



Glasgow City Region - City Deal

Cabinet

Report by Head of Glasgow City Deal

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Item 6

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CLYDE WATERFRONT & WEST END INNOVATION QUARTER: PROPOSALS FOR PROGRAMME REVISION

Purpose of Report:

The purpose of this report is to update the Cabinet on the Clyde Waterfront & West End Innovation Quarter (CWFWEIQ) City Deal project being delivered by Glasgow City Council. The report also presents proposals for revising the CWFWEIQ programme to accommodate significant cost increases for the Govan-Partick Bridge sub-project, which is considered to be of critical importance to realisation of the project objectives and economic outputs.

Recommendations:

The Cabinet is invited to:

- a) Note the objectives of the CWFWEIQ project and progress made on the development and implementation of the project;
- b) Note the important contribution that the proposed Govan-Partick Bridge makes to delivery of the project objectives and economic outputs;
- c) Note the proposed changes to the CFWWEIQ project and consequential economic impact as set out in Section 4 of the report; and
- d) Approve the proposed changes to the CWFWEIQ project as set out in Section 4 of the report.

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to update the City Region Cabinet on the Clyde Waterfront & West End Innovation Quarter (CWFWEIQ) City Deal project being delivered by Glasgow City Council. The report also presents proposals for revising the CWFWEIQ programme to accommodate significant cost increases for the Govan-Partick Bridge sub-project, which is considered to be of critical importance to realisation of the project objectives and economic outputs.

2 CLYDE WATERFRONT & WEST END INNOVATION QUARTER

- 2.1 Glasgow City Council is delivering a £385M Infrastructure Programme, which is funded through the Glasgow City Region: City Deal. The Programme is made up of 5 interconnected infrastructure projects that are being delivered across the city:
- Clyde Waterfront & West End Innovation Quarter (CWFWEIQ)
 - Canal & North Glasgow (CNG).
 - Enabling Infrastructure: Integrated Public Realm (EIIPR) City Centre 'Avenues'.
 - Collegelands Calton Barras (CCB).
 - Metropolitan Glasgow Strategic Drainage Partnership (MGSDP).
- 2.2 The Augmented Outline Business Case for the CWFWEIQ project was approved by Cabinet on 11 December 2018. The project will invest £113.9m of City Deal funding to accelerate investment and development activity within Glasgow's waterfront corridor. In order to deliver waterfront regeneration there are three key issues that need to be addressed:
- Stimulate development in areas where it is presently constrained by the costs of remediation, site access or other issues;
 - Provide high quality and effective links along both sides of the River Clyde, between the City Centre and the West End, and between business and research clusters, key institutions, existing and planned visitor infrastructure, and residential communities; and
 - Maintain and enhance the quality of this part of Glasgow as a place to invest, live and work in, with a focus on 'gateway' routes and entry points for the areas main business, cultural and institutional facilities.
- 2.3 CWFWEIQ project objectives will be achieved by delivery of a number of complementary sub-projects (Appendix 1) which address the main barriers to economic growth.
- 2.4 Although the CWFWEIQ project is focused on supporting the growth of the City's main sectors there is a recognition that the project area includes communities affected by multiple deprivation. In developing the range of project interventions, there has been a firm Inclusive Growth emphasis to extend labour, housing and business opportunities into areas beset by market failure. Govan is one such area - a former industrial powerhouse, home to the city's shipbuilding industry, it has suffered greatly from de-industrialisation resulting in a steep decline in its economic base and population loss. It has been identified by the Scottish Government as an 'area of deep-rooted deprivation' defined as Intermediate Zones containing one or more data zones that were consistently among the most deprived 5% in Scotland since 2004 (Scottish Index of Multiple Deprivation – SIMD).

2.5 Glasgow City Council has made steady progress with the delivery of the project since 2015. As of the end of the Q2 2021/22 reporting period:

- Approval of Strategic and Outline Business Cases;
- 6 no. of 27 sub-projects have reached Full Business Case stage;
- 1 no. of live contracts are on site;
- 1 no. of procurements are currently in progress;
- 4 no. of sub-projects progressing through design stages;
- Project spend of £10.91M (9.6%)

3 IMPROVING CONNECTIVITY BETWEEN GLASGOW UNIVERSITY AND QEUH: GOVAN-PARTICK BRIDGE

3.1 In April 2020 the Council took the decision to delay development of a number of sub-projects in light of increasing concern about deliverability within the approved budget. Sub-projects to be delayed were identified following a prioritisation exercise that considered strategic importance, economic contribution and the potential to deliver via alternative funding mechanisms.

3.2 The proposed Govan-Partick Bridge was identified as an investment priority in light of its economic impact and strategic importance to delivery of the 4 Critical Success Factors (CSFs) identified within the Outline Business Case (OBC):

- Development of new Innovation Space in locality of Queen Elizabeth University Hospital (QEUH) and University of Glasgow, an increase in investment within the Clyde Waterfront sub-area and subsequent increase in employment within key sectors of the economy.
- Attract private sector investment to support the regeneration of Vacant and Derelict Land throughout the project area particularly around QEUH/Govan and along both banks of the river to the City Centre.
- Residents in deprived communities such as Govan have enhanced access to social and economic opportunities and benefit from the regeneration of the waterfront.
- Increased use of sustainable travel options within the project area and between the project area and city centre via rejuvenated river corridor.

3.3 Since approval of the OBC the proposed bridge has played a critical role in the University of Glasgow's decision to locate the new Clyde Waterfront Innovation Campus on the South Bank of the River a proposal which has secured funding of £38M through the UK Government Strength In Places Fund. Research undertaken during development of the Full Business Case demonstrates that construction of the bridge will result in a 23% increase in jobs that are accessible within a 20-minute walk of Govan Cross and an 87% increase in the number of jobs within a 10-minute cycle of Govan Cross

3.4 Removal of the bridge from the City Deal investment programme would undermine the theory of change and result in the counterfactual scenario as described in the OBC:

- The prospects for development of an innovation cluster linking and commercialising the respective strengths of the University of Glasgow and the QEUH will remain limited in the absence of high-quality physical connections and access improvements.
- In the absence of suitable cross-river pedestrian connections, the potential for development on both sides of the river will be limited to existing markets. The scope for economic uses either side of the River Clyde will remain limited.

- The opportunity to extend residential, business, culture and leisure markets across the Clyde will be restricted, affecting the pace of regeneration and development activity in Govan and other areas. Potential employment sites will remain derelict particularly near the QEUH where co-location research and business development opportunities will be frustrated.
 - In the absence of City Deal infrastructure the wider investment environment of the last decade is broadly expected to continue with incremental development in the City Centre and West End. Given the decades long history of market failure around Govan this is expected to mean sites remaining vacant and derelict for the foreseeable future. This would have a depressing effect on the image of the area as an investment environment, further exacerbating the impacts of existing market failure.
 - The existing areas of economic strength (e.g. Glasgow University, SEC, Pacific Quay, QEUH) will remain physically disconnected undermining the development of an Innovation Quarter and the regeneration of Govan.
- 3.5 The Council concluded procurement of the bridge in October 2021 when tenders were received from 3 suppliers. The tendered cost of £29.5m results in a total project cost of £39.9m including contingency, fees and land acquisition costs. This represents a significant increase on the budget allowance of £14.7m contained within the OBC.
- 3.6 A proportion of the cost increases can be attributed to additional design specification that was required to meet the demands of key stakeholders including SEPA and the Statutory Harbour Authority. Current market volatility also represents an inflationary pressure. It is possible to attribute cost increases of approximately £2M to rapid inflation in the price of structural steel (+75% 2020-2021).
- 3.7 While it has not been possible to quantify cost increases associated with other aspects of the project, contractors will have had to account for inflation in all materials including pre-cast concrete components (+24% 2020-2021), stone (14.1% 2020-2021) and other changes including the removal of red diesel relief for the construction industry. In addition, contractors will have included a risk premium for offering a firm price for the contract, with the exception of the supply of steel which is subject to a specific inflation clause.
- 3.8 The Council has benchmarked the tendered costs against the MediaCity Footbridge (Salford), which is a comparable structure. When allowing for indexation the MediaCity Footbridge costs equate to £31,000 per square metre. In comparison the Govan-Partick Bridge (excluding Pointhouse Quay extension) cost amounts to £36,500 per square metre. Additional costs at Govan- Partick can be attributed to the number of bridge piers, ground conditions and the interface with quay walls. Following review of tender returns and subsequent benchmarking, the Council is of the view that the tendered costs reasonably reflect the nature of the project.
- 3.9 Delivery of the Govan-Partick Bridge is critical to the theory of change and economic outputs established within the OBC. Failure to deliver the bridge would have an adverse impact on the emerging cross-river Innovation Quarter and would undermine the prospects of Inclusive Economic growth that benefits the long-term regeneration of Govan.

4 PROPOSED REVISION TO CWFWEIQ PROJECT

- 4.1 In order to deliver the Govan-Partick Bridge sub-project, Glasgow City Council proposes to vire budget between CWFWEIQ sub-projects. Officers have worked with Economists at Stantec to identify a budget re-allocation that facilitates the delivery of the Bridge while minimising impact on the economic outputs set out within the OBC. Officers recommend the re-allocation of budget totalling £30.57M from a range of projects and will explore alternative funding sources to facilitate delivery of these projects as listed in Table 1.

Project Component	Sub-Project	Budget	Alternative Funding Source
Developing the Economic Role of SEC / Pacific Quay	Expressway Bridge	£1,168,332	Application to Sustrans for capital funding.
	Cessnock Pedestrian Link	£667,007	Application to Sustrans for capital funding.
	Canting Basin Bridge	£587,731	Potential application to future round of Levelling Up Fund.
Developing the Economic Role of Yorkhill Hospital Site	Yorkhill Hospital – Access Improvements	£1,623,987	Delivery ongoing via Sustrans funded Yorkhill Cycle Village project.
Access and Integrity of the Waterfront	The Briggait / Lancefield Quay	£10,959,874	Completion of condition surveys confirmed that no urgent works required.
	Yorkhill Quay	£1,259,632	To be delivered by developer as condition of planning consent.
	SEC – Active Travel / Quay Wall	£11,174,375	Potential application to future round of Levelling Up Fund.
	Govan Graving Docks	£3,130,797	Potential application to future round of Levelling Up Fund.

Table 1: CWFWEIQ Budget Re-Allocation

- 4.2 Stantec was commissioned to undertake economic modelling to demonstrate the impact of the proposed changes to the investment programme in the context of wider economic conditions including the suppressed demand for commercial property following the shift to remote working during the Covid-19 pandemic. (Appendix 2)
- 4.3 The key findings of the Stantec report are:

- a) While the overall floorspace enabled is likely to increase (+21,155 sqm.), all this growth has been in residential floor area (+90,900 sqm.) which does not directly support employment. The total additional employment floorspace has decreased (-69,745 sqm.).
- b) Due to the reduction in employment floorspace, the revised assessment predicts fewer net additional jobs attributable to the programme (-755 jobs). Despite this, the revised assessment forecasts similar levels of discounted GVA over the appraisal period (-£85.3 million). This is due to changes in the price base and the new 2021 base year.
- c) The present value benefits associated with the project are reduced from £1.47 billion to £1.37 billion (-£104.5 million). The proportionate fall in present value GVA benefits is smaller than the overall reduction in jobs supported – this is due to changes in the price base and the new 2021 base year.
- d) Private sector investment has decreased slightly to £405.0 million (-£24.4 million). This decrease on the denominator partially offsets the reduction in GVA benefits. Accordingly, the public and private sector BCR has fallen just one point from 2.8 to 2.7. This still represents very high Value for Money.

5 RECOMMENDATIONS

5.1 The Cabinet is invited to:

- a) Note the objectives of the CWFWEIQ project and progress made on the development and implementation of the project;
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- c) Note the proposed changes to the CFWWEIQ project and consequential economic impact as set out in Section 4 of the report; and
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APPENDIX 1- CWFWEIQ PROJECT COMPONENTS & SUB-PROJECTS

Project Component	Sub-Project
Developing the Economic Role of Glasgow University	Byres Road Public Realm
	University Avenue and Campus Connections
Developing the Economic Role of SEC / Pacific Quay	Expressway Bridge
	Cessnock Pedestrian Link
	SEC – Finnieston Link
	Canting Basin Bridge
Investing in the Strategic Road Network to Unlock Development	M8 Junction 19
Developing the Economic Role of QEUH and Adjacencies	Development Deficit Funding 1
	Development Deficit Funding 2
	Development Deficit Funding 3
	QEUH – Access Improvements
Developing the Economic Role of Yorkhill Hospital Site	Yorkhill Hospital – Access Improvements
Central Govan Action Plan	Govan Public Realm
	CGAP Development Deficit Funding –1
	CGAP Development Deficit Funding –2
	Public Realm Improvements (Link with Active Travel South)
Access and Integrity of the Waterfront	The Briggait / Lancefield Quay
	Yorkhill Quay
	Windmillcroft Quay
	SEC – Active Travel
	Custom House Quay
	Carlton Place
	Tradeston
	Govan Graving Docks
Improving Connectivity between Glasgow University and QEUH	Govan – Partick Bridge
	Active Travel Route (North)
	Active Travel Route (South)