Fife Council councillor and I think that the problem is common throughout Scotland. On a practical note, units often lie empty. People move out or do not move in in the first place. Perhaps the committee, with the witnesses' support, can use its influence to get councils to be a little more innovative and take a bit more risk on letting units at a modest cost—maybe at zero cost—to credible people who are trying to start businesses.

There are a lot of empty units—I can think of examples on my patch, which I will not mention—and we must address the issue. Councils build units for what they expect to be go-go commercial companies, but that market has fallen away during the past few years—I hope that it will return. We must be more resourceful about letting units to well-meaning businesses of different types that are starting up.

Of course, we must not fall into the syndrome of the charity shop on the high street. Some commercial retailers object to charities receiving special deals on empty shops and so on. We do not want normal businesses to resent special deals on empty units. However, as long as a fair number of units are empty, we should be a bit more innovative in using them and in helping to restore them. I am interested to hear what people—and particularly our friend from Dundee—think of that idea.

Alasdair McKinlay: I will quickly reflect Scottish Government policy rather than address Mr Walker's point, but I will pick up his comment that regeneration is huge. The discussion has been rich and has touched on issues from benefit reform to housing and the private sector's role. The Scottish Government recognises that complexity, and Alex Neil, our cabinet secretary, is determined that we take a strategic approach, which is why we are developing our regeneration strategy.

One issue to reflect on from the discussion is that, although we have all understood for some time many of the principles that are involved in delivering regeneration, we must tackle physical,

economic and social matters together. It is great to hear someone such as Ian Manson say that the role of communities is fundamental. We see that in practice through Clyde Gateway's activity in supporting the establishment of development trusts in Dalmarnock and Oatlands.

Jobs are important, as is public sector partnership working—David Dorward described that in Dundee. All that is critical. The challenge is making that happen consistently and in a way that makes a difference in our most disadvantaged communities, as Mr Stewart said. The strategy will pick up what we have heard through our dialogue and set a direction with associated actions to make that happen.

I will make a point that connects quite a lot of the issues. One of the Government's most significant policy changes was removing the ring fence from the fairer Scotland fund. For the first time in decades, there is no succession of top-down-imposed partnerships whose funding changes. That still leaves challenges, which David Dorward and his colleagues will face, on how to get preventative spend and how to realign mainstream resources to make a difference. However, without the extra layer that central Government imposed, the people who really need to make a difference and who understand the situation better than anyone such as me ever will be responsible on the ground.

The Government is very supportive of social enterprise. All our interventions through supporting people such as Laurie Russell and his colleagues in business development are intended to make social enterprises as businesslike as possible—the activity is not for its own sake. The aim is to support people such as Ian Cooke and his colleagues to ensure that what matters is good practice in community asset ownership, rather than asset ownership for its own sake.

I will lead on the community empowerment and renewal bill. We will engage with several people around the table—and much more widely—between now and the end of the year to ensure that we really are listening to what people want in the bill, so that it makes a difference.

David Torrance: How effective is the town centre regeneration fund as a lever for local regeneration? For example, £3 million has just been spent on work in Kirkcaldy, which will finish in two or three weeks. It looks stunning, but does evidence from other projects in Scotland show that such regeneration brings extra footfall and fills retail units?

The Convener: David Torrance has posed a question.

Ian Cooke: I will pick up points that have been made in the past few minutes. The danger of such

a conversation relates to the fact that everyone agrees that communities should be at the centre of the process. There have been various schemes—we can go back to Ferguslie Park in 1968—that have all claimed that communities were at the centre of them, but communities did not feel that that was the case. That relates to Mr Stewart's point, with which I agree. It is crucial that we rethink regeneration and rethink how we genuinely empower communities and make them players in the process and not just participants or consumers of public services.

Part of the answer is to rethink partnership. A fundamental element of most previous schemes has been a top-down multi-agency partnership approach. Clearly, when it comes to community-led regeneration, people have to work in partnership with the private, the public and the third sectors, but what we see as being far more exciting and effective are partnerships that are formed by the community with partners of their choice for specific purposes, rather than huge talking shops in which the community eventually gets worn down.

I agree with the comments that have been made about workplace units and so on. Local authorities and other public bodies are, by definition, risk averse. You can understand why that is the case, but we have great examples in Govanhill and so on where work units are owned by the community, taking an enterprise approach and ensuring that they are in tune with the aspirations of local businesspeople and self-employed people. Those approaches could be built on.

I endorse Alasdair McKinlay's point that the community empowerment and renewal bill is an exciting opportunity and at some point I will pass on to you our shopping list of suggestions.

Calum Graham: For all of us, jobs are the way in which we will change people's lives, and we have to do so. I acknowledge and value all the conversations on social enterprise, but it is the mainstream that will make the fundamental difference. We have to give jobs to those who disproportionately do not get jobs in the labour market—those who are in the most disadvantaged communities in all our cities.

Over the past three years, we have been involved in a project at St Enoch shopping centre, which is a significant shopping centre of scale in Glasgow. All the major retailers, such as Boots, Hamleys and Debenhams, are in the centre. The challenge for us was to find ways in which residents from the worst Scottish index of multiple deprivation areas in Glasgow would get jobs. The experience from the Gyle and a number of similar models is that a single-digit percentage—about 8 per cent—of people from such areas would be able to get jobs in that arena. By working with

Jobcentre Plus, Skills Development Scotland and regeneration agencies such as ourselves, we have created a model for all retailers. What does the retailer want? It wants four, five or six candidates—the best candidates it can have for a job—shortlisted. It then wants to pick the best candidate for the job. In the past, none of the six candidates would have come from the areas to which I referred. We can ensure that two or three candidates from those areas are suitably trained, are competitive and arrive for the interview. It still remains with the retailer to pick the very best people. There are examples of how, by working together collaboratively, we can break into the mainstream market.

Ruth Davidson: If I may, I will bring the discussion down to a micro level. Regeneration is not only about building up—although that is incredibly important—but about stopping decline in areas where there has been decline. Is there anything that we, as legislators, can do to help to empower communities to take responsibility for very small projects, whether it be taking over a post office whose closure might gut a community, taking over a pub or, goodness knows, as was discussed in the previous session of Parliament, taking over an airfield out at Machrihanish? Is there anything that we can do to support communities to have that level of ownership when a facility is at risk?

Fiona Garven: I was going to talk about preventative spending and build on some of the points that have been made, but this also responds to Ruth Davidson's question. Ian Manson can talk authoritatively about the technicalities of the issue, but I think that a fundamental part of that approach is building the resilience of communities—those that are already in entrenched deprivation and those that are at risk of slipping into entrenched deprivation—to ensure that they have the capacity to do things for themselves.

This builds on what Ian Manson and Ian Cooke said. When we put communities at the centre of things, that brings responsibilities. As the capacity to deal with those is not always there, there is a need to invest in activity that builds skills and good governance, supports communities to do more of what they do better and supports and encourages strong leadership. That requires an element of skilled intervention.

Potential solutions require resourcing some of the projects that we know already. Some of the development trusts and community-based housing associations that are already doing really good work could be resourced to expand their activity into other areas. Some resources could be freed up to support some of the smaller initiatives that might come with owning an asset, although it

might not be about owning an asset or employing someone; it could be about resources doing more of what they do already.

Building community infrastructure is vital. When people feel safe and confident in their communities and manage to develop a sense of aspiration, they are more likely to engage in positive health and social behaviours that will help to mitigate the impact on public services later on and will ultimately lead to better outcomes.

10:45

Kezia Dugdale: I have a comment on something that Ruth Davidson said earlier and then I will go back to a point that Alasdair McKinlay made earlier. Ruth talked about things that we can do to help people to take over community assets. As a Labour and Co-operative MSP, I would have to say that the answers lie in the Co-operative party—

Ruth Davidson: On board!

Kezia Dugdale: If you want an application form afterwards, I can sort you out with that.

Alasdair McKinlay talked about the fairer Scotland fund and how taking away the ring fence is seen to be a positive thing. I am afraid that that is not my experience in Edinburgh. That money just disappeared and it was not replaced. There is a gaping hole that has not been filled by the private sector or other agencies. I understand that lots of decisions need to be made locally to empower communities, and that the top-down approach is not necessarily good. However, if that money is taken away, the local authority is responsible for filling the gap. Does anyone want to make a more general comment on whether that situation is replicated across the country or whether it is just Edinburgh's experience?

The Convener: Jackie Killeen, do you want to come in? Your organisation is one that is filling that gap.

Jackie Killeen: Yes, we are doing that as much as we can although not all of it.

I make the observation that preventative spending means a different thing on the ground in the communities. There are many examples of communities that thought that they were going to lose a vital service and so stepped into the breach. We have funded a number of communities to take over their post office or care home, or the Skye ferry, for example. As long as there is good support and adequate time for people to develop their skills and make a business plan, communities can often turn things round.

I have one example. Auchencairn in Dumfries was going to lose its post office, so the community

acquired a site and developed a post office and shop. One of the challenges in the area that the older people in particular wanted to address was the loss of young, economically active families and young people, so they decided that they needed a shop, a post office and a nursery. They also thought that there was a housing issue and they wanted accommodation for the people who ran the nursery, so they put a flat above it. It is thriving and has brought a range of ancillary benefits. We have tons of examples like that.

My plea is about enabling space for that to happen at the local level. The community is trying to prevent the loss of a service that might mean the loss of population and other services, but it is also turning things round and creating more dynamism and opportunity in the area. There are heaps of examples of communities across the country that have managed to get the bit between their teeth and do that sort of thing. Ian Cooke does a lot of that and we need to make better use of those examples, because communities are very good at showing each other how it can be done.

Mark Griffin: Funding and capital budgets are going to be quite heavily hit and the suggestion has been made that local authorities should borrow to make up the shortfall at least for the next couple of years. What is the panel's view on that method of funding, or on any of the alternative methods of funding such as tax increment financing? What is the most appropriate and most sustainable form of funding?

David Dorward: I had three questions to answer, so I think that that is the fourth one. [*Laughter.*]

Local authorities have certainly made extensive use of prudential borrowing, but the clue is in the name—prudential. They must take cognisance of the cost of the borrowing and the cost of running the assets in the future before they decide to borrow, so it is fairly simple.

Local government was highly successful in bringing in the schools programme and public-private partnerships, but we have then had a period in which we have gone forward by rationalising schools and freeing up savings that allow us to borrow to build new schools. That is a good example of how prudential borrowing can work. There is a limit to how far we can take that borrowing, which is how much we can afford on the council tax. When there is a council tax freeze, it is a difficult equation to balance. There is still scope for prudential borrowing in local government—I do not want to give you the impression that there is none—but it will be at a prudent level.

On other forms of funding, a number of local authorities have looked at tax increment funding.

There will be an opportunity for a number of authorities—not many; perhaps a quarter of the 32—to make some use of that. Again, that comes with a risk. In effect, authorities will be saying that they anticipate that they will get non-domestic rate income in the future that allows them to borrow in advance. Authorities will have to exercise the same level of prudence in considering that new form of funding. It is new to the United Kingdom, although it has been used in other countries.

On Mr Walker's comments, I whole-heartedly support the idea of local authorities using units that are lying idle to encourage social enterprises. Social enterprises are very good. We should encourage the ones that have a track record and have experienced staff to assist new social enterprises in setting up. They have the knowledge and expertise. That is where I think we could provide funding—to help to establish social enterprises and develop new ones within localities.

I take Calum Graham's point that, in a city such as Dundee, we are not going to create jobs in each of the individual communities. We will do so to some extent through social enterprises in care, childcare and food production—that is my idea of satellite social enterprise—but the big picture has to be in renewables, creative industries and so on. That is where we can create the mass jobs, which will help the areas because people will get work from them.

It may seem odd, but I think that the health and social care change fund, which has been going for only a year, has been a very positive influence on preventative spend. It has added to the already good joint working relationships, both at a high level and on the ground, between health and local government. Given time, that will make a difference. That takes us back to the point that we are not talking about the short term. It will take time to change the spend on health and social care.

In Dundee, an element of our preventative spend was on ensuring that we had a capital programme that would keep the construction industry in work during the recession. That was preventative spend, as we were preventing people from going into unemployment and preventing their families from experiencing that. To do that, we had to borrow a bit more and have a commitment to have a capital programme that stretched us financially.

We also ensured that within the contracts—this is a link with social enterprises—we used the community benefit clause to its maximum. When companies are hungry for work, they will want to demonstrate that they can add value not just in the construction of the building but in what they leave in the community. Therefore, apprentices and unemployed people were taken on because we

wrote that into the contract. When companies came along to tender for the construction works, they had to offer to do that.

On the town centre grants, I think that it is too early to tell. The one in Dundee—in Lochee—has made a huge difference to the environment. Shops have opened again, but there is still a lot of work to do. It is a longer-term plan, but I would say that it has certainly been worth the money. One can see how it will provide a greater benefit in the future.

Alasdair McKinlay: As a resident of Kinghorn, I think that Kirkcaldy's High Street is looking great, so I am quite pleased with what has happened through the town centre regeneration fund.

I apologise, but I do not have the detail on the TCRF—I should have checked. I think that we are about to publish research into town centres either this week or next week—or we just have. That is not just about the fund but about town centre regeneration more widely. I will make sure that the committee gets a copy of that research.

On the fairer Scotland fund, we do not have any hard data on how the removal of the ring fencing has impacted on community projects—for the very reason that the ring fencing has gone and it is not being reported on. Anecdotally, I hear mixed messages about what is happening to the funding. It might be argued that whether the funding has been completely taken away for regeneration or for supporting community-led projects might be the acid test of whether we are supporting independent community action.

However, the bigger point about the removal of the ring fencing is that our research into the impact of previous neighbourhood projects said that a lot of good work went on and that there were good projects but that the model just did not seem to be making a difference to the most disadvantaged areas, which were still suffering the same levels of disadvantage. Therefore, a policy decision was made to shift the way in which the funding worked. I have also heard from some community reps that they were quite pleased about that, as it got them into conversations about big service decisions that they cared about. They recognised that, in the past, they had expended a lot of effort in discussing quite small amounts of money for individual projects.

For the strategy, colleagues in the regeneration division and beyond are having to look at a range of different ways of funding things innovatively, including TIF and asset-backed vehicles. It may be worth reflecting that we have some good news in the joint European support for sustainable investment in city areas—JESSICA—fund, which is a joint Scottish Government and European Commission fund of £50 million that will be a

revolving fund. That is something new in the landscape that is worth mentioning.

Kezia Dugdale: I welcome that point. You said that you are yet to see evidence that the fairer Scotland fund is making any material impact, but is that not part of the discussion that we had earlier about short-termism? We were looking for results too quickly and it is possible that, had the projects been given more time to make a material difference, we might have stuck with them. I just throw that in there. We have talked about short-termism, and that could be an example of where we have said, "Oh, it's not working. What's next?"

Alasdair McKinlay: That is an interesting reflection. I have heard that the fairer Scotland fund was the next top-down fund after the community regeneration fund, which was the one following the social inclusion partnership fund, which was the one following the regeneration programme. That is where the change has been made. Those had only ever been three-year funds, and the various reporting structures and priorities would change every three years. Putting the funding in the hands of people who can plan for the long term, such as local partners, and supporting community assets should provide a longer-term approach. I do not think that we think about urban regeneration companies as an initiative in the way that the others were; they were more about a model. We have two URCs that were funded for only three years but are still continuing.

Bill Walker: I would like to ask two questions, if I may. My first is in response to what David Torrance said about Kirkcaldy and has been partly answered. The town centre regeneration in Kirkcaldy looks great and, looking along the A92 from Dunfermline, we are very envious. However, is that not one of those projects whereby things were done to people rather than done by communities? Kirkcaldy is a pretty big town, so a lot of research would have been needed to find out what the different communities wanted. That is possibly why David Torrance is speaking a little hesitantly about it. What is your response to that?

My second question is in response to what Mark Griffin said about funding. All the experience of TIF has been in the United States. I do not know how many years' experience of it there has been. Mathematically, I love the look of the thing—it looks wonderful—but I wonder whether, as Chairman Mao said when asked whether the French revolution had been successful, it is too soon to tell. How many years' experience of the TIF business do we have? Does anyone know how many of the TIF projects in the US have been successful? We need to know, so that we can assess risk.

11:00

The Convener: David Torrance was a councillor in Kirkcaldy for a long time. Do you agree with what Bill Walker said about the town centre regeneration project?

David Torrance: It badly needed done. Our High Street had been run down for 30 or 40 years and there had been no improvements to it. As Bill Walker said, it looks fantastic, and I am glad that he is envious of it.

David Dorward: My local authority gets advice on TIF, as we must do, from the Scottish Futures Trust, which is doing a lot of research on the matter. The decision on whether we as a local authority can get TIF does not rest with us, but the decision on whether we want TIF does.

The local authority bears the risk that the non-domestic rate income will not be generated, so we must consider the matter prudently. We must think about the scale of TIF that we will enter into. We might like the model and what is proposed, but we will have to scale the level of TIF that we want so that, if the non-domestic rate figure is not achieved, the impact on our long-term funding will not be too severe. The decision about the scale of TIF is therefore taken locally by each area.

Hard times are generating such initiatives. We must look at them quite critically, because they will be with us for a long time. We are making a long-term commitment, so if there is a downside we must be aware and take cognisance of it before we enter into the TIF.

I am proud to say that Dundee ring fenced the fairer Scotland fund. We did not like ring fencing from the Scottish Government, but we did not mind saying to communities, "That is your money." Now each community has its own fund and it decides locally how to spend the money, which has really added to engagement.

We left the money with communities—it would have been a difficult decision to take it away—because we thought that it was having a benefit in the areas of greatest need. We made a small cut in the first year, because times were hard, but the counterbalance is that, because I always thought that it was unfair that funding was hand to mouth from year to year, we provided a three-year settlement. Communities knew that funding was in place for three years, and projects that employed staff could do so with a degree of security. The three years will come to an end in a year's time, and there will be an issue, which we will have to address.

Ian Manson: It is excellent that the committee is asking about funding, which is key to the way forward. There has to be initial public investment in regeneration areas. It is investment, not spend,

because if it works, the money flows back in the form of council tax, business rates, land values and onward investment. There is a return on public investment if the regeneration area is a success.

Preventative spend has the same effect. To give someone skills, access to an apprenticeship or employment is to invest in the person, who will become productive and give a return to society. Preventative spend is about equipping people with skills and investing in them. The public pound gets a return on such spend in due course.

Those are the big figures, but preventing decline in an area is also about the small figures and the simple things, as Jackie Killeen said. It is about being able to come up with a small pot of funding that helps a community, for example by keeping a shop open or funding a development trust option appraisal. It requires relatively small amounts of money in the scheme of things but it is all about being flexible, available and responsive to the community. I am blessed to run an organisation that is very local and can respond to what the community wants. Most of the time, Bill Nicol and I can say yes; indeed, the best moments in our careers have happened when we have been able to respond very positively.

For us, the town centre regeneration fund was a resounding success. It allowed us to buy a B-listed cinema building that had fallen into disrepair and which the community asked us to sort out. In a year's time, it is going to reopen with the new community library; a national centre of excellence for amateur boxing—indeed, I hope that some of the Commonwealth games gold medal winners will be trained there; and two floors of commercial office space on top. This is all in Bridgeton Cross in the heart of the east end. The spark from the town centre regeneration fund allowed us to respond to the community's requirements and to give the community what it wanted.

Kevin Stewart: In the distant past, I was the vice-chair and then the chair of a social inclusion partnership—and I add that I was not appointed by the council but elected by community representatives. That is an important distinction. Without a doubt, in those days, even with fairer Scotland funding and CRF in between, what communities wanted was not some special pot of money to dip into but their project to be mainstreamed. That is a key issue. After all, it is all fine and well to have a special pot of money for initial start-ups; the point is that, when something works and has been shown to make a difference, it should be mainstreamed.

One of the failings of this discussion, convener, is that there is no community representation at the table. In the future round-table discussions that I am sure we will have on regeneration, we should

seek the views of folks who have been involved in regeneration for a long time—they are, in some regards, the experts on what is going on—particularly on funding issues. I know a lot of folks from my neck of the woods who would say that they were not looking for any special pot; they just wanted it recognised that their projects should be mainstreamed.

Bill Nicol: I want to make a general observation on the way public money is invested. I totally back Ian Manson's point that although some of these innovation funds might be of interest, they apply only to certain geographies in Scotland. In the areas covered by Inverclyde Riverside and Clyde Gateway, there is a need to invest public money but the question is how it should be invested. For example, we do not invest it in such a way that we never see it again. In all of our projects, we make an investment, but it is a commercial proposition and we get a return on it. It might not be the initial capital that we put in but, en route, we derive social and economic benefits from it.

I return to Bill Walker's point about giving away office development. We built, on a purely speculative basis, one of the first office blocks that had been built in Inverclyde for 30 years. We built into the plan a year's void period, and within a year and a half it was fully let. We were not giving away the space; through our mercenary—or should I say commercial—company, we charged pretty fair rents and reinvested that money by gift-aiding it back to our charitable company.

All our investment is about job creation through creating office and industrial premises and working not in isolation but with the private sector to generate an income that can be given back to the charitable company for redistribution to the community. It is all about the mindset. We are not spending money simply for the sake of spending it. Instead, we are investing it to get at least some if not all of it back for subsequent reinvestment in the community.

The Convener: Is there a particular area that anyone feels we have not covered?

Laurie Russell: I want to comment on two themes that have emerged in the discussion—rather on one theme and an issue that has been touched on but not developed.

The issue is procurement and community benefit clauses. The sustainable procurement bill that the Government plans to introduce in this session of Parliament will potentially have a huge impact on the regeneration issues that we have been discussing. As we have heard, there are some good examples to highlight in various local authorities, including the Commonwealth games and the Southern general hospital in Glasgow. However, the public sector needs to build into its

tendering some opportunities for job creation, training, modern apprenticeships or whatever is appropriate to ensure that the benefits of large-scale private and, in particular, public capital investment go to communities. More work can be done on that, and I hope that the committee will take an active interest in the sustainable procurement bill when it is introduced.

Secondly, those of us involved in regeneration have been actively looking at preventative spend. It was one of the themes running through the Christie commission report, and I can highlight a number of good examples in that respect. For example, the Wise Group is involved in a project that supports short-term prisoners on release. The fact is that preventing someone from reoffending or being imprisoned again makes a clear saving to the public purse. It is difficult to identify exactly what that saving is, because it can be spread across different departments. There might be savings to prisons themselves; to communities, with the reduction in the cost of crime; or to local government with regard to its social work, education and other services. There are real opportunities to work in a different way in partnership with the public sector and, potentially, the private sector on projects that will generate savings and investment.

Indeed, my point is similar to that made by Ian Manson and Bill Nicol. We need to consider ways of spending money differently as an investment. Preventative spending is as much about investing in people as it is about investing in places, and if we invest in ways of helping people to change their lives themselves—we cannot do that for them, but we can support their efforts—there might well be real benefits to the public purse in the long term.

Ian Cooke: Some of what I wanted to say has already been said. We are in a very challenging funding context and must look much more creatively at our use of public assets. I think that that is beginning to happen; indeed, we are beginning to form an interesting partnership with local authorities as a result of work that we have been funded to carry out. However, the major stumbling block is that local authorities are the only public bodies that can transfer assets to communities or other social enterprises at less than market value. If we are to move forward, that issue needs to be tackled. I hope that it will be picked up.

Ruth Davidson has already mentioned post offices, but communities are being asked to take on other businesses such as family-owned concerns that have no succession plans. As a result, it is crucial that we invest in communities and give them the capacity to explore those kinds of opportunities and work out whether they stack

up financially. Although, as Fiona Garven pointed out, that will require some investment, I do not think that it will necessarily have to be very expensive. In any case, the money will be very well spent.

Peer support is also very important. As Jackie Killeen made clear, the best advice someone who takes on a post office can get will be from those who have already taken on post offices and have dealt with the various practicalities. Such support would have to be on-going.

There also needs to be cultural change not only in the way the public sector regards communities and social enterprise but in communities themselves. Many communities, particularly those in urban Scotland, have become far too grant dependent, and we need to encourage them to use that funding much more creatively and to take a much more enterprising approach. Although the Scottish Government has introduced many good measures in that respect and progress has been made, challenges still exist and some cultural change is still required.

Finally, at a conference that we held a few weeks ago, someone from the Scottish Government talked about the change fund. The delegates were incredibly excited by the concept, thought that caring for older people in their communities for as long as possible was a wonderful idea, and believed that they were really well placed to respond and to build on what they have already put in place. However, they are getting nowhere near the process. We need to be able to examine the concept and how it will be implemented. My understanding is that part of the mix will be that more services are delivered in communities, but if that is going to happen, there will have to be some form of driver. Process will be just as important as the concept itself.

11:15

David Dorward: The change fund is in its first year and is still developing, but plans for more care in the community are definitely at the heart of it.

On preventative spend, we in Dundee are focused on such measures, particularly in the zero-to-five age group. We are trying to take things forward with our communities by, for example, engaging at ward level with our local community planning partnerships, getting together in a pathfinder and saying to them, "We want to focus our early intervention work and spend in your area on a pilot". However, the main thing is that we do not think of the money as ours alone. We, the health service and the voluntary sector have to pool all our resources and find out how we can apply them to best effect for early

intervention—and if that means the local authority giving the NHS some more money, so be it.

It would be really difficult to do any of that without the change fund because, at the same time, we are dealing with the various crises that are going on, maintaining the council tax freeze and so on. It is a difficult equation. Preventative spend is in local government's heart as the way we are going to tackle issues, but we need the change fund's assistance. We also need the kind of collaborative working that we in Dundee have managed to achieve with the health board—and I cannot praise the board enough in that respect. Indeed, as a result of that working, members of the public would probably not be able to tell whether the staff on some of these projects were from the council or the NHS. However, we are not all the way there yet.

Our local community planning partnerships, which operate at quite a low level, have put in place three or four-year plans, which they are in the middle of. In 2007, the big issues were not all that big—they included the environment, dog fouling and so on—but three years on the big issue is drugs. We have not mentioned that yet but it is a very serious problem if we are trying to regenerate a particular area. Of course, it is not the case in all areas, but in some the problem is particularly severe.

Fiona Garven: Building on David Dorward's comments, I think that any new regeneration policy should not be developed or implemented in isolation. It is imperative that it links into changing health policy to support community-led and asset-based approaches to health, into work on the change fund and early years and into some of the Christie commission's recommendations on public service reform that will be taken forward.

The Convener: We have had a really good session and have covered many areas. Those of us who have taken part in these round-table events over the past few weeks will have noticed some common themes emerging, particularly preventative spending and partnership working. Our guests have given us a lot of evidence that will help us to formulate our work programme for the year ahead, and for that I thank them very much.

11:18

Meeting continued in private until 11:49.

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