11 December 2013

Mr Ben Morton
Assistant Clerk
Local Government and Regeneration Committee
Room T3. 40
The Scottish Parliament
EDINBURGH
EH99 1SP

By email

Dear Mr Morton,

Follow-up Questions – Delivery of Regeneration in Scotland

I refer to your letter sent to me by email dated 5th December 2013 requesting additional information relating to the Delivery of Regeneration in Scotland.

Please find attached a copy of my response to the specific questions shown in the Annex A to your letter.

In addition, you may recall that I was also asked a specific question of detail by Mr McMillan at the Committee in the Scottish Parliament on 27th November 2013 relating to Inverclyde Renovation Limited. As requested by the Convenor at the Committee, I have provided additional information on Inverclyde Renovation Limited in the attached Appendix 2.

I trust this is helpful.

Yours sincerely

John W Mundell
Chief Executive
Submission to the Local Government and Regeneration Committee

Follow-up Questions – Delivery of Regeneration in Scotland

1. Scottish Government’s regeneration strategy, how do local authorities and CPPs identify and implement their regeneration activity?

Inverclyde Alliance’s Single Outcome Agreement (SOA), which has given due regard for the Scottish Government’s regeneration strategy, provides a strategic direction for all of the partners involved in the regeneration of Inverclyde. The partners have agreed the same outcomes and reference all actions and activity across the partnership.

The outcomes and underpinning activity were developed from a comprehensive review of the context in which partners are operating in Inverclyde. This included statistical analysis of the key measures highlighting the challenges Inverclyde faces as well as inclusion of responses gathered through community engagement processes, to ensure that the voice of communities inform developments.

The Economic Regeneration and Employability Outcome Delivery Group, referenced in the SOA and which reports to the Programme Board, is responsible for providing oversight for the Economic Regeneration Strategy and its associated action plan.

Action plans have been established for both the Economic Regeneration Strategy and the Outcome Delivery Group. Performance is monitored regularly to identify whether activity is being delivered. Partners come together on a regular basis to discuss the actions plans and develop these further as various elements are delivered. Presentations are given to the Programme Board and/or Alliance Board on how the Outcome Delivery Plan is progressing, highlighting any issues and giving the more strategic level of the Community Planning Partnership (CPP) a chance to comment and identify ways in which it can support delivery.

2. How do local authorities and CPPs coordinate their other activities to ensure they are aligned with, and support their, regeneration strategy?

The SOA seeks to make Inverclyde a better place for all its children, citizens and communities and in order to facilitate this a number of key outcomes have to be achieved. These outcomes include economic, social and physical regeneration, but also ensure that an early intervention approach is taken from birth, supporting parents and children to achieve the best outcomes.

Any activity which relates to the Economic Regeneration and Employability, Successful Communities and Environment outcomes are referenced to these outcomes, allowing the Council and its CPP partners to assess how action, which they are providing, supports the delivery of these.

If activity cannot be referenced to one of the SOA outcomes or to the Wellbeing outcomes, adopted as part of the Nurturing Inverclyde approach, then questions would be asked as to why a Service or Outcome Delivery Group are pursing that action. In practice this has not occurred yet, as most activity is clearly linked to the delivery of the outcomes agreed. The CPP has a very clear vision of what it wants to deliver, and using the contextual information gathered across the outcomes, has planned and aligned actions to the needs of the communities of Inverclyde.

If we found activity was not aligned with outcomes then this would be referred to the SOA Programme Board and Alliance Board for negotiation, with final agreement officially through the Alliance Board.
3. Do local authorities have comprehensive strategies in place for specific community areas to “reduce poverty and inequality”? How long have these strategies been in place and how effective are they proving?

Yes, specific local strategies are in place in Inverclyde, and examples are set out below.

Inverclyde has had a focus on the lower Port Glasgow area, which was identified as an area of greatest deprivation and a Task Group for Clune Park was established. Work is on-going to tackle an area of particularly poor, privately owned, housing, as well as co-ordinating information across Police, Fire, NHS and Social Care to identify where services can better co-ordinate support for vulnerable families.

The main challenge for this area based focus was in tackling the poor housing, including the ability to identify sub-standard housing and use powers to close these. A number of private landlords have failed to maintain properties in the Clune Park area, impacting on the safety and the health of residents.

This work has been in place for approximately three years with varying levels of success in regard to change. The work in regard to tackling the housing issues is gathering momentum, as the legal processes to be followed and appeals against closure orders have been heard, which the Council has won. Over 130 units out of 430 units have now received closing orders. The Council is working closely with RSL colleagues to ensure that residents are able to access better, appropriate housing.

These changes and the focus the Police took on the area to reduce crime and anti social behaviour have meant that resources can now be deployed elsewhere, to other areas of concern.

A new approach is being developed for the Broomhill area of Greenock, to identify how improvements can be made in this area, including provision of community facilities, the possible relocation of the Greenock Health Centre, and developments to local housing. The plans for the housing in the area were affected by changes to the housing grant, meaning that the planned developments could no longer go ahead. Other approaches include environmental improvements, carried out by work teams from criminal justice and Greenock Prison as well as identifying community days of action to involve communities directly in improvements to their area. Greenock Prison has identified a number of ways in which they can contribute to the regeneration of Inverclyde, particularly focussed on environmental/physical improvements, but with additional positive impacts on social regeneration and rehabilitation within communities.

The Successful Communities Outcome Delivery Plan captures elements of this approach, and good partnership working has been established to identify how this activity can be taken forward successfully.

4. How do local authorities and CPPs monitor the regeneration strategy that is being delivered, and whether or not it is successful?

There are regular performance reports on regeneration activities to Inverclyde Council Committees and the Inverclyde Alliance Board and SOA Programme Board.

A Red/Amber/Green status is assigned to the activities related to each outcome, and is used to take an ‘exception reporting’ approach to ensure that where performance is poor, the Alliance can focus on making improvements.

Inverclyde Alliance uses case studies in its annual progress report on the SOA to highlight impact, to show that changes are being made even though the statistics may not necessarily show significant change (particularly SIMD). As discussed below the SIMD is a relative scale, meaning that improvements in other authority areas will have an impact on where data zones within Inverclyde sit relative to national statistics.
It has been recognised, and reflected in the Single Outcome Agreement, that the achievement of all of the outcomes for Inverclyde will take place over the longer term, over 10 to 20 years. Culture change and social regeneration takes time, and only when communities are confident and capable will the significant changes in terms of poverty and inequality emerge.

The CPP also looks at national statistics and rankings of where Inverclyde sits in relation to other Local Authorities, identifying where it needs to improve, as well as who it could possibly learn from and benchmark with.

5. It has been suggested in previous evidence sessions that the establishment of common standards of measurement should be applied in evaluating regeneration outcomes. What measures to implement this would be most appropriate?

The Improvement Service has been working with representative of SLAED to develop a series of indicators which will be used across all Local Authorities in Scotland. This process is at a very advanced stage and it is these indicators which should be used to evaluate regeneration outcomes going forward.

6. It was discussed, during the meeting on 4 December 2013, that utility companies were not keeping pace with council regeneration plans. Could you provide greater detail on this lack of pace, what impact this is having on council regeneration plans, and what is being done by the council to rectify this? (column 2895 and 2919 Official Report)

Connection to, and disconnection from, utilities, frustrate the development of regeneration projects due to prolonged lead times for services, which often are not met. In one recent instance it took almost a year for a utility connection to be made available for a project. Despite proper planning to ensure that the utility connection was not on the critical programme path, this particular project was delayed several months.

Another local example involved the development of a new ASN school on the site of a former primary school which had had an existing utility supply. A new meter was requested, but when it came to be fitted the utility supply was then identified as abandoned. Had the Council known that the supply had been identified as abandoned at the point where it had requested a meter, it could then have arranged a new utility connection.

Regular dialogue takes place with the utility companies, including Procurement involvement at a national level. Delays are largely as a result of overly bureaucratic approaches. National strategic support or policy intervention would assist with progressing this and help to reduce the bureaucracy.

7. What business planning processes do councils conduct when determining to speculatively construct building units? (column 2911 Official Report)

Inverclyde Council has not speculatively constructed building units since its inception however the decision to build speculative units could be taken based on evidence of need when comparing existing stock with demand from enquiries. Inverclyde’s commercial and industrial property portfolio has not always reflected the needs of the market which it is attempting to satisfy. This predicament manifests itself in the form of buildings which are the wrong size; the wrong configuration; the wrong location; and the wrong management structure which are often at the wrong cost. Speculative building could in these circumstances address this demand.

The facilities which our partners Riverside Inverclyde are engaged in constructing satisfy these requirements, whilst attempting to kick start economic expansion, and still provide a suitable rate of return on investment. Appendix 1 attached to this response provides more detail on the decisions taken by Riverside Inverclyde on the construction of the units at Kelburn, Port Glasgow.
8. Can the local authorities explain what effect their regeneration investment has had in their SIMD areas and provide information to the Committee? (column 2912 Official Report)

It is difficult to attribute directly how regeneration investment will impact on the domains used to measure the SIMD, although the investment in new housing will have a very positive impact on the Housing domain (which was not measured at the last SIMD release).

Investment in Economic Regeneration (and accompanying Employability programmes) will have contributed to lessening the negative impacts of economic recession, meaning that in Inverclyde the levels of unemployment moved closer to the Scottish average at the start of the recession. Our Employability programmes continue to be particularly successful, but the on-going challenges of the economy mean that unemployment levels are now rising above the Scottish average, with cause and effect often out-with the local authority's control.

As the SIMD rankings are all relative, changes in other authority areas have an impact on Inverclyde. At the last SIMD publication, 2 of Inverclyde’s most deprived data zones had moved out of the top 15% most deprived, but 4 moved in. However the number of data zones in the 5% most deprived in Scotland decreased by 3.

Changes to the physical environment can have a positive impact on the crime domain, and Inverclyde’s overall crime figures have dropped, but again, because it is a relative scale, and crime has dropped in other Local Authority areas, then Inverclyde increased by 6 data zones in the most deprived 15% for crime.

In summary in relation to the individual domains that make up the SIMD, in 2012 in Inverclyde:

- On the income domain, the number of data zones in the 15% most deprived fell by 1 from 40 to 39.
- On the employment domain, the number of data zones in the most deprived 15% in Scotland is unchanged at 42.
- On the health domain, the number of data zones in the most deprived 15% has increased by 1 to 47.
- On the education domain, the number of data zones in the most deprived 15% has increased by 2 to 25.
- On the access domain, the number of data zones in the most deprived 15% has fallen by 24 from 38 to 14.
- On the crime domain, the number of data zones in the most deprived 15% has increased by 6 from 20 to 26.

Despite these relative movements it is clear that consistent and focused spend on regeneration, accompanied by the efforts of the CPP partners and their officers is required. Inverclyde is improving and these improvements have an impact at local level, but in the light of other improvements across the country this may not be reflected in the SIMD.

Delivery of all the outcomes will make the change across Inverclyde, but in the past investment has often been focussed on physical regeneration and not supported communities to be part of the regeneration of their area. A holistic approach needs to be taken, so that the physical, economic and social elements of regeneration are supported and progressed, ultimately reducing poverty and inequality.
SPECULATIVE BUILD INDUSTRIAL UNITS AT KELBURN, PORT GLASGOW

1.0 INTRODUCTION

1.1 This paper and its accompanying documents set out to summarise the key points in the decision to build speculative industrial units at Kelburn Industrial Estate, Port Glasgow.

2.0 SEQUENCE OF EVENTS

2.1 13th August 2012: Riverside Inverclyde’s proposed 5 Year Business Plan was presented to Riverside Inverclyde Board. The minute of this meeting records that ri had led an OJEU compliant search for a development partner for the Kelburn site (nb this search was undertaken at the request of Scottish Government, Scottish Enterprise and Inverclyde Council for this and other ri development sites). Three companies expressed an interest, with only one company submitting a compliant bid. However, the subsidy required by that company of up to £594,000 for only 100,000 sq. ft. did not provide long term value to ri to develop the space and re-invest future rental and capital projects. This demonstrated that there was no market interest in progressing this project without significant public funds.

It should be noted that:

- The proposed 5 Year Business Plan identified that the development of the Kelburn site would be in 5 phases, primarily due to the timing of and availability of funding, as well as the need to avoid providing an over-supply of space at one time; and

- Riverside Inverclyde had previously had 100% success in building 2 speculative office suites’ developments that were fully let.

2.2 13th December 2012. The Riverside Inverclyde Property Holdings Board approved funding for Phase 1 build, with Board Paper citing the project’s role in contributing positively to environmental quality and regeneration, and encouraging development proposals that would bring vacant or derelict land back into meaningful use.

- It should be noted that ri had acquired and part refurbished a portfolio of industrial property of over 100,000 sq. ft. (with a range from 341 sq. ft. to 15,000 sq. ft.). The Board Paper noted that “the majority of property enquiries received in the current depressed market is for good quality, well located industrial units similar to those proposed in this project”.

2.3 The Scottish Government was sufficiently in agreement with ri’s rationale that notification was received on 19th December 2012 that accelerated funding had been awarded to allow ri to bring forward phase 2 build of a second speculative industrial unit build (part of the so-called “shovel-ready” projects”).

3.0 SUPPLEMENTARY INFORMATION

3.1 In the period from January 2010 to November 2013, Riverside Inverclyde and Inverclyde Council have received over 60 enquiries for industrial space of between 1,000 sq. ft. and 15,000 sq. ft. (the range of letting space in the Kelburn units).
3.2 Although, ri has an existing property portfolio, without provision of speculative units, we were unable to satisfy any enquiries regarding new accommodation, (and with immediate access to the M8 motorway) within the timescales required. Furthermore, the Kelburn units increase our offering to the market and complement our existing portfolio.

3.3 The funding allocation for this project was as follows:

- Scottish Government £1,450,000 accelerated from 2013/14 into 2012/13) – 59% of total
- Inverclyde Council £1,000,000 from 2013/14 – 41% of total
- Total £2,450,000

Aubrey Fawcett
Interim CEO

Date: 2nd December 2013
INVERCLYDE COUNCIL
INFORMATION PAPER

INVERCLYDE RENOVATION LIMITED

1.0 INTRODUCTION

1.1 A specific question of detail was raised at the Committee on the 5th December by Mr McMillan MSP on an issue relative to page 107 of the Riverside Inverclyde Mid-term Review and the establishing of the Inverclyde Property Renovation LLP and Inverclyde Development Ltd. Mr McMillan asked why there was apparently an omission from this analysis of the Company known as Inverclyde Renovation Ltd.

2.0 BUSINESS PROPERTY RENOVATION ALLOWANCE SCHEME (BPRA)

2.1 On 13 November 2012 and 5 February 2013, Inverclyde Council considered detailed reports on formal complex mechanisms to utilise the Business Property Renovation Allowance (BPRA) Scheme for the Old Library Building, Greenock (Council owned) and the former Peacock’s building (now ri-owned).

2.2 BPRA are legitimate and beneficial tax schemes (HMRC) that were created by the Government to encourage businesses to move into vacant buildings in designated areas. The scheme offered the Council the opportunity to save a significant cash sum of up to £1 million. The Government’s scheme has recently been extended by 5 years to April 2017 and provides access to tax allowances to higher rate taxpayers who contribute towards the building refurbishment costs.

2.3 The qualifying criteria associated with the BPRA are that the building must be in a qualifying area (and most of Inverclyde is within a Government-designated qualifying area), the refurbished property needs to have been empty for at least 12 months prior to the commencement of the works and the end use of the refurbished property for which the BPRA allowances are claimed has to be for a “commercial purpose” (i.e. office-use).

2.4 The Council achieves savings on the basis that part of the works are funded by private investors who will be higher rate taxpayers and by contributing to the BPRA they are able to claim allowances which offset their own tax liability. The BPRA scheme requires the setting up of complex company mechanisms involving a joint venture with the Council and the private sector higher rate tax investors.

2.5 As part of this complex company picture, there is a need to incorporate a “Special Purpose Vehicle”, known here as Inverclyde Development Ltd and it is this company which will enter into building contracts and which will receive funding to carry out the refurbishment works. Equally, there is a need to establish another company of which the Council will be a member along with the investors and this instance the company is known as Inverclyde Property Renovations LLP. These are both of the relevant companies specified in page 107 of the Riverside Inverclyde Mid-term Review.

2.6 As stated, the arrangements require Inverclyde Property Renovations LLP to have the Council and investors as members. In order to secure the Council’s interests in relation to the company framework needed to gain the advantages of the BPRA, a Council-owned nominee company requires also to be a member of the LLP. It is this company to which the question you referred and which has become known as Inverclyde Renovation Ltd. Importantly, the report which was submitted to the Council for approval did not use this name because an off-the-shelf company required to be utilised in order to facilitate this arrangement and the off-the-shelf company was at that time known as MN Nova 58 Ltd and was referred to as such in the detailed Council report (and that Company was only later renamed as Inverclyde Renovation Ltd).
3.0 SUMMARY

3.1 Inverclyde Council has used an innovative, creative and entirely legitimate Government backed approach in order to obtain tax efficient funding of up to £1million for the refurbishment of Wallace Place (which is the more substantial part of the works) and the additional refurbishment of the former Peacock’s building in Port Glasgow.

3.2 Page 107 of the Riverside Inverclyde Mid-term Review refers to the Council's wish to commit significant effort and resources to regeneration and to access funding from all available sources and that is the thrust of that comment. The technical, company incorporation detail is a necessary requirement in order to draw down this considerable private sector support to facilitate the creative approach and the cost-efficient refurbishment of currently vacant buildings.