

CLYDE GATEWAY DEVELOPMENTS LIMITED

Minute of Board Meeting of 29 October 2018

Present: John Gallacher (Chair) Stuart Heslop
David Bankier (Chair) Allan McQuade
Carol Nugent Ian Manson

Apologies: Greg Hepburn

In Attendance: Barry Macintyre Martin McKay
Alison Brown Angela Rowley
Jim Clark Bernadette Rooney
Lynn Valentine Robert Young

1. Welcome, Introductions, Apologies, Declarations of Interest and updates

The Chair welcomed everyone to the meeting. Apologies from Greg Hepburn were noted.

2. Minute of previous meeting and matters arising

The minutes of the Board meeting held on 27 August 2018 were submitted and approved. There were no matters arising.

3. Business - For Approval

3.1 Funded Operating Plan – 2018/19 to 2021/22: CGDL17(OCT)01

Barry Macintyre presented a report setting out the latest version of the rolling four year Funded Operating Plan which now incorporated the results of the six month re-forecasting exercise.

After consideration, the Board:-

- (i) approved the results of the re-forecasting exercise performed at the end of September.
- (ii) noted the comparison between this re-forecast and the projections made in April 2018 when a hybrid version of the Operating Plan had been prepared; and
- (iii) noted a Full Operating Plan would come to the Board for approval in December.

3.2 French Street, Dalmarnock – site disposal: CGDL18(OCT)02

Angela Rowley presented a report recommending approval of the sale of three sites surrounding French Street, Dalmarnock and advising that the purchaser was proposing to develop 144 residential units for sale.

The site comprised 2.65 hectares of land acres of land, much of which had been part of the former Dalmarnock Gas Works, the remediation of which had been completed in 2013 with the acknowledgment that further expenditure would be required to support residential development, wither directly by Clyde Gateway Developments Limited (CGDL) or through the deduction of abnormal costs negotiated with developers.

A full project description, together with the strategic rationale and the market, options and financial appraisals were outlined in the report.

After discussion, the Board:-

- (i) approved, in principle, the disposal, for the sum of £2,570,025 (equivalent to £392,000 per acre), plus VAT for three sites comprising 2.65 hectares (6.56 acres) surrounding French Street, Dalmarnock, to the purchaser named in the report; and
- (ii) noted that a further approval paper would be brought back for consideration once the abnormal/enhancement costs had been agreed.

3.3 Clyde Gateway East – Strategic Review of Site Disposal: CGDL18(OCT)03

Martin McKay reported on the progress of the ongoing review of Clyde Gateway East (CGE) Business Park.

The joint meeting of the Development Company and URC Boards in August 2018 had noted a number of strategic development scenarios at CGE which might offer the opportunity to attract private sector investment in the remaining development plots and provide an exit strategy for the public sector.

The continued progress had narrowed the position down to two options, one of which involved the competitive marketing and site disposal of all remaining CGDL interests in Clyde Gateway East or a phased exit, including the early sale of Plot 4 to facilitate a commercial development, followed by a sale of the remaining development plots on a phased basis.

A full project description for both options, together with the strategic rationales and the market, options and financial appraisals were outlined in the report.

After detailed discussion, during which reference was made by a number of members to the announcement, in May 2018, of the Scottish Government's long-term commitment to provide core funding to Clyde Gateway, the Board:-

- (i) noted progress with the ongoing review of Clyde Gateway East Business Park;
- (ii) approved the option of a phased exit; and
- (iii) approved the sale of Plot 4, for the sum of £876,600 plus VAT, to the purchaser named in the report, subject to final terms being agreed.

3.4 Clyde Gateway East – Lease Agreement: CGDL18(OCT)04

Angela Rowley presented a report recommending approval of the lease of Unit 201 at Clyde Gateway East Business Park.

Unit 201 consisted of a 2,250 sq. m industrial space, completed in September 2017, to be marketed specifically with the aim of securing employment opportunities from the manufacturing and engineering sectors.

A global manufacturer headquartered in Osaka, Japan, within which there were three UK-based European operations, was proposing to lease Unit 201 for manufacturing/repair and associated office use commensurate with establishing the company's European headquarters at CGE.

A full project description, together with the strategic rationale and the market, options and financial appraisals were outlined in the report.

After discussion, the Board:-

- (i) approved the lease of Unit 201 at Clyde Gateway East at an annual rental of £205,860 for a lease term of 15 years subject to a tenant only break option after ten years to the tenant named in the report:
- (ii) granted a rent-free period of 10 months, commencing from the date of entry;
- (iii) approved landlord adaptations to the drainage system, to permit trade effluent disposal and the unit's fitting out at a total capped cost of £70,000 plus recoverable VAT; and
- (iv) approved professional fees at a budgeted cost of £25,000 plus recoverable VAT.

3.5 Red Tree Magenta – Lease Agreement: CGDL18(OCT)05

Angela Rowley presented a report recommending approval of the lease of the second floor at Red Tree Magenta (RTM).

RTM was a flagship development currently under construction to provide up to 44 flexible business suites in various sizes, with a business club membership and a premium desk rental offer also proposed.

The Board, in February 2018, had approved the lease of a half floor to a potential occupier who had now requested a full floor plate to accommodate a consolidation and proposed expansion of business, including a relocation of staff from a base in England.

A full project description, together with the strategic rationale and the market, options and financial appraisals were outlined in the report.

After discussion, the Board approved:-

- (i) the lease of 672.4 sq. m of the second floor at Red Tree Magenta at an all-inclusive rent of £159,236 per annum, net of VAT, with an increase annually subject to the Retail Price Index 'collared and capped' at 2% and 4% respectively, to the tenant names in the report;
- (ii) a tenant's incentive equivalent to 15 months of the all-inclusive rental figure;
- (iii) contributions towards the tenant's relocation costs up to a maximum grant of £5,000 inclusive of any irrecoverable VAT;
- (iv) landlord works and associated professional fees to reconfigure the full floor layout to accommodate a larger size suite size at a cost of up to £149,000 net of recoverable VAT; and
- (v) legal fees at a budgeted cost of £9,500 net of recoverable VAT.

3.6 Cuningar Loop Phase 2 – Development Proposals: CGDL18(OCT)06

Alison Brown presented a report updating the investigating works ongoing at Cuningar Loop Phase 2 and recommending approval of additional fees to support a programme of accelerated preparatory works for future development.

Cuningar Loop was a 27 hectare site, phase 1 of which had involved the construction of a woodland park, with a range of facilities, which was now a popular visitor attraction.

The remaining 12 hectares was now subject to site investigations which would result in a better understanding of the site conditions and any associated risks, and assist in identifying its development potential.

A full project description, together with the strategic rationale and the market, options and financial appraisals were outlined in the report.

After discussion, the Board approved a total project cost of £260,258, including irrecoverable VAT, comprising ground investigation works and laboratory testing, landscape design, quantity surveying services, reviews, environmental surveys and contingencies.

3.7 West Burn Diversion and Grouting: CGDL18(OCT)07

Alison Brown presented a report recommending approval of a package of works and fees, including the appointment of a main works contractor, for culvert diversion and grouting works at West Burn as an essential part of the Shawfield Environmental Remediation Strategy.

A full project description, together with the strategic rationale and the market, options and financial appraisals were outlined in the report.

After discussion, the Board approved a total project cost of £496,914 (net of irrecoverable VAT) comprising:-

- (a) the appointment of I&H Brown as the main contractor for the culvert diversion and grouting works at a cost of £316,544;
- (b) design team fees of £41,520 for the supervision and administration of the works;
- (c) a project contingency of £100,000
- (d) legal fees of £8,850: and
- (e) preparatory work within third party land at a cost of £30,000

3.8 Shawfield Phase 2 – Project Update: CGDL18(OCT)08

Martin McKay presented a report with an update on the Shawfield Phase 2 project, focussing on the remediation strategy, the link road and associated acquisitions.

A full project description, together with the strategic rationale and the market, options and financial appraisals were outlined in the report

After detailed discussion, the Board-

- (i) approved acceptance of two separate Site Specific Acceptance Criteria (10mg/l and 0.9mg/l) resulting in additional cost of up to £1m and prolonged timescale in order to achieve the regulatory requirements;
- (ii) noted progress with the procurement strategy for the chemical supply contract and the ground remediation & earthworks contract;
- (iii) approved a cost of £11,511 for the transfer of Calcium Polysulphide in storage into new Intermediate Bulk Containers (IBCs);
- (iv) approved an extension to the duration of storage of 33 IBCs at TR Bonnyman Son & Co in Beith at a cost of £26,400.
- (v) noted progress on the tender for construction of Phase 1R of the Shawfield Development Link Road (SDLR) ; and

(vi) noted progress with the acquisition strategy required for the enabling works and construction of the SDLR.

3.9 Shawfield Phase 2 – Supply Contract for Chemicals: CGDL18(OCT)09

Martin McKay presented a report with an update on the Shawfield Phase 2 project, and seeking an investment decision for the supply of chemicals within Works Package 1 as a critical requirement to deliver the remediation strategy.

The appointed design team had developed the remediation strategy, based on the principles of the implemented Shawfield Phase 1 remediation design, to treat the ground with Calcium Polysulphide (CaSx). The method selected for treatment in Phase 2 was the injection of a controlled solution of CaSx into the groundwater regime together with the injection of Ferrous Sulphate Heptahydrate (FSH) into the ground, prior to CaSx, in areas of high contamination as a way of improving the reactivity of the CaSx.

A full project description, together with the strategic rationale and the market, options and financial appraisals were outlined in the report.

After detailed discussion, the Board approved the appointment of TR Bonnyman Son & Co Ltd as the supplier of chemicals for the remediation of Works Package 1 at Shawfield Phase 2 at a cost of £3,181,000 (net of recoverable VAT).

3.10 South Dalmarnock Integrated Urban Infrastructure Framework – Phase 4, Works Package C: CGDL18(OCT)10

Alison Brown presented a report recommending approval of capital investment as the latest part of Phase 4 of the South Dalmarnock Integrated Urban Infrastructure Framework (SDIUIF)

SDIUIF had been approved in August 2011 to provide a vision that aimed to unlock development potential by adopting a long term and sustainable approach to infrastructure development. An incremental strategy had taken place with a number of works packages receiving board approval over an extended period of time. The latest contract involved a green/blue infrastructure zone to serve the area, creating SUDs within a landscaped setting, with drainage based on the volumes needed to serve the area and an opportunity to create biodiversity.

A full project description, together with the strategic rationale and the market, options and financial appraisals were outlined in the report.

After discussion, the Board approved the capital investment of £896,442 (net of irrecoverable VAT) to support the delivery of Works Package C as part of the strategic investment required to support the South Dalmarnock Integrated Urban Infrastructure Framework (SDIUIF) and the appointment of RJ McLeod as the main works contractor at a value of £769,166 (net of recoverable VAT).

3.11 Risk Register: CGDL18(OCT)11

Jim Clark submitted a report on the most recent Risk Register which was a working document regularly reviewed for relevance by the Clyde Gateway Executive Team.

The Risk Register had been discussed by the Audit & Evaluation Committee on 24 October with the view being reached that none of the scores attached to the existing risks should be adjusted.

The Board approved the updated Risk Register.

4 Business – For Information

4.1 Regeneration Capital Grant Fund 2019/20: CGDL18(OCT)12

The Board noted a report submitted by Alison Brown advising that three of the six applications to the Scottish Government's 2019/20 Regeneration Capital Grant Fund (RCGF) had been selected to progress to the second stage application process.

4.2 Inward Investment – Property Enquiries: CGDL18(OCT)13

The Board noted a report submitted by Angela Rowley providing the six-monthly update of inward investment and property enquiries within the Clyde Gateway area, together with associated marketing activities.

4.3 Finance Report – Six Months Ended 30 September 2018: CGDL18(OCT)14

The Board noted a report submitted by Bernadette Pollock detailing the consolidated financial performance of Clyde Gateway URC and Clyde Gateway Developments Limited for the six months ended 30 September 2018.

4.4 Delegated Authority – Six Months Ended 30 September 2018: CGDL18(OCT)15

The Board noted a report submitted by Bernadette Pollock detailing the project budget allocations approved under delegated authority for the six months ended 30 September 2018.

4.5 Audit & Evaluation Committee – Meeting of 24 October 2018: CGDL18(OCT)16

The Board noted a report submitted by Bernadette Pollock detailing the business discussed at the meeting of the Audit & Evaluation Committee held on 24 October 2018.

4.6 Health & Safety Committee – Meeting of 11 September 2018: CGDL18(OCT)17

The Board noted a report submitted by Barry Macintyre detailing the business discussed at the meeting of the Health & Safety Committee held on 11 September 2018.

5. Any other Business.

There were no other items of business raised.

6. Date and time of next Meeting.

John Gallacher advised that the next Board Meeting would be held on Monday 17 December 2018 at Rutherglen Town Hall.