Scotland's Public Finances in 2022-23 and the Impact of COVID-19

ABOUT THIS PAPER

This is a submission by SURF to the Scottish Parliament's Finance and Public Administration Committee. The purpose is to support the Committee's process of scrutinising the Scottish Government's budget for 2022-23.

SURF notes the Committee's interest in the implications of the COVID-19 pandemic on public finances and our submission responds to two key Committee questions. The content is shaped by the views, experiences and ideas of SURF's cross-sector network, which comprises more than 300 bodies that are concerned with the regeneration of Scotland's poorer places.

KEY QUESTIONS

How should the Scottish Government's Budget for 2022-23 address the need for a fair and equal recovery from the Covid crisis?

As Prof. Devi Sridhar, Chair of Global Public Health at the University of Edinburgh, noted, disadvantaged communities have been the most severely affected by the general direction of the pandemic, and the spread of infection and serious illness:

> *"What's clear is that wealth is the best shielding strategy for this virus, and from experiencing severe impacts."* [1]

The SURF network has voiced strong concerns, shared by notable economists and policy commentators, that the wider social and economic implications of the pandemic will also disproportionately affect poorer communities.

SURF believes that a fair and equal recovery will require particular actions from the Scottish Government and its agencies to protect, support and renew those communities that were already struggling before the pandemic with fragile economies, social problems and other challenges.

In this submission, we are sharing calls for action on key areas of place-based regeneration generated from three consultative SURF network engagement exercises carried out in 2020-21.

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[1] Newey, S., 2020, *Devi Sridhar: Wealth is the Best Shielding Strategy for this Virus - and from Severe Symptoms*, The Telegraph: London. Available at: https://www.telegraph.co.uk/global-health/science-and-disease/devi-sridhar-scotlands-strategy-contain-covid-19-unclear-westminster/

How should the Scottish Government's Budget address the different impacts of the pandemic across age, income and education groups and across places?

Some areas of additional targeted investment that the SURF network believes could mitigate the challenges associated with disproportionate negative impacts in poorer places are:

Community development.

One of SURF's founding principles is:

> *The people who are the intended beneficiaries of any regeneration effort*
> *must be meaningfully involved in the process if it is to be successful in*
> *planning, implementation and maintenance.* [2]

SURF members have shared strong concerns about a trend towards reduced local government investment in basic community development activity and resources over the last two decades. Many disadvantaged places lack the most basic building blocks for community participation, such as an accessible meeting place to gather, share experiences, produce ideas and incubate activities.

This situation is compounded by strong disparities between affluent and poorer communities, in which access to good quality community facilities, a pool of skilled and experienced volunteers, and opportunities to engage with decision-makers, tends to be lower in more deprived places. The 'intended beneficiaries' in such places are often disconnected from the regeneration plans and activities that are developed by external actors. [3]

If left unchallenged – and SURF is aware of a number of successful public and voluntary sector initiatives that address this imbalance in some places – the long-term, organic effect is to exacerbate the decline of poorer communities and existing inequalities between places.

Restoring community development functions in poorer communities can reduce these inequalities by providing energy and inspiration for new community led activities, responding sustainably to community needs, and providing tangible social and economic opportunities in the places most in need.

Targeted place-based investments.

SURF's second founding principle is:

> *Successful and sustainable regeneration is only achievable when all aspects*
> *of physical, social, economic and cultural regeneration are addressed in a*
> *holistic approach.* [2]

SURF welcomes current policy commitments and intentions towards holistic regeneration as articulated in the current Programme for Government, [4] such as the £275m Place Based

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[2] SURF – Scotland's Regeneration Forum, 2013, *About Us: What We Do*, SURF: Glasgow. Available at: https://www.surf.scot/what-we-do/

[3] Local Government and Regeneration Committee of the Scottish Parliament, 2014, 1 st Report 2014 (Session 4): Delivery of Regeneration in Scotland, Edinburgh: Scottish Parliamentary Corporate Body. Available at: http://www.scottish.parliament.uk/S4_LocalGovernmentandRegenerationCommittee/Reports/lgr-14-01w.pdf

[4] The Scottish Government, 2020, Protecting Scotland, Renewing Scotland: The Government's Programme for Scotland 2020-2021, Scottish Government/APS Group: Edinburgh. Available at: https://www.gov.scot/publications/protecting-scotland-renewing-scotland-governments-programme-scotland-2020-2021/documents/

Investment Programme, the Empowering Communities Programme, 20 Minute Neighbourhoods, and the No One Left Behind employability support initiative. Among other measures, these have the scope to make significant difference to the practical challenges and opportunities available to local people in many deprived places across urban and rural Scotland in the closing stages and aftermath of the pandemic.

The SURF network has, however, expressed a desire for stronger action on the targeting of available regeneration funding in multiply-deprived places, from all relevant agencies, policy-makers and funders. Despite the existence of the Place Principle – developed by a partnership including SURF and formally adopted by the Scottish Government and the Convention of Scottish Local Authorities in 2018 – consultees in SURF's 2021 Manifesto for Community Regeneration reported that the Place Principle is yet to be operationalised, and that there are too many examples of narrow, short-term, single-agency led place-based regeneration initiatives, and too few that are genuinely collaborative and long-term in nature. [5] [6]

SURF has previously called on the Scottish Government to identify 15 strategically significant deprived places in Scotland best suited to sustained and cooperative investment in a new generation of long-term place-based regeneration initiatives. Convergence targets could be adopted to set social and economic outcome targets and monitor progress. Adequate processes to identify transferable learning and effective models of operation would add value to the limited geographical focus of these investments.[7]

Green recovery.

Many interviewees consulted for SURF's 2021 Manifesto highlighted an opportunity to jointly resolve two urgent challenges – climate change and COVID-19 impacts on employment prospects for young people – through the creation of a substantial 'Green New Deal' style job creation programme. [6] There is an opportunity for the Scottish Government to scale up plans and commitments for a 'Green new Deal for Scotland', announced in the 2019-20 Programme for Government, with a particular focus on the post-COVID-19 context.[8]

SURF, the Existing Homes Alliance Scotland, the Fraser of Allander Institute, the Royal Institution of Chartered Surveyors and others have also pointed to the rich social, economic and environmental benefits that can be accrued from retrofitting. [9] [10] [11] Academic evidence is clear that retrofitting is the most widely effective approach to regeneration: improving the energy

[5] The Scottish Government, 2019, Publication – Factsheet – Place Principle:Introduction, The Scottish Government: Edinburgh. Available at: https://www.gov.scot/publications/place-principle-introduction/

[6] SURF, 2021, *2021 SURF Manifesto for Community Regeneration*, SURF: Glasgow. Available at: https://www.surf.scot/wp-content/uploads/2021/03/2021-SURF-Manifesto-for-Community-Regeneration.pdf

[7] SURF, 2016, *2016 Manifesto for Community Regeneration*, SURF: Glasgow. Available at: https://www.surf.scot/wpcontent/uploads/2014/12/SURF-2016-Manifesto-Final-Draft.pdf

[8] The Scottish Government, 2019, *Protecting Scotland's Future Programme for Scotland 2019-2020*, The Scottish Government: Edinburgh. Available at: https://www.gov.scot/publications/protecting-scotlands-future-governments-programme-scotland-2019-20/

[9] Fraser Allander Institute, 2021, *The Economic, Social and Environmental Benefits of Stimulating Repairs and Improvements to the Scottish Built Environment to Aid a Green Recovery from Covid-19*, University of Strathclyde Business School: Glasgow. Available at: https://fraserofallander.org/wp-content/uploads/2021/02/2021-02-The-economic-social-and-environmental-benefits-of-stimulating-repairs-and-improvements-to-the-Scottish-built-environment-to-aid-a-green-recovery-from-Covid-19-1.pdf

[10] Existing Homes Alliance Scotland, 2020, *Energy Efficiency at the Heart of Recovery: 2021 Scottish Parliament Election Manifesto*, Existing Homes Alliance: Edinburgh. Available at: http://existinghomesalliancescotland.co.uk/wp-content/uploads/2020/11/ExHAS-2021-SP-election-manifesto-Nov-20.pdf

[11] Royal Institution of Chartered Surveyors, 2020, *Retrofitting to Decarbonise UK Existing Housing Stock RICS Net Zero Policy Position Paper*, RICS: London. Available at: https://www.rics.org/globalassets/rics-website/media/news/news--opinion/retrofitting-to-decarbonise-the-uk-existing-housing-stock-v2.pdf

efficiency of older housing and civic buildings reduces fuel poverty and carbon emissions, provides new economic opportunities, and supports improvements in health and wellbeing. [6] The main mechanism for delivery of retrofit to date has been the Energy Efficient Scotland Programme, which could be expanded to support increased investments and wider activity.

SURF members also believe that Scotland's infrastructure is failing to adapt quickly enough to the impacts of climate change, which again has a disproportionate impact on poorer people and places. Greater public sector project investment is needed to address this, locally, regionally and nationally.

Town centre regeneration.

SURF works closely with Scotland's Towns Partnership, and participated in the production of 'A New Future for Scotland's Town Centres', a 2020-21 review it managed on behalf of the Scottish Government. [12] SURF agrees with many of the key outcomes, including strengthening town centre plans co-produced with communities in the planning system, and funding a range of multi-year pilot projects to support aspirations for greater levels of town centre living and diversified ownership and use patterns to support the work and activities of community groups, social enterprises and small businesses.

The SURF network has particular concerns about the proportion of vacant properties in poorer urban and rural Scottish communities. Many predict that the situation will worsen significantly throughout and beyond the pandemic, with sharp reductions in demand for vacant retail, office and hospitality premises in particular. To progress objectives for town centre living, the 20 minute neighbourhood concept, and climate change, SURF members believe more could and should be done to convert vacant buildings into good quality housing.

SURF contacts with property sector experience highlighted that while such conversions are far from cheap and straightforward, many can be viable with the right support. [6]

Flexible funding.

The Scottish Government is a major funder of regeneration activity in Scotland, and as such, is well-placed to set a leading role by demonstrating greater levels of flexibility and autonomy with regard to grant awards to community anchor organisations.

As SURF reported in our 'Lessons from the Frontline' 2020 report, which profiled more than 150 local responses to the pandemic, funder flexibility and the repurposing and adapting of existing programmes to meet demand, has encouraged agency, autonomy and reciprocal trust between community groups and funding bodies. [13]

The relaxation of red tape in order to respond quickly to need was widely reported to SURF as a positive outcome for a majority of organisations. Local authorities and national funding organisations listened to the requirements of frontline groups and many found new ways to meet them.

Some set aside new or adapted funding for rapid COVID-19 response needs. Others made it clear that funding for a programme that could no longer meet 'required' criteria for face to face interaction, could be used to meet the cost of reshaping the programmes to respond to actual

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[12] Scottish Government Town Centre Action Plan Review Group, 2021, *A New Future for Scotland's Town Centres*, The Scottish Government: Edinburgh. Available at: https://www.gov.scot/publications/new-future-scotlands-town-centres/

[13] SURF – Scotland's Regeneration Forum, 2020, *Lessons from the Frontline*, SURF: Glasgow. Available at: https://www.surf.scot/wp-content/uploads/2020/08/SURF-Covid-19-Key-Messages-Report.pdf

need. Organisations which had been used to ensuring that careful 'box ticking' met funding requirements were given autonomy to do what was required to meet urgent demands which could not have been anticipated when the original funding was agreed.

SURF has long argued that the real experts on community needs and wants are likely to be the community themselves. COVID lockdowns have provided an opportunity to demonstrate that and it would be a fitting legacy of the pandemic for this flexible approach to continue beyond it.

Digital exclusion.

SURF discovered through its 'Building Community Resilience' research that Scotland is not online; the impact of this digital divide in intensifying isolation and blocking knowledge exchange has been heightened by the pandemic. [14] The immediate response of many organisations was to move as much of their programmes as possible to online.

Those who owned mobiles, tablets and computers with internet access were able to find information, instructions, support and resources online. They were able to communicate easily with the outside world - and the outside world was able to respond. But a significant minority were not able to participate.

Organisations found that for the poorest, the cost of broadband access alone was enough to make the use of digital communication unattainable. And that was even without the cost of renting or buying the equipment itself. An additional section of society was also unable to benefit from digital access because they had never learned to use it. Digital interactions will remain a vital part of modern life beyond the pandemic and the 'Connected Scotland' programme could benefit from further targeted actions focused on the poorest people and places.

FURTHER INFORMATION

SURF is grateful to the Committee for the opportunity to feed our network's views into the budget scrutiny process. We are happy to be contacted to elaborate on any element of this submission.

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[14] SURF, 2020, *COVID-19: Building Community Resilience*, SURF: Glasgow. Available at: https://www.surf.scot/wp-content/uploads/2020/09/SURF-COVID-2-complete.pdf