



Glasgow City Region Cabinet

Report by Director of Regional Economic Growth

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**Item 17**

**5 November 2024**

## **City Deal Reprogramming and Programme Prioritisation Appraisal Report**

### **Purpose of Report:**

This paper presents the Cabinet with the proposals for the reallocation for the Glasgow Airport Access Project Funds including the funds to be allocated to mitigate inflation, two proposed New Local Projects and a proposed New Regional Project.

### **Recommendations:**

The Cabinet is invited to:

- a) Note the contents of this paper;
- b) Agree the selection of the Enabling and Delivering Commercial Space Project as the preferred Expression of Interest under element **A: New Regional Project**;
- c) Agree the proposed use of the funds for inflationary costs and two new local projects under workstream B: **New and Existing Local Projects**<sup>7</sup>; and
- d) Agree the next steps as set out in section 6.

## 1. Introduction

- 1.1 This paper presents the Cabinet with the proposals for the reallocation for the Glasgow Airport Access Project (GAAP) Funds including the funds to be allocated to mitigate inflation on existing City Deal projects, two proposed New Local Projects and a proposed New Regional Project.

## 2. Background

- 2.1 In February 2024, the Glasgow City Region Cabinet received an update from the Glasgow City Region Programme Management Office (PMO) outlining proposals for the reallocation of the GAAP funds in order to support the wider objectives of the governments' and Region's economic strategies.

- 2.2 Having heard the proposals, the Cabinet:

- a) Agreed that the City Deal funded studies and business cases completed by Renfrewshire Council for the Glasgow Airport Access Project (GAAP) be used to inform the Clyde Metro Scheme development and continues to represent eligible expenditure;
- b) Noted that the CEG, under its delegated authority had agreed to allocate £12.155m of the approved business case stage funding from the City Deal Glasgow Airport Access Project (GAAP) to Glasgow City Council to promote and accelerate business case development of Clyde Metro proposals towards key gateway decisions;
- c) Noted SPT is to be the lead organisation for the Case for Investment development stage for Clyde Metro;
- d) Agreed the remaining £129.145m of original GAAP funding should be reallocated on two main elements (A and B below):

**A: New Regional Project.** 50% (£64.57m) of funds to be allocated towards a new, regional project of significant scale, allowing the Deal to support new opportunities/address new priorities which have emerged since initial City Deal programme assembly exercise in 2013/14.

**and**

**B: New and Existing Local Projects.** The remaining 50% (£64.57m) be reallocated to Member Authorities for new local project activity and to support delivery of existing City Deal projects which have faced unprecedented cost pressures resulting from externalities (e.g. construction inflation, Covid impacts etc).

- e) Agreed that, as required by the Assurance Framework, the Programme Prioritisation Framework (PPF) process is commenced and that the PPF should be used to identify the New Regional Project; and

- f) Requested that the PPF should be updated to ensure a higher weighting is given to Inclusive Regional Growth prior to the invitation to submit Expressions of Interest for the New Regional Projects being issued.

- 2.3 A separate report is presented to 5 November Cabinet outlining the progress which has been made with the Clyde Metro scheme.
- 2.4 This report provides an update on the progress made with the reallocation of the remaining £129.145m of funding.
- 2.5 Two separate processes have been implemented for each element, A and B.

### **3. A: New Regional Project - Reallocation Process**

- 3.1 In order to identify this new project, the PPF process was implemented with the below steps undertaken.
  - a) Following feedback from the Feb 13 Cabinet, the PMO updated the PPF to ensure a higher weighting was given to Inclusive Regional Growth.
  - b) The PMO issued the invitation and template to the Member Authorities (MAs) on Friday 23 Feb 2024 providing a 12-week period to complete and return submissions by Friday 17 May 2024. Four Expressions of Interest were submitted on 17 May 2024.
  - c) Due to the calling of the General Election, an extension to the development of EOIs was agreed and those submitting EOIs were offered an extended period of time to further develop their EOIs with the revised submission 20 September 2024.
  - d) The PMO passed the four EOIs to the governments for their information.
- 3.2 The four EOIs received are summarised below:

#### **Paisley Regional Gateway (Phase 1)**

- Submitted by: Renfrewshire Council
- Project Location: Paisley Town Centre, Renfrewshire
- Scope: demolition works adjacent to car park, redevelopment of two railway arches; development of a Regional Transport Hub, lighting improvements to railway bridge, secure cycle parking, junction improvements, bus prioritisation measures, relocation of taxi rank and creation of covered walkway toward airport terminal, bus terminal.
- Bidding for: £31.9m funding to deliver phase one of the Paisley Regional Gateway
- Milestones: Construction Start: April/June 2028 and Construction End: July/September 2029

#### **National Business District Shawfield Completion Project**

- Submitted by: South Lanarkshire Council and Clyde Gateway
- Project Location: Shawfield, South Lanarkshire
- Scope: Priority 1 Projects focused on Acquisition, Remediation & Infrastructure Development; and Priority 2 Projects focused on Regeneration, Innovation and Growth
- Bidding for: £95.1m (£35.2m funding for Priority 1 Projects and a further £59.9m for Priority 2 Projects)

- Milestones: Works start (demolition) March 2025, works end (remediation) December 2028

#### **Tidal Clyde Regeneration Through Climate Adaptation**

- Submitted by: Glasgow City Council
- Project Location: Tidal Clyde Corridor from Glasgow City Centre to Dumbarton and Greenock
- Scope: Regional compensatory storage; Tidal Clyde corridor improvements; and Dumbarton Town Centre Climate Adaptation.
- Bidding for: £65m
- Milestones: Construction Start October 2027, Construction End Dec 2030

#### **Enabling & Delivering Commercial Space**

- Submitted by: Inverclyde Council
- Project Location: Region-wide. 23 project across 8 MAs.
- Scope: Enable development of commercial stock through remediating/servicing of sites and/or creation of new commercial space for leasing to small to medium sized businesses, reflecting localised market failure
- Bidding for: £92.1m total value of all projects submitted. Intentionally oversubscribed to allow a rigorous prioritisation process and be scaled to fit the available funding
- Milestones:
  - Detailed Project Assessment and Prioritisation Phase (Oct 2024-May 2025) with consultants Ryden having been engaged to support the PMO and MAs to prioritise the projects.
  - Strategic Business Case completion May 2025.
  - Construction Start: Spring 2025
  - Facilities Operational by End 2030.

### **4. Programme Prioritisation Appraisal of the Expressions of Interest (EOIs)**

4.1 The four EOIs have been assessed by the PMO against the scoring matrix included with the PPF. The Enabling and Delivering Commercial Space EOI has ranked highest based on:

- Deliverability and financial risk being spread across eight local authorities, rather than concentrated on one Member Authority
- The proposal addressing a Region-wide, significant need for commercial space
- Delivering Region-wide Inclusive Growth with all Member Authorities benefiting from investment to deliver commercial space, thereby reducing potential displacement effects from concentrating investment in one area of the Region.

4.2 A series of meetings has been arranged to provide feedback to individual Member Authorities on the scoring for their project and to identify potential future support that can be provided with project proposals through other regional schemes such as Clyde Mission.

### **5. B: New and Existing Local Projects – Reallocation Process**

- 5.1 The second key element of the proposal is to reallocate the remaining uncommitted £64.57m of City Deal funding to support proposed New Local Projects or to support inflation costs on existing City Deal projects.
- 5.2 The Cabinet agreed with the proposal that additional funds should be restricted to a capped amount at approx. 106.6% of the initial City Deal grant allocation. The PMO wrote to Financial Strategy Group and Lead Officer Group members in Feb 2024 to advise them of the available allocation. Confirmation was sought on the use of the funds from each Member Authority.
- 5.3 East Renfrewshire Council and Inverclyde Council have proposed New Local Projects. A brief summary of each is included in Appendix 2.
- 5.4 The remaining six Member Authorities have confirmed the funds are to be used on inflation related costs of existing projects, namely:
- East Dunbartonshire - inflation costs included in Outline Business Case for Place and Growth Programme for approval at November 2024 Cabinet
  - Glasgow – inflation costs incurred on projects during construction phase. Details are set out within Glasgow's wider Revision 10 Proposals paper for approval at November 2024 Cabinet
  - North Lanarkshire – East Airdrie Link Road (EALR) inflation cost. Details on this proposal were set out within the EALR OBC Approval Paper approved by the August 2024 Cabinet.
  - South Lanarkshire – inflation costs across the Community Growth Area projects delivered to date.
  - Renfrewshire - inflation costs incurred on Clyde Waterfront Renfrew Riverside.
  - West Dunbartonshire – inflation costs incurred on the Exxon project.
- 5.5 The following additional eligibility will apply to the inflation fund:
- funds must be used for projects which are not yet complete i.e. cannot be applied retrospectively to completed projects; and
  - funds must not be used to address borrowing costs.

## **6. Next steps**

- 6.1 The next steps for the elements A and B are summarised below.

### **A: New Regional Project – Proposed Next Steps**

- a) Following Cabinet approval of the recommendation to select the Enabling and Delivering Commercial Space Project as the preferred EOI, the proposal that this be the New Regional Project will be shared with the UK Government and Scottish Government for inclusion in Government decision-making processes. Feedback is expected to be received within 14 working days.
- b) Where endorsement for the proposal has been gained from governments, a report will be presented to 5 Dec 2024 CEG confirming this.

- c) A report will be presented to Feb 2025 Cabinet outlining the governments' endorsement and seeking final ratification/approval of the New Regional Project. At this point, the New Regional Project will be given an equivalent status to those on the Initial Project List identified via the initial Programme Assembly Exercise in 2013 and will be invited by the Cabinet to proceed to Business Case development stage.
- d) A New Regional Project Strategic Business Case for the Enabling and Delivering Commercial Space must be submitted to the PMO in order that this can be approved by May 2025 Cabinet at the latest.
- e) The Director for Regional Economic Growth and the Head of Place will continue to engage with the three Member Authorities which have submitted the remaining EOI to provide support to their delivery, including consideration of whether they can be supported through other existing (e.g. Clyde Mission) and future regional funds.

## **B: New and Existing Local Projects - Proposed Next Steps**

### **New Local Projects**

- f) Following approval of the CEG and 5 Nov Cabinet that the two New Local Projects at Appendix 2 are also progressed, headline proposals will be shared with the UK and Scottish governments for inclusion in their decision-making processes, with feedback on these also expected to be received within 14 working days.
- g) Where endorsed to progress by governments, and following subsequent ratification by the Feb 2025 Cabinet, New Local Projects will require to develop SBCs for these projects for approval at May 2025 Cabinet.

### **Existing Local Projects**

- h) Member Authorities with existing City Deal projects which have encountered additional costs as a result of inflation will require to provide the PMO with a briefing note setting out the evidence for these additional costs being incurred. The PMO has shared an example of the type of briefing note that is required.
- i) Following the appraisal and approval of the individual briefing notes and the Feb Cabinet ratification of the wider reallocation package, Member Authorities should update the funding section of the latest versions of their business cases (whether that be OBC or FBC) to reflect the additional funding allocation from City Deal for the capped amount they have to be notified they are to receive.
- j) These revised business cases will be approved by the Director for Regional Economic Growth under his delegated authority. Member Authorities can then submit claims for the additional funding.

## **7. Next steps**

### **7.1 The Cabinet is invited to:**

- a) Note the contents of this paper;
- b) Agree the selection of the Enabling and Delivering Commercial Space Project as the preferred Expression of Interest under element **A: New Regional Project**;
- c) Agree the proposed use of the funds for inflationary costs and two new local projects under workstream B: **New and Existing Local Projects**; and
- d) Agree the next steps as set out in section 6.

## Appendix 1: Enabling & Delivering Commercial Space – Project long List

	Project Title	Project Type	Funding
<b>EDC</b>	Westerhill Land Acquisition and Utilities	Site Servicing & Land Acquisition	£5,823,345
<b>ERC</b>	Crossmill Industrial Units	New Build	2,900,000
	Robertson Street Industrial Units	Refurbishment	£1,481,600
<b>GCC</b>	Former Lyceum Cinema	Refurbishment	£5,000,000
	CWIC	Site Servicing	£9,750,000
	Water Row Govan	Refurbishment	£650,000
	Lighthouse	Refurbishment	£4,000,000
	Boden Street	New Build	£780,000
<b>IC</b>	Kelburn	New Build	£4,500,000
	Crescent Street	New Build	£3,000,000
	Ingleston Park	Refurbishment	£500,000
<b>NLC</b>	Ravenscraig	New Build	£9,655,802
	Lanarkshire Enterprise Park	New Build	£6,995,924
	Westfield	New Build	£3,641,427
<b>RC</b>	Tech Terrace AMIDS	New Build	£9,100,000
<b>SLC</b>	Former Liberty Steel Site Clydebridge	Site Servicing	£4,150,000
	Langlands East Kilbride	Site Servicing & New Build	£5,836,000
	Cathcart Road Rutherglen	New Build	£1,911,752
	South Faulds Road Site Caldwellside	Site Servicing & New Build	£4,323,140
	Canderside Site	Site Servicing & New Build	£1,000,000
<b>WDC</b>	Lomond Industrial Estate (Alexandria)	New Build	£3,011,401
	John Knox Street (Clydebank)	New Build	£3,011,401
	Ash Road (Dumbarton)	New Build	1,110,000
Total Long List Value			£92,131,793

## **Appendix 2: New Local Project Proposals**

### **Inverclyde New Sub Project: Additional Works to Inchgreen**

**Dredging:** The current dredge depth equates to an average depth of 8.5m LAT. The proposal is to dredge a further three metre from the channel to the Quay wall packet for larger vessels for renewable sectors. The above works are estimated to costs £2.366m

**Bund removal:** Following the acquisition of the AP Jess site, due to managing inflationary costs across the wider project we were unable to afford the removal of the bundled areas around the AP Jess site, as well as the former Arnold Clark Site. The proposed works will remove a follow-on burden on potential tenants. Within this works package it is also proposed to remove the redundant building on the Eastern side of the platers Shed. Estimated cost £1.109m

**Lighting and EV charging:** Works to enhance the lighting and EV charging within the footprint of the site to ensure that a safe and attractive location is provided. Estimated cost £0.385

**Security:** Enhancements to the security of the site with improved fencing, adjacent to the northwest section of the site as well as gate fencing. Estimated cost £0.132m

**Platers shed:** Creation of a new door on the North Elevation to facilitate large load access of the north elevation of the building. Refurbishment of the existing gantry crane to facilitate better material movement. Estimated cost £0.224m

**Site acquisition.** Spatial demand for quayside access remain high. Acquisition of two sites on the south of the A8 adjacent to Gibshill Road as an extension to the site. Estimated cost £0.900m

### **East Renfrewshire Council New Sub Project: Crossmill Expansion Plots D, G & H**

East Renfrewshire Council (ERC) is seeking permission to proceed to Strategic Business Case for a local project incorporating the provision of new commercial property (Plots G and H) and enabling infrastructure (Plot D) by expanding the Crossmill Business Park (refer to Site Plan and the end of this document). All three plots are in ERC ownership.

Should the Glasgow City Region City Deal Programme Management Office put forward this proposal for approval, please note that on 5 September 2024, ERC Cabinet approved the preparation of a Business Case in accordance with the GCR City Deal Assurance Framework.

It should be noted that East Renfrewshire Council has also submitted this Crossmill Expansion proposal as part of the regional project proposal “Enabling and Delivering Commercial Space” based on its strategic fit with market appetite, deliverability and cost certainty. If the Regional Project were to be approved, ERC would seek to implement a similar scheme at a different location. More information is provided in later section of this appendix.

### **Market Failure**

The delivery and enablement of commercial space will contribute towards meeting current demand for new industrial space within East Renfrewshire and the wider Glasgow City Region, where a strong body of evidence and policy drivers indicate there are structural challenges and market failure within the commercial property market.

The project seeks to offset property market failures in East Renfrewshire, and well recognised across most authorities in the region, whereby cost to develop new commercial space is not a viable commercial proposition for the private sector, and generally requires public sector stimulus. Further, the project will support the delivery of new commercial space in Barrhead across the



region, supporting SMEs and businesses by providing high quality, energy efficient space recognising that stock availability, quality, accessibility and energy performance are constrained at present.

This proposal recognises that Ryden is currently undertaking research to quantify the property market challenges across the region, and it is anticipated that the findings of the research will underpin the business case for ERC's proposal.

### **What outcomes will it deliver and by when?**

This proposal seeks to support the following objectives over the next 5.5 years (by December 2030):

- create additional business incubation space for new start-up businesses and SMEs by 2028 create up to 25,000sqft / 2323sqm of new light industrial space for business start-ups and growing businesses in Barrhead by 2028
- create flexible working space capable of accommodating variety of business needs that will fall within three Planning Use Classes - 4 (offices and light industry), 5 (general industry) and 6 (storage)
- additional GVA
- access to related employability and skills programmes for local people including those from disadvantaged or protected characteristic groups
- removal of sites from the vacant and derelict land register
- support the continuing regeneration of Barrhead and the development of employment support, and
- upgrade the environmental specification of the industrial stock to achieve reduced carbon footprint.

These objectives will be further smartened as the business case processes progresses.

### **Scope**

The project proposal supports direct delivery of new, flexible commercial space and enabling public and private sector delivery of space through land remediation and service provision. The project will directly deliver two outputs:

- the creation new, flexible commercial space for lease to market and
- the development of further commercial stock through land remediation and servicing of a separate, adjacent site.

Located within Barrhead and serving small to medium sized commercial interests, the flexible and adaptable design of the space will be configured in a modern format to suit business needs from the foundational economy or for established businesses to growth and expand. To consolidate the success of the regeneration of the area, it is proposed that additional floorspace space be constructed on plots G & H of the Business Park, which will fall within three Planning Use Classes.

Plots G and H are accessed from the service spine road, cover circa 0.6 hectares (or 6,188 square metres) and occupy a prominent position facing on to Glasgow Road. These plots have been leased to Scottish Water for the last 3 years, but will be vacated in Autumn 2024. The plots can accommodate a building of circa 2,200 square metres.

This would equate to a development proposal of:

- 25,000sqft / 2,323sqm of business space split into approximately ten units, although this will be confirmed following detailed design.
- In order to provide the flexibility required to meet known and emerging demand, it is proposed that the development is constructed in a terraced format capable of being sub-divided in varied ways, to meet business requirements.
- Construction using a portal frame with a concrete base slab and flexible frontages will enable the letting of bespoke unit sizes, according to the needs of the tenant businesses. The external materials of the development will be of a modern metal-cladding style compatible with the prominence of the plot and the design of existing units within the business park.

Plot D is accessed from the service spine road and covers 0.7 hectares (or 7,025 square metres). It is situated on the west side of the site and could accommodate a building of circa 5,600 square metres. The site has several land management issues that require to be addressed and would be serviced before it would be marketed.

The proposal requires £2.9m investment, of which £2.494m (86%) is sought from the additional City Deal funds and £406,000 (14%) from ERC. Both the commercial premises and enabling infrastructure will offset market failure in viability and commerciality in private sector leading the development of commercial space. East Renfrewshire Council can confirm there would be a demand for the project and it is envisaged that the investment will benefit wider East Renfrewshire thus maximizing impact.

### **Ownership and Occupancy**

The three Plots (D, G and H) are in ERC ownership and are currently vacant.

In relation to occupier / tenant demand for the project, the current industrial unit available supply is very low at below 1% of total stock which is below the regional average of 4%. Annual take up of space in the period 2019-2024 has been 3,535 square metres (38,071 sq.ft) across six units giving an average requirement for 707 square metres (7,614 sq.ft) per occupier. It should be noted this is skewed by two lettings of 930 square metres (10,000 sq.ft) at Spiersbridge in 2019.

The majority of demand is up to 465 square metres (5,000 sq.ft) albeit this is difficult to measure meaningfully against supply given the limited number of units on the market. Most leases are for around 10 years. Notably, ERC has provided annual and three-year leases for the 1980s stock of its assets. This is to foster micro businesses and start-ups. Rental levels at £5-7 per sq.ft reflect the marginal financial nature of the micro local businesses and sector such as construction. This compared to rentals of £9 per sq.ft in adjacent areas in refurbished 1980s stock.

Low availability of adequately sized and configured units, within close access to the motorway junctions has limited the expansion of the business base by sector and size (particularly medium size industrial businesses) and this has contributed to artificially suppressed rental levels and lease terms.

Barrhead often loses out to the Govan/Kinning Park areas of Glasgow; Hillington and western edges of surrounding areas of East Kilbride. Recently the second largest ERC-based construction sector employer announced it is moving to East Kilbride, despite the business headquarters being located in East Renfrewshire for over 40 years.

The availability of modern accommodation suitable and available within the timeframe to accommodate its recent planned and rapid operational growth with an accessible location for its

customers has resulted in a loss of over 150 good employment jobs from the local economy. In turn, this impacts the local services of a fragile high deprivation neighbourhood centre.

### **How will it be delivered?**

The overall project will be designed by a professionally qualified team, led by architects and tendered through either a traditional procurement route or a design and build route. East Renfrewshire Council will prepare the outline and full business cases.

### **Who will use it and why?**

The project will be marketed widely, including to SME's looking to grow and expand and to inward investment companies from the Glasgow City Region, Scotland, and the UK. This will provide good quality, modern and flexible commercial property at market value rent rates to support a wide range of businesses, including start-ups, incubation and supply chain businesses.

### **What are the programme costs and timescales?**

An allocation of £2.9m is sought from the City Deal re-profiling exercise with delivery within the following timescale:

- Contract award – Summer 2026
- Construction start – Autumn 2026
- Construction end – Autumn 2027
- Operational/Occupied by tenants – early 2028

### **Alternative proposal to Crossmill**

Should the regional project proposal "Enabling and Delivering Commercial Space" be approved and the Crossmill Expansion is included within the regional funding envelope, ERC would seek to implement a similar local property employment proposal at a different location (to be confirmed) making use of the additional City Deal Funds for a new local project.

The alternative proposal will have the same strategic fit with market appetite, deliverability and cost certainty. It would address the same market failure and achieve the objectives set out above. It would also address employability and skills and, contribute to an enhanced quarterly of property accommodation.