



OFFICIAL REPORT
AITHISG OIFIGEIL

Economy and Fair Work Committee

Wednesday 15 June 2022

Session 6



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ECONOMY AND FAIR WORK COMMITTEE

16th Meeting 2022, Session 6

CONVENER

*Claire Baker (Mid Scotland and Fife) (Lab)

DEPUTY CONVENER

*Colin Beattie (Midlothian North and Musselburgh) (SNP)

COMMITTEE MEMBERS

*Alexander Burnett (Aberdeenshire West) (Con)
*Maggie Chapman (North East Scotland) (Green)
*Jamie Halcro Johnston (Highlands and Islands) (Con)
*Fiona Hyslop (Linlithgow) (SNP)
Gordon MacDonald (Edinburgh Pentlands) (SNP)
*Colin Smyth (South Scotland) (Lab)
*Michelle Thomson (Falkirk East) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Tom Arthur (Minister for Public Finance, Planning and Community Wealth)
Catherine Brown (Scottish Government)
David Cowan (Scottish Government)
John Mason (Glasgow Shettleston) (SNP)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy and Fair Work Committee

Wednesday 15 June 2022

[The Convener opened the meeting at 09:15]

Town Centres and Retail

The Convener (Claire Baker): Good morning and welcome to the 16th meeting in 2022 of the Economy and Fair Work Committee. I have received apologies from Gordon MacDonald MSP. John Mason MSP is attending as his committee substitute.

Our first item of business is the final evidence session on our town centres and retail inquiry. I welcome Tom Arthur MSP, the Minister for Public Finance, Planning and Community Wealth. From the Scottish Government, I welcome Catherine Brown, who is head of the retail and cities unit, and David Cowan, who is the head of the regeneration unit.

As always, I ask members and witnesses to keep their questions and answers as concise as possible. I also ask the minister to be as specific as possible in his answers and to avoid generalisations. The committee is at the stage of considering its recommendations and we want to them to be as relevant and constructive as possible.

I invite the minister to make a short opening statement.

The Minister for Public Finance, Planning and Community Wealth (Tom Arthur): Good morning to the committee. I am grateful for the opportunity to participate.

As, I am sure, the committee will appreciate, we face a challenging time in relation to the real impacts of rising inflation. However, post pandemic, we also have a real opportunity to work together to transform our town centres. The inquiry is therefore very timely.

Our town, city, village and neighbourhood centres are vital to the collective wellbeing of our society, economy and environment. They are part of the solution to the big challenges around economic recovery, climate change, public health, inequalities and more. Those challenges have been exacerbated and accelerated by Covid-19, Brexit and the cost of living crisis.

Our recent response to the review of the town centre action plan recognises that success requires a collaborative approach and working that

builds local assets. We need to harness the local energy and pride that people have for their towns and town centres. Its 59 actions coalesce around themes that were identified in the review and are designed to help to deliver our shared ambitions on net zero, a well-being economy and enterprising communities. They demonstrate our shared commitment, with local government and our wider partners, to support communities and businesses.

Our response includes a call to action for all to do their part in rebuilding, re-energising and reimagining our towns, putting the health of our town centres at the heart of decision making. Collaboration and partnership are also the cornerstones for delivering our recently published retail strategy and the city centre recovery task force's report, the development of national planning framework 4, and the consultation on potential changes to permitted development rights. All those actions build on and strengthen one another.

I will take just one of those policies—the retail strategy. Retail is vital to Scotland's communities, society and economy, as was clearly demonstrated during the pandemic. With more than 240,000 people employed within the sector, it is the largest in Scotland, with a high proportion of female and young workers.

However, as the committee will have heard, the retail sector has experienced on-going challenges and change, which have been exacerbated by the pandemic. How we shop directly impacts on retail businesses and has implications for our town and city centres. The retail strategy outlines how we will work with business and trade unions to deliver a strong, prosperous and vibrant retail sector that supports our national strategy for economic transformation ambition to have innovative and productive businesses, regions and communities.

As I announced in Parliament, we will establish a new industry leadership group for retail that will drive delivery of the strategy actions, in particular in relation to improving fair work across the sector. I am delighted to confirm that the group will be co-chaired by Andrew Murphy. Andrew is the chief operating officer for the John Lewis Partnership and has had a long and successful career in the retail sector. I very much welcome Andrew's insight and expertise in helping to deliver the retail strategy.

I will conclude there, but I reiterate my gratitude to the committee for its undertaking the inquiry at this time, and for the opportunity to discuss these matters.

The Convener: You mentioned a number of reports in your opening statement. The committee is aware that there are a number of strategies

around town centres, at the moment. In the first session in the inquiry, we heard from Professor Leigh Sparks. Although I think that there is broad support for the direction of travel from the Government, there is some concern about the way in which the documents work together, whether they complement each other, and how effectively ministers and Government are working so that the strategies are delivered collectively. Will you say a bit about that? You mentioned the retail strategy, the response to town centres and the national planning framework. There is quite a lot going on, but is it working cohesively?

Tom Arthur: Those are important points, and I discussed those matters with Professor Sparks earlier this week. As it has scrutinised the matters in detail, the committee will be aware that there is consistency across the range of strategies. Fundamentally, we want to take a place-based approach that includes partnership working and collaboration. At the heart of the review of town centres, and the principle we have adopted, is that town centres are for everyone, but everyone has a role to play in making their towns and town centres a success.

Partnership working is apparent across the range of strategies, but—this came up during scrutiny of NPF4 and the draft NPF4—perhaps there is a need to be more explicit and to communicate more clearly where the links are to allow ease of use and so that stakeholders can have confidence and understanding that there is a joined-up approach. In my response to the Parliament's scrutiny of the draft NPF4, I reflected on how we can make those links clearer through the delivery plan for NPF4. During my discussions with Professor Sparks and Scotland's Towns Partnership we considered whether there are products, or lines of narrative in communications, that can be developed to make the links more explicit.

The points that the convener has made are important, and I am reflecting on them. It is implicit that there are connections between the strategies. The links between collaboration on a place-based approach and the importance of community wealth building are apparent in the retail strategy, draft NPF4, "Housing to 2040" and the town centre action plan 2. However, I take the point that perhaps there is a need to make the links more explicit and clearer, so I am determined to do that.

The Convener: There are also some concerns about capacity. We heard about the shortage of planners and the pressure—which you will be well aware of—on planning departments and their capacity to pursue a lot of their ambitions for communities. The programmes are quite ambitious. You mentioned partnership; how can

you ensure that there is enough capacity for partners to deliver?

Tom Arthur: That is another important question. When I made the statement to Parliament on the draft NPF4, I said that that would be a priority—specifically in relation to resourcing and planning. The documents and strategies are nothing if they are not delivered and actioned on the ground.

I have to respect the autonomy of local government to decide how it allocates its resources, but the early action that we have taken from April this year means that planning fees have increased, and there is evidence that that is feeding into increased resources for planning departments across the country. For example, I am sure that you will know that a number of planning positions are being advertised by Fife Council. I am also aware that other local authorities are looking at how they can use the resources that are being gained from the increase in planning fees to enable them to provide additional capacity in their departments.

Another important piece of work is through the high-level group on planning performance. We provided support for Heads of Planning Scotland and the Royal Town Planning Institute to do work on a future planners project. Their report has been received; I am not yet aware of whether HOPS has published it, but I understand that it will do so. We will work very closely, through the high-level group, on how we can action that. That project is about increasing the number of people who come into the planning profession, and about ensuring that we are able to retain those who already work in planning.

We have taken early action on resourcing through planning fees. I am committed to working with the high-level group to look towards full cost recovery. The issue is complex—as the committee is aware—but, through partnership working, we are endeavouring to make progress.

On recruitment and retention, we have supported RTPI and HOPS to do work on the future planners project, and we continue to have discussions about how we can act on some of the proposals in the report.

The Convener: I am going to ask a question about the retail workforce before I hand over to Fiona Hyslop. We heard from Close the Gap during a previous evidence session, and some questions were asked about the retail strategy and recognition of change in the workforce. The example that Close the Gap used was that there has been a reduction in front-of-shop work, which tends to be female dominated, and an increase in logistics—whether in warehouses or in other types of work—which tends to be male dominated and in

which the jobs are better paid. As we see a shift in the workforce and retail is delivered in that new way, how can we ensure that the existing workforce, and women in particular, have opportunities? There is some concern that the retail strategy does not reflect those challenges.

Tom Arthur: There are two points to make on the retail strategy. Our first priority will be to develop a fair work agreement. The committee will appreciate that powers over employment law are reserved, so there is no way for us to mandate or force through legislation on fair work. We do not have that power in the Scottish Parliament. We therefore use a range of measures in a range of areas, for example through the fair work first approach. There is a commitment in NSET to progress sectoral fair work agreements—

The Convener: I am sorry to interrupt, but the question was more about skills and the opportunities for skills training.

Tom Arthur: I will come to that. Opportunities for progression and there being an effective worker voice are key aspects of fair work. Employers should understand workers' concerns, which can be about skills. I will come to actions on skills in a moment. There should also be an opportunity for progression within the workplace. The fair work agreement will be an early priority for the industry leadership group. I have recently had very constructive engagement with Tracy Gilbert of the Union of Shop, Distributive and Allied Workers.

My second point, which responds more specifically to the matter that you raised, is that we have made a commitment to an e-skills audit and action plan. We will progress that through the industry leadership group, by engagement with Skills Development Scotland, the Scottish Funding Council and other partners.

I am alive to the fact that retail is changing. The reality of the workforce is that the jobs that might appear in 10 years might become obsolete in 30 years. People will need to develop continually during their working lives. It is no longer the case for most professions that you can walk into a yard as a 16-year-old apprentice and do the same job until you are 65. That applies to retail too, which is why the skills audit and the action plan are key commitments in the strategy that the ILG will take forward.

The Convener: Do we have a timescale for the skills audit and action plan?

Tom Arthur: Catherine Brown can correct me if I am wrong, but I think that we plan to develop that in the first one to two years

Catherine Brown (Scottish Government): That is right. The draft delivery plan that we

published alongside the strategy gives an indicative timescale of one to two years. In the retail strategy, we committed to agreeing to a final delivery plan with the industry leadership group, once that is established. The fine detail is still to be worked through.

The Convener: We move to questions from Fiona Hyslop.

Fiona Hyslop (Linlithgow) (SNP): I will cover property development. It is clear that absentee landlords are a real problem in the development of town centres. Many of them live internationally or are based overseas, if they can be found. Recovery and engagement are very difficult. The status quo is not working in tackling the problem of absentee landlords. What is the Government doing and what can it do to improve that situation so that we can develop properties that are owned by absentee landlords?

Tom Arthur: We all recognise that problem from our own constituencies and regions. We are doing two things. The first and most immediate thing is that we will devolve empty property relief to local government. That will happen from April next year. The second thing is the commitment in the programme for government to reform compulsory purchase orders and to consider compulsory sales orders. The committee will appreciate that that is a complex piece of work that will require time. I understand the need for pace and urgency, but we need to get that right. Our commitment is that we intend to introduce legislation later in this session of Parliament to reform CPOs.

There is a more general need to make it more viable and attractive for property owners to use or rent out properties. I know that the committee heard evidence about the processes that are involved in changing the use class of a property. We are actively consulting on that at the moment: we are consulting on phase 2 of the permitted development rights review. That is a live consultation: we opened it last month and it will continue until August. It is looking at simplifying the process for use class orders and at aspects of permitted development rights.

On tackling absentee landlords, our immediate actions are devolution of empty property relief and reform of CPOs and CSOs.

Fiona Hyslop: Those are all good ideas, if you can find the landlord. Can anything be done to improve registration of landlords so that they can be located?

Tom Arthur: That is a fair question. There are particular challenges in that, so I am happy to reflect on what more we can do.

David, do you have a comment on that?

09:30

David Cowan (Scottish Government): Not really. Registration of landlords has been attempted before and has not taken us far. For now, empty property relief is the measure that we are considering most.

We work with partners. Scotland's Towns Partnership is working with local authorities and is trying to build a dialogue with pension funds and the like so that the conversations are much more positive. The market is starting to shift. People are no longer considering town centre properties as assets that will generate income in the long term if things continue as they are. Therefore, many more landlords who would not otherwise have engaged are starting to engage on town centres because they want to find out what more can be done to turn their properties back into assets rather than liabilities, which they are becoming.

Tom Arthur: Landlords' attitudes are affected by market conditions and what they consider to be opportunities. I appreciate that CPOs and CSOs are more a stick, but the carrot is that, the more attractive town centres and city centres are and the more opportunities they present, the more attractive it will be for existing landlords to make use of their properties, whether as retail or conversion to residential or to sell on.

Fiona Hyslop: It sounds a bit like wishful thinking to say that the market will resolve the matter. We might come back to you on that in our report, minister.

The costs of developing shops and the units above them, particularly for housing—the retrofit costs and the costs of improving accessibility—are prohibitive for private enterprise. There is a desire to have more people living in town centres, particularly older people and single-person households, to address the social mix. What can the Scottish Government do to incentivise social landlords to take on such properties and to provide good-quality mixed tenure in our town centres? What are you doing differently to make that work?

Tom Arthur: I will make two points. First, there is a commitment in "Housing to 2040" to undertake an empty homes audit. That is under way and should be completed by early next year, after which consideration will be given to further actions, including funding.

The second point concerns the planning system. In the consultation on permitted development rights, we are seeking views on including, for example, residential conversions. I do not think that there is strong stakeholder support for that, but we are keen to take views on it, because another aspect of the matter is the powers within the Planning (Scotland) Act 2019 on masterplan consent areas. Those can allow planning

authorities to create planning regimes that are bespoke to specific areas within the planning authority area, in order to simplify planning processes.

We are considering funding in the empty homes audit, and we are considering what funding might come after it. On regulatory matters—that is, the planning system—we are undertaking the permitted development rights consultation and there is a commitment to commencing the masterplan consent areas provisions in the Planning (Scotland) Act 2019. Data gathering and analysis are under way. The next step will be to consider funding.

Fiona Hyslop: There is a particular issue with how we incentivise funding for town centre housing development. The city centre task force's report made nine specific proposals for housing in city centres. Those were far more detailed than the proposals in the TCAP2. The housing aspects of the Scottish Government's town centre report seemed to be light compared to those in the city centre task force's report.

Your responsibilities relate to planning, public finance and community wealth. The Cabinet Secretary for Social Justice, Housing and Local Government is the lead on housing. However, there does not seem to be a strong a read-across for incentivising town centre housing development from your plans to the city centre plans. Is there anything that we can do to ensure the financial incentives that will be absolutely necessary to establish town centre housing development? Can you try to ensure that there is a more joined-up approach so that you mobilise the housing investment that is clearly available for city centres, which you also need to get into town centre development?

Tom Arthur: I take that point. I also point to the provisions of the draft national planning framework. I am conscious that it is a draft document and that the public consultation and parliamentary scrutiny have concluded, so I do not want to get into it in too much detail. However, the direction of travel is there: compact design, 20-minute neighbourhoods, limiting out-of-town development and taking a town centre first approach are all in the draft NPF.

We already include in the guidance for local housing strategies the need for the local authority to demonstrate how it is using the town centre first principle. Indeed, updated guidance on the strategic housing investment plans will be published shortly. It will ask local authorities to include a summary of investment priorities for housing in town centres within local housing strategies and SHIPs in NPF4, across a range of areas.

To complement my earlier points about the empty homes audit and PDR masterplan consent areas, I note that there is alignment on the need to increase the density of populations within town centres, as you mentioned. The key to realising our ambitions for town and city centres is more people living in them so that we have the density of population that is required to sustain commerce within towns and city centres. I recognise that as being an absolute priority.

The point is—I know that you made a similar point at an earlier meeting, Ms Hyslop—that we move away from the deficit model and look instead at opportunity and at what towns and city centres can do. They are the solution to so many of our problems; more people living in them will be an absolute necessity if we are to realise the ambition to have 20-minute neighbourhoods, which will be essential if we are to meet our ambitions to reduce greenhouse gas emissions.

Fiona Hyslop: NPF4 and the planning framework are critical for a variety of reasons, but they do not come with an enormous funding pot, as far as I am aware. How can we mobilise the resources that are available in the housing budget for town centre living? We know that it is more costly to build in town centres than it is to build on greenfield sites, so we will have to find some kind of incentives.

Tom Arthur: I recognise that point, but it is important to be clear that NPF4 is not a capital spend option.

Fiona Hyslop: Exactly.

Tom Arthur: In the delivery plan, there is a range of capital spend programmes. Infrastructure investment and the strategy on housing to 2040 contain aspects of that. When we publish the delivery plan alongside the final NPF4 for Parliament to consider, a lot of that will be brought together. However, ultimately, we appreciate that development is not just about public sector investment; the private sector has an enormous role to play in that. The delivery plan will be published alongside the final NPF4, and that will demonstrate the co-ordinated approach that the committee is asking for.

Fiona Hyslop: We will also be interested to hear about funding but, for the moment, I will pass back to the convener.

The Convener: Colin Smyth is next.

Colin Smyth (South Scotland) (Lab): We know that there are more and more empty buildings in our town centres, and it is fair to say that some local councils that have given us evidence do not think that they have enough powers to deal with that problem. You have referred to the review of compulsory purchase

powers. Others have said that they have the powers but do not have the resources, whether that be staffing or the funding to carry out repairs to buildings when they would then have to chase the landlord to get the money back off them.

What is the Government's take on that? Why are there so many derelict buildings in our town centres, and why is action not being taken to bring them back into use?

Tom Arthur: You will appreciate that the causes are multifaceted, so the response will have to be multifaceted. It is important to remember that there are some great examples of town centres thriving in Scotland, but each town centre is unique and each has a different set of assets on which to build. Ultimately, however, the dynamic of our town centres is a reflection of the underlying economy—not just the total value of the economy, but how it operates.

In his evidence to the committee, Professor Sparks made the point that—it went something along these lines—actions during the past 50 years have cumulatively done harm to our town centres, and it will take time to undo that. We can discuss specific interventions, and I have covered many of them in previous answers when talking about CPO reform, CSOs, PDR, masterplan consent areas, changes to national planning policy and so on. However, the key is our underlying economic model, and that is why community wealth building is so vital. We need to move away from an extractive model to a model that involves more wealth being retained in communities, more democratic ownership of businesses and more pluralistic models, so that the owners of businesses are rooted within their communities. In other words, we need an economic manifestation of a place-based approach.

As far as support for local authorities is concerned, I mentioned the increase in planning fees, which, in some local authorities, is feeding through to an increase in the number of people who are working in planning departments. That will help to address that issue. I have also mentioned the work that is being done on recruitment and retention.

We are doing work in that area, but, ultimately, how local authorities choose to resource their various departments is, quite properly, a matter for the democratically elected members of local authorities to decide on.

David Cowan might want to add to what I have said.

David Cowan: We heard about the issue of vacant buildings in the first review. I would say that progress has been made. The Scottish Government has made funding available through town centre funding and the vacant and derelict

land investment programme. We also have our place-based investment programme, in which local authorities receive an allocation. In certain circumstances, local authorities are using that money to tackle vacant buildings.

Colin Smyth: It is necessary to work with the landlord to make that happen. There are good examples of that, even if there is probably not enough funding. However, what happens when the landlord does very little? The feedback that we have had is that councils can take action only when a vacant building is dangerous. Even if a building has no windows, there are trees growing through the front of it, it is in a dreadful state and no one will touch it, councils cannot do a lot about that at the moment. Surely we must consider giving councils the powers that would enable them to intervene straight away. The minister talked about market failure. In such circumstances, councils need to be able to intervene to get the landlord to bring a vacant building into a proper state.

David Cowan: I totally agree. All the circumstances are different. Conversations have to be had to find out whether the landlord is willing to join in with what the town centre is trying to do and to invest in that themselves and whether, if they are not willing to do that, an opportunity exists for a transaction, if they are willing.

Colin Smyth: What if they are not willing?

David Cowan: If they are not willing, there are compulsory purchase orders, as the minister has mentioned. Many local authorities use such orders to take action. We know that there are still many gaps and many problems, but many local authorities are using CPOs in town centres.

Colin Smyth: The challenge that we have heard about is that that is quite a radical approach for a building that is simply in a poor state, and that what councils really need is the power to intervene and say to the landlord, "You bring that up to a usable standard," instead of the taxpayer having to buy the whole building in a town centre where there has been market failure. Why would the council suddenly want a shop in the high street? The committee will cover that issue.

We took evidence from the enterprise networks on resources. South of Scotland Enterprise and Highlands and Islands Enterprise have a particular focus on a place-based approach. The funding to bring such buildings into proper use is coming from South of Scotland Enterprise—in Dumfries, for example—and HIE. However, an owner of a building in Ayr, for example, will not have access to the same support, because Scottish Enterprise has a different remit. Is that a fair reflection of the circumstances that we face?

Tom Arthur: Please correct me if I have misunderstood your question. The funding that is available through programmes such as the place-based investment programme and the vacant and derelict land investment programme is available to all 32 local authorities across Scotland.

Colin Smyth: However, a lot of projects have benefited from the emphasis that South of Scotland Enterprise and HIE place on a place-based approach. Over and above central funding from the Government, those agencies provide support for projects in their areas. Such support is not provided by Scottish Enterprise in the areas that South of Scotland Enterprise and HIE do not cover.

Tom Arthur: I am happy to take that point away and reflect on it. It might be necessary for us to have details of specific examples in order to understand your point.

Is David Cowan able to add to that?

David Cowan: Yes. Ever since it was established, Highlands and Islands Enterprise has had a community and place focus in response to the circumstances of its geography. It is different from Scottish Enterprise in that respect. South of Scotland Enterprise modelled itself on the HIE model, which involved putting community and place at its heart and taking account of the geography of the area. Therefore, it tends to get more involved in local community-led projects.

Scottish Enterprise has a different remit. That will be why there is a different response in those areas.

Colin Smyth: I am sure that the committee will pick up that that different remit means that we appear to have a gap in areas that are not covered by South of Scotland Enterprise or Highlands and Islands Enterprise, which have a social remit, because projects in those town centres would not get such support. For example, the Midsteeple Quarter project, which the committee visited, receives support from South of Scotland Enterprise, but if that project was in Ayr, it would not get support from Scottish Enterprise, because it has a very different remit.

09:45

Colin Beattie (Midlothian North and Musselburgh) (SNP): Minister, I would like to develop a couple of points with you. The first concerns business rates. In the evidence that we have received, we have heard a lot about how they are a disincentive for town centre regeneration because rates are higher in town centres than they are in out-of-town sites. Do you agree that there should be wholesale reform in order to link value that is holding back investment

with the tax regime, thereby supporting positive outcomes for town centres and the environment?

Tom Arthur: First, we need to recognise the reforms that are already under way. We had the Barclay review, which reported a few years back, although some of its final recommendations will not come into effect until next year. We recently had the report from the Fraser of Allander Institute on the small business bonus scheme. One of the issues that it identified concerned data. We are in the process of establishing a short-life working group to look at those recommendations, and we are taking further action on, for example, the devolution of empty property relief, as I mentioned earlier.

As for the call for full-scale reform, I note that, beyond Barclay, the United Kingdom Government recently had a review of non-domestic rates in England. Ultimately, it landed on, in effect, what we have already introduced—for example, moving from five-year to three-year valuation cycles. Indeed, England still has a two-year tone date, whereas we have moved to a one-year tone date to ensure that, at revaluation, prevailing market conditions are reflected as much as possible.

In the context of the revaluation in 2023, and given the experience of the past few years, I understand the importance of stability for the sector. We should remember that issues relating to non-domestic rates have a huge impact across a wide range of sectors. Our immediate priority will be completion of the implementation of the Barclay reforms, and the short-life working group will consider the Fraser of Allander Institute's report. Any considerations beyond those that take place specifically at budget time would have to be taken in line with our tax framework, which we published in December last year. As well as the Adam Smith principles, it includes a principle on engagement. Any NDR changes that might take place would therefore have to be preceded by considerable engagement with all sectors and businesses that would be impacted by them. Of course, although that is an important issue for our town and city centres, it goes far beyond that.

Colin Beattie: I recognise the complexity of non-domestic rates and the calls, from a wide range of sectors, for relief from them. However, if we are aiming to rejuvenate town centres, looking at such rates would seem to be a very high priority. I simply ask you to take that into consideration when the various reports come back.

Tom Arthur: As I am sure you will appreciate, Mr Beattie, I have on-going engagement with a range of sectors on non-domestic rates.

I add that we provide the most generous package of reliefs anywhere in the UK, which has

totalled £1.6 billion since the start of the pandemic. This year, it is estimated that NDR reliefs will have a value of about £802 million and that the small business bonus scheme will lift 111,000 properties out of paying non-domestic rates. I am sure that, if any of us were to go on to an assessors portal and look at the high streets in our own constituencies and regions, we would see many businesses that benefit from non-domestic rates relief. That is why it is no surprise that the Federation of Small Businesses has been so clear in its calls for the small business bonus scheme to be maintained. As the Fraser of Allander Institute report has recognised, it is also clear that many small businesses see the scheme as being of immense value to their profitability and viability.

The Convener: Last week, Michelle Thomson and I went to Burntisland, which has a thriving little High Street. Burntisland is next to Kirkcaldy, and we were told that businesses in Kirkcaldy want to move to Burntisland because it provides the advantages of smaller units and the small business bonus scheme. The committee has taken evidence from Love Oor Lang Toun, and we heard that Kirkcaldy has a lot of empty units, some of which are big, and that it is a challenging environment.

Part of the issue is the rates scheme. It is great for a place such as Burntisland, which has a small and thriving High Street with diverse businesses, but it is not supporting big town centres, where there are closures, mismatched units and high streets that are finding it difficult to recover, notwithstanding all the community effort that goes into that. You have talked about engaging on non-domestic rates. Is there a timescale attached to that, or does that need to be resolved?

Tom Arthur: I do not want to pre-empt the short-life working group's work on data. We understand that there is not always a direct relationship between rateable value and the performance of a business—that is self-evident. The key issue is the lack of data, as the Fraser of Allander Institute report identified. In order to have an informed discussion and more informed engagement on the future of non-domestic rates, we must first address the data issue. Although, as I said, I do not want to pre-empt the work of the short-life working group, I do not see that as the end—rather, it is the beginning—of the process. I recognise the issues that you have raised.

Colin Beattie: I want to move on to the second important issue, which is money. At the end of the day, the whole thing comes down to money, its availability and whether, through the wealth of our country, we can generate the ability to carry out regeneration.

We have been shown many examples from across Scotland of individual projects that are

viable, thriving and delivering to their communities. However, we have not seen a single all-encompassing regeneration of a town centre in all our work. The parts that we have seen in places such as Dumfries are very capital intensive, and that capital has to come from somewhere. There is an assumption that some money will come from the private sector, and there seems to be an assumption among many community groups that, ultimately, money will come from the Scottish Government and/or councils, which is a wee bit optimistic when we see the amount of money that will have to be made available.

Let us suppose that, somehow, we can get the money together to start major regeneration projects in towns across Scotland. Regeneration projects seem to thrive much more in communities that are reasonably well heeled and have disposable income than they do in communities where there is less disposable income. If we invest in a wealthier community, it seems that there is a higher propensity for the project to succeed. If a project is in a more vulnerable area where there are fewer resources available and where people have less disposable income, it will be much more difficult to sustain in the short to medium term, at least.

How do we make regeneration viable and sustainable? We are particularly keen for redevelopment in our less well-off communities. They are the ones that need it most, yet they might not have the resources within them to sustain regeneration in, as I say, the short to medium term, at least. How do we make it sustainable and put in place plans to make it happen? Over and above the capital, is the Government prepared to provide additional resources year on year to keep projects ticking over?

Tom Arthur: That is a really important question that goes to the heart of regeneration. If I have understood you correctly, your point is that regeneration is a process and not an event. It is not about rolling into town, opening up a new facility and that being the end of it; it is about what comes after that.

I will give one example from my Renfrewshire South constituency. I was there in a ministerial capacity to officially open a new community centre—Mossedge village centre. Everyone on the committee will be familiar with the history of Linwood, what happened 40 years ago when the car plant shut and the severe impact that it had. Indeed, the name has become synonymous with de-industrialisation in the west of Scotland, and the area still faces significant challenges.

However, in 2009, a group of local residents—all women—got together round the kitchen table and asked, “How do we respond to this?” They

were incredibly frustrated with the state of their town centre in Linwood, and they wanted to do something about it. That is interesting, given that a lot of people in 2009 would have been thinking about how to respond to the economic catastrophe of the financial crash. We saw some responses to that, but those women sat round the kitchen table and said, “Right—we need to do something for our community.” As a result, Linwood has gone from having various unflattering descriptors applied to the state of the town centre to having a redesigned town centre with active participation and engagement from the local community and a new bespoke community centre and cafe.

The community centre received support from the Scottish Government totalling £1.4 million, but I think—David Cowan will correct me if I am wrong—that the total investment was about £2.4 million, with money leveraged in from outwith the Scottish Government. We were able to provide support, but, through various funding streams from outwith the public sector, the people involved were able to leverage in additional resource, and they now have a thriving community cafe. They will require continued support, but they also have a clear vision for becoming sustainable.

In remarks that she made at the official launch of the centre on Friday morning, the manager, Kirsty Flannigan, who has been at the heart of that activity for the past 13 years, said something that I was really struck and encouraged by. As someone whose title includes the phrase “community wealth”, I am conscious of the varying degrees of knowledge and awareness of community wealth building, but, at that event, she said that, in order to be sustainable, they would have to look at the Linwood economy—or, as she put it, the Linwood pound. With the cafe, for example, they have employability schemes in partnership with the local college, they are employing local people, and they are partnering with St Mirren Football Club. They have also said that they will procure locally—using the local butcher and baker, for example—which means that any money that is spent at the cafe will go back into other Linwood businesses.

In relation to the land and property pillar of community wealth building, the community now owns that asset through a community development trust, having gone through the asset transfer process and been helped by regeneration capital grant funding. Under the workforce pillar, local people are being employed, and the wage that those people get gives them disposable income to spend in the local community. Under the spending pillar, in procuring the products that they will be selling in their cafe, they will be looking at other small businesses in the area. It is an example of community wealth building in action. Of course, no one called it community wealth building or used that label, but, all the same, it has

evolved organically out of the community empowerment process.

That is just one example of a regeneration intervention that is moving towards self-sustainability—and not just for itself. It is also turning the dial and promoting a cultural shift to a system of economic pre-distribution rather than redistribution, given that wealth is being retained in the local community. The area might well be classed as lower income or disadvantaged, and it has had to face the long-lasting challenges of de-industrialisation for four decades, but things are happening there now and they are being done by the community.

There are, I know, countless other examples. When Phil Prentice was in front of the committee, he talked in some detail about my home town, Barrhead. It has demonstrated what can happen when significant public sector investment is used to establish council offices and a health centre and to refurbish a sports centre to provide a community hub. That draws people into a town centre, and that passing trade supports the local economic ecosystem.

Such investments can be catalysts for further change. Opening a public sector building will bring in people to spend locally, but if you support a local group in taking over an asset, the key thing is that, in the early years, they get the resource support—which we provide—that will get them to a self-sustaining position. When they reach that point, that sort of intervention is no longer required. Ultimately, that intervention has not only built an asset but changed the culture and attitudes and built the human capacity and capital required to take forward not just that particular project but others.

People might consider that area to be more challenging or more deprived than others, so what has happened is an exemplar of what regeneration can achieve—by that, I mean regeneration not as an event but as a process that is fundamentally changing the local economy.

10:00

Colin Beattie: What you said is encouraging, but it took us back to an individual project that has been successful and made itself sustainable. Those exist throughout different communities, but we do not yet have a template for town centre regeneration that we can roll out town by town. Local communities are all different, and projects have to be tailored to each one, but it all comes back to money and to making them sustainable. There is no point in putting nice shiny buildings in place if they will have to be subsidised—at vast expense—for years to come; they have to become sustainable. That is one of the key things that I

have not seen come out of the evidence that we have so far. Individual projects have made themselves sustainable, but regenerating town centres by refurbishing shops and apartments above them is a very different beast.

Tom Arthur: The key point is that every town is different. It is not so much about what is done, specifically, on each project, but about how we go about it. That is why the place-based approach is fundamental.

Take, for example, the transformative impact that the great tapestry of Scotland is having on Galashiels. That was a strategic investment. A place-based approach was used with that and the transport interchange, and those things are having a positive impact.

I have not had the opportunity to go yet, but I know that you will have been to Midsteeple Quarter. I am going to visit that area during the next few weeks. There are examples around Scotland that are—if not completely unique or sui generis—distinct to their area and recognise the assets that particular towns and communities have and work around them.

I am conscious that we were in the high noon of planning in the decades following the second world war, and that during that period we could have standardisation and a uniform approach to regeneration. However, ultimately, that regeneration was done to communities rather than with them. That is the key difference in the place-based approach. We have to do things in partnership with communities and have local buy-in. That has to take place across a range of different areas, including local community groups taking on assets; increasing the number of pluralistic business models, whether they are employee ownerships or co-operatives; and greater engagement with the planning system. That could be done using local place plans and by strengthening community planning partnerships to ensure that the public, private and third sectors are working collaboratively. There is a need for a place-based approach and collaboration rather than some grand scheme that is developed remotely and imposed on a community. We have to work with communities and recognise their assets.

It is vital to have a way of working that involves engaging people and asking them what they want for their town and its town centre. David Cowan, do you want to add anything to that?

David Cowan: On the point about sustainability and town regeneration, viability is one of the key things that my team—which is responsible for the regeneration funding—considers. However, it is about not only viability but a place-based approach. When the regeneration capital grant

fund was set up, it was quite unique. We have now managed to grow that into the place-based investment programme, which is a significant capital investment of £325 million that will take place over five years.

A panel of people comes together to assess proposals, and one of the first questions it asks is how the proposal forms part of a better plan for that place. We are not looking for single projects, because those will not lead to town-centre regeneration. They can be a catalyst, but we need to know how they will catalyse and change things. Viability is one of the first things that we consider.

We had long conversations with other funders of the Midsteple Quarter—along with the Scott Mackay, who is leading the project—to understand the viability of it. Everyone wants it to happen, but nobody wants it to fail.

When a project comes forward and the viability question is not answered, it does not mean that it gets written off. It is then a question of how we can collectively get behind it and who is best placed to support that community to take it forward to the point where it is sustainable, because it should be a catalyst for the wider plan for that place rather than a stand-alone project. However, that is going to take time—it is not easy to turn around a town centre.

The Convener: I am going to make some progress now. Alexander Burnett is next, to be followed by John Mason.

Alexander Burnett (Aberdeenshire West) (Con): Good morning. You just raised with the convener the response to the Fraser of Allander Institute report and the importance of the work of the short-life working group. Are you able to provide an update on the group's work and when you expect a response to be published?

Tom Arthur: We are in the process of establishing the group. I believe that invitations have gone out, but I would be happy to write to the committee once the group has met for the first time to provide an update, if that would be useful.

Alexander Burnett: The Scottish Government proposed to consult on an online sales tax. Can you outline where those proposals are at and how the tax might be implemented? I understand that it would have to be a UK tax—or is that something that the Scottish Parliament could introduce? What discussions have there been with the UK Government on that, and is it still the intention that revenues from such a tax would be used to reduce business rates?

Tom Arthur: I will ask Catherine Brown to come in in a moment. We have been engaging with the UK Government on that. As you will be aware, there is a commitment to explore the introduction

of a national online sales tax. However, we are conscious that it is an area that the UK Government has been consulting on. It would be sensible to get a clear understanding of the UK Government's position on such a tax before seeking to introduce a tax here, and the need to do that will be well understood. Obviously, if we introduced a tax, that we would be done in a way that is consistent with our framework for tax.

I spoke about the principle that we must be clear about what the tax is for and the issue of engagement. It is a speculative matter at the moment, because we are still to see firm proposals from the UK Government, but my understanding is that it has said that any revenues would be hypothecated towards non-domestic rates relief. Clearly, we would have to see what would come out of that. Of course, we would expect any money to come to Scotland via the Barnett formula as usual, and it would obviously be part of the budget process to decide how best to allocate that. However, we are very much getting ahead of ourselves here, because we need to see exactly what the UK Government will bring forward.

I ask Catherine whether she wants to add anything to that.

Catherine Brown: I will reiterate what the Minister said: we are following the UK Government's proposal closely. Its consultation on the online sales tax closed on 20 May, and the consultation, as you will have seen, had a very wide scope. Until the UK Government comes forward with some firm proposals, it will be difficult to say what a Scottish proposition could look like. Therefore, the current position is that we have been engaging with UK Government at official level but that we need to wait to see what comes out of the consultation.

Alexander Burnett: Did you make a submission to that consultation?

Catherine Brown: As I understand it, the Scottish Government does not normally formally respond to UK Government consultations. Instead, there is engagement at official level and ministerial level.

The Convener: Before I bring in John Mason, I have a question on e-commerce. We had an evidence session on e-commerce and omnichannels, and Gillian Crawford was one of our witnesses. I think that she suggested that Scotland is underperforming when it comes to e-commerce businesses and that we do not collect statistics on it or invest in our workforce. She said:

“we know that if we do not have a thriving e-commerce sector in Scotland, that money will flow into the hubs in Manchester and London, where fantastic e-commerce businesses are being built around airports and transport

links.”—[*Official Report, Economy and Fair Work Committee*, 4 May 2022; c9.]

I think that she was expressing the view that we are missing the boat on e-commerce and that we do not put enough investment into building e-commerce businesses. During that evidence session, we also heard about the digital boost programme. People welcomed that programme but felt that more resources could have been put into it. Michelle Thomson and I met representatives from a business last week that had developed a website, but they were not aware of the support that is offered through Business Gateway and the digital boost programme.

Therefore, there are two issues. One is about the digital boost programme and what kind of investment is going into that. There was a recognition that it was a good programme. Could it get some more investment? The second issue is about how we grow our e-commerce sector and recognise it as an important sector. We have heard suggestions that it is not valued enough in Scotland.

Tom Arthur: I will ask Catherine Brown to come in on the digital boost programme in a moment.

The industry leadership group for retail is going to look at what we can do, and there are two aspects to that. There is a commitment on action to look at the aspects of the national strategy for economic transformation that are particularly relevant to the retail sector, and that will be an early priority for the ILG. Uptake of digital and productivity are key to that and the ILG will be looking at those specifically.

The other point that you touched on was skills, and digital skills will be captured by the skills audit and subsequent action plan that we will undertake as part of the work of the industry leadership group. We need to seize the opportunities that digital provides, to make it as inclusive as possible so that the workforce has opportunities to participate. We are very alive to that, and that will be taken forward as part of the work of the industry leadership group.

Catherine Brown might have something further to add.

Catherine Brown: One of the priorities of the retail strategy is to focus on delivery of the actions in the national strategy for economic transformation that will directly support the retail sector. As the minister said, looking at digital connectivity infrastructure and digital adoption will absolutely be part of that.

There is also a strand of actions in the retail strategy to help retail to harness the opportunities of digital. One of the express commitments is to promote the digital boost program to the retail

sector, because more businesses need to know about it. It is very popular, although it is not a policy for which I am responsible. We are working with colleagues on that.

The final piece is digital upskilling and reskilling. That is going to be increasingly important as the sector continues to evolve, and that is why skills and digital skills are being given such primacy within the retail strategy actions.

The Convener: Catherine, did you say that the retail strategy is tied to the national 10-year economic strategy, and will there be a strand focused on retail?

Tom Arthur: Yes. Specifically, the ILG will be looking at NSET through a retail lens to see what role retail plays in realising that vision, and to recognise how the priorities within NSET relate to retail. For example, the offer of a lifelong commitment to upskilling is in the national strategy for economic transformation, and that is clearly related to what we are looking to do around retail. We are talking about ensuring that workforces are continuously upskilled as technology-driven change impacts on what it means to work within the retail sector.

The Convener: John Mason is next.

John Mason (Glasgow Shettleston) (SNP): Thank you, convener, and thank you for the opportunity to be at committee today. It is nice to be back.

Alexander Burnett asked about online sales tax, and I take the point that we are waiting to see what the UK decides about that. What powers do we have? Could we introduce an online sales tax even if the UK does not?

Tom Arthur: Yes. I will correct this with the committee if I am wrong, but from memory, section 80B of Scotland Act allows new taxes to be created. The process requires engagement and agreement with the UK Government and Parliament, but the provision was added—I cannot remember whether it was to the 2012 or the 2016 act, but it is there.

John Mason: To continue on the finance theme, Colin Beattie asked you about a possible revamp of non-domestic rates. It is great that the committee has gone out to visit a number of sites, and I have picked up from some of the notes on that that quite a lot of retail businesses would prefer it if non-domestic rates were linked to turnover rather than to the value of the property. One of their concerns was that if they improve their property, the non-domestic rates go up automatically, which is a problem for them. Is that something that could be considered?

10:15

Tom Arthur: It is important to recognise that since their inception—from memory, the legislation, which is still in force, goes back to 1854—non-domestic rates have been a tax on land and heritages. To move away from that would be a fundamental shift.

Earlier, I referred to the work undertaken by the UK Government that was published in autumn 2021, which concluded that a broad property-based tax is still relevant—if I remember correctly. That was what came out of the Barclay review, too.

There would have to be clarity about what would replace a property-based tax. To date, no proposals have come forward. Different views and opinions are articulated about what could potentially replace a property tax, but they still have a relationship to land and property, so to speak, rather than being a tax that is effectively a sales tax or something along those lines.

We have no plans to move away from the existing systems. However, as I have always said, I am happy to hear ideas and discuss different views if people want to put those forward. The issue has been considered in Scotland and England and there has not been a clear, convincing proposition for what should replace non-domestic rates. At the moment the focus is on maintaining stability in the system, the commitment to the small business bonus and seeing through the revaluation next year.

John Mason: I take the point that it would be a major change to move away from property completely to turnover. However, would you accept that it is a bit strange that two identical properties, one of which has a huge turnover and one that has a tiny turnover, might pay the same amount in rates? Obviously, there is the small business bonus, but perhaps some kind of hybrid might be possible. I accept that that will have to be looked at over time. Given that 1854 was rather a long time—

Tom Arthur: There has been further legislation since then, most recently in 2020.

John Mason: Yes.

On the quite wider question of costs, the committee picked up a number of issues on the visits that we made to city centres. For example, parking costs tend to be higher in the city centre than they are out of town, which is an advantage for businesses out of town, and an older building is likely to have more maintenance issues than a newer building in a shopping centre out of town. The cost of closing a street was mentioned in Hamilton, I think: if the local shops want to put on an event—special Saturday—they have to pay the

council to close the street. The message was that they are facing a lot of extra costs by being in the city centre or town centre. Is there anything that we can do about that or is it just up to local councils?

Tom Arthur: We have already discussed at length some of the broader strategic measures that could be taken at national level around planning regulation and taxation. However, many of those matters will be specific to local areas. The local authority, in partnership and through engagement with businesses and the people who live in the community, is best placed to make those judgments.

We have a clear national direction of travel, for example through promoting active travel and 20-minute neighbourhoods. We also recognise that city centres and town centres offer something unique. We understand that retail sits in a spectrum from the functional to the experiential and that town and city centres offer an experience that is not just retail but is also leisure, entertainment and a whole range of activities, as well as often being pleasant places in which to be because of their built environment. Those are all things that town and city centres offer that are unique to their particular place.

As I said in my earlier answers, in order to drive footfall in town centres from outwith town centres, it is crucial to make the most of those assets to make coming into those centres an experience that people want to enjoy. Another important part is increasing residential populations and population density in our town centres and city centres. That provides us with a means to sustain more business locally—even just to provide the functional aspect of retail.

John Mason: Obviously, if people live in the town centre, that is great and there are no transport costs. However, there is another cost if someone does not live in a particular town and is working, visiting or going out for a meal there and the public transport stops fairly early, as they will have to pay for a taxi home or something like that. Is transport part of the means to revive town centres?

Tom Arthur: Absolutely. Transport has a huge role to play. We all recognise that, which is why there is significant investment over the course of the parliamentary session, particularly in areas such as active travel, to make town centres and city centres more accessible. We are also investing in our bus service infrastructure.

John Mason: But people are not going to cycle 20 miles home in the middle of the night, though, are they? They need a bus or something.

Tom Arthur: I take the point, but there are still people who will walk or cycle into a town centre. It

has to be recognised that people want to feel safe and secure when they walk into and out of town and city centres, but it is also very important to recognise that not everyone has the same experience in that respect. There are aspects to consider with regard to people with disabilities, and there is also a gendered aspect, which is very important and something that we are considering very carefully in our work on the draft national planning framework. We want our policies to take cognisance of such points.

Maggie Chapman (North East Scotland) (Green): Good morning, Tom, and thank you for being here and for what you have said so far.

I want to explore a couple of areas, the first of which is community engagement. In your opening remarks, you said that you see town centres as being at the heart of decision making. What do you mean by that? How can we make it happen?

Tom Arthur: I suppose that it comes back to how decisions on planning and investment are taken, and asking, “Can this or that take place in a town centre?” or “Can we make use of that town centre asset?” In other words, it is about using the town centre first principle. It might be useful if David Cowan gives a bit of historical background about how the town centre first principle came along, and says something about how it is being applied and the difference that it is making.

David Cowan: The town centre first principle was asked for in the first national review of town centres. We took that away, thought it through and worked with local government on what it might mean. During that first review, a couple of courts closed down, which was a bit of an own goal; however, it proved to be a case in point that meant that we could have the conversation with local government. Local government was being blamed for a court closing down in a town centre, when it actually had no locus at all in the decision. It was an institutional decision that was taken in the interests of the institution, not the town.

The town centre first principle tries to turn that on its head by saying that the starting point should be the health of the town centre. That is not to say that everything must be in a town centre. Someone asked me whether Amazon, for example, should be in the town centre: the answer is no. What is in the town centre has to be proportionate and relevant. The principle means that in making decisions about a place, there should be engagement with other people and the community to understand the impact of decisions. It does not mean that everything has to stay in a town centre, although it might be necessary to mitigate the impacts of closing something down. The principle is about trying to put the town centre at the heart of things and asking, “What is that place trying to be?” and it is about recognising that

any decision will have an impact on whether a town can achieve that.

Maggie Chapman: Thank you for that. You have talked about engaging with the community, but how we define the community matters. There will be competing and conflicting definitions or qualifying criteria, in that respect.

One of the things that we have heard about is a potential lack of capacity in some areas to ensure community engagement and direct community involvement in planning and, indeed, democracy. The situation varies considerably across Scotland. What possibilities for supporting capacity building in, say, community councils or development trusts can the committee think about? Are there different ways of bringing people in? How do we ensure that we engage with the community as a whole, and not just with those who have vested interests, loud voices or deep pockets?

Tom Arthur: That is a really important question to which there is no easy answer, although I can say that there is a range of ways in which we do that. In planning, for example, the Scottish Government supports Planning Aid for Scotland, which in turn provides support. We have also agreed with the Convention of Scottish Local Authorities a target of 1 per cent for participatory budgeting, and we have a shared ambition to move away from having dedicated pots of money for that activity to mainstreaming it. That, again, is about continuing engagement. If the committee wishes to explore that, I can point you to a fantastic example of PB in Ferguslie Park in Renfrewshire.

That approach helps to engage people and gives them agency and a say in their community, which can have a catalysing effect. After all, when people get involved in one issue or project, it encourages them to get involved in more issues.

I recognise the point that the views of groups that are defined as the voice of the community are often not necessarily recognised by everybody within that community, so ongoing work has to take place on that.

Local place plans have recently been introduced through regulations that came about through the Planning (Scotland) Act 2019, and they provide people with more opportunities. We recently finished consulting on new-style local development plans, on which we will publish our response in due course. That response will examine how we can increase community engagement with, and involvement in, the planning system. We are all aware that when it comes to planning, engagement often takes place at a point of conflict rather than through collaboration. The earlier in the process communities engage with the planning system, the more likely it is that they will feel that

they have agency and a role in shaping their community, rather than that they are reacting to proposed changes.

There is a range of support available through local place plans, participatory budgeting and the support that we provide to communities directly through the community asset transfer process or through our empowering communities programme, for example. However, fundamentally, some cultural change will also be required, and that will take time, so work needs to be continuous.

Community empowerment is one of my responsibilities. With the forthcoming review of the Community Empowerment (Scotland) Act 2015 I am very alive to that and am keen to continue dialogue about how we can maximise involvement and engagement from all communities—not only on the future of our town centres and planning, but across a range of areas and service delivery.

Maggie Chapman: That links to the point that you have made a few times about visions for places and ensuring that people who live, work, study and play in places are involved in generating a vision for them.

We heard about a couple of challenges with that. One of them is the lack of expertise and capacity, to which a potential solution would be to have a central resource of expertise and support that could be mobilised to different parts of the country at different times to support communities to develop. There have been discussions about that; I am not sure that proceeding with it is the settled view of the committee, but I am interested to hear your thoughts on it.

One of the other challenges we have heard about, which is linked to that, is that when funding is available for visioning projects it is often short term. Where funding has been successful, projects have been given a pot of money without the provider knowing what the end product will be. On such projects there is trust and the community is given freedom to run with them—sometimes they do so for 10 years. That would be a marked shift in how we support community visioning projects. What is your perspective on that?

Tom Arthur: In response to your second point, I say that that is about our tolerance for risk and the trust that we have in community organisations to deliver. Clearly, because public money is involved, there is a need to ensure that we get best value and that there is full transparency and accountability. However, I recognise the need to have tolerance for risk. Although the investments that have been made have gone through a rigorous process, we can never eliminate risk, and those investments have been worthwhile.

The local community in Linwood had a very challenging experience—especially the people in

Linwood Community Development Trust, who led the project. There were times when their applications for funding were unsuccessful and they had significant setbacks. At such points, many community groups would feel that they could not go any further, but that group had support and was ultimately able to deliver. I take your point on that very seriously, and I reflect on the issue regularly.

When we talk about an entrepreneurial culture, we are not talking only about corporate entrepreneurialism but about community entrepreneurialism, and having risk tolerance is essential, culturally, in realising community wealth building.

In response to your question about centralised resource, I want to say that there is often very significant and sustained engagement between Scottish Government officials and local groups—not only in my portfolio on regeneration, but in relation to land. I invite David Cowan to say a few words about how Government engages directly with local communities at official level.

10:30

David Cowan: My team has the empowering communities programme, which is there to support and to build capacity in communities, and to link them to capital projects, so that they are supported and able to bring forward capital projects and drive the change that we want that will lead to realising the vision.

Linwood is a good example. I had a chance meeting with Kirsty Flannigan when I went there with a couple of members of my team to find out what the development trust is trying to do, and we got behind it once we understood it. We tried to help by seeing what other support was available. Whether there needs to be a central resource is a fair question, but there is already a lot of resource. There is a job to do in bringing together the bits of resource and in trying to help communities to navigate that field. We are getting better at it.

I say “we” and I am talking about doing it collectively, but there is still probably a bit more to be done on that. It must be done by working with local authorities and the third sector. We have a range of intermediary partners that we work with regularly and which have bought into the whole town centre first approach. They are trying very hard to support disadvantaged communities to build their capacity. We are working with the Corra Foundation, the Development Trust Association Scotland, Inspiring Scotland and so on. I will upset some people by forgetting them. We have a range of intermediary partners who have much better skills than my team. However, on my team, I have relationships such that we can have conversations

about who is best placed to support what, how we can get behind them, what the pots of money are and how we can help people to access them.

Trust has to run through this; if we do not trust each other, there is no point in doing it, to be perfectly frank. Quite a few years ago now, we set up the strengthening communities programme; the whole premise behind it was trust. We talk to our partners who make recommendations to us about communities that are at a tipping point; they might have some really good ideas, but are just a bit knackered or might not have the relevant skills or capacity. We are investing in them; we are not saying that it is a one-off investment, but if things change they have to tell us. They might think that they are going to achieve something, but circumstances might change, so they need to tell us. We will not just pull the money away. It is a trusting relationship. Once the asset is up and running, we have a discussion with groups about how, when their income goes up, our investment can go down. We have things in place, but we have to learn from communities.

Maggie Chapman: Thank you; that was helpful. There is a tension between financial support and other support for capital projects, as you mentioned. There is also something about financing and supporting the process of determining projects in the first place, which is often where there are gaps or weaknesses. I will leave it there for now.

The Convener: When we went to Midsteepie Quarter, the people there shared with us that they had had an issue with insurance, in that they had maybe not realised the significance of their insurance liability. There was a discussion about expert support for such projects that could be accessed centrally.

We will go on to questions from Jamie Halcro Johnston. However, you mentioned the town centre first principle. The committee has heard about difficulties that can exist in delivering it when there are out-of-town developments. We will all have, from our regions and constituencies, examples of there being a desire to invest in a town centre, but applications for out-of-town developments being granted and businesses in the town centre feeling that that will pull business away from them.

I think that it was in the session that we had with Leigh Sparks that we heard the suggestion that a moratorium on out-of-town developments be introduced, which would clearly prioritise town centre developments. Is that something that the Government is considering?

Tom Arthur: You will appreciate that the planning system must operate in a way that is consistent with legislation. What we have set out

in NPF4 will be subject to our reflections following the parliamentary scrutiny process and public consultation, and we will bring that back to the Parliament in due course.

On planning policy, we have set out quite clear direction not just in specific policies on town centres, but in policies on urban edges and retail. Within the 35 policies in the policy handbook, there are clear policies on promotion of town centres and on seeking to limit out-of-town developments. Ultimately, decisions have to be made by planning authorities, and those decisions have to be consistent with their local development plans, unless material considerations suggest otherwise. The specific issue of limiting out-of-town developments and promoting town centres first is explicit within the draft national planning framework 4.

Jamie Halcro Johnston (Highlands and Islands) (Con): Good morning. Some of the issues that I was going to raise have been covered by Maggie Chapman, which is great. I will therefore ask about rural communities, which are obviously an issue for me, up in the Highlands and Islands.

Rural towns and villages often face a number of obstacles. For example, the costs of delivering goods there are higher, and transport can be limited and more costly, and is provided by local authorities a lot of the time. The internet and broadband can also be less reliable. There is a load of areas of concern. In addition, because they are more expensive places in which to deliver public services, they can also be places from which public services such as post offices and banks are withdrawn first. We have all seen examples of that.

How do we make sure that rural communities do not miss out and are able to overcome the particular barriers that face their town centres?

Tom Arthur: That is an excellent question. I think that town centres can perhaps be an even more vital resource in rural communities; indeed, in many cases, they provide lifeline products and services.

Ultimately, the funding that we provide to support town centres, which has been narrated throughout this session, is available to all local authorities, including rural authorities. In the draft national planning framework 4, specific policies are proposed that would be applicable to rural communities. There is therefore recognition of their situation.

However, fundamentally, the issues that we see in more densely populated areas such as the central belt are still relevant to rural communities, in the sense that we want to increase the density of population in our town centres. There is always

the risk of urban edges and sprawl, which limits that compact growth. Greater population density can more realistically sustain town centres.

I will ask David Cowan to speak about the work and process of the review and how, in developing the response, we ensured that rural voices were heard and that specific rural concerns were captured.

David Cowan: We commissioned Scotland's Towns Partnership to take forward the review. It held a range of evidence sessions, including with rural communities and rural interests. Their views were, therefore, captured in the town centre action plan, which also builds on work that was done previously. For example, a small towns group has been making sure that rural voices are heard and rural issues understood.

We talked earlier about Highlands and Islands Enterprise and South of Scotland Enterprise. In relation to the strengthening communities programme that I mentioned, we deliberately wanted to learn from what has happened in the Highlands and Islands with the approach to place and community support. We wanted to really understand the issues so that we could take that to other parts of Scotland. South of Scotland Enterprise now fulfils that role, along with local authorities; it looks very much at rural communities and understands their issues. For me, the issues are starting to become embedded in the approaches of the enterprise agencies and across the local authorities. In the town centre action plan, we do not specify which types of towns are important; we think that all towns are important, in rural areas and urban areas.

Jamie Halcro Johnston: I will ask about some particular issues. As John Mason rightly pointed out, a person is unlikely to cycle 20 miles into a rural community to have a meal and do their thing then cycle home again. Local bus transport operators, for example, are therefore really important, but there are financial pressures, particularly when they are subsidised by local councils. There are a number of issues, which you have raised. However, what specific issues have you discussed with the local enterprise bodies and how do we ensure that they are being addressed?

A bus route in a town centre might be extremely profitable, while a route in a rural community might not be profitable. Other services might also not be profitable, because they cost a lot more to provide. Of course, issues in many rural communities are also seasonal, in that services do very well in some parts of the year but are limited the rest of the time. What issues were raised, how can they specifically be dealt with, and how are they being taken forward by enterprise bodies?

David Cowan: You would need to ask the enterprise bodies exactly what they are doing. However, for example, South of Scotland Enterprise has put place and community at its heart, and the regional economic strategy that it has developed is really focused on key towns. In relation to work that it is doing in the south of Scotland, there is also the Borderlands place programme investment, which very much looks at community.

What we—along with the enterprise agencies, with whom we work to support communities—try to tell communities is that they need to really understand the challenges and opportunities in a place, and to set them out and say what they want to do. We have a role to play, but it is up to local authorities and other partners, including transport bodies, to say how they can get behind the activity, to have conversations and to come to an understanding of the challenges and difficulties. We then consider how we can bend investment to ensure that what is happening in those places is the right thing.

Tom Arthur: You will appreciate this, Mr Halcro Johnston, given the region that you represent, but I am always conscious of just attaching the “rural” label to an area and thinking that it catches everything, without recognising the diversity among rural communities. One area of particular relevance is community ownership, which is very well established in many rural communities. I would also say that a lot of community wealth building has already taken place. In conversations that I have had with rural communities, they have said, “We’ve been doing this stuff for ages. You city dwellers are just catching up.” That is very encouraging; it recognises that the approach is well established in those communities and that community-owned assets are incredibly important.

Clearly, local authorities and enterprise agencies have roles to play in working with communities, but there are questions that we at the national level have to ask. What frameworks do we have in place? Are our policies flexible and adaptable enough to meet particular circumstances? Are our funding streams available and applicable? Those are the things that we are continually seeking to engage on and understand. After all, communities are dynamic; needs and challenges change and opportunities will arise. My job as a minister is to ensure that the support that we put in place nationally is not static but is responsive to that.

Jamie Halcro Johnston: Those are fair points. In many communities across the Highlands and Islands, particularly in some of the islands, community is very important. In many ways, those communities are unique, and their sense of entrepreneurship is very much established.

However, they still need support, and when there is pressure on council budgets in the Highlands and Islands, that causes issues.

I have a slightly different and more technical question about an issue that has been brought up before. Does a compulsory purchase by a council take any liabilities into account? For example, a property might be valued at £100,000, but it might be in such a state of disrepair that it will require £100,000 just to make it safe and then another half a million pounds to bring it up to spec. How does that work? Obviously, that will be quite an important consideration in any decision that a council might choose to make.

David Cowan: I want to make it clear that I am not an expert on CPOs, but my understanding is that they are based on a valuation. If there is a disagreement about the valuation, that will have to be settled. The answer to your question, then, is no—only the purchase price is taken into account.

Jamie Halcro Johnston: So the valuation might be £50,000, but that will not take into account the cost of making it safe.

David Cowan: That is right.

Jamie Halcro Johnston: Is that not a massive disincentive for a council? It essentially means that what it pays for a property does not represent anything close to what it will get back. Is that not right?

David Cowan: It can be a disincentive, but my understanding—again, I am not an expert, so I could be entirely wrong—is that, with a CPO, there needs to be a clear use. It is not just a case of buying a property for the sake of buying it; there needs to be a clear purpose for the CPO, and that business case would have had to have been thought through beforehand.

Jamie Halcro Johnston: So the property cannot be bought just because it is dangerous or because the landlord or owner is not taking any action to deal with it.

David Cowan: There has to be a clear use for a CPO.

Jamie Halcro Johnston: Thank you—that was helpful.

The Convener: I cannot remember the name for it, but we have heard of situations in which the council will go in and carry out repairs to unsafe buildings. It is entitled to carry out such repairs, but it then finds it difficult to reclaim the funds, because the landlord is an absentee or because they are just not co-operating. We have heard that that could act as a disincentive to the council to take on a repair, even though the repair might be necessary. Has the Government considered that? I believe that the legislation to enable councils to

do that was recently passed, but we have heard that it might not be working as effectively as it could be and that councils might be reluctant to get involved with dilapidated buildings, because of concerns that they might end up owning them or might not be able to recover their costs.

David Cowan: I understand the scenario that you describe, and I believe that there is a buildings safety power. We can look into that further.

10:45

The Convener: The committee might return to that in the report. The issue was raised in evidence that we heard on one of our visits.

Tom Arthur: I am happy to take that away. These conversations will become more regular as we move towards introducing legislation that will reform CPOs and deal with CSOs as well. In particular, we will be thinking more broadly about land assembly and unlocking opportunities in town centres where, for example, one building that is not in public ownership can be the barrier to a regeneration project taking place.

Michelle Thomson (Falkirk East) (SNP): Good morning. I would like to pick up on that last point. While you were talking earlier, I had a quick look at the Scottish Government spreadsheet to find out the number of CPOs. I picked an arbitrary year—2021—and found 10 CPOs, of which four were retail units of the type that was described by Colin Smyth earlier, which is quite a low number. The other six seemed to be to do with road building. It would be useful for the committee to understand more about the number, the rationale, the process and so on, in general terms.

Before I move on to my main area of questioning, I want to address a point that Fiona Hyslop raised earlier. I would like to better understand why we cannot get registration of the beneficial owner or the legal owner of a property at the point of purchase, and why we cannot have a process that is similar to the one that we have implemented with regard to the register of persons holding controlled interests in land, given that it is such a big issue. Again, it might be that you are unable to answer that just now, but the feedback that we have heard during the inquiry has consistently raised that as an issue. Do you have any comments on that, before I move on to my main area?

Tom Arthur: Given the detail of your question, I hope that you will be content for us to get back to the committee in writing on that point, so that I can provide a more detailed response.

Michelle Thomson: Yes. I would like you to think about how we would do that, if we wanted to

do it. It is clearly an issue, although I fully accept the complexity around it.

I want to cover our shared interest in culture at the heart of place in relation to town centres. We have heard evidence during the inquiry that culture must be at the table, and we have heard discussions about the extent to which culture can be involved in business improvement districts and so on. We have even heard commentary that bodies such as Creative Scotland should be made statutory consultees. Do you see culture as being at the heart of town centres? What is the Government's thinking on how it might be able to assist that to be the case as we come out of the pandemic and deal with all the issues that we have covered today?

Tom Arthur: I am conscious of the time, and this is a huge issue. You are absolutely correct to recognise that all of us have a mutual interest in this area.

The first thing that I would say is that we should recognise culture for its intrinsic value and acknowledge that it is to be enjoyed in and of itself—I do not even feel comfortable using “culture” as a catch-all label for all the diverse fields that it covers, but let us use it just now as shorthand. Yes, it can certainly help to draw people into town centres, stimulate conversation, promote further investment and attract more businesses to an area, but we must first recognise that the contribution of artists across any medium should be valued in and of itself. That is a positive thing that our town centres can offer.

Culture is hugely important to the discussion that we are having. It adds to the experiential point that I made earlier, because it takes us beyond the idea of town centres as just being somewhere functional where you go to get your messages, to get your hair cut or to go to the pub. Because of synergies, town centres are greater than the sum of their parts. Culture can involve utilising the existing assets in the built environment. For example, in Galashiels, we are providing support to the Energise Galashiels Trust, the local development trust, which is running the town and tapestry project—I think that that is what it is called; I will correct the record if it is not. There are QR codes on buildings in the town, so people can hold up their phone's camera and get a history of the architecture, which helps them to get a deeper understanding of their built environment.

Another thing that is happening in Galashiels is the commissioning of murals. Anyone who walks around Glasgow will see that as well. It enhances the environment in which people live and helps to give them a sense of place and identity, which is important for town centres.

Although out-of-town retail plays a hugely important part in our economy in providing employment and services, town centres and city centres can provide a sense of identity, place, history, heritage and “where Ah'm fae”. That is an X factor, of which culture is an important part. It can manifest itself in a range of ways, from something as simple as encouraging people to look up and learn the history of their environment, through a mural on the wall to a significant investment, such as the great tapestry of Scotland, to draw people from outwith the community. The ways in which it is applicable are multifarious and as diverse as culture is.

Michelle Thomson: I appreciate that that was a hard question to ask you. I revisited the culture strategy that Fiona Hyslop did, which is an excellent piece of work, but we need to get culture at the heart of all the Scottish Government's different arms and activities, because of the importance of place.

I heard an interesting comment from Alistair Mackie, who is the chief executive of the Royal Scottish National Orchestra. He said that any public moneys that are given should be seen not as subsidy but as seed capital, because of the gross value added that they bring. That is an effective way of looking at the matter.

I am happy for you to come back to the committee, because I appreciate that that was a hard question. I am interested in what interventions you could make in relation to town centres that use the concept of culture being at the heart of place building, growth and all the touch points that we have covered.

Tom Arthur: I have made this point several times, but we all recognise that the existing assets—the community and the people—are fundamental. The approach must be driven by the local community and the pride that they take in their place.

When it comes to the support that is provided, design must be carried out and decisions must be taken at the local level, with support for delivery coming from other partners. Cultural interventions must be made with the community and must reflect the community's identity, values and history. They are most impactful when that happens.

That brings us back to the point that regeneration is about not just bricks and mortar but a state of mind. Culture can have an important role in changing attitudes to a place and helping to reframe how people think about their communities. That is an important part of the regeneration journey.

David, do you have any comments to make about how culture has informed the work that has

been going on over the past decade in regeneration?

David Cowan: Culture and heritage are central to much of the regeneration throughout Scotland. The physical assets are visible and, often, well loved. However, capturing the story of places and understanding where the communities come from and where they are going is really important to local people. That is often the catalyst for change. Things have changed—people might have watched their industrial heritage change. Coal-mining communities or former industrial towns are hanging on to their heritage, while understanding that they need to evolve and change. Culture is at the heart of what we do.

We are agnostic as to what the catalyst is for regeneration, but it is often culture. We work closely with culture colleagues in the Scottish Government and partners. We meet quarterly with the National Lottery Heritage Fund and Historic Environment Scotland, because we have capital projects in which we have jointly invested. Creative Scotland and a couple of other organisations also sometimes come to that meeting. We come together to ensure that those projects are delivered and to understand the wider impact that they are having on place and regeneration.

Michelle Thomson: I totally agree with you about key stakeholders being at the table.

That takes us back to a point that Maggie Chapman made and on which you picked up, minister, about community entrepreneurialism. Arguably, musicians and artists are entrepreneurs. Perhaps we need to start to think about them in that way.

I will not press you for an answer, but I am interested in whether the Scottish Government has considered or is considering ideas that would practically support people who are in culture when we think of it as being at the heart of place. I refer, for example, to targeted rates relief, to go back to some of the points that John Mason made. Rather than thinking about it as a broad brush across the top—culture is good and it contributes to society—are we thinking of it as being at the heart of town centre regeneration and enablement, because it brings in many other things and supports many other types of business as well?

Tom Arthur: I am conscious of how deep a subject that is. If you are content, I will be happy to come back in writing to provide some examples and to elaborate on some of the points that we have made.

Michelle Thomson: That would be helpful—thank you.

The Convener: We took evidence from Culture Counts, which talked about more practical measures, such as a business rates scheme or giving access to properties for the cultural community or for artists to set up workshops or studios. A more sympathetic rates or financial regime to support that would be a helpful practical measure. The witness from Culture Counts gave an example of a town—Dunoon, I think—that had taken the role of artists to its heart and artists had successfully settled there. Some of that success was about having access to buildings and a sympathetic financial regime to support it.

Thank you very much for your evidence, minister. It has been helpful for our inquiry. I also thank Catherine Brown and David Cowan.

10:56

Meeting suspended.

10:59

On resuming—

Subordinate Legislation

Registers of Scotland (Information and Access, etc) Miscellaneous Amendment Order 2022 [Draft]

The Convener: The committee will now take evidence on the draft Registers of Scotland (Information and Access, etc) Miscellaneous Amendment Order 2022.

I welcome back to the meeting Tom Arthur, Minister for Public Finance, Planning and Community Wealth, who is joined by Megan Stefaniak, who is a lawyer with the Scottish Government, and Harry Murray, who is policy lead at Registers of Scotland. I invite the minister to make a short opening statement.

Tom Arthur: I am grateful for the opportunity to speak to the draft order, which relates to the provision of extracts of documents that are held in registers under the control of the keeper of the registers of Scotland.

The keeper plays a vital role in the Scottish economy by safeguarding property rights through the registration of documents in the land register and register of sasines, in addition to the registration of documents in a number of other registers that support the legal profession.

Extracts are copies of registered documents that have an evidential status equivalent to that of the original and which can, therefore, be used in lieu of the original, including in court. Prior to the pandemic, they were mainly issued as paper documents in line with how customers interacted with ROS at the time. However, since the pandemic began, the majority of extracts issued by ROS have been in digital format. That reflects the way in which ROS's and the legal profession's work has shifted towards the use of digital services where possible.

The provision of digital extracts has proven hugely popular with stakeholders. Strong support has been expressed informally and through public consultation for enabling the provision of digital extracts across all the keeper's registers. The order seeks to achieve that in the following ways.

The register of deeds in the books of council and session has, until this point, remained paper based due to its primary function as a way of preserving documents. However, the register will open to electronic documents on 1 October this year, and the order makes provision that extracts can be issued in electronic format from that time.

The order also sets out the default form of extract to be issued, depending on how the registered document was submitted. Extracts for paper documents will be provided on paper, and extracts for electronic documents will be provided electronically. In both cases, electronic or paper extracts are available on request if the default format is not suitable for the customer.

The order also makes provision that extracts of deeds registered in the register of sasines can be issued in electronic format. That brings the register into line with existing provision governing the other property register—the land register.

Finally, the order makes a number of clarificatory amendments to the Writs Execution (Scotland) Act 1877 in support of the provision of digital extracts and removes reference to legislation that is no longer in force.

I am joined by Harry Murray from Registers of Scotland and Megan Stefaniak from the Scottish Government legal directorate, who will be happy to assist me in answering any questions.

The Convener: Thank you, minister. Do members have any questions?

As members have no questions, we move to agenda item 3, which is formal consideration of motion S6M-04636. I invite the minister to move the motion.

Motion moved,

That the Economy and Fair Work Committee recommends that the Registers of Scotland (Information and Access, etc.) Miscellaneous Amendment Order 2022 [draft] be approved.—[*Tom Arthur*]

Motion agreed to.

The Convener: A short factual report of the committee's decision will be prepared and published.

I thank the minister and his officials for joining us. We move into private session for the remainder of the meeting.

11:03

Meeting continued in private until 11:56.

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