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<b>Report To:</b>	<b>Environment &amp; Regeneration Committee</b>	<b>Date:</b>	<b>27 October 2016</b>
<b>Report By:</b>	<b>Corporate Director Environment, Regeneration &amp; Resources</b>	<b>Report No:</b>	<b>E+R/16/10/08/SJ/BH</b>
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<b>Subject:</b>	<b>City Deal and City Region Update</b>		

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to provide Members with an update on the recent activity and progress in relation to City Deal as well as developments in respect of the wider city region.

## 2.0 SUMMARY

- 2.1 The eight Member authorities of the metropolitan Glasgow City region are engaged with both the Westminster and Holyrood governments in the delivery of the Glasgow City Deal, which provides an opportunity to deliver infrastructure, innovation and employment projects to improving the economic performance of the City Region.
- 2.2 Inverclyde has been successful by having three infrastructure projects shortlisted for support and is benefitting from an employability project. The infrastructure projects are located at Inverkip, Greenock Ocean Terminal, and Inchgreen. Both the Inverkip and Greenock Ocean Terminal projects have had their strategic business cases approved and it is expected that the outline business cases will be submitted for consideration by the City Deal Cabinet in March 2017.
- 2.3 The Inverkip project will open up the former power station site for housing. The business case, developed by partners Inverclyde Council and Scottish Power Generation, highlights that the project addresses the restricted network and junction capacity on the A78 trunk road at four locations in and around Inverkip. This will release investment and help secure the development of the brownfield former power station site to deliver new homes and commercial space. The Ocean Terminal project aims to create a dedicated quay for cruise traffic enabling a significant increase on vessel and passenger numbers.
- 2.4 Officers continue to progress discussions with Scottish Power Generation and with Peel Ports on Inverkip and Ocean Terminal respectively. Discussions so far have hinged on the internal approval processes within the Scottish Power Group. Similarly, with Peel Ports, extensive discussions and negotiations have been ongoing in order to satisfy state aid obligations and Peel's internal approval process. As part of the approvals process it is necessary to incur costs for feasibility studies and business case development, whilst these costs are eligible as part of the final project costs they do represent a risk to both the Council and its Partners should the project(s) not proceed.
- 2.5 ICDDT are engaged as the Inverclyde City Deal Employability partner and have secured 129 Working Matters clients.
- 2.6 The Glasgow City Deal has allowed the local authority members of the Glasgow and Clyde Valley Community Planning Partnership to reinvigorate collaborative working. This has manifested itself through policy development and initiatives beyond the remit of the City Deal

which will be of benefit within the City Region.

### **3.0 RECOMMENDATIONS**

That the Committee:-

- 3.1 Note the activity and progress being made on the City Deals projects.
- 3.2 Agree that in the event of the project not proceeding the Council's share of the feasibility costs for the Greenock Ocean Terminal Project would be funded from the City Deal revenue budget.
- 3.3 Agree to support collaborative working in economic development areas across the City Region for appropriate reports on any implications for service delivery impact in Inverclyde in due course.

Aubrey Fawcett  
Environment, Regeneration & Resources

## 4.0 BACKGROUND

- 4.1 The eight member authorities of the metropolitan city region of Glasgow are engaged with the Westminster and Holyrood Governments in delivery of a City Deal. The City Deal is expected to give Glasgow and Clyde Valley a permanent uplift in its GVA of £2.2billion per annum (4.4%); generate 15,000 construction jobs during the construction period and 28,000 permanent additional jobs once construction is complete; and will unlock £3.3billion of private sector investment.
- 4.2 The focus of the City Deal centres on infrastructure projects, innovation initiatives and employability programmes. Of the twenty infrastructure projects shortlisted Inverclyde has three, namely Inverkip, Greenock Ocean Terminal and Inchgreen, and is also participating in the Working Matters employability programme.
- 4.3 In terms of governance of the City Deal administrative duties are carried out by the Programme Monitoring Office, there is a Lead Officer Group, a Finance Group, the Chief Executives Group and finally the Cabinet which is made up of the Leaders of the eight Member Authorities. Oversight is provided by an Economic Leadership Board, Commission on Urban Growth and a National Evaluation Panel.

## 5.0 PROJECTS UPDATE

- 5.1 There were originally eight projects submitted for consideration for inclusion within the Infrastructure Fund Programme and 3 have been successful i.e. Inverkip, Ocean Terminal and Inchgreen. The details of the projects are as follows:

Project	Activity	Programme Costs
Inverkip Power Station Development	Provision of road infrastructure works at Inverkip Village on the A78 to enable redevelopment of former power station to progress.	£3.2m*
Ocean Terminal	Clyde International Cruise Liner Facility – Ocean Terminal: Extend/new pier, access improvements and improved tourist facilities. This project requires a joint venture with Peel Ports, which requires to be state aid compliant.	£14.2m*
Inchgreen	Formation of West of Scotland Hub for Renewables – works to pier and access including site remediation. This project requires a joint venture with Peel Ports, which requires to be state aid compliant.	£9.4m*
Total		£26.8m

\*Please note that costings above include an element of optimisation bias which has been included by the consultants who developed the bid document

- 5.2 The Strategic Business Cases for both Inverkip and Ocean Terminal were approved by the City Deal Cabinet at its meeting in October 2015. Discussions are ongoing with Scottish Power and Peel regarding the procurement aspects of these projects, and details of the development agreements are going through challenging negotiations to allow our partners to satisfy their internal approval processes whilst addressing risks associated with the projects. Approvals are required within the Scottish Power Group and ultimately with their Spanish parent company Iberdrola. Similarly, with Peel Ports, extensive discussions and negotiations have been ongoing in order to satisfy state aid obligations and Peel's internal approval process. When tendered

rates for each project are received, officers will progress the relevant approvals with the Programme Monitoring Office. It is expected, subject to our partners achieving all internal approvals, that works will start on Inverkip in the Autumn of 2017 with the Ocean Terminal to follow in the Autumn of 2017.

- 5.3 Scottish Power Generation will be required to undertake initial enablement works at Inverkip at its own cost and contribute towards the cost of the Project. The Development Partners will be obliged to meet the terms and conditions established by the Glasgow and Clyde Valley City Deal Infrastructure Programme Monitoring Office. As such officers are negotiating Head of Terms for a Funding Agreement with Scottish Power Generation.
- 5.4 A joint venture, which is State Aid compliant, will be developed with Peel Ports to facilitate berthing arrangements, visitor centre and access improvements the details of which will be reported to Members. Whilst elements of this projects will be subject of State Aid restrictions, in order to complete the feasibility study in respect of the berthing solution, it may be necessary to underwrite fifty percent of the costs of the water based project up to £140,000 and 100% of the land based project up to £70,000 should the project not proceed.
- 5.5 The City Deal employment initiative for Employment Support Allowance clients, Working Matters, is progressing well. The three year programme for one hundred clients per year has commenced with over 129 clients already engaged and has had one positive job outcome.

## **6.0 CITY REGION**

- 6.1 The creation of the City Deal has focussed the eight member authorities of the Glasgow and Clyde Valley Community Planning Partnership into looking at collaborative/collegiate working opportunities across the City Region. Eight portfolios have been created by the Cabinet to facilitate opportunities, these are Enterprise, Tourism and Destination Marketing, Transport & Connectivity, Skills and Employment, Inward Investment & Growth, Infrastructure and Assets (including utilities, telecoms and digital), Housing and Equalities, and Land Use and Sustainability. Responsibility for each portfolio lies with a Council Leader and they are supported by a network of senior officers from the member authorities. Inverclyde Council has responsibility for leading the Tourism Portfolio.
- 6.2 The enterprise group has commissioned external support to review opportunities in economic delivery and is currently considering City Region opportunities for Business Gateway, information and knowledge, and employability and skills, as well as the development of a Regional Economic Strategy, which will be presented to Members in due course.

## **7.0 LEGAL AND PROCUREMENT**

- 7.1 Legal and Financial expertise has been commissioned to provide specific advice on state aid compliance in connection with the proposed joint venture with Peel Ports. Legal assistance will also be provided in relation to the structure and legal documentation required for the proposed joint venture.
- 7.2 Due to the ownership of land and assets involved in the Container Terminal and Inverkip projects, officers consider it appropriate that the contracts for design and then works are put in place by Scottish Power Generation for the Inverkip project, whilst Peel Ports would undertake the works to construct the dedicated pier. Discussions are ongoing regarding whether Peel Ports or Inverclyde Council/Riverside Inverclyde constructs the on-shore facilities. All tenders will be compliant with European Procurement Regulations, the procurement governance arrangements agreed with the City Deal PMO and the Council's Contract Standing Orders where appropriate.

## **8.0 FINANCE**

- 8.1 The Council has allocated £400,000 annually to be channelled through an earmarked reserve from 2017/18 to meet the financing costs and the Council's contribution to the Project Management Office. Updates on the state of the City Deal Funding Model are reported as part

of the Finance Strategy. Any increase in PMO costs and feasibility study costs will be met from this budget.

## 9.0 IMPLICATIONS

### 9.1 Finance

#### Financial Implications:

##### One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
Regeneration	City Deal	2017/19	Up to 250		Abortive costs if the GOT project does not proceed

##### Annually Recurring Costs/ (Savings)

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

### 9.2 Legal

There are no specific legal implications arising from this report.

### 9.3 Human Resources

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

### 9.4 Equalities

Has an Equality Impact Assessment been carried out?

Yes    See attached appendix

No    This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

### 9.5 Repopulation

There are no repopulation issues arising from this report.

## 10.0 CONSULTATIONS

10.1 Ongoing engagement with external partners is taking place.

## 11.0 BACKGROUND PAPERS

11.1 There are no background papers for this report.