



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

LOCAL GOVERNMENT AND REGENERATION COMMITTEE

Monday 5 October 2015

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LOCAL GOVERNMENT AND REGENERATION COMMITTEE
22nd Meeting 2015, Session 4

CONVENER

*Kevin Stewart (Aberdeen Central) (SNP)

DEPUTY CONVENER

*John Wilson (Central Scotland) (Ind)

COMMITTEE MEMBERS

Clare Adamson (Central Scotland) (SNP)

Jayne Baxter (Mid Scotland and Fife) (Lab)

Cameron Buchanan (Lothian) (Con)

Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

*Cara Hilton (Dunfermline) (Lab)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Councillor Jim Clocherty (Inverclyde Council and Inverclyde Leisure)

Alastair Dickie (Ediston Real Estate)

Aubrey Fawcett (Inverclyde Council)

Dr Gerry McCarthy (Riverside Inverclyde)

David McCorkindale (Inverclyde Leisure)

Richard McIndoe (Strathclyde Pension Fund)

Stuart McMillan (West Scotland) (SNP)

John Mundell (Inverclyde Council)

David Robertson (Scottish Borders Council)

Kieron Vango (Inverclyde Leisure)

Alan Vesey (Glasgow City Council)

Councillor David Wilson (Riverside Inverclyde)

CLERK TO THE COMMITTEE

David Cullum

LOCATION

Greenock Council Chambers

Scottish Parliament

Local Government and Regeneration Committee

Monday 5 October 2015

[The Convener opened the meeting at 14:29]

Draft Budget Scrutiny 2016-17

The Convener (Kevin Stewart): Good afternoon and welcome to the 22nd meeting in 2015 of the Local Government and Regeneration Committee. I ask everyone present to switch off mobile phones and other electronic equipment as they affect the broadcasting system. Some committee members might consult tablets during the meeting because we provide meeting papers in digital format.

We have received apologies from committee members Cameron Buchanan, Jayne Baxter, Willie Coffey and Clare Adamson. I welcome Stuart McMillan MSP as a visitor to the committee.

Before we move on to committee business, I express my thanks to Inverclyde Council and its staff for assisting with the organisation of this meeting and pulling together the programme for our visit. Their efforts are much appreciated. I also thank the provost for his welcome.

The first item on our agenda is to take evidence from a panel of witnesses on local authority pension fund investment in capital infrastructure projects, which is part of our scrutiny of the draft budget for 2016-17. We will also take evidence from the panel on matters relating to the Glasgow and Clyde valley city deal, and particularly how it impacts on Inverclyde.

I welcome to the meeting our witnesses from Inverclyde Council: Jim Clocherty, deputy leader; John Mundell, chief executive; and Aubrey Fawcett, corporate director for environment, regeneration and resources. I also welcome Alan Vesey, director of city deal, Glasgow City Council; Richard McIndoe, head of pensions, Strathclyde Pension Fund; Alastair Dickie, development director, Ediston Real Estate; and David Robertson, chief financial officer, Scottish Borders Council.

Would any of you like to make an opening statement?

John Mundell (Inverclyde Council): Yes please, convener. Good afternoon. I thank the committee for visiting Inverclyde to see at first hand the extensive regeneration that has taken place here, and which continues.

Inverclyde's town centres have been improved and enhanced, new business premises have been built, investment has been made in new public realm space, new retail opportunities have been created and the regional transport network has been improved. All of that has attracted new businesses to the area and created employment opportunities for local people.

I am also immensely proud of what we have achieved in Inverclyde over the past few years through regeneration in other key areas, such as in transforming positive destination outcomes for our young people when they leave school, whether they go into further education, training or employment.

Nevertheless, our partners in the Inverclyde alliance, which is our community planning partnership, remain focused on tackling the significant challenges that we still face in our communities. We need to build on what we have already achieved by stimulating economic growth—for the benefit of both residents and businesses—through major investment programmes such as the Glasgow and Clyde valley city deal. That initiative provides a unique opportunity to accelerate growth and create jobs for the Glasgow city region through programmes of work in areas including infrastructure, skills and enterprise activity.

The partner councils recognise that the city deal is a step change in the approach to regional economic development and changes are required in ways of working to ensure that the positive outcomes that will arise from this groundbreaking opportunity are maximised. The city deal agreement, in effect, unlocks £1.13 billion of investment, which will enable the delivery of 20 major infrastructure schemes across the city region and provide a catalyst for economic growth and investment for the whole region.

In addition to the infrastructure projects, the city deal includes £75 million to support further growth in life sciences through world-class research and development facilities, £10 million of investment to provide incubator and grow-on space for entrepreneurs, and a £25 million labour market programme to tackle the problems that are caused by unemployment and low wages.

The councils have already established the strong governance and support arrangements that are necessary to successfully co-ordinate their activities and fulfil the requirements of the agreement that was reached with the United Kingdom and Scottish Governments.

That is all that I want to say. Thank you.

The Convener: Thank you, Mr Mundell.

As no one else wants to say anything at this point, I will ask the first question. We will look first at pension fund investments. Recently, the committee visited Manchester City Council to look at its pension fund investments and Manchester's city deal. Greater Manchester Pension Fund has invested locally in both commercial property development and housing over a number of years, and it recently increased its investment to about 5 per cent of its fund value, or £800 million.

I ask Mr McIndoe to explain the extent to which Strathclyde Pension Fund invests in infrastructure projects. Is there scope for it to make further investments in such projects?

Richard McIndoe (Strathclyde Pension Fund): Strathclyde Pension Fund created a new opportunities portfolio in 2009, which is available to make a wide range of investments, including in infrastructure. It is particularly keen on impact investment. The first priority has to be investment return but, beyond that, it welcomes anything that can have an environmental or social impact, and it welcomes anything that can have a local impact.

The portfolio was instrumental in the construction of houses in Glasgow as part of the athletes village for the Commonwealth games and in a property development deal much closer to here. In addition, we recently increased the limit on the portfolio's capacity to 5 per cent of the total fund, which is slightly less than £800 million and slightly smaller than Greater Manchester's figure.

There are quite broad parallels between what we and Greater Manchester Pension Fund are doing. I, too, visited Manchester quite recently and we are sharing ideas.

The Convener: How many houses were built for the athletes village?

Richard McIndoe: Seven hundred units.

The Convener: You said that you visited Manchester recently. Did you learn any lessons from its pension fund about local investment? Do you think that its knowledge is being exported widely enough in Scotland to allow other funds to do the kind of thing that it is doing?

Richard McIndoe: It was certainly a very interesting visit. Greater Manchester Pension Fund has had a local investment portfolio for much longer than we have, so it has more experience than we do and it has built up a bit more resource. I guess that there is a lesson for us about how we might want to resource the thing going forward.

On other, specific learning, Greater Manchester's housing model is interesting—it is very different from the one that we use. We will probably look further at that and at one or two other things that it has done, but what struck us most was the parallel between what it is doing and

what we are doing. Even outwith infrastructure, we are doing quite similar things with local small-company investment and finance.

Has Greater Manchester Pension Fund exported what it is doing? It is certainly very willing to talk about what it does with anyone in the local government community. I do not know how many conversations it has had with others in Scotland, but I am aware that it has spoken to one or two other Scottish funds.

The Convener: You said that it has been doing infrastructure investment for a long time. Why have we not been doing it here? Have we been far too risk averse in using the resource in pension funds to invest in local infrastructure?

Richard McIndoe: I do not think so. For us, its time came in 2009—that is when we started doing it. That was to do with the withdrawal of traditional lenders from the marketplace during the financial crisis. That created big problems for many people, but it created an opportunity for us that we felt able and willing to exploit. It served as the foundation of what we have done in the new opportunities portfolio. In the various areas that it has invested in, a common theme has been that the projects are ones for which the banks or others would traditionally have provided the funding. In effect, we are stepping in to take that role. The same opportunity was not really there prior to our initiating the portfolio in 2009.

The Convener: Does any other member of the panel wish to come in on the subject? We are interested in the fact that Manchester seems to have a get-up-and-go attitude when it comes to the use of its pension fund to fund infrastructure projects in the local area. The same cannot really be said of local authority pension funds here in Scotland, other than Falkirk Council pension fund, which seems to have made some advances of late.

Mr Mundell, would you like to comment?

John Mundell: We very much welcome the development. Specifically, within Inverclyde, we are benefiting from a £30 million development at Port Glasgow. I am aware that the Manchester city deal has been in existence—or at least in development—for much longer than the Glasgow and Clyde valley city deal. I understand from speaking to colleagues that it has taken Manchester nigh on 30 years to develop its city deal to the extent that it has been developed through a range of shared working. However, colleagues are on the front foot and I believe that the innovative work that is emerging just now will help us and other people not just in Glasgow and the Clyde valley but elsewhere, bearing in mind that the pension fund will require a return as well.

David Robertson (Scottish Borders Council):

The primary aim of the pension fund is to provide retirement benefits to its members. In doing that, we seek investments that allow us to ensure that our future cash flows will be there when we need them to be and that we keep our employer contributions for councils stable.

We will examine any investment that provides a sound rate of return to the fund, and we are not predisposed to any particular type of investment. The Scottish Borders Council pension fund sets a strategic allocation for its assets, and we have a strategic allocation of 5 per cent of the fund to be invested in property, which we invest through a third-party fund manager. At 31 March 2015, the fund was sitting slightly ahead of that target, at 5.3 per cent.

The Convener: Is that 5 per cent of the fund invested in property in Scotland?

David Robertson: It is invested in property throughout the UK.

The Convener: It is invested nowhere else in the world—just in the UK.

David Robertson: It is UK property.

The Convener: Councillor Clocherty, can you give us an elected member's view on the use of pension funds for infrastructural investment?

Councillor Jim Clocherty (Inverclyde Council): I look at the bigger picture. I know what we are developing up at Port Glasgow through the Clydebuilt fund. However, as elected members, we have to look at how that affects the whole of Inverclyde. Although it is fantastic to see the infrastructural work that is being done at Port Glasgow and the investment that is going into that, I am acutely aware of the impact that it could have—and has already had—in the town centres of Greenock, Port Glasgow and Gourock. It is great to have the investment put in, but we must also be aware of the strains that that puts on other areas of our communities.

The Convener: Mr McIndoe, have funds been divested from any investments due to social, environmental or ethical issues? That subject is currently in the news to a huge degree.

Richard McIndoe: Yes—the fossil fuels aspect has been a particular focus in recent months and I suspect that that will continue for some time.

To the best of my knowledge, the answer is no. I do not know of a local government fund that has divested as a responsible investment strategy. At Strathclyde Pension Fund, we reviewed the issue over the summer with specific reference to fossil fuels, and the council agreed to a motion to investigate the possibility of divestment from fossil

fuels. Ultimately, however, it agreed that that was not a particularly appropriate form of action.

Our history is in active engagement with companies in all sorts of industries to get them to improve their performance on financial, environmental and social governance issues. Divesting removes that option, in effect—if we come out of the fossil fuels market, it will go its own way. The likelihood of our divesting having any impact on that market was close to nil, so we preferred to continue to take an activist and an active approach that focuses on investments in renewable energy infrastructure, of which we have made—

The Convener: What about the arms industry? Is Strathclyde Pension Fund still investing in the arms industry? Are other pension funds in Scotland still doing likewise?

Richard McIndoe: Or the defence industry, as we prefer to call it.

The Convener: Well, I prefer to call it the arms industry, Mr McIndoe. Are you still investing in the arms industry?

Richard McIndoe: We invest in all industries. No market, sector or industry is excluded from any of our portfolios.

14:45

Cara Hilton (Dunfermline) (Lab): I note from the paper that was provided to members that Strathclyde Pension Fund has signed up to the United Nations principles on responsible investment. It seems a bit bizarre that investing in the arms industry, and possibly in the oil industry, is seen as responsible. Would you like to comment on that?

Richard McIndoe: Those industries would be less responsible if we and a huge number of other global investors had not signed up to the UN principles. In effect, we are pushing participants in those industries to behave more responsibly. We are trying to improve companies' behaviour on environmental, social and governance issues.

The Convener: Mr Robertson, can you give us the Scottish Borders point of view?

David Robertson: Scottish Borders Council does not pursue a policy of investing directly in arms. We accept, however, that we are invested in companies that have some connection with the arms industry. We invest in firms with a multinational presence such as BAE Systems and Rolls-Royce, which may be connected to the arms industry via jet engines, for example.

The Convener: Do members have any other questions on that point before we move on?

John Wilson (Central Scotland) (Ind): Mr McIndoe, can you give the committee an example of where concerns that have been pushed by your pension fund have made an investor think about where they are investing their money and the returns that they are looking at?

You gave an example relating to fossil fuels, and you have just mentioned the defence industry, which the convener referred to as the arms industry. You said that you would like to influence the companies in which you invest. Can you give an example of where Strathclyde Pension Fund has influenced a company to consider its investment portfolio to such a degree that there has been a change in attitude with regard to the investments that are made?

Richard McIndoe: I think that there are two aspects to the question. I may have misunderstood it, but my response will still apply.

We try to exert an influence over the investment managers who manage the portfolio of investments, and we also try to influence, through those managers and another agency that we use for the purpose, the end investment and the companies. We have been doing that since 2000. Back then, few of the investment managers that we used would have had any research capability in environmental, social or governance issues, but now they all have some sort of research capability and some of them have very sophisticated capabilities in those areas. For example, Baillie Gifford in Edinburgh has a very good internal team that is looking closely at the fossil fuels argument. I am confident that that would not have happened without us and other investors pushing those investment managers.

Influencing the end companies is more difficult, and cause and effect can be hard to link. We primarily invest in big companies that are subject to all sorts of lobbying forces, so it is hard for us to say, "We asked for this and it happened." Since the very early days of our engagement, we have pushed the big fossil fuel producers to invest more in renewable energy, and that has happened, but there have been a host of other forces pushing for that, too. We are only one voice.

Disclosure has been the biggest area of success. Engagement will often start with disclosure. We ask a company questions, and it says that it does not know, to which we say, "Well, find out and publish the answer, please." That is still happening. This year, BP and Shell agreed to produce much greater disclosures on the risks that are posed in relation to the fossil fuel and trapped asset arguments. That was entirely in response to shareholder pressure. They will produce those disclosures in their annual reports next year.

We publish a quarterly report on engagement activity that lists hosts of instances of engagement. There has been a lot of success, but we cannot claim the credit for all of it.

John Wilson: You mentioned shareholder pressure. Do you know how great a percentage of shares the Strathclyde pension fund has in BP or any other company that it might invest in?

You said that you could influence one part but that, in relation to another part, you could not be sure how great your influence is, and that there might be other pressures on companies in terms of their investment strategies and other shareholders.

We are interested in what kind of pressure the pensions funds collectively in Scotland could have with regard to environmental, social and—in the convener's case—armaments issues. For example, Lockheed Martin continues to develop weapons of mass destruction. How could the Scottish pension funds influence such companies to go for more environmentally and socially sound investments rather than investments in weapons that kill, maim and injure people?

Richard McIndoe: We own a tiny amount of BP, so it is unlikely that our voice in isolation will ever be effective. Of course, there are instances when one voice saying the right thing at the right time can make a difference but, mostly, such action works best through coalitions of investors.

UNPRI is quite a good example of what I am talking about. Effectively, it works as a global coalition of investors who are all pushing for the same thing. In the United Kingdom and the local authority world, there is a similar coalition that is called the local authority pension fund forum, which numbers 80 of the local government funds in the UK, including most of the Scottish funds. If you add up all the assets of the local government scheme in the UK, it comes to £200 billion. That becomes quite a loud voice, particularly in relation to UK companies.

John Wilson: Mr Robertson, you said earlier that you look at the investments to ensure that you get a return for the pensions that you are there to protect so that you can ensure that employees can receive a pension. How do you weigh up the returns that you could make through environmentally and socially useful investments, compared to, say, the international portfolio that Scottish Borders Council's pension fund might be engaged in? When we talk about pension funds' contribution to the market in the UK, we are hit with this figure of 5 per cent, which seems to be a ceiling. Basically, if you invest 5 per cent in the UK, you are doing well, but you find that 95 per cent of the pension funds are invested elsewhere.

What would be the substantial change that would be required to enable the pension funds to start making a greater investment in socially and environmentally useful projects in the UK?

David Robertson: I do not believe that there is a ceiling in terms of property and infrastructure investment across pension funds. We regularly review our strategic asset allocation to different asset classes, and we will do so again in the near future.

We invest in a broad range of assets, including in the United Kingdom and overseas. For me, the key issue is balancing off the returns that the pension fund is seeking to make to the public sector. For example, last year, my own pension fund delivered a return of just north of 11 per cent from a broad range of investments across a range of asset classes. In turn, the council was able to borrow to fund capital investment at between 3 and 4 per cent. As the chief financial officer, I think that the key question is: why would I want to sacrifice pension fund returns and make the council spend more than it needed to in order to invest in assets funded by the pension fund?

Certainly as far as the Borders is concerned, I am not aware that the availability of finance is a restricting factor in investing in assets; for me, the key restricting factor is the affordability of the council's revenue budget to meet the principal and interest repayments on the borrowing that it undertakes and ensuring that that remains affordable for future generations of taxpayers.

The Convener: This will have to be your final question, Mr Wilson.

John Wilson: Is the 11 per cent that you have mentioned a target return for the pension fund? You said that the local authority was able to borrow at 3 to 4 per cent, but what about the amount of money that is available through the pension funds for environmentally and socially responsible projects in the UK? We have heard from Mr McIndoe about the investment made by the Strathclyde pension fund in the athletes village in Glasgow for the Commonwealth games. I might be wrong, but I am sure that that investment is not delivering an 11 per cent return. Can we make socially justifiable investments in housing and other such projects that not only provide a financial return to the pension fund but bring much wider benefits, or is it a case of protecting the pension fund above everything else?

David Robertson: We need to make a distinction between the pension fund and the council's money. As I have explained, the pension fund, as a separate legal entity, has the duty to maximise returns. That said, we want to invest in a broad range of asset classes, and the pension fund certainly finds infrastructure interesting. I

would not say that we were targeting an 11 per cent return; that is our average return across a range of investments. If we could get a stable but lower return from, say, investing in property, we would be very keen to look at that in managing our overall risk portfolio.

At the moment, we are looking at our whole approach to ethical investment. Although we have not yet finalised that policy, I am quite sure that when we do so later this year we will be interested in looking at wider social considerations than perhaps we have in the past.

Stuart McMillan (West Scotland) (SNP): I should point out first of all that I am not a member of the committee.

I find the issue really interesting. In operating the pension funds, do you tend to have parameters with regard to areas of investment? For example, do you decide that up to 10 per cent will be invested in defence, 7 per cent in some other sector and so on, or do you take a more flexible approach?

Richard McIndoe: As a rule, we take a top-down approach to strategy. The first distinction that we make is between equities and bonds, and after that we make decisions on the basis of geography. Having decided on that, we will for, say, UK equity investment tend to award a manager a UK equity portfolio that covers the whole market. If it is a passive portfolio, we will own a slice of the whole market; if it is active, the investment manager will actively make decisions about the sectors that he wants to favour, although he will typically stay in all of the sectors but adjust the weighting according to his judgment of their prospects at any point in time.

David Robertson: We would adopt a similar approach in the Borders. The committee sets the strategic allocation of costs to asset classes and then determines the allocation to fund managers. We do not set an allocation based on individual sectors such as defence.

15:00

Stuart McMillan: Are you able to provide a breakdown of the different classes of the funds that you have at the moment? How might that have changed over the course of the past 12 months or maybe even over the past three years?

The Convener: It would be helpful if you could give us a brief overview. I know that it is a complex question.

David Robertson: Briefly, our asset allocation to UK equities is 19 per cent of the fund; it is 46 per cent for global equities; and it is 13 per cent for bonds. We have a multi-asset fund—which is

largely to do with private equity investment—of 17 per cent and property at 5 per cent.

That is the strategic benchmark that we have set; the actual levels may vary depending on current market sentiment. For example, the strategic benchmark for bonds that I quoted was 13 per cent, but in the past year we have been running the portfolio underweight on bonds because of the poor investment returns, so it is sitting at around 10.7 per cent of the overall fund. Levels may vary within a tolerance around the strategic asset allocation.

Richard McIndoe: Our situation is not terribly dissimilar. We have a little more in UK equities—I think that we have 22.5 per cent in that. We have 72.5 per cent in total in equity and 15 per cent in property, which is predominantly in UK property but we also do some global property—about 2.5 per cent of the fund is in global property. We are also underweight on bonds right now and we have a substantial private equity portfolio, which is currently about 9 per cent of the fund.

The Convener: Thank you. We would be grateful if you could send details of those breakdowns so that we can have a look at them.

I will give you some quick-fire questions, gentlemen, so that we can cover all the bases. Are there any barriers that could be overcome to allow you to invest more in infrastructure projects locally?

David Robertson: We could answer that question only in the context of looking at our overall strategy for the fund: is it delivering the right returns to meet pensioners' needs in the future?

The Convener: But there are no barriers or anything like that.

David Robertson: Not as far as I am aware of.

The Convener: Mr McIndoe, do you see any barriers?

Richard McIndoe: My written evidence described some impediments—none of them are absolute. It is a question of finding the right opportunities. It is about the right deals being there and being doable. It is about our ability to diligence them and get them. There is no absolute impediment to any of that, but it all takes a lot of time. The deals have to be forthcoming for us to put in the money.

The Convener: Would pension funds in Scotland benefit from working together on investing in infrastructure projects?

David Robertson: There are certainly opportunities from working together; there always are.

Richard McIndoe: We are working with a group of UK pension funds on infrastructure opportunities under the umbrella of the pensions infrastructure platform. That is working well for us.

The Convener: Mr McIndoe, you mentioned the issue of time. It seems that Manchester has been doing certain things for quite a long time compared with us in Scotland. Are we too risk averse here?

Richard McIndoe: I think that we have caught up very quickly with Greater Manchester in that we both have similar allocations now for the niche new opportunities portfolios.

The Convener: Why did we need to catch up? Why was Manchester so far ahead of us and why did it take us so long to get to the same level of investment?

Richard McIndoe: From a standing start in 2009, we have been very quick to get to the same level of investment that Manchester has reached over 20 years.

The Convener: Mr Robertson—are we too risk averse?

David Robertson: No, I do not think that we are. I think that we take a balanced approach to risk, and I think that we offset that risk with the return that pension funds expect to deliver.

The Convener: Okay. The committee will be keeping a close eye on that aspect.

Mr Vesey, can you give us an overview of what progress there has been with the Glasgow and Clyde Valley city deal?

Alan Vesey (Glasgow City Council): Progress at this point in time over infrastructure, innovation and the labour market remains on programme. In terms of the innovation projects, the support group for innovation has been established and will meet next week; MediCity and supporting growing businesses are due to complete this month; labour market went live on 24 August; and Renfrewshire Council is taking the lead on youth gateway, which has elements of labour market.

In terms of the infrastructure programme, 14 business cases have been approved to progress to the next stage and another three are coming forward this week that I hope will go to the Glasgow and Clyde Valley cabinet at the end of this month.

The Convener: Can you give us some detail on the 14 business cases that have been approved? In particular, as we are in Inverclyde today, it would be interesting to know how many have been signed off for Inverclyde.

Alan Vesey: The three projects in Inverclyde—Inchgreen, Inverkip and ocean terminal—are currently at what is called a pre-implementation

phase, which is where their strategic business case is being developed. It is those three business cases that we will put forward to the chief executive group on Wednesday for consideration. If they progress, they will go forward to the cabinet on 20 October.

The Convener: So far, out of the 14 business cases, none in Inverclyde has been completely signed off yet.

Alan Vesey: None has been signed off as yet.

The Convener: So there are three to come later.

Alan Vesey: Yes.

The Convener: Let us look at the project for ocean terminal, which we visited earlier today. I understand that the investment that is being asked for the project is £14 million or thereby. That investment also involves the private company Peel Ports. We have had an indication that things can be worked out so that there are no state-aid implications. How do we claw back any profitability from Peel Ports if the £14 million gets the go-ahead? Do you want to go first on that, Mr Vesey? We will take Mr Fawcett after you.

Alan Vesey: Unfortunately, I do not have the detail on that particular project, which will come forward in the strategic and then the outline business case. In terms of the programme, perhaps I should have said in my introduction that I have been in post for only about eight weeks, so I am sure that my colleagues will be able to give a bit more advice on the programme than I can.

The Convener: We might give you a little bit of leeway in that regard.

Alan Vesey: Thank you.

The Convener: Only a little, though.

Mr Fawcett, can you comment?

Aubrey Fawcett (Inverclyde Council): Any profitability would be clawed back through a joint venture agreement that we would have with Peel Ports. For example, if each party—the public sector and Peel Ports—puts in 50 per cent of the money, the residue income and the net income would be split on a 50:50 basis; that is how it would be clawed back.

The Convener: Okay. Can you give us an indication of how much value to the local economy there is from operations at ocean terminal?

Aubrey Fawcett: During our visit to ocean terminal earlier, we got an indication from Andrew Hemphill, the operations director, that about £10 million a year in terms of spend locally emanates from ocean terminal.

The Convener: I always play devil's advocate, as you are well aware from previous visits to the committee, Mr Fawcett. How would you respond to folk who might be a bit cynical about city deal money going to help a private concern?

Aubrey Fawcett: We are under very strict rules, convener, and you are right to play the devil's advocate role in that regard. However, we have been very clear with Peel Ports, as we are with any other private sector body, that when we put in public money it must be done in a proper manner that does not breach the state-aid rules. We have had meetings with the Scottish Government's state-aid unit to ensure that Peel Ports is very much aware of what is permitted in terms of grant and equity investment.

We are very clear of our obligations to ensure that there is an equitable split in the joint venture arrangements and that any income is fed back to the respective partners appropriately. We are very clear that, when we put in money, we require that return to come back on an equal basis, as Peel would expect.

John Mundell: Mr Fawcett and his team have been immersed in working with the state-aid office to ensure that any deal that is structured is appropriate, as described. It is important to note that the council would not recommend progressing, through the city deal, a project that did not comply with statute. You must bear in mind the fact that we will not go forward unless we are guaranteed to get an appropriate share of the structured deal.

I return to an earlier question on the number of projects that have been approved so far. About £900 million-odd—just under £1 billion—has been invested in the 14 projects that have been approved. Ours are not behind; they are progressing as per schedule. We are working to an agreed timetable for the whole of the Glasgow and Clyde valley city deal, and our projects are coming forward on time. One of the three infrastructure projects that we are involved in, through the city deal, is not scheduled to take place for quite some time, so it will come forward later for approval of its strategic and outline business cases.

Councillor Clocherty: Elected members are clear on the structure and in what order the projects will come. Inchgreen comes at the end; Inverkip comes at the beginning; ocean terminal comes in between. You mentioned ocean terminal, convener. Elected members want to see Inverclyde being a centre of tourism for Scotland because of the advantage that that brings to the whole of the west coast, so increasing the tourist traffic through Inverclyde via the port of Greenock and along to the greater Clyde area and the west of Scotland seems a good use of public money.

We are delighted that God has given Greenock a deep-water port.

The Convener: Some cynics have said that many of the projects on the list of those that have been put forward in Glasgow and the Clyde valley have been on the shelf for some time and that there has been no real analysis of the benefits that those projects will bring. What analysis is going on to determine the benefits of the projects that you are signing off?

Alan Vesey: I understand that, initially, more than 80 projects were considered as part of the infrastructure programme, and they were modelled together to identify what would give the city deal programme the best economic benefit for the investment. That was how the 20 projects that are set out in the city deal assurance framework were chosen. The projects work together in a regional context, which means that some individual projects that might have had better economic benefits probably did not go ahead in the programme because of the adverse effect that they might have had on other local authorities. The projects that have been chosen are the ones that work best together as a programme, and that is how the programme has been established.

The Convener: So some projects have fallen by the wayside because there was no agreement between all the local authorities about their going ahead.

Alan Vesey: No. I am sorry—I should be clear. The 20 projects work best as a programme. There were others that, on paper, would have returned slightly better gross value added as single projects, but they worked negatively in parallel with other projects. Cumulatively, the 20 projects going forward deliver the best GVA output as a programme.

The Convener: In layman's language, they deliver the biggest bang for your buck.

Alan Vesey: Yes.

The Convener: From a private sector point of view, Mr Dickie, what do you think of the Glasgow and Clyde valley city deal?

Alastair Dickie (Ediston Real Estate): We did not seek state aid in any way for any of the projects that we have been involved with, so the city deal is not something that I have really followed to a great extent. We look at projects on a stand-up basis from a commercial property sector point of view and because we do not have anything that requires aid, we have not applied for anything on a Scotland or UK-wide basis.

The Convener: Thank you.

15:15

Cara Hilton: Prior to the formal meeting, committee members had a community participation event downstairs. In the group that I was involved in, there was a feeling that the city deal seemed quite detached from local communities. How can communities and members of the public make their views known on the allocation of city deal funds? Is there genuine consultation? People often feel that it is a tick-box exercise and that they have not really been involved in its development. As it is obviously something that we want everyone to be engaged in, I would welcome views on the matter.

Councillor Clocherty: The priority for the council in looking at its overarching aims for the area has to be repopulation. There has been a decrease in Inverclyde's population over the past 20 or 30 years—in fact, it has been decreasing forever, so let us say over the past 100 years—and we have tried to reverse that particular oil tanker. Unlocking that piece of land in Inverkip, say, might not benefit a lot of people. Those who have jobs in the construction industry or who get community benefits will see the benefit, but people from Port Glasgow, the Broomhill area that I represent or Greenock will not see anything. Even the extension of the port is not just an Inverclyde but a west of Scotland benefit.

I understand where my constituents are coming from, but when we look at our overarching responsibility as a local authority, our first and foremost responsibility is to try to reverse that population decline. I believe that the infrastructure around Inverkip does that; it will create a hub to allow us to construct new houses down there. As I have said, I understand the argument that has been made, but there will be aspects of this that people will not get involved with. It would be different if we were talking about one of our more traditional housing schemes in Greenock.

As I have the opportunity to do so, I will use the example of my own area, Broomhill, where we are seeing a lot of regeneration. The people in that area are very much involved in that regeneration, but there is nobody in the Inverkip area at the moment, and it is extremely hard to involve people who are not there.

I hope that that answers your question in some way.

Cara Hilton: Yes. That is grand.

The Convener: I would like to follow up on that before I bring in John Mundell.

There was a great deal of talk downstairs about a lack of consultation in a number of areas. Mr Clocherty has explained that a major part of the project is about repopulating the area. How have

you actually been telling folk that that is what the main plan is all about? Have you been doing that?

Councillor Clocherty: That is the council's number 1 corporate priority—

The Convener: Do you tell people that it is your number 1 priority?

Councillor Clocherty: It is in all our corporate plans. Everything would—

The Convener: Councillor Clocherty, I am going to stop you there, because we all know that corporate plans, grand strategies and all the rest of it sit on council shelves, largely unread by the populace at large. Let us be honest about that. How have you been communicating to the population of Greenock, Port Glasgow, Inverkip and other communities in Inverclyde that your number 1 priority in all of this is to repopulate the area?

Councillor Clocherty: I will let John Mundell answer—

The Convener: I want to hear from you first, Councillor Clocherty, and then from Mr Mundell.

Councillor Clocherty: We are talking about the city deals here, and people are interested in their own area. People in Gourock are interested in the regeneration of Gourock; people in Broomhill are interested in the regeneration of Broomhill; and people in Port Glasgow are interested in what is happening in Coronation park.

We are heavily involved with local people in the areas where each of the regeneration projects is happening, because that is what they want to hear about; they want to hear about what is happening in their area. People from Gourock have no interest in what is happening up in Port Glasgow; all they want to hear about is what is happening in Gourock centre. We might talk about the council's overarching brief in increasing the population, but people think about that only when they read the local paper, the *Greenock Telegraph*, and say, "Oh no, there's the population of Inverclyde decreasing again." That is when they will look at and think about what it means for them. What it means for us is less funding from the Scottish Government, because our population is continuing to decline. However, people will not micromanage or consider the microeconomics of what exactly that means to communities such as Greenock, Gourock and Port Glasgow.

As for the idea of going out and consulting on the overarching aim of repopulating Inverclyde, I must point out that the overarching impact on the population is at the heart of everything that we do. We want to create active communities—an active Broomhill and an active Gourock—but people are not interested and stay quite silent. I might sound quite blasé, but what I am saying is that people

from Gourock are interested in Gourock, people from Port Glasgow are interested in Port Glasgow and they will not look at the overarching idea of Inverclyde as a community.

The Convener: I heard many folk at the event downstairs talking about Inverclyde, rather than just the individual places where they live. In any case, I did not mention consultation—I talked about communication. If your primary aim as a local authority is to ensure repopulation—and I understand completely why you want to do that—you should be communicating the message of that primary goal to the people across Inverclyde and beyond.

John Mundell: I take your point about a plethora of plans, convener. In Inverclyde, through our community planning partnership Inverclyde alliance, we have distilled our plans down to a single outcome agreement that all our community planning partners are signed up to. It is not a document that is just kept on a shelf. It was evidence based through a significant amount of community engagement—not just consultation, but communication.

For example, one of the most recent Inverclyde alliance community engagement processes was a series of workshops held in 2014 in which elected members, community representatives, the third sector, the voluntary sector, council officers and a large number of members of the public engaged and told us what they believed to be the priorities. That is the basis on which we have developed our plans and the interventions that we are currently working on. The workshops covered current engagement structures, and we asked how well we are doing in that respect and how they want us to engage. We also discussed standards of community engagement, developing asset-based approaches, prevention and early intervention, handling complaints and concerns and the identification of improvement actions.

We are also acutely aware of the Community Empowerment (Scotland) Act 2015, which the Local Government and Regeneration Committee has been heavily involved in. As far as the city deal is concerned, our communications managers from across the councils have been working together on a communications plan. From my point of view down in Inverclyde, I accept that people do not have enough awareness, despite the local work that we have done and the wider work that has been done in Glasgow and the Clyde valley, and that we need to do more. Our professionals in those areas are working on that just now. We need to promote the projects more.

As the committee knows, we have the three infrastructure projects at the moment, but this is not just about such projects but about developing skills and employability programmes and, most

important, creating jobs, which is a huge focus. I am heartened by the work that is going on collegiately across Glasgow and the Clyde valley, where we are comparing and weighing up the pros and cons, as outlined by Mr Vesey earlier, to ensure that one project does not compete against another.

It is the sum of the parts that will give us—to use your words, convener—the biggest bang for the buck. That is what this is about. We need to do more on communication. We have done our own bit through the infrastructure projects, but we will need to do more once we develop the employment programmes in greater detail.

John Wilson: On the issue of Inverclyde alliance and community engagement, we had, as Cara Hilton has said, an engagement session with some community representatives earlier, and in the group that I was in, a number of the community representatives felt that there was little interest in engaging and actively involving communities.

Mr Mundell, given all the consultation that you have done through the community planning partnership and other voluntary sector organisations, can you tell us how much that influenced the final strategic plan that is being taken forward? Was the final plan put to the individuals and organisations that you engaged with in the stakeholder events to find out whether it met their intentions? Was it explained to them why their suggestions for the way forward had not been included in the proposals?

John Mundell: As far as the Inverclyde alliance community planning partnership engagement process is concerned, it is quite difficult to go back to every person; however, we have endeavoured to do so through our budget consultation process, which has been extensive in different locations. We did that last year, and it influenced the budget process. We went back to all the people who came to the events; they left their contact details so that they could get feedback on what we had decided, based on the consultation process. We do give feedback to people. I will put my hands up and say that there is probably not a single council area in the country that could not do more and could not do better, but I believe that we go the extra distance. In fact, we have received commendations for the lengths that we have gone to in our consultation.

You mentioned the third sector. At our third sector forum conference, which was held last week, I gave the opening address and, in workshops and so on, fed back to the community and shared with it the work that we are doing. More important, we are getting the third sector's views on how we can do better. This is all about

continuous improvement, but I think that we do an extensive amount on this matter.

Obviously, when we invite people to community consultation events, the turnout varies, depending on the competing priorities or interests in the community. For example, some events that we organise months in advance might coincide with football games, which might be more important to people, and we end up with two people turning up after I have made all the officers available for people to ask questions of. Planning in advance is quite difficult, but we have to plan those things in advance, and we do that as much as we possibly can.

John Wilson: Councillor Clocherty gave the impression that Inverclyde Council's current main objective is to repopulate the area. In the document entitled "Glasgow and Clyde Valley City Deal", the first bullet point in the executive summary is one of those things that leap out at you. It says:

"Support an overall increase in the economy of around 29,000 jobs in the city region."

How many of those 29,000 jobs will Inverclyde see? It is fine to say that you are repopulating an area, developing houses in it and so on, but you need to create economic jobs that give people work and allow them to make a living. Surely your aim to get people to move into the local authority area will be hindered if there are no jobs in it that they can make a living from.

Councillor Clocherty: I suppose that you have raised a couple of issues. With regard to the city deal, one of the biggest GVAs—or one of the biggest bangs for the buck, as they have been called—is the Inchgreen depot. My officers will tell me if I am wrong, but I believe that that is one of the big ones that, it is said, will create the most jobs. However, I think that that will not come online until 2021.

In Inverclyde, we try not to look at things in isolation. As I have said, we are lucky; five years ago, we would have said that shipbuilding on the lower Clyde was dead, but now we are looking forward to a future in which ships will be built again on the lower Clyde. No one would have thought that that could happen.

15:30

When we look at the whole river, we can see the tourism opportunities that will no doubt come as a result of the expansion of the pier, and we can see that the building of around 550 new houses in Inverclyde will not only bring in construction jobs but create a new community. I cannot put a number on the jobs—perhaps my officers can—but I think that the future is bright for Inverclyde in relation to not just the city deal but all the

industries on the lower Clyde. Aubrey Fawcett might have figures for the jobs that will be created.

Aubrey Fawcett: The number that we have put on the Inchgreen site is around 750. This morning, the committee heard colleagues at Ferguson Marine talking about high figures in their patch.

The Convener: People were talking about 400 jobs, and the current workforce is 137, if I remember rightly.

Aubrey Fawcett: I think that the company will move from having 157 employees to having up to 400—it had 60 to 70 when it was taken over.

We have identified outputs in relation to the increasing number of vessels coming into Greenock ocean terminal and the number of new houses and commercial spaces at Inverkip. As part of the modelling exercise that KPMG did for the overall city deal, KPMG identified a GVA output, which ultimately came up with a figure for the wider city deal area—and from what I recall, that figure was 29,000.

We also expect indirect provision. In other words, people will benefit from investment in the Paisley area as a result of access to jobs from here, and we expect people in North Ayrshire to have access to jobs in the city deal area. The model that KPMG used informed the city deal process and the figures that Mr Wilson referred to.

John Wilson: We heard that about 550 houses will be built in Inverkip. The building industry says that it is in decline, but we heard today that 12,000 social rented houses have to be built every year to meet demand in Scotland. Nevertheless, house building is a short-term fix for any area. Is that what the city deal is predicated on? In the area where I live, a city deal application has been made for an access road, but it seems to depend on developers building up to 1,040 houses in a particular village. The city deal document talks about investment in life sciences, for example, but am I right in assuming that most of the 29,000 jobs will come from house building? The situation at Ferguson developed after the city deal document was produced, so that is a bonus in many respects—it was not included in the advantages that were set out in the city deal proposal.

John Mundell: You have made a couple of important points. You are absolutely correct to say that some projects are infrastructure projects for road access, allowing us to open up sites across the Glasgow and Clyde valley city region to private developers and making land more accessible and more marketable.

On the 29,000 jobs, I cannot give you the percentages, although I am sure that one of my colleagues will. I would argue that the construction industry is absolutely not in decline. It might well

have gone through a tough patch, for obvious reasons, but posters that are up right now in our jobcentres say that 28,500 jobs—which are not part of the 29,000 jobs, by the way—will be required in the construction industry by 2019.

My concern is that the education that we provide through the colleges, our employability programmes and so on should be aligned to meet that demand. Construction is not the only industry that has issues; we hear or read in the press all the time about the logistics industry, for example, which is 40,000 to 50,000 professional drivers short. The average age of the workforce in the sector is probably in the mid to late 50s; the sector is desperately short of people and cannot get enough of them. The trick is to align all our interventions so that we meet the known demand that we have—and that is on top of the 29,000 jobs that we are talking about across the Glasgow and Clyde valley city deal area.

Alan Vesey: A number of support groups underpin the city deal work that is going on. One group is looking at the economy and working with the eight local authorities as a region to link individual local authorities' plans and stimulate growth in the area. There is also the Glasgow and Clyde valley economic leadership board, which is chaired by the private sector and is doing work that we hope will bring in investment of £3.3 billion. I should also mention the work to address business growth.

Stuart McMillan: Does the panel think that Inverclyde is getting a fair deal from the city deal?

The Convener: Let us start with Councillor Clocherty.

Councillor Clocherty: The answer is easy: yes, we are getting a good deal, when we consider the size of Inverclyde and the bang for our buck, as the convener put it. We are talking about a £1.13 billion infrastructure programme, with £0.5 billion coming from the UK Government, £0.5 billion coming from the Scottish Government and the local authorities coming up with the rest. Given the scarce resources that Inverclyde Council has for regeneration, our contribution, for three major projects, represents a very good deal for Inverclyde.

John Mundell: It is an excellent deal for Inverclyde. My focus is not necessarily on infrastructure projects but on all the work, skills, expertise and knowledge that we can tap into through the private sector, other councils and so on. The collegiate approach to the project will give us a much greater return than we could ever have imagined.

We talked about population being a big issue. The issue is not just jobs in this area. A large percentage of our population—do not ask me to

give the percentage, because I cannot do so off the cuff—commutes to Glasgow, Paisley and so on. We have focused on trying to make journey times better. Mr Fawcett and his team have been involved in increasing the number of express services on the rail network in the mornings, which has been successful—we hope that that will continue. We are trying every approach that we can.

On the population decline. Mr Fawcett told us on our tour this morning that the population was about 130,000 in the mid-1950s, was down to about 90,000 by 1991, and is now around 80,000. The projection, based on the census, is that by 2031 it will have gone down to 66,000. We have slowed the rate of decline, and I am sure that some of our interventions have had an effect. We still have a lot to do to achieve an upward trend, as we hope to do, and I am sure that it will be two or three years before we start to see the benefits.

There is a raft of work in that regard. We are building new houses, as we saw this morning, and we need to build more. We also need to ensure that we train and develop people, so that they have the right skills for the future. It is not just about jobs here, although it is good to have them; it is about developing skills so that people can commute but live here and spend their money here.

Aubrey Fawcett: I think that it is a once-in-a-lifetime opportunity. I have never been involved with public money of the order of 86p in the pound coming in to support projects. I have been involved in European funding and other forms of external funding, but we are now in a unique position. I hope that, as a society, we see the benefits of the deal and that it moves into other areas of Scotland.

The Convener: I will play devil's advocate again. Mr Fawcett, we heard previously from you in your other capacity with Riverside Inverclyde, when GVA bang for the buck was a major topic of discussion. The return for public money from Riverside Inverclyde was not as good as had been expected. How can we be sure that the GVA in this case will be any different from what has happened previously in regeneration?

Aubrey Fawcett: In terms of the input that is required from us, we must satisfy the programme management office and go through a very strict assessment. I understand that Scottish Government officials and Treasury officials will be involved in assessing that. As part of the overall assessment, we will have to give sufficient information to demonstrate that we are getting the required GVA outputs.

Stuart McMillan: This afternoon, we have heard about the proposal for the roundabout at

Inverkip and the unlocking and opening up of the land down at the old power station site to allow 550 homes to be built, and Mr Mundell and his colleagues mentioned a moment ago the commute offering and the fact that it is not just about bringing jobs here but about having good accommodation for people who are going to travel. When the site is fully developed and has 550 properties on it, the number of people commuting from there through Inverclyde up to Paisley, Glasgow or elsewhere will put a huge strain on the current infrastructure. I accept that some of the infrastructure is the responsibility of Transport Scotland rather than Inverclyde Council. However, looking ahead at other potential infrastructure developments that could assist with commuting, do you think that there are other opportunities to assist with that element of the infrastructure? Certainly, huge amounts of money would have to be invested.

Aubrey Fawcett: To answer Mr McMillan's query about the pressure on the roads infrastructure, we would hope that people would use public transport from the Inverkip area, because there are quite good rail links. Notwithstanding that, though, we recognise that there is an issue with the roads. We are currently looking at the pinchpoints in the roads infrastructure, particularly where people come along from Inverkip into the town via Drumfrochar Road and down Bakers Brae. We have a £3 million scheme before council members for them to consider allocating reserves and Riverside Inverclyde funding to, with a view to bringing about a major improvement by aligning Bakers Brae to allow heavy goods vehicles and buses to go around it without causing safety issues. We see that as the first of the various infrastructure improvements that we would want to proceed with in terms of addressing the issues.

The Convener: But all those improvements will be outwith any city deal funding.

Aubrey Fawcett: They will be outside the city deal.

The Convener: Can we concentrate on the city deal, please?

Stuart McMillan: Sure. I think that people generally welcome the investment that will come into Inverclyde through the city deal and will certainly welcome any improvement of Inverclyde's infrastructure. It is important to put that point on the record. Nonetheless, I do not know of anyone who thinks that the roundabout will be a panacea for the transport situation in the western part of Inverclyde.

John Mundell: I remember that the issue of that section of trunk road was important to you not long

after you became a member of the Scottish Parliament.

Stuart McMillan: It still is.

John Mundell: One of the big advantages of the project is to alleviate the pressures and the risks for road users. As you know, that is an accident blackspot and I am delighted that we will be able to resolve a lot of those vehicle conflicts.

15:45

Stuart McMillan: I have one final question.

The Convener: Please be brief, Mr McMillan.

Stuart McMillan: My question is on the investment in the waterfront down to Clydeport, which we heard about in relation to the city deal. Councillor Clocherty mentioned tourism and one of the huge opportunities for Inverclyde to benefit from that investment is its marine tourism offering—not just the current offering, with the cruise liners bringing people in to spend money locally or go elsewhere, but other elements of marine tourism that could be developed further. Do you think that the city deal is an opportunity to improve the marine tourism offering of Inverclyde?

Councillor Clocherty: One of the problems that I recognise—as I am sure Stuart McMillan does—is that when the cruise liners come in, there are buses and more buses that take people all over the west and east of Scotland. We understand that the expansion of the container terminal at the port of Greenock is key for the west of Scotland and will not just benefit Greenock and Inverclyde. We recognise that regional importance, as do the city deal people.

We have got a fantastic waterfront down here—it is one of the beauties of the area. We are still looking at bringing the QE2 to the area, so we are ambitious on that front, too. We are always looking to make the most of our waterfront, but it is difficult for us to do that with the council's meagre resources, so we are willing to work in partnership with third sector and other organisations, such as Inverclyde tourism group, Discover Inverclyde, which is extremely successful.

In terms of infrastructure, the Glasgow and Clyde valley city deal will help the whole of Scotland, not just Inverclyde, but we have the deep water. I hope that you will come next June to see the power boat grand prix. There is a wee invitation for you. I am sure that when you see the power boats at the esplanade it will add to your view of Inverclyde as a fantastic place to live and work.

The Convener: You have got your advert in, Councillor Clocherty.

Aubrey Fawcett: I know that Mr McMillan is very active at a national level in relation to marine tourism. Every part of Scotland should be exploring every opportunity to maximise the possibilities out on the water. In Inverclyde, we have developed the 130-berth marina at James Watt dock and we are providing a visiting dock in East India harbour to allow people who come down the river to call in for the day, stay overnight and maybe have something to eat in the town.

We see enormous benefit in maximising the use of the river for various bits of marine tourism. We will take every opportunity that we can. The national boat show regularly takes place in Inverkip. Overall, we are up for the idea of trying to maximise that opportunity.

The Convener: You have got your advert in for the boat show, too. It is in the very near future, is it not?

Stuart McMillan: It is this weekend.

The Convener: Mr Dickie, what do you think the Glasgow and Clyde valley city deal will do for Ediston Real Estate? Will it affect you in any way?

Alastair Dickie: It does not affect us directly. We have a number of projects throughout the central belt and some of the areas that are affected by the deal. We are not monitoring projects specifically, because as I said earlier, we look at our projects on a stand-alone basis. I encourage economic development anywhere because it benefits Scotland and the greater good. As a developer, I like change, although a lot of people do not, and I encourage it. It is good and helpful to have people coming into an area.

The Convener: So the city deal gets a tick from you.

Alastair Dickie: Where we can help and open up things that might be stuck in the past, I positively encourage it. The committee saw the site that we looked at today, which had been stuck for maybe 10 years. An economic downturn allowed that site to come forward, thanks to the foresight of getting funding through the Clydebuilt fund.

The Convener: Can you say which site that is?

Alastair Dickie: Yes, it is the Port Glasgow shopping park on the waterfront, which is currently a big bit of grass beside the big Tesco and the B&Q.

The Convener: Are you hoping for another £50 million of development there?

Alastair Dickie: We start on site in about three weeks' time and the value should be somewhere between £40 million and £50 million, depending on where the world lies at that time.

John Wilson: I have two quick questions for Mr Vesey. Can you tell us where we are in terms of the community benefit clauses in the city deal document and the commission on urban economic growth?

Alan Vesey: The commission for urban economic growth has been established. We have also set up a national panel to complement that and we are working to bring that relationship together so that there is a reporting mechanism between them. What was the first part of your question?

John Wilson: It was on the community benefit clauses.

Alan Vesey: Yes. We have a legacy manager who has started recently and we are establishing a community benefits support group. We are taking all the benefits from the programme business case and modelling them over the 20 years. Those three elements—the national panel, the commission on urban economic growth and the community benefits—are all linked. A number of tier 1 contracts will be advertised through Procurement Scotland, which will attract tier 1 contractors, so there will be benefits from each of the construction projects, and those community benefits will also be logged.

The Convener: The committee will take further evidence on the investment in infrastructure by local authority pension funds and the potential for investment through city deals when it takes evidence from the Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy at our next meeting on 28 October.

Thank you, gentlemen, for your evidence today.

15:52

Meeting suspended.

15:59

On resuming—

Arm's-length External Organisations

The Convener: Our second agenda item is an oral evidence session for our short inquiry into arm's-length external organisations. I welcome from Inverclyde Leisure Kieron Vango, chief executive, David McCorkindale, head of leisure and communities, and Councillor Jim Clocherty, director; and from Riverside Inverclyde Dr Gerry McCarthy, chair, and Councillor David Wilson, board member.

Mr Vango, I believe that you would like to make an opening statement. Please go ahead, sir.

Kieron Vango (Inverclyde Leisure): Thank you for asking Inverclyde Leisure to be part of this evidence session on arm's-length external organisations. I hope that those of you who attended the presentation earlier saw the great work that Inverclyde Leisure has been doing.

Inverclyde Leisure works in partnership with Inverclyde Council to deliver leisure and community services to the people of Inverclyde. I am honoured to be part of a company that is able to offer so many benefits. Those include giving customers the opportunity to have healthier lifestyles, socialise, meet new people and partake in team events, sporting activities and the latest leisure trends such as CrossFit and Zumba; teaching children and adults essential life skills such as swimming; helping customers who are deconditioned to get back into exercise; encouraging children to exercise to combat childhood obesity; and growing the business to encourage employment in the area. All that has a positive impact on so many people's lives in Inverclyde.

The Convener: Thank you. Dr McCarthy, I believe that you would like to give an opening statement, too. Please go ahead, sir.

Dr Gerry McCarthy (Riverside Inverclyde): Thank you. I very much welcome the opportunity to address the committee, as I take great pride in being chair of Riverside Inverclyde and being part of an organisation that is transforming this area.

Today, I hope that you saw an Inverclyde that is welcoming to its travellers, its visitors and its residents, and an Inverclyde that is visibly providing opportunities and encouragement for people to live, work, visit and invest here. I am proud of what we are doing in Inverclyde. I live and work here, and I want to see a regenerated Inverclyde—economically, physically and

socially—so that my children can have a great future in the area.

My appointment in March 2013 coincided with the introduction of the “Inverclyde Economic Development & Regeneration Single Operating Plan April 2014 to March 2017”, which was a landmark new approach to regeneration in Inverclyde. To give you the context, the single operating plan pooled the resources of Riverside Inverclyde and Inverclyde Council’s economic development and regeneration team into a more integrated partnership approach to shared priorities and objectives that is designed to maximise the area’s economic potential with the best use of the available funds.

The single operating plan fares well against the toolkit and key points identified in Audit Scotland’s report, “Arm’s-length external organisations (ALEOs): are you getting it right?”. Riverside Inverclyde has made great progress towards delivering the revised goals and targets that were set out in the single operating plan. The results from the first year of the three-year plan have demonstrated that the vision is delivering for Inverclyde, but there is no complacency, as the objectives for 2015 and 2016 remain challenging.

I take great pride in the approach that has been taken by the Riverside Inverclyde team and in the flourishing collaborative relationships that have been fostered with Inverclyde’s communities and businesses and our partners, Inverclyde Council and Scottish Enterprise, on delivering projects and consultations and on working together towards a successful, revitalised and proud Inverclyde.

The Convener: Thank you.

Councillor Clocherty, would Inverclyde Leisure have been formed had it not been for the savings that were possible through VAT and other taxation measures, including non-domestic rates?

Councillor Clocherty: Inverclyde Leisure was formed in 2001. If we look at the journey from 2001 to now, we see that the council, in partnership with Inverclyde Leisure, has added to Inverclyde Leisure’s portfolio. We have recognised what Inverclyde Leisure is good at and what the council is good at. I would think that—

The Convener: Would it have ever existed had it not been for the VAT and non-domestic rates savings?

Councillor Clocherty: I cannot transport myself back in time. The only thing that I can say to you is that Inverclyde Leisure is doing a fantastic job now—so much so that the council is putting more resources into it.

There are tax benefits, including VAT benefits, and there are other, visible benefits of having that arm’s-length organisation. I think that, yes, the

politicians at the time would have had the foresight to put Inverclyde Leisure in place.

The Convener: What are the other benefits of having an arm’s-length organisation?

Councillor Clocherty: I will talk specifically about Inverclyde Leisure. We have seen a more dynamic approach from Inverclyde Leisure than we would have had in a normal council setting.

We have been managing to bring in sports professionals and people who are very much sports driven rather than being local authority-driven officers. That is the main thing. Kieron Vango’s background will not be a local authority background; it will be a sports background. That is one of the advantages that Inverclyde Leisure has had. I would like to think that the partnership that has been built up between the council and Inverclyde Leisure is second to none in Scotland—I think that we work really well with each other.

I hope that that answers your question, convener. I am not sure whether it does, but if it does not, I am sure that you will say so.

The Convener: I would like to know what the benefits are. Regardless of whether an organisation is in house or at arm’s length, it is possible to bring in professionals from across the board; I do not think that the status of the organisation makes any odds.

I want to ask about the overall approach that the council has to governing its ALEOs. How well does that approach work in allowing the council to monitor and scrutinise the work of its ALEOs?

Councillor Clocherty: There are five councillors on the Inverclyde Leisure board. I am one of them and Councillor James McColgan is another. As well as being the vice-chair of the Inverclyde Leisure board, he is the vice-convener of the education and communities committee. Those two roles fit together quite well. There is a direct tie-in, whereby the head of education and communities has a direct link, at officer level, with Kieron Vango and monthly meetings take place. At a political level, the vice-convener in charge of education and communities is also the vice-chair of the Inverclyde Leisure board. Therefore, there is an extremely good fit. Reports are produced at officer level and at political level.

The Convener: Does the fact that the convener and vice-convener of the education and communities committee are the chair and vice-chair of the Inverclyde Leisure board not cause some governance problems?

Councillor Clocherty: Not really. Councillor Wilson is here representing Riverside Inverclyde—

The Convener: I will come to him in a minute.

Councillor Clocherty: —but I, too, am a board member of Riverside Inverclyde and also of the Inverclyde Community Development Trust. As elected members, we are acutely aware of our roles with regard to scrutiny and when it is right for us to intervene and when it is wrong for us to intervene. For example, if Inverclyde Leisure is mentioned at a council meeting, I will declare that I am a director of Inverclyde Leisure. Equally, if Inverclyde Leisure deals with a matter that relates directly to the council or to a contract with the council, I and other councillors will exclude ourselves from that. Councillor members of all ALEOs—in Inverclyde, at least—are acutely aware of their position within the ALEO and of their position within the council. I believe that I act responsibly in that regard.

The Convener: How many times have you made a declaration of interests and left a council meeting because of your position as the chair of Inverclyde Leisure?

Councillor Clocherty: As a board member of Inverclyde Leisure, every time that Inverclyde Leisure is discussed I will intimate that I am a member of Inverclyde Leisure's board. Unless the council is considering a contract situation or a proposal to spend money, I will stay in the chamber.

The Convener: How many times have you declared an interest and then left a council meeting?

Councillor Clocherty: I have declared an interest many a time, but I do not think that I have had to leave the chamber yet.

The Convener: You have declared an interest on many an occasion, but you have never left the chamber.

Councillor Clocherty: Yes.

The Convener: Okay.

I will come back to John Wilson in a second.

Councillor Wilson, how many times have you declared an interest at a council meeting and how many times have you left a meeting because of your position on Riverside Inverclyde?

Councillor David Wilson (Riverside Inverclyde): I had asked whether I could make a short initial statement, like Dr McCarthy.

The Convener: That was not relayed to me, but you can make a statement, if it is short. However, first, I would like you to answer my question about declarations of interest.

Councillor Wilson: I have been a director Inverclyde Leisure, Riverside Homes and Riverside Inverclyde. On numerous occasions, I have declared an interest. I have left the chamber

twice during meetings of the planning board, when issues arose. In the main, though, I have declared the interest and stayed in the council meetings.

The Convener: You have declared an interest and stayed in the meetings.

Councillor Wilson: Yes.

The Convener: Do you want to give your short statement now?

Councillor Wilson: Thank you. I was offered the opportunity to become interim chair of Riverside Inverclyde in July 2013. It was an honour and a privilege to accept. I held that role until February 2014.

The committee might be aware that the organisation was undergoing some upheaval, with personnel changes on the board and in the operational team. It was, therefore, imperative that I was able to steady the ship and assist RI to attract talented people to deliver for the people of Inverclyde and to oversee the transition process.

I was delighted that our publicly advertised recruitment process was able to attract high-calibre board members from the private sector, such as Dr Gerry McCarthy, the managing director at Texas Instruments UK in Greenock, and Anne McGregor, a partner in Anderson Strathern Solicitors. Dr McCarthy took over my role as chair and I resumed my role as an ordinary board member in March 2014, at which point we embarked on a three-year single operating plan with Inverclyde Council.

John Wilson: Good afternoon to new and returning panel members.

The convener has raised the issue of conflicts. Councillor Clocherty, you discussed your involvement in the arm's-length external organisation. In your opening remarks, you indicated that Inverclyde Leisure was doing such a good job that the council increased its funding levels. You are a member of the committee that made that decision. What did you do when it was coming to that agreement?

Councillor Clocherty: There are two points to make. First, we did not increase the funding of Inverclyde Leisure. Inverclyde Leisure took on different responsibilities within the council, including management of the town halls, and the funding followed those responsibilities. The management fee for Inverclyde Leisure—that is, the money that the council gives it—has reduced, and is supposed to further decrease over the next three years. However, as it takes on more responsibilities, such as responsibility for pitch hire and community centres, funding for those responsibilities will follow that. That clarification is important, because the council believes that it is getting good value for money out of Inverclyde

Leisure. We are under financial pressure, and we will continue to ask Inverclyde Leisure to cut its cloth accordingly, too.

John Wilson: We will check the *Official Report* on that point. However, the main point concerns the circumstances in which those decisions were made. I accept what you say about services being transferred to Inverclyde Leisure, but I want to know what your position was, as a member of the board of Inverclyde Leisure, during the committee meetings at which those decisions were made.

Councillor Clocherty: I would have declared an interest. I will need to check whether there was a requirement for a vote at those meetings. Usually, there is not. I hope that that answers your question. Honestly, I would need to check through all the council records to see whether there was a vote at committee and whether I abstained.

John Wilson: Would it be your normal practice to abstain in votes on decisions concerning Inverclyde Leisure?

Councillor Clocherty: I want to be clear. As a policy maker, I would make the policy decisions. We have a policy on free swimming for the over-65s. That is a policy decision that was made by the council and, as a policy maker, I would make the policy decision. We also have free pitch hire for the under-19s—that is a policy decision that I would take as a councillor, and the implementation of the policy would be put to Inverclyde Leisure. I would not see any conflict between my role as a policy maker in the council and my role as a board member of Inverclyde Leisure.

16:15

John Wilson: You used the example of free swimming lessons and free pitch hire. Does the council compensate Inverclyde Leisure for delivering those services free of charge?

Councillor Clocherty: Yes.

John Wilson: So there is a financial implication for the council.

Councillor Clocherty: Yes.

John Wilson: So you, as a policy maker, would make a policy decision to increase the provision of free swimming lessons and free pitch hire, and the council would compensate Inverclyde Leisure accordingly.

Councillor Clocherty: Yes.

John Wilson: Those are financial decisions. You sit there making policy decisions, which become financial decisions once you decide to pay the ALEO to deliver that service. Would you agree?

Councillor Clocherty: Yes, I would agree. As a policy maker, that is what I would do.

John Wilson: Do you see the link with the financial position?

Councillor Clocherty: I see exactly the link that you are trying to draw.

The Convener: This issue is extremely important. Before we move on, I have a question. What legal advice have you had from the council's solicitors regarding the position that you hold as a director of Inverclyde Leisure in relation to making some of those decisions?

Councillor Clocherty: Councillors have had training on ALEOs. If I was at all in any doubt about whether what I was doing at the committee was right or wrong, I would go to the chief legal officer, Gerry Malone, and ask him that question—

The Convener: Have you done that?

Councillor Clocherty: No, I have not, because I have always been clear that my role is that of a policy maker as opposed to a director of an ALEO. I have never felt the requirement to go to my chief legal officer to discuss my position.

The Convener: Has Mr Malone approached you about the positions that you hold and the possible conflicts that exist?

Councillor Clocherty: No.

The Convener: Okay. I will bring John Wilson back in—sorry, John.

John Wilson: It is okay, convener—you have clarified my point with your follow-up questions.

I will move on to Councillor Wilson and his role on the RI board. I understand that you are also the convener of planning in the local authority.

Councillor Wilson: Yes.

John Wilson: As I understand it, RI is a developer; it applies for planning consent to construct buildings and does development work. Have you ever had occasion to consider whether you should be sitting as the convener of planning, or on the board of RI, when decisions are made on planning applications?

Councillor Wilson: When I sit as the chair of the planning board, I inevitably declare an interest and leave the chamber when such a planning application is to be discussed, having taken advice—usually the day before—from the solicitor who sits on my right at the planning board.

John Wilson: Has that situation arisen on any occasion?

Councillor Wilson: Yes.

John Wilson: On how many occasions?

Councillor Wilson: Three or four, perhaps, over eight years. I have been the chair of the planning board for eight years.

John Wilson: I will throw the question open to the rest of the panel. Part of the issue concerns the link between ALEOs and local authority democracy. We have heard in previous sessions—not in official evidence sessions, but certainly privately—that there is a potential conflict between the role of an ALEO board member and the role of an elected member.

If we go to those at Companies House or the Office of the Scottish Charity Regulator, they will tell us that a director's role is to protect the best interests of the company or organisation on whose board they sit. As an elected member, your role is surely to protect the best interests of those who elect you as a representative and not to protect the interests of any board that you sit on. Do you have any views on the argument that your responsibility is to the electorate and not to a small board of directors?

Councillor Wilson: You are absolutely right. My colleagues are often placed in a situation of conflict. I am a representative at the National Association of Councillors and I am constantly saying how difficult it is for councillors to balance their roles in ALEOs and outside bodies with their council roles. There is a conflict between a councillor's constituents and the boards that councillors are on.

We get good general advice from the chief executive and the council's head of legal services but, at the end of the day, the decision is up to the councillors—it is what the councillor thinks is appropriate in the circumstances. That is where matters are left. That has left councillors with some quite difficult decisions to make, and I admire my colleagues.

We are in a particular situation. We are a relatively small council, which means that involvement in outside bodies and different functions is spread across a limited number of councillors. It is not like Glasgow or the Lanarkshires. I am on the board of Strathclyde partnership for transport—I am the one person from Inverclyde who goes to SPT; in Glasgow, it is possible to choose from 65 or 70 councillors to go on SPT.

The situation is quite difficult for my colleagues. In the main, they handle it well, and I often see people declaring interests at committee meetings. That is quite a regular occurrence.

Councillor Clocherty: I support what Councillor Wilson says. In a small local authority, it is a councillor's role to go on various arm's-length organisations. I am also a board member of Riverside Inverclyde and of Inverclyde Community

Development Trust. Those organisations have close links with the council. I hope that, as an individual councillor, I am aware of my responsibilities, both as an elected member and as a director of those organisations. When an issue crops up, I hope that I use my own sense to understand and do the appropriate thing at committee meetings.

John Wilson: As you are aware, an issue has arisen about public accountability in the decision-making process. That is why I have asked about the democratic accountability of elected members. Other board members on ALEOs do not face that potential double scrutiny by the electorate. They are appointed—I assume that the majority of members of ALEO boards are appointed by the council and not by the ALEO. There is a need to protect the democratic process when it comes to councillors.

Both councillors have identified issues when being called on to make decisions. I am not aware of any elected member having been challenged to date about decision making. Surely in a small local authority—both councillors have mentioned this—the size of the council's majority group might be slim on any committee, and people might find themselves in a situation where the will of the majority group could be subverted at a committee meeting, if members such as Councillor Clocherty or Councillor Wilson had to abstain on a decision or a vote because they were both declared members of a board.

Councillor Clocherty: Fortunately, that has never arisen in all my time on the council. We have a full council meeting on Thursday this week, and there is one C item on the agenda, which is to do with the naming of a road. Under the current administration, I do not remember having had any other C items at a full council meeting. I could be wrong but, if that has happened, it has been just once or twice. I do not remember any C items being taken at a full council meeting during the previous administration.

That tells the committee that we try to do things in a consensual manner at Inverclyde, across the political parties, and we have a good understanding. In the main, we are all looking for the same thing. Whatever political party we are in, we are seeking to act for the benefit of Inverclyde. Normally, if we find that a policy is to the benefit of Inverclyde, we get cross-party support for it.

I reiterate that I think that we have had just one C item at the council over the past seven years.

The Convener: Will you explain to committee members what a C item is, please?

Councillor Clocherty: My apologies. A C item requires a vote at the full council. First, there has to be a vote at a committee meeting, then the item

has to be referred to the full council so that the full council has a chance to vote on it. If, for example, there was a meeting of the education and communities committee, we would vote on the item at that meeting, and those who voted against an item would need to refer it to the full council.

The Convener: How many folk does it require to refer an item to the full council?

Councillor Clocherty: Three.

The Convener: Out of a committee size of?

Councillor Clocherty: Eleven.

The Convener: Some local authorities use terminology that others do not use.

Councillor Clocherty: My apologies.

Councillor Wilson: I agree with Councillor Clocherty. I admit that we are not very adversarial. There are nine Labour councillors out of 20, and they represent the administration. I am a one-man party. Frequently, if something is coming up, the leader of the council will tell me about it and say where it is coming from, and he will often seek my views. Unless I am totally and utterly against something, I will support it. We operate on the basis of quite a good consensus among all the parties.

The Convener: The adversarial politics here is kept to Twitter, is it? And the *Greenock Telegraph*.

Councillor Wilson: I certainly do not do Twitter, but that is for personal reasons.

The Convener: Let me turn to other aspects. This question is still for the politicians. If you were to establish a new ALEO for, say, the delivery of social care, would you ever consider setting it up without any elected membership on its board?

Councillor Clocherty: The most likely new ALEO, if you could call it that, would concern shared services. If we were talking about a shared service for roads between local authorities and if a new ALEO was to be set up for that, there would be political input into that.

The Convener: So the answer is yes—if you were setting up a new ALEO, you would definitely have elected member input.

Councillor Clocherty: Yes.

The Convener: Councillor Wilson?

Councillor Wilson: Yes.

The Convener: I turn to Dr McCarthy, in your role as chair of Riverside Inverclyde. Could Riverside Inverclyde's relationship with the council be considered a little incestuous?

Dr McCarthy: In what respect?

The Convener: Do you ever feel that the council, as the overseer of Riverside Inverclyde, is making the decisions rather than the Riverside Inverclyde board?

Dr McCarthy: Unequivocally, the Riverside Inverclyde board makes the decisions. We have a finance and operations team and two boards. I chair the boards, and I come from the private sector, as you may know. I tend to have a slightly different view—an apolitical view—although I am not saying that the councillors are necessarily political.

Given the way in which we manage the boards and make decisions, and given what Riverside Inverclyde is trying to achieve, I believe that we have the company's beliefs at heart. That is what we set out to do. The foundation of any organisation is its governance and ethics. I hold that very true in my private enterprise and therefore I am quite comfortable that that is the way in which RI does business.

The Convener: How many members does the RI board have and how many of them are elected members?

Dr McCarthy: The Riverside Inverclyde board has nine members, three of whom are councillors. Three are from the private sector, one is from Scottish Enterprise and one is from the community. There is one private sector vacancy.

16:30

The Convener: How many council officers are directly involved in running Riverside Inverclyde?

Dr McCarthy: Mr Fawcett is the chief executive officer of Riverside Inverclyde, and various accountable officers come along to the meetings. In terms of direct relationships, I guess that we are talking about Mr Fawcett.

The Convener: Mr Fawcett is the chief executive officer of Riverside Inverclyde and also holds the post of corporate director for environment, regeneration and resources in Inverclyde Council.

Dr McCarthy: That is correct.

The Convener: Is that two hats or one hat?

Dr McCarthy: That is a good question but, whatever the case is, it is what I requested and favoured. Mr Fawcett was the interim CEO of Riverside Inverclyde. It went through a bit of turbulence and I joined after that, to try to establish a more robust organisation. We tried to interview for another CEO and, for various reasons, the board and I felt that we did not have anyone with the same vision as Mr Fawcett displayed. We therefore decided to enter into a protocol agreement whereby Mr Fawcett could be CEO of

Riverside Inverclyde and the regeneration director in the council.

The Convener: Are you happy with that governance arrangement?

Dr McCarthy: I am very happy with it. I am happy with what we have been achieving together. I am satisfied with the level of scrutiny that we have at each board meeting. I meet Mr Fawcett on an occasional, going towards regular, basis, and I am satisfied with the way in which we are running Riverside Inverclyde and with what we are achieving.

The Convener: You heard me say earlier that I play devil's advocate quite a lot, which I do.

Dr McCarthy: I figured that out.

The Convener: What would you say to people who might be a bit cynical, including members of the public here in Inverclyde—there seem to be a few cynics here—and who feel that there is a kind of incestuous relationship between the council and the ALEOs?

Dr McCarthy: It is difficult to put myself in someone else's position. From a community or enterprise point of view, we have to understand that we are trying to improve the net value of the economy in the area. We have to have a private enterprise attitude at times. When it comes down to it, the data speaks for itself. It is important that we get the right people to do the right job to allow that to happen and to get the success that we need.

The Convener: When I asked whether Mr Fawcett has two hats or one hat, you seemed to indicate that it is one, but are the two roles not very different?

Dr McCarthy: I do not think that I indicated that it is one hat. I said that I am satisfied with the outcome, whether Aubrey Fawcett has been part of Riverside Inverclyde or part of the council as a regeneration officer.

The Convener: I want to make it clear that the issue is not about one individual; it is about the way that the relationships between local authorities and ALEOs work. We will see what the *Official Report* says about the one hat scenario.

I turn to the roles and responsibilities in Inverclyde Leisure. How many council officers are involved in the running of it?

Kieron Vango: We have five.

The Convener: You have five council officers.

Kieron Vango: Sorry—we have one council officer who serves the client function and who we meet monthly.

The Convener: What role does that council officer have with Inverclyde Leisure and with Inverclyde Council?

Kieron Vango: He is the head of safer communities at Inverclyde Council. In Inverclyde Leisure, he serves the client function. As I said in my presentation to the committee earlier today, we report to him monthly on aspects of financial and operational performance of the leisure trust and any areas of risk for the trust. He is also on the board as an observer.

The Convener: So Inverclyde Leisure reports to a council officer about all of its financial dealings and all of the client dealings.

Kieron Vango: And operational. We are part funded by the council, so we produce and give information to the council.

The Convener: You are the chief executive of Inverclyde Leisure, Mr Vango.

Kieron Vango: I am.

The Convener: Do you think that the head of—what did you say?

Kieron Vango: Safer communities.

The Convener: You report to him. Is he actually the boss?

Kieron Vango: No. I report to him on the issues relating to the leisure trust as we are part funded by the council. I report to the board on a two-monthly basis. The board is who I am responsible to.

The Convener: Okay. What do you think of that situation, Councillor Clocherty?

Councillor Clocherty: I intimated in one of my earlier statements how the situation works and that Kieron Vango meets John Arthur on a monthly basis. I am quite happy with the scrutiny role that I undertake as a member of the Inverclyde Leisure board. I believe that the papers that we are presented with on the operational and financial fronts of the leisure trust are excellent. They allow me to fulfil the scrutiny role that is my remit as a board member.

If, as a councillor, I get a report back to Inverclyde's education and communities committee about Inverclyde Leisure, the first thing that I do is declare an interest, as I said earlier. I would not remove myself, but as a council member I would get any of the reports that go through the education and communities committee regarding Inverclyde Leisure.

The Convener: You would declare an interest but you would not remove yourself.

Councillor Clocherty: That is correct.

The Convener: We gathered that from what you said earlier. I want to ask about the role of the head of safer communities. When he is dealing with Inverclyde Leisure, I take it that he has no formal role.

Kieron Vango: No—he is an observer.

The Convener: He is an observer. What is his input at board meetings?

Kieron Vango: He does not make any input.

The Convener: No input whatsoever.

Kieron Vango: No.

The Convener: Okay. Talk to me about the management contribution from the council to Inverclyde Leisure, which we touched on earlier.

Kieron Vango: We have 30 per cent funding from the council and a funding agreement with it. To meet that funding agreement, we present a three-year business plan, within which we say what products and services we are going to offer for that funding. There is also a three-year financial document within that business plan.

The Convener: So 30 per cent of the funding comes from the council. I take it that 70 per cent comes from the income that you take in.

Kieron Vango: Yes. It comes from customers for products and services.

The Convener: The council is providing only 30 per cent of your budget, but it seems to have a huge amount of influence for that percentage, which—I understand from what you said—will continue to reduce.

Kieron Vango: From my perspective, the councillors on the board are representing the company as a whole. I believe that any viewpoints that they bring in are being brought in from the public and not necessarily from the council. However, that is only my perception.

The Convener: Okay. Do you think that the public know the difference between Inverclyde Leisure and the council?

Kieron Vango: I would like to say yes.

David McCorkindale (Inverclyde Leisure): I agree with that. I think that the public perceive the difference.

Kieron Vango: All our marketing is Inverclyde Leisure based, as are all our products and services. We work in partnership with the council because we are part funded by it, but we market all our products and services as Inverclyde Leisure.

The Convener: I will come back to that in a second. Councillor Clocherty, do you think that the

public know the difference between the council and Inverclyde Leisure?

Councillor Clocherty: I think that they know the difference very clearly. In fact, sometimes I find it a bit frustrating that the public think that everything is provided by Inverclyde Leisure and they do not recognise that the council is behind an awful lot.

The branding and advertising for Inverclyde Leisure is fantastic; no doubt you will have seen some of it today. As we mentioned in the presentation earlier today, Inverclyde Leisure affordable fitness is a prime example, as it is quite clearly branded as an Inverclyde Leisure service.

John Wilson: I might be wrong on this, but we were out at Parklea today to see the 3G football pitches and other pitches, and the signage that we saw said “Inverclyde Council” in the top right-hand corner. I stand ready to be corrected on that, but there is a potential issue in terms of perception and reality. If the sign says “Inverclyde Council” and yet Inverclyde Leisure is delivering those services, there is clearly an issue around marketing what the council is doing and what Inverclyde Leisure is delivering.

Kieron Vango: You are absolutely right. We took over the facility recently—the full transfer was in April—and we have not finished the signage, but it is on our to-do list.

The Convener: I have a few quick-fire questions for Councillor Wilson—sorry, I mean Councillor Clocherty. Are any other areas of service delivery being considered by the council for delivery by ALEOs?

Councillor Clocherty: No.

The Convener: Are you aware of any, Councillor Wilson?

Councillor Wilson: No.

The Convener: Okay. What added value do you think that there has been from those ALEOs in comparison with keeping the services in-house?

Councillor Clocherty: I have already touched on that with regard to the enthusiasm and the future proofing that Inverclyde Leisure has managed to create. The CrossFit gym facility is an excellent initiative, and I wonder whether, if provision had stayed with the council, we would have had the foresight to deliver that and to try to future proof our leisure facilities rather than, in these times of constraint, carry on chipping away at the funding.

From my point of view, the added value is the enthusiasm and the future proofing that we get, and the fact that Inverclyde Leisure can look to the future in expanding leisure facilities without any constraints from the council.

Stuart McMillan: Regarding the funding situation, has there ever been a time when the council has withheld any funding from either RI or Inverclyde Leisure, and if so, for what purposes?

The Convener: Who is going to have a go at that? Councillor Clocherty, are you aware of that happening?

Councillor Clocherty: Not to my knowledge. There has never been such a report to the council. A situation in which money was withheld would be so serious that it would come through the policy and resources committee. As you will be aware, that would have serious implications with regard to the employees. We have touched on the number of people that Inverclyde employs, and the same applies to RI. To my knowledge, that has not happened.

Councillor Wilson: No, I cannot recollect such a time.

Stuart McMillan: Inverclyde Leisure provides some facilities, but Inverclyde Council will also have facilities in the local area. With regard to the wider strategy and the joint working between the two, has there ever been a time when IL has undercut Inverclyde Council—or vice versa—in providing particular facilities or services? If so, what was the outcome?

The Convener: Who is going to have a crack at that? Councillor Clocherty?

Councillor Clocherty: I am quite happy to do so—the answer is no. We are now in a position in which most, if not all, of the council's leisure services are run by Inverclyde Leisure. Our town hall buildings are run by Inverclyde Leisure. IL will take the responsibility for putting services such as catering out to contract, so it will be the IL board, and not the council, that will be involved. Using catering as an example, the council will not bid directly against Inverclyde Leisure to do the catering in the town hall.

16:45

Stuart McMillan: That is a fairly recent development, is it not?

Councillor Clocherty: I think it has been so for four years now.

Stuart McMillan: I seem to remember a situation, within the last couple of years, that had to do with the cost of hiring facilities at the Ravenscraig sports centre compared with the cost of hiring facilities at the new schools. They were in close proximity but it seemed that there was not a totally coherent approach to the letting of facilities in that part of Inverclyde.

Councillor Clocherty: The facilities would not have been in direct competition. In a school

estate, however it was built, there will be a certain way of doing things, and Ravenscraig is a prime example of that. Although it might have appeared that the school was undercutting the sports centre, it would not have been in direct competition with it. The council would not have set a charge in spite of Inverclyde Leisure. We would not have gone into competition with Inverclyde Leisure. I understood that your question related to direct competition with Inverclyde Leisure rather than—

The Convener: That is one of the issues, Councillor Clocherty. You are the chair of Inverclyde Leisure, but I think that I am right in saying that you just said, "We would not have gone into competition with Inverclyde Leisure." You are wearing different hats at different points. One of the things that the committee is trying to get to is what hats you wear at what times.

As the chair of Inverclyde Leisure, you obviously have a job to do—

Councillor Clocherty: Convener, can I stop you? I am not the chair of Inverclyde Leisure.

The Convener: Sorry. You are a director.

Councillor Clocherty: I am a director. The chair of Inverclyde Leisure is not a council member. Similar to Riverside Inverclyde—

The Convener: I stand corrected. You are a director of Inverclyde Leisure, yet you said, "We would not have gone into direct competition with Inverclyde Leisure." The issue is the different hats that you wear and at what point you wear which hat. One of the reasons why we are having this inquiry is to discover the different hats that you wear, at what points you wear them, where the governance fits in and what you are doing at a particular point in time.

Mr McCorkindale, do you have anything to say about the Ravenscraig sports centre?

David McCorkindale: The transfer of facilities to Inverclyde Leisure meant that the scale of charges was there or thereabouts, but we have now harmonised charges so that there is a stable price for customers across the board for lets of school or sports facilities.

John Wilson: I want to go back to a point that Councillor Clocherty made about Inverclyde Leisure. Councillor Clocherty, you made great play of Inverclyde Leisure being innovative and forward looking, and you seemed to indicate that the local authority would never have taken that innovation forward. Are you saying that the only reason that local authorities establish ALEOs is that local authorities do not have the in-house skills and expertise to deliver those services within their own services?

Councillor Clocherty: First, when the question of setting up a leisure trust was originally put to us, we recognised the value of the VAT saving that we would get by having a leisure trust with charitable status. We do not underestimate its benefit to the council in that regard.

Secondly, we benefit from the experience that Inverclyde Leisure has built up with regard to sport. Would the council have been able to do exactly the same? I do not know. Inverclyde Leisure was set up in 2001 and it is the only game in town that I have known. As a director, I have known how good it has been. In the west of Scotland—in Scotland generally—an awful lot of private gyms offer X, Y and Z when they try to come into an area, but I understand that Inverclyde Leisure has been at the forefront of providing those facilities to our communities in Inverclyde.

As I said earlier, I cannot, unfortunately, send myself back to 2001 and bring myself forward to find out how the council would have done things, and I have not looked in depth at how councils elsewhere in Scotland do things. As a director of Inverclyde Leisure, I can only be happy with the scrutiny that I undertake, and, as a councillor, I can only be happy with the facilities that Inverclyde Leisure delivers on the council's behalf.

John Wilson: It is an interesting issue. As you say, Inverclyde Leisure was established in 2001. When the ALEO was established, one of the key issues—it was a key issue with a number of other ALEOs throughout Scotland at the time—was the VAT and rates issue. There was a saving, and some local authorities argued that the savings on VAT and rates were substantial. That was the reason why they transferred services at the time. Do you think that local authorities would have transferred those services if the VAT and rates issue had not been a concern to them? I will check the *Official Report*, Councillor Clocherty, but my understanding of what you said earlier is that you think that Inverclyde Leisure has done a better job in providing leisure services than the council could have done.

Councillor Clocherty: Yes.

John Wilson: That is because you have brought in additional skills and expertise. You alluded to the local authority not being able to attract or bring them in to run the same services.

Councillor Clocherty: Yes. I think that that is what I said.

John Wilson: That is fine.

The Convener: To conclude, I want to touch on training, which has been discussed to a certain degree. Councillor Clocherty, how much training have you had on the relationship between the

councils and the arm's-length organisations of which you have been a director or a member?

Councillor Clocherty: As councillors, we had in-house training on our roles and responsibilities within an ALEO, and, as a director, I had training from Inverclyde Leisure and in my time with Riverside Inverclyde. So, we had training from the council on our roles and responsibilities as members of an ALEO—many of those subjects have been touched on—and training from the ALEOs on our responsibilities as directors.

The Convener: When did that training take place?

Councillor Clocherty: The training on our roles within ALEOs probably took place when I was last elected. I do not know whether there have been refresher courses that I have not been on, but we are probably talking about six or seven years ago.

Councillor Wilson: I have had training in the council. We got training after the 2007 election and after the 2012 election, and there was further training in between. I have also had training via Riverside Inverclyde, River Clyde Homes and Strathclyde Passenger Transport. In that training, there was a lot of emphasis not just on the code of conduct but on the role of a board member or director.

The Convener: How long did the in-house council training that you received after the 2012 election last?

Councillor Wilson: It lasted an afternoon.

The Convener: Did all councillors participate in the training?

Councillor Wilson: I cannot remember, but I think that most did.

The Convener: Have you not had training for six years or so, Councillor Clocherty?

Councillor Clocherty: I am trying to be as honest as possible. I cannot remember whether I went to the training session after the 2012 election.

The Convener: Okay. As the chair of Riverside Inverclyde, Dr McCarthy, are you confident that your board members have had the training to be able to fulfil their duties and to recognise their different roles?

Dr McCarthy: I cannot remember questioning any response around the board table or anything that would have indicated that there was any potential conflict.

The Convener: What about the chief executive of Inverclyde Leisure? Mr Vango, have you had any difficulties that have led you to think that folk

have not had enough training to deal with responsibilities around the board table?

Kieron Vango: No. We have offered training ourselves. I think that the last training was around a year and a half ago. We get in a local legal firm—Patten & Prentice LLP—to give us a presentation on the directors' responsibilities.

The Convener: My final question is for the councillors, although I do not know whether they will be able to answer it. We will find this out later, anyway. Do the councillors know what training is given to council officers who have dual roles in the council and in arm's-length bodies?

Councillor Clocherty: I have no idea.

Councillor Wilson: Are you talking about training for council officers?

The Convener: Yes.

Councillor Wilson: Our chief legal officer, Mr Malone, is very geared up on our role and he quite often gives us advice. He seems very knowledgeable about the matter, so I imagine that he has been trained at some stage.

The Convener: Okay. I thank you all very much for your evidence.

I reiterate my thanks to Inverclyde Council for hosting our visit and for the hospitality that we have received. I also thank the organisations that have played host to us today, particularly Ferguson's shipyard, which did so at very short notice, and the members of the public who have engaged with us.

We now have an opportunity for a question-and-answer session in which the public can question the committee. I am not sure whether there are many members of the public left, but, if people want to question us, they should remain in their seats.

Meeting closed at 16:56.

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