

CLYDE GATEWAY DEVELOPMENTS LIMITED

Minute of Board Meeting of 29 June 2020

Present: John Gallacher (Chair) Stuart Heslop
David Bankier Greg Hepburn
Ian Manson Allan McQuade

Apologies Carol Nugent

In Attendance: Michelle Barr Hugh Moore
Alison Brown Martin McKay
Michael Kerr Angela Rowley
Barry Macintyre Robert Young

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

The Chair welcomed everyone to the meeting. Apologies were received from Carol Nugent. There were no declarations of interest.

2. Approval of the Minute of the Board Meeting held on Friday 1 May 2020 and any matters arising

The Minute of the Board meeting held by conference call on 1 May 2020 was approved.

Barry Macintyre advised that the intention was to issue a Capital Programme Update and Finance Report between Board meetings.

3. Chief Executive's Report

Ian Manson apologised for the technical difficulties with the phone line, which postponed the Board meeting from Friday 19 June. Ian then referred to the contents of his report, which noted:

- Clyde Gateway has continued to operate fully, due to the efforts of staff, Board members and partners. Ian thanked everyone for their efforts;
- There had been £99,000 received from the Scottish Government's Covid-19 Wellbeing Fund to cover the crisis funding distributed to key Clyde Gateway community groups;
- A list of capital projects, which could commit additional funding if allocated this year, was drawn up and submitted following a Scottish Government request and there were £79m worth of 'shovel-ready projects' identified from within CGDL's Capital Programme pipeline for their consideration;
- The Scottish Government Advisory Group on Economic Recovery submission highlighting the wider applicability of the public and private sector partnership model developed in Clyde Gateway and its demonstration of altered investment patterns from both sectors to the benefit of excluded groups and places;
- The case for underwriting of financial risks around the district heating proposal had been finalised and submitted to the Government;
- Plans continued to be developed and submissions made on Shawfield contamination, the latest being an annual investment programme projected through to 2028;

- Confirmation of Clyde Gateway's inclusion within the Scottish Government-led Clyde Mission;
- Additional requests for briefings, along with offers to engage in joint work from various organisations;
- A number of proposed projects that are in the advanced stages of development for submission to the Regeneration Capital Grant Fund by the June deadline and an acknowledgement of their importance in securing Clyde Gateways future;
- Recognition of the Council members and Scottish Enterprise who continue to face unprecedented pressures from the pandemic. Clyde Gateway will ensure close contact with its partners to ensure advantages can be made in any form of financial or programme reviews;

Finally, Ian updated the position on the submission to the Scottish Government seeking bespoke financial support for Clyde Gateway to support the rental and asset disposal income lost so far through Covid-19 and to enable the regeneration programme to be sustained, which had resulted in a very welcome additional revenue support of up to £500k to be drawn down over the coming months.

4. Business

For Approval

4.1 Accelerated Asset Disposal Programme CGDL20(JUN)01

Angela Rowley presented a paper which set out and sought approval to deliver the programme for accelerating the disposal of investment property assets for the period 2020-2021.

Angela informed the Board that Ryden provided an updated commentary in May 2020 reflecting its views on market reaction to the COVID-19 pandemic, however, as it continues to be an evolving situation, the full extent of any impact remains to be seen.

The Board was advised that, whilst it is likely that pricing for the CGDL investment packages will be affected by the COVID-19 situation and associated investor sentiment, it would be sensible to keep values under review and reassess the position in the autumn when the market position may be more apparent.

The paper was approved.

4.2 Integrated Energy Strategy – Community Energy Project CGDL20(JUN)02

Martin McKay provided an update on the current status of the Integrated Energy Strategy – Community Energy Project (CEP) in partnership with Scottish Water Horizons. He asked for approval to implement the project in line with the December approval and enter into the Heat Supply Agreement with Scottish Water Horizons on which the project is dependent.

The Board was asked to note that the project remains subject to Members' approval to enter into the Heat Supply Agreement (HSA) with SWH and to establish a trading subsidiary of Clyde Gateway URC (CGURC). South Lanarkshire Council's Community and Enterprise Resources Committee approved CGURC "to enter into a Heat Supply Agreement (HSA) with Scottish Water Horizons (SWH) and establish a trading subsidiary company to assist in the delivery of a community energy project within the Dalmarnock area" on 30 March 2020.

Martin advised the Board that he would monitor the financial position of Scottish Water Horizon for reassurance on its funding and mitigate unforeseen risk.

After consideration, the Board:

- (i) Noted the issues log provided in Appendix 1 which considered the remaining short, medium and longer term issues, contingent liabilities and mitigating actions and;
- (ii) Approved the implementation of the project in line with the December 2019 (CG19(DEC)03) approval including entering into the Heat Supply Agreement with Scottish Water Horizons.

4.3 Investment and Residual Property Portfolio Budgets CGDL20(JUN)03

Angela Rowley updated the Board on the year end 2019/20 Operating Budget performance against targets and sought approval for the next two years Investment and Residual Property Portfolios Operating Budgets.

After discussion, the Board was asked to:

- (i) Note the improved performance of the Clyde Gateway Developments Limited (CGDL) Investment and Residual Property Portfolio (IRPP) for the 12 months to March 2020 against previous year's targets approved at the joint Board meeting in May 2019; and
- (ii) Approve an amended 2-year Operating Budget required to manage IRPP at a deficit cost of £798,000; and
- (iii) Approve an operating expenditure budget of £3,579,000 net of VAT for financial years 2021/21 and 2021/22.

4.4 Risk Register CGDL20(JUN)04

Barry Macintyre asked the Board to approve the latest iteration of the group Corporate Risk Register.

The Corporate Risk Register had been discussed in detail by the Senior Management Team over two meetings on 27 May and 1 June and by the Audit & Evaluation Committee on 8 June 2020, with the view being reached that six of the scores attached to the existing risks should be adjusted.

After discussion, the Board approved the adjustments to numbers 5, 6, 11, 12, 20 & 24 on the Corporate Risk Register and agreed the updated Risk Register containing the adjustments as set out in Appendix 1 to the report.

For Information

4.5 COVID-19 Business Continuity – Risk Register and Recovery Plan CGDL20(JUN)05

The Board noted the ongoing implementation of the Clyde Gateway Business Continuity Management Plan. Following the development and implementation of the risk register in response to COVID-19, efforts are now focussed on short and longer term recovery planning.

4.6 COVID-19 Business Continuity – Capital Programme CGDL20(JUN)06

Alison Brown provided the Board with an update of the Capital Programme, particularly in respect of COVID-19.

Several projects which achieved practical completion in 2019/20 have outstanding works which have subsequently been impacted by COVID-19. There are two projects on site that have been impacted significantly by COVID-19; The Bridgeton Civic Hub and Rutherglen Links Office Pavilions.

Alison informed the Board that Clyde Gateway has submitted a programme of 'shovel ready' activity and eight Regeneration Capital Grant Fund bids to the Scottish Government to support the economic recovery. Discussions with the Government are ongoing in this regard.

The paper was noted.

4.7 Highbridge Magenta Phase 1 – Funding CGDL20(JUN)07

Martin McKay presented a paper on proposals for a £20m grant and debt funded model to secure development of Magenta Phase 1, an office development by Clyde Gateway's development partners Highbridge Properties PLC.

4.8 NBD Shawfield 2 – Project Update CGDL20(JUN)08

Alison Brown provided an update to the Board in respect of the remaining activity to be undertaken as part of the remediation works at Work Package 1, following practical completion and the easing of lockdown restrictions due to COVID-19. Alison also informed the Board on details of storage requirements for remaining chemicals and anticipated costs.

The paper was noted.

4.9 D2 Grids Renewable Energy Project – Project Update CGDL20(JUN)09

Martin McKay provided an update on the D2 Grids renewable energy project which is part of the approved Clyde Gateway Integrated Energy Strategy and advises of the procurement approach to deliver the project.

The paper was noted.

4.10 Finance Report – Period Ended 31 May 2020 CGDL20(JUN)10

Barry Macintyre briefed the Board on the following:

- (i) Income and expenditure accounts for both Clyde Gateway URC (CGURC) and Clyde Gateway Developments Limited (CGDL) for the period ended 31 May 2020
- (ii) Movements on trade (rental and service charges) and grant debtors between 31 March 2020 and 31 May 2020
- (iii) Updates to the Funded Operating Plan approved in May to reflect new grant awards and correction to South Lanarkshire Council's Vacant and Derelict Land Fund (VDLF) award for 2020/21.

The paper was noted.

4.11 Key Performance Indicators -2019/20 CGDL20(JUN)11

Barry_Macintyre_provided the Board with an update on the progress made against the 9 Key Performance Indicators to 31 March 2020.

The paper was noted.

4.12 Delegated Authority Approvals – October 2019 to March 2020 CGDL20(JUN)12

Barry Macintyre presented a report, submitted by Lesley-Ann Logan, detailing the project budget allocations approved under delegated authority for the six months ended 31 March 2020.

The paper was noted.

4.13 Health & Safety Committee – Meeting of 3 March CGDL20(JUN)13

The Board noted a report, submitted by Barry Macintyre, detailing the business discussed at the meeting of the Health and Safety Committee held on 3 March and 2 June 2020.

4.14 Audit & Evaluation Committee – Meeting of 8 June 2020 CGDL20(JUN)14

The Board noted a report, submitted by Barry Macintyre, detailing the business discussed at the meeting of the Audit & Evaluation Committee held on 8 June 2020.

5. Any other business

Angela Rowley informed the Board on two points under AOB:

- (i) The Board approved the disposal of industrial land at Manscroft Place in May. The preferred purchaser, Stewart Properties is now seeking to revise the bid of £252,000 down to £225,000 due to higher development costs. Further information has been sought on the development appraisal with the aim for CGDL to hold to the original bid price. There were eight bids received at closing date.
- (ii) An improved lease term has been agreed with Peebles Media for units 1 and 2 at the Albus. In October 2015, CGDL's Board approved a ten-year lease with the company with a break at year five. Negotiations have resulted in an improved agreement on square footage, 8.5 months' rent-free and no capital contribution. External market advice supports the rate and incentive package offered.

The Board noted both points raised.

6. Date, time and venue of next meeting

John Gallacher advised that the next Board Meeting would be held on Friday 11 September 2020. The venue will be confirmed in due course.