
Report To:	Environment and Regeneration Committee	Date:	5 October 2017
Report By:	Corporate Director Environment, Regeneration & Resources	Report No:	E+R/17/01/01/SJ
Contact Officer:	Stuart Jamieson	Contact No:	01475 712402
Subject:	Glasgow City Deal – Outline Business Case Submission		

1.0 PURPOSE

- 1.1 The purpose of this report is to seek Members' approval to submit the Outline Business Cases for both Greenock Ocean Terminal and Inverkip to the City Deal Cabinet.

2.0 SUMMARY

- 2.1 In 2013 the Clyde Valley Councils which together cover the 'City Region' of Glasgow collectively pursued a bid to the UK Government to establish a City Deal Agreement, similar to those established in England, with a view to bringing forward a major investment programme to stimulate economic growth for the benefit of residents and businesses in the Glasgow City Region.
- 2.2 The City Deal Agreement comprises three elements: an Infrastructure Fund supported by parallel streams of activity in relation to Labour Market and Innovation measures. The UK and Scottish Governments agreed to fund £1billion towards the overall £1.13billion Infrastructure Fund, the balance of the funding being made up from seven of the eight Member Authorities, and further funding is being provided to enable the Innovation element as well as refocusing labour market initiative funding.
- 2.3 Following approval by the Environment and Regeneration Committee in August 2014 to accept the offer of a City Deal, the Corporate Director Environment, Regeneration and Resource has been undertaking a number of activities including developing business cases for two of Inverclyde's three City Deal projects. Regular reports have been presented to Committee,
- 2.4 Members were made aware early in the process of the challenges associated with the projects proposed by Inverclyde, especially achieving agreement with private sector partners and complying with State Aid requirements. Inverclyde projects are true partnership projects in this respect where working successfully with the private sector is a prerequisite to success.
- 2.5 Project approval is a three stage process, initially Strategic Business Cases are submitted and if successful these progress to Outline Business Case with final approval only granted at Final Business Case. Inverclyde has three projects which are eligible to be considered for appraisal, Greenock Ocean Terminal (£14.177m), Inverkip (£3.25m), and Inchgreen (£9.47m).
- 2.6 The Strategic Business Cases for Greenock Ocean Terminal and Inverkip were approved by the City Deal Cabinet in October 2015. Whilst there has been slippage in respect of both projects under consideration within this report the Outline Business Cases for both Greenock Ocean Terminal and Inverkip are now sufficiently developed to be considered for submission to the Cabinet for approval to proceed to Final Business Case. Approval from the Cabinet to incur professional fees is already in place and there are no further financial implications as a result of these submissions.

3.0 RECOMMENDATIONS

3.1 That Committee:-

- A) agree to the submission of the Outline Business Cases for Greenock Ocean Terminal and Inverkip and, if minded,
- B) delegate authority to the Corporate Director Environment, Regeneration and Resources to continue to work with our project specific private sector partners in development of the Final Business Cases for Greenock Ocean Terminal and Inverkip, and
- C) Note the offer of £1.5m from the Dunard Fund in respect of the Building for Ocean Terminal subject to inclusion of a permanent exhibition space for the George Wyllie Collection.

Scott Allan
Corporate Director Environment, Regeneration & Resources

4.0 BACKGROUND

- 4.1 In 2013 the Clyde Valley Councils which together cover the 'City Region' of Glasgow collectively pursued a bid to the UK Government to establish a City Deal Agreement, similar to those established in England, with a view to bringing forward a major investment programme to stimulate economic growth for the benefit of residents and businesses in the Glasgow City Region.
- 4.2 The City Deal is a grant mechanism worth up to £1 billion over twenty years funded by the UK and Scottish Governments, on the basis of agreed milestones including increased economic activity being achieved.
- 4.3 The City Deal Agreement comprises three elements: an Infrastructure Fund supported by parallel streams of activity in relation to Labour Market and Innovation measures. The UK and Scottish Governments agreed to fund £1 billion towards the overall £1.13 billion Infrastructure Fund, the balance of the funding being made up from seven of the eight Member Authorities, and further funding is being provided to enable the Innovation element as well as refocusing labour market initiative funding.
- 4.4 The Infrastructure Fund consists currently of 20 projects across the City Region. The projects range from road infrastructure projects to tourism and business infrastructure works with a total programme value of £1.13 billion. As a result of the funding of £1 billion awarded by the UK and Scottish Governments, the seven participating authorities in the Infrastructure Fund element are required to contribute the remaining £130 million. It is proposed that two strategic projects, Glasgow Airport Rail Link and SPT's Bus Programme, which are deemed to generate pan City Region benefits, will be fully funded by grant funding. Glasgow and Renfrewshire will be responsible for cash flowing and delivering the rail project and covering/receiving any overspends/savings. In relation to the Bus Programme, this will also be fully funded, however all Councils will be responsible for cash flowing the project and covering/receiving any overspends/savings on a pro-rata basis.
- 4.5 Inverclyde originally submitted eight projects for consideration for inclusion within the Infrastructure Fund Programme and three were successful i.e. Greenock Ocean Terminal (£14.177 million), Inverkip (£3.25 million), and Inchgreen (£9.47 million).
- 4.6 Following approval by the Environment and Regeneration Committee in August 2014 to accept the offer of a City Deal, the Corporate Director Environment, Regeneration and Resources has been undertaking a number of activities including developing business cases for Inverclyde's three City Deal projects.
- 4.7 The Council cannot progress any of the three sites in isolation and progress has involved partnership with Peel Ports/Clydeport for the Greenock Ocean Terminal and Inchgreen projects whilst Iberdrola/Scottish Power has been engaged over the Inverkip project. Through Officer regular reports to Committee, Members have been made aware of the challenges associated with developing physical regeneration projects; particularly due to the challenging location of projects, the level of unknowns associated with industrial dockland, establishing state aid compliant joint venture agreements with the private sector and cash flowing projects where funding can be made subject to economic performance.
- 4.8 Officers have had regular engagement with the State Aid Unit from the Scottish Government. There are no State Aid issues to be considered in respect of the Inverkip project. Advice is being sought from specialist advisors in respect of the Greenock Ocean Terminal which will be incorporated into the final agreement between Peel Ports/Clydeport and the Council.

5.0 CURRENT POSITION

Greenock Ocean Terminal - Peel Ports/Clydeport

- 5.1 The Outline Business Case provides the Committee with an update on the project costs which highlights a current cost estimate £8.793 million of funding from City Deal to support infrastructure

investment totalling £14.793million to deliver a new Cruise Terminal Facility enabling the Glasgow Metropolitan City Region and indeed wider Scotland to realise its potential as a marquee cruise destination within northern European waters and service international cruise based tourists visiting Scotland's central belt.

5.2 The cost breakdown of the project between SBC and OBC are as follows however these figures are subject to further negotiation and will be confirmed in the final business case:-

Investment Costs	Strategic Business Case Stage (SBC)	Outline Business Case Stage (OBC)
City Deal Funding / IC	£14.137 millions	£8.793 millions
Peel Ports Group	£0.00	£6.000 million
TOTAL	£14.137 million	£14.793million

5.3 Cruise tourism is one of the fastest growing sectors in international tourism. The current facilities at Greenock share berths with the Greenock container terminal and intermodal and general freight cargo activity. Greenock is the prime destination of choice for cruise vessels visiting Scotland and is unable to maintain current vessel visits due to freight conflicts and berth capacity.

5.4 The project demonstrates a strong fit with national, regional and local economic policies and is a major element within Inverclyde's Economic Strategy that seeks to diversify the economy, build sustainable growth through tourism and support inclusion.

5.5 The project will make a significant contribution to economic growth and international tourism across the City Region. The Terminal facility will allow Scotland and Inverclyde to continue to offer cruise access and increase cruise liner visits to Scotland. The facility will capture additional international visitor-spend and support higher value economic activities and spend across the City Region.

5.6 The Cruise Terminal project and the support from The Glasgow City Region – City Deal Infrastructure Fund provides the opportunity to address core elements of both the economic and tourism strategies for the region and create new and significant additional economic activity for Inverclyde and the City Region.

5.7 Peel Group operates the Greenock Container Terminal. The terminal operates as a container port with limited general/bulk freight and up to 60 cruise liner vessels using the port annually. Container growth into Greenock is growing at circa 5% annum and logistics space and berth capacity is limited. Peel Group have advised that current levels and future growth in cruise vessel demand is incompatible with growth in the prime port container terminal business and have not sought to increase cruise traffic for the last three years. The port is currently restricting the number of vessels using Greenock.

5.8 Inverclyde Council and Peel Ports Group have investigated a range of options to develop the facilities to sustain cruise activity on the Clyde. Options were assessed for locations offering deep-water berthage and supporting infrastructure considered capable of meeting the requirements of cruise operators. The main options include:

- Options for Shared Berthage/Facilities within Clydeport Container Terminal;
- Options for a new deep-water berth and use of existing land-side facilities;
- Options for a new pontoon berth and new or existing facilities within port;
- Options for new pontoon berthing facilities and a new Cruise Terminal outwith the port (Preferred option).

5.9 There is no other port in West Central Scotland that can provide comparable services for either freight or tourism, and therefore no intervention is not a viable option to sustain and grow economic activity related to both commercial port and cruise tourism, and a choice will need to

be made between the two.

- 5.10 The scope of the project involves the development of new berth capacity delivered by a new dedicated cruise berth secured with a floating pontoon connected to new shore-based cruise terminal facilities (located to the east of the Waterfront Cinema). The project consists of:
- Pontoon berth and dredge pocket;
 - Cruise Terminal Building;
 - Coach/Car/Cycle parking and public transport connections;
 - Signage.
- 5.11 The project objectives are to:
- Safeguard and grow the cruise tourism market for West of Scotland – number of boats and passengers;
 - Safeguard and grow commercial port activity at Ocean Terminal – number of boats/containers;
 - Secure national/regional/local economic benefits (GVA/jobs/businesses) from tourism spend and commercial port activity;
 - Develop a facility of international quality standards offering long-term sustainability that will raise the perception of Scotland as a quality tourism destination.
- 5.12 It is anticipated that the project will directly contribute to the economic outcomes set out in the City Deal Infrastructure Fund: Economic Case by delivering a significant uplift in GVA, net additional employment and net additional tax revenues beyond that required to satisfy the City Deal GVA requirement and it will provide:-

150,000 visitors per annum from 100 cruise ships;

- £26m per annum visitor spend – passenger/crew gross spend in Scotland;
- 600 Net additional full time equivalent (FTE) positions across Scotland;
- £10.9m net additional GVA per annum;
- £14.793 project investment;
- 200 net PYE (person year equivalent) construction employment; and
- £10.1m net GVA construction.

In determining the benefits, it is assumed that the major infrastructure works will start on site early in 2018 with work completed in 2019 (or potentially 2020 depending on programmes) when the terminal and pontoons become operational.

- 5.13 An option exists within the proposals for a new terminal building for Ocean Terminal to include a dedicated permanent display for the George Wyllie collection. The George Wyllie Trust has approached the Council and through funding from the Dunard Fund is progressing an alternative design for the terminal building. A parallel Brief for the site is being prepared by Richard Murphy Architects with the objective of creating a landmark building which achieves international standards of architectural design. The Dunard Fund has made an initial offer of £1.5m to the Council to support this project. If the Council and the George Wyllie Trust agree this approach, the Dunard Fund would fund the difference between the Council's existing aspirations and the potential created through the involvement of the George Wyllie Trust. There are far reaching opportunities if this approach proves successful, including the promotion of Greenock in respect of culture, visitors and association with one of the world's outstanding artists. It is anticipated that a decision on the alternative Terminal building will be taken early in 2018.
- 5.14 A full copy of the Outline Business Case is available for Members from the Head of Regeneration and Planning.

Inverkip - Iberdrola/Scottish Power

- 5.15 The Outline Business Case provides the Committee with an update on the project costs which highlights a current cost estimate of £3.250million of funding to support infrastructure investment in excess of £100million re-developing the brownfield site of the former Inverkip Power Station and providing business space, leisure and housing. Off-site Infrastructure constraints impact adversely on the capacity to advance the development of this Major Area of Change site restricting economic investment capable of supporting sustainable settlement

growth of the two local centres at Wemyss Bay and Inverkip.

- 5.16 The project consist of four roads infrastructure components, three of which are at locations remote from the site, namely the A78 junction with Main Street Inverkip, the Brueacre Northbound on slip, the Brueacre Southbound on slip. The component adjacent to the site is a five leg roundabout with access to the site at the Brueacre junction.
- 5.17 The cost breakdown of the project between SBC and OBC are as follows however these figures are subject to further negotiation and will be confirmed in the final business case:-

Investment Costs	Strategic Business Case Stage (SBC)	Outline Case Stage (OBC)	Business Case
City Deal Funding/IC	£3.250 millions	£3.250 millions	
Scottish Power/Iberdrola	£0.00	£100m+ investment ScottishPower/Iberdrola	leverage development
TOTAL	£3.250 million	£3.250 million	

- 5.18 The project demonstrates a strong fit with national, regional and local economic policies and is a major element within Inverclyde’s Economic Strategy as a Major Area of Change. The site is specifically identified within the Inverclyde Economic Development and Regeneration Single Operating Plan 2014-2017 Spatial Focus (Section 4.4) and as a key strategic site (Section 4.4.1) highlighting the re-development opportunity to create potential for additional housing and limited commercial accommodation. In the absence of network improvements to the A78 development will not proceed.
- 5.19 The project will make a significant contribution to economic growth, remove the most significant vacant and derelict land site from the Vacant and Derelict Land Register, secure third-party investment and support growth across the City Region.
- 5.20 The project delivers important outcomes within the Inverclyde Economic Development & Regeneration Single Operating Plan and Local Development Plan and is supported by all key stakeholders. Development of the site is currently constrained by significant cost abnormalities that impact adversely on the viability of development. The existing A78 roads infrastructure and specifically the existing junctions and merge/diverge slip roads constrain the ability of the development to proceed. Off-site Infrastructure constraints impact adversely on the capacity to advance the development of a Major Area of Change restricting economic investment capable of supporting sustainable settlement growth of the two local centres at Wemyss Bay and Inverkip.
- 5.21 A Memorandum of Agreement between the Council and developer will ensure a coordinated approach to investment and secure the redevelopment of a large, strategic brownfield site and Major Area of Change (LDP), address constrained housing availability, extend housing choice and promote mixed use wider community facilities as well as deliver small enterprise/commercial facilities that support area regeneration.
- 5.22 Inverkip is identified as a Major Area of Change (LDP). Inverclyde Council has been seeking to facilitate investment at Inverkip through active economic engagement and positive land-use planning. These include:-

- Mixed Use Development Zoning in the Local Plan 2006
- Promotion of Major Area of Change in Local Development Plan 2014
- Supporting and facilitating a Development Masterplan for brownfield land
- Developing clear partnership delivery arrangements with Riverside Inverclyde (Ri)
- Facilitating private/public sector dialogue on infrastructure and investment with Transport Scotland/Major Landowners/Service and Utility Providers/Communities

- 5.23 Inverclyde Council has secured, through positive engagement with Iberdrola/Scottish Power a masterplan to promote a high quality mixed-use development and secure positive investment in a major brownfield site capable of securing significant regeneration benefits.
- 5.24 The scope of the project involves the development of a new commercial and residential district secured through investment in upgrading existing infrastructure that constrains development of the site and surrounding area.
- 5.25 The A78 at Wemyss Bay and Inverkip (Brueacre) presents a long-standing issue in terms of capacity of the road infrastructure to meet all road user needs; transport user safety, development access and capacity for the infrastructure to service economic development in the west Inverclyde area.
- 5.26 If the project is given approval Iberdrola/Scottish Power would procure the works and be given grant for the works in arrears with clawback arrangements. The broad breakdown of capital costs (incl. Optimum Bias excl. Optimism Bias) are as follows:

• Inverkip North Inscribed 36m diam 3 leg junction	£900,000
• Brueacre Junction Northbound Slip Slips to DMRB specification	£400,000
• Brueacre Junction Southbound Slip Slips to DMRB specification	£400,000
• Brueacre Junction	£800,000

- 5.27 The project directly contributes to the economic outcomes set out in the City Deal Infrastructure Fund: Economic Case by delivering a significant uplift in GVA, net additional employment and net additional tax revenues beyond that required to satisfy the City Deal GVA requirement.
- 5.28 It is anticipated that when the main development scenario is completed, it will provide:

- £6m Inverclyde/£10m Scotland additional net GVA per annum;
- £110m investment;
- 6,000 m² occupied commercial floorspace;
- 200 Inverclyde/250 Scotland net additional full time equivalent (FTE) positions;
- 950 Inverclyde/2,600 net PYE (person year equivalent) construction employment;
- £34m Inverclyde/£116m Scotland net GVA construction.

In determining the benefits, it is assumed that the major infrastructure works will start on site early in 2020 with work completed in 2032 when the site will be fully developed.

- 5.29 A full copy of the Outline Business Case is available for Members from the Head of Regeneration and Planning.

6.0 FINANCE

6.1 Financial Implications

Approval from the Cabinet to incur professional fees is already in place and there are no further financial implications as a result of these submissions.

One off costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
N/A					

Legal

6.2 There are no legal implications arising from this report.

Human Resources

6.3 There are no human resources implications arising from this report.

Equalities

6.4 Service provision will facilitate diversity and equality in recruitment, all procedures will fall within the policy and practice of Inverclyde Council.

Repopulation

6.5 The delivery of the projects will provide key opportunities that will contribute to a reversal in population decline. It is recognised, however, there is no quick fix to this issue and continued investment in the most successful initiatives will be required to ensure continued progress.

7.0 CONSULTATIONS

7.1 Consultations with Departments have included all Heads of Service and appropriate Finance Officers.

8.0 BACKGROUND PAPERS

8.1 Outline Business Cases for Greenock Ocean Terminal and Inverkip.