

21 August 2020

## **Scottish Property Federation written evidence for the Town Centre Expert Review Group**

### **Introduction**

The Scottish Property Federation (SPF) is the voice for the real estate industry in Scotland. We include among our members: property investors, including major institutional pension and life funds; developers; landlords of commercial and residential property; and professional property consultants and advisers.

The SPF welcomes the opportunity to offer comments on the Town Centre review and we thank the review group for the recent opportunity to provide oral evidence. We understand our comments may be published and that we are also happy for our comments to be shared with public bodies.

### **1. What are the challenges and opportunities facing town centres in Scotland and should these be addressed?**

- 1.1. The challenges of sustaining successful town centres will vary according to location and community. Some centres were in fact developed around major shopping centres (East Kilbride, Glenrothes, Livingston). Others were more associated with heavy industry (Bathgate, Falkirk, Motherwell), or have been historical regional centres of settlement (Ayr, Nairn). A different approach to this question could be to ask what does a successful and sustainable community town centre look like, and how should it be composed. This might involve a mixture of communities along demographic and occupational lines. It may include a greater delivery of bespoke assisted/senior living developments close to the town centre to provide accessible amenities for these residents. There could be less emphasis on fast food and café convenience than there is in many towns, and perhaps a variety of social infrastructure provision (medical, childcare, administrative).
- 1.2. The pandemic has accelerated the continuing challenge of some traditional town centre uses by their communities, for example for retail premises. The issue of town centre purpose must be a central question for the Town Centre Expert review, and it is a question that we feel has arguably not been fully addressed in past reviews. We have often seen an emphasis upon seeking to protect local retail, to support local leisure and hospitality, and yet these uses may be more difficult to achieve under post-pandemic circumstances.
- 1.3. We feel the big challenge for town centres continues to be one of adaptability. This may be most acutely seen in retail, hospitality, and leisure, due to the lockdown restrictions on those businesses and the rapid growth of online retailing. However, the far-reaching impact of the pandemic may bring opportunities as well as challenges because major employment destinations such as city centres have arguably been more affected by the lockdown than some local town centres.

- 1.4. An enduring challenge for town centre renewal is the obstacle of a fragmented ownership structure. When it became clear that consumers were seeking more from shopping centres than retail, the owners of these assets may more easily reshape these areas than a traditional high street with different types of owner. This has become increasingly apparent since the financial crash as shopping centres have included a greater range of leisure use in their estates, with a view to making their centres genuine destinations for their consumers.
- 1.5. What can be said is that in Scotland over recent years there has also been a noticeable drive by the major cities to support a return of city living. Aberdeen, Dundee, and Glasgow have adopted policies specifically designed to increase the number of households in their city centres. Edinburgh has different challenges, more aligned to affordable city centre living. This move towards city centre living may be affected by the pandemic, and it could mean that smaller local towns (city based or not) could become relatively more attractive as places not just to live and relax, but also to work in. For example, the move towards working remotely may provide opportunities for towns to offer more localised office facilities although this will require strong broadband connections and a supply of cost-effective, suitable flexible office suites.
- 1.6. The inherent risk of development and property investment has made it difficult for longer forms of property investment since the financial crash, and the major investors (pension and life funds) are mainly located in major city centres. Therefore, while investment in some forms of commercial property, such as retail parks, has continued, there has been little or no major indoor shopping centres out of town for many years. Indeed, the largest such investment in recent years is the development of the former St James Centre in the city centre of Edinburgh. It is therefore a challenge for more peripheral or even intra-city town centres to attract major private sector commercial property, long-term investment. In consequence, this has meant that the bulk of economic growth, location of jobs and supporting services, has become centralised to prime city locations.
- 1.7. However, there are local property entrepreneurs who know their local communities and authorities well. These individuals and businesses have often invested significantly in their localities. They are well placed to understand, and intervene in local regeneration initiatives, whether in adapting older properties to different uses, or through seeking opportunities to provide new buildings in gap sites.

#### *Business rates*

- 1.8. Often the most immediate issue from our members, not just on their own behalf but that of their customers, is the cost of business rates. The rating system in Scotland is based on assessments of the commercial property rental market upon a date in time and nominally the tax still depends on some 23% of its revenue from retail. The methods of valuing rateable values for licensed premises are controversial and have led to significant hardship for some premises. Recent suggestions have emerged that the intended rates revaluation for 2022 – an exercise in realigning and redistributing the rates burden to reflect changes in the economy – may be postponed again, as it was during the financial crisis. This will impose significant burdens on town centre ratepayers – including public ones. It will mean that ratepayers will effectively be paying eight years of rates based on a commercial market

value as of 1 April 2015. It is already the case that ratepayers find themselves in the strange position of being assigned a 'government rent' that is significantly higher than their commercial rent.

- 1.9. It has been apparent for some time that the business rates system – as a concept – is struggling to remain a fair and proportionate tax in the modern click economy. We believe that there will remain a need for a property based form of tax – but we feel it must become less of a significant element in a businesses operating costs than it currently is and that moving forward we should not expect rates to provide some £3bn of revenue annually. Business rates are therefore a major obstacle in town centres and under current plans, we feel this is set to remain the case.

## **2. Town centre partnerships**

- 2.1. The relationship between property owners and occupiers has been significantly impacted by the pandemic. Feedback from our members suggested a difference between their collaborations with smaller, local, SMEs (much more positive) as opposed to larger multi-store retailers several of whom have regularly chosen not to liaise with their landlords. In truth there are very few alternative businesses for properties either within or without town centres and the legacy of the pandemic experience for property investors is expected to deter some investors from returning to the UK and Scottish real estate sector.
- 2.2. This perception will be reinforced by the experience of property investors with the UK insolvency framework. This appears to have had a disproportionate impact on Scotland. [PwC research](#) suggests stores in Scotland were most likely to be closed in a CVA (Company Voluntary Administration). North of the border, a disproportionately high 21.2% were targeted for closure and a further 41.4% experienced rent cuts. – so, from a Scottish high-streets perspective the issues with CVAs are more acute as they mean a higher proportion of empty stores than elsewhere.

## **3. What are the barriers to developing town centres suitable for their communities and how can these be removed?**

- 3.1. Different communities or parts of the local community will have different needs for their town centre. The challenge will be to provide sufficient mixed-use and purpose to cater for as many town centre residents as possible. There have been examples of community groups successfully taking on properties and places in town centres – former banks and churches for example. However, it can also be a real challenge for private sector investors and arguably local authorities, to reconcile and engage with at times conflicting community groups.
- 3.2. There is also some concern that community groups may not always be as representative of their wider communities as they might be. It can be difficult for example for working families to engage as fully as they might wish to with traditional meetings and presentations. The greater use of online engagement in planning applications since the Covid-19 restrictions has suggested an appetite for much wider engagement through this means.

3.3. Although the Review has highlighted the impact of out of town locations the reality is that the businesses who seek these locations know that this is what their customers seek in terms of convenience. Retail parks have also been more easily adaptable to the restrictions of Covid-19, with less reliance on public transport and greater street level accessibility for consumers. However, retail parks are not immune from the wider change in consumer behaviour and are themselves seeing several outlets under pressure to stay open – this can be seen from the PwC figures on CVAs. Therefore, we do not believe any form of punitive taxes or levies would be an effective measure to introduce.

**4. To what extent has the Town Centre Action Plan delivered against its stated ambitions? In what areas has delivery been successful? In what areas is there room for progress and/or barriers to overcome?**

4.1. We have had very little feedback on the Town Centre Action Plan itself from our members. It would be wrong to take from this that there have not been some notable improvements and initiatives that have occurred in town centres since this time. However, what proportion of these initiatives have been because of the TCAP or simply individual council/community/entrepreneur initiative is unknown. The more pertinent point perhaps is that the TCAP reflected a different set of opportunities becoming apparent at the time in terms of seeking to increase the footfall and attractiveness of town centres as visitor destinations. In the immediate future following this pandemic, this may not be a successful strategy to adopt and the greater emphasis should certainly be on encouraging the greater use of town centres by their immediate residents and communities.

4.2. From the property perspective the adaptation of former shops into leisure and other uses has certainly been a theme of recent years. Town centres with strong public transport have also benefitted. Again, the legacy of the pandemic may make public transport less of a positive factor to town centres.

4.3. The TCAP also talked about Town Centre Investment Zones and considered that rates relief may help to sustain and attract investment. Perth & Kinross Council did take forward a plan for targeted rates relief in their town centre using Part 8 of the Community Empowerment 2015 Act. However, the drawback of Part 8 rates relief is that it is not funded by the Scottish Government and therefore has little attraction for local authorities.

4.4. Legislation introduced to support local Community Right to Buy in urban areas has also begun to support community ownership of ‘abandoned or neglected properties’, or to take control of public assets. This has not at times been without controversy and is arguably still a policy initiative at an early stage of evolution. While the legislation offers communities the opportunity to seek control of unused assets, the questions of continued use and occupation will remain in its early years.

**5. To what extent are the stated objectives and policy challenges TCAP seeks to address relevant for the new challenges for our towns?**

5.1. We would argue that the challenge of supporting a sustainable town centre remains the same as it did before the 2013 review. There is the possibility that the impact of the pandemic on city centres and the potential for a renewed emphasis on localism, do perhaps

offer a heightened importance for the successful regeneration of Scotland's towns. However, the aim of seeking greater residential use of town centres with less dependency on retail is enhanced by the pandemic, rather than changed.

- 5.2. A challenge that may be exacerbated by Covid-19 is that of transport connections and accessibility. There is a tension between the needs and demands of town centre businesses, often for a good provision of car parking, and the climate challenge whereby most authorities seek to reduce the use of car transport. Before covid-19 there had been a growth in the use of railway transport which itself was beginning to struggle with the rise in demand for commuter transport provision. Since Covid-19 there are signs that people are returning to greater use of personal transport, usually through the car which would run contrary to the desire to achieve climate change targets.
- 5.3. There is also the possibility of a need for 'last mile' storage and distribution centres that may be needed to service towns and localities with goods. Again, these deliveries are likely to need local car transport. Whether for greater use by local residents or delivery vehicles, there is clearly a need for a massive improvement in the provision of electric vehicle charging infrastructure in towns if people are to be incentivised to move away from traditional vehicles to electric vehicles.
- 5.4. The recent Planning Act (2019) incorporates a renewed emphasis on local community engagement with local development plans. The Act seeks to take a plan-led approach to the development of localities and introduces the concept of Local Place Plans to inform the LDP. In so doing, the intention is the place principle, adopted by the Scottish Government since 2013, should be embedded in local development planning.
- 5.5. The Act also takes forward previous pilots of Simplified Planning Zones (now Master Planning Consent Areas). The combination of these tools may offer the feasibility of long-term place-based regeneration initiatives as well as strong collaboration between communities, local authority, and investors. These new, or revised, proposals are perhaps yet to be proven. It may be that some early exemplars of these concepts could help to instil confidence on a wider scale throughout Scotland.

**6. If TCAP were to be revised, what additional or replacement areas and objectives would you recommend should be included and how should these be addressed?**

- 6.1. We believe there should be a greater emphasis on seeking a balance of town centre residents. Greater emphasis also on supporting an appropriate mix of vehicular access to town centres to support both businesses and residents.
- 6.2. The review may also wish to consider how more bespoke and useful data can be provided to support the sustained development of town centres. Likewise, the actual vision of what the place that is a town centre also needs to be revisited. There is significant potential for town centres to be enhanced as places for a mixed community of both residents and businesses. This is likely to require the commercial and residential regeneration of existing buildings and where appropriate new, additional buildings. There will be a definite need for investment in district heat network utilities, ever improving digital connections to keep up with demand and electric vehicle transport support.

6.3. More than anything else the vision needs to assume that a town centre will need to be used and sustained by its own residents rather than dependent on the tourism industry as the main source of economic activity. Unless towns can provide sufficient jobs and opportunities locally, they are unlikely to sustain their communities and their younger populations.

**7. Can you provide details and contacts of any examples of excellent practice in town centres which you believe have wider potential?**

**8. Is there anything else you would like to add?**

**8.1.** If private sector investment is to be attracted away from its recent focus of prime city centre areas, or opportunities away from the periphery of major city centres, then in the immediate future there is going to be a need for financial innovation as the wider economy seeks to recover from the pandemic.

**8.2.** This may not necessarily rely on direct public finance. It could be achieved via guarantees by the public sector to support speculative new flexible business or residential ventures aimed at town centres that are financed by private investors. We recognise that not all policy levers lie with the Scottish Government – some are with the UK Government. For example, there are wider considerations of tax and investment that can offer incentives for the repurposing of buildings and places. Business Premises Renovation Allowances had some success in returning older buildings to effective use. There is a long running anomaly with the VAT charge for repair and maintenance.

**8.3.** The property sector – and particularly the local property industry – can be a key catalyst of town centre rejuvenation. Their knowledge of adapting older buildings and successfully bringing them back into use could support significant local regeneration.

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