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| Report To: | Policy and Resources Committee | Date: 24th September 2013 |
| Report By: | Corporate Director Environment, Regeneration & Resources | Report No: PR099/13/AF |
| Subject: | Midterm Review of Riverside Inverclyde - Update | |

1.0 PURPOSE

- 1.1 The purpose of the report is to advise Members of the response from the Board of Riverside Inverclyde and present the Final for Publication Midterm Review Report, which recognises the comments of the Board and those parties consulted in the preparation of the Report, for approval. In addition, approval is sought to alter the current Memorandum and Articles of Association and related documents to address the governance issues contained within the Final for Publication Midterm Review.

2.0 SUMMARY

- 2.1 The Council, together with Scottish Enterprise, established ri in 2006 to deliver certain economic regeneration objectives over a ten year period. The company was to receive extensive injections of public funds to facilitate delivery of these objectives.
- 2.2 The Council and Scottish Enterprise agreed that at the mid point of the ten year life span (i.e. 5 years from the date of the Agreement's completion in early 2008), they would conduct a review of ri with the intention of measuring the progress of ri against its stated objectives and the effectiveness of ri as a delivery vehicle. A private and confidential report was submitted to the Environment and Regeneration Committee on 25th June 2013. The Committee decided to:
- a. Approve the recommendations as outlined in Section 5.0 of this report.
 - b. Delegate authority to the Corporate Director Environment, Regeneration and Resources to develop the new partnership arrangements in consultation with Scottish Enterprise and ri Board and report to Committee in due course.
 - c. Note the Chief Executive has been asked by the Riverside Inverclyde Board together with ri's Chair and Scottish Enterprise to establish appropriate interim and permanent management arrangements for ri and the subsidiary companies.
- 2.3 The ri Board considered the report in detail on 7th August 2013 and following further consideration on 19th September 2013 agreed to the findings of the report subject to a number of changes as outlined below. Officers have asked the Consultants to review these changes and, where they consider appropriate, the incorporation of ri's comments and any other comments or requests from other consultees and issue the final report in public format. Following on from this the Board of Riverside Inverclyde at its meeting on Thursday 19th September 2013 reviewed the Final for Publication Midterm Report and thereafter agreed to accept the recommendations contained therein. The Board also endorsed the approach by the Member Organisations to progress with alterations to the composition of the Board.

3.0 RECOMMENDATIONS

3.1 It is recommended that Committee:

- a. approve the Final for Publication Midterm Review and the recommendations as outlined therein;
- b. note that the Environment and Regeneration Committee previously approved the appointment of New Skills Consulting to prepare the 2 year joint operating plan as outlined in the Final for Publication Midterm Review and this will be progressed as soon as practicable; and,
- c. delegate authority to the Council's Chief Executive to amend Riverside Inverclyde's Memorandum and Articles of Association and related documents to address the governance issues contained within the Final for Publication Midterm Review, including the composition of the Board and Committees as outlined in paragraph 5.3.
- d. approve additional funding of up to £3,000 for payment to New Skills Consulting as a result of the essential additional work following the leak to the press.

Aubrey Fawcett
Corporate Director
Environment, Regeneration and Resources

4.0 BACKGROUND

- 4.1 As part of Audit Scotland's obligations placed upon the Council, the Midterm and associated reports were commissioned to review the activities of ri, our arm's length external organisation and local urban regeneration company. This was undertaken jointly with Scottish Enterprise who with the Council are owners of the ri Company and are referred to as the Member Organisations. The other main contributor, Scottish Government, is not a Member Organisation or part owner but participates in providing core funding up until 2015/16 and oversees and monitors the activities of ri.
- 4.2 New Skills Consulting's report on the Midterm Review of Riverside Inverclyde and delivery of regeneration services in Inverclyde February to April 2013 was commissioned in line and in accordance with the original Members' Agreement. The findings of the report were reported to Members on the 25th June 2013 and it was agreed to accept the recommendations in the report and delegate authority to the Corporate Director Environment, Regeneration and Resources to develop the new partnership arrangements in consultation with Scottish Enterprise and ri Board and report to Committee in due course.
- 4.3 Overall, the review highlighted good performance generally and a mixed picture of the effectiveness and impact of ri and of regeneration services relative to some objectives.

5.0 DISCUSSION

- 5.1 The Board of ri was asked to consider the details of the report and the recommendations contained therein. The Board considered the matter in detail at a special meeting on the 7th August 2013. At the meeting Members of the Board expressed deep concern about the leaking of the report without ri having the full opportunity to consider the detail and respond formally. Furthermore, because of the extent of publicity some of the organisations previously consulted as part of the study process advised that the information provided was not intended to be used for direct comparison purposes and therefore it would not be appropriate for this material to be included directly in the report, particularly as it is now historic. Notwithstanding the considerable disruption and damage caused by the leak and resultant unbalanced media coverage, as judged by the Board, they agreed that although they accepted the general findings of the Midterm Review asked that, subject to the independent authors of the report being satisfied, the following observations be incorporated within the report:
 - Concern about the limited recognition of the long term impact of the investment to date and that the summary table of the targets should incorporate data to reflect anticipated outputs from current investment. The Board's rationale in this regard was that it was unfair to compare performance against current outputs because of the major impact of the economic recession and the impact this had on ri and other similar Urban Regeneration Companies. The Board recognises however that the original plans for some of the major mixed use developments may require significant variation to enable early release of land and properties for development over the next 10-15 years.
 - Acknowledgement that the information included in the report about other URCs and regeneration bodies was not in all cases directly comparable with that of ri, and that the report should not be considered as comparing ri directly with other regeneration organisations.
- 5.2 Officers asked New Skills Consulting to consider these matters as well as comments and requests from other organisations consulted in the preparation of the Review and, if they considered appropriate, to incorporate within a final report for publication report. The Consultants considered the issues raised and made alterations to the report, which is attached for Members' consideration, including where appropriate most recent data available. Members should be aware that the Board of ri reviewed the Final for Publication Midterm Review and have welcomed the report and accept the recommendations contained therein. The Board has also requested that work should commence at the beginning of October to prepare the draft Joint Operational Plan for presentation to the

Board in December 2013.

- 5.3 Members should recognise overall that in some areas progress currently has been good. However, in those areas where outputs currently have been less than originally predicted, the potential outturns that could arise from the expenditure to date in future years demonstrate that ri's performance would contextually present a more appropriate measure of success. The overall Final for Publication summary table of outputs and anticipated outputs relative to current spend is included below.

| Output / outcome | Initial target | Adjusted after verification | | Potential future outputs / outcomes by 2020, arising from investments made to date by ri |
|---|-----------------------------|-----------------------------|-------------------|--|
| | | Total up to 2012/13 | % target achieved | |
| Provision of development land for economic after uses: | 77 ha | | | |
| ■ Land ready for dev/t | - | 2.34 ha | 3% | - |
| ■ Land ready for dev/t + land improved + public realm | - | 25.73 ha | 33% | - |
| Provision of business space (created / refurbished) | 35,000 m² | | | |
| ■ Maximum | - | 23,073 m ² | 66% | (24%) 8,384 m ² |
| ■ Maximum minus Theatre | - | 19,033 m ² | 55% | |
| ■ Maximum minus Theatre & Shop Front Improvements | - | 15,013 m ² | 43% | |
| Jobs created (FTE) | 2,600 | 191 | 7% | (17%) 429 |
| Jobs safeguarded (FTE) | No target | 308 | - | 247 |
| Construction jobs created (job years)* | 110 | 135 | 123% | - |
| Annual gross value added (GVA) ** | £90m | £8.1m | 9% | - |
| New housing units provided * | 2,285 | 121 | 5% | (17%) 391 |
| Berths created for leisure craft * | 500 + | 200 | 40% | - |
| Private sector investment levered | £295m | £3.6m | 1% | (13%) £38m |

* Output/Outcome not verified by the Review Team

** GVA estimated by the Review Team based on jobs created outputs.

- 5.4 The Midterm Review report also raised the issue of governance and the importance of the Member Organisations maintaining effective oversight of key decisions and the way in which public funds are invested. The current composition of the ri Board was established in 2006 and has remained unchanged since. The membership currently is made up as follows:

Private Sector x 5Nr (including Chair)
 James Watt College x 1Nr
 Scottish Enterprise x 3Nr
 Communities Scotland x 1Nr
 Community Representative x 1Nr
 Inverclyde Council x 3Nr
 Chamber of Commerce x 1Nr
 Peel Property x 1Nr

There are currently only 6 ri Directors on the Board. It is proposed that the composition of the Board should be as follows:

Private Sector x 3Nr (including Chair)
 Scottish Enterprise x 1Nr
 Community Representative x 1Nr

The current quorum for the ri Board is 6 and it is proposed that this is reduced to 5 with a requirement for a representative from each of the Member Organisations, Inverclyde Council and Scottish Enterprise, being also present. The ri Board endorsed these proposals at its meeting on 19th September 2013 together with minor amendments to the Committees and the requirement for Member Organisations to be present at all meetings.

6.0 CONCLUSION

- 6.1 Officers have reviewed the Final for Publication Midterm Review and recommend that Members accept the recommendations contained within the report.
- 6.2 Members should also note that the Environment and Regeneration Committee in June 2013 also approved New Skills Consulting to develop at a cost of £15,000 the new joint 2 year operating plan which would guide the activities of the Council and ri Regeneration Teams. Members of the ri Board on the 12th September asked that this work should commence immediately and staff workshops commencing in early October with a view to presenting a draft Joint Operational Plan in December 2013. The Plan will take cognisance of the lessons learned from the Midterm Review to establish achievable targets and to regularly review these in light of prevailing economic conditions.

7.0 IMPLICATIONS

7.1 Financial Implications – One off Costs

| Cost Centre | Budget Heading | Budget Year | Proposed Spend this Report | Virement From (If Applicable) | Other Comments |
|---------------------------|------------------|-------------|----------------------------|-------------------------------|---|
| ER & R Corporate Director | Other costs | 2013/14 | £15,000 | | Contain within overall 2013/14 Directorate budget |
| | Additional costs | 2013/14 | £3,000 (max) | | |

Financial Implications – Annually Recurring Costs/ (Savings)

| Cost Centre | Budget Heading | With Effect from | Annual Net Impact | Virement From (If Applicable) | Other Comments |
|-------------|----------------|------------------|-------------------|-------------------------------|----------------|
| n/a | | | | | |

- 7.2 Legal: Consultation has taken place with the Head of Legal and Democratic Services and there are no specific legal implications.
- 7.3 Repopulation: The development of a more sustainable delivery vehicle for the Council to provide regeneration services in the longer term will assist in creating conditions which will assist in stabilising and growing the local population.
- 7.4 Equality: The development and delivery of regeneration services will take full cognisance of equality issues.
- 7.5 Personnel: Consultation has taken place with the Head of OD, HR and Communications and staffing issues will be dealt with in accordance with established policies and full engagement with the Trade Unions will take place at the appropriate time.

8.0 CONSULTATIONS

- 8.1 Consultations have taken place with various organisations consulted in the preparation of the report, Scottish Enterprise and Riverside Inverclyde.

Review of Riverside Inverclyde and Delivery of Regeneration Services within Inverclyde

On behalf of Inverclyde Council and Scottish Enterprise

September 2013

FINAL FOR PUBLICATION



projects • funding • research

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I About the mid-term review

I.1 Background

In January 2013, New Skills Consulting was commissioned jointly by Inverclyde Council and Scottish Enterprise to undertake an independent review of Riverside Inverclyde (ri), alongside the delivery of other regeneration services in the area.

It was always the Members' intention that there would be a mid-term review of ri to explore its progress and impact to date, and to assess the extent to which it is the most effective and efficient model for the ongoing regeneration of Inverclyde. Clause 15.3 of the Members' Agreement states:

The Members shall undertake a review of the Company and its activities as at the end of the Financial Year which immediately follows the expiry of the period of five years from Completion; the Members (each being bound to act reasonably in this respect) consider, on the basis of that review, that the objectives of the Company (as expressed in clause 2) could more effectively or efficiently be achieved otherwise than through the activities of the Company (and companies associated with it), the Members shall make arrangements for the orderly winding-down of the Company in accordance with the provisions of clause 16.

Since the inception of the Company, the operating context has changed significantly, and in ways that none of those involved could have anticipated. The global financial crisis of 2008, the prolonged economic recession and property crash that followed it, and the resulting public funding cuts have combined to alter fundamentally the context in which ri has been operating. The most obvious effects have been a significant reduction in the levels of public funding allocated to the Company by Scottish Government and Scottish Enterprise, increasing financial pressures on Inverclyde Council which is now ri's main sponsor, significant challenges in securing private sector interest and investment in regeneration schemes, and challenges in attracting businesses and end users to create new jobs in the area.

I.2 Study objectives

In this context, and in line with the Members' Agreement, it is timely to assess the progress and impact made by ri to date, to consider the activities and impacts of other organisations involved in regeneration in Inverclyde, and explore options for the most effective and efficient delivery of services in the future in light of the extensive shortfall in funding for ri and for regeneration activities more broadly, compared with that envisaged a few years ago.

With this in mind, the specific objectives of the review are to:

- ⇒ Review the performance and impact of ri from its inception to date, assessing progress made towards the achievement of key objectives, and target outputs and outcomes.
- ⇒ Review the current governance, management and staffing arrangements of ri, commenting on the suitability of the organisation to manage the level of regeneration resources likely to be available in Inverclyde in future years.

- ⇒ Undertake an options appraisal for the future delivery of ri's regeneration activities in collaboration or association with other public agencies in the area. This should take into account the wider programme of regeneration activities planned by partner organisations and consider options for the most appropriate, cost effective delivery of regeneration activities in the future.

1.3 Methodology

The study considers activity spanning a period of approximately 6.5 years, from the inception of ri in the middle of 2006, through to February 2013. The review methodology has involved the following key tasks, with the majority of the research and information gathering conducted during January and February 2013:

- ⇒ Desk-review of key documentation and data about ri including: business plans and strategies; company and project-level finances; key projects and achievements, progress towards target outputs and outcomes; staffing and management; governance arrangements; and a range of other issues.
- ⇒ Brief review of a small number of other URCs in Scotland and elsewhere in the UK, as well as other organisations delivering regeneration services in Inverclyde (including the Council's Regeneration Service, the School Estate Management Team, and River Clyde Homes).
- ⇒ Site visits to the eight key areas prioritised for investment by ri.
- ⇒ A series of structured, face-to-face and telephone interviews with a total of 43 organisations and individuals involved with ri and regeneration more broadly. This includes ri management and staff; a selection of private and public sector Board members; the Member Organisations and key public funders; local businesses; local community organisations and groups; and representatives of other URCs.

The Review Team has enjoyed a high level of co-operation from all participants in the review. The team at ri has been positive and responsive in providing data, responding to queries and participating in interviews and site visits. A similarly good level of support and input has been provided by various departments of Inverclyde Council, River Clyde Homes, Scottish Enterprise, Scottish Government, and other organisations and individuals.

It is important to note that this mid-term review is not an Economic Impact Assessment (EIA) and has not followed an EIA methodology. For this reason, it is not legitimate to compare the mid-term review findings with the results of formal Economic Impact Assessments conducted for other regeneration programmes.

1.4 Report structure

The report is structured to present a summary of the key findings and lessons, options analysis, and conclusions and recommendations up-front, with the full and detailed analysis following in later sections. The intention is to enable the reader to quickly understand the key messages arising from the review, without having to work through all of the detailed analysis.

The report is structured as follows:

- ⇒ Section 2 provides the overall context for the review including background information, the changing economic context, and a summary of the key regeneration agencies operating in Inverclyde.
- ⇒ Section 3 presents a summary of the key findings and lessons learned from the review.
- ⇒ Section 4 presents and assesses a range of alternative options for the future delivery of regeneration services in Inverclyde.
- ⇒ Section 5 presents the conclusions and recommendations of the mid-term review.
- ⇒ Section 6 provides a fuller analysis of the review findings, for readers wishing to explore the detail.

2 Background to the study

2.1 Context and history of regeneration in Inverclyde

Largely as a result of long-term de-industrialisation, Inverclyde has faced a number of significant socio-economic challenges for a number of years including, a declining population, high unemployment, low levels of new, private sector job creation, low business density and start-up rates and a generally poor quality physical environment with many derelict and disused sites, particularly along the river frontage. The property market has been weak for many years, with generally low yields on commercial, industrial and housing developments compared to other areas of the country, making it difficult to attract private sector investment on a sustained basis.

In the 20 years prior to the establishment of Riverside Inverclyde a number of regeneration programmes have attempted to address these challenges, with generally modest impacts:

- ⇒ In 1987 the Inverclyde Initiative, led by the Scottish Development Agency, appointed developers for the Greenock Waterfront scheme but the developers subsequently withdrew from the project.
- ⇒ In 1989, eleven sites in Inverclyde were designated with Enterprise Zone status for a ten year period. While there were some successes, the policy did not result in significant and lasting regeneration of the area.
- ⇒ In 1993 a master plan for Custom House Quay, Victoria and East India Harbour was finalised, and by 1999 thirty five hectares of derelict land had been regenerated.¹

In the early 2000s the electronics boom resulted in some growth and job creation among new firms and inward investors at the Spango Valley, but this was short lived and few electronics jobs now remain in the area. Between 1999 and 2005, a net 3,200 jobs were created in Inverclyde in the finance and business sectors, with many more created in public administration, health and education and around 1,100 in transport and communications. However, in the approach to the recession, these gains began to be reversed, with 2,300 jobs lost across all these sectors in 2005 and 2006². More recently, there has been a significant reduction in public sector employment in Inverclyde as the effects of funding cuts have begun to feed through.

Throughout this period, some areas of Inverclyde remained relatively undeveloped, while others subsequently fell into dereliction.

Despite the challenges of the past, at the inception of Riverside Inverclyde in 2006 there was optimism that Inverclyde's time had come to enjoy regeneration success, with the Scottish and UK economy enjoying a prolonged period of growth, and an unprecedented level of public sector investment earmarked by Scottish Government, Scottish Enterprise and Inverclyde Council for the regeneration of the area. This was allied with significant planned investment in other aspects of regeneration, including development of the social housing stock through River Clyde Homes, and the Council's ambitious plans to regenerate the schools estate, leisure facilities and other public assets in the area.

¹ Evaluation of the Greenock Waterfront, DTZ Peda Consulting, 2002

² Inverclyde Economic Regeneration Strategy 2011-2014

2.2 Overview of key regeneration organisations and activities

2.2.1 Introduction

As with all areas of Scotland, in Inverclyde there are a range of agencies involved in regeneration, including physical development (property and infrastructure), area renewal and housing activities, economic development involving support to businesses, employment and education programmes, and social regeneration with a particular emphasis on addressing multiple deprivation. Unlike many other areas of the country, Inverclyde has the added involvement of a local Urban Regeneration Company, Riverside Inverclyde.

Several strategies and business plans exist which are intended to guide the economic and social regeneration of the area. They include:

- ⇒ The Inverclyde Economic Regeneration Strategy 2011-2014.
- ⇒ Riverside Inverclyde's business plans (initial 2007 plan, and the current five year business plan 2012-17).
- ⇒ The Inverclyde Alliance Single Outcome Agreement (SOA).
- ⇒ Inverclyde Alliance's Community Plan, Inspiring Inverclyde 2008-2018, which includes a variety of regeneration, employability, skills and enterprise related priorities for the area. The Alliance currently operates a range of multi agency SOA sub-groups engaged in a variety of regeneration activities including Economic Regeneration, Employability and Social Regeneration.
- ⇒ Scottish Enterprise Business Plan 2012-15.

While each of these strategies and plans make an important contribution, and the Inverclyde Regeneration Strategy provides an overall strategic direction for regeneration, it could be argued that there is no single, unified plan which aligns clearly the operational priorities, activities and investments of all key partners involved in the regeneration of Inverclyde. The SOA sub-group for Economic Regeneration and Employability provided an opportunity to develop a single operational plan for regeneration in Inverclyde, but this was not developed to any extent.

This current multi agency approach to regeneration can result in some cases of blurred lines of responsibility and to inefficiencies in service delivery. In the current climate of severe public sector funding cuts, and particularly in the area of regeneration where cuts by Scottish Government have been particularly deep, there is a duty on all agencies funded by the public purse to consider how services may be streamlined to maximise effectiveness and value for money in terms of return on investment of public funds.

In this context, as well as providing an opportunity to review the progress made by ri to date, the study also allows consideration to be given to the most effective and efficient means for the delivery of regeneration in Inverclyde in the future. This will involve considering in particular how Riverside Inverclyde and the Council's Regeneration Services could work more closely together, while also assessing the contributions of other key agencies such as River Clyde Homes.

The organisations that have played the greatest role in the physical and economic regeneration of Inverclyde in recent years are highlighted below. They include: Riverside Inverclyde; the Council's Regeneration and Planning Service; the Council's School Estate Management Plan Team; and Registered Social Landlords, in particular, River Clyde Homes. Scottish Enterprise has also played a key role.

2.2.2 Riverside Inverclyde

Riverside Inverclyde (ri) was established in 2006 as one of six Urban Regeneration Companies (URCs)³ in Scotland, the purpose of which was to lead the physical, economic, social and community regeneration of some of the most deprived areas of the country.

Accordingly, the vision of ri, as established in its initial business plan⁴ was ***'to enhance the competitiveness of Inverclyde as a place to live, work, visit, invest, and do business in'***.

ri was established with a ten year lifespan and a planned public sector funding contribution totalling £93m from Scottish Government, Inverclyde Council and Scottish Enterprise. This was intended to lever in more than £300m of private sector investment to help support the transformation of Inverclyde. From the outset, ri was intended to pursue a two pronged approach to regeneration, with the key focus being on physical regeneration resulting in the creation of mainly economic outcomes, including jobs and GVA.

- ⇒ **Going for Growth** - ri would invest in the physical regeneration of seven key areas located along and adjacent to the river frontage of Inverclyde and the A8 corridor, improving the economic infrastructure and creating a range of commercial, industrial, housing, leisure and retail developments capable of attracting business investment and jobs to the area.
- ⇒ **Spreading the Benefits** - Working in partnership with others, ri would support a range of initiatives to ensure that the employment and other regeneration benefits could be shared by local businesses, people and communities across Inverclyde.

ri's vision was to be achieved through the pursuit of four objectives. Objective I was to be the main focus of ri's **direct** activities.

| Objectives | Summary description |
|--|--|
| Objective I - Accelerating the pace of physical regeneration to provide regionally competitive locations for new businesses and homes | ri's aim was to provide a development framework for seven key sites located alongside the river frontage and A8 corridor, assembling sites, investing in remediation and infrastructure, and providing gap funding to attract the private sector to develop the sites for commercial, industrial, housing, leisure and retail uses. Through visible, physical regeneration, ri would enhance the image and perception of the area, stimulating investor interest and confidence. |

³ The URC's are special purpose delivery vehicles set up to deliver large scale regeneration programmes involving both public and private sector investment.

⁴ riverside inverclyde draft business plan, January 2007

Objectives 2, 3 and 4 were to be delivered by ri working indirectly and in partnership with others:

| Objectives | Summary description |
|---|--|
| Objective 2 - Facilitating economic restructuring | ri's aim was to support the development of Inverclyde's local economy, working with others to support existing and new businesses and start-ups, and to ensure that local residents were equipped with the employability skills needed to take up jobs arising from ri's physical investments. |
| Objective 3 - Providing widespread access to the opportunities created | ri's aim was to enable all areas and communities of Inverclyde to share in the benefits of regeneration, opening up the town centres to improve physical links to regeneration areas, facilitating access to new homes for existing and incoming residents, and linking local people with new job opportunities. |
| Objective 4 - Integrating Inverclyde with the regional economy | ri's aim was to improve Inverclyde's physical connectivity to the wider regional economy through improved transport links, and to promote the area's regeneration opportunities and achievements to outside audiences, to help attract investment. |

In working towards its objectives, ri would focus on the physical development of seven key sites alongside the river frontage and A8 corridor. In time, Gourrock Pierhead and Town Centre was added as an eighth area for investment by ri. Appendix I illustrates the location of ri's priority sites.

At the outset, Riverside Inverclyde had a significant budget at its disposal with indicative allocations over 10 years totalling £93m from three public sector funders, namely Scottish Government (£36m), Scottish Enterprise (£33m) and Inverclyde Council (£24m). It was estimated that this public sector funding had the potential to lever in an additional £300m of private sector investment over the lifespan of the Company.

Ambitious targets were set for the outputs and economic outcomes to be delivered by ri, including;

- ⇒ Provision of 77 ha of development land for economic after uses.
- ⇒ 35,000 m² of business space configured in line with occupier demands.
- ⇒ 7,000 m² of retail and leisure space.
- ⇒ 2,285 housing units.
- ⇒ 2,600 gross FTE new jobs created.
- ⇒ £90m GVA p.a. created.

ri was established as a Company Limited by Guarantee (now with Charitable status) by two Member Organisations, namely Inverclyde Council and Scottish Enterprise. It was to be governed by a series of Boards and sub-groups, with directors drawn from the private sector, the local community, from the Council and Scottish Enterprise. At the outset, the key Boards and sub-groups included:

- ⇒ The main Riverside Inverclyde Board (i.e. the Board of the main charitable, parent company).
- ⇒ A series of sub-groups and committees (Finance, Governance and Audit; Nominations and Remuneration; Operations Group; Marketing and Communications Group).

As the work of ri developed, two further companies were added to the group:

- ⇒ **Riverside Inverclyde (Property Holdings) Ltd** - Established as a company limited by shares to carry out key property projects on behalf of the main ri parent company. It also manages the portfolio of commercial and industrial property now owned by ri (PH) Ltd.
- ⇒ **James Watt Dock LLP** - A Limited Liability Partnership company, established between Riverside Inverclyde (Property Holdings) Ltd and Peel Holdings Ltd, to take forward the re-development of the James Watt Dock site on a 50:50 equity basis between the partners.

The work programme of ri was to be implemented by an executive team, led by a Chief Executive reporting to the ri Board. In later sections of this report, ri's performance and progress to date is reviewed against its initial vision, objectives and targets, and in the context of the changed funding and economic climate.

2.2.3 Inverclyde Council's Regeneration and Planning Service

Alongside ri, the other most significant agency involved in the regeneration of the area is Inverclyde Council's Regeneration and Planning Service.

The key priority of the service is 'to support the acceleration of economic growth in Inverclyde'⁵. Working together with its economic partners, the Regeneration and Planning Service aims to achieve:

- ⇒ A vital, vibrant and diverse Inverclyde;
- ⇒ Economically assured businesses and investors;
- ⇒ Diverse and sustainable economies;
- ⇒ A greater diversity of jobs, including those of higher value;
- ⇒ An appropriately skilled workforce;
- ⇒ Maximised income and minimised poverty.

The service comprises three sections, namely Economic Development, Planning Policy and Property, and Development and Building Standards. It is the first two sections that have the greatest direct role to play in the regeneration of the area, and which deliver some activities similar to those of ri, as follows:

⁵ Inverclyde Economic Regeneration Strategy 2011-14

Economic Development - comprises two sub-teams:

- ⇒ **Business development** - A team of advisers provides a range of services to support and promote local businesses including: advice, grants and loans to help businesses compete and grow; managing the 'Business Gateway' service for Renfrewshire which supports the creation of new start-up businesses; company engagement and networking activities; and tourism and place marketing activities.
- ⇒ **Workforce development** - The team manage the delivery of a variety of employability and skills services, aimed primarily at helping local unemployed residents into work, mostly through third party providers although some services are delivered in house. The activities include a mix of National Training Programmes (e.g. Skills Development Scotland Modern Apprentice and Get Ready for Work contracts), as well as programmes funded directly by the Council (e.g. Future Jobs Fund, Youth Employability Initiative, Targeted Recruitment and Training projects linked to local construction contracts).

The team is also responsible for managing Inverclyde Council's Regeneration Fund, through which £4.3m was invested in 2012/13 in a variety of services delivered by local partners and third sector organisations aimed at tackling various aspects of multiple deprivation in the area (e.g. employability, health inequalities, drug and alcohol misuse etc).

Planning Policy and Property - As well as delivering the statutory planning service for Inverclyde, this team also manages the Council's portfolio of commercial and industrial property and administers the Property Assistance Scheme which provides grants to part fund improvements to commercial and industrial property and shop fronts. The property portfolio delivers a net revenue income for the Council of more than £500,000 p.a.

The Economic Development Team has a strong track record in securing funding from external sources to support its regeneration activities. Since 2008 it has attracted more than £25m of additional regeneration investment from a variety of sources, including Workforce Plus, Fairer Scotland Fund, Modern Apprenticeships, European Social Fund, European Regional Development Fund, Town Centre Regeneration Fund (in partnership with ri), Big Lottery, Heritage Lottery Fund and Future Jobs Fund, among others.

The Regeneration and Planning Service is also responsible for leading the implementation of the Council's Strategic Leisure Programme, a £19m programme of investment in improving leisure buildings and outside spaces across Inverclyde. The programme began in 2008 and is nearing successful completion.

While the budget for Economic Development, Property, the Inverclyde Regeneration Fund and the Strategic Leisure Programme combined varies year on year, during 2012/13 the team is managing a mixed capital and revenue budget of approximately £8.7m. All of these funds contribute in some way to the economic and physical regeneration of Inverclyde.

A total of 13.2 FTE equivalent staff⁶ are involved in delivering these activities.

⁶ This includes 13 full-time equivalent staff plus the Head of Regeneration and Planning spending approximately 20% of his time on economic development activities.

In the period April 2012 to January 2013, the Team delivered the outputs and outcomes presented in Table 1. These are the combined results of services delivered directly by the Economic Development Team and others provided by local organisations sub-contracted to deliver through the Council's Regeneration Fund.

Table 1: Summary of key outputs and outcomes achieved by Inverclyde Council Regeneration Service (April 2012 to January 2013)

| Output / outcome | Total |
|--|-------|
| Businesses assisted (grants, loans, advice, other) | 64 |
| New business starts (Business Gateway) | 150 |
| New jobs created through Flexible Jobs Fund | 123 |
| Local unemployed residents supported into work | 308 |
| Local residents assisted with skills development | 1,041 |

2.2.4 Inverclyde Council Schools Estate Management Team

Since 2005 the Council has been engaged in a significant programme of capital investment in the transformation of the schools estate in the area. This has included refurbishments, demolitions and some high profile new builds of key schools in the area. The Team has also been involved in joint partnership development agreements/projects, and disposal of redundant sites to RSLs and developers to enable regeneration projects to proceed.

The Schools Estate Management Team, part of Inverclyde Council, has been responsible for delivering a total capital investment of £114m over the eight year period 2005/06 to 2012/13, an average of £14m p.a. The investment has resulted in the building of new schools and the improvement of existing school buildings. This has had a significant impact on the physical regeneration of Inverclyde, improving the appearance of the area, helping to boost the confidence of the local community, and reinforcing the Council's commitment to quality education as a route to positive futures for young people.

The size of the team responsible for managing the programme has changed over time, with eight FTE staff at the peak of the workload in 2010, now reduced to four FTE staff, reflecting the need for efficiency savings to be made.

2.2.5 River Clyde Homes

River Clyde Homes (RCH) was established in 2007 as a registered social landlord with charitable status, following Inverclyde Council's positive tenant ballot to transfer its housing stock to a new, not-for-profit vehicle. While there are other housing associations operating in Inverclyde (e.g. Cloch Housing Association and Oak Tree Housing Association), RCH is the largest social landlord in the area.

A not-for-profit organisation, RCH is responsible for managing a large social housing stock, as well as growing and improving the stock through demolition, refurbishment and new build. At its inception, RCH aimed to build 1,000 new social housing units in Inverclyde, and to renovate a further 5,000. While RCH has many roles, this study considers only the work of the Development

Team which is responsible for the creation of new build units in Inverclyde. This is on the basis that the team has made an important contribution to the physical regeneration of Inverclyde in recent years.

After an initial development and master planning period between 2007 and 2009, construction of the first new build units began in October 2009 in Port Glasgow and East Greenock. The main source of capital funding for new developments was through the Strategy and Development Funding Plan (SDFP) via Scottish Government, and private finance arranged by RCH. The organisation received significant funds from the Scottish Government to invest in new build, and shared equity social housing, as well as demolition, environmental work, and a wide range of local community projects.

During the main construction period to date (from 2009/10 onwards), the Development Team has managed a capital investment programme totalling £70m, at an average of £17.4m in each of the four years so far. The annual budget peaked in 2010/11 at approximately £24m, and had fallen to £15m by 2012/13, reflecting a significant reduction in the level of grant funding available for new build social housing in Scotland, in common with the rest of the UK. Social housing investment in current and future years will be through the Strategic Local Programme, which represents a significant reduction in the funds available compared to previous years.

To date, the investment has resulted in a total of 462 new social housing units being constructed in Port Glasgow, East Greenock and South West Greenock. At the time of writing, a small number of these units were still in the pipeline, due for completion in late 2013. These developments have had a significant impact on the physical regeneration of parts of Inverclyde, improving the appearance of the area and helping to boost the confidence of the local community. This investment programme has been delivered by a Development Team comprising four full-time equivalent staff, whose role has included: creating the initial social housing strategy and master plan; developing new housing projects; land acquisition; commissioning technical professions (architects, surveyors etc); and commissioning and managing multi-million pound contracts with construction and demolition contractors. The team has also invested significant time in consulting with the local community, housing and regeneration partners and the Council, and delivering a variety of community projects for the benefit of local residents. RCH has created 127 employment opportunities through new build, demolition and environmental contracts, and a further 23 full craft apprenticeships.

RCH has worked closely with ri and the Council's Regeneration Service on local community benefit activities. This has included training and information sessions for local construction contractors, clauses in contracts to maximise the opportunities for local firms to win sub-contract opportunities, and Targeted Recruitment and Training projects providing jobs for local unemployed residents of construction and demolition projects funded by RCH.

2.2.6 Scottish Enterprise

Scottish Enterprise is active in the economic regeneration of Inverclyde through its support for account managed companies in the area and its sector growth agenda. It remains actively involved with Riverside Inverclyde through representation on the Board of the URC and its property holdings company. Scottish Enterprise has stated that it will consider requests from the URCs for assistance with sector development projects, with proposals being considered against other Scottish Enterprise priorities and available budgets.

2.2.7 Other Urban Regeneration Companies

As part of the study methodology, we have also undertaken some brief research into a small number of other Urban Regeneration Companies in Scotland and elsewhere in the UK. The purpose of the research is to provide some wider context, helping to understand the progress and experiences of ri alongside other similar organisations, and to draw out any areas in which ri may be able to learn lessons from the operation of other URC's.

2.3 The changing economic, policy and funding context

Since the inception of Riverside Inverclyde in 2006, the context in which the regeneration of Inverclyde is being delivered has changed significantly, and in ways that none of those involved could have anticipated at the outset.

The economic downturn triggered by the global financial crisis of 2008 has had a significant effect on Scotland's economy and on aspects of the activities of URCs across the country. In particular, the task of regeneration has been made significantly more challenging by a sharp reduction in the availability of private sector investment in businesses, property and housing, a loss of business and consumer confidence feeding through into low job creation and rising unemployment, and higher levels of business failure.

A selection of key statistics help to illustrate the changed economic and investment climate:

- ⇒ Between January and December 2008 the average rate of unemployment in Inverclyde was 6.3%. By September 2012 this had risen to 11.6%, compared with an average rate of 7.9% for both Scotland and Great Britain⁷.
- ⇒ During 2007 there were 35 businesses registered per 10,000 adults in Inverclyde. By 2010 this rate had fallen to 21, compared with an average rate for Scotland of 36. Over the same period there was a significant increase in business de-registrations, from 21 per 10,000 adults in 2007 to 37 in 2010⁸.
- ⇒ Occupancy levels have fallen in the commercial sector as a result of business failures and reduced business confidence, leading to a reduction in property values. The effects of this tend to be more significant in areas such as Inverclyde where disposable incomes are generally lower and there are fewer businesses in the financial and professional sectors, where demand has remained more buoyant⁹.
- ⇒ In Scotland, the number of new house completions fell by 38% from a peak of 25,788 in 2006/07 to 15,900 in 2011/12. In Inverclyde there have been significant fluctuations in house building, with 523 new starts in 2007/08, falling to 241 by the following financial year. In 2009/10 there was an increase to 630 new starts, but by 2010/11 the rate had fallen again to just 180¹⁰.
- ⇒ During the period of sustained economic growth prior to the downturn, demand for residential developments and commercial property was high and attracted a great deal of private sector investment. However, the effect of the credit crunch on the construction

⁷ Office for National Statistics

⁸ Scottish Neighbourhood statistics, www.sns.gov.uk

⁹ Review of James Watt Dock LLP, Deloitte, February 2012

¹⁰ Housing Statistics for Scotland, www.scotland.gov.uk

industry has been severe, as investments have become significantly more risky and demand for both commercial and residential property have fallen.

This economic decline has fed through directly into rising public sector debt and pressure being placed on all publicly funded organisations to reduce spending. The Government has continued to support regeneration activities, including the URCs, although re-prioritisation has resulted in a reduction in available annual budgets. The Scottish Enterprise budget for URCs has now been taken into the overall URC allocations and is managed by Government. The implications of this change in policy and funding are explored in greater detail in section 6.9 of the report.

While Inverclyde Council has committed to retain its current level of investment in ri until the end of the 10 year lifespan, it is clear that more recently ri has had at its disposal a much reduced level of guaranteed public sector investment, and this will continue to be the case in future years. Allied to this, ri faces a much more challenging climate in terms of attracting private investment for the types of commercial and industrial, housing, retail and leisure developments envisaged in the early days of the URC.

3 Summary of key messages and lessons learned from the review

This section summarises the key findings and messages arising from the mid-term review. It is intended to help shape options and recommendations about the future delivery of regeneration services in Inverclyde, in light of the experiences and lessons learned since ri's inception. The detailed analysis used to inform these findings and lessons is presented in section 6 of the report.

Progress towards objectives

Since its inception in 2006, ri has been working towards four main objectives which together were intended to deliver its overall vision for the regeneration of Inverclyde. The first objective, targeting physical regeneration, was to be the main focus of ri's direct activities, while the other three objectives were to be achieved through partnership working. Progress made to date towards each of the objectives is summarised below.

Objective 1: Accelerating the pace of physical regeneration to provide regionally competitive locations for new businesses and homes

Under this objective, ri's activities were intended to focus on land assembly, site preparation, gap funding, public realm improvements and enhancing perceptions of Inverclyde. The aim was to attract additional investment and facilitate physical regeneration in the shape of new commercial, industrial and residential developments. In general, consultees felt that progress has been made despite the economic downturn and difficult market conditions, with the waterfront and A8 corridor being visibly improved in some small but important locations, helping to enhance overall perceptions of Inverclyde. Some of the key improvements have been led by ri while others were delivered independently by the private sector prior to and around the time of ri's formation (e.g. Gallagher's development at Port Glasgow, Turnberry Homes development at Cartsburn / Cartsydyke). The initial progress made by ri hasn't followed through into any significant new private sector-led commercial or residential developments, mainly as a result of the recession and property market crash. As a consequence, ri has undertaken some direct developments itself, accounting for some of the most visible improvements along the A8 including the development of Riverside Business Park, improvements to the James Watt Dock access, boundary wall and Sugar Warehouse, and the approaches to Port Glasgow and Greenock Town Centres. It should be noted that some sites have been developed by house builders with a degree of success during this period (e.g. Persimmon Homes at Kingston Park). Overall, while some important improvements have been made, the scale of physical regeneration has been limited due in part to the lack of progress and difficulties in attracting private sector investment to create significant, new commercial, industrial and residential developments.

Objective 2: Facilitating economic restructuring

It was envisaged that activities under this objective would be delivered in partnership with others, focusing on actions to improve business start-up, growth and survival, and improving the skills and employability of local people. Consultees commented that ri's work in improving and developing business property has helped to retain some businesses and jobs in the area, which has been beneficial. Other business support initiatives have been developed, including the Inverclyde Construction Forum which has enabled small numbers of local businesses to secure contracts on construction projects and create jobs, and the Inverclyde Renewables Alliance Group (IRAG)

which has brought businesses together in an attempt to attract renewable energy investment to the area. While valued by the companies involved, the overall scale and impact of these business support initiatives has been limited with relatively small numbers of businesses benefitting, partly because ri does not have the resources to deliver on a significant scale. Some consultees believe that ri should not be involved at all in the direct delivery of business support which is actually the responsibility of the Council's Regeneration Service, Business Gateway, Scottish Enterprise and others, while recognising that there is a need for improved partnership working between the agencies involved in supporting Inverclyde's businesses. Riverside Inverclyde has also been involved in employability initiatives which have helped some local residents to secure jobs. Again, while these activities have been beneficial, the overall scale of the activity and numbers of residents supported has been small. Overall, ri's impact to date on facilitating economic restructuring has been limited.

Objective 3: Providing widespread access to the opportunities created

This objective was also to be delivered in partnership, and was to include integrating new developments along the waterfront and A8 corridor with the existing town centres, providing a mix of housing options in the area, and helping local residents to access the new jobs created by regeneration. Consultees stated that good progress has been made in clearly marking out Port Glasgow and Greenock town centres, enhancing their physical appearance in some locations, and in creating some improved links between the town centres and the riverfront. As far as new housing developments are concerned there has been very little progress, particularly on ri's priority development sites, although this is due largely to the ongoing housing market recession across the UK, as well as the current condition of the sites. A small number of housing developments did take place during the early years of ri's lifespan but they would have happened anyway and ri played little, if any, role in them. Extending job opportunities to local residents has been difficult as only a small number of new jobs have been created by ri's investments. Most progress has been made on construction jobs whereby local unemployed residents have been helped to secure temporary jobs and training placements with companies delivering ri funded regeneration schemes. This has been possible as a result of Community Benefit Clauses introduced as part of ri's tender selection process, and Targeted Recruitment and Training projects delivered in partnership with the Council's Regeneration Service, Inverclyde Community Development Trust and others. The benefits and impacts of these activities on local employment levels have been small scale to date.

Objective 4: Integrating Inverclyde with the regional economy

This objective focused on enhancing the integration of Inverclyde with the wider regional economy through improved physical transport linkages, as well as through improved communication and marketing of the regeneration and economic potential of Inverclyde, aimed at raising awareness and perceptions and ultimately attracting investment into the area. Although the appearance of parts of the A8 corridor has been improved, other than contributing to some feasibility studies, ri has made no real progress towards improving the transport network. In terms of communications and marketing, while a significant amount of funds have been expended and activities undertaken (e.g. production of brochures and DVDs, attendance at business and investment conferences, recent activities to promote the area as a location for renewable energy businesses), there is only limited evidence of its impact in terms of investment in Inverclyde by companies from outside of the area.

Delivery and impact

The ultimate purpose of URC's is to regenerate very deprived areas which are experiencing significant property market failure, and through regeneration to attract new investment, grow businesses, create new jobs and improve the area for the benefit of local people and businesses.

The evidence from the mid-term review shows that, while ri has made some progress on physical and public realm improvements and on the creation and improvement of business space, there has been little impact to date on the creation of new jobs and the attraction of investment and businesses. Clearly, some of the impacts will need to be judged in future years once the economy recovers and the property market improves. Key messages include:

- ⇒ The majority of consultees believe that, overall, reasonable progress has been made by ri in terms of physical regeneration, land improvement, public realm, and some building and refurbishment of commercial property, commenting that there is visible improvement along the A8 corridor at some key sites and the approaches to the town centres. While ri has been directly responsible for some of the improvements, others were driven forward independently by the private sector prior to the establishment of ri, or without ri's involvement. Overall, most consultees feel that some progress has been made in a very difficult market, and that ri's activities may have helped to retain businesses and jobs in the area, rather than creating significant numbers of new jobs.
- ⇒ There is an overall feeling that ri made a good start and achieved most progress in the early years, but that progress has slowed significantly in the past couple of years.
- ⇒ The weakness of the property market and lack of willingness among private developers to invest in new projects has been a key factor behind the stalled development of some of ri's key priority sites. In the case of Riverside Business Park, this led ri to decide to self-develop property on the site, with public funds meeting 100% of the development costs. It could be argued that a similar, direct approach could have accelerated progress on other sites such as Kelburn and Cartsburn / Cartsdye, although it is understood that the public funders wanted ri to thoroughly test demand from private developers on these sites before going down that route. Having tested the market, a direct development is now planned by ri for the Kelburn site.
- ⇒ Many of the consultees felt that a key benefit of having an arm's length organisation is that it creates a clear focus on regeneration, and is able to get things done more quickly than would otherwise be the case. Retaining this arm's length focus on regeneration is considered to be an important priority by most consultees, particularly those from the private sector and the local business community. Some consultees also stated that ri has been a welcome break with previous attempts at regeneration in Inverclyde and has achieved more than any previous regeneration initiative in the area. This was attributed partly to the significant level of resources made available to support ri's work, which has been much greater than any previous level of public sector investment in the area. While supporting the URC approach, both Scottish Enterprise and Scottish Government stated that retaining an URC in future would not make it any more or less likely that Inverclyde would be well positioned to benefit from further regeneration funding.

- ⇒ Some consultees felt that ri could have achieved more to date if it had maintained a sharper focus on its key priorities. While the core purpose of ri, above all else, was to regenerate the eight priority sites, some felt that significant staff time and resources have been spent working on other activities, such as providing direct advice and support to businesses, working on community projects, and attempting to get involved in property projects outside of the key priority sites (e.g. the attempt to purchase Victory House in competition with the private sector, the potential development of Council offices in Gourrock). While the need for ri to be responsive to opportunities was acknowledged, it is also clear that with scarce resources there is a need to focus on specific projects and activities within the priority development areas to achieve maximum impact, and that this focus has been lost on some occasions.
- ⇒ It appears that all of the other URCs considered by this review have proactively re-visited their key projects and adjusted their priorities in response to reduced funding availability and the persistent challenging economic and property market conditions.

Lessons

- ⇒ ri has found it difficult to make a significant impact across all eight of the priority sites in its business plan. To date, it has delivered 46 physical regeneration and property projects across the sites, as well as a range of business support, employment and community initiatives. It could be argued that staff time and budgets have been spread too thinly across too many projects and competing priorities, reflecting a business plan that was perhaps too broad and ambitious. As it became clear during the past couple of years that the property market recession was becoming prolonged, and the resources available to ri were diminishing, there is a case that ri could have altered its strategy, in common with other URCs. It may have been better to focus finite time and money on a smaller number of sites and premises with the best prospects of being developed out, providing new and additional capacity to accommodate businesses and jobs in Inverclyde.
- ⇒ On sites that have been stalled for several years (e.g. Kelburn, Cartsburn / Cartsydyke), with the consent of funders ri could have acted earlier than it did to self-develop on those sites. While the preference should almost always be to attract private development, there is a role for ri to act directly and swiftly where no progress is being made. However, this role must be exercised with caution and by exception to avoid the risk of ri (Property Holdings) Ltd being perceived as a competitor to the private sector and actually displacing any private investment that may otherwise be attracted to Inverclyde, particularly when the market begins to recover.
- ⇒ The past six years have witnessed a level of public sector investment in the regeneration of Inverclyde which far outstrips anything seen in previous years. The significant level of investment available has enabled ri to deliver visible regeneration improvements of a type which have not been witnessed for many years in the area. It could be argued that it is the funding that has really made the difference and that while the ri team has worked hard to deliver this change, similar results could have been delivered by another organisation with the same resources.
- ⇒ Having said that, most consultees believe that delivering regeneration through an arm's length body has speeded up decision making and delivered more rapid progress that might have been the case if the Council had the role of delivering ri's programme of work. This point of view is most pronounced among the private sector consultees.

Outputs and outcomes

The outputs and outcomes identified in ri's original 2007 business plan are considered by most consultees to be ambitious but achievable. The evidence available indicates that ri's progress to date towards the achievement of these targets has been disappointing, with performance against almost every measure behind the expected profile (and significantly behind profile on some measures), based on the organisation having completed two-thirds of its ten year lifespan.

However, there is often a time lag between public investment in physical infrastructure projects and the subsequent development of sites and premises for occupation by end users, which results in the creation / attraction of new jobs and homes. To reflect the future potential of the spending and investments made to date by ri, the Review Team has undertaken an exercise to estimate some of the key outputs and outcomes that *could* be delivered in the future. The estimates are based on the key assumption that the economy and property market begin a sustained recovery from the recession from now until the year 2020. This would result in: the private sector developing out some of the sites previously invested in by ri; end user businesses being attracted to these sites and developments and creating new jobs in Inverclyde; increases in occupancy rates and employment levels in the business premises owned and invested in by ri; and some new housing developments being attracted to the sites.

The estimates have been based on discussions with ri and Inverclyde Council to identify the developments and schemes most likely to go ahead in the period up to 2020, and on this basis estimates have been made about the amount of land and business space likely to be developed. In line with Scottish Enterprise guidance¹¹, standard employment density ratios¹² have been applied to estimate the number of new jobs that could potentially be created by these new developments. In estimating the value of private sector leverage that could be attracted to support these schemes, average development costs have been applied separately for office, industrial, housing and leisure developments, based on average development costs per square foot of floor space and per housing unit.

The output / outcome estimates presented here do not take account of factors that would be explored through a full Economic Impact Assessment methodology (such as market appraisal, net additional impact, optimism bias, sensitivity analysis). As a result, they should be considered to provide a broad guide only to the potential future gross outputs and outcomes that could arise from the investments made to date by ri. The output / outcome estimates will be reviewed regularly to ensure their appropriateness in light of the prevailing economic conditions.

The table below provides a summary of the output / outcome achievements of ri up to March 2013, compared to the targets in its original business plan. This is supplemented with the estimates of potential future outputs / outcomes up to 2020, presented in the right hand column

¹¹ Economic Appraisal Guidance Note, Scottish Enterprise (2008)

¹² The most up-to-date information available from official sources was the Employment Densities Guide, Homes and Communities Agency (2010)

Summary of ri's progress towards output / outcome targets (2006/07 to 2012/13), with forecasts of potential up to 2020

| Output / outcome | Initial target | Reported by ri | | Adjusted after verification | | Potential future outputs / outcomes by 2020, arising from investments made to date by ri |
|---|-----------------------------|-----------------------|----------------------|-----------------------------|----------------------|--|
| | | Total up to 2012/13 | % of target achieved | Total up to 2012/13 | % of target achieved | |
| Provision of development land for economic after uses: | 77 ha | 35.71 ha | 46% | | | |
| ■ Land ready for dev/t | - | - | - | 2.34 ha | 3% | - |
| ■ Land ready for dev/t + land improved + public realm | - | - | - | 25.73 ha | 33% | - |
| Provision of business space (created / refurbished) | 35,000 m² | 35,964 m ² | 103% | | | |
| ■ Maximum | - | - | - | 23,073 m ² | 66% | 8,384 m ² |
| ■ Maximum minus Theatre | - | - | - | 19,033 m ² | 55% | |
| ■ Maximum minus Theatre & Shop Front Improvements | - | - | - | 15,013 m ² | 43% | |
| Jobs created (FTE) | 2,600 | 219 | 8% | 191 | 7% | 429 |
| Jobs safeguarded (FTE) | No target | 739 | - | 308 | - | 247 |
| Construction jobs created (job years)* | 110 | 135 | 123% | 135 | 123% | - |
| Annual gross value added (GVA) ** | £90m | Not reported | Not reported | £8.1m | 9% | - |
| New housing units provided * | 2,285 | 121 | 5% | 121 | 5% | 391 |
| Berths created for leisure craft * | 500 + | 200 | 40% | 200 | 40% | - |
| Private sector investment levered | £295m | £33m | 11% | £3.6m | 1% | £38m |

* Output/outcome not verified by the Review Team

** GVA estimated by Review Team based on jobs created outputs by March 2013

The key messages from the analysis of the output / outcome evidence are as follows.

- ⇒ The Review Team has verified a sample of the output and outcome numbers reported by ri, which has revealed that some of the headline numbers overstate the impacts that have actually been delivered.
- ⇒ **Provision of development land for economic after uses** - Based on the revised output numbers (after ineligible claims are deducted), by February 2013, a total of 25.73 ha of land had been developed or improved, which is 33% of the total target of 77 ha. Of this, 2.34 ha is land made ready for development, mainly at the Riverside Business Park site. Most of the remainder of activity has been in land improvement / tidy up, as well as public realm works. While this has improved the appearance of parts of Inverclyde, it has not delivered on a key aim of the business plan which was to make the eight priority sites ready for development for commercial, industrial, residential and other uses. Most of this spending by ri has not to date stimulated follow on investment by developers, nor has it resulted in the creation of significant numbers of new jobs. Clearly, the property market recession and general lack of interest from developers has been a factor dissuading ri from focusing on preparing land ready for development, as putting in place site infrastructure without knowing the specific requirements of developers and end users could have resulted in abortive investments and costs. Overall, progress on the development of land is well behind target, although some notable successes and improvements have been delivered within this.
- ⇒ **Provision of business space** - By February 2013, a total of 19,333 sq m of business space had been created or improved (excluding the Beacon Theatre development which is not considered to be business space), which is 55% of the target of 35,000 sq m. Overall, reasonable progress has been made towards this target, although only a minority of the space is new and additional accommodation which has added to Inverclyde's capacity to accommodate extra businesses. Most of the activity has been in the improvement of existing business accommodation, including stock transferred to ri by the Council.
- ⇒ **Jobs created and safeguarded** - The progress made on the physical regeneration of some areas of Inverclyde, and the development of business space, has not so far fed through into a significant positive impact on employment in the area. The £59m spent to date by ri has helped to create a maximum of 191 gross new FTE jobs, which is 7% of the target of 2,600 new FTE jobs and well behind profile. It has also helped to safeguard a maximum of 308 gross FTE jobs. In addition, ri's capital development projects have resulted in the direct creation of temporary construction jobs, with 135 job years having been created compared to the initial target of 110 (123% of the target). However, given that a key objective of ri's investment programme was to help create jobs and wealth in the local economy, the overall positive impact on job creation to date has been very limited.
- ⇒ **Other outputs and outcomes** - Progress towards other targets is also behind profile. For instance, the business plan included a target to provide 2,285 new housing units, of which 121 (5%) had been achieved by 2012/13. There is also a target to lever in £295m of private sector investment to support the delivery of regeneration projects, of which £3.6m (1%) has been achieved so far. Some progress has been made in providing berths for leisure craft, with 200 having been created to date, which is 40% of the initial target of 500.

- ⇒ It is important that ri's progress towards its output and outcome targets to date is considered in the context of the very difficult economic climate in which it has been operating since 2008. The initial ri business plan, which set ambitious and stretching targets, was developed in 2006 at a much more optimistic time when the economy was growing strongly. Clearly, the subsequent and unanticipated global financial crisis, recession and property market crash have had a major impact on the realism of these targets and ri's ability to deliver them.
- ⇒ Overall, the level of outputs and outcomes delivered to date is disappointing when considered against the total of £59m of public funds (capital plus operating costs) spent by ri to date. It could be argued that a greater level of impact could have been achieved had at least some of the funds been invested in alternative forms of economic development activity, such as Future Jobs Fund type projects, which have a very direct (if temporary) impact on job creation.
- ⇒ The Review Team has estimated that the investments made to date by ri have the potential to generate additional outputs and outcomes up to the year 2020. This includes: the creation of 8,384 m² of new and refurbished business space (including office and industrial space, as well as leisure developments); the creation / attraction of 429 new FTE jobs, and the safeguarding of 247 FTE jobs; the development of 391 housing units; and the attraction of £38m in private sector leverage.

Lessons

- ⇒ It has become increasingly clear during the past couple of years that ri was falling well short of most of its business plan targets, and the prolonged recession has played a major role in this. There is a strong case that ri should have revised its objectives, targets and priorities, creating an investment plan with more achievable outputs and outcomes, reflecting reductions in funding and the continuation of difficult economic conditions.
- ⇒ Rather than spending funds on general land improvement and tidy up works across a large number of small sites, greater impact may have been achieved if ri had focused on putting in place key infrastructure and site preparation works on just a few key strategic sites. This may have resulted in some sites (such as Kelburn, Cartsburn / Cartsydyke) being at a more advanced stage of readiness for development than is the case currently.
- ⇒ Similarly, more of the investment in property development could have been focused on creating new business space, rather than refurbishing existing space. This would have had a greater impact in adding to Inverclyde's capacity to accommodate extra businesses and jobs. While the improvement of the business accommodation transferred from the Council is welcome, it has absorbed a lot of funding that could have created new space.

Lessons

- ⇒ There is significant room for improvement in ri's monitoring and reporting systems. The current system is not sufficiently transparent as it results in the reporting of some outputs and outcomes that are not legitimate, and the definitions of what it is reasonable to claim within various measures are too loose. This could result ultimately in a loss of confidence in the achievements reported by ri. Given the amount of public funds invested, the level of scrutiny and verification by funders of ri's achievements should have been more challenging. The key improvements required include: the development of a clear and definitive list of output / outcome measures which are monitored systematically; clearer definitions and evidence requirements for each output / outcome; greater scrutiny by funders of the numbers reported by ri and the evidence to verify them; and a more transparent and regular process for reporting progress towards outputs / outcomes to the ri Board and the main funders. Such changes would create greater confidence that the performance data reported is an accurate reflection of actual achievements.

Finance and value for money

- ⇒ From its inception up to March 2013, ri has received a total of £61.3m in public funding (capital and revenue) from Scottish Government, Scottish Enterprise and Inverclyde Council. It has spent £54.2m on the delivery of a range of physical regeneration and other projects, and £4.6m on operating costs. The balance of the funding will be carried forward into 2013/14 to support expenditure on committed projects. The sites and projects accounting for the greatest share of expenditure are Riverside Business Park (£15m), James Watt Dock, including the LLP (£12.9m), the Harbours and Cathcart Street (£7m), and Greenock and Port Glasgow Town Centres (£5.7m).
- ⇒ ri's total operating costs over the period to March 2013 of £4.6m were met partly by public revenue funding (£3.1m) and partly by surplus income generated by ri's property portfolio (£1.36m). Over the period of the study, ri had a deficit on operating costs of £125,000, because the total costs incurred were greater than the revenue from public funders plus the property portfolio surplus. Over the period of the review, ri's operating costs equate to an average of 8% of total organisational spending.
- ⇒ As it has grown over the years, ri's property portfolio has begun to generate a profit. Over the period since 2008, ri generated a total profit of £355,321, of which £185,622 was generated in the latest financial year 2012/13. While this is a positive achievement, the current level of the annual surplus is not sufficient to cover 100% of ri's operating costs and the organisation will continue to require public revenue funding in future years to contribute to revenue costs. ri is forecasting a surplus in excess of £400,000 on the property portfolio in 2013/14 but this is still well short of the total operating costs incurred in 2012/13 of £667,000.
- ⇒ In its monitoring reports to Scottish Government, ri has reported attracting a total of £33m in direct and indirect leverage from private sector investors since its inception in 2006. However, a brief assessment by the Review Team suggests that the private leverage that is directly attributable to the activities of ri is closer to £3.6m. To date, ri has fallen well short of the

target of leveraging in a total of £295m in private sector investment, as set out in the initial business plan. This is partly a reflection of the very challenging conditions in the property market and the economy generally, and the reluctance of private sector organisations to invest in the current climate.

- ⇒ Some consultees felt that ri has not pursued as proactively as it might have done other opportunities to attract additional external funds to regenerate Inverclyde (e.g. European Structural Funds, Lottery Funds).
- ⇒ Overall, the value for money offered by ri appears to be mixed. In terms of cost per hectare of land developed / improved it appears to be cost effective compared to the English RDA average. In terms of the combined cost per job created and safeguarded, ri appears to offer poor value for money when compared with the English RDA average. On cost per business assisted, ri also appears to offer poor value for money compared with the Council's Regeneration Service. Establishing costs per output is one approach to measuring the value for money of an intervention. The cost per output / outcome for each measure is calculated by dividing the total public expenditure by the total number of outputs / outcomes achieved. This methodology is outlined in the UK Government's Magenta Book¹³ (which is underpinned by HM Treasury Green Book principles), and also in the UK Government's Impact Evaluation Framework.¹⁴
- ⇒ The return on investment in terms of GVA generated is low, with every one pound invested by ri generating £0.13 pa in GVA (gross), compared with £1.00 pa on average for the English RDAs.
- ⇒ It should be noted, however, that current investments by ri offer the capacity and potential to attract additional jobs and private sector investment to Inverclyde in the longer term. It will be more appropriate to assess ri's ultimate impact and value for money in the future, once the full potential of its investments has been realised.

¹³ Assessing the Impacts of Spatial Interventions: Regeneration, Renewal and Regional Development, ODPM (2004)

¹⁴ Evaluating the Impact of England's Regional Development Agencies: Developing a Methodology and Evaluation Framework, BIS/BERR (2006)

Lessons

- ⇒ ri could have maintained closer control over its operating costs to ensure that they were covered as far as possible by the public sector revenue funding provided to the organisation. This would have freed up the surpluses generated by the property portfolio for reinvestment elsewhere.
- ⇒ Some of the consultancy costs incurred by ri should have been accounted for as operating costs rather than project expenditure. This would have resulted in more accurate reporting of ri's actual operating costs.
- ⇒ The target for private sector investment set in the business plan was very ambitious, even in an era of a growing economy and a booming property market, particularly given the historical and well established levels of market failure in Inverclyde. At £295m, it was always going to be very difficult for ri to reach, and this should be taken into account when setting business plan targets in the future. ri could also have been stricter in the private sector leverage it has claimed, as much of that reported to funders is not directly attributable to ri.
- ⇒ Greater value for money could have been delivered if there had been more focus on the achievement of job creation outcomes. This would have reduced the cost per job created and also helped to generate additional GVA in the local economy.

Management and staffing

The staff team at ri is held in high regard by most partners, Board members and other consultees, and their hard work and professionalism is recognised and valued. The other key messages on management and staffing include:

- ⇒ From its peak in 2009, the size of the ri team has reduced in recent years as staff have left and not been replaced. As a result, with 6.5 FTE staff (including the sub-contracted Finance Manager) the ri team is the smallest it has been throughout the life of the organisation. However, the average staff cost per head is at its highest at £69,336 in 2012/13.
- ⇒ ri is in a position where its salary payments, particularly at Chief Executive level, are higher than what it is considered would currently be paid for similar roles in publicly funded organisations of a similar type and scale in terms of geographical focus, staff numbers and budgets under management. The salaries were set without the full Board being notified.
- ⇒ Looking at levels of budget responsibility, the average annual capital budget per head of staff at ri over the past six years has been £1.1m p.a. This is less budget responsibility per head than Inverclyde Council's School Estates Management Team (£2.2m) and River Clyde Homes (£4.4m), both of which manage significant capital budgets with relatively small staff teams.
- ⇒ There is a concern from some consultees that ri's staff team is currently spread too thinly across the wide number of priority sites, projects, and activities set out in the business plan. In a time of fewer resources (both staff and financial), there is a need to manage staff resources more effectively, focusing in on a small number of key priorities to achieve maximum impact.

- ⇒ There is also a concern that, in the absence of any general administrative staff in the team (other than the finance assistant), other staff are spending too much of their time on basic tasks, which is not cost effective.
- ⇒ Some consultees believe that the leadership of ri is generally effective and that this is demonstrated by the progress and visible difference made by the organisation. Team members feel they are given a lot of professional autonomy to get on and do their jobs, which they value. However, others take the view that the management and leadership is too loose, with a lack of oversight and clear priority setting for the team, resulting in them being spread too thinly and sometimes working on peripheral activities, which minimises the effectiveness and impact of the organisation.
- ⇒ All of the other URC's considered by this review have re-visited their staffing and management arrangements in response to the changing funding and economic climate, reducing headcount and operating costs in a planned way, ensuring the right skills and roles are retained in the team.
- ⇒ The morale of ri's staff team is low, largely as a result of a lack of clarity about the future of the organisation, reflected by recent budget reductions and a feeling that the team is under scrutiny, particularly from the Council. The problem of low morale is common across many other publicly funded organisations currently facing similar funding restrictions and uncertainty about the future. It is important that clarity is provided quickly about the future role of ri, helping to reduce uncertainty (as much as is possible in the current financial climate) and enabling staff and partners to focus on delivery priorities.

Lessons

- ⇒ Salaries across the ri team have been set at levels which mean they are now out of step with comparator roles in other publicly funded regeneration organisations, in particular local authorities, which have had to hold salaries down for the past few years. Salaries should have been managed in a manner which allowed flexibility in the event of a significant scaling down of activities.
- ⇒ A major re-prioritisation exercise could have been undertaken a couple of years ago when it became clear that ri's total investment programme and staff resources were reducing significantly. This could have helped avoid the staff team being spread too thinly across a wide set of projects and priorities which were established at a time when the organisation had a much bigger budget and staff resource. It would also have helped to ensure that the right staff roles and skills were retained in the team.
- ⇒ No longer having an admin / PA role within the team has been a false economy, resulting in admin tasks being undertaken at too senior a level, or not at all. Re-introducing an admin role should help to improve the overall efficiency and effectiveness of the team.

Governance

There are very mixed views on the current governance arrangements within ri, with some consultees stating that they work well, are appropriate and fit for purpose, while others believe they lack transparency and are not well organised. Key messages are:

- ⇒ ri's Board structures and governance arrangements are similar to those employed by other URCs. In common with other URCs ri's main parent company is established as a company limited by guarantee which is governed by a Board made up of representatives from the private sector, funding bodies and public organisations, and community representatives. Like ri, the URCs have other sub-committees feeding into the main Board, covering similar areas such as finance and governance, remuneration, and marketing, among others. Some of the other URCs considered have also established their own property holding subsidiary companies, which are governed by separate Boards. In this sense, the overall design of ri's governance structures appears to be appropriate and in line with good practice.
- ⇒ Some consultees and all of the other URCs believe that Board meetings should be held at least quarterly, to ensure all business is dealt with in a timely fashion and that Board members have regular, structured input into decision making. In the case of ri, this should apply to all three Boards (main Board, ri(PH) Board and JWD LLP Board). However, several consultees commented that ri's Board meetings became more sporadic during the past year or two, with fewer written reports submitted to the meetings and an increase in verbal updates, papers not circulated sufficiently in advance, and no forward schedule of meetings being in place. Combined, these factors can contribute towards a lack of robust debate at some meetings and a lack of accountability of ri staff to the Board in the making of some decisions. Some commented that there is also a need for improved communication with Board members with, for example, some reporting that they had not been informed that ri had moved to a new office, and on one occasion they arrived mistakenly at the wrong address for a Board meeting. While some Board members appear relaxed about the arrangements, others believe there is a need to tighten up significantly the management of Board meetings. Having an administrative post in the team would help to tighten up the organisation, but ultimately it is the responsibility of the Chairs of the Boards and the Chief Executive to ensure that the Boards are efficiently managed. Some consultees believe that the approach of ri's management towards Board meetings is too loose. There is a general feeling that the business of the Boards was managed more tightly in the earlier years of ri than it is now.
- ⇒ Some Board members and funders would like discussions at the main ri Board to be more challenging and robust, providing a greater level of scrutiny, particularly of key investments and decisions. For example, some consultees felt that the establishment of the James Watt Dock LLP would have benefited from a greater level of involvement and scrutiny by the Board.
- ⇒ The current composition and functioning of the three ri Boards (the main Board, ri(PH) Board and JWD LLP Board) limits the ability of the Member Organisations to influence the strategy and operations of ri, and to maintain effective oversight of key decisions and the way in which public funds are invested. For example, many of the key investment decisions are made by the ri(PH) Board on which the Member Organisations have only one representative. The Council and Scottish Enterprise have a duty to ensure that public funds are invested appropriately and they can only fulfil their role effectively through closer involvement in ri's decision making.

- ⇒ Some Board members commented that they sometimes feel frustrated by the Council's approach to working with ri, feeling that the approach in Board meetings is often unnecessarily challenging. For its part, the Council is sometimes frustrated by what it considers to be a lack of transparency and clarity in reporting and decision making at Board meetings. As a major funder of ri, the Council can reasonably expect to have an influence in decision making, although clearly this must be exercised responsibly. To maintain strong working relationships with local Councils, other URCs hold regular meetings involving their Chief Executives and Chairs with senior Council officers prior to Board meetings to prepare papers, discuss progress with key projects, and address any key issues. This approach helps to create greater transparency, builds a stronger relationship between the URC and its key funder, and helps to align URC activities with those of the Council. As the direct funding contributions of Scottish Enterprise and Scottish Government come to an end, Inverclyde Council will become ri's main direct funder. In light of this, it is appropriate now to review the Council's role on all of the ri Boards to ensure its key ongoing role is reflected in the composition of the Boards.
- ⇒ It was clear from the consultations that the private sector Board members are committed to the work of ri and are willing to contribute their time and expertise on a voluntary basis for the benefit of the local area.
- ⇒ Agreed delegated authorities are in place from the Board to the Chief Executive to allow for certain spending and other decisions to be taken outside of Board meetings, allowing ri to respond flexibly to opportunities and deadlines. All decisions taken under delegated authority or via e-mail approval are then submitted, for information, to subsequent meetings of the ri Board. While some Board members are content with this approach, others were less comfortable, believing that in some cases the approach of ri management had been to 'act first, seek approval later'. A more regular and clearly planned forward programme of Board meetings would provide more opportunities for key decisions to be scrutinised without the need for recourse to delegated authority procedures.
- ⇒ There is a strong case for making the relationship between JWD LLP and the main ri Board more direct and transparent, enabling the ri Board to have more direct influence and oversight of the significant public sector funds invested in the LLP.
- ⇒ ri has been subject to various audits and reviews lately, including an audit by Inverclyde Council, the Deloitte review of James Watt Dock LLP, and this mid-term review, as well as periodic monitoring reviews by ri's public funders. While the ri team believes that the level of scrutiny has been excessive, and in some cases has diverted some of their delivery time and capacity, in the opinion of the Review Team it is quite consistent and proportionate when compared with the scrutiny that similar organisations face.
- ⇒ Based on the Review Team's research into, and existing knowledge of the governance of other similar organisations, there is a strong case for improvements to be made to ri's governance arrangements, as referred to above.

Lessons

- ⇒ Confidence in governance arrangements can be weakened when meetings are held less frequently and the overall management and administration of Board business becomes loose. This can lead some to question the transparency and effectiveness of decision making. It is important that ri makes improvements to governance arrangements as a matter of urgency to help strengthen confidence and ensure that Board members and Member Organisations are engaged fully and regularly in key decisions.
- ⇒ The governance arrangements could be improved further through the introduction of pre-meetings before the Boards between the ri Chief Executive and Chair and senior Council officers to agree papers, discuss progress with key projects, and address any key issues.
- ⇒ In future, decisions on large-scale and strategic investments (such as the establishment of JWD LLP) should be made with a much greater level of input and scrutiny by Board members. It is appropriate to delegate authority to officers to deal with day-to-day businesses, but key decisions require more direct input from the Board.
- ⇒ There may be a case for ri to undertake a review of the JWD LLP arrangements. As the development of the site is largely stalled, it is important to consider whether the agreement remains fit for purpose in the current market and if there is an opportunity to alter the deal, or to take a different approach to the development of the site.

Partnership working

ri works with a range of partners across the private and public sectors. The review has found that ri's partnerships work well by and large, although there are some opportunities for improvement. The key messages are:

- ⇒ Most of the private sector organisations consulted during the review are supportive of ri, commenting that ri has made more visible progress on the regeneration of the area than any previous initiative in Inverclyde. Most of them believe that ri has provided a real focus on regeneration and has been able to make more rapid progress because it is free from some of the bureaucratic constraints faced by the Council. A couple of private sector consultees were less positive, commenting that very few local businesses had benefitted directly from ri's investments and support.
- ⇒ ri has developed a close working relationship with Clydeport / Peel Holdings, which is essential for the future development of some key priority sites for which they are the landowner. This has resulted in some initial progress on the regeneration of key sites (e.g. James Watt Dock) and has allowed ri to act in some cases as an enabler between Peel Holdings and the Council.
- ⇒ As Inverclyde Council is currently ri's primary direct funder, it is essential that the two parties are able to work together in a constructive partnership to deliver regeneration across the area.
- ⇒ There is currently some blurring of roles and responsibilities, with ri delivering services in areas in which the Council has a lead role, including business support.

- ⇒ All of the other URCs considered by the review have developed productive and effective partnership arrangements with their local authorities, enabling them to undertake joint initiatives and to collaborate on the delivery of key developments.
- ⇒ The review has found that there are a range of strategies and plans in place in Inverclyde impacting on regeneration and economic development. While there is an overarching economic regeneration strategy, there is no single operating plan which would enable all partners to work together towards common delivery outcomes. Other areas have adopted a single regeneration plan, and a similar approach in Inverclyde could help to create a clearer focus on shared goals, improve partnership working between ri and the Council, avoid duplication in service delivery, and enable more efficient allocation of scarce resources.
- ⇒ Most of the other URCs considered by the review have aligned their business plans with the primary regeneration strategy for the area, rather than having a separate strategy. A similar close working relationship between ri and the Council would clearly be of benefit to Inverclyde.
- ⇒ Some consultees felt that ri has not engaged as well as it might have done with key community and voluntary sector partners in the area, and that the extent of partnership working has been generally limited in this field.

Lessons

- ⇒ Most private sector consultees believe that having an arm's length body focused on regeneration is a more effective model than delivering directly through the Council. Whether or not this is the case, it is clearly the dominant perception among the private sector representatives consulted. Therefore, retaining an arm's length body is likely to be important in maintaining the support of the private sector.
- ⇒ ri has been right to develop a constructive partnership with Peel Holdings, as a key landowner along the river front. In future, it will be important that ri makes deals with Peel Holdings only if they are clearly in the interests of the regeneration of Inverclyde.

Implications of emerging regeneration policy and funding

The review has shown that the regeneration policy and funding context in which ri is operating has changed radically, and will continue to do so over the coming years. The key issues are as follows:

- ⇒ Over the period 2006/07 to 2012/13, Scottish Government provided a total of £30.2m in direct capital and revenue funding to ri. From 2013/14 onwards, direct funding is set to drop dramatically with only a small core grant contribution to be provided (from the Regeneration Capital Grant Fund) in the three financial years to 2015/16 (after deducting the £3.9m in shovel ready monies received in 2012/13). In future, ri must bid for Scottish Government funding in competition with all other areas of the country. Potential sources of funding include the £25m p.a. Regeneration Capital Grant Fund (to be launched in 2014/15) and any additional shovel ready monies and other pots that the Government may make available. ri will need to be very successful in bidding in competition if it is to continue to receive significant funding from the Government in future years.

- ⇒ Scottish Enterprise provided a total of £14m in direct capital and revenue funding to ri by 2011/12, at which point its funding ended as a result of a change in its investment strategy. In the future, Scottish Enterprise will consider funding proposals which are aligned to its national sectoral priorities and which prioritise the rapid creation of jobs. Again, ri will need to be very successful in bidding in competition with other investment schemes across the country if it is to secure further Scottish Enterprise funding.
- ⇒ Inverclyde Council remains committed to the long-term economic and physical regeneration of the area, while recognising the significantly changed policy and funding landscape at a national level. This will inevitably make it more difficult for Inverclyde to attract significant sums of public funding for regeneration investment in future years. The Council is committed to providing core funding to ri of around £2m p.a. up to the end of the planned 10 year lifespan, but no further project funds are available currently over and above this.
- ⇒ The net result of these changes is that, from 2013/14 onwards, the Council will be ri's main core funder and ri's ability to deliver its planned investments and projects will rely almost entirely on its success in attracting significant funds through competitive bidding from Scottish Government, Scottish Enterprise and any other opportunities that may arise.
- ⇒ The effect of these funding reductions is to change fundamentally ri's position in the regeneration market. Between 2007/08 and 2012/13 ri accounted for 66% of all regeneration funds spent in Inverclyde. In 2013/14 and 2014/15 this is due to fall dramatically to around 20% p.a., unless ri has significant success in attracting additional external funds.
- ⇒ These changes have a number of important implications for ri and for the future of regeneration services in Inverclyde.

Implications

- ⇒ Given the dramatic reduction in committed / secured resources for regeneration, it is difficult to justify retaining in the medium-term a team of the size and cost of ri dedicated primarily to physical regeneration. A change in approach is needed and justified.
- ⇒ Given that more than 90% of the resources committed currently for the regeneration of Inverclyde in future years will be provided by the Council, it is important that the Council should have a major influence in deciding on future regeneration arrangements. However, it is also important that the Council listens carefully to the views of its partners, including the private sector, in shaping the future direction.
- ⇒ In an environment in which most regeneration resources need to be secured on a project-by-project basis, in direct competition with other areas, regeneration services in Inverclyde will need to be flexible, capable of scaling up and down in line with the projects under management at any given time.

Implications

- ⇒ Regeneration agencies in Inverclyde will need to have the right skills to succeed in this competitive funding environment, able to develop high quality, compelling bids and business cases. They will also need to be alive to the opportunities offered by emerging funds, and respond quickly to them. It will be important to look beyond Scottish Government and Scottish Enterprise for funding, and other sources such as European Structural Funds, Lottery Funds and others will need to be pursued. Other URCs considered by this review have been proactive and successful in securing funds from these other sources.
- ⇒ Regeneration agencies in Inverclyde will need to narrow their focus, concentrating their efforts and money on fewer, key priority projects and investments, maximising impact and value for money from increasingly scarce resources. This must include a clearer focus on activities that create new jobs in the short-term.
- ⇒ There is a preference among public funders to retain an arm's lengths approach in order to retain the focus and momentum on regeneration that ri has brought, particularly in the early years. There is a concern that this focus may be lost if regeneration was absorbed back into the Council. However, there is a need to make any arm's length arrangement more effective and efficient than the current approach and to ensure that the Council, as the single biggest funder, can influence in a positive and proportionate manner.

Other issues

A number of other key messages have emerged from the review:

- ⇒ **A single regeneration and economic development plan for Inverclyde** - In the shape of ri's business plan, Inverclyde has a clear plan for the physical regeneration of the area. It can be argued that the plan may be too broad given the level of resources available, and that some elements of it could be progressed more quickly, but it is a plan nonetheless. However, this is not supported by a similar plan to attract investment, businesses and jobs to the area. The Alliance's Regeneration Strategy provides an overall sense of direction but it is not, neither is it intended to be, specific on the details of how and by whom businesses and jobs will be attracted. Inverclyde has some appealing assets in terms of its productive and available labour force, low wage costs, supply of low cost land and premises, and attractive location, but currently this is not being brought together into a compelling offer capable of attracting businesses and investment to the area. There is a case that a new business investment plan is needed to complement the physical regeneration plan. In fact, these elements should be brought together into a single regeneration and economic development operating plan for Inverclyde, towards which the Council, ri and other partners would work.
- ⇒ **A single marketing strategy** - Closely linked to the above is the apparent lack of a clear marketing message and campaign aimed at attracting businesses and investment to Inverclyde. The current approach appears to be piecemeal, with ri promoting the area as a location for renewable energy businesses and its website making a general appeal to businesses to come to Inverclyde, while the Council is involved in promoting the local tourism industry. However, this appears to be happening in the absence of a clear, single message and campaign about why businesses, investors, residents and visitors should come to Inverclyde. To complement the proposed single regeneration and economic development operating plan for Inverclyde, a single marketing strategy should also be developed within which all local partners would work.

- ⇒ **Improved partnership working** - Perhaps because of the lack of a single plan and marketing strategy, the overall approach to regeneration in Inverclyde appears to be fragmented. By working more effectively together in future, the key regeneration and economic development partners could be greater than the sum of their parts.
- ⇒ **An ambitious but realistic business plan** - ri's 2012-17 Business Plan has been considered briefly as part of the review. In the opinion of the Review Team, while the plan includes some clear and positive investment proposals, it comes across as too broad and over ambitious. The targets for outputs / outcomes and private sector investment are very ambitious in light of ri's performance over the past several years, and the assumptions made about the funding to be secured from Scottish Enterprise and Scottish Government appear to be similarly stretching, given that Inverclyde is now in competition with the rest of Scotland for a share of regeneration funds. The Review Team believes it is important that lessons are learned from experience and that the targets and investments in ri's plan would benefit from being revised downwards in light of the changed funding and economic climate.

4 Options analysis - future approaches to regeneration delivery

An important requirement of the mid-term review brief was to undertake an options appraisal, exploring alternative approaches to the future delivery of regeneration activities in Inverclyde, considering opportunities for collaboration between agencies and maximising the cost effectiveness of service delivery.

In considering potential future approaches, the Review Team has developed and assessed five delivery options against a set of nine criteria. The criteria reflect the key conditions that need to be satisfied, and issues that need to be addressed, in order to provide an effective approach to regeneration delivery in the future. The criteria and options have been developed based on the evidence and findings from the review. The assessment criteria are as follows, presented in no particular order of importance:

- ⇒ **Value for money:** Will the option deliver good value for money, particularly in terms of operating and staff costs? Is there potential to deliver cost savings or efficiencies?
- ⇒ **Ability to secure funding in a competitive environment:** Does the delivery model provide the ability to secure regeneration funding in an increasingly competitive environment?
- ⇒ **Co-ordinated focus to maximise impact:** As there is less regeneration funding available, it will be important in future to focus scarce resources on fewer strategic priorities and activities, to help achieve maximum impact.
- ⇒ **Governance:** Will the governance arrangements provide transparency in decision making and effective accountability to public funders, while still enabling speed of action?
- ⇒ **Impact on staffing and skills:** What will be the impact of each option on the numbers of staff required to deliver Inverclyde's regeneration programme? What skills are required and are there any gaps in current staff skills?
- ⇒ **Focus on regeneration:** Will the option provide a clear focus on regeneration activity within Inverclyde?
- ⇒ **Flexibility and responsiveness:** Will the option be flexible? Will it be able to respond quickly to opportunities and / or changing priorities? Is it capable of being scaled up or down if required, responding to changes over time in the availability of regeneration resources?
- ⇒ **Improved partnership working:** Will it result in improved partnership working and relationships between key regeneration agencies? Will it be capable of working effectively with the private sector and business community?
- ⇒ **Effective leadership and management:** Will there be effective leadership and management?

For each of the five options considered, we have outlined briefly below how the model could work in practice, discussed the results of the assessment against the nine criteria, and reached a conclusion on the appropriateness of each option in meeting the regeneration needs of Inverclyde.

| Option 1 - Status quo | |
|-----------------------|---|
| Description | This option would involve no change to the current delivery of regeneration services in Inverclyde i.e. all current regeneration organisations operating in Inverclyde continue unchanged. This would include ri continuing to operate as an arm's length URC with no change to the current operating arrangements, governance, or business plan, and the Council continuing to deliver regeneration services, with no change to its strategy or operations. |
| Assessment | <ul style="list-style-type: none"> ▪ Value for money: As there would be no change to current arrangements, this option offers little potential to deliver cost savings or efficiencies, and it is therefore unlikely that it would deliver better value for money. ▪ Ability to secure funding in a competitive environment: The Council has a relatively strong track record of securing competitive funding. However, ri has a limited track record of success in this field. This option runs the risk that Inverclyde may not be successful in securing resources for physical regeneration if this responsibility remains solely with ri. ▪ Co-ordinated focus to maximise impact: This option is unlikely to achieve a more co-ordinated focus on fewer strategic priorities and investments. The Council and ri would continue to work to their own separate strategies and business plans, with limited resources dispersed across many projects. ▪ Governance: There would be no change in ri's governance arrangements, which would not address concerns expressed by some consultees about the current lack of transparency, accountability and organisation. ▪ Impact on staffing and skills: There would be no impact on staff numbers and skills, as there would be no change to current delivery arrangements. ▪ Focus on regeneration: One of the benefits identified of having an arm's length regeneration company is that it creates a clear focus on regeneration activities. Maintaining the status quo would continue to provide this focus. ▪ Flexibility and responsiveness: There would be no change. ▪ Improved partnership working: It is unlikely that that this option would result in better partnership working between key regeneration agencies, in particular ri and the Council, which is much needed. ▪ Effective leadership and management: There would be no change |
| Conclusion | This option would not help to achieve better value for money and cost savings in the delivery of regeneration services (which is important in the current financial climate), it would not create a more co-ordinated focus on regeneration priorities to maximise impact, nor would it result in more effective governance arrangements at ri. It is also unlikely that, with far less funds available for regeneration in Inverclyde in the future, the current fragmented approach would deliver the best outcomes and value for money for the area. Therefore, the status quo is not considered to be a viable option into the future. |

Option 2 - No longer have an arm's length urc / close ri

| | |
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| Description | This option would involve closing down ri and ri (Property Holdings) Ltd, and no longer having an arm's length regeneration body operating in Inverclyde. |
| Assessment | <ul style="list-style-type: none"> ▪ Value for money: This option would deliver cost savings for the public purse, through reduced operating and service delivery costs. ▪ Ability to secure funding in a competitive environment: As ri has not yet established a strong track record in securing external funding, whereas the Council has a relatively good track record in this field, this option may not damage Inverclyde's ability to secure external funding overall. There may be some risk that funders may prefer to make funding available to an URC rather than a Council, but our consultations with Scottish Government and Scottish Enterprise suggest this is unlikely to be the case in the future. ▪ Co-ordinated focus to maximise impact: This option is unlikely to create a greater focus on fewer priorities. If anything, work on some of ri's priorities / key sites may be adopted by other regeneration agencies (e.g. the Council), but without the associated resources (staff and finance) to support their delivery, resulting in limited resources being spread even more thinly across a broader range of priorities. ▪ Governance and transparency: No longer having an arm's length URC operating in Inverclyde would remove the need for a separate Board, and would address the concerns expressed by some about the lack of transparency in current governance arrangements. All investment decisions would be made directly by the Council, as the main direct funder of regeneration. However, valuable private sector input would be lost. ▪ Impact on staffing and skills: This option could have a negative impact on skills, as the staff currently employed by ri could find alternative employment outside the area and their physical regeneration skills and knowledge, which are highly valued, would be lost to Inverclyde. ▪ Focus on regeneration: No longer having an arm's length vehicle in Inverclyde may result in some loss of focus on regeneration, particularly physical regeneration activities. The Council may not have the resources to take on ri's workload, in addition to its own, and so some key projects may not be progressed. ▪ Flexibility and responsiveness: Similarly, the loss of an arm's length regeneration vehicle could have a negative impact on the ability of Inverclyde to respond flexibly and quickly to regeneration opportunities and challenges as they arise. Concerns were expressed by some consultees that the Council is not able to be as responsive as ri, primarily due to the democratic, committee-based decision making process. ▪ Improved partnership working: This option could also have a detrimental impact on effective partnership working, particularly in engaging the private sector and local business community in regeneration, as they value the presence of an arm's length regeneration body and many would find this |

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| | <p>option unacceptable.</p> <ul style="list-style-type: none"> ▪ Effective leadership and management: Sole responsibility for leading and managing regeneration would pass to the Council. |
| Conclusion | <p>The benefits of having an arm's length regeneration vehicle were recognised by most organisations and individuals consulted, particularly in terms of a clear focus on regeneration, and ability to engage the private sector. In addition, the Council has made a commitment to continue to support ri, subject to the outcome of the mid-term review. Therefore, we believe that this option of no longer having an arm's length regeneration vehicle in Inverclyde is not viable. However, Inverclyde's arm's length vehicle would not necessarily need to be ri, as long as it was replaced by an organisation able to fulfil similar functions effectively and efficiently.</p> |

Option 3 - Merge ri into the Council's Regeneration Service

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| Description | <p>The ri team (in whole or part) could be merged with the Council's Regeneration Service, creating a single, larger team delivering a comprehensive regeneration programme. This would include: physical regeneration; property development and management; public realm improvements; delivery of services direct to businesses (e.g. advice, guidance, grants etc); delivery of employability services (helping local jobseekers progress into training and employment opportunities); promoting the area to attract business investment; and supporting the tourism sector.</p> |
| Assessment | <ul style="list-style-type: none"> ▪ Value for money: This option has the potential to provide value for money by creating a single regeneration team on the same terms and conditions, co-located on a single site. There may also be scope to reduce overall staff numbers through efficiencies and economies of scale. However, some of these savings may be long-term as both parties would need to consider the costs of transferring staff from ri into the Council (e.g. changing the terms and conditions of employment and the impact on salaries, pensions and benefits). There may also be some redundancy costs. ▪ Ability to secure funding in a competitive environment: The Council has a strong track record in successfully securing competitive funding, and some strong funding skills in the Regeneration Team. A single regeneration team, with a broader range of regeneration skills, could add value to bids, helping to improve opportunities to effectively access limited competitive resources. Some ri team members are skilled in putting together commercial businesses cases, and this would complement the skills of the Council's team. There is a perceived risk that funders may be less likely to award funds to a local authority than a URC, but the feedback from funders is that regeneration funds will be awarded on the basis of the quality of investment proposals, not the nature of the bidding organisation. ▪ Co-ordinated focus to maximise impact: This option would create an opportunity to focus regeneration activity on a smaller number of priorities within a single strategy, thereby helping to maximise impact. ▪ Governance and transparency: This option could also provide greater transparency in terms of decision making, as all key projects and decisions would need to be put to the relevant Council Committee. However, valuable private sector input to decision making would be lost. ▪ Impact on staffing and skills: Merging two existing teams into a single regeneration service could have an impact on established management practices, as well as overall team / organisation culture. In addition, bringing the ri team into the Council may create problems with staff working to varying terms and conditions of employment. This could have a negative impact on staff, with some choosing to find alternative employment, perhaps outside the area, resulting in a loss of regeneration skills, expertise and knowledge for Inverclyde. Any merger would need to be managed carefully to minimise the potential negative impacts and maintain expertise in the |

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| | <p>area.</p> <ul style="list-style-type: none"> ▪ Focus on regeneration: This option also creates a real risk that the focus on regeneration provided by an arm's length vehicle could be lost, as the Council has a large number of competing priorities and some of the newly created single regeneration team could be diverted onto other activities. ▪ Flexibility and responsiveness: This option could result in a less flexible and responsive regeneration service, primarily due to the decision making procedures and committee structures in the Council. This could result in the regeneration team missing opportunities, or being unable to respond quickly to challenges. ▪ Improved partnership working: There could be a negative impact on partnership working, particularly in engaging the private sector, as a number of consultees are opposed to this option. ▪ Effective leadership and management: The creation of a single regeneration team provides an opportunity to establish an effective leadership and management structure for the delivery of regeneration in Inverclyde. |
| Conclusion | <p>Although this option offers some real benefits in terms of value for money, and a more co-ordinated approach to delivering regeneration services, it could also result in a number of disadvantages for Inverclyde. This includes a potential loss of focus on physical regeneration activities, and a loss of flexibility and responsiveness. On balance, we believe that this is not the best option for Inverclyde.</p> |

Option 4 - Create a new arm's length company to deliver all regeneration services

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| Description | <p>This would involve establishing a new arm's length company to deliver all regeneration services in Inverclyde. The functions, services, budgets and staff of both ri and the Council's Economic Development Team would be transferred across to the new company, and a new public / private Board would be established to lead it. The new company would be responsible for delivering a comprehensive programme of regeneration activities combining all services delivered currently by ri and the Council's Economic Development Team. The rationale for this option is that it would address current concerns about the governance, transparency and effectiveness of ri by creating an entirely new structure, as well as bringing together all regeneration resources and staff together under a single business plan and management structure.</p> |
| Assessment | <ul style="list-style-type: none"> ▪ Value for money: This option has the potential to provide value for money by creating a single regeneration team on the same terms and conditions, co-located on a single site. There may also be scope to reduce overall staff numbers through efficiencies and economies of scale. However, some of the savings may be long-term as both parties would need to consider the implications of transferring staff into a new company, possibly with new / different terms and conditions of employment and salary structures. ▪ Ability to secure funding in a competitive environment: Council staff have a strong track record in successfully securing competitive funding, and some strong funding skills in the Economic Development Team. A single regeneration team, with a broader range of skills, could add value to bids, helping to improve opportunities to effectively access limited competitive resources. Some ri team members are skilled in putting together commercial businesses cases, and this would complement the skills of the Council's team. There is a perception that funders may be more likely to award funds to an arm's lengths company than a local authority, but the feedback from funders is that regeneration funds will be awarded on the basis of the quality of investment proposals, not the nature of the bidding organisation. ▪ Co-ordinated focus to maximise impact: A new arm's length regeneration company would provide an opportunity to rationalise existing regeneration strategies into a single business plan, with a smaller number of priorities. This would enable scarce resources to be focused on delivering agreed priority projects, as opposed to the current situation of the Council and ri working towards different plans and priorities. This would help Inverclyde to maximise the impact of regeneration investment. ▪ Governance and transparency: This option would also provide an opportunity to establish new governance arrangements, involving a greater degree of transparency and accountability to the Council, as the main public funder. The Board would include private sector members and community representatives, but would be based on a controlling majority for the Council. |

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| | <ul style="list-style-type: none"> ▪ Impact on staffing and skills: Merging two existing teams into a single regeneration service, within a newly created company, could have an impact on established management practices, as well as overall team / organisation culture. This could have a negative impact on staff, as not everyone would want to move into a new company or a single team, with some choosing to find alternative employment, perhaps outside the area, resulting in a loss of regeneration skills, expertise and knowledge for Inverclyde. ▪ Focus on regeneration: This option has the potential to create a greater focus on regeneration in Inverclyde, bringing all aspects of regeneration together within one team, and delivering a more 'joined-up' service, beyond the potential competing priorities of the Council. ▪ Flexibility and responsiveness: It also has the potential to create a flexible service, outside of some of the controls of the Council, and able to respond quickly to new opportunities or challenges. As a private company, the organisation would have more flexibility than the Council to change staff numbers in response to peaks and troughs in the availability of regeneration funds, maximising value for money. ▪ Improved partnership working: A single combined team within a newly created arm's length company would offer the potential for improved partnership working between the two main regeneration agencies in Inverclyde. In addition, maintaining an arm's length company would help to maintain positive relations with the private sector, at the same time as providing plenty of scope for community involvement. ▪ Effective leadership and management: The creation of a new company provides an opportunity to establish a refreshed and effective leadership and management structure for the delivery of regeneration in Inverclyde. |
| Conclusion | <p>This option would offer all the benefits of an arm's length regeneration vehicle, while simultaneously addressing current concerns about the transparency and effectiveness of ri. It would also provide an opportunity to establish new governance arrangements, bringing in the level of oversight and accountability required by the Council. In addition, it has the potential to deliver financial savings in the medium-term, as well as creating a single regeneration function working to a single, focused business plan.</p> <p>The viability of this option would depend on legal advice about winding up ri and the potential to transfer current assets into a new company with a similar purpose. However, on the whole, we believe this represents a viable option which could be explored further.</p> |

Option 5 - Implement a formal model of joint working between ri and the Council to deliver a single regeneration and economic development operating plan

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| Description | <p>This option would involve the introduction of a formal model of joint working between ri and the Council's Economic Development Team, underpinned by a written partnership agreement setting out the delivery roles of each team. Both parties would work together to develop and deliver a single, joint regeneration and economic development operating plan. The plan would have a clear focus on a narrower set of priority projects and investments, reflecting the current and future scarcity of regeneration funds. It would also include a new, joint marketing plan aimed at improving the promotion of Inverclyde to the outside world to attract businesses, investors and jobs to the area. Within this arrangement, ri would focus solely on physical regeneration, while the Council's Team would deliver all other economic development and regeneration services, including business support. The teams would be co-located to improve collaborative working, help overcome current organisational barriers, and eliminate areas of service duplication.</p> <p>Both organisations would remain as separate entities, retaining their own management and governance arrangements and lines of reporting and accountability, but would also be monitored by Inverclyde Alliance's Economic Regeneration and Employability SOA Group for the effective delivery of the joint plan. The joint working arrangement would be monitored by an appropriate, senior Council officer, reflecting the Council's role as the main funder of regeneration.</p> <p>As part of the transition to closer joint working, ri would be expected to implement the essential improvements and reforms to governance, management and finances which have been identified and recommended by the mid-term review.</p> <p>The rationale for this option is that it offers potential to maximise regeneration impacts in the current and future climate of scarce resources, getting ri and the Council working together more effectively, using their combined resources to deliver a single set of shared priorities. At the same time, it would retain the benefits of delivering physical regeneration through an arm's length body.</p> <p>If the model proved effective and offered value for money, it could pave the way for the creation of a single, combined regeneration delivery vehicle for Inverclyde in the near future.</p> |
| Assessment | <ul style="list-style-type: none"> ▪ Value for money: This option offers the potential to deliver greater regeneration impacts from current funds, by combining the efforts and resources of ri and the Council towards shared priorities. In this way, it should improve the combined value for money and return on investment delivered by regeneration services in the area. In the short-term, it offers only limited potential for efficiencies in operating costs, although ri should |

be encouraged to bring down its costs further, as a condition of continued Council funding. If the model was effective and a decision was taken to evolve it into a single, combined regeneration delivery vehicle, it would have the potential to provide significant operational efficiencies and improved value for money in the medium-term.

- **Ability to secure funding in a competitive environment:** It offers added potential to secure regeneration funding in a competitive environment by creating a clear and compelling case for investment in Inverclyde, based on a single, joint operating plan. Through closer joint working, the funding skills of the Council and ri would be brought together with the aim of maximising the joint bidding success of both teams.
- **Co-ordinated focus to maximise impact:** This option has real potential to establish a co-ordinated approach to regeneration through the creation of a single, shared operating plan. The plan would establish a smaller number of core priorities, enabling ri, the Council and other regeneration agencies to align their resources (staff and finance) to support its delivery.
- **Governance and transparency:** The establishment of a formal partnership agreement between the teams, and joint reporting to Inverclyde Alliance's Economic Regeneration and Employability Board on progress in implementing the operating plan, would help to improve the oversight and transparency of ri's activities and investments. As part of the model, ri would be expected to make the recommended improvements to its governance arrangements to enhance transparency and accountability to the Council, as the main funder.
- **Impact on staffing and skills:** This option would have little immediate impact on staffing and skills, although co-location could present some initial challenges in colleagues from the two teams adjusting to established management practices and organisation cultures.
- **Focus on regeneration:** This option has the potential to create a clearer focus on regeneration priorities through the development of a single operating plan. It also satisfies the private sector's wish to retain an arm's length company focused on physical regeneration.
- **Flexibility and responsiveness:** Maintaining ri as an arm's length URC would continue to provide a flexible and responsive regeneration service in Inverclyde, able to respond to opportunities and challenges as they arise.
- **Improved partnership working:** This option offers the potential for improved partnership working. By clarifying the roles of each team, identifying lead responsibilities and allocating key tasks, it would be easier for ri and the Council to work together and to develop joint relationships with key stakeholders and potential investors into the area.
- **Effective leadership and management:** This option would require strong and effective leadership by both the ri Board and the Council's Environment and Regeneration Committee, which would have overall responsibility for the governance of the respective teams. It has the potential to improve the leadership and management of regeneration

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| | <p>services by bringing together senior officers from ri and the Council into a closer and more constructive joint working relationship, to deliver the joint operating plan.</p> |
| Conclusion | <p>While less radical than option 4, this option has a number of practical benefits.</p> <p>If properly implemented and managed, it has the potential to create a more effective and efficient, joined-up approach to delivering regeneration activities in Inverclyde, with clearer priorities for all parties and a framework for improved partnership working.</p> <p>It would enable the Council to continue to meet its commitment to support ri, at the same time as placing requirements on ri to make improvements to governance, leadership and management, and finances, to improve its effectiveness and value for money.</p> <p>In the short-term, it would offer the potential to improve working relationships and deliver better outcomes for Inverclyde. In the medium-term, it could pave the way for the creation of a single delivery vehicle for Inverclyde, establishing a new approach to regeneration, depending on the prevailing funding and policy climate at the time.</p> <p>On balance, we believe this represents the most viable of the five options considered. It offers the potential to improve the effectiveness, impact and value for money of regeneration activities in a climate of reduced resources, through improved joint working. It would also retain the arm's length approach to the delivery of physical regeneration, while putting in place necessary improvements to the effectiveness and governance of ri. Finally, it would minimise organisational disruption in the short-term, at the same time as testing a model of closer joint working which, if successful, could be developed into a more effective and efficient single delivery vehicle for the future.</p> |

5 Conclusions and recommendations

5.1 Conclusions

Overall, the review has highlighted a mixed picture of the effectiveness and impact of ri and of regeneration services in Inverclyde more broadly. While there have been some real achievements and areas of visible progress in the past few years, there are many opportunities to do things better. There is also a strong case for a different approach to regeneration, reflecting changed funding and economic conditions. The key conclusions from the review are as follows.

Some good progress so far, but room for improvement - First of all, it is important to highlight that progress has been made by ri during the past six and a half years. Its work has resulted in visible improvements in some areas and sites which have been in a poor condition for many years, enhancing the overall appearance of parts of the A8 corridor and the river front. This has helped to demonstrate to businesses and residents alike that Inverclyde is developing and improving. Key achievements include the development of Riverside Business Park, enhancements to the appearance and usage of James Watt Dock, improvements to parts of Greenock and Port Glasgow Town Centres, and the development of ri's business property portfolio. Not all of the improvements in the area have been down to ri, and the Council and some private partners have also played a significant role. However, there are other strategic sites on which little or no progress has been made. The main disappointment is the lack of impact of ri's regeneration programme on the creation of new jobs and wealth in the area, and so far the positive impact on local residents has been limited. As a result, the economic return on the £59m of public funds spent to date by ri has been low. Clearly, the prolonged recession in the economy and the property market has been a major drag on overall progress and impact. All in all, while some good progress has been made over the past few years, much more work will be needed in the future to see through the development of ri's other key sites and to do everything possible to ensure that businesses are attracted to Inverclyde and new jobs are created.

ri's governance arrangements would benefit from improvement - It is clear that the governance of ri could be functioning better than it is currently. While some Board members are content with the current arrangements, others believe that Board management has become too loose in recent years and needs to be better organised. In addition, the current governance arrangements limit the ability of the Member Organisations to influence the strategy and operations of ri, and to maintain effective oversight ensuring that key decisions about the investment of public funds are made in a transparent manner. It is important that this situation is remedied as a priority, particularly as Inverclyde Council will be ri's main direct public funder from 2013/14 onwards. The Council has a duty to ensure that public funds are invested appropriately and it can only fulfil this role through closer involvement in ri's decision making. The composition of all three of ri's Boards would benefit from being refreshed, improving the ability of the Member Organisations to have oversight of public funds, while retaining the crucial input and added value offered by the private sector members. The overall management of the business of the Boards must also be tightened up significantly.

A different approach to regeneration services, reflecting a new context - ri was established in an era of plentiful public funding and a booming economy and property market. The context could hardly be more different today, with significant reductions in public funding for regeneration (particularly from Scottish Enterprise and Scottish Government), growing pressure on publicly funded bodies to deliver efficiencies and achieve more with less, and a prolonged recession in the property market and general economy. While the Council, ri and their partners will continue to do everything they can to continue to develop Inverclyde, there is a real risk that the scale of regeneration activity in the area could be cut back in future years as a result of funding restrictions and depressed economic conditions. In this climate, it is incumbent on all parties to seek ways of delivering better regeneration services for less. The evidence from the review shows that the impact and value for money delivered by ri to date has been mixed. Compared with Council departments, the organisation is expensive to run and the salaries of ri staff are significantly higher than many of their counterparts in similar roles in the public sector. At the same time, it is clear that there are potential benefits from retaining an arm's length regeneration body, which most consultees in the private sector especially feel has provided a welcome focal point for physical regeneration. There is now both a need and an opportunity for the Council, ri and other partners to work together to develop a new model for regeneration in Inverclyde which better reflects current and future funding and economic realities. Any new model should aim to retain the benefits of an arm's length approach while improving effectiveness, impact and value for money. It should involve closer joint working between ri and the Council, and if this joint approach works well it could provide a platform for closer integration, along with opportunities for efficiency savings, in future years.

Closer partnership, with a plan - While there are some examples of ri and the Council working well together to deliver regeneration projects, there are clearly some barriers and tensions between the organisations, and a need to improve joint working. There is also evidence of duplication of some services (mainly business support and the marketing of Inverclyde) between ri and the Council's Regeneration Service, which cannot be justified in terms of financial efficiency and service effectiveness, and which may actually undermine efforts to support and attract businesses and investment. In the current and future context of diminishing resources and opportunities, it does not make sense for ri and the Council to continue to work independently of one another towards their own separate business plans, particularly as the Council will be the main direct funder of regeneration in Inverclyde from 2013/14 and will be ri's only direct funder after 2015/16. In fact, the Review Team and many of the consultees believe that Inverclyde would benefit from putting in place a single regeneration and economic development operating plan which the Council, ri, the business community and others should work together to deliver, with clear roles defined for each party. Within this, ri would focus solely on physical regeneration and property, while the Council would focus on business support, employability & skills, and community and social regeneration. This should be backed up with a new marketing plan designed to convey a clear, compelling, joint message to the outside world about why businesses, investors, visitors and potential residents should come to Inverclyde. The current lack of a clear marketing plan may be undermining the effectiveness of efforts to attract investment and jobs to the area.

Focus and leadership - Building on the previous point, the Review Team believes that Inverclyde would benefit from focusing on a narrower set of priority regeneration projects, concentrating increasingly scarce resources on bringing key projects to fruition. Given the funds at its disposal now and in the future, ri's strategy and remit is too broad and leaves the team and its financial resources spread too thinly, minimising their impact. The development of a single regeneration and economic development operating plan would provide a good opportunity to create greater focus and agree clear investment priorities, making best use of the combined resources of the Council, ri and others. It will be incumbent on senior managers and Board members at ri and the Council to keep themselves and their teams focused on delivering these priorities to a greater degree than appears to have been the case in the past.

Other areas for improvement - The review has highlighted some other areas for improvement and development which should enhance the effectiveness of regeneration services in Inverclyde. They include: strengthening ri's systems for the monitoring of outputs and outcomes to ensure that the numbers reported provide a true reflection of the achievements and impacts actually delivered; and improvements to the Council's business support services to ensure they are customer focused and capable of delivering real impacts for local businesses.

5.2 Recommendations

Three broad sets of recommendations arise from the review findings. The first concerns establishing a new model for the delivery of regeneration in Inverclyde, based on closer collaborative working between ri and the Council. The second relates to improving the operation of ri to maximise its effectiveness and impact. Finally, some improvements to the Council's business support services are recommended.

5.2.1 A new approach to regeneration in Inverclyde

In light of the conclusion that there is a strong rationale for ri and the Council to work together more closely on the delivery of regeneration services, it is recommended that both parties should begin work immediately to develop and implement a model of joint working. This should be consistent with the model outlined broadly as option 5 in the options analysis. Under this model, ri and the Council's Economic Development Team would remain as separate entities, but would work very closely together to deliver a single, joint regeneration and economic development operating plan for Inverclyde. Key aspects of the model would include:

- ⇒ Creation of a single regeneration and economic development operating plan for Inverclyde, with both parties working together to develop and deliver it. This would have a clear focus on a narrower set of deliverable projects and priorities than is the case in current plans and strategies.
- ⇒ Establishment of a common system for the monitoring, evidencing and reporting of outputs and outcomes for use by both ri and the Council's Economic Development Team.
- ⇒ A new, single marketing plan to improve the effectiveness of efforts to attract businesses, investors, visitors, residents and jobs to Inverclyde.
- ⇒ Co-location of the Council's Economic Development Team and the ri team, to facilitate improved collaborative working.

- ⇒ The organisations would retain their own management and governance structures and lines of reporting, but both would also be accountable to Inverclyde Alliance's Economic Regeneration and Employability Group and Programme Board for the effective delivery of the joint plan.

This approach has been recommended because it:

- ⇒ Offers the best chance of maximising regeneration impacts for the benefit of local people and businesses by getting ri and the Council working more effectively and constructively together, using their combined resources to deliver a single set of regeneration and economic development priorities.
- ⇒ Will improve collaboration, eliminate duplication in service provision, and remove current operational and management barriers, helping to maximise the effectiveness and efficiency of the activities of both parties.
- ⇒ Retains the benefits associated with delivering physical regeneration through an arm's length body.
- ⇒ Improves transparency and influence for the Council in decisions about how public funds are invested.
- ⇒ Minimises organisational disruption in the short-term while providing a platform for further improvements in service delivery and financial efficiencies in the future. This could result in the creation of a single, combined regeneration delivery body for Inverclyde in the future.

5.2.2 Improving and developing ri

ri will continue to play a key role in the physical regeneration of Inverclyde in the future as part of the proposed new arrangements. To ensure it is fully effective in this role, the review has identified a number of important areas for improvement. It is recommended that ri and the Council work together to ensure that the following essential improvements and changes are implemented as part of the transition to closer joint working.

Changes to governance arrangements

- ⇒ Improvements to the management of the business of all three of ri's Boards including: putting in place a full forward programme of meeting dates; ensuring Board papers are circulated systematically and well in advance of meetings; improved communication with Board members and attendees; and a more formal approach to reporting to the Board in the form of written reports rather than verbal updates.
- ⇒ A refresh and reconfiguration of all three Boards, maintaining the highly valued input of private sector representatives while strengthening the role of the Member Organisations, giving them a greater role in influencing ri's strategy, operations and decisions concerning the investment of public funds. As the Council will become ri's main direct funder from 2013/14 onwards, it is recommended that the current level of public sector representation on ri's Boards, in relation to other sectors, should be reviewed.
- ⇒ Introduction of pre-meetings between senior ri and Council managers (prior to Board and Committee meetings), to agree agenda items, consider the progress of key projects, and communicate and discuss key issues to be considered. This should help to improve transparency, trust and relationships between senior staff at ri and the Council, which will be essential if the new joint approach to regeneration is to be effective.

- ⇒ Strengthening the relationship and flow of information between the main ri Board and the JWD LLP Board, and the transparency of the latter, by appointing ri Board members (rather than staff) as members of the JWD LLP Board (although ri staff should be in attendance at meetings). It will be important that any ri Board members involved in the JWD LLP Board act constructively to maximise the potential for the LLP to make progress and succeed.

Improvements to monitoring and reporting systems

- ⇒ The development of a clear and definitive list of output and outcome measures, linked to the objectives of the single regeneration and economic development operating plan.
- ⇒ Clearer definitions of each measure and of the evidence required to verify them.
- ⇒ More systematic recording of output / outcome achievements, along with more regular and transparent reporting of progress to the ri Boards and to Inverclyde Alliance's Economic Regeneration and Employability Board.
- ⇒ Greater scrutiny by public funders of the outputs and outcomes reported by ri and evidence supporting them.
- ⇒ If the budget is available, an external economic impact assessment / evaluation of ri should be commissioned to provide some robust evidence of the net additional economic impact of ri's investments.

Review of salaries and job responsibilities

- ⇒ In light of the outcome of the comparison between the salaries of the ri team and those of similar local government roles, consideration should be given to undertaking a review of the salaries and job responsibilities of all ri staff. This should consider opportunities to bring them more into line with current public sector norms in line with ongoing pay discipline. This could help to maximise ri's efficiency and value for money.

5.2.3 Improving the Council's business support services

Some of the feedback from private sector consultees indicated that there is scope for improvements to be made to the Council's business support services. While some businesses were complementary about the service they received, others thought that the service is not sufficiently customer focused and responsive and some of the staff lack the know-how and skills needed to be capable of delivering real benefits for local businesses. It is recommended that the Council should seek more detailed and specific feedback about its business support services from the local business community (including but not limited to the Chamber of Commerce) and take steps to improve the service in light of the feedback. The Council has already begun to make progress on this issue, recently appointing additional advisers who have strengthened the business skills of the team.

6 Detailed findings from the mid-term review

6.1 Introduction

This section of the report presents and discusses in some detail the key findings and evidence arising from the review of Riverside Inverclyde. A shorter summary of the key findings and lessons learned from the review is presented in section 3.

6.2 Review of activities delivered and progress made

6.2.1 Introduction

ri's activities, as described in the original strategy and business plan, fall into two main themes :

- ⇒ **'Going for growth'** which focused on accelerating the physical regeneration of priority sites along the A8 corridor and river frontage. It was clear in the business plan that this was to be the main focus of ri's activities and investments.
- ⇒ **'Spreading the benefits'** arising from the physical investments across Inverclyde, ensuring that local businesses, residents and communities could share in the positive impacts.

To date, ri has spent a total of approximately £54m directly on the delivery of a wide range of investments and activities within these themes, the vast majority of which has been capital expenditure. A breakdown of this spend is provided in section 6.4 of the report

The following section provides an overview of the key activities delivered, and progress made to date, under these themes.

6.2.2 Going for Growth - The eight priority sites

The primary focus of ri's activity, as detailed in the strategy and business plan, has been the physical regeneration of priority sites along the A8 corridor and river frontage. The initial plan prioritised the development of seven areas, with Gourock Town Centre added as an eighth area in 2010, at the request of the Council. A map showing the locations of these sites is included in Appendix I.

From ri's total project spend of £54m to date, £45m has been invested on these eight sites. The remainder has been spent on other activities, which are discussed later.

While there has been activity on each site, the rate of progress varies considerably, partly as a consequence of the difficult economic conditions, including the crash in the commercial property and housing markets. A summary of the activities undertaken to date, and progress made on each site, is provided below.

Area 1: The Harbours, Cathcart Street

The Harbours is a 13 ha (32 acre) site in the heart of Inverclyde, adjacent to Greenock Town Centre. The site, which is part owned by the Council and part owned by Clydeport, was identified for a combination of residential, marina and retail/leisure development through an ambitious site master plan. To date, there has been some piecemeal progress on the site, including remedial works to the harbour walls, the infill of the dry dock, construction of the new Beacon Theatre, creation of a community pontoon / marina, and location of two large-scale sail training charities and their vessels at the site. However, progress has not been as rapid as originally expected and most key elements of the original master plan have failed to progress so far, beyond those that were contracted responsibilities for Peel Holdings/Clydeport. Peel Holdings has made some advance investment on this site, including consultancy and master planning costs, and land purchase. The lack of residential, retail and leisure development to date has been attributed mainly to the onset of the downturn in these markets.

Cathcart Street, which is directly across the A8 from the Harbours site, has benefited from Town Centre Regeneration Funding, creating a new public square, public art, and shop front enhancements, which together have improved the overall appearance of the area.

Total ri spend to date on this site = £7,018,358 (13% of total)

Area 2: Cartsburn / Cartsdye

This area was identified for mixed use commercial and residential development. There was early progress on an adjoining site, with Turnberry Homes developing a range of residential accommodation, and the development of an 80 bed residential nursing home. These developments were planned and committed before ri was established. In 2008, ri acquired a 1.45 ha plot alongside the above site and has undertaken initial improvement works to prepare the land ready for an office development. A developer for the site is yet to be identified, although ri has attempted to test the market and promote the site. The area is currently in an unsightly state, which is unlikely to help efforts to promote the site effectively to the market.

Total ri spend to date on this site = £2,477,306 (5% of total)

Area 3: Riverside Business Park

This is ri's main flagship project, located at a key point along the A8 corridor. It is clear that ri has made very good and highly visible progress on this development. This includes site preparation, improvements to access roads, the development of a new 2,700 m² office accommodation facility (Clyde View Phase 1, which is fully let), the creation of a new 65 place nursery, and a cafe, both operated by private companies. It also includes the refurbishment of Ladyburn Business Centre (previously refurbished and managed by Inverclyde Council), which accommodates SMEs, social enterprises and arts organisations. At the time of writing, a further new office development (Clyde View Phase 2) is under construction, which will provide an additional 2,400 m² of quality office accommodation during 2013.

Total ri spend to date on this site = £15,036,268 (28% of total)

Area 4: James Watt Dock

James Watt Dock (JWD) was identified as a flagship regeneration site for Inverclyde. A master plan was created for a mixed use development including commercial, marina, retail and leisure facilities, as well as luxury apartments and a high value residential development on Garvel Island. A new joint venture LLP company was established as a 50/50 partnership between ri (Property Holdings) Ltd and Clydeport / Peel Holdings to take forward the development of the site. To date, there has been some limited progress on the site, including initial works to the Sugar Warehouse (prior to the establishment of the LLP) to make it wind and watertight (although any final refurbishment works would require the temporary roof to be replaced with traditional slate), the lowering of the boundary wall to improve views of the site and the river, the development of a 65 berth marina, installation of an access road, and public realm works at James Watt Square. Some of these developments helped to prepare the JWD site to host a successful Tall Ships Race event in 2011. However, the planned residential, commercial, retail and leisure developments have stalled primarily as a result of the recession and its impact on the property market and levels of private sector investment. Subsequent to the development of the initial master plan, the JWD area has now been identified as a potential location for companies in the renewable energy sector and supply chain. ri has also identified Inchgreen, an adjacent site, as a suitable location for renewables companies, due to its high quality port infrastructure and the deep-water river frontage. As a result, ri is promoting the JWD and Inchgreen sites to the renewables sector, with the aim of attracting new investment and jobs to the area. While there has been much marketing activity, and some initial enquiries, ri recognises that attracting investors to the site may be a medium to long-term goal. ri has invested a total of £12.9m on the site to date, part of which is in the form of a loan from ri to the LLP company, to be returned if and when the development begins to make a profit. Peel Holdings' contribution to the site has been £3.6m cash investment in the Sugar Warehouse and site infrastructure combined, plus half of the value of the land equity, which was transferred by Peel into the JWD LLP. It should be noted that a detailed remediation strategy was to be prepared to identify the extent of the abnormal costs on the site. The Member organisations are having further dialogue with the JWD LLP in this regard.

Total ri spend to date on this site = £12,878,244 (24% of total)

Areas 5: Port Glasgow and Greenock Town Centres

Investments in the two town centres were intended to improve the overall physical environment and visual impact, delineate clearly the entrances to Port Glasgow and Greenock for those travelling along the A8, and provide an enhanced retail and town centre experience. Some good progress has been made, including a range of shop front improvements supported by a £2.2m Town Centre Regeneration Fund (TCRF) grant from the Scottish Government (secured in partnership with Inverclyde Council), and public realm and signage improvements at the entrance to the town centres. ri has also refurbished a variety of commercial and industrial properties in these areas, which were transferred from the Council, including Lynedoch and Drumfrochar Industrial Estates, and Victoria House offices and workshops. A minor contribution was also made by ri to the developer responsible for refurbishing the former Co-op building in Greenock Town Centre (now known as Crown House), which currently accommodates the CHCP team.

Total ri spend to date on these sites = £5,708,794 (11% of total)

Area 6: Riverview, Castlebank

The regeneration of this site was to be led by River Clyde Homes, with an opportunity for ri to provide gap funding to assist with site preparation work. The master plan and site investigation works were completed in 2008, but River Clyde Homes has not been in a position to progress this development as a result of a significant reduction in the funding they receive from Government for the construction of new homes. It is likely that a development of 35 units will progress in 2014/15 as a second phase for this site. ri has spent a total of £126,065 on master planning and site investigation works on the site.

Total ri spend to date on this site = £126,065 (0.25% of total)

Area 7: Kelburn

This 7.5 acre site is the most easterly of the eight priority areas and is positioned at a strategic location at the gateway to Inverclyde on the A8. This important site has been earmarked for many years for potential industrial and commercial development, although land remediation works have been required to prepare the site for development. Progress with this site has been very limited to date, although matters have accelerated more recently. In 2009/10 and 2010/11, ri invested in some initial site improvement works, including platforming. In parallel, it attempted to market the site to private developers, but the level of interest was limited. Scottish Enterprise and Scottish Government have been encouraging ri to hold out for a private developer solution, and this has been one factor resulting in delayed progress on the site. ri has recently taken the decision to self-develop approximately one-third of the site area, and work on site infrastructure, car parking and the speculative development of two industrial units is due to commence in 2013. The aim is to demonstrate the viability of the site and to attract a private developer for the remaining two-thirds of the land.

Total ri spend to date on this site = 1,234,823 (2% of total)

Area 8: Gourock Town Centre

The area was added as an eighth priority site in ri's business plan in 2009, when funds were secured from the Scottish Government, matched with ri and Council funding, towards some initial regeneration works in Gourock Town Centre. Since 2010, ri and the Council have been working together on a master plan for the development of Gourock Pierhead, a long standing ambition for the area which aims to improve traffic flows and help to unlock additional tourism and commercial potential through housing, retail and leisure developments.

Total ri spend to date on this site = £535,619 (1% of total)

6.2.3 'Spreading the benefits'

In addition to its main focus on physical regeneration, ri has also aimed to 'spread the benefits' of its investments to local businesses, residents and communities. Overall, the aim has been to ensure that local businesses could benefit from regeneration activities and spending, that local people could secure new jobs and acquire new skills, and that the local community could share in the enhanced physical, public and community assets created.

In contrast to the work on physical regeneration, the initial business plan was clear that these 'spreading the benefits' activities were to be delivered by ri working in partnership with others¹⁵.

To date, ri has been involved in a wide variety of activities under this theme. Some have been delivered directly by the ri team, some have been delivered in partnership with other organisations, while others have benefitted from funding from ri. Some of the key activities include:

- ⇒ **Inverclyde Construction Forum:** Initially established with the help of ri in 2008, Inverclyde Construction Forum aims to support local construction firms to be better placed to secure work from regeneration investments in the area. Its work includes informing local companies about forthcoming construction contracts, helping them to better understand the procurement process and improve their skills and knowledge in order to win contracts, and to facilitate joint working between local companies to secure larger-scale contracts. Since 2010, the Forum has been run by the private sector, although it continues to receive officer support from ri. A small number of local businesses involved in the Forum were consulted as part of the review that provided positive feedback about its work. The information and training provided is valued by businesses, and the Forum has had some successes in equipping local businesses with the skills and opportunities to secure new contracts.
- ⇒ **Employment Intermediary:** ri is involved in the Employment Intermediary project which aims to help local unemployed people secure jobs with contractors delivering regeneration projects in Inverclyde. The review feedback indicates that this work is led mainly by Inverclyde Community Development Trust (ICDT) and Inverclyde Council, and while ri has worked with them on a number of projects, partnership working has at times been difficult. To date, the Employment Intermediary project has helped a total of 39 local unemployed residents to secure temporary construction jobs with contractors working on various ri investments including at Riverside Business Park, The Harbours, James Watt Dock and Greenock Town Centre.

¹⁵ Riverside Inverclyde draft business plan (January 2007), page 19

⇒ **Community benefits programme:** This activity focuses on working with local construction companies and contractors, supporting and encouraging them to win and deliver contracts, and to employ local people on these contracts. Key actions include:

- Formalising the agreement for local Targeted Recruitment & Training (TRT) clauses to be a condition in all capital contracts issued by ri.
- Agreeing that a minimum of 10% of construction work (measured in person-weeks) on each contract will be undertaken by local residents employed on these contracts.
- The introduction of “goodwill” clauses requesting contractors to actively consider members of Inverclyde Construction Forum (ICF) as potential sub-contractors.
- Increasing the score applied to community benefits activities in tenders to 15% of the total.
- Every contract over 3 months duration and with a minimum value of £1m must include community benefits clauses.

While these developments are positive, the overall impact in terms of the numbers of local businesses and residents benefitting appears to be small in scale.

⇒ **Inverclyde Renewables Alliance Group (IRAG):** ri established this group in 2010 as a public / private partnership with the aim of developing and promoting Inverclyde’s offer as a location for mobile investment in the renewable energy sector. Through ri, significant time and money has been invested in marketing activities including brochures, DVDs and attendance at industry conferences. A small number of renewables businesses are currently operating in the area. Examples included 2020 Renewables and Mainstream Renewable Power, based at Clyde View Phase 1. The future ambition is to attract some large-scale, primarily OEM businesses to Inverclyde, with Inchgreen and James Watt Dock marketed as key sites with the required port infrastructure. Unfortunately, Inverclyde has not been prioritised at this time by Scottish Enterprise as one of Scotland’s key renewables locations within the NRIP plan¹⁶ which could hamper efforts to secure investment and attract businesses. Nevertheless, both Scottish Enterprise and ri believe there could be a market in the future for renewables businesses in Inverclyde, and ri is continuing to market the key sites to businesses nationally and globally. While a small number of business leads have been generated, none have so far progressed to the point of investment. The focus on renewable energy is a key sectoral feature of ri’s business plan for the period 2012-17.

⇒ **Support for the local community:** ri has provided direct support to a number of community groups and activities since 2007. Examples include:

- Providing support to Greenock Central Residents Action Group on their plans to develop a play park. This included financial support for a feasibility study, advice, and support to write a Big Lottery bid. This project is currently work in progress.
- Providing financial support to Greenock Burns Club to restore the ‘Highland Mary’ monument.
- Setting up a sports grant fund to support projects encouraging the physical well being and physical activities of Inverclyde’s young people.

¹⁶ National Renewables Infrastructure Plan (NRIP)

⇒ **Marketing:** ri has undertaken a wide range of marketing initiatives since 2007, including a significant financial contribution towards sponsoring the 2011 Tall Ships Race, and promoting Inverclyde as a location for renewable energy businesses. In the earlier years, significant activity and investment was made in promoting and raising the profile of ri as an organisation, and of its projects, including site bill Boards, and advertising in the local and trade press. The level of marketing activity reduced significantly following the departure of the Marketing Manager in 2010. ri has spent a total of £2.2m to date on marketing and communications (including the Tall Ships Race), which is 4% of the overall budget.

6.2.4 Other activities

Since its inception, ri has also been involved in a number of developments which were not specifically referenced in the original business plan. In some cases, ri has taken a decision to get involved in these areas of activity, in others it has done so at the request of the Council. Examples include:

⇒ **Property portfolio** - ri has developed a significant property portfolio, which is owned and managed through ri (Property Holdings) Ltd (ri (PH) Ltd). The portfolio includes a mix of developments including: new builds and refurbishments on key priority sites (e.g. Clyde View, Ladyburn Business Centre); properties transferred from the Council which were refurbished and are now operated by ri (e.g. Lynedoch Industrial Estate, Victoria House); and a number of additional sites and buildings which have been purchased by ri on its own initiative. The development of the property portfolio has been very positive on the whole, creating an asset base and future income stream for ri, as well as providing a means to intervene directly in the development of key properties and sites, where private developers are unwilling to do so. However, the Review Team believes that some of the actual or attempted investment activities of riPH are not consistent with the objectives of ri. Examples include:

- Contributing funding to the refurbishment of the Co-op Building in Greenock Town Centre (now Crown House) which accommodates 150 CHCP public sector staff. ri's role is to promote and lever private sector investment and jobs, not to support public sector jobs.
- The purchase and refurbishment of the Peacocks shop in Port Glasgow, again to be leased to public sector tenants (Inverclyde Council and CHCP) to house public sector jobs.
- The proposed bid by ri (PH) Ltd to buy Victory House (which did not subsequently proceed), when there was clear interest in the property from private sector buyers.

While the majority of ri (PH's) investments to date have had a positive impact on the regeneration of Inverclyde, it will be important to ensure in the future that the temptation to become very actively involved in this type of activity is resisted, at the risk of distorting and displacing the already weak private sector property market in the area.

⇒ **Business support initiatives** - The ri team has been engaged in the direct delivery of a number of activities aimed at supporting local businesses to develop and grow. Examples include:

- Providing business planning, advice and support to a number of existing and start-up businesses.
- Providing property assistance to some ri (PH) tenants, in the form of rent free periods, to support businesses experiencing trading difficulties.
- Working with the Prince's Scottish Youth Business Trust to assist the creation of new businesses in Inverclyde;
- Encouraging emerging and growth businesses in the area via Greenock Chamber of Commerce's Bee's Knees Awards.

While these activities are positive, the original ri business plan made it clear that support for businesses was an activity to be delivered in partnership with others, not directly by the ri team. The current approach risks duplicating the activities of other economic development agencies operating in Inverclyde including the Council, Business Gateway and Scottish Enterprise. It also risks the limited resources of the ri team being diverted away from the main priority of physical regeneration.

6.2.5 Summary of progress to date

In terms of the delivery of activity, the review evidence suggests that the overall progress made by ri to date has been mixed.

Clearly, there are examples of visible progress being made on the physical regeneration of some sites, most notably Riverside Business Park and improvements in the physical appearance of key points along the A8 corridor, including the approaches to Port Glasgow and Greenock Town Centres, small scale public realm improvements, the outward appearance of the James Watt Dock site, and the improved road layout at Pottery Street. However, while many of the physical improvements along the A8 corridor are attributable to ri, others are the result of independent, private sector investment (e.g. the Persimmon and Turnberry Homes Developments) and Council activities (such as the improved road layout at Kingston).

Good progress has also been made on a number of property development projects (such as the refurbishment of previously Council-owned industrial and commercial premises) and while this has improved matters for the tenants, the investment has not grown the overall stock of business property in Inverclyde.

As far as spreading the benefits is concerned, a lot of activity has been delivered, and the ri team has worked hard to support local businesses in particular. However, it appears that the overall impact of this activity has been limited in scale, and may have displaced some of ri's finite staff and financial resources away from the core priority of progressing the physical regeneration of the priority sites.

Clearly, all of these activities have been delivered against the backdrop of a severe and prolonged recession and property market collapse, and the progress made to date by ri must be viewed in this context.

6.3 Progress towards target outputs and outcomes

6.3.1 Introduction

This section of the report assesses the progress made to date by ri in achieving its output and outcome targets. It considers performance across the whole period from the inception of ri in mid 2006 up to February 2013. The initial ri business plan set a series of ambitious targets to be delivered over the 10 year lifespan of the organisation, in two broad categories:

- ⇒ **Outputs** - These are measures of the direct and immediate results of ri's investments, such as area of land developed; area of new business floor space created; new homes built.
- ⇒ **Outcomes** - These are measures of the positive impacts on individuals and businesses that came about as a result of ri's activities. The business plan focused mainly on the achievement of economic outcomes, including new jobs created and GVA (income) generated in the local economy. However, some non-economic outcomes were also included, such as number of residents accommodated in new homes.

The assessment presented here is based on data about the achievement of outputs and outcomes provided by ri, along with information taken from monitoring reports to Scottish Government and from Annual Reports published by ri in the early years of the business.

It is important to highlight that the following is an assessment of progress towards **gross** output and outcome targets only. It is normal practice for publicly funded regeneration investment programmes such as those delivered by ri to be subject to an independent economic impact evaluation. The purpose of such an exercise is to estimate the **net additional impact** of the investments on the key measures of job creation, GVA and others. This enables the gross outputs and outcomes reported by ri to be adjusted, taking into account what would have happened anyway in the absence of ri, instances in which ri's investments have displaced benefits from one part of the economy to another, as well as other economic effects including leakages and multipliers. However, it is beyond the scope of the brief for this mid-term review, and beyond the resources available, to undertake a full economic impact assessment of ri's investments.

As this mid-term review is not an economic impact study it is important to be clear that the gross outputs and outcomes presented in this analysis are the maximum benefits that can be attributed to ri and that, after adjusting for net additional impact, the actual outputs and outcomes delivered are likely to be lower.

To ensure that the mid-term review provides as accurate a picture as possible of the outputs and outcomes delivered by ri to date, the Review Team has undertaken a brief exercise to check and validate some of the key outputs and outcomes reported by ri, as well as commenting on ri's performance compared with other similar regeneration agencies.

To assist with this, ri provided headline data on achievements to date against each of the key output and outcome measures. Further information was requested subsequently to enable some of the detail behind the headline numbers to be verified. This allowed the Review Team to explore in greater detail the numbers of outputs and outcomes claimed against the individual schemes delivered by ri.

Over the study period, ri delivered a total of 46 separate physical regeneration projects of various types and sizes. In addition, it has been involved in a variety of business support, marketing, employment and community projects. It is beyond the scope of this study to validate in detail every output claimed against every one of these projects and schemes. Instead, the Review Team has focused on validating a few of the most important output and outcome measures, using the information provided by ri supplemented with details about the individual schemes which the Review Team has learnt during the course of the study. The measures which have been validated are:

- ⇒ Provision of development land for economic after uses.
- ⇒ Provision of business space (new space created / existing space refurbished).
- ⇒ Full-time equivalent jobs created.
- ⇒ Full-time equivalent jobs safeguarded.

These measures have been prioritised on the basis that they best capture the core purpose of ri and the spirit of the initial business plan. The progress made to date by ri in achieving these and other output and outcome targets is discussed in detail below. The validation exercise has enabled the Review Team to comment on the extent to which the headline numbers reported by ri provide an accurate reflection of actual achievements to date.

6.3.2 Progress towards gross output targets

Table 2: Achievement of gross output targets (mid 2006 to February 2013)

| | Total target for period up to 2017 | Achieved Prior to 2009/10 | Achieved 2009/10 | Achieved 2010/11 | Achieved 2011/12 | Achieved 2012/13 (to date) | Total to date (reported by ri) | Adjusted total after verification | % target achieved |
|--|------------------------------------|---------------------------|----------------------|-----------------------|----------------------|----------------------------|--------------------------------|-----------------------------------|-------------------|
| Outputs included in 2007 Business Plan | | | | | | | | | |
| Provision of development land for economic after uses: | 77 ha | 7.15 ha | 3.54 ha | 7.44 ha | 16.55 ha | 1.03 ha | 35.71 ha | | |
| ▪ Land ready for dev/t | - | - | - | - | - | - | - | 2.34 ha | 3% |
| ▪ Land ready for dev/t + land improved +public realm | - | - | - | - | - | - | - | 25.73 ha | 33% |
| Provision of business space (created / refurbished) | 35,000 m² | 10,581 m ² | 5,581 m ² | 11,501 m ² | 4,898 m ² | 3,403 m ² | 35,964 m ² | | |
| ▪ Maximum | - | - | - | - | - | - | - | 23,073 m ² | 66% |
| ▪ Maximum minus Theatre | - | - | - | - | - | - | - | 19,033 m ² | 55% |
| ▪ Maximum minus Theatre & Shop Front improvements | - | - | - | - | - | - | - | 15,013 m ² | 43% |
| Area of retail and leisure space created | 7,000 m² | 0 | 0 | 0 | 0 | 0 | 0 | Not verified | 0% |
| Area of education and training space | 22,500 m² | 0 | 0 | 0 | 0 | 0 | 0 | Not verified | 0% |
| New housing units provided | 2,285 | 121 | 0 | 0 | 0 | 0 | 121 | Not verified | 5% |
| Berths for leisure craft created | 500 + | 0 | 5 | 0 | 60 | 135 | 200 | Not verified | 40% |
| Other outputs not in 2007 business plan | | | | | | | | | |
| No of businesses assisted | No target | 10 | 113 | 131 | Unknown | 19 | 220 | Not verified | - |

The figures illustrate the challenges faced by ri in achieving their output targets in the difficult property market and economic conditions.

Provision of development land for economic after uses

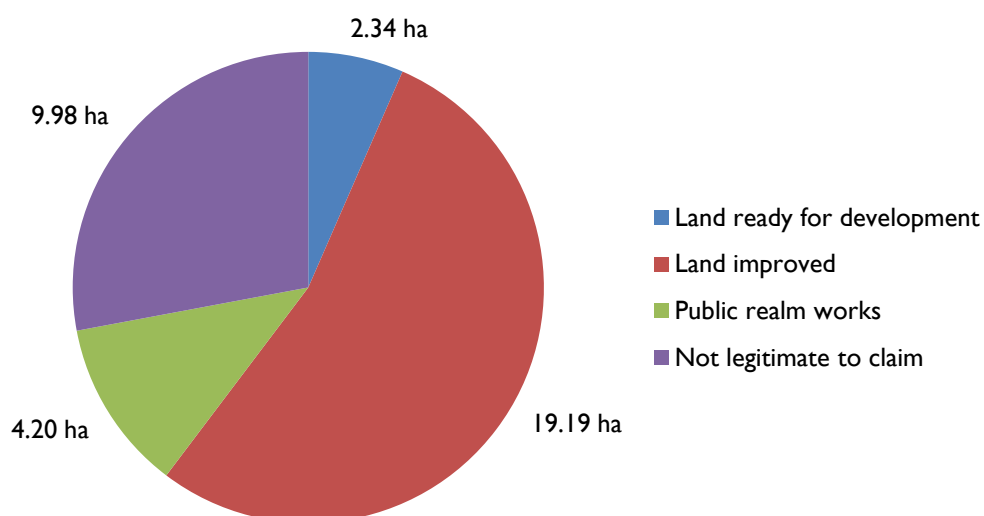
In ri's initial business plan it was clear that the intention of this output was to measure progress in bringing forward sites attractive to developers and ready for development for a variety of commercial, industrial, retail, leisure and residential uses. Activities contributing to this output would be likely to include remediation of derelict or contaminated land and provision of site infrastructure (e.g. access roads, utilities), with ri acting in the role of facilitator and gap funder. The aim was to overcome market failure, bringing key sites up to a standard at which they would be economically viable for subsequent investment by private developers.

Over the course of time, the interpretation of this output measure appears to have loosened, with ri reporting on the much broader output measure **land improved / remediated site area** or **area of land developed / improved** (the latter description was used in ri's 2008/09 Annual Report). Under this looser definition, ri has claimed outputs for land which has benefitted from some improvement works, but which is not in a state ready for development for economic after uses.

The Review Team has re-visited the details of all of the schemes included in the headline figure of 35.71 Ha of land developed / improved to date, as reported by ri. The detailed results of this verification exercise are presented in an Excel spreadsheet which is too large for inclusion in this report, although an electronic version is available on request.

The chart below shows how ri's investments in land projects breaks down into various types of activities, including land made ready for development, and land improved.

Figure 1: Breakdown of land development / improvement activities (ha)



- ⇒ **Not legitimate to claim (9.98 Ha)** - The analysis suggests that 9.98 Ha of the total 35.71 Ha reported is not legitimate to be claimed. Examples of schemes which should not be claimed include: 2.4 Ha relating to the Turnberry Homes Cartsdye Residential Development in which ri played no role; 0.07 Ha claimed for an area of wall removed (lowered) at the James Watt Dock site; 0.33 Ha for the Custom House development which related to making the building wind and watertight, not the development of land; and 0.37 Ha for the infill of Lamont Dry Dock to prepare the site for the new Beacon Theatre, but the same area was claimed again as land made ready for development as part of the preparation for the construction of the Theatre.
- ⇒ **Land ready for development (2.34 Ha)** - Sticking strictly to the output definition used in the initial business plan, the analysis suggests that 2.34 Ha of land has been made ready for development. This includes a total of 1.97 Ha at Riverside Business Park and a further 0.37 Ha at the site for the new Beacon Theatre.
- ⇒ **Land improved (19.19 Ha)** - As part of the output verification exercise, a large number of ri's schemes have been allocated as 'land improved' and this type of activity accounts for 19.19 Ha of the total land area claimed. This is land which has been improved or tidied up, but which has not been prepared ready for development. Examples include: 1.77 Ha for sea wall repairs at East India Harbour (the area is the footprint of the dock basin); 1.43 Ha for landscaping and car park resurfacing adjacent to Ladyburn Business Centre; 1.46 Ha for drainage works and removal of material at Cartsburn / Cartsdye (further works are necessary to make the site ready for development); 3.29 Ha for an access road and platforming works at the Kelburn site (again, further works are necessary to make the site ready for development); and various landscaping maintenance / tidy up projects at the James Watt Dock site, in preparation for the Tall Ships race. Many of these works have contributed to improving the appearance of parts of Inverclyde, but they have not brought forward new areas of land ready for development. Much of the work has been undertaken on a piecemeal basis, with small areas of land improvements dispersed thinly across many sites.
- ⇒ **Public realm works (4.20 Ha)** - 4.20 Ha of the total land development outputs relate to public realm improvements (including public art), in Greenock and Port Glasgow Town Centres. These investments have had a positive impact in improving the appearance of parts of Inverclyde, although again, they have not contributed to bringing forward development land for economic uses.
- ⇒ **Summary** - In assessing ri's progress against this output target, if we were to stick strictly to the initial business plan definition of **provision of development land for economic after uses**, then 2.34 Ha of new development land could legitimately be claimed, which is 3% of the initial target of 77 Ha. If we adopt the looser definition of **land developed / improved** then projects which have improved / tidied up land, as well as public realm projects, are included. However, the 9.98 Ha of activity that is not legitimate to claim must be excluded. This reduces the total output achievement to a maximum of 25.73 Ha which is 33% of the total target of 77 Ha. The key findings from this analysis are:
 - The headline figures reported for this output measure overstate by at least 39% the area of land developed / improved. This includes some double counting of outputs.
 - At a maximum of 33% achievement, progress towards this output target is behind what might be expected two-thirds of the way through the 10 year investment programme.

- The only areas of land that have been made fully ready for development to date are Riverside Business Park and the site of the new Beacon Theatre.
- The public realm activities have been beneficial and are consistent with the objectives of the initial business plan. However, in hindsight perhaps this work could have been counted as a separate output measure, clearly distinct from the development of land for economic uses.
- Overall, progress towards this output has been limited to date. While areas of land have been improved and tidied up, and public realm works have enhanced the appearance of some areas, little progress has been made towards the key business plan objective of preparing strategic sites ready for development for economic uses.
- Clearly, the property market recession and general lack of interest from developers has been a factor dissuading ri from focusing on preparing land ready for development, as putting in place site infrastructure without knowing the specific requirements of developers and end users could have resulted in abortive investments and costs.

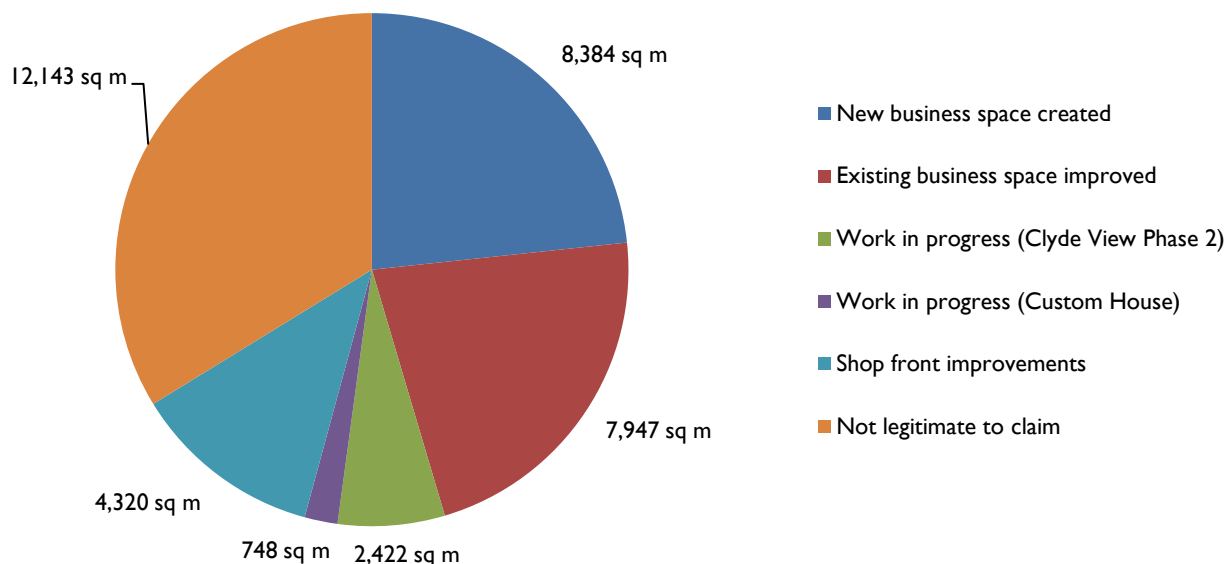
Provision of business space (new created / existing refurbished)

In ri's initial business plan it was clear that the intention of this output was to measure progress in creating additional commercial and industrial premises to accommodate new businesses and jobs in Inverclyde, as well as improving existing premises to help retain existing businesses and attract new ones. This was all about expanding capacity in Inverclyde to accommodate extra businesses and jobs. Therefore, this output should be used to report on the development of accommodation which is in a state ready for occupation by businesses.

In reporting progress against this output measure, ri has used the definition **business space created / refurbished**, which is entirely consistent with the definition used in the original business plan of **provision of business space**.

The Review Team has re-visited the details of all of the schemes included in the headline figure of 35,964 sq m of business space created / refurbished, as reported by ri. The chart below shows how ri's investments in business space projects break down into various types of activity.

Figure 2: Breakdown of business space creation / refurbishment activities (sq m)



- ⇒ **Not legitimate to claim (12,143 sq m)** - The analysis suggests that 12,143 sq m (34%) of the total 35,964 sq m of business space reported is not legitimate to be claimed. The schemes which should not be claimed include: 7,416 sq m for the wind and water tight works at the Sugar Warehouse (whilst improving the appearance of the building, and safeguarding it for future development, the works did not create 7,416 sq m of space ready for occupation by businesses); 3,327 sq m for the acquisition of the Custom House building and associated emergency repairs, which again did not bring the building to a standard at which it was ready to accommodate businesses; and 1,400 sq m for the conversion of Crown House into office accommodation (on the basis that the office was developed as accommodation for CHCP staff and it is questionable whether ri's funds should have been used to develop space to house existing public sector jobs which were not at risk, when the focus should be on accommodation to support private sector businesses and new jobs).
- ⇒ **Work in progress (3,170 sq m)** - In its 2012/13 output figures, ri has claimed a total of 3,170 sq m of new business space for work that is currently in progress and not yet complete. While it is legitimate to claim works which is almost complete (see below), it is too early to claim the 748 sq m for the Custom House development as a significant amount of the spending on that development is yet to be incurred, and the work is not due to complete until later in 2013.
- ⇒ **New business space created (10,806 sq m)** - This includes 8,384 sq m of new space completed by the end of 2012/13, plus 2,422 sq m for Clyde View Phase 2 which will be completed shortly. Almost half of the new business space is accounted for by the Clyde View offices at Riverside Business Park (providing a total of 5,122 sq m in phases 1 and 2 combined), which is clearly ri's most successful and visible property development project. Others include the new cafe and nursery at Riverside Business Park and the conversion of Port Glasgow Library into new office space. A total of 3,740 sq m of new business space has been claimed for the development of the new Beacon Theatre. In the opinion of the Review Team, it is open to question whether this should be claimed on the basis that it may not be considered to be new

business space (it is a very specialised space designed specifically for a single end user, as opposed to general accommodation which could be used by other businesses should the Arts Guild no longer be in a position to use it). In addition, there is some doubt over whether the full amount of space should be claimed by ri as outputs would normally be claimed on a pro-rata basis in relation to the share of total project funding contributed, and it is not clear from the information available whether ri has used this method in claiming its outputs. If the Theatre development was netted off, the total amount of new business space would reduce to 7,066 sq m. While the new developments on Riverside Business Park are very positive, there has been no progress to date on developing significant new business accommodation on any of the other priority sites in Inverclyde (e.g. Kelburn, Cartsburn / Cartsydyke).

- ⇒ **Existing business space improved (7,947 sq m)** - A total of 7,947 sq m of business space has been improved by ri. This has focused on the previously low grade commercial and industrial property transferred to ri by the Council (including Drumfrochar and Lymedoch Industrial Estates and Victoria House), which ri has made good progress on improving for the benefit of existing business tenants. It also includes the refurbishment of Ladyburn Business Centre at Riverside Business Park.
- ⇒ **Shop front improvements (4,320 sq m)** - This has been claimed as area of business space improved. A total of 62 shop fronts have been refurbished to date, each with an average internal floor area of 750 sq ft (70 sq m). It is open to question whether it is legitimate to claim the space on this basis. Firstly, the full internal floor area of each shop has been claimed as refurbished when the works have been limited to improving the shop front and signage only. Secondly, even if this method is accepted, it appears that ri has adopted an estimated average floor space and applied it to each shop, rather than measuring the actual space in each shop. On the other hand, the Review Team is aware of similar shop front improvement projects in England which have been allowed by funders to claim area of space improved on this basis.
- ⇒ **Summary** - In assessing ri's progress towards this output target, we have considered three separate totals, each reflecting a different approach to what is considered legitimate to claim.
 - The maximum area of business space it is reasonable to claim is 23,073 sq m, which is the total of 35,964 sq m reported by ri, minus the 12,143 sq m which it is not legitimate to claim and a further 748 sq m for the Custom House which is not yet complete. Based on this total, ri has achieved 66% of its target of 35,000 sq m of business space created / refurbished, which is on profile based on two-thirds of the 10 year investment programme having been completed.
 - If we take the view that the Beacon Theatre should not be counted as new business space (or that ri is not entitled to claim the full 3,740 sq m) then the total business space falls to 19,333 sq m, which is 55% of the target.
 - If we take the view that the method for calculating the area of business space refurbished by the shop front improvements is not legitimate, then a further 4,320 sq m should be netted off and the total business space falls to 15,013 sq m, which is 43% of the target.
 - Regardless of which approach is considered most appropriate, the headline figures reported for this output measure overstate the area of business space created / refurbished by between 56% and 140%.

- The development of new and refurbished business space at Riverside Business Park is a key achievement of ri, and makes a significant contribution to the overall total amount of business space created and improved (7,064 sq m on this site).
- When considered in the round, Riverside Business Park is the only site on which significant progress has been made in developing new business accommodation for Inverclyde, while little progress has been made in developing similar accommodation on other key sites (e.g. Kelburn and Cartsdyke / Cartsburn). To date, ri has fallen short of achieving the business plan objective of expanding Inverclyde's capacity to accommodate extra businesses and jobs.
- The investment in the refurbishment of existing business accommodation has been beneficial, although it has not contributed to expanding capacity in Inverclyde to accommodate extra businesses and jobs.
- The property market recession has had a major impact on ri's ability to attract private developers to invest in creating new business accommodation. After a period of market testing, this has led ri to take the decision to self-develop at Riverside Business Park and the Custom House, and in the future at Kelburn.

Other outputs

Little progress has been made to date against the other output measures set out in ri's initial business plan. None of the targeted 7,000 m² of leisure and retail development have so far been delivered, although the market for these types of developments has been very challenging since 2008, nationally as well as locally. The target of 22,500 m² of education and training space relied on the relocation of James Watt College to a new site. This development did not come to fruition due to a change in policy by the College, and as a result no progress has been made against this target. A small number (121) of the planned 2,285 new housing units have been developed (although it is not clear that ri played any role in these developments), but no further progress has been made since the housing market crash of 2008, as private developers have been largely unwilling to invest in new housing sites in Inverclyde. Some good progress has been made on providing berths for leisure craft with a total of 200 provided at the new marina development at James Watt Dock, and at the Harbours.

Outputs not included in the initial business plan

Significant staff time and resources have been dedicated by ri to support businesses in Inverclyde, with ri reporting a total of 220 **businesses assisted** to date. Examples of the support provided include: involving businesses in the Inverclyde Renewables Alliance Group (IRAG); supporting companies through the Inverclyde Construction Forum; ri's property assistance scheme through which some tenants have benefitted from rent reductions during trading difficulties; and the provision of business planning advice to some companies. It should be noted that earlier ri monitoring reports showed the cumulative total of businesses assisted as 254 by March 2011, but this has since been adjusted down by ri to 220. While these activities have been of benefit to some of the local businesses consulted during the review (e.g. the Inverclyde Construction Forum has helped some businesses to win new contracts and create jobs), the direct provision of business support was not explicitly set out in the initial business plan as being part of ri's role. It is clear that it is the role of other organisations to provide this type of support (e.g. Inverclyde Council's Regeneration Service, Business Gateway, Scottish Enterprise, and SDI among others), and that ri's direct delivery of these activities has diverted some resources (staff time and finance) away from the achievement of ri's core physical regeneration objectives. While objective 2 of the initial ri

business plan (facilitating economic restructuring) refers to supporting businesses, it makes clear that this objective was to be delivered by working in partnership with others. This is one example where there is evidence of blurred lines of responsibility between ri and other local regeneration organisations.

6.3.3 Progress towards gross target outcomes

Table 3: Achievement of gross outcomes (mid 2006 to February 2013)

| | Total target for period up to 2017 | Achieved Prior to 2009/10 | Achieved 2009/10 | Achieved 2010/11 | Achieved 2011/12 | Achieved 2012/13 (to date) | Total to date (reported by ri) | Adjusted total after verification | % target achieved |
|---|------------------------------------|---------------------------|------------------|------------------|------------------|----------------------------|--------------------------------|-----------------------------------|-------------------|
| Outcomes included in 2007 Business Plan | | | | | | | | | |
| No full-time equivalent jobs created | 2,600 | 94 | 0 | 63 | 16 | 46 | 219 | 191 | 7% |
| No full-time equivalent construction jobs created (job years) | 110 | 17 | 0 | 92 | 0 | 26 | 135 | Not verified | 123% |
| No of residents accommodated in new homes | 4,570 | 0 | 290 | 0 | 0 | 0 | 290 | Not verified | 6% |
| Annual gross value added (GVA) | £90m | - | - | - | - | - | - | £8.1m | 9% |
| Other outcomes not targeted in 2007 business plan | | | | | | | | | |
| No full-time equivalent jobs safeguarded | No target | - | - | - | - | - | 739 | 308 | - |
| Employment secured by SIMD residents | No target | - | - | - | - | - | 64 | Not verified | - |
| New residents attracted | No target | 70 | 0 | 0 | 0 | 0 | 70 | Not verified | - |

The figures illustrate the challenges faced by ri in achieving their target outcomes in the difficult economic climate.

Number of FTE jobs created

This is a key success measure for ri as the main intention of its business plan, in line with other similar regeneration programmes, is to help create jobs and wealth for the benefit of residents and the local economy. In recording jobs created, ri has included brand new jobs as well as existing jobs attracted from outside of the area into Inverclyde. This is appropriate as the purpose of ri's investments is to increase the total number of jobs in the local area.

On this basis, ri has reported a total of 219 new FTE jobs created (or attracted to Inverclyde) to date. All of the new jobs claimed have arisen as a result of ri's physical and property development activities and include a combination of:

- ⇒ Companies from outside of the area re-locating employees into new / refurbished premises in Inverclyde (e.g. Jenda Energy brought four jobs from Aberdeen to Clyde View Phase I);
- ⇒ Businesses already based in Inverclyde moving into ri premises and creating additional jobs in the process (e.g. Cigna expanded its local operations in parallel with its move to Clyde View Phase I, creating an additional 50 jobs).
- ⇒ New businesses starting-up in ri premises (e.g. Riverside Business Park Cafe created six jobs).

The Review Team has re-visited a small sample of the jobs created outputs to verify the extent to which the total reported provides an accurate reflection of actual achievements to date. While most of the outputs reported appear to be reasonable, the new jobs claimed in relation to the Beacon Theatre appear to be overstated.

ri has reported 40 new jobs created at the Theatre, and this has been verified directly by the Theatre. Taking the week commencing 23rd March 2013 as an example, the Theatre's combined staff team worked a total of 2,011 hours, which is equivalent to 52 FTE jobs. Of these, 14 were contracted staff and the remainder were casual employees. Before the construction of the new Theatre, the Arts Guild employed 10 staff, and so deducting these from the total 52 FTE jobs results in 42 new FTE jobs created. In its monitoring reports, ri has claimed 40 new jobs created. However, outputs should be claimed in relation to the proportion of total project funds contributed and, on the basis that ri provided approximately one-third of the total funds for the Theatre development (the other funders being the Arts Council and Inverclyde Council), then ri should claim only one-third of the 42 jobs created i.e. 14 new jobs. The Theatre emphasised that the week commencing 23rd March, which has been used as an example for this analysis, was a busy week and so the number of jobs reported represents a maximum figure. During quieter weeks, fewer casual staff are employed.

The over claimed jobs (28) have been deducted from the total of 219 reported by ri. As a result of the verification process, it is estimated that the actual number of new jobs created by ri's investments to date is approximately 191.

The 191 jobs created to date is just 7% of the initial target of 2,600 FTEs set out in ri's initial business plan. This reinforces the feedback from consultees that while some good progress has been made on physical regeneration and improving the appearance of parts of Inverclyde, this has

not fed through into the attraction of businesses and investment and the creation of significant numbers of new jobs for local residents.

Clearly, the ability of ri's investments to generate employment outcomes has been severely affected by the ongoing recession in the property market and the general economy. In the absence of the recession, more private developers may have been willing to invest in ri's projects and more end-user businesses may have located and grown in the area, creating more jobs for local residents than has been the case so far.

Number of FTE construction jobs created

ri has performed well against this measure, creating a total of 135 FTE construction jobs¹⁷ to date, which is 123% of the initial target of 110. This is a direct reflection of the significant scale of capital expenditure by ri on physical development and construction projects. It is reported by ri that 42 of these jobs have been secured by local unemployed residents as a result of Community Benefits Clauses in construction contracts and local Targeted Recruitment and Training Projects.

Annual gross value added (GVA)

GVA is a measure of economic wealth or income. The level of GVA supported by ri each year is related directly to the number of new jobs created. ri does not appear to have monitored directly or reported on the level of annual GVA supported, and this would normally be estimated through an independent economic impact study. In order to provide an indication of the annual GVA supported, we have made our own estimate based on average benchmarks for GVA per job created. On this basis, it is estimated that the annual GVA supported to date by ri is £8.1m p.a (gross). This is based on 191 FTE jobs created at an average of £42,255 GVA per employee p.a¹⁸. This is equivalent to 9% of the total target of £90m annual GVA set out in ri's business plan.

Other outcomes not included in the initial business plan

Jobs safeguarded

In addition to new jobs created, ri has also reported a total of 739 **jobs safeguarded** to date. Although no target was set in the original business plan for jobs safeguarded, this is another way of measuring the economic outcomes of ri.

The total of 739 includes: 232 jobs with businesses that have been supported to relocate within Inverclyde (avoiding them moving out of the area); 222 jobs in businesses that have received property assistance (including investment in new / refurbished premises and periods of reduced rent during trading difficulties); and 285 among other tenants of ri's property portfolio that have benefitted from property refurbishment. In the absence of a comprehensive survey of businesses, there is no evidence on whether or not these jobs were actually at risk and would have been lost without the intervention of ri, although we have been told anecdotally that some businesses would have relocated out of the area without ri's assistance.

¹⁷ Construction jobs are calculated as Job Years

¹⁸ Scottish Key Facts, Scottish Enterprise (2011) reported average GVA per employee in Scotland of £42,255 p.a. based on total GVA for Scotland of £105,552 million and a total of 2,498,000 people in employment.

The Review Team has re-visited a small sample of the jobs safeguarded outputs to verify the extent to which the total reported provides an accurate reflection of actual achievements to date. The verification exercise has highlighted the following issues:

- ⇒ Where ri has provided new accommodation for businesses that would otherwise have moved out of Inverclyde, the associated jobs safeguarded for the area are legitimate. For example, this applies in the case of Cigna's relocation to Clyde View Phase I.
- ⇒ 150 of the reported jobs safeguarded relate to the relocation of existing CHCP employees to the refurbished Crown House offices in Greenock. These jobs were not at risk and the move to Crown House did not safeguard them. It is not legitimate for these outcomes to be claimed and they should be excluded from the headline figures.
- ⇒ A total of 11 jobs safeguarded were claimed in relation to the property assistance given to M&J Timber to help them re-locate from the proposed development site at Robertson Street into new premises. Without this support the company may have moved out of Inverclyde and the jobs would have been lost to the area. The actual number of jobs safeguarded was 17, rather than the 11 reported by ri.
- ⇒ It is reported that ri supported Bathroom Elegance to relocate within Inverclyde, safeguarding two jobs in the process. However, the company reports that it has never received support from ri.
- ⇒ 285 employees of the businesses housed within ri's property portfolio (which have not been counted elsewhere as jobs created or safeguarded) have been claimed as job safeguarded. This is on the basis that the premises in which they work have benefitted from refurbishment. Improving the accommodation of ri's property portfolio tenants (many of whom were already tenants in these premises before ri came along) does not, in itself, safeguard jobs. For this reason, it is not legitimate for these outcomes to be claimed.
- ⇒ Overall, the extent to which many of the jobs safeguarded can be attributed directly to the activities of ri is questionable, based on the evidence provided to the Review Team and the logic applied by ri in claiming jobs (i.e. many of the jobs were not at risk, and the nature of ri's intervention would not safeguard jobs in any case).

While not every one of the jobs safeguarded has been verified, taking into account the issues highlighted above, the results from our sample checks suggest that the total of 739 reported is likely to overstate the actual number of jobs safeguarded. Adjusting the total of 739 reported to take account of the jobs over claimed (and the extra ones at M&J Timber which were under claimed), it is suggested that the actual number of jobs safeguarded to date is likely to be a maximum of 308.

Employment secured by SIMD residents

While no target was set for this in the initial business plan, ri clearly intended to create jobs for the benefit of local residents, including those from SIMD wards and unemployed people. As at February 2013, 64 local unemployed residents had secured jobs as a result of ri's activities. This includes the 42 unemployed people (referred to previously) that secured jobs on construction contracts through Targeted Recruitment and Training (TRT) and Community Benefits Clauses, and a further 22 people employed on environmental works projects.

6.3.4 Comments on monitoring and reporting arrangements

The resources available for the review have not allowed for a detailed verification of every output and outcome reported by ri to be undertaken. However, the assessment of a sample of outputs and outcomes that has been possible has highlighted a number of areas in which the output and outcome numbers recorded and reported by ri (in the opinion of the Review Team and based on the available evidence) overstates its actual impact. In the opinion of the Review Team, there is significant room for improvement in ri's systems for the recording, monitoring, attribution and reporting of outputs and outcomes.

Scottish Government has in place a common monitoring and evaluation system for all of the URCs, which encompasses the wide variation in the objectives, outputs and outcomes pursued by each URC. The system operates on the basis that appropriate governance and monitoring arrangements are being followed by the URCs, and that the information reported on output / outcome achievements is accurate and certified as such by the Board.

The recent level of scrutiny by funders of ri's finances, operations, management and governance has been rigorous, and in line with the expected levels of oversight of a publicly funded arm's length organisation. However, this is in contrast to the limited amount of scrutiny by the funders in verifying the outputs and outcomes delivered by ri in return for public investment.

6.3.5 Summary of progress towards outputs and outcome targets

Overall, the evidence available indicates that ri's progress to date towards the achievement of targets is well behind profile against most of the key output and outcome measures, based on the organisation having completed two-thirds of its 10 year lifespan. Overall progress to date is disappointing. The key issues regarding progress towards targets include:

- ⇒ **Headline figures overstate actual impacts** - The verification exercise undertaken by the Review Team has identified several examples of outputs and outcomes reported by ri which it is not legitimate to claim, and which should be excluded from the headline numbers. This includes some examples of double counting. While the Review Team understands that the activities in question have genuinely been delivered, the outputs and outcomes attributed to some of them are overstated, giving the appearance that more has been achieved than is actually the case. This applies to all of the key output / outcome measures including land developed / improved, business space created, and jobs created and safeguarded.
- ⇒ **Land developed and improved** - There has been a lot of activity and investment in this area. The majority has focused on land improvement and tidy up works, including public realm, which has improved the appearance of parts of Inverclyde. However, with the exception of Riverside Business Park, limited progress has been made in bringing key strategic sites to a state ready for development for economic uses, which was the intended focus of ri's initial business plan.
- ⇒ **Creation of business space** - The creation of new and refurbished office space at Riverside Business Park, and the improvement of former Council owned industrial and commercial premises, are among ri's key achievements. Together, they account for 13,500 sq m of new and refurbished business space, which is 70% of all of the business space developed by ri (with the exception of the Beacon Theatre). When considered in the round, Clyde View is the only significant new business space development delivered by ri and, to date, it has been unable to

deliver similar developments on other key sites including Kelburn, Cartsburn / Cartsydyke and others.

- ⇒ **Jobs created and safeguarded** - The progress made on the physical regeneration of some areas of Inverclyde, and the development of business space, has not fed through into a significant positive impact on employment in the area. The £59m of public funds spent to date by ri has helped to create a maximum of 191 gross new FTE jobs and safeguarded 308 gross FTE jobs. Given that a key objective of ri's investment programme was to help create jobs and wealth in the local economy, the positive impact to date in this regard has been very limited.
- ⇒ **Monitoring and reporting systems** - There is significant room for improvement in ri's monitoring and reporting systems. This is evidenced by that fact that, under every key performance measure, there are examples of outputs / outcomes that are not legitimate to claim and their inclusion has the effect of overstating the true impact of ri's activities. The level of scrutiny by funders of output / outcome evidence has not been as challenging as it could have been, and this has contributed to the lack of robustness in monitoring arrangements.
- ⇒ **Effect of the difficult economic climate** - It is important that ri's progress towards its output and outcome targets to date is considered in the context of the very difficult economic climate in which it has been operating since 2008. The initial ri business plan which set ambitious and stretching targets was developed in 2006 at a much more optimistic time when the economy was growing strongly. Clearly, the subsequent and unanticipated global financial crisis, recession and property market crash have had a major impact on the realism of these targets and ri's ability to deliver them.

6.4 Financial analysis and value for money

6.4.1 Introduction

This section of the report assesses the total level of expenditure by ri over the study period, presented separately for capital expenditure on regeneration projects, and the revenue operating costs of ri. It also considers the income received from key funders and other sources. This is analysed against the outputs and outcomes delivered, to assess the value for money and return on investment delivered by ri. The analysis is based on financial information provided by ri to the Review Team in mid-February 2013. It includes actuals for the years 2006-07 through to 2011-12. The figures used for 2012-13 cover the full financial year, including actual expenditure and funding as at mid-February, plus ri's own expenditure and funding forecasts for the remainder of the year up to 31st March 2013.

6.4.2 Capital expenditure and funding

Before analysing the numbers presented in Table 4, there are a few points to clarify:

- ⇒ Of the total public capital funding of £58,227,985 received by ri over the period, a total of £2,989,703 was provided in-kind. This was in the form of land and buildings transferred from Inverclyde Council to ri including: land at the Riverside Business Park site (£1,877,500), Victoria House (£745,049), and Drumfrochar Industrial Estate (£367,154). The remainder of the capital was provided as cash funding.
- ⇒ In the first year of operation (2006/07), Inverclyde Council provided a capital grant of £269,905. However, as ri had no capital schemes underway at this time, the funds were classified in the annual accounts as unrestricted, and carried forward for investment in future years. It may also be that an element of this funding has been used over the years to offset a net deficit in the total running costs of ri (see section 6.4.4 for further discussion of this issue). Inverclyde Council was responsible for preparing ri's accounts in 2006/07, so it has been assumed that any carry forward of funding was agreed by the Council at that time.
- ⇒ In most cases, the expenditure figures shown are accounted for primarily by spend on capital items such as land or building purchases, land remediation, construction, or refurbishment costs. In some cases, additional costs associated with each project (such as professional fees or Stamp Duty Land Tax) are included in the totals shown.
- ⇒ The expenditure and funding figures presented in Table 4 were checked by ri during March 2013 and agreed as a true record.

Over the 6.5 year period of the study, ri has incurred capital expenditure on regeneration projects totalling £54.2m. Of this, 83% (£45m) has been spent on the eight priority sites identified in the business plan. These figures include expenditure of the cash funding provided by the public funders, as well as the values of land and buildings referred to previously which were transferred to ri by Inverclyde Council.

The largest items of expenditure have been:

- ⇒ **Riverside Business Park (£15m)** - This includes £1.9m on site acquisition, £0.2m on the acquisition of 22/24 Port Glasgow Road, and £12.9m on the development of the site (including land remediation, access roads, property refurbishments and new builds). The full £3.85m spent on site development in 2012/13 relates to the development and construction of Clyde View Phase 2.
- ⇒ **James Watt Dock (including investment in the LLP) (£12.9m rounded)** - This includes £1.74m on the Sugar Warehouse, £0.64m on site improvement works, £0.5m on land transfer, and £10m investment in JWD LLP. Part of the total ri funding of £12.88m is in the form of a loan to the LLP, to be returned to ri as and when the LLP begins to generate a profit.
- ⇒ **The Harbours and Cathcart Street (£7m)** - This includes £1.6m on Harbour projects (including remedial works to the harbour walls, the infill of the dry dock, and the community pontoon / marina), £2.8 on the construction of the new Beacon Theatre, £2.6m on the acquisition and refurbishment of the Custom House.
- ⇒ **Greenock and Port Glasgow Town Centre Regeneration (£5.7m)** - This includes £0.3m on the purchase of land and premises, and a total of £5.4m on various improvement works, including shop front improvements and public realm works.

Outside of the priority sites, other key items of expenditure include:

- ⇒ **Strategic acquisitions (£2.9m)** - This includes the transfer / acquisition of land and property including the Riverside Business Park site, Victoria House and Drumfrochar Industrial Estate.
- ⇒ **Refurbishment and upgrades of various properties within ri's portfolio (£2m).**
- ⇒ **Communications and marketing (£2.2m revenue)** - This includes £1.4m of general communications and marketing expenditure and £0.8m towards the sponsorship of the 2011 Tall Ships Race (£0.8m). General communications and marketing activity has included promoting Inverclyde as a location for renewable energy businesses, and promoting and raising the profile of ri as an organisation and of its projects (including site bill boards, and advertising in the local and trade press). However, the impact and return on investment of this spending is not known as the outcomes of marketing activities have not been systematically tracked and reported by ri.

While total capital expenditure to date is recorded by ri as £54.2m, during the same period a total of £58.2m in public sector capital funding was drawn down by the organisation. This leaves a gap of approximately £4m (as at the end of 2012/13) between the capital funds received by ri and those actually spent. The gap is accounted for by 'deferred funding' which is money drawn down from funders against committed projects, and which forms part of the company's creditors at the year end. This £4m of deferred funding will be carried forward into 2013/14 to support expenditure on the following projects:

- ⇒ **Custom House project** - £2.1m (including £1.38m drawn down from Scottish Government shovel ready monies on 31/03/13).
- ⇒ **Clyde View Phase 2** - £0.4m.
- ⇒ **Kelburn development** - £1.3m (including £1.05m drawn down from Scottish Government shovel ready monies on 31/03/13).

- ⇒ Property portfolio investments - £0.1m.
- ⇒ Town Centre projects - £0.1m.

Overall, ri's investments have been spread across a variety of sites and activity types, some of which could be expected to generate economic impacts such as the creation of jobs and GVA in a fairly short timescale (e.g. investments at Riverside Business Park, including Clyde View Phase I), while others were intended to lay the foundations to attract private investment in developments resulting in economic impacts in the longer-term (e.g. James Watt Dock, The Harbours). The return on these investments may take a number of years to be realised, and the timescales for these gains are likely to be delayed by the ongoing recession in the property market and the wider economy.

Table 4: Summary of ri's total capital expenditure and funding (2006/07 to 2012/13)

| | | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | TOTAL |
|---|----------------------------------|----------|------------|-------------|------------|-------------|------------|-------------------|--------------------|
| THE HARBOURS / CATHCART STREET | | | | | | | | | £7,018,358 |
| | Arts Guild Theatre Capital Grant | | £0 | £0 | £188,785 | £1,265,302 | £1,045,914 | £250,000 | £2,750,000 |
| | Harbour projects | | £697,653 | £153,036 | £240,970 | £528,945 | £0 | £0 | £1,620,604 |
| | Custom House Acquisition | | | | | £1,163,670 | £94,018 | £0 | £1,257,688 |
| | Custom House refurbishment | | | | | | £147,662 | £1,242,404 | £1,390,066 |
| CARTSBURN / CARTSDYKE | | | | | | | | | £2,477,306 |
| | Land Transfer | | £1,277,580 | £0 | £0 | £0 | £0 | £0 | £1,277,580 |
| | Site Improvements | | | £292,332 | £262,793 | £239,616 | £404,985 | £0 | £1,199,726 |
| RIVERSIDE BUSINESS PARK | | | | | | | | | £15,036,268 |
| | Acquisition - Port Glasgow Road | | £227,650 | £0 | £0 | £0 | £0 | £0 | £227,650 |
| | IC Acquisition | | £1,953,600 | £0 | £0 | £0 | £0 | £0 | £1,953,600 |
| | Site Development | | £517,734 | £4,126,692 | £2,321,696 | £1,796,955 | £241,941 | £3,850,000 | £12,855,018 |
| JAMES WATT DOCK | | | | | | | | | £12,878,244 |
| | Sugar Warehouse | | £709,534 | £1,027,275 | £0 | £0 | £5,008 | £0 | £1,741,817 |
| | Site Works | | | £241,049 | £388,586 | £0 | £7,328 | £0 | £636,964 |
| | Land Transfer | | | £499,463 | £0 | £0 | £0 | £0 | £499,463 |
| | Investment in JWD LLP | | | £5,000,000 | £1,849,347 | £2,745,000 | £405,654 | £0 | £10,000,001 |
| GREENOCK AND PORT GLASGOW TOWN CENTRES | | | | | | | | | £5,709,794 |
| | Improvement works | | £540,565 | £5,825 | £759,207 | £2,509,093 | £796,284 | £820,000 | £5,430,974 |
| | Purchase of land and properties | | | | | | £278,820 | | £278,820 |
| CASTLEBANK / WOODHALL | | | £33,856 | £4,209 | £0 | £88,000 | £0 | £0 | £126,065 |
| KELBURN | Site Improvements | | £35,582 | £111,180 | £558,366 | £346,309 | £83,386 | £100,000 | £1,234,823 |
| GOUROCK | | | | | | £90,967 | £294,652 | £150,000 | £535,619 |
| DEVELOPMENT INFRASTRUCTURE and PLACEMAKING | | | £289,335 | £409,321 | £226,671 | £384,991 | £66,376 | £100,000 | £1,476,695 |
| BUSINESS AND PEOPLE INTERVENTIONS | | | £0 | £70,628 | £73,432 | £188,644 | £66,702 | £85,000 | £484,406 |
| COMMUNICATIONS AND MARKETING | | | £280,101 | £335,284 | £278,132 | £394,115 | £39,861 | £80,000 | £1,407,493 |
| TALL SHIPS RACE SPONSORSHIP | | | | | £50,000 | £270,000 | £480,000 | £0 | £800,000 |
| STRATEGIC ACQUISITIONS / NEW PROJECTS | | | £0 | £1,822,967 | £1,111,403 | £0 | £0 | £0 | £2,934,370 |
| PROPERTY PORTFOLIO AND UPGRADES | | | £0 | £0 | £0 | £1,422,586 | £0 | £670,000 | £2,092,586 |
| TOTAL CAPITAL PROJECT EXPENDITURE | | £0 | £6,563,191 | £14,099,262 | £8,309,388 | £13,434,192 | £4,458,589 | £7,347,404 | £54,212,025 |
| TOTAL PUBLIC CAPITAL FUNDING RECEIVED | | £269,905 | £7,636,291 | £16,567,670 | £9,747,716 | £11,889,420 | £4,696,983 | £7,420,000 | £58,227,985 |
| | CASH | £269,905 | £5,758,791 | £16,567,670 | £8,635,513 | £11,889,420 | £4,696,983 | £7,420,000 | £55,238,282 |
| | IN-KIND | £0 | £1,877,500 | £0 | £1,112,203 | £0 | £0 | £0 | £2,989,703 |
| CUMULATIVE BALANCE B/F | | £269,905 | £1,343,005 | £3,811,413 | £5,249,742 | £3,704,969 | £3,943,364 | £4,015,960 | |

6.4.3 Investment at the James Watt Dock site and in JWD LLP

ri's public funders are particularly interested in the level and nature of the investments made at the James Watt Dock site as there is an expectation that, through the public / private JWD LLP, investment and rewards would be shared between the public sector (in the shape of ri) and the private sector, through Peel Holdings Ltd.

ri's total contribution to the site (including the JWD LLP and activities that fall outside of the LLP) has been £12.88m, including £1.74m on the Sugar Warehouse, £0.64m on site improvement works, £0.5m on land transfer, and £10m investment in the JWD LLP. Peel Holdings' contribution has been £3.6m cash investment in the Sugar Warehouse and site infrastructure combined, plus half of the value of the land equity, which was transferred by Peel into the LLP. ri's total net contribution will reduce significantly if the loans made to the LLP are repaid, but this is clearly dependent upon the site being developed out and generating a profit.

There are two ways of looking at this. The first is that ri took a policy decision to become a partner in the LLP and to invest in site improvements in order to secure some direct control over the development of a flagship site that was identified as key priority in its strategy. This was done in the knowledge that, without stimulation from the public sector and in the face of a property market crash, Peel Holdings may be unlikely to invest significantly in the regeneration of the site.

Another way of looking at it is that ri's efforts to secure some control over the site have come at a high cost. £12.88m of ri's resources are now tied up in the land purchase costs and loans to the LLP, resources which could have been invested in other ri projects.

It is important to acknowledge that the JWD site master plan and LLP idea were conceived at a time when the economy and property market were much stronger. At this time, the terms of the deal and the likely future returns would have appeared much more favourable to ri than they do now, in light of the recession and property crash.

6.4.4 ri's operating costs and funding

During the first two years of operation (2006/07 and 2007/08), the costs of operating ri's business were accounted for 100% by the main, charitable parent company. However, since 2008/09 following the formation of ri (Property Holdings) Ltd, operating costs have been apportioned between the main charitable parent company and the property holdings company, with staff costs, premises and other overheads allocated on the basis of the projects and activities that team members have worked on. The consolidated running costs of the ri group of companies (including the main charitable company and ri (PH) Ltd) are presented in Table 5 below.

The main headlines from the analysis of operating costs are:

- ⇒ The main item of expenditure was staff salaries (including on costs and bonuses), which accounted for £2.8m over the study period, equivalent to 62% of operating costs. This includes all permanent and temporary staff employed by ri, as well as student placements. As well as the £2.8m, ri incurred an additional cost of £123,039 over 4 financial years in employing the Company Accountant on a sub-contract basis. Staff costs are analysed in greater detail in the staffing and management section of the report.

- ⇒ 'Other costs' are the next biggest item of operating expenditure, including items such as insurance, accountancy costs and input VAT disallowed.
- ⇒ The costs associated with consultancy services and professional fees are split between ri's operating costs and its capital / project expenditure. On a number of occasions, ri has engaged consultants (in addition to the core team) who have been involved in some general management duties. Some of these consultancy costs have been accounted for as project expenditure, whereas they should have been included as part of operating costs. If they had been, then ri's operating costs would be higher than those presented in the report.
- ⇒ The total operating costs of ri over the study period were £4.6m. Of this, £3.6m related to the main ri Parent Company and £1m to ri (Property Holdings) Ltd.
- ⇒ Over the period, a total of £3.1m revenue funding was received from public funders to cover the operating costs of the main ri Parent Company. As a result, there was a deficit of £0.5m on the operating costs of the main Parent Company.
- ⇒ However, since 2008/09, ri (Property Holdings) Limited has generated a net revenue income stream from property rentals totalling £1.36m, against operating costs of £1m. As a result, it has generated a total surplus of £355,000 over 5 years.
- ⇒ The overall result is that the ri group of companies had a net deficit on operating costs totalling £125,000 by the end of 2012/13. The total public revenue funding received of £3,080,000, combined with the net surplus on property income of £1,362,662 was insufficient to meet the total, combined group operating costs of £4,567,694. To put it another way, while ri(PH) made a net surplus of £355,322 over the period, this was not enough to cover the loss on operating costs of £480,353 made by the main ri Parent Company.
- ⇒ Following a request for clarification, ri confirmed that the net deficit on running costs is most likely to have been covered by the unrestricted funds received in the early years of the organisation. In 2006/07, Inverclyde Council allocated £269,905 to ri and while this is shown as capital funding, it was actually made available as unrestricted funds, because at the time ri did not have capital projects up and running on which to spend the funds. Any of these unrestricted funds that were not spent in 2006/07 are likely to have been carried forward over the years and some may have been used to offset the deficit on operating costs.

Table 5: Riverside Inverclyde consolidated operating costs (2006/07 to 2012/13)

| Item | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 Forecast | Total | % of total |
|---|----------------|----------------|----------------|----------------|----------------|----------------|---------------------|------------------|---------------|
| Salaries - Admin | 236,315 | 56,356 | 83,301 | 180,766 | 123,860 | 91,711 | 82,113 | 854,421 | 19% |
| Salaries - Project Management | 0 | 262,057 | 290,854 | 351,985 | 380,593 | 370,206 | 331,162 | 1,986,858 | 43% |
| Expenses | 1,162 | 3,445 | 6,610 | 9,365 | 9,647 | 3,525 | 5,000 | 38,755 | 1% |
| Property Costs | 17,969 | 21,946 | 30,962 | 44,347 | 78,890 | 54,707 | 33,459 | 282,280 | 6% |
| Other Costs | 220,932 | 51,579 | 154,989 | 232,327 | 257,815 | 272,379 | 215,360 | 1,405,380 | 31% |
| Total Expenditure | 476,377 | 395,383 | 566,717 | 818,790 | 850,807 | 792,528 | 667,093 | 4,567,694 | 100% |
| | | | | | | | | | |
| Riverside Inverclyde Parent Co | | | | | | | | | |
| Total operating costs | 476,377 | 395,383 | 467,738 | 608,320 | 624,303 | 535,518 | 452,715 | 3,560,353 | |
| % of total | 100% | 100% | 83% | 74% | 73% | 68% | 68% | 78% | |
| Total Public Revenue Funding | 300,000 | 400,000 | 480,000 | 480,000 | 500,000 | 450,000 | 470,000 | 3,080,000 | |
| Cumulative Balance B/F | -176,377 | -171,760 | -159,498 | -287,817 | -412,120 | -497,638 | -480,353 | | |
| | | | | | | | | | |
| Riverside Inverclyde Property Holdings Ltd | | | | | | | | | |
| Total operating costs | 0 | 0 | 98,978 | 210,470 | 226,504 | 257,010 | 214,378 | 1,007,340 | |
| % of total | 0% | 0% | 17% | 26% | 27% | 32% | 32% | 22% | |
| Total Net Income to riPH (after landlord's costs)* | 0 | 0 | 29,566 | 319,059 | 297,963 | 316,074 | 400,000 | 1,362,662 | |
| Cumulative Balance B/F | 0 | 0 | -69,412 | 39,177 | 110,636 | 169,700 | 355,322 | | |
| | | | | | | | | | |
| Net balance of operating costs (surplus / deficit) | | | | | | | -125,031 | | |

6.4.5 Income from Riverside Inverclyde (Property Holdings) Ltd

As stated previously, since 2008/09 ri(PH) has generated a revenue income stream in the form of rents and service charges from tenants of the various commercial and industrial properties in its portfolio. The table below shows the total income generated each year and the net surpluses generated.

Table 6: Income generated per annum from ri (PH) Ltd's property portfolio.

| | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 Forecast | Total |
|--|-----------------|-----------------|-----------------|-----------------|---------------------|-------------------|
| Property rental income | £84,797 | £390,578 | £429,912 | £489,412 | £660,860 | £2,055,559 |
| Recharged services income | £0 | £49,821 | £50,872 | £106,951 | £87,869 | £295,513 |
| Total income | £84,797 | £440,399 | £480,784 | £596,363 | £748,729 | £2,351,072 |
| Landlords costs | £55,231 | £121,340 | £182,821 | £280,289 | £348,729 | £988,410 |
| Total direct costs | £55,231 | £121,340 | £182,821 | £280,289 | £348,729 | £988,410 |
| Surplus / deficit from property rentals | £29,566 | £319,059 | £297,963 | £316,074 | £400,000 | £1,362,662 |
| riph operating costs | £98,978 | £210,470 | £226,504 | £257,010 | £214,378 | £1,007,341 |
| Total indirect costs | £98,978 | £210,470 | £226,504 | £257,010 | £214,378 | £1,007,341 |
| Surplus / deficit from property rentals (after operating costs) | -£69,412 | £108,589 | £71,459 | £59,064 | £185,622 | £355,321 |

In summary, ri(PH) has generated a total income (from rents and service charges) of £2.35m over the 5 year period of its existence, resulting in a surplus of £1.36m after the deduction of landlord's costs (mainly repairs and maintenance), and a total net surplus of £355,000 after the costs of operating the company are deducted.

On this basis, it is questionable at this time whether the surpluses generated by ri(PH) Ltd alone will be sufficient to cover 100% of ri's operating costs in future years. For instance, ri's total operating costs in 2012/13 (including the main parent company and ri(PH) Ltd) were £667,000, whereas the net surplus generated by ri(PH) in the same year was £186,000, leaving a gap of £481,000 for the year. When Clyde View Phase 2 opens and is occupied, it will provide an additional net rental stream, and ri is forecasting that the entire property portfolio will generate a net revenue surplus of £448,000 in 2013/14, which would reduce the gap between property income and total operating costs. However, this is an estimate and will depend on the achievement of occupancy and rental targets not only at Clyde View Phase 2, but across the whole portfolio.

As a result, it does not appear that ri will be financially self-sustaining in 2013/14 and perhaps not in 2014/15, and will continue to require public revenue funding to contribute towards operating costs.

6.4.6 Yields on property income from ri(PH) Ltd

The table below estimates the total public capital funds spent by ri in developing the sites and business premises in its portfolio which are responsible for generating this rental income.

Table 7: Estimate of total public capital funds spent by ri on site development

| Property / site | Nature of investment / works | Total investment (£) |
|--|--|----------------------|
| Riverside Business Park (including Ladyburn Business Centre, Cafe, Nursery, and Clyde View Phase 1) <i>The costs total costs of Clyde View Phase 2 (£4.2m) have been excluded as the project will not complete until 2013/14.</i> | Site acquisition, site remediation and development, access roads, premises refurbishment and new build | 10.8m |
| Victoria House (offices and workshop) | Transfer of property from Council | 0.75m |
| Lynedoch Industrial Estate | Purchase of property from Council | 1.8m |
| Drumfrochar Industrial Estate | Transfer of property from Council | 0.37m |
| Lyle House | Unknown | Unknown |
| Upgrades of property portfolio | Total spent across portfolio | 2m |
| Total | | 15.72m |

Since 2007/08, a total of at least £15.72m has been invested in ri's property portfolio, including acquisition and development of land on which premises are based, construction of new premises, and the refurbishment and upgrade of existing buildings. By 2012/13, this was generating a total income of £749,000 p.a. and a net revenue surplus (or profit) of £186,000 p.a. This is equivalent to a 1.2% return p.a. on the total funds invested.

The rate of return can be expected to increase over time as income from Clyde View Phase 2 comes on stream and occupancy rates hopefully begin to rise as the economy improves. It should also be emphasised that a significant amount of the £15m invested at Riverside Business Park was on acquisition and enabling works rather than on direct property development. Nevertheless, at 1.2% p.a. the return on public sector investment is very low, and well below the yields that private sector operators would expect to earn.

By way of comparison, net yields on prime industrial property in Glasgow were an average of 8.5% p.a. in December 2012¹⁹, while yields for office and industrial accommodation in regional cities across the UK were in the range 6.25% to 8.5%²⁰.

¹⁹ Marketbeat UK Industrial Snapshot, Cushman and Wakefield (December 2012)

²⁰ UK Property Investment Yields, CBRE (February 2013).

Clearly, some health warnings apply to these comparators. Firstly, the data is for property yields in regional cities whereas Inverclyde's property market is weak in comparison and so lower yields would be expected. Secondly, the yields earned by ri are based on investment totals that include a high level of non-productive costs in the form of infrastructure and site improvement works.

While the primary purpose of ri's property investments is to regenerate the area and attract businesses and jobs, it is important that the venture is financially viable and provides a reasonable return on the public funds invested. The yields generated currently are low when compared to general property market norms.

6.4.7 Public funding contributions

At the inception of ri, the three public funders earmarked a total of £93m of funding to support ri's investment programme and operating costs over its 10 year lifespan. The table below summarises the amount of funding actually received by ri, up to and including 2012/13.

Table 8: Public funding contributions to ri

| Public funder | Total 10 year allocation initially earmarked (£) | Capital funding received up to 2012/13 | Revenue funding received up to 2012/13 | Total funding received up to 2012/13 | % of total allocation |
|---|--|--|--|--------------------------------------|-----------------------|
| Scottish Government | 36m | 29.3m | 0.9m | 30.2m | 84% |
| Scottish Enterprise | 33m | 13.0m | 1.0m | 14.0m | 42% |
| Inverclyde Council | 24m | 14.8m | 1.2m | 16.0m | 67% |
| Total | 93m | 57.1m | 3.1m | 60.2m | 64% |
| Scottish Government (Town Centre Regeneration Fund) | - | 2.2m | 0 | 2.2m | - |
| Grand total | - | 59.3m | 3.1m | 62.4m | - |

Note: Figures may not sum due to rounding

By March 2013, ri will be approximately two-thirds of the way through its planned 10 year lifespan²¹. By this time, it will have received approximately two-thirds of the total funds earmarked by public sector sponsors.

²¹ While the Members' Agreement was not completed until 2008, ri actually began its activities in 2006/07.

As referred to previously, Scottish Enterprise had its core URC funding removed and thus ceased funding URCs in 2011/12. As a result, its committed investment in ri will reach just 42% of the total initially envisaged. However, there may be opportunities for ri to secure Scottish Enterprise funds in future years where it can successfully align its activities with the priorities of Scottish Enterprise and develop quality proposals able to compete for investment with other projects across Scotland.

The contributions by Scottish Government appear to have been accelerated into the earlier years to the extent that, by the end of 2012/13, ri will have received 84% of the total funds earmarked from this source. In part, this reflects the positive response from ri to bring forward 'shovel ready' projects into earlier years, at the request of Scottish Government. The funding contributions of Inverclyde Council are broadly in line with the expected profile at 2012/13. The future implications of these changes in public funding for ri's programme of work, and for regeneration activities in Inverclyde generally, are discussed in greater detail later in the report.

6.4.8 Private sector leverage

Given the very challenging conditions in the property market (commercial, industrial and residential) nationally and locally, and the lack of confidence and activity in the private sector generally, it has been extremely difficult for ri to attract private sector investment for its planned developments. The initial ri business plan indicated that the £93m of earmarked public funding had the potential to attract up to £295m of investment from the private sector over the 10 year life of the business.

The information on private sector leverage available to the Review Team has been placed into two categories. It has been taken from monitoring reports submitted by ri to Scottish Government²² along with figures provided directly by ri and by the private investors themselves.

The first category is **direct investment** which is attributable directly to the work of ri. A total of £3.6m of direct private sector investment has been levered, in the form of investments by Peel Holdings on the James Watt Dock site. In the monitoring reports to Scottish Government, ri reported an additional £6.17m of private sector leverage, including investments by Crown House Developments, Baronial Properties and Peel Holdings. However, the Review Team has excluded the latter amounts from the analysis on the basis that they are not attributable to the work of ri.

The second category of private leverage is **indirect investments** which are not directly attributable to ri. A combined total of £23m was reported to Scottish Government, provided through separate investments by Turnberry Homes and Kincaid Care Homes. Again, these amounts have been excluded from the analysis on the basis that the investments in question were committed prior to the beginning of ri's operations.

Based on the Review Team's analysis, as at 2012/13 the total direct and indirect private sector investment levered in, that is attributable to ri, amounted to £3.6m, which is less than 1% of the initial 10 year target of £295m.

²² Urban Regeneration Companies Monitoring Information - ri submission to Scottish Government (March 2011)

6.4.9 Other public sector leverage

Over the period of the study, ri did not secure other public funds over and above the initial allocations earmarked by Scottish Government, Scottish Enterprise and Inverclyde Council. The exception to this was the £2.2m investment from the Scottish Government's Town Centre Regeneration Fund, the bidding process for which was a joint effort between ri and the Council's Regeneration Team, with implementation led by ri.

ri has also supported other local organisations in securing public and charitable funding either by signposting to funders, providing bid writing assistance, or providing letters of support (e.g. George Wylie, rig media, Coastal Communities Fund). ri's approach to external funding has been in contrast to many of the comparator URCs which have been proactive and successful in securing funds from other external sources. In addition, the Council's Regeneration Service has a strong track record in this field. Since 2008, the team has attracted more than £25m of additional regeneration investment through competitive bidding from a variety of sources including Workforce Plus, Fairer Scotland Fund, Modern Apprenticeship, European Social Fund, European Regional Development Fund, Town Centre Regeneration Fund (in partnership with ri), Big Lottery, Heritage Lottery Fund and Future Jobs Fund, among others.

6.4.10 Value for money and return on investment

It is important to assess the overall value for money achieved by ri, considering the total value of public sector funds invested alongside the gross outputs and outcomes delivered. Value for money is measured in terms of:

- ⇒ Cost effectiveness i.e. the costs of delivering each output / outcome.
- ⇒ The ratio of GVA supported to total public funds invested, as a high level indicator of the cost:benefit ratio.

Cost effectiveness - Establishing costs per outputs is one approach to measuring the value for money of an intervention. The cost per output / outcome for each measure is calculated by dividing the total public expenditure by the total number of outputs / outcomes achieved. This methodology is outlined in the UK Government's Magenta Book²³ (which is underpinned by HM Treasury Green Book principles), and also in the UK Government's Impact Evaluation Framework.²⁴

It is good practice to assess the costs per **net** outputs and outcomes delivered (i.e. the total outputs / outcomes delivered, after making adjustments for net additionality). An assessment of the net additionality of outputs and outcomes typically requires survey work with project beneficiaries to ascertain what would have happened in the absence of the public sector funding. Given the resource and time constraints of this review exercise, and because it was not intended to be an Economic Impact Assessment, it has not been possible to undertake primary research to support reliable assumptions about additionality. Therefore, in this analysis, costs per outputs are based on **gross** outputs only. These are presented in Table 9 below.

For comparison purposes, we have also included the costs per gross outputs of other regeneration programmes, including the English RDAs' physical regeneration activities, and Inverclyde Council's Regeneration Service. These programmes are not directly comparable to ri in all cases and so the associated costs per outputs should be considered as broad indicators only of cost effectiveness.

²³ Assessing the Impacts of Spatial Interventions: Regeneration, Renewal and Regional Development, ODPM (2004)

²⁴ Evaluating the Impact of England's Regional Development Agencies: Developing a Methodology and Evaluation Framework, BIS/BERR (2006)

Table 9: Costs per gross outputs and outcomes

| | Riverside Inverclyde | RDA physical regen activities ^{25 26} | Inverclyde Council Regen Service |
|--|-------------------------|---|---|
| Area of land developed / improved (ha) | £2,847,561 | £4,178,527 | * |
| Area of business space created or refurbished (sq m) | £2,657 | * | * |
| Businesses assisted | £278,673 | * | £40,624 |
| Jobs created | £320,984 | * | £6,247 |
| Jobs safeguarded | £199,052 | * | * |
| Combined jobs created / safeguarded | £122,862 | £21,051 | * |
| Temporary construction jobs | £454,133 | * | * |

*not reported

²⁵ Source: BERR/BIS Impact of RDA Spending, National Report (2009)

²⁶ The published RDA costs per outputs are based on net outputs, which is standard practice. However, as the unit costs for ri and Inverclyde Council's Regeneration Service have been calculated based on gross costs and outputs, we have converted the RDA net unit costs back to gross unit costs (using the additionality ratios included in the above report) to provide more consistent comparators.

Compared to other regeneration programmes, the cost effectiveness of ri's activities appears to be mixed, although the range of comparators used is limited.

In terms of cost per hectare of land developed / improved it appears to be cost effective compared to the English RDA average. In terms of the combined cost per job created and safeguarded, ri appears to offer poor value for money when compared with the English RDA average. On cost per business assisted, ri also appears to offer poor value for money compared with the Council's Regeneration Service.

Other comparisons of costs per job created - Since November 2009, the Council's Regeneration Service has delivered a Future Jobs Fund programme to help local residents (especially young people and graduates) to secure jobs. The jobs created through the programme are temporary (6 months) and low paid, but with the aim of helping participants progress into permanent work in the mainstream labour market.

Since 2009, the programme has helped a total of 722 (gross) local unemployed people into temporary jobs. It has an average retention rate of 96%, and on average 46% of participants progress into permanent work, which equates to 332 permanent job outcomes (gross). Over this period, a total of £4,510,500 of public funds has been spent on the programme, equating to a cost per temporary job created of £6,247, and a cost per permanent job secured of £13,586. Inverclyde's Future Jobs Fund programme is the second best performing scheme in the UK in terms of successful job outcomes for clients²⁷. While this is not comparable to the types of physical investments made by ri, which are by their nature more costly and have a less direct impact on employment, the Future Jobs Fund is an alternative way of spending public funds on job creation which offers good value for money.

Ratio of GVA to costs - It is intended that GVA will be generated in the local economy by ri supporting businesses to grow, encouraging investment and creating new jobs in the economy. Although ri has not reported GVA impacts, it is possible to estimate the gross GVA generated, resulting from the new jobs created to date, which (after verification) is estimated as 191 new FTEs. Analysis of Scottish statistics suggests that the average GVA per employee across the country is £42,255²⁸. Applying this to the 191 jobs created, suggests that an average of £8,070,705 GVA (gross) has been generated p.a. Assuming these jobs are permanent, this could generate a further £8,070,705 of GVA per annum in future years.

Based on the annual gross GVA generated (£8.1m) and total public sector funds invested in ri to date (£61.3²⁹m), there is a return on investment of around £0.13 pa (gross) i.e. for every £1 of public investment to date, £0.13 pa of GVA has been generated in the local economy. This would be expected to increase over the years as the cumulative and persistent effects of GVA are counted. By way of comparison, the average annual GVA:cost ratio for the English RDAs is £1.00 pa³⁰.

²⁷ Inverclyde Council and DWP

²⁸ Scottish Key Facts, Scottish Enterprise (2011) reported total GVA for Scotland of £105,552million and a total of 2,498,000 were in employment

²⁹ £58.2m capital and £3.1m revenue

³⁰ Source: BERR/BIS Impact of RDA Spending, National Report (2009)

6.4.1 I Summary of financial analysis and value for money

- ⇒ **Overall funding and expenditure** - From its inception up to March 2013, ri has received a total of £61.3m in public capital and revenue funding from Scottish Government, Scottish Enterprise and Inverclyde Council. It has spent £54.2m on the delivery of a range of physical regeneration and other projects, and £4.6m on operating costs. The balance of the funding will be carried forward into 2013/14 to support expenditure on committed projects. The sites and projects accounting for the greatest share of expenditure are Riverside Business Park (£15m), James Watt Dock, including the LLP (£12.9m), the Harbours and Cathcart Street (£7m), and Greenock and Port Glasgow Town Centres (£5.7m).
- ⇒ **Operating costs** - ri's total operating costs over the period of £4.6m were met partly by public revenue funding (£3.1m) and partly by surplus income generated by ri's property portfolio (£1.36m). ri's operating costs appear reasonable, at an average of 8% of total organisational spending pa. Over the period of the study, ri had a deficit on operating costs of £125,000, because the total costs incurred were greater than the revenue from public funders plus the property portfolio surplus. This suggests that ri could have kept tighter control over its operating costs in order to live within its means.
- ⇒ **Property portfolio** - As it has grown over the years, ri's property portfolio has begun to generate a profit. Over the period since 2008, ri generated a total profit of £355,321, of which £185,622 was generated in the latest financial year 2012/13. While this is a positive achievement, the current level of the annual surplus is not sufficient to cover 100% of ri's operating costs and the organisation will continue to require public revenue funding in future years to contribute to revenue costs. ri is forecasting a surplus in excess of £400,000 on the property portfolio in 2013/14 but this is still well short of the total operating costs incurred in 2012/13 of £667,000.
- ⇒ **Private sector leverage** - In its monitoring reports to Scottish Government, ri has reported attracting a total of £33m in direct and indirect leverage from private sector investors since its inception in 2006. However, a brief assessment by the Review Team suggests that the private leverage that is directly attributable to the activities of ri is closer to £3.6m, indicating that the headline figures reported significantly overstate the actual impact. To date, ri has fallen well short of the target of leveraging in a total of £295m private sector investment, as set out in the initial business plan. This is partly a reflection of the very challenging conditions in the property market and the economy generally, and the reluctance of private sector organisations to invest in the current climate.
- ⇒ **Value for money and return and return on investment** - Overall, the value for money offered by ri appears mixed. On cost per hectare of land developed / improved (£2.8m) it compares well to the English RDA average. However, the combined cost per job created and safeguarded (£123,000), and the cost per business assisted (£279,000), is higher than for some other programmes. The return on investment in terms of GVA generated appears to be low, with every one pound invested by ri generating £0.13 pa in GVA (gross), compared with £1.00 pa on average for the English RDAs.

6.5 Management and staffing

6.5.1 Introduction

This section includes a financial analysis considering ri's management and staffing costs, and comparing them with some other regeneration organisations. It also summarises the views of partners and stakeholders about ri's management and staffing arrangements.

6.5.2 Analysis of staffing costs

Riverside Inverclyde currently employs six full time staff at a cost of £378,578 for the financial year 2012/13. The total staff costs for 2012/13 also include the cost of a subcontracted Finance Manager and final payments to staff that left the organisation in 2011/12.

Between 2007/08 and 2012/13 a further 12 members of staff have been employed by ri on a variety of contracts, from full time permanent roles to short-term fixed contracts. This includes a Marketing Manager and Operations Manager, as well as various administrative staff. In addition, since 2009/10 the organisation has used a 0.5 FTE sub-contracted Finance Manager. Table 10 below shows how many FTE staff on average (including the subcontractor) were employed by ri in each of the last six financial years, and the average cost per head.

Table 10 : ri's total and average staff costs per year (2007/08 to 2012/13)

| Year | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 |
|---------------------------------|----------|----------|----------|----------|----------|----------|
| Total staff costs | £318,413 | £374,155 | £543,242 | £542,980 | £499,233 | £450,683 |
| Average no. of FTE staff | 7.5 | 8 | 9.5 | 10 | 9 | 6.5 |
| Average cost per head | £42,455 | £46,769 | £57,183 | £54,298 | £55,470 | £69,336 |

The current ri staff team is the smallest it has been in the past six years. However, the average cost per head is at its highest at £69,336. This is largely because the current team consists mainly of higher level and management staff, while many of the staff no longer with the organisation were in lower paid administrative roles.

In 2009/10, the Chief Executive was awarded an increase in basic pay from £88,000 up to £110,000 p.a. along with the potential to earn an additional bonus equivalent to 20% of gross salary p.a. The Chief Executive received a bonus of around 11% in 2009/10 taking the total gross salary for the year up to approximately £122,000. In 2010/11 a bonus of 9% was paid resulting in a total gross salary of around £120,000.

In the opinion of the Review Team, pay rises and bonuses on the scale awarded in 2009/10 are very difficult to justify, particularly for an organisation funded from the public purse. By way of comparison, the average pay increase across local government in Scotland in 2009/10 was 2.5%³¹. The salary rises at ri occurred after the first recession of 2008, at a time when pressure was being placed by the UK Government on all public bodies to exert restraint in public sector pay, a trend which has continued to intensify to this day.

³¹ Inverclyde Council

Since 2010, salaries have remained relatively stable, with most staff missing out on annual cost of living pay rises, in common with most other employees of publicly funded bodies across the UK. The remuneration of the Chief Executive has levelled off at the basic salary package of £110,000 p.a. with no bonuses paid in 2011/12 or 2012/13.

6.5.3 Comparison of staffing costs with other organisations

This section compares ri's staff numbers and associated staffing costs with some other organisations involved in regeneration. Staff costs include gross salaries plus on-costs, including employers' national insurance and pension contributions.

Table 11 : Comparison of average staff cost per head

| Organisation | Annual total staffing cost | No. of FTE staff | Average cost per head |
|---|----------------------------|------------------|-----------------------|
| Riverside Inverclyde | £450,683 | 6.5 | £69,336 |
| Inverclyde School Estates Management Team ³² | £220,705 | 4 | £55,176 |
| Inverclyde Council Regeneration Service ³³ | £576,663 | 13 | £43,687 |
| River Clyde Homes ³⁴ | £144,375 | 4 | £36,094 |

Of the four comparator organisations, ri has the highest staffing cost per head at £69,336. This is partly due to individual salary levels being generally lower in other organisations than in ri, and partly because other organisations have fewer staff in senior and management roles and more in lower level and administrative roles.

³² Source: Inverclyde Council

³³ Source: Inverclyde Council

³⁴ Source: Interview with River Clyde Homes

Table 12 compares the salary of ri's Chief Executive with similar roles in other regeneration organisations. These comparators have been selected on the basis that the roles carry similar levels of responsibility in similar organisations with comparable budgets.

Table 12 : Senior executive annual gross salary comparisons

| Organisation | Job role | Annual gross salary |
|--|---------------------------------|---------------------------------|
| Riverside Inverclyde | Chief Executive | £110,000 (plus up to 20% bonus) |
| South East Midlands Local Enterprise Partnership ³⁵ | Chief Executive | £80,000 (plus up to 20% bonus) |
| Sunderland Council ³⁶ | Director of Business Investment | £80,000 |
| North East Local Enterprise Partnership ³⁷ | Director | Up to £80,000 |
| Northumberland Arch ³⁸ | Director of Business Strategy | £75,000 |
| Inverclyde Council Regeneration Service ³⁹ | Head of Service | £73,946 |
| School Estates Management Team ⁴⁰ | Head of Service | *£73,500 |
| River Clyde Homes ⁴¹ | Head of Service | £53,000 |

*As at September 2010

In the above comparison, the role of ri Chief Executive is the only one with an annual gross salary in excess of £100,000. The basic salary of ri's Chief Executive is comparable with that of a Chief Executive of a small to medium sized local authority in Scotland with a budget in the region of £250million p.a. and between 4,000 to 5,000 staff. This compares to ri's annual budget of circa £7-8 million and 6.5 FTE staff.

The Review Team also undertook a comparison of the other current job roles in the ri team with their equivalent job roles in Inverclyde Council. In each case the ri role was compared with a Council role of similar technical skill and knowledge, and with similar levels of responsibility and staff supervision. The analysis shows that, overall, the ri salaries are higher than the salaries for similar / equivalent roles in Inverclyde Council, by between 15% and 25%, depending on the role in question. It should be noted that this is based on a high level assessment by the Review Team and further detailed assessment would need to be undertaken for a more comprehensive review of the relative responsibilities, skills and salaries of ri and Council staff.

³⁵ Source: www.jobs.theguardian.com

³⁶ Source: www.northeastjobs.gov.uk

³⁷ Source: www.northeastjobs.gov.uk

³⁸ Source: www.archnorthumberland.co.uk

³⁹ Source: Inverclyde Council

⁴⁰ Source: Inverclyde Council

⁴¹ Source: Interview with River Clyde Homes

6.5.4 Analysis of levels of budget responsibility

The review has also explored the scale of capital budget responsibilities held by ri's management and staff team, and compared them with some other regeneration organisations.

Over the period 2007/08 to 2012/13, the average value of ri's capital budget was around £1.1m per head of staff. This has been fairly consistent across most financial years since 2007/08, with the exception of 2011/12 when the average was £0.5m per head, and 2008/09 when the average was just over £2m per head.

Table 13 : Average value of ri's capital budget per FTE staff member per year

| Year | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | Average |
|--------------------------------------|------------|-------------|------------|-------------|------------|------------|------------|
| Total capital budget | £7,636,291 | £16,567,670 | £9,747,716 | £11,889,420 | £4,696,983 | £7,420,000 | £9,659,680 |
| Average no. of FTE staff | 7.5 | 8 | 9.5 | 10 | 9 | 6.5 | 8.5 |
| Average budget value per head | £1,018,172 | £2,070,959 | £1,026,075 | £1,188,942 | £521,887 | £1,141,538 | £1,136,433 |

We have compared the average annual capital budget responsibility per head for ri with that of some other regeneration organisations. As each organisation delivered its capital programme over a different period, the average budget under management per year has been calculated for periods spanning between four and ten years. The analysis includes only those organisations whose main focus is physical regeneration and the management of high value capital programmes.

Organisations that deliver mainly revenue-based, staff intensive economic development services tend to be managing much smaller budgets and so do not represent a like-for-like comparison.

Table 14 : Comparison of average annual capital budget per head of staff

| Organisation | Time period considered | Average annual budget | Average no. of FTE staff | Average budget per head |
|---|------------------------|-----------------------|--------------------------|-------------------------|
| River Clyde Homes ⁴² | 2009/10 to 2012/13 | £17,434,937 | 4 | £4,358,734 |
| Inverclyde School Estates Management Team ⁴³ | 2005/06 to 2012/13 | £14,250,000 | 6.5 | £2,192,308 |
| Riverside Inverclyde | 2007/08 to 2012/13 | £9,659,680 | 8.5 | £1,136,433 |

In comparison with two other regeneration organisations, ri has a lower level of budget responsibility per head. Both River Clyde Homes and the School Estates Management Team oversee significant budgets with relatively small staff teams.

⁴² Source: Interview with River Clyde Homes and budget extracts

⁴³ Source: Interview with Inverclyde Council and budget extracts

6.5.5 Views on management and staffing arrangements

The Review Team asked staff, Board members, partner organisations, funders, local businesses, beneficiaries and other key stakeholders for their views on the staff team and management arrangements at ri. The key issues raised are summarised below:

- ⇒ **Management:** Some consultees believe that the leadership of ri is generally effective and that this is demonstrated by the progress and visible difference made by the organisation. Team members feel they are given a lot of professional autonomy to get on and do their jobs, which they value. However, others take the view that the management and leadership is too loose, with a lack of effective oversight of how the team's resources are directed in support of key priorities, resulting in them being spread too thinly and sometimes working on peripheral activities, which minimises the effectiveness and impact of the organisation. Two consultees indicated that increased presence within the team of the Chief Executive could have provided clearer focus.
- ⇒ **ri team:** Overall, there was positive feedback about the work of the ri team. They are held in high regard by most consultees, and their hard work and commitment is recognised and valued. It was pointed out that when staff leave the organisation, their workload is absorbed by the remaining members of the team, leading to a risk that staff resources are spread too thinly across a number of tasks, priorities and themes. Some consultees believe it would be more effective for the team to focus on a smaller number of key tasks linked directly to the priorities identified in ri's business plan. A re-prioritisation exercise could have begun a couple of years ago when it became clear that the total value of ri's investment programme and its staff capacity was due to reduce, reflecting the significant reductions in funding from partners.
- ⇒ **Staff levels:** The size and composition of the team has varied over time as staff have moved on and not been replaced. These changes appear to have been opportunistic, with roles made redundant after employees have left the organisation, rather than a planned approach to the changing operational needs and budgets of ri. The need to make efficiency savings in recent years has been an important factor driving the reduction in staff numbers. At its peak in 2010/11, the team included 10 FTEs staff. Currently, there are 6.5 full-time equivalent staff.
- ⇒ **Lack of administrative support:** There is no longer any administrative support within the organisation, as ri management prioritised the retention of senior level and project management staff over admin roles, as savings in staff budgets have been sought over the past couple of years. As a result, the remaining staff members are undertaking more administrative tasks, which diverts time and attention away from delivering against key strategic priorities, and which is not a cost effective use of time and resources. Some Board members (see next section) have commented on the more sporadic nature of Board meetings recently, the lack of clear forward planning, and distribution of papers. The Review Team consider it would be beneficial to create an administrative post, to support both the team and the Board, while recognising that this would require a re-organisation of staff resources within the current budget. Clearly, this is a matter for the Chief Executive and the Board.
- ⇒ **Staff morale:** It was also pointed out that staff morale is quite low. There is a lot of uncertainty in the team about the future of ri, linked to reductions in funding and the perceived high level of scrutiny imposed by the Council and other funders. While acknowledging the very real anxieties felt by the staff, the current level of scrutiny from funders does not appear to the

Review Team to be unusual or disproportionate, based on our experience of other similar programmes. Staff members find it increasingly difficult to enter into long-term negotiations or commitments with partners, including those in the private sector, when they are so uncertain about ri's future. This matter needs to be resolved quickly to provide clarity for all involved. There is clearly an onus on all parties, including ri's Chief Executive, the Board, the Council and the funding partners to provide constructive and collaborative leadership to the team through this challenging time.

6.6 Governance

6.6.1 ri's governance structure

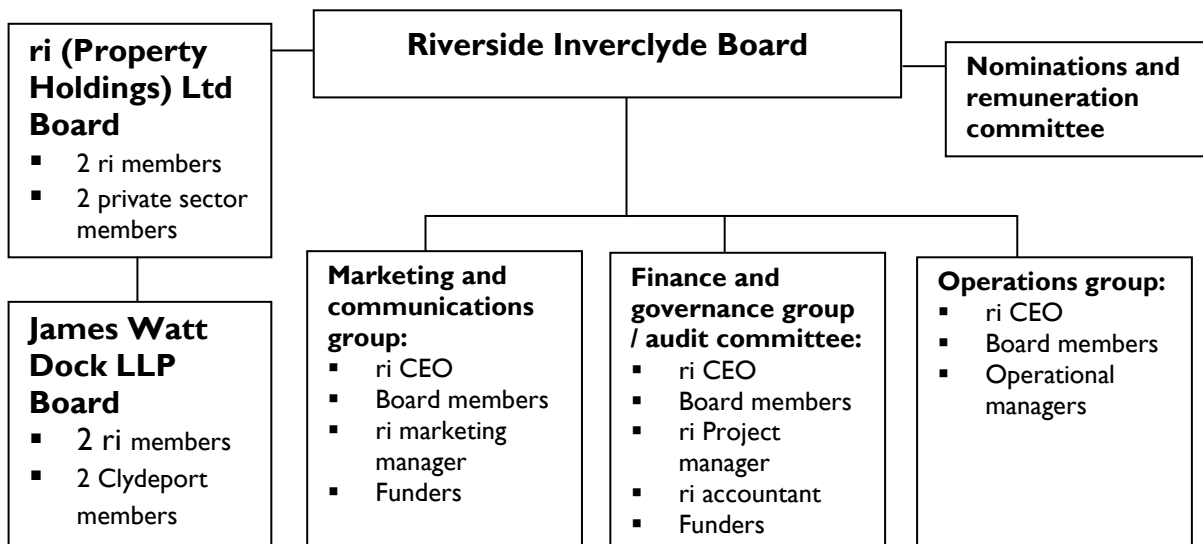
Riverside Inverclyde is a company limited by guarantee with charitable status, which has a subsidiary property trading company - ri (Property Holdings) Ltd. The company has two Members (Inverclyde Council and Scottish Enterprise), who founded the company in 2006.

The company is governed by a Board, which meets on a quarterly basis. As at December 2012, representation on the Board was as follows:

- ⇒ Inverclyde Council (x3);
- ⇒ Scottish Enterprise (x1);
- ⇒ Private sector (x 3);
- ⇒ Greenock Chamber of Commerce (x1);
- ⇒ James Watt College (x1);
- ⇒ Community representative (x1).

The Board has a private sector Chair. The purpose of the Board is to oversee the strategic direction, governance and management, and finances of the organisation, and to ensure the effective implementation of its business plan. It is the Board's responsibility to ensure that the company is managed and governed in line with Scottish Company law and the guidelines set down by the Office of the Scottish Charity Regulator, as well as complying fully with funding agreements. The company structure is illustrated below.

Figure 3: Company structure



In addition to the charitable company, a property management company (ri (Property Holdings) Ltd) was established in 2008 as a company limited by shares, which is a wholly owned subsidiary of ri. The property company's activities are governed by a Board of four directors, two from the Board of the ri parent company, and two from the private sector with specific expertise in property and / or finance. ri has developed a portfolio of commercial and industrial property

which is managed and developed by ri(PH). Its work includes managing existing properties and tenants, acquiring new sites and premises, and refurbishment and new build activity.

Finally, ri has entered into a Joint Venture LLP company which is responsible for overseeing the development of the James Watt Dock site. The LLP company is a partnership between ri Property Holdings Ltd and Clydeport / Peel Holdings, owned between the partners on a 50:50 equity basis. The LLP, which was established in 2008, is governed by a Board of four directors, two of whom are officers of the ri team and two are from Clydeport. The Board of James Watt Dock LLP does not include any Board members from either the main ri parent company or from ri Property Holdings Ltd.

A number of sub-groups and committees were also established, which report directly to the Board:

- ⇒ **Marketing and Communications:** To assist the implementation of the Marketing and Communications strategy.
- ⇒ **Finance and Governance:** To set annual budgets, monitor expenditure and performance and ensure that effective governance is maintained. This group will also assume responsibilities of the audit committee.
- ⇒ **Operations:** To assist with the development of projects.
- ⇒ **Nomination and remuneration committee:** To assist with appointments to, and salaries of the executive team.

The Review Team understands that, of these groups, only the Finance and Governance committee is currently active and meets fairly regularly. The Nomination and Remuneration committee meets as and when needed to consider new Board appointments and proposed changes to staff remuneration. The Marketing and Communications and Operations Committees no longer meet on a regular basis.

6.6.2 Views on governance arrangements

Board members, the Member Organisations / public sector funders, and ri staff were asked for their views on the current governance arrangements of ri.

Some of the key issues raised during the consultations on governance include:

Organisation and administration

Funders and a small number of Board members commented that management of the ri and riPH Boards would benefit from being better organised and administered and more professional in approach. For example:

- ⇒ A forward schedule of meetings. Currently, there is not a clear forward plan of future meeting dates for any of the Boards (the main ri Board, ri(PH) or JWD). When meetings are scheduled, they are often postponed at late notice.
- ⇒ More regular meetings: All three Boards should meet on a quarterly basis. However, it was suggested that recently meetings had taken place less regularly, and on a more sporadic basis.

At the time of writing, the most recent meeting of ri (Property Holdings) Ltd was in December 2012, and the most recent meeting of JWD LLP was in November 2012.

- ⇒ Papers circulated in advance. It was suggested that papers are often not circulated sufficiently in advance for Board members to consider them prior to the meeting. In some cases, papers were received two days before the Board meeting.
- ⇒ Regular written progress reports. It was also suggested that there are a significant number of verbal, rather than written reports presented to the Board. This could be problematic in two respects, firstly Board members do not have sufficient time to consider the detail and implications of verbal reports, and secondly, it can be difficult to recall at a later date what information has been presented to the Board, and what has been agreed.

It was stated that, in the past, the approach to the management of the Boards was more structured and organised, but that more recently meetings had become more sporadic and less well planned. This was attributed by some to a reduction in staff numbers and a lack of administrative resources within ri to organise the business of the Board efficiently. However, other consultees feel that the governance arrangements function well generally, and are fit for purpose.

Evidence from the Review Team's research into other URC's suggests that the organisation and administration of Board meetings at ri is less structured, effective and regular than the approach taken by other similar organisations.

Scrutiny and transparency

Some Board members and funders would like discussions at the Board meetings to be more challenging and robust, providing a greater level of scrutiny, particularly over key projects and investments. For example, a number of members commented that, in hindsight, a greater level of involvement and scrutiny by the Board could have resulted in a better outcome for ri in the decision to establish the James Watt Dock LLP. However, other consultees think that the level of discussion at Board meetings is appropriately challenging and robust. Some commented that they rely on the advice of ri's executive team and their professional advisors when considering decisions on key projects and investments.

It was also suggested by some that ri is subject to a high level of scrutiny from the funders, as illustrated through the various recent audits and reviews of ri's activities (including the Deloitte review of the James Watt Dock LLP, Inverclyde Council's audit in October 2011, and this mid-term review exercise). While each audit has suggested improvements to ri's processes and procedures, none have reported any significant failings or cause for concern. In the opinion of the Review Team, the level of scrutiny of ri by funders is quite consistent and proportionate when compared with the scrutiny that other similar organisations face.

Involvement of the Member Organisations

The current composition and functioning of three ri Boards (the main Board, riPH Board and JWD LLP Board) limits the ability of the Member Organisations to maintain effective oversight of key decisions, and the way in which public funds are invested. For example, many of the key investment decisions are made by the riPH Board on which the Member Organisations have only one representative, while the Member Organisations have no input at all into the decision making of the JWD LLP, into which significant public funds have been invested. It is important that this

situation is remedied as a priority, particularly as Inverclyde Council will be ri's main direct public funder from 2013/14 onwards. The Council has a duty to ensure that public funds are invested appropriately and it can only fulfil this role through closer involvement in ri's decision making.

Private sector input

One of the main intended benefits of establishing an arm's length organisation to deliver physical regeneration is the opportunity to bring external, private sector experience into the process of policy making and robust scrutiny of business operations and investment proposals. This approach is effective in supporting the business of ri Property Holdings Ltd. However, there was less evidence of this type of robust private sector input to the main ri Board. It is clear from the consultations that the private sector Board members are highly committed to the work of ri and are willing to contribute their time and expertise on a voluntary basis for the benefit of the local area. Some of these representatives feel frustrated by the approach of the Council in its dealings with ri, feeling at times it is unconstructive and unnecessarily challenging. There is a risk that the goodwill of some of the private sector representatives may be lost if relationships do not improve.

It is also clear that senior staff within ri have a predominance of more recent public sector experience, as opposed to private sector expertise. The private sector input to the main ri Board and the executive team is an area that could benefit from some further strengthening in the future, recognising that ri and its funders need to create an environment which private sector volunteers feel comfortable operating within.

Communication

It was also suggested that communication between ri and Board members could be improved. For example, some Board members reported that ri's relocation to Ladyburn Business Centre was not communicated to them, with some arriving at the previous address for a Board meeting. In another instance, members of the ri(PH) Board suggested that there have been significant gaps between meetings recently, with no communication with Board members to let them know what was happening. This apparently ad-hoc approach to the management and servicing of Board meetings is less than satisfactory. It could serve to undermine the essential role of the Board in the effective governance of a charitable company, and suggests that insufficient leadership is being provided in this area.

Relationship between the main ri Board and James Watt Dock LLP

The flow of information from JWD LLP back to the main ri Board is felt by those who commented to be inadequate. Some members believe there is a need for more formal, regular and detailed feedback about developments with the LLP, along with a clearer and more transparent mechanism for the ri Board to influence the business of JWD LLP. As this is one of ri's key priority sites, and its greatest single liability, it is reasonable that some Board members should want a more direct and significant role in its management and delivery.

The JWD LLP appears to have been established with a small, light touch Board set-up. To maximise transparency and accountability back to the main ri Board, it may be appropriate for a member of the main ri Board, particularly from one of the Member Organisations, to be appointed to the JWD LLP Board.

Delegated authority

There are agreed delegated limits from the Board to the Chief Executive and other ri managers, covering spending limits, decision making, and financial commitments. There is also an agreed process in place whereby ri management can secure approval from the Board for key decisions by e-mail when necessary. This process has been used to enable ri to respond flexibly and quickly to opportunities and impending deadlines.

All decisions taken under delegated authority or via e-mail approval are then submitted, for information, to subsequent meetings of the ri Board. While some Board members and staff consulted are content with this approach, others were less comfortable, believing that in some cases the approach of ri management had been to ‘act first, seek approval later’. As details of these types of decisions are submitted to the Board for information only after the event, the Board members have no opportunity to influence these spending decisions, leading to a risk that delegated spending limits could be exceeded, and that some spending decisions could be taken in haste without full consideration by the Board of the implications for the Company.

While flexibility and speed of action are important in the effective delivery of ri’s business plan, transparency and accountability are equally so. The Board and ri management have a duty to ensure that best value is achieved in all investments, and this requires effective scrutiny. A more regular and clearly planned forward programme of Board meetings could provide an opportunity for key decisions to be scrutinised without the need for recourse to delegated authority procedures.

Overall effectiveness of governance arrangements

There are two broad views among consultees on the overall effectiveness of ri’s current governance arrangements:

- ⇒ One view, held mainly by the Member Organisations and public sector funders, but also by some Board members, is that the current governance arrangements are too loose for an organisation that benefits from such a significant amount of public sector investment. Significant improvements are needed in organisation, transparency in decision making, and accountability to the ri Board and to public funders.
- ⇒ The alternative view, held mainly by ri management and some Board members is that the current arrangements work well generally, although there is a case for better organisation and administration of the business of the Boards.

Based on the Review Team’s research into, and existing knowledge of, the governance of other similar organisations we believe there is a strong case for improvements to the governance arrangements of ri, as referred to throughout this section. This will allow Member Organisations and public funders to meet their obligations to ensure that the organisations they invest in provide value for money and are entirely transparent and accountable for the way in which public funds are spent. This is particularly the case in the current climate of austerity.

6.6.3 Comparisons with other URC's

The brief review of other URC's has identified some similarities with ri, particularly in terms of overall structure e.g. set up as company limited by guarantee, governed by a Board involving representation from the public and private sectors; and the establishment of subsidiary companies to manage the URC's property portfolios. There are also some examples from other URC's of good practice in governance, which could be adopted by ri in the future. For example:

Scrutiny, transparency and partnership

The other URC's have regular meetings with their funders and key partners to discuss key issues with specific projects, overall progress, and to plan papers for the Board meeting. These meetings, which are scheduled in advance of Board meetings, take a number of different forms, for example:

- ⇒ A senior officer working group involving the Chief Executives / Heads of Service from the URC and the Council meet a month before the Board to discuss key issues, and plan papers. This ensures that there are 'no surprises' at the Board meeting, and the key partners are up to date with overall and specific project progress.
- ⇒ Regular meetings between the full URC team and Council Economic Development Team to discuss forthcoming projects and developments, highlight any issues or problems, and discuss how to address them. This enables the URC to identify any holdups with Council processes (e.g. planning) which might impact on developments, and enables the Council to raise issues at an early stage, which might impact on their key internal processes and legislative requirements so they can be addressed as early as possible.
- ⇒ Project specific teams involving the key people from each organisation (e.g. planners, development control, the implementation team) meet regularly to progress key projects.

In addition, the other URC's publish their annual performance reports regularly on their websites, showing how much has been spent, progress on each project, and what has been achieved.

Organisation and administration

The Board of one URC meets every two months, while others meet every quarter, with meetings planned in advance. Different URC's circulate Board papers either one week or two before each meeting, and papers typically include a progress update or performance report on the organisation and its key projects. This ensures the Board is well informed about progress and issues on each key project, as well as how the organisation is performing in terms of spend and deliverables.

6.7 Partnership working

A key element of ri's original strategy was to deliver regeneration through partnership working, using their resources to unlock private sector investment, and to support other regeneration agencies to deliver their activities more effectively.

6.7.1 Working with the private sector

Private developers

ri initially planned to use its financial resources to address market failure on the eight key regeneration sites, which would then lever in further investment from private sector companies able to undertake fully commercial developments. For example, ri would undertake site preparation and remediation works, while private developers would build homes, leisure facilities or business premises. Over the course of the past six years, ri has tested the market for private development on a number of the priority sites. However, as the recession started to take its toll, the level of public investment required to address market failure increased, often making it unviable for ri to invest, and in some cases running the risk of exceeding State Aid limits.

Therefore, rather than working in partnership with private sector developers, ri has decided to self-develop on a number of sites (e.g. Riverside Business Park, Kelburn, Custom House) and to directly purchase properties to refurbish for business / commercial uses. While this has enabled ri to retain some businesses in the area, and in some cases to support new businesses, there is a risk that its property development activities could contribute to distorting the market with the private sector unable or unwilling to develop in the area if it sees ri as playing too strong a role in the market. However, there is an important balance to be struck, and ri has a legitimate role to play in direct development where its work demonstrates visible progress in the local property market, helps to build investor confidence, and sets a benchmark for the standard of development required in the area.

Other private businesses

As well as attempting to work with private developers, ri has also supported the private sector more broadly in a range of other ways, e.g. the establishment of the Inverclyde Construction Forum, and the Renewables Alliance Group.

A number of private sector organisations, either involved in these initiatives or represented on the ri Boards, were asked for their views on how effectively ri works with the private sector. Overall the private sector consultees have a positive view of ri, stating that **'ri has done a lot for Inverclyde'**, they are **'well perceived'**, and they **'would be a big miss to the area'** if they were no longer around. It was also stated that ri is less bureaucratic and more fleet of foot than some other regeneration agencies (e.g. the Council) and that they have made a positive impact on Inverclyde.

The Review Team also consulted a small number of local private sector businesses that have less of a direct relationship with ri. The views from these businesses were more mixed. They were less aware of the role and activities of ri and commented that, in their view, very few local businesses had benefitted directly from ri's investments and support.

Working with Clydeport / Peel Holdings

One of the key private sector companies and landowners operating in Inverclyde is Clydeport / Peel Holdings. It is essential for the effective delivery of ri's strategy and business plan that ri are able to develop and maintain a productive and effective working relationship with Clydeport, as without this it could be more difficult to make progress on ri's flagship development sites e.g. James Watt Dock and The Harbours.

Based on the evidence gathered during this review, it is apparent that ri have developed a strong relationship with Clydeport, and have begun to make some initial progress to develop these sites including: establishing the LLP for James Watt Dock, and undertaking initial investment in the Sugar Warehouse, site infrastructure and the marina; and undertaking feasibility work to extend the Ocean Terminal at Gourock.

ri has also been instrumental in facilitating the development agreement between the Council and Clydeport on the Harbours site. However, while the formal legal agreements are in place, progress on the JWD and Harbours sites has largely stalled with Clydeport reluctant to invest further until there is a change in market conditions, and they are likely to see a return on any additional investment they may make in the future.

A small number of consultees believe the relationship between ri and Clydeport is not sufficiently objective.

6.7.2 Working with Member Organisations and Community Planning Partnership

Inverclyde Council

As the current primary funder of the URC, and the only one of the three original funders to maintain its full financial commitment to ri, it is essential that ri and the Council are able to work together in a constructive partnership to deliver regeneration across Inverclyde.

The Council and ri have worked well together in the past, collaborating on various joint initiatives (such as Town Centre Regeneration), and there are effective working relationships at an officer level.

However, it is apparent from the evidence gathered during this review that there is concern among senior officers of some of the funding organisations about ri's perceived unwillingness and reluctance to come to terms with the significant reduction in funding from Scottish Enterprise and Scottish Government, and perceived failure to take appropriate action to ensure that the remaining regeneration programme for which funding is available progresses timeously and with appropriate leadership. This has caused some tensions between senior officers and Board members at ri, the Council and Scottish Enterprise, resulting in an apparent breakdown in trust between the parties, which is not constructive.

It is also apparent that there is currently some blurring of roles and responsibilities, with ri working in service areas in which the Council has a lead role, or some degree of responsibility. For example, ri staff have been involved in the direct provision of advice and support to businesses, which is actually the responsibility of the Council's Regeneration Team, Business Gateway and Scottish Enterprise. It is important that the respective roles and responsibilities of ri and the Council are clarified to ensure the most effective and efficient delivery of regeneration and

economic development services. This should also help in improving relationships between the organisations.

Scottish Enterprise

Although no longer providing core funding, Scottish Enterprise remains committed to ri. This includes considering future bids from ri for investment projects that align with Scottish Enterprise's priorities and core national programmes, which they administer as the national economic development agency. Executives at Scottish Enterprise are also concerned about ri's approach to readjusting to significantly lower levels of core budgets, and wish to see ri push through more effectively the reduced programme for which funding is still available.

In addition, both the Council and Scottish Enterprise need to be confident that the public funds invested in ri are used to best effect, and that there are transparent processes governing how these funds are defrayed. This is entirely justified in an environment of reduced public sector expenditure, increased levels of scrutiny over how public funds are spent, and the impacts this spending delivers.

6.8 Feedback on the Council's Regeneration Service

Consultees were also asked to comment on the Council's Regeneration Services. Most commented that the service is generally effective, and delivering good results. The employability service is particularly highly valued, especially for its work with unemployed young people and on Targeted Recruitment and Training (TRT). While it is acknowledged as doing some good work, the Council's business support team is less highly rated, with some (although not all) respondents commenting that some of the business advisers lack the commercial skills needed to add real value to business customers.

However, because the majority of the Council's activity is 'softer' regeneration, working with people and supporting businesses, it is not highly visible. It was suggested that the Council does not market and promote its services well enough, particularly to the local business community.

The community representatives consulted, however, held a different view. They were very positive about the Council's work, and feel that they are very effective at engaging the community and promoting their services, more so than ri. They would like there to be more co-ordination and joined up working between the Council and ri to achieve better regeneration outcomes for the area.

It was also suggested by some anecdotally that the Council's planning and development control processes are slow, and can take too long in making decisions, which can result in a loss of interest from developers. The Review Team has looked into this in more detail and there is no firm evidence to corroborate this. Indeed, the Statutory Performance Indicators for planning suggest that the services and responses offered by Inverclyde Council are among the best in Scotland (e.g. Inverclyde is ranked second in Scotland for householder developments and fifth in Scotland for all local developments).

Some consultees suggested that the Council is often insular and inward looking, and not good at learning lessons, or seeking inspiration and ideas from outside the area. In general, the Council is not considered to be proactive, dynamic or innovative in terms of regeneration. Concern was also expressed that, if all regeneration services were undertaken by the Council in future, the clear focus on regeneration that has been provided in recent years by the formation of ri would be lost. There would be a risk that resources (staff and finances) may be diverted away from regeneration activities to address some of the Council's competing priorities.

However, the Council has presented evidence to the Review Team which provides a different perspective. For example, the creation of the Business Property Renovation Allowance, and the establishment of the Inverclyde Property Renovation LLP and Inverclyde Development Ltd (to facilitate the drawdown of private sector investment) illustrate that the Council is committing significant effort and resources to regeneration, and is active in creating innovative approaches to funding capital schemes.

6.9 Implications of emerging regeneration policy and funding

6.9.1 Introduction

As referred to previously, the policy and funding landscape for regeneration in Scotland has changed dramatically during the past couple of years. This section of the report discusses the key developments and highlights the implications for ri and for the delivery of regeneration services more broadly in Inverclyde in the future.

6.9.2 Shift in policy emphasis

Since 2010/11, there has been a marked shift in regeneration and economic development policy in Scotland, driven largely by the ongoing recession coupled with growing pressures on public sector budgets and the need for public funders to cut spending.

When the first wave of URC's were established in Scotland in 2003, significant public funds were available and there was an emphasis on physical regeneration and place-making as the solution to the economic challenges of some of the most deprived communities in Scotland. Scottish Government (and previously the Scottish Executive) committed significant funds to this policy, culminating in the creation of ri and other second wave URCs around 2006. In parallel, during the first decade of the century, Scottish Enterprise offered a multi-faceted approach to economic development and regeneration, some of which was delivered at a national level, while the Local Enterprise Companies (LECs) operated local programmes. In 2010/11, some of the activities of the LECs were merged into Scottish Enterprise (others were transferred to local authorities and other bodies), creating a single, national economic development body for Scotland.

During this time, and in response to the urgent need to boost economic growth, regeneration policy shifted away from investment in place-making regeneration towards more direct interventions to stimulate the creation of new jobs in private sector businesses and in key growth sectors. One consequence of this shift in policy was that Scottish Enterprise had its core URC budget removed by the Scottish Government in 2011/12, while Scottish Government has cut back its planned level of direct investment in URCs up to 2015/16.

6.9.3 Developments with key public funders

Scottish Government

When Scottish Government first established a policy on Urban Regeneration Companies in 2003, and as the policy evolved up to 2007, its work was underpinned by some important guiding principles including:

- ⇒ That it would be for partners in local areas, including local authorities and others, to decide on the most appropriate arrangements for regeneration in the areas.
- ⇒ The Scottish Government investment in URCs was intended as 'pump-prime' funding with the intention that, in time, URCs would become sustainable based on income from their investments and assets, and alternative sources of funding.

The publication of Scottish Government's current regeneration strategy in 2011⁴⁴ marked a changed approach to local regeneration, with an emphasis on the following approaches:

- ⇒ A stronger focus on community-led regeneration.
- ⇒ Reforming the way in which mainstream resources are used to support vulnerable communities.
- ⇒ Realising the economic potential of Scotland's communities through focused funding and other support mechanisms.

As part of the transition to this new approach, the Government is currently working with all URCs on 'revised plans and funding packages for the future'⁴⁵.

The Regeneration Capital Grant Fund (RCGF) - The new approach acknowledges the reduction in capital investment available to the Government to support physical regeneration. In light of this, the Government (working in partnership with COSLA) is proposing to focus the reduced capital investment available into a new Regeneration Capital Grant Fund. Commencing 2014/15, the £25m p.a. fund will focus capital investment on a small number of high impact regeneration schemes, as opposed to the current approach of investing directly in specific local areas through the URCs. Local authorities, URCs and other bodies will be eligible to bid into this competitive, national challenge fund, for projects across a broad spectrum of regeneration needs from local community buildings, through to economic infrastructure. At this stage, the Government intends to encourage a collaborative approach with local bidders, accepting bids on a rolling basis and developing a pipeline of high quality projects, as opposed to fixed, annual bidding rounds.

At the time of writing this draft report, approval of the Fund by Scottish Government and COSLA was still pending. It is expected that initial guidance about the Fund criteria and bidding process will be available in summer 2013.

In future, the Fund will mark a significant shift to Scottish Government's approach to funding regeneration in Inverclyde. Rather than receiving direct, guaranteed annual funding allocations, Inverclyde will need to bid in competition with all other areas of Scotland.

Direct Scottish Government Funding for ri - Between 2006/07 and 2012/13, Scottish Government will have provided a total of £30.2m of direct capital and revenue investment in ri, which is 84% of the total £36m earmarked over the 10 year lifespan of the URC. As part of the national shift in regeneration funding, the Government's direct contributions to ri will be tapered off gradually over the coming years:

Scottish Government has earmarked £1.5m of direct funding for ri in 2013/14. The Government approved a total of £2.4m of shovel ready monies to be brought forward into 2012/13, helping to accelerate investments in some specific projects (including the development of the Kelburn site and the Custom House refurbishment). The Government is clear that this £2.4m is to be netted off the allocation for 2013/14. In effect, ri will receive zero direct funding from the Government for 2013/14. Core funding for ri will be available from the Regeneration Capital Grant Fund in 2014/15 and, subject to the Spending Review process, in 2015/16. The remainder of the accelerated funding will be netted off these allocations and a specific profile has still to be agreed.

⁴⁴ Achieving a Sustainable Future: Regeneration Strategy, The Scottish Government, December 2011

⁴⁵ www.scotland.gov.uk

In addition to the above, ri has had some early discussions with the Government about bringing forward further shovel ready projects, over and above the £2.4m already agreed. This is intended to ensure that ri is in a good position should any further shovel ready monies become available in the future.

Summary - Scottish Government has confirmed that, in addition to the £1.5m core grant for 2013/14 (which will be netted off against accelerated spend in 2012/13), ri will receive additional core funding through the RCGF in 2014/15 and potentially 2015/16, to be agreed. ri and other regeneration organisations in Inverclyde can attempt to access Government funding by bidding into the RCGF on a project-by-project basis from 2014/15 onwards.

Scottish Enterprise

Following the review of its business strategy in 2010/11, the emphasis of Scottish Enterprise's work shifted towards focusing investment on creating and sustaining employment through direct support for, and investment in, key private sector businesses, growth sectors and strategic projects of national significance. This is made explicit in the Scottish Enterprise Business Plan 2012-15. Key areas of focus were identified as international trade & investment, growth companies, innovation, the low carbon economy, and growth sectors including renewable energy, tourism and cultural and creative industries.

One consequence of this change in focus was a decision by the Scottish Government to end direct investment by Scottish Enterprise in URCs after 2011/12. At this point, Scottish Enterprise had paid a total of £14m in direct funding to ri, 42% of the total £33m earmarked in the initial business plan. From 2012/13 onwards, ri will receive no further direct funding from Scottish Enterprise.

Scottish Enterprise is now operating a centralised funding methodology, whereby they will consider investment proposals that align to the key strategic priorities described above, which maximise impact on job creation and safeguarding, and which make a strong case for being prioritised in favour of other investments elsewhere in Scotland.

Similar to the approach with Scottish Government, in attempting to secure funding from Scottish Enterprise in the future, ri and other regeneration organisations in Inverclyde will need to develop compelling investment proposals, on a project-by-project basis, capable of satisfying all of the above criteria.

Inverclyde Council

The Council remains committed to the long-term economic and physical regeneration of the area, while recognising the significantly changed policy and funding landscape at a national level. This will inevitably make it more difficult for Inverclyde to attract significant sums of public funding for regeneration investment in future years.

Guided by the Inverclyde Economic Strategy (2011-2014), Inverclyde Alliance's Community Plan (Inspiring Inverclyde 2008-2018), and the new SOA Group on Economic Regeneration and Employability, regeneration is a key priority for the Council, and this is reflected in its investment in the past, and planned for the future.

As at 2012/13, the Council had invested a total of £16.1m directly in ri, 67% of its initial earmarked allocation of £24m. It is committed to continuing its investment in ri's activities for the remainder of the 10 year life span of the URC, subject to the outcome of the mid-term review.

In addition, in recent years it has invested £11.4m in transforming the local schools estate and £19m in improving local leisure facilities and open spaces. This is on top of the £3.2m p.a. the Council invests directly in its own Economic Development Service and in the Inverclyde Regeneration Fund.

The table below provides a summary of the Council's planned budgets for regeneration in the coming years:

Table 15 : Inverclyde Council planned regeneration funding (2013/14 to 2017/18)

| Heading | 2013/14 | 2014/15 | 2015/16 | 2016 to 18 | Total |
|--|--------------|---------------|--------------|--------------|--------------|
| Contribution to Riverside Inverclyde | 2.3m | 2.4m | 1.3m | 1.8m | 7.8m |
| | | | | | |
| Current planned core investment | | | | | |
| Economic Development Budget | 1.2m | 1.2m | 1.2m | 1.2m | 4.8m |
| Regeneration Fund | 2.0m | 2.0m | 2.0m | 2.0m | 8.0m |
| Port Glasgow and Gourock Regen | 0.3m | 2.7m | - | - | 3.0m |
| Clune Park Fund | 0.3m | 0.5m | 0.5m | 0.7m | 2.0m |
| Murshiel Country Park | 0.25m | 0.25m | 0.25m | 0.25m | 1.0m |
| Watt Complex Refurbishment | 1.15m | 3.5m | 0.25m | - | 4.9m |
| Strategic Housing Fund | - | - | - | 1.16m | 1.16m |
| Earmarked reserves (regeneration) | 1.49m | 1.55m | 0.53m | - | 3.57m |
| Community regeneration projects | 0.47m | 2.50m | - | - | 2.97m |
| Total Council Regen Funding | 9.46m | 16.60m | 6.03m | 7.11m | 39.2m |

6.9.4 The changing funding outlook

In light of the funding reductions by Scottish Government and Scottish Enterprise, we have switched from a situation in previous years where the majority of public funding for the regeneration of Inverclyde came from these organisations and was channelled through ri, to a position in the future where the vast majority of committed regeneration funds will be provided by the Council. The table below illustrates the changing position.

Table 16 Public funding for regeneration in Inverclyde (2006 to 2018) - Capital and revenue combined

| | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | | 2013/14 | 2014/15 | 2015/16 | 2016 to 18 |
|---|-------------|-------------|--------------|--------------|--------------|-------------|-------------|--|-------------|--------------|-------------|-------------|
| Scottish Government (ri) * | 0.3m | 3m | 7.3m | 7.7m | 7m | 2.3m | 4.9m | | 0 | 0.3m | 1.2m | 0 |
| Scottish Enterprise (ri) | 0 | 1.7m | 6.9m | 1.1m | 2.3m | 1.9m | 0 | | 0 | 0 | 0 | 0 |
| Inverclyde Council (ri) ** | 0.3m | 3.3m | 2.9m | 1.4m | 3.1m | 1.5m | 3.6m | | 2.3m | 2.4m | 1.3m | 1.8m |
| ri total | 0.6m | 8m | 17.1m | 10.2m | 12.4m | 5.7m | 8.5m | | 2.3m | 2.7m | 2.5m | 1.8m |
| | | | | | | | | | | | | |
| Inverclyde Council (other regen) | 3.2m | 3.9m | 4.3m | 5.4m | 4.7m | 5.7m | 4.8m | | 7.2m | 14.2m | 4.7m | 5.3m |
| | | | | | | | | | | | | |
| ri % of total | 16% | 67% | 80% | 65% | 73% | 50% | 64% | | 24% | 16% | 35% | 25% |
| IC % of total | 84% | 33% | 20% | 35% | 27% | 50% | 36% | | 76% | 84% | 65% | 75% |

*Includes £2.2m TCRF funding in 2009/10

**Includes £117,998 from Inverclyde Alliance (SOA) in 2010/11

In summary, between 2007/08 and 2012/13 when Scottish Government and Scottish Enterprise were making significant direct investments in Inverclyde, ri accounted for 66% of all regeneration resources in Inverclyde (this includes the Council's contribution to ri). In 2013/14 and 2014/15 this is due to fall dramatically to around 20% p.a. on average.

A total of £40.7m funding has been committed for regeneration in Inverclyde for the period 2013/14 to 2017/18. 96% of this funding will be provided by Inverclyde Council, including direct delivery by the Council plus its funding contributions to ri. 4% of the funding will be provided by Scottish Government. In essence, this means that by far the majority of the public sector resources available for regeneration will be provided by the Council in future years.

6.9.5 ri's Business Plan 2012-17

The changed funding methodologies of Scottish Government and Scottish Enterprise are reflected in ri's current business plan for the period 2012-17.

From 2013/14 onwards, the plan begins to make assumptions about the level of funding it will attract from Scottish Government (shovel ready projects, Regeneration Capital Grant Fund, transitional core funding) and Scottish Enterprise (projects aligned to Scottish Enterprise's priorities). The business plan assumes that, in the four year period 2013/14 to 2016/17, ri will attract a total of £13.1m from Scottish Government and £8m from Scottish Enterprise.

However, according to Scottish Government, only £1.5m in total of direct Government funding is guaranteed from 2013/14 onwards. The remainder of £19.6m relies on ri competing successfully with others areas of Scotland to win this funding. In the opinion of the Review Team, the assumptions about the levels of funding that will be secured from these sources are ambitious. For example:

- ⇒ Securing Scottish Enterprise funds for renewables projects is likely to be contingent on securing a major renewables end user for Inch Green, which is far from certain.
- ⇒ The proposals for securing funds for cultural and creative projects appear weak, when assessed alongside Scottish Enterprise's intention to focus investment in these sectors in Glasgow City and Dundee.
- ⇒ The proposals for the extension of the cruise terminal appear to align best to Scottish Enterprise's tourism priority. According to the Council, ri has been trying to explore this proposal for a number of years with little progress being made. It is understood the Scottish Enterprise is now endeavouring to stimulate momentum on the project.

While it is right that ri should be ambitious in its plans to attract public funding from Scottish Government, Scottish Enterprise and others, the likely success of the strategy proposed in the business plan is open to question.

In addition, ri has relied to date largely on grant allocations and has little track record in winning funds in competitive bidding rounds. It could be argued that they haven't needed to do so, but it could equally be argued that the team has not yet been tested in this competitive environment.

6.9.6 Funders' views on the future

Both Scottish Government and Scottish Enterprise were keen to emphasise that it will be for local partners, including the Council and others, to decide on the most appropriate approach to the delivery of regeneration in the future. As far as possible, they will continue to support the approach that is chosen.

Both parties feel that ri has performed fairly well generally on its physical development programme, while acknowledging that the impact on job creation and GVA has been minimal. However, in general they feel that ri has provided an important focal point for regeneration in Inverclyde which was felt to be less apparent in previous years, and the early years of the ri era in particular marked a positive break with the past.

They believe that ri could be more effective and efficient than it is currently, but their preference would be for an arm's length body to be retained, provided it is effective and provides value for money.

In and of itself, having an arm's length regeneration body will make it no more or less likely that Inverclyde will attract regeneration funds in the future, that will be down entirely to the quality of the investment proposals developed. In this context, ri or whatever future regeneration body is developed, must show it has the skills and track record to develop compelling business cases and bids capable of competing for funding at a national level.

However, should the organisation be wound-up (either before or after the 10 year period), neither Scottish Government nor Scottish Enterprise wishes to invoke claw back of funding, preferring instead to see the remaining assets clearly ring-fenced for the future regeneration of Inverclyde. They would both co-operate in discussions to ensure the smooth and appropriate transfer of assets to an alternative, future delivery vehicle should that be the approach chosen by local partners. In due course, Scottish Enterprise would be willing to withdraw as a member of ri, transferring its shares to the Council, although it would be happy to continue to support in an advisory / technical capacity.

6.9.7 Implications for the future

Due to the fundamental change in the policy and funding landscape for regeneration in Scotland, it is clear that the current arrangements for delivering regeneration in Inverclyde will no longer be fit for purpose in the future. A change in approach would clearly be needed anyway, regardless of the evidence on the effectiveness and impact of ri. The changed environment has the following key implications for the future:

- ⇒ Given the dramatic reduction in committed / secured resources for regeneration, it is difficult to justify retaining a team of the **size and cost** of ri dedicated primarily to physical regeneration. A change in approach is needed and justified.
- ⇒ Given that, in future years, more than 90% of the committed resources for regeneration are provided by the Council, it is important that the **Council should have a major influence** in deciding on future regeneration arrangements. However, it is also important that the **Council listens carefully** to the views of its partners, including the private sector, in shaping the future direction.

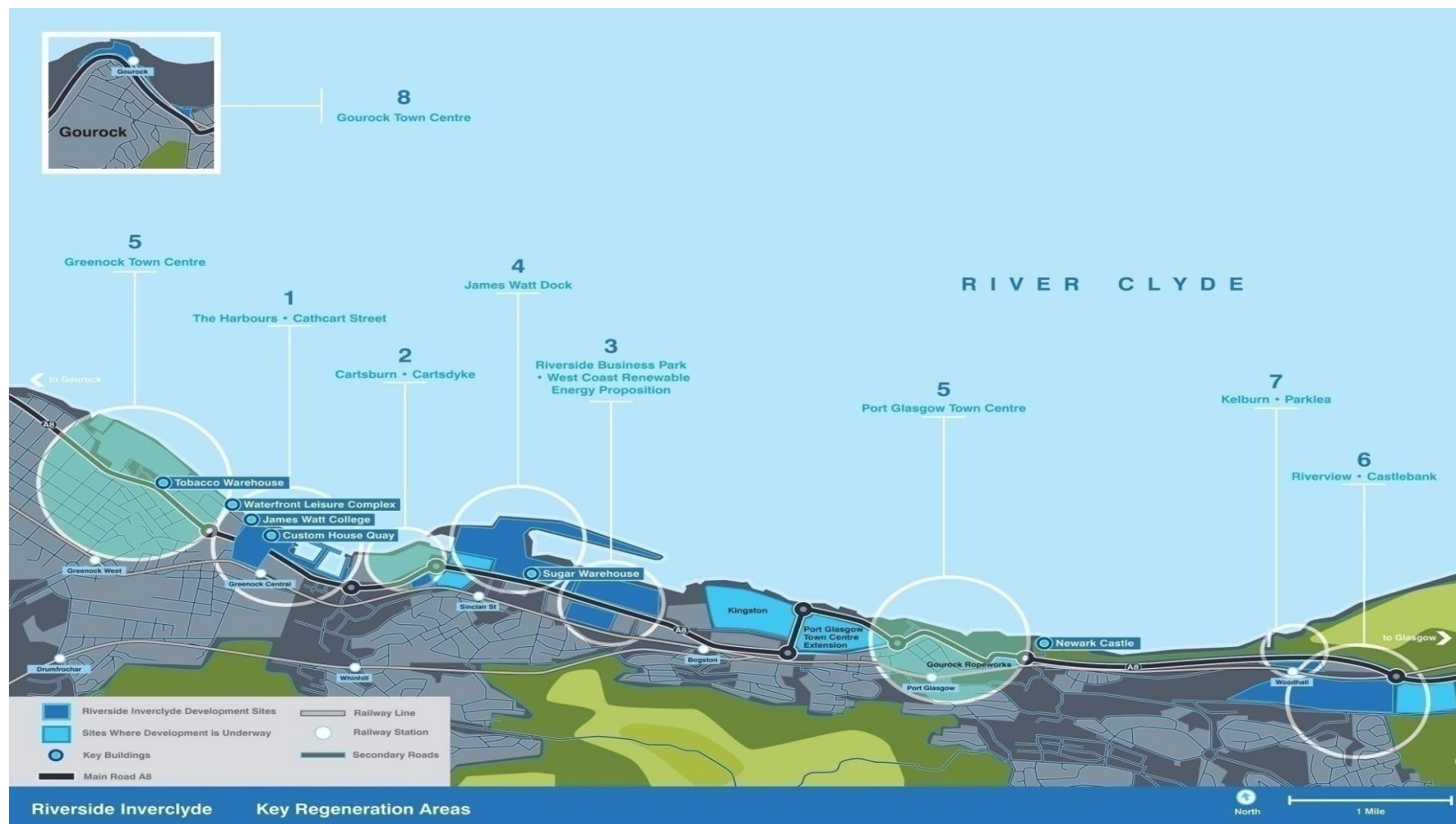
- ⇒ In an environment where most regeneration resources need to be secured on a project-by-project basis, in direct competition with other areas, Inverclyde's regeneration team will need to be **flexible**, capable of scaling up and down in line with the projects under management at any given time.
- ⇒ The team will need to have the **right skills** to succeed in this competitive **funding environment**, able to develop high quality, compelling bids and business cases. They will also need to be alive to the opportunities offered by emerging funds, and respond quickly to them.
- ⇒ The team will need to **narrow its focus**, concentrating its efforts and money on fewer, key priority projects and investments, maximising impact and value for money from increasingly scarce resources. This must include a clearer focus on activities that create new jobs in the short-term.
- ⇒ There is a preference among public funders to **retain an arm's length approach** in order to retain the focus and momentum on regeneration that ri brought, particularly in the early years. There is a concern that this focus may be lost if regeneration was absorbed back into the Council. However, there is a need to make any arm's length arrangement **more effective and efficient than the current approach** and to ensure that the **Council**, as the single biggest funder, **can exert its influence** in a positive and proportionate manner.

In deciding on the most appropriate model for the future, the Council should begin by getting clear about: what it wants regeneration services in Inverclyde to achieve; the specific, priority projects / investments it wants to deliver; the resources that it will definitely have available; the skills it needs and how current staff at ri, the Council and other organisations can contribute; and how the arrangements should be managed and governed to ensure effectiveness, value for money and transparency.

The criteria outlined above could be used as a starting point in assessing potential models and choosing the right one.

The process should be managed through clear and open dialogue with all parties affected.

Appendix I: Map of ri's priority sites



Appendix 2: Source documents

The following documents have been used as background sources and provided evidence to inform the review process.

| Title / document | Source | Date |
|---|-------------------------------------|-----------------|
| UK Property Investment Yields | CBRE | Feb 2013 |
| COSLA Pay Scales | COSLA | 2011/12 |
| Marketbeat UK Industrial Snapshot | Cushman and Wakefield | Dec 2012 |
| Review of James Watt Dock LLP on behalf of Scottish Enterprise and Inverclyde Council: Property and Governance Review | Deloitte | Feb 2012 |
| Evaluation of Greenock Waterfront | DTZ / Pieda Consulting | May 2002 |
| Riverside Inverclyde URC: Physical Infrastructure Evaluation for Scottish Enterprise | EKOS | Sept 2009 |
| Review of the outputs and outcomes of Scottish Enterprise supported URC Projects | Ekosgen | April 2011 |
| Inverclyde Alliance Single Outcome Agreement | Inverclyde Alliance | 2012-2017 |
| Inverclyde Alliance SOA: Local Outcomes Progress Report – Economic Regeneration | Inverclyde Alliance | Nov 11 – Feb 12 |
| Inverclyde Economic Regeneration Strategy | Inverclyde Council | 2011-2014 |
| Inverclyde Council Assurance and Improvement Plan: Update | Inverclyde Council | 2013-2016 |
| Inverclyde Council School Estate Management Plan | Inverclyde Council | April 2010 |
| Inverclyde Council: Regeneration and Planning Service. Budget and output information | Inverclyde Council | 2008-2013 |
| Inverclyde Council: Regeneration Fund Contractor Performance | Inverclyde Council | 2012-13 |
| Inverclyde Council: External Funding secured | Inverclyde Council | 2008-13 |
| Riverside Inverclyde: Review of Corporate Governance Arrangements - Final Report | Inverclyde Council | Nov 2012 |
| School Estate Management Plan 2010 and Core Facts Submission | Inverclyde Council Committee Report | Sept 2010 |
| Capital Programme 2010 – 14/15 – Progress | Inverclyde Council Committee Report | May 2011 |

| Title / document | Source | Date |
|--|-------------------------------------|-----------------------------|
| Prioritisation and Acceleration of Primary School Refurbishment Programme | Inverclyde Council Committee Report | Mar 2012 |
| Capital Programme 2012 – 16/17 – Progress | Inverclyde Council Committee Report | Sept 2012 |
| Review of School Estate Funding Model 2012 | Inverclyde Council Committee Report | Oct 2012 |
| Strategy and Development Funding Plan 2007-2010: Board report | River Clyde Homes | 2007-2010 |
| Strategy and Development Funding Plan 2010-2013: Board report | River Clyde Homes | Dec 2010 |
| Budget and output information | River Clyde Homes | 2010-2013 |
| Riverside Inverclyde Business Plan, 2007 | Riverside Inverclyde | 2007 |
| Riverside Inverclyde Business Plan (2012-2017) | Riverside Inverclyde | 2012-2017 |
| Riverside Inverclyde: Finance and output information | Riverside Inverclyde | 2006-2013 |
| Riverside Inverclyde: Annual Reports | Riverside Inverclyde | 06/07, 07/08 and 08/09 |
| Riverside Inverclyde: Finance Sub-Group Papers | Riverside Inverclyde | Aug 2012 |
| Riverside Inverclyde: Finance and Governance Sub-Group Minutes | Riverside Inverclyde | Dec 2009 / Aug 2012 |
| Governance Framework for Riverside Inverclyde URC | Riverside Inverclyde | 2009 |
| Governance Framework for Riverside Inverclyde URC | Riverside Inverclyde | - |
| Riverside Inverclyde Members Agreement | Riverside Inverclyde | 2007 |
| Memorandum and Articles of Association: Riverside Inverclyde (Property Holdings) Ltd | Riverside Inverclyde | - |
| Riverside Inverclyde: Monitoring Information submitted to Scottish Government | Riverside Inverclyde | 2011 and 2012 |
| Riverside Inverclyde (Property Holdings) Ltd: Board Meeting Minutes | Riverside Inverclyde | Sept 2012 |
| Riverside Inverclyde (Property Holdings) Ltd: Board papers | Riverside Inverclyde | June 11, Aug 12, and Dec 12 |
| James Watt Dock LLP: Management Meeting Minutes | Riverside Inverclyde | Nov 2012 |
| Inverclyde Construction Forum Constitution | Riverside Inverclyde | - |
| Scottish Enterprise Business Plan | Scottish Enterprise | 2012-2015 |

| Title / document | Source | Date |
|---|---------------------|----------|
| National Renewables Infrastructure Plan: Report from Scottish Enterprise and Highlands and Islands Enterprise | Scottish Enterprise | - |
| Scottish Key Facts | Scottish Enterprise | 2011 |
| Riverside Inverclyde URC: Projects in Progress | Scottish Enterprise | Jan 2011 |
| Achieving a Sustainable Future: Regeneration Strategy | Scottish Government | Dec 2011 |
| Best Practice in Establishing URC's in Scotland | Scottish Government | 2007 |