

**CLYDE GATEWAY DEVELOPMENTS LIMITED**

**Minute of Board Meeting of 4 March 2020**

<b>Present:</b>	John Gallacher (Chair) Carol Nugent Ian Manson	Stuart Heslop Allan McQuade Greg Hepburn
<b>Apologies:</b>	David Bankier	
<b>In Attendance:</b>	Alison Brown Jim Clark Claire Ferguson Lesley-Ann Logan Barry Macintyre	Martin McKay Angela Rowley Lynne Valentine Billy Love (Scottish Government) Michael Kerr (Scottish Government)

**1. Welcome, introductions, apologies and any declarations of interests**

The Chair welcomed everyone to the meeting and an apology from David Bankier was noted.

**2. Minute of previous meeting and matters arising**

The Minute of the Board meeting and the Minute of the Joint Board meeting that were both held on 18 December 2019 was submitted and approved. There were no matters arising.

**3. Business**

For approval

**3.1 Funded Operating Plan – 2019/20 to 2021/22 (CGDL20(MAR)01)**

Barry Macintyre presented a report seeking approval of the latest version of the Funded Operating Plan which incorporated the results of the recent re-forecasting exercise.

After consideration, the Board:

- (i) approved the results of the re-forecasting exercise performed at the end of January 2020, as set out in Appendix 1 to the report; and
- (ii) noted that a new Funded Operating Plan covering the three financial years from 2020/21 to 2022/23 would come to the Board for approval in Quarter 1 of the next financial year.

**3.2 Development Loan (CGDL20(MAR)02)**

Barry Macintyre presented a report seeking approval to accept a potential loan of up to £3m from Scottish Enterprise, for use as development funding.

In seeking the Board's approval, Barry asked the Board to also note that:

- (a) the provision of a loan was subject to Scottish Enterprise's year-end funding availability and approval processes and funding therefore may not necessarily be provided in full or at all;
- (b) formal head of terms had yet to be received and any material deviations from the indicative terms set out in the report would be subject to further Board approval by way of written procedures;
- (c) borrowings and the granting of a security for the benefit of another party were reserved matters within the Members' Agreement and the prior approval of Glasgow City Council, South Lanarkshire Council and Scottish Enterprise would be necessary; and

- (d) where standard security was taken over any investment properties that had been funded by Scottish Government grant, then Ministerial consent would also be required.

A summary of the loan facility, including the amount, the interest rate, maturity, security, arrangement fee, repayment and financial covenants were outlined within the report.

Allan McQuade advised that, as a Clyde Gateway Board Member, he had been, and would continue to be, precluded from having an involvement in any aspect of the consideration by Scottish Enterprise of such a loan request.

After consideration, the Board:

- (i) accepted Scottish Enterprise's potential offer of a loan of up to £3m on the terms set out in the report; and
- (ii) stated its preference for an unsecured loan but noted that further Member and Ministerial approvals would be required should security be taken.

### 3.3 Purifier Studios (Phase 2), Dalmarnock – Investment Decision (CGDL20(MAR)03)

Alison Brown presented a report seeking an investment decision to deliver the first two units of the Purifier Studios, Dalmarnock and to undertake the substructure works and external curtain walling for the remaining three units.

The project had secured Regeneration Capital Grant Fund support of £2m towards the construction of the first two units to create 1,365 sqm of net lettable space, with the potential for 114 jobs across ground and mezzanine levels. The long term proposal was for five units, totalling 3,816 sqm of space and up to 300 jobs.

A series of pre-development activities had been completed in May 2019 for a package of 'care and repair works' to secure the longevity of the building. Planning consent and building warrant applications had been submitted in December 2019 with a decision due in March 2020. It was also intended to have the Purifier Studios be one of the first buildings to connect to the District Heating Network that would be installed in Dalmarnock under the Community Energy Project.

A full project description, along with the strategic rationale and the market, options and financial appraisals were outlined in the report. The project was seen as being one against which the proposed Development Loan from Scottish Enterprise, as approved by the Board earlier in the meeting, could be applied

After consideration, the Board:

- (i) approved total capital expenditure of £6,471,002, net of recoverable VAT, for two speculative office units at the Purifier Studios in Dalmarnock as well as the necessary substructure works and external curtain walling for the remaining three units;
- (ii) approved the appointment of Clark Contracts Limited as the main works contractor at a value of £5,499,776 net of recoverable VAT;
- (iii) approved an accumulated operating deficit, until the development is anticipated to be fully let, £330,158 net of recoverable VAT; and
- (iv) noted that a reduced scope of works would be agreed if the funding for the full project was unable to emerge over the coming weeks and that this would be reflected in the details of the signed contract.

### 3.4 National Business District, Shawfield (Phase 1) – Red Tree Central – Professional Fees (CGDL20(MAR)04)

Alison Brown presented a report seeking approval to appoint a design team and to undertake site investigations to support the delivery of Red Tree Central, a new office building at Shawfield Phase 1 that had received a £4m grant award from the 2020/21 Regeneration Capital Grant Fund.

The Shawfield Phase 1 Masterplan provided the basis for the future development of the site within the context of the existing planning consents. The site has the potential to accommodate up to 18 new commercial buildings of various size and requirements. Red Tree Magenta had been completed in November 2018 and was 100% occupied. Red Tree Central would occupy an adjacent site, consisting of:

- 4,500 sqm gross lettable commercial office space
- an estimated cost of £13m
- four-five storey of Grade A specification accommodation for a range of occupiers from multi lets to single floorplates with a capacity for up to 340 jobs
- supporting facilities, including reception, conference/meeting rooms and events space
- BREEAM 'Very Good' rating

A full project description, along with the strategic rationale and the market, options and financial appraisals were outlined in the report.

After consideration, the Board:

- (i) approved the sum of £566,018 for the appointment of a design team to commence design development for Red Tree Central at Shawfield Phase 1, with the appointment comprising:
  - a. a design team led by Arcadis Design and Consultancy at a fee of £244,209 (excluding recoverable VAT) to RIBA Stage 4 – Technical Design;
  - b. specialist services, statutory fees and contingency of £293,920 (excluding recoverable VAT); plus
  - c. a previous delegated approval for £27,889; and
- (ii) noted that, should the project proceed to delivery, further professional fees of £245,491 would be incurred which would be the subject of a separate approval.

### 3.5 National Business District, Shawfield (Phase 2) – Remediation Main Works Contract (CGDL20(MAR)05)

Alison Brown presented a report updating the progress and the further challenges associated with the remediation of Shawfield Phase 2 and seeking approval for additional expenditure.

The Board, in December 2019, had approved an increase in budget to address additional unexpected costs incurred during the construction works and to further mitigate against operational risks (CGDL19(DEC)04).

The fresh request for additional expenditure was to address further difficulties with drilling and injection works and thereafter to manage risk through a contingency allowance. A full project description, along with the strategic rationale and the market, options and financial appraisals were outlined in the report.

After consideration, the Board approved an increase in budget by £239,611, from 2,729,487 to £2,969,098.

### 3.6 Property Portfolio – Grounds Maintenance Framework (CGDL20(MAR)06)

Angela Rowley presented a report approval to appoint a framework contractor for a period of 13 months to deliver a package of ancillary ground maintenance and civil engineering works and associated fees. A full project description, along with the strategic rationale and the market, options and financial appraisals were outlined in the report.

After consideration, the Board:

- (i) approved the appointment of Inex Works Group Ltd as contractor for the provision of ancillary grounds maintenance and civil engineering works at a cost of £118,457 (net of recoverable VAT); and
- (ii) approved professional fees at a cost of £1,600 (net of recoverable VAT).

### 3.7 Risk Register (CGDL20(MAR)07)

Jim Clark presented a report on the most recent Risk Register which was a working document regularly reviewed for relevance by the Clyde Gateway Executive Team.

The Risk Register had been discussed in detail by the Audit & Evaluation Committee on 17 February 2020 with the view being reached that none of the scores attached to the existing risks should be adjusted. The Audit & Evaluation Committee had noted that a number of key strategic issues were moving towards critical positions and that consideration of these would likely have a material impact on the next review of the Risk Register.

After consideration, the Board approved the latest iteration of the Risk Register as set out in Appendix 1 to the report.

For information

### 3.8 Clyde Gateway Developments Limited – Financial Overview (CGDL20(MAR)08)

The Board continued consideration of this item to the next meeting.

### 3.9 Bothy & Tur @ Cuningar Loop – Project Update (CGDL20(MAR)09)

Martin McKay presented a report with an update on the progress of the proposed construction of the Bothy & Tur @ Cuningar Loop as approved by a meeting of the joint boards of Clyde Gateway Developments Limited and Clyde Gateway URC in March 2019 (CG19(MAR)03).

The contract procurement had followed Scape, a national framework which could be used by any public sector organisation within the UK, the details of which were set out by Martin. The exercise had resulted in a proposed project cost that was £1m in excess of the approved Budget. This had led to a further analysis and review, with a proposal to cease the Scape Framework process and seek to mitigate the costs by procuring a contractor through competitive tender.

It was intended to complete the exercise to procure a contractor by May 2020, with an expected construction phase of June 2020 – February 2021.

The Board noted the report.

### 3.10 Integrated Energy Strategy – Community Energy Project, Dalmarnock (CGDL20(MAR)10)

Martin McKay presented a report with further information on the Integrated Energy Strategy : Community Energy Project, Dalmarnock that had been considered in detail by a meeting of the Joint Boards of Clyde Gateway Developments Limited and Clyde Gateway URC in December 2019 (CG19(DEC)03).

The Joint Board, in approving a series of recommendations, had asked for further information on the Heat Supply Agreement with Scottish Water Horizons, in particular the break or termination options once the agreement had been executed, together with more information on the registration of the proposed scheme with The Heat Trust.

The Board noted the report and asked that any further movements in terms of progressing the project, be brought back for further consideration.

3.11 Finance Report to period ended 31 January 2020(CGDL20(MAR)11)

The Board noted a report presented by Lesley-Ann Logan, detailing the consolidated financial performance of Clyde Gateway URC and Clyde Gateway Developments Limited for the period ended 31 January 2020, together with the updates to the Funded Operating Plan to reflect budget approvals since the Plan had received Board approval in November 2019.

3.12 Audit & Evaluation Committee – Meeting of 17 February 2020(CGDL20(MAR)12)

The Board noted a report submitted by Lesley-Ann Logan, detailing the business discussed at the meeting of the Audit & Evaluation Committee held on 17 February 2020.

3.13 Board Meeting Dates 2020 (CGDL20(MAR)20)

The Board noted the proposed dates and times of Board meetings for the remainder of 2020.

**4. Any other business**

4.1 National Business District, Shawfield (Phase 2) – Potential Land Acquisition

The Board noted a verbal update from Angela Rowley on the possibility of acquiring a significant site within the Phase 2 area that would facilitate the construction of the proposed development road and afford the opportunity to carry out further detailed investigations in respect of contamination.

**5. Date and time of next meeting**

John Gallacher advised that the next Board Meeting would be held on Friday 1 May 2020 at 1pm in Rutherglen Town Hall.

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