



Glasgow City Region - City Deal

Cabinet

Report by Director of Regional Economic Growth

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Item 5

1st June 2021

PMO Evaluation:

INVERCLYDE COUNCIL – Outline Business Case – Inchgreen

Purpose of Report:

To report to the Cabinet on the evaluation of Inverclyde Council's Outline Business Case for Inchgreen.

Recommendations:

The Cabinet is invited to:

- (1) note the content of this report;
- (2) note the PMO Appraisal and Project Risk Register are available on request from the Clerk;
- (3) approve this Outline Business Case;
- (4) invite Inverclyde Council to proceed to prepare the Full Business Case; and
- (5) approve the funding requirement of £0.080m to develop the Full Business Case.

1. Purpose

- 1.1. To report to the Cabinet on the evaluation of Outline Business Case (OBC) for Inchgreen.
- 1.2. The submission of this business case for appraisal is considered as confirmation that Inverclyde Council approves the inclusion of this business case as part of the City Deal Programme as stated in the Glasgow City Region City Deal Assurance Framework 2019.
- 1.3. Inverclyde Council's 13 April 2021 Environment and Regeneration Committee approved the OBC and the submission of this business case to the Programme Management Office for appraisal. The content of the committee report is consistent with the scope, finance, timeline, and benefits of the OBC submitted to the PMO.

2. Background

- 2.1. The CEG on 30 November 2017 approved a review process to ensure that Glasgow City Region City Deal business cases are compliant with the approach contained within the H.M. Treasury Green Book. EKOS Consulting Ltd, in the process of reviewing the GCR City Deal OBCs, developed an appraisal template which has incorporated the comments of both the UK and Scottish Governments. This appraisal template has been used to assess this business case for compliance with Green Book.

3. Review of Inchgreen OBC

- 3.1. The appraisal of this business case was carried out in line with the appraisal template, and the PMO considers that the OBC is consistent with the requirements of H.M. Treasury Green Book. While the PMO considers that the OBC is compliant with the requirements of Green Book, it remains that case that all legal and financial risks associated with the project remain with the Member Authority.
- 3.2. The PMO consider that the content of this OBC is consistent with the content of Inchgreen SBC previously approved by Cabinet on 12th February 2019.
- 3.3. The monitoring and evaluation of the Inchgreen OBC will continue to inform the overarching Programme Business Case.
- 3.4. The Executive Summary for the Inchgreen project is attached as Appendix 1.
- 3.5. A copy of the PMO's appraisal assessment of this business case is available from the Clerk.

4. Current Status of Project

- 4.1. In advance of the approval of this OBC, this project reported at 'Green' status for Scope, Finance, 'Amber' for Timeline and 'Future' status for Benefit Realisation.

5. Scope

- 5.1. The scope of the Inchgreen OBC is consistent with the content of the SBC previously approved by Cabinet.
- 5.2. There have been no change controls submitted for Scope since the approval of the SBC.

6. Timescale

- 6.1. Inverclyde Council is proposing to submit an FBC following the approval of this OBC. The key milestone dates are as follows:

Activity	Timeline (calendar year quarters)
OBC Approval at Cabinet	Q2 2021
FBC Approval at Cabinet	Q4 2021
Construction Start on Site	Q1-Q2 2022
Completion & Handover	Q1 2023

- 6.2. Two Change Control Requests for project Timescales have previously been approved:
 - Change Control no. 200217_IC_CH0002 approved by Cabinet 07.04.2020 restated the submission date for FBC from February to October 2020;
 - Change Control no. 201021_IC_CH0004 approved by Director of Economic Growth under delegated authority on 20.10.20 restated OBC approval date from Dec 2020 Cabinet to Feb 2021 Cabinet (+2 mths); moved FBC from Dec 2020 (was to be submitted as an OBC/FBC requiring CEG and Cabinet approval) to March 2021 (+3mths).

In approving this OBC there will be a restatement to the last approved:

- FBC approval date from March 2021 to Q4 (Oct-Dec) 2021;
- Construction Start Date of April 2021 to Q2 (Apr-June) 2022;
- Construction End March 2022 to Q1 (Jan-Mar) 2023.

7. Finance

- 7.1. This OBC is part of the Inchgreen SBC which has total City Deal funding of £9.427m of which £0.150m has previously been approved.
- 7.2. The total cost of the project as outlined in the OBC is £9.470m of which: £9.427m is funded from City Deal Grant and Inverclyde Council Member Authority contribution; and a further £0.043m from additional Members' contributions from the Council.
- 7.3. This OBC is seeking approval of a further £0.080m funding. This funding will be spent on consultancy and design fees. This funding request is in line with the

value of funding requests of comparable value projects at this stage of project development. This funding request is within the overall project funding allocation that has already been approved.

7.4. A full financial analysis has been carried out as part of the evaluation of the business case for the project funding. The drawdown of this funding will be completed on the basis of actual eligible expenditure, in association with the grant drawdown principles outlined within the Assurance Framework.

7.5. There have been no change controls submitted for Finance since the approval of the SBC.

8. Benefits Realisation

8.1. The Inchgreen OBC has identified and quantified the project outputs for this OBC and provided completed individual benefits trackers as required by the Assurance Framework.

8.2. **GVA:** The GVA that is projected to be delivered by the project and attributable to the City Deal investment by 2035 and over 25 years (2045) is set out in the table below:

GVA	
Net additional GVA at GCR by 2035	£106m NPV
Net additional GVA at Scotland level over 25 years	£170m NPV

8.3. **Benefit Cost Ratio (BCR):** The GCR City Deal Programme Management Toolkit states that the BCR should be calculated using the *Net Additional GVA at GCR over a 25 year period* against *total public sector costs* for the Inchgreen project the BCR is calculated as follows:

Benefit Cost Ratio	
Net Additional GVA at GCR over a 25-year period	£180m
Total public sector costs over 25 years	£9.2m
BCR	19 to 1

8.4. The BCR of 19 to 1 is for the benefits and costs that are attributed to the City Deal Investment. Therefore for every £1 of public money invested, £19 of economic benefit is secured for the City Region, demonstrating value for money. The Programme Business Case 2019 calculated an overall BCR for the City Deal Programme of 6.4 to 1.

8.5. **Employment Benefits:** The projected number of jobs, both the short-term construction jobs through both the enabling infrastructure and follow on

development, and the operational permanent jobs, that are attributed to the City Deal investment are set out in the table below:

Construction Employment - short term	
Net additional enabling infrastructure jobs at GCR (Person Years of Employment by 2035	70
Net additional development/follow on jobs at GCR (Person Years of Employment) by 2035	150
Operational Employment – permanent jobs created.	
Net additional Full Time Equivalents by 2035	100

- 8.6. **Private Sector Investment:** Details of the development sites where anticipated private follow-on investment is projected to deliver £19.5m (Net additional private sector investment) by 2035 is described within the OBC, alongside the arrangements that are in place to facilitate follow-on private sector investment. Delivery of this follow on investment will be monitored by the PMO quarterly benefits reporting.
- 8.7. **Community Benefits:** The OBC advises that the construction works for this project will be procured via the new joint venture company which is being created. The OBC states that procurement and the reporting of community benefits will be in line with City Deal policies and the Full Business Case will require to demonstrate this and clearly state the community benefits secured.
- 8.8. There have been no change controls submitted for Benefits Realisation since the approval of the SBC.

9. Recommendations

- 9.1. The Cabinet is invited to:
- (1) note the content of this report;
 - (2) note the PMO Appraisal and Project Risk Register are available on request from the Clerk;
 - (3) approve this Outline Business Case;
 - (4) invite Inverclyde Council to proceed to prepare the Full Business Case; and
 - (5) approve the funding requirement of £0.080m to develop the Full Business Case.

Appendix 1 – Executive Summary

Project Description

1. The Inchgreen project is an infrastructure investment and property development project.
2. The project is a partnership project (Joint Venture) between Inverclyde Council (IC) and Clydeport Operations Limited (COL) on a vacant and underutilised brownfield site between Port Glasgow and Greenock. It incorporates parallel initiatives to promote Inchgreen Dry Dock (Clydeport Operations Ltd- COL) and Redevelopment of the Platers Shed supported through the Clyde Mission Programme (£1.365m)
3. The project is seeking to redevelop an under-utilised and yet valued land asset that is currently heavily constrained by historic activity and to invest in site assembly, site remediation and infrastructure to ensure the site can play an active part in securing new investment and jobs in an area of high employment need.
4. Inverclyde Council in submitting this OBC are also seeking approval to drawdown costs for consultancy and design fees of £230,000 (£80k plus £150k previously approved) to develop the scheme to FBC. Funding of £8.108m will be sought from the Glasgow City Deal at FBC stage. Inverclyde Council have allocated £1.362m to the project which comprises the 14% City Deal share and a further £43,000 to cover the increase in the notionally approved project value.

Inchgreen Site

5. The Inchgreen site (“the site”) covers 11.50ha and is located on the south bank of the Clyde, between the towns of Greenock and Port Glasgow. The site is located immediately to the west of Inchgreen Dry Dock and east of James Watt Dock, and benefits from deep water access to the Clyde. Port Glasgow Road (A8) runs along the southern boundary of the site, connecting to the M8, Glasgow Airport, the City Centre and wider Central Belt. The site incorporates the re-purposed Platers Shed (2555m²). Options for the site include consideration for consolidation of ownerships. Approximately 150m south of the site is the Inverclyde rail-line and Bogston Station with public transport within the A8 Corridor and the NCR 75 aligned to the south of Gibshill. The site offers excellent neighbourhood employment facilities and access from both Greenock and Port Glasgow

A location plan of the site is provided in Figure below. Inchgreen Site - Site Boundary – Preferred Option



The project is summarised below.

Key Site Facts	
Location	Greenock / Port Glasgow
Site Area	11.50ha
Site Ownership – Controlling Interest	Inchgreen JV Newco (IC / COL) – 75-year lease
Current Status	Vacant/Under-utilised – 20+years
Unrestricted Access Channel	10.0 metres + LAT/Quay Draft 8 metres +LAT
Quay Length	660 metres deep water quay
Direct Access	A8 Trunk Road & connected to M8 Network

Land Ownership

6. The land on the site is in multiple ownerships, with Clydeport Operations Limited holding the largest portion of the site. The site has had a number of controlling interests that have further complicated site availability and title. Fragmented ownerships have prevented the site's condition and constraints to be addressed. Riskend Quarry (REQ) and McKechnie Jess (MJ) own adjacent and contiguous sites to the south and west.
7. COL are providing leverage investment in the form of land (8.8ha) that will be leased on a 75year lease to the 50-50 Joint Venture as their contribution.
8. The JV (Inverclyde Council / Clydeport Operations Ltd.) has been established as the optimal vehicle and partnership arrangement for site investment. The JV entity will have control of the Inchgreen Clyde Waterfront Site (Clydeport plus Riskend Land holdings) consolidating various titles/rights and establish a single JV covering 28.5 acres. The JV Newco will be the Subsidy Control Compliant delivery mechanism to invest in the site creating a number of market-ready

investment propositions. The Inchgreen site (outlined in red) will be controlled by the JV (Inverclyde Council and Clydeport Operations Limited) on a 75-year lease.

Existing Site Ownership



Market Interest Clyde Waterfront

9. Inverclyde Council Economic Strategy seeks to rebuild the employment base and attract new investment and businesses into Inverclyde. The Council working with partners has been successful in developing businesses within new and industrial estates. The Council regularly receives inquiries from investors seeking waterfront sites associated with growing sectors – Marine Engineering / Aquaculture / Shipbuilding & Servicing requiring deep water marine access.
10. Inverclyde Council and Clydeport Operations Limited have reviewed all the varied deep-water access sites but all the sites are constrained. The partners currently have live enquiries for end users seeking Clyde Waterfront locations. These include shipbuilding, fishing sector, marine engineering, marine operations and fish process/aquaculture businesses.
11. Many of these are locational driven inquiries with defined specification (Clyde marine access / Quay Length / Quay Loading / Land Area / Operational Specifications).
12. Live inquiries with stated and defined interest in a market-ready serviced Inchgreen site include:

Current Established Market Interest	Requirement	Investment
The Scottish Salmon Company	Marine access for Wellboats Direct/Immediate Quay access Employee accessible site	Regional HQ Fish Process Plant R&D & Training Facility
PED-SHIP	Marine Access Large Covered Manufacturing Direct access Quay/dry Dock	Regional HQ Ship /Yacht Manufacture Service Base
Marine Engineering (NDA)	Deep Water Quay Direct/Immediate Quay access Employee accessible site	Regional HQ Manufacturing Facilities Marine Loaded Quays
Clyde Fishermen's Association (CFA)	Marine Access Training Facility Direct access to marine vessels Small site with good local access	CFA HQ - Office Training & Education Facility
Operators / Deep Water Quays	Marine access to Deep Water Quay	Potential future market interest. Marine Sector interest

The Need for the Project

13. Infrastructure investment is required to bring the Inchgreen site back into economically productive use. Fundamental site constraints reflecting historic land-use activity, and the level of investment required to develop the site adversely impact on viability. The investment provided through the City Deal will overcome site constraints and allow the site to realise its potential, unlock commercial value, and support inclusive economic growth.
14. Outcomes will include vacant/under-utilised land remediated, jobs and economic growth in an area which suffer from multi-faceted deprivation. The site has a long history of industrial land-use and represents a brownfield site with significant site constraints and the absence of basic infrastructure.
15. The JV propose to invest in the site to unlock new economic activity and facilitate new follow-on investment. Market interest exists and Inverclyde has long-standing demand for marine sites however the costs of land assembly, remediation, infrastructure and the associated development risks prevent private sector investment. The site sits immediately adjacent to the Inchgreen Dry Dock (strategic national facility) with leaseholders within the Inchgreen Site offered preferential rates for access to the dry dock. The need, problem and rationale are

set out in the Strategic Case at paragraphs 28-40. The main areas of need are described and quantified.

Project Objectives

- bring a high value but under-used waterfront asset back into productive use and secure follow-on investment in new business activity,
- secure control of the site creating a public -private partnership (IC/COL) to promote and develop the site,
- remediate a brownfield site by addressing the land-use legacy constraints that act as a barrier to investment and development,
- make the site market-ready and attract new investment and end users requiring a Clyde waterfront location,
- support Inverclyde’s economic objective of delivering jobs creating opportunities for local people that support physical and social regeneration outcomes.

Scope of the Investment & Proposed Works

16. Development of Inchgreen will enable the redevelopment of a West Scotland Clyde Waterfront site with deep water access and 11.50ha of development space. Intervention to deliver this will involve site preparation, site clearance and associated remediation works together with investment associated with upgrading of infrastructure (marine / access / services & utilities) and contribution to abnormal costs associated with the delivery of an Advance Building Unit (12,100m²) to create a market ready inward investment. This will support investment of circa £35m (construction & fit-out) by Scottish Salmon Company.

17. The main capital expenditure elements are set out below:

Summary of Project Costs		CAPEX
Quay & Dock Upgrading Works		£0.85m
Demolitions		£0.40m
Site Remediation /Site Prep Works		£1.10m
Engineering & Infrastructure Works		£1.00m
Dredging		£1.40m
Infrastructure / Utilities /Services		£1.20m
Scottish Salmon Company New Facility – Abnormals / Foundation Costs		£1.50m
Secondary Infrastructure/access Boundaries/Landscape		£0.20
Capital Works Total	£7.65 m	£7.65m
Contingency (7.5%) Optimism Bias (10%) on Capital Works		£1.34m
Fees /PD - Consents / Licenses		£0.48m
Total		£9.47m

18. In developing the proposals from approval of the revised SBC in 2018, the total forecast cost of the project has been reallocated from the initial estimate of £9.5-£9.6 million based on further assessment around project need, site conditions, and focussing of the scope around market readiness and future user needs.

19. A number of cost and scope amendments and adjustment have been made as the technical and project elements have been defined together with value engineering and risk reviews. The changes between the SBC and OBC include:

- Amended costs based on a revised masterplan layout and revised extent/ value engineering of works,
- Amended costs associated with quay works and engineering of the sheet pile quay following quay assessment,
- Amendment to costs associated with grading/site preparation based on investigations and remediation strategy – Contamination risk has been excluded with contamination risk/costs retained by COL as previous landowner,
- Addressing abnormal costs associated with piled foundation requirements / site abnormals for the Scottish Salmon Manufacturing unit –12,100m²

Project Schedule

INCHGREEN	2021				2022				2023			
Project Schedule	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
OBC & Approvals	■	■										
Procurement /Tender Action			■	■								
Site Works					■	■	■	■				
Completion									■	■	■	■
Operational										■	■	■

Investment Programme

Item	2020/21	2021/22	2022/23	2023/24	Total
Feasibility Studies		£40,000			£40,000
OBC/FBC Development		£40,000			£40,000
Design Team Fees		£150,000	£200,000	£50,000	£400,000
Capital Works		£4,000,000	£3,500,000	£150,000	£7,650,000
Contract Contingency		£300,000	275,000		£575,000
Optimism Bias		-	382,000	383,000	£765,000
		-	-	-	
Total		£4,530,000	£4,357,000	£583,000	£9,470,000

Strategic Fit with Growth Deal & Policy

20. Investment at Inchgreen is required to bring a strategic asset and a viable deep water, waterfront site asset back into positive use. The investment through City Deal will allow the site to address its potential, unlock value, provide for investment and support inclusive growth.

21. Investment will deliver sustainable social and economic benefits across the region and specifically within disadvantage communities in Greenock and Port Glasgow that suffer high-levels of deprivation and limited employment opportunities.

Arrangement for Delivery

22. Inverclyde Council has developed a Joint Venture (JV) with the major landowner creating a new special purpose vehicle in the form of a Newco Joint Venture with 50-50 equity to advance the project investment and future operational management of the site.

What are the proposed High-Level Outputs & Outcomes

Category	Economic Impact	Result
GVA	Net Direct at GCR by 2035	£200m NPV
	Net Direct at Scotland level by 2035	£187m NPV
	Net Additional at GCR by 2035	£106m NPV
	Net Additional at Scotland Level by 2035	£102m NPV
	Net Direct at GCR over 25 years	£345m NPV
	Net Direct at Scotland level over 25 years	£321m NPV
	Net Additional at GCR over 25 years	£180m NPV
	Net Additional at Scotland Level over 25 years	£170m NPV
Benefit Cost Ratio	Total Public Sector Costs by 2035	£9.2m NPV
	Total Public Sector Costs over 25 years	£9.2m NPV
	Detail of the figures (benefits and costs) used to calculate the BCR over a 25-year period at GCR level	As per Economic Case
Construction Employment – Short Term	Gross Enabling Infrastructure Development Jobs at GCR (Person Years of Employment) by 2035	80 PYEs
	Net Additional Enabling Infrastructure Construction Jobs at GCR (Person Years of Employment) by 2035	70 PYEs
	Gross Development/Follow on Construction Jobs at GCR (Person Years of Employment) by 2035	300 PYEs
	Net Additional Development/Follow on Construction Jobs at GCR (Person Years of Employment) by 2035	150 PYEs
Operational Employment – permanent jobs	Gross Operational FTEs by 2035	360FTEs
	Net Additional FTEs by 2035	100 FTEs (GCR)

Private Sector Investment	Direct Project Private Sector Investment by 2035 (£m)	£3.4m NPV
	Net Additional Private Sector Investment (Follow-on developments) by 2035	£19.5m NPV

High Level Benefits Realisation

Description of benefit (outcome or output) to be achieved	Quantity to be achieved during project life cycle	Date when output or outcome will be achieved	Quantity to be achieved by:			Assumptions
			May 2024 (Gateway 2)	May 2029 (Gateway 3)	May 2034 (Gateway 4)	
<i>Direct Project Outputs</i>						
Construction Activity						Based on total Public Sector £9.47m investment
Gross PYEs	80	2024	80	80	80	
Net Additional PYEs	70	2024	70	70	70	
<i>Follow-on Outcomes attributable to City Deal intervention</i>						
Construction Activity						Based on £25m follow-on development (excl fit-out)
Gross PYEs	300	2030	200	280	300	
Net Additional PYEs	150	2030	100	140	150	
Operational Activity						Based on securing the current site enquiries
Gross FTEs	360	2030	300	360	360	
Net Additional FTEs	100	2030	80	100	100	