

CLYDE GATEWAY DEVELOPMENTS LIMITED

Minute of Board Meeting of 25 June 2019

Present:	John Gallacher (Chair) David Bankier Carol Nugent Ian Manson	Stuart Heslop Greg Hepburn Allan McQuade
In Attendance:	Barry Macintyre Alison Brown Jim Clark	Martin McKay Angela Rowley Lesley-Ann Logan

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

The Chair welcomed everyone to the meeting.

2. Minute of previous meeting and matters arising

The Minute of the Board meeting held on 8 May 2019 was submitted and approved. There were no matters arising.

3. Business – for approval

3.1 Integrated Energy Strategy – Community Energy Project: Scottish Power Energy Networks Grant Award: CGDL19(JUN)01

- Martin McKay presented a report seeking approval to accept a grant award of £2.1m from the Scottish Power Energy Networks' (SPEN) Green Economy Fund, to be applied towards the £5.7m cost of a combined heat and power scheme in Dalmarnock.

The Board, in May 2019, had noted the progress with the project - a collaboration with Scottish Water Horizons (SWH) that would see an energy centre at the existing Waste Water Treatment Works generating excess heat for use by a large scale district heating network across the Dalmarnock masterplan area. In doing so, the Board approved expenditure of £228,334 to maintain momentum in project management, design, development and feasibility funding aspects of the project.

The SPEN grant had a number of conditions attached, details of which were outlined. The recommendation being put in front of the Board was for acceptance of the grant ahead of a final investment decision as this would allow for the design of the system and the programming of the works to be finalised and for the due diligence of the operating model to be completed.

There was a risk that, upon completion of the design and due diligence works, Clyde Gateway would be unable to finance the capital or revenue costs, in which instance the grant award would be declined and consent sought to disengage from the project, with all expenditure to date being abortive costs.

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:

- (a) approved acceptance of a £2.1m grant award from Scottish Power Energy Networks (SPEN), through its Green Economy Fund, to be applied against the capital costs of delivering a low-carbon community energy project in Dalmarnock; and
- (b) noted that the business case – covering the system installation, its operating model and risks – will be brought back for an investment decision in the future.

3.2 Green Infrastructure Fund: Grant Award: CGDL19(JUN)02

Alison Brown presented a report seeking approval to accept two successful bids to the Green Infrastructure Fund (GIF), pending completion of the investment cases later in the year.

GIF was an intervention, launched in 2016, which aimed to address issues around derelict land in Scotland. It was administered by Scottish Natural Heritage (SNH) on behalf of the Scottish Government, with a budget of £15m through which it was seeking to deliver a minimum of 15 substantial projects that would improve or create at least 140 hectares of urban green infrastructure.

Clyde Gateway had previously been unsuccessful, due to the eligibility criteria applied by SNH, with two funding bids in 2016 for Shawfield Phase 2 and Central Dalmarnock. Two fresh bids, for Cuningar Loop Woodland Park Phase 2 and Toryglen Park, had been submitted in January 2019, with both being successful and offered the maximum grant of 40% of the overall costs.

SNH required acceptance of the grant offers by 28 June 2019, after which attached conditions specific to each project required to be satisfied, including VAT status, staffing, procurement, land ownership, match funding and maintenance arrangements. Alison advised that due diligence for each project was now underway and that separate papers for the investment decisions and confirmation of funding would be brought back for approval.

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:

- (a) approved acceptance of two grant awards from the Green Infrastructure Fund for two separate projects – Cuningar Loop Woodland Park Phase 2 (£1,566,294) and Toryglen Park (£1,230,307); and
- (b) noted that the overall outcome of the projects' funding packages, together with their investment case to proceed, will be brought back for an investment decision in the future.

3.3 South Dalmarnock Integrated Urban Infrastructure Framework: Central Dalmarnock – updated Masterplan: CGDL19(JUN)03

Alison Brown presented a report recommending a revision, to support emerging developments, planning applications and the ongoing acquisition and Compulsory Purchase Order activity, of the South Dalmarnock Integrated Urban Infrastructure Framework.

The Framework provided a vision that aimed to unlock the development potential of the area by adopting long term and sustainable approaches to infrastructure development and, in particular, urban drainage issues. It had been prepared in partnership with Glasgow City Council and was overseen by a Project Board involving five public sector organisations and private landowners. The Framework had been the subject of extensive community engagement in 2009/10 and undergone a refreshment in August 2017.

The latest refreshment had taken into consideration recently completed along with planned construction and development activities, with adjustments across residential, business, industrial and commercial provision.

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:

- (a) noted the update of the South Dalmarnock Integrated Urban Infrastructure Framework; and
- (b) approved the 2019 revision to support emerging developments, planning applications and the ongoing acquisition and Compulsory Purchase Order activity.

3.4 Bridgeton Civic Hub – STUC Office, Landressy Street: CGDL19(JUN)04

Martin McKay presented a report seeking approval for a conditional budget to deliver the Bridgeton Civic Hub office on behalf of the Scottish Trades Union Congress (STUC).

A joint meeting of the URC and CGDL Boards, in August 2018, had noted the outcome of ongoing discussions with STUC and had approved expenditure for professional fees to take the project to completion.

Full details of the progress made over the past ten months were set out in the report, including obtaining planning consent, taking steps to procure a main contractor, the issues around the disposal by STUC of its existing property in Woodlands Road, Glasgow, the security over the existing premises that would transfer to any new building and the partial recovery of VAT.

The project cost, based on the tender by the preferred bidder, was £2,124,068, of which there was a confirmed grant of £730,000 from the Scottish Government and a contribution of £125,000 from Clyde Gateway, with the balance due to be met by STUC.

An independent valuation of the proposed new office, prepared on behalf of Clyde Gateway, had reported a market value of £700,000 for the development which, allied to STUC's requirements around its pension fund, securities and VAT recovery, resulted in a shortfall in funding for the project amounting to £519,068.

The Landressy Street location remained the preferred option of STUC, with a desire to be at the heart of an existing community and to make a positive contribution to a new civic quarter in the heart of Bridgeton.

The proposal being put in front of the Board for consideration was for the completed development, with supporting car park and landscaping, to be disposed of to STUC Training Limited, the trading subsidiary of STUC, which would enter into a missive committing to purchase shortly after practical completion is confirmed. Appropriate clauses would be included to protect Clyde Gateway's interest and ensuring it also met STUC's pension security obligations, should future valuations of the completed property prove to be higher than currently available.

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

After detailed discussion, much of which focussed on an analysis of the various risks being faced by Clyde Gateway, and in particular the financial and reputational risks, the Board:

- (a) approved a total project cost of £2.124m, net of recoverable VAT, in respect of the construction of 604 sqm gross floor area of office space at Landressy Street, Bridgeton, on behalf of STUC;
- (b) authorised the Chief Executive to enter into a contract with Clark Contracts Limited for the construction of the building amounting to £1,839,637;
- (c) acknowledged all efforts would be made to address the funding gap, including the earmarking of CGDL funds; and
- (d) approved the disposal of the completed development to STUC's trading subsidiary, STUC Training Limited, for the sum of £750,000 plus VAT.

3.5 Toryglen Park: professional and pre-construction fees: CGDL19(JUN)05

Alison Brown presented a report seeking approval to progress the Toryglen Park project and to appoint a design team.

The Board had, earlier in the meeting, been advised of a successful bid to the Green Infrastructure Fund (GIF) in respect of Toryglen Park.

The estimated cost of the project was £3,243,787, of which £1,230,307 would be provided by GIF, with the balance anticipated to come via SUSTRANS and a range of funds from Glasgow City Council including VDLF, Transforming Communities and the Developer Contributions Policy.

The delivery of the project now required the appointment of a full Project Management & Design Team, for which a tendering exercise had been undertaken. One submission had been received and, following assessment, had been deemed compliant with a comparable fee proposal to pre tender estimates.

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:

- (a) approved the strategic intent to deliver a new park with a substantial network of routes and paths, woodland and space for recreation and biodiversity, subject to final funding package confirmation, at a current estimated total project cost of £3.24m including VAT;
- (b) approved the overall appointment of the Project Manager and Design Team at a total cost of £309,197 including irrecoverable VAT;
- (c) approved, within the context of the overall appointment, detailed Project Management and Design Team fees of £144,000, including irrecoverable VAT, to progress the project to RIBA Stage 4 – Technical Design;
- (d) approved a budget for surveys, site investigation, legal and other pre-construction fees of £120,000 including irrecoverable VAT; and
- (e) noted design fees of £8,193 including irrecoverable VAT, previously approved via delegated authority.

3.6 Cuningar Loop Woodland Park (Phase 2): professional and pre-construction fees: CGDL19(JUN)06

Alison Brown presented a report seeking approval to progress the Cuningar Loop Woodland Park (Phase 2) project, including budgetary approval of £245,256 to appoint a design team and £124,013 for the cost of statutory approvals, other fees and contingency.

The Board had, earlier in the meeting, been advised of a successful bid to the Green Infrastructure Fund (GIF) in respect of Cuningar Loop Woodland Park (Phase 2).

The estimated cost of the project was £3,915,736, of which £1,566,294 would be provided by GIF, with the balance anticipated to come via Clyde Gateway core grant, VDLF (South Lanarkshire Council), Landfill Tax and Forest Enterprise Scotland.

There was now a requirement to progress to RIBA Stage 4 – Technical Design and to secure the various local authority permissions in order to meet GIF milestones.

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:

- (a) approved an overall budget of £369,269, including irrecoverable VAT, to progress the Cuningar Loop Woodland Park (Phase 2) project; and
- (b) noted that, at this point, financial commitments for the design team would only be made to progress to RIBA Stage 4 at a cost of up to £162,156, including irrecoverable VAT.

3.7 Red Tree Industrial Workshops, Mile End, Bridgeton: professional and pre-construction fees: CGDL19(JUN)07

Martin McKay presented a report seeking approval to progress the design of the Red Tree Industrial Workshop project in order to support a submission for Regeneration Capital Grant Funding (RCGF).

Clyde Gateway had, in order to meet the demand of the industrial market, embarked on the design of 2,322 sq. m of industrial workspace at Broad Street, Mile End, Bridgeton, with a proposal for 15 units of three varying sizes.

Delegated expenditure of £69,805 had enabled the appointment of a design team and the commissioning of a number of ground investigations and ecological surveys. An application for RCGF had been submitted for 2019/20 with the outcome that it had not been approved but had made a reserve list. A fresh application was being made for the 2020/21 RCGF programme, bidding for a £2.75m grant towards the overall costs of £5.15m but it was now necessary to progress the project design in order to be able to react should there be any positive decisions on the availability of 2019/20 RCGF support. The cost of progressing to RIBA Stage 3 – Developed Design was £101,331.

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:-

- (a) noted Delegated Approval of £69,805 for the appointment of the design team (stage 2) and the completion of various site surveys; and
- (b) approved the professional and pre-construction fees of £101,331 to progress the detailed design of the Red Tree Industrial Workshop project to RIBA stage 3 in order to support a submission for RCGF under the 2020/21 programme.

3.8 National Business District, Shawfield (Phase 2):CGDL19(JUN)08

Alison Brown presented a report outlining the progress on the various activities at Shawfield (Phase 2) and seeking approval to accept a potential increase in tender price from the contractor appointed to deliver Stage 1R of the development link road.

The contractor had been appointed in December 2018 with an indication that the tender price of £1,039,120 would be held until June 2019 but should there be a delay in getting work underway on site that there would be potential increases in costs. There had been prolonged

negotiations and on timescales for determining the necessary Roads Construction Consent leading to a programme revision with a site start, at the earliest, of August 2019.

After discussion, the Board:

- (a) noted the progress on the various work packages at Shawfield (Phase 2); and
- (b) approved a potential increase of £24,000 in the contract award to RJ McLeod for construction of Stage 1R of the Shawfield Development Link Road.

3.9 National Business District, Shawfield (Phase 2): Stage 1R of the Shawfield Development Link Road – land acquisitions: CGDL19(JUN)09

Angela Rowley presented a report seeking approval to acquire the land necessary to facilitate enabling works and the construction of Stage 1R of the Shawfield Development Link Road.

The Board, in December 2018, had approved expenditure of £25,700 plus irrecoverable VAT of £53,140 for the acquisition of three principal interests, one of which had subsequently stalled. Ongoing negotiations with all three parties had led to changes in individual land areas and revised terms agreed, details of which were provided in the report.

The transactions involved acquisitions of 45 sq. m and 66 sq. m along with an excambion of 1,970 sq. m for 2,615 sq. m of land in the ownership of Clyde Gateway.

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 expenditure of £72,378, including irrecoverable VAT of £17,340, in respect of various land acquisitions and excambions to facilitate the enabling works and construction of Stage 1R of the Shawfield Development Link Road.

3.10 Voice and Data Systems: CGDL19(JUN)10

Angela Rowley presented a report detailing the arrangements for the current voice and data systems contract, provided by CGI Networks Ltd, and seeking approval to extend the contract until September 2020.

The Board, in June 2016, approved the appointment of CGI as the framework provider of voice and data systems for the investment portfolio over three years, within an option to extend for 12 months. In February 2017, the Board had approved expenditure for voice and data systems within the new offices at Red Tree Magenta, adding it to the Red Tree Rutherglen, Red Tree Bridgeton and The Albus previously included.

The income and expenditure associated with the provision of the service, and the budgets required to provide it, had been reported to the Board in each of 2017, 2018 and 2019. New or upgraded systems had been provided to each of the four properties and while the tender had included an option for systems to One Rutherglen Links and The Olympia, the tenants within these properties had preferred to implement their own solutions.

The contract with CGI was due to end in September 2019 but the recommendation was that the option on the 12-month extension be taken to allow for a review of the services required and the market provision of IT systems going forward before undertaking a fresh procurement exercise to get underway in November 2019.

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 noted progress with the current voice and data systems contract provided by GCI Network Solutions Ltd (GCI) and agreed to extend the contract until September 2020, with a three-year operating budget cost of £480,000 net of VAT.

3.11 Risk Register: CGDL19(JUN)11

Jim Clark presented 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 in detail by the Senior Management Team on 22 May 2019 and by the Audit & Evaluation Committee on 10 June 2019 with the view being reached by the latter that two of the scores attached to the existing risks should be adjusted.

After discussion, the Board approved the adjustments to numbers 2 and 6 on the Corporate Risk Register and agreed the updated Risk Register containing the adjustments as set out in Appendix 1 to the report.

4. **Business – for information**

4.1 Key Performance Indicators: CGDL19(JUN)12

The Board noted a report, presented by Barry Macintyre, outlining the progress made against the 9 Key Performance Indicators to 31 March 2019.

4.2 Regeneration Capital Grant Fund: 2020/21 funding round – Stage 1 bids: CGDL19(JUN)13

Alison Brown presented a report, with details of the following five Stage 1 bids being made to the 2020/21 funding round of the Scottish Government's Regeneration Capital Grant Fund (RCGF):

- Red Tree Industrial Workshops (total cost of £5.15m with bid for £2.75m)
- Red Tree Central (total cost of £13m with bid for £4m)
- Barrowfield Centre (total cost of £755,000 with bid for £630,000)
- Bridgeton Civic Hub – City Mile (total cost of £8.02m with bid for £3m)
- New Olympia House (total cos of £830,000 with bid for £500,000)

The Board noted the contents of the report.

4.3 Clyde Gateway Location Advisory: CGDL19(JUN)14

Martin McKay presented a report that provided an overview of Clyde Gateway's re-positioned Inward Investment & Property Marketing strategy.

The strategy reflected changing market conditions and involved a reconfiguration of staff resources following the departure of the senior manager responsible for the area of activity, together with a change of name to 'Clyde Gateway – Location Advisory'.

The Board noted the contents of the report.

4.4 Finance Report to period ended 31 May 2019: CGDL19(JUN)15

The Board noted a report, presented by Lesley-Ann Logan detailing the consolidated financial performance of Clyde Gateway URC and Clyde Gateway Developments Limited for the period ended 31 May 2019, together with the updates to the Funded Operating Plan to reflect budget approvals since the Plan had received Board approval in March 2019.

4.5 Health & Safety Committee – Meeting of 5 March 2019: CG19(JUN)16

The Board noted the Agenda and Minutes of the Health & Safety Committee meeting of 7 June 2019.

4.6 Audit & Evaluation Committee – Meeting of 10 June 2019: CG19(JUN)17

The Board noted the agenda and minutes of the Audit & Evaluation Committee meeting of 10 June 2019.

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 Wednesday 4 September 2019 at Rutherglen Town Hall.
