

EAST RENFREWSHIRE COUNCIL14 August 2014Report by Director of EnvironmentCITY DEAL PROPOSAL**PURPOSE OF REPORT**

1. To update the Council on the City Deal proposal and to seek Council approval for full participation.

**RECOMMENDATIONS**

2. The Council is asked to:
- (i) Confirm the Council's participation in the Glasgow City Region City Deal initiative, on the basis of the funding commitments now received from the UK and Scottish Governments;
  - (ii) Delegate to the Director of Environment in consultation with the Chief Executive to conclude negotiations on behalf of the Council with regard to finance, governance, project details and any other matters including any inter authority agreements.
  - (iii) Delegate to the Director of Environment to bring forward appropriate phase 2 projects which are able to be funded by project slippage.
  - (iv) Nominate Councillor Fletcher as the Council's representative on the proposed Partnership Board, with Councillor Buchanan as the substitute.

**BACKGROUND**

3. The UK Government launched its City Deals programme in 2012. To date, 25 City Deals have been agreed with cities in England. The initiative is intended to enable city regions to unlock their full potential and maximise economic growth and employment.

4. The aim of the City Deal initiative is to give city regions a financial incentive to deliver economic growth in their area by allowing them to "earn back" from the Treasury additional tax income generated from investment in infrastructure.

5. Reports outlining the proposed scheme for the Glasgow City Region in its early stages and as it developed were submitted to the Council in August and November 2013. The Council agreed to continue to participate in a scheme for the Clyde Valley area with projects based around the M77 corridor/ Junction 5/Glasgow Road. It was also agreed that further work would be carried out on economic modelling, funding, governance and a Memorandum of Understanding for the City Deal.

## REPORT

6. Working together, councils in the Glasgow City Region put together a £1.13bn Infrastructure Fund Proposal which would be used to fund major infrastructure projects, to drive innovation and growth through the support of key sectors and to address challenges in the local labour market.

7. This £1.13bn proposal included key improvements to the transport network across Glasgow and the Clyde Valley, the unlocking of key development and regeneration sites and other major projects which would raise Gross Value Added (effectively a local measure of jobs and productivity growth). After considerable work and refinement a total of 20 schemes from the participating councils had been prioritised as part of the first wave of participating projects. A list of the wider Clyde Valley projects is shown in Appendix 1 to this report.

### **City Deal Announcement**

8. On 4<sup>th</sup> July 2014 major announcements were made that the UK Government and the Scottish Government wished for the Glasgow Region City Deal to go ahead. The UK Government committed £500m in grant funding over a 20 year period and this was matched by the Scottish Government. This meant that the local authorities participating would only need to fund £130m of a £1.13bn proposal over the 20 year period.

9. Copies of the tri-partite agreement between the UK and Scottish Governments and the Clyde Valley partners will be left in the Members' Lounge for information as soon as it is finalised. This agreement is expected to be signed by participants on 15 August 2014.

10. In essence, across the Region the proposed City Deal is expected to:

- provide a permanent uplift in Gross Value Added of £2.2bn per annum i.e. (4.4%)
- create 15,000 construction jobs during the construction period
- create 28,000 permanent additional jobs once construction is complete.
- unlock £3.3 billion worth of private sector investment.

11. Of the total grant of £1bn, £174m will be required to fund two strategic projects (£144m for a Glasgow Airport Rail Link and £30m for Bus Improvements across the City Region. The remainder (i.e. £839m) will be available directly to the participating local authorities.

12. The funding of the strategic projects from UK and Scottish Government Grants means that in a number of the earlier years there will be no grant available to the participating authorities for other projects. The timing of grant means that authorities will need to fund a significant part of the programme up front. This is referred to later in this report.

13. Whilst the major principles of the City Deal are more or less finalised there are more detailed matters which require to be completed quickly. For that reason it is suggested that these issues be delegated to the Director of Environment in consultation with the Chief Executive to conclude. However, moving forward further reports will be brought to Council /Cabinet as appropriate and in accordance with existing governance arrangements, should any future decisions be required.

14. The projects included within East Renfrewshire are of **enormous** economic development significance for the Council area. A list of the Council projects and their associated timescales is contained in Appendix 2 to this report. These are schemes which up to now have been highly desirable but undeliverable because of the major costs involved.

15. These projects are estimated to cost £44m in terms of the model employed by the consultants appointed to develop the City Deal and together provide the infrastructure to support the planned growth of Newton Mearns, transform Dams to Darnley Country Park into a regional attraction and sustain the regeneration of Barrhead. Crucially, the infrastructure helps improve connections across the Council area and provides accessibility for all to the centrally located Country Park.

16. Put simply, the City Deal means that the Council will be able to carry out projects amounting to £44m with capital grant being awarded to cover £38m (86%) of the Council's total £44m capital investment. In addition, local residents will benefit from the overall programme of infrastructure investment across the City Region with the expected employment opportunities arising from the development of the projects as well as longer term job prospects both locally and across the wider region.

17. There are three main themes to the City Deal. These are:

- Infrastructure Fund
- Labour Market Fund
- Innovation Fund

18. All of the £1.13bn relates to the Infrastructure Fund. Details of each of these themes are set out below.

### **Infrastructure Proposals**

19. The consultants have employed a particular model which can calculate benefits across the City Region. However, this model is not able to deal effectively with data at a local council level.

20. A recent independent study commissioned by the Council and undertaken by Biggar Economics shows that substantial economic benefits for the Council will be provided as a result of the local and wider regional City Deal projects. Realising the full potential of these developments and infrastructure projects will result in an estimated £717.5m of Gross Value Added for the Council area and 2,368 new jobs over the next 30 years. The specific projects being taken forward are as follows:

#### **Business Incubation Facilities in Newton Mearns**

Evidence suggests that there is a latent demand from within East Renfrewshire, and particularly Newton Mearns, for small scale business incubation, including live/work units, shared business space and appropriate business support networks. This would allow for the first stage of growth of micro enterprises in the area, especially those that are currently home-based. Locally based accommodation would cater for the current and forecast employment trend, resulting in less travel movements and would offer employers and employees a better work/life balance. There are a number of options for accessible locations which are currently being explored including purpose built "live & work" residential options at Maidenhill, and additional incubation facilities at Spiersbridge Business Park and elsewhere.

### M77 “spur” at Junction 5/Link Road

With around 2,100 new homes planned for the 2 Strategic Development Opportunities close to the M77 (Maidenhill and Barrhead South) and a further 1,900 elsewhere, the pressure on the M77 will inevitably increase. Transport consultants advising the Council have suggested that Junction 5 and the Glasgow Southern Orbital are more able to cope with these increased flows, thus the proposal to improve connections from and to Junction 5 rather than Junction 4.

Improved connectivity from Junction 5 to Barrhead via the Country Park would result in better accessibility to new recreation and activities at the Country Park and associated employment opportunities, and would take some of the pressure from Aurs Road. This would allow the Visitor Centre and associated recreational facilities to be developed within a less car-dominated environment. The proposed link road would fulfil some of the benefits that the extension of the GSO westwards would otherwise provide without the degree of disruption this would cause. This link would also improve connectivity between the east and west of the Council area which would open up further commercial, retail and leisure development opportunities both within the Dams to Darnley area but also along the Glasgow Road Corridor and in Barrhead in general.

### Dams to Darnley Country Park

Funding of the scale proposed within the City Deal provides a long-awaited opportunity to redefine Dams to Darnley Country Park. Straightening the Aurs Road, constructing a Visitor Centre (with community space and a rangers’ service base) and providing a central car park will not only enhance the park for local residents but also pull in significant visitor numbers. Increasing visitor numbers provides local employment and, with the right signposting and promotion, provides custom for nearby restaurants and shops. These developments are anticipated to increase current levels of footfall in the Country Park from an estimated 90,000 to over 500,000 per annum.

### New Rail Station at Barrhead South

This is a vital project to support the new housing development at Barrhead South, improve access to jobs and services and provide an attractive and deliverable alternative to car travel. The feasibility and potential patronage of the new station has recently been re-tested and demonstrates that even without the new growth at Barrhead South there is enough existing demand to justify a new station. All transport stakeholders, including SPT, Network Rail and Transport Scotland are involved and are supportive.

### Employment Support linked to the Barrhead Foundry

One of the last pieces in the jigsaw in the regeneration of Barrhead town centre is the creation of the Barrhead Foundry. With demand for accommodation there already outstripping supply even before the Foundry opens, City Deal provides the opportunity to augment the Foundry with adjacent space for further and higher education training and, potentially, commercial opportunities. Work-er, Job Centre Plus, Skills Development Scotland, Adult Education, Business Gateway, the Chamber of Commerce, 3<sup>rd</sup> Sector Interface could all co-locate to provide a more effective joined up local business and employment support service. This also presents new opportunities for Further and Higher Education partners to deliver a range of activity locally.

### New Employment Opportunities at Glasgow Road

With better connections being provided to Barrhead, a varied and attractive housing market and a robust and regenerated town centre, City Deal provides the opportunity to complete the rejuvenation of the whole town by facilitating business/industrial development and new employment at Glasgow Road. The funding will remediate the remainder of the Council controlled land at Glasgow Road to prepare it for development, provide green infrastructure and integrated walkways and allow the development of more industrial and business units at Crossmill where healthy and consistent demand has always been demonstrated in recent years.

### **Labour Market - Tackling Unemployment**

21. In addition to investing in infrastructure growth sectors, the Glasgow and Clyde Valley City Deal will also build on local work to reduce unemployment across the city region.

22. Through negotiations to date, the Glasgow and Clyde Valley City Deal (Heads of Terms Agreement) has agreed on three schemes;

- reducing unemployment for those on employment support allowance;
- boosting earnings of those on low incomes, and;
- reducing youth unemployment.

23. In each of these areas, the UK Government will provide funding across the period 2014/15 to 2017/18, which will be combined with funding from the local partners to create new, innovative solutions.

### **Innovation Funds - Supporting growth in the life sciences sector and enabling small and medium-sized enterprise to succeed**

24. Complementing the infrastructure and employment schemes, the UK Government and Clyde Valley councils will also agree an investment package that will support growth in the city region's life science sector and enable small and medium-sized enterprises across the city region to grow. Further details of this package will be made available in the next few weeks.

### Governance

25. Individual councils will be responsible for funding and delivering their own projects including any ongoing revenue costs.

26. Importantly, all councils will together be collectively responsible for the delivery of the entire City Deal Programme and meeting the agreed outcomes. There is therefore an element of risk and it is important that strong governance arrangements are put in place. The proposed governance arrangements are being finalised, but the draft arrangements are shown in Appendix 3 to this report.

27. In accordance with the governance arrangements as described, it is proposed that Councillor Fletcher be nominated as the Council's representative on the Partnership Board, with Councillor Buchanan as his substitute

28. Where a project is aborted, the relevant council itself will be responsible for any financial loss and not the fund.

29. As individual projects are developed, all the legal and financial commitments will be approved in accordance with approved Council arrangements. Further reports will be brought to Cabinet/Council should future decisions be necessary.

## **NEXT STEPS**

30. In the near future, the Glasgow and Clyde Valley councils and the UK Government, will seek to work with the Scottish Government to finalise the detail of this City Deal. This finalised City Deal will set out:-

- The outcomes and outputs that the City Deal will deliver in more detail;
- Further details on the infrastructure projects that will be taken forward over the next 5 years and over the next 20 years to 2035;
- Detailed implementation plans for each programme, along with timescales for delivery;
- A robust set of governance arrangements, building on examples from other City Deals which will ensure delivery of the City Deal and promote effective economic decision-making.

## **FINANCE AND EFFICIENCY**

31. Should the City Deal proposal progress, there will be both capital and revenue implications for the Council. Capital grant will be awarded covering £38m (86%) of the Council's total £44m capital investment. However, whilst capital projects will be progressed over the first 10 years of the scheme, grant will be paid to the Council over a 20 year period requiring the Council to temporarily finance this element of the investment in addition to the £6m (14%) to be funded by the Council.

32. The financial implications of these arrangements are relatively complex and subject to ongoing negotiations with Government on the most appropriate accounting treatment of elements of the scheme, particularly the ability of councils to accrue capital grant. Treasury management arrangements will be put in place to minimise the revenue impact of this scheme but based on the latest information the financial implications are estimated as follows:-

- The Council will require to fully fund the £6m net capital cost of the project. This would require loan charges of up to circa £400k per year from 2019/2020 to be accounted for. Wherever possible, projects will be accommodated within existing capital resource plans so as to minimise this loan charge impact.
- Should it be necessary for the Council to temporarily finance the full £38m of investment, the cash flow implications would rise from £300k in 2016/17 to £1.45m in 2020/21 before reducing by £100k each year from 2023/24 onwards. This will be taken into account in current planning for the 2015/18 revenue budget and future treasury management strategies will seek to minimise the impact.

33. A modest annual revenue contribution towards the costs of the overall programme management office will also be required. This is estimated to be between £15k and £25k per annum but could perhaps be offset by a part/full time staff secondment. Any such revenue costs will be factored into current revenue budget planning, as will the costs associated with KPMG's continued involvement, project development/implementation costs and revenue costs arising from the labour market worksteams referred to in paragraphs 21 to 23 above. However, discussions continue to take place at a national level and it is hoped that funding will be able to be secured via national funding agencies and European funding programmes.

34. The above figures are based on the best information currently available but could be subject to change should there be a significant variation in interest rates or should a revised view of accounting treatment be adopted. In the event of any significant change to these assumptions, a further report will be brought back to Elected Members.

35. One further issue has the potential to materially impact on scheme costs. Government grant payments will be subject to the scheme passing 5-yearly reviews of infrastructure and economic output progress. Whilst robust joint governance arrangements will be put in place by the participating councils, failure to achieve the targets set for years 5, 10 or 15 could result in a reduction in future years' grant support. Should this situation arise, Councils would have to review their future capital spending plans.

36. In the event of the Council's projects costing less than the £44m estimated or should other (non ERC) projects not progress, it is possible that other projects could be brought forward to be funded through the City Deal. A "reserve" list of Phase 2 projects has therefore been developed and is shown in Appendix 3 to this report

## **CONSULTATION**

37. Wide consultation is taking place between all the authorities in the Clyde Valley.

## **PARTNERSHIP WORKING**

38. All stages of this Infrastructure Fund will involve partnership working with the full range of partners across the Clyde Valley.

## **IMPLICATIONS OF THE PROPOSAL**

39. There are no sustainability, IT or equalities implications associated with this report.

40. A significant amount of senior and operational staff time has been, and will continue to be, committed to the City Deal. This will need to continue until all the Council's projects are completed. A new 'Major Developments Team' has been established within the Environment Department by co-locating relevant staff from a range of professional disciplines including Roads, Planning, Regeneration, Property and Legal. This Team will be responsible for taking forward the delivery of the Council's City Deal projects.

## CONCLUSIONS

41 This is an opportunity for the Council to gain access to capital grant funding of £44m. Capital grant received from the Scottish and UK Government's will cover £38m (86%) of the Council's total £44m capital investment. This will allow the Council to implement major infrastructure and employment proposals which would almost certainly not have been possible using conventional funding models.

## RECOMMENDATIONS

42. The Council is asked to:

- (i) Confirm the Council's participation in the Glasgow City Region City Deal initiative, on the basis of the funding commitments now received from the UK and Scottish Governments;
- (ii) Delegate to the Director of Environment in consultation with the Chief Executive to conclude negotiations on behalf of the Council with regard to finance, governance, project details and any other matters including any inter authority agreements.
- (iii) Delegate to the Director of Environment to bring forward appropriate phase 2 projects which are able to be funded by project slippage.
- (iv) Nominate Councillor Fletcher as the Council's representative on the proposed Partnership Board, with Councillor Buchanan as the substitute.

Director of Environment

Further information can be obtained from: Andrew Cahill, Director of Environment on 0141 577 3036 or [andrew.cahill@eastrenfrewshire.gov.uk](mailto:andrew.cahill@eastrenfrewshire.gov.uk)

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## KEY WORDS

City Deal, Infrastructure Funding, Greater Glasgow and Clyde Valley Community Planning Partnership,



Appendix 1: List of Clyde Valley Projects

East Renfrewshire	M77 Strategic Corridor
Glasgow City Council	Metro Glasgow Drainage
	City Centre and North
	Clyde Waterfront
	Collegelands Calton Barras
Inverclyde	Inchgreen
	Ocean Terminal
	Inverkip
North Lanarkshire	Gartcosh Community Growth Area
	M8 Corridor Access Improvements
	Pan Lanarkshire Orbital Transport Corridor
Renfrewshire	Clyde Waterfront and Renfrew Riverside
	Glasgow Airport Inv Area
Regional Projects	GARL
	Strathclyde Bus
South Lanarkshire	Greenhills Road/A726
	Cathkin Integrated Roads
	Community Growth Areas
	Stewartfield Way
West Dunbartonshire	Exxon

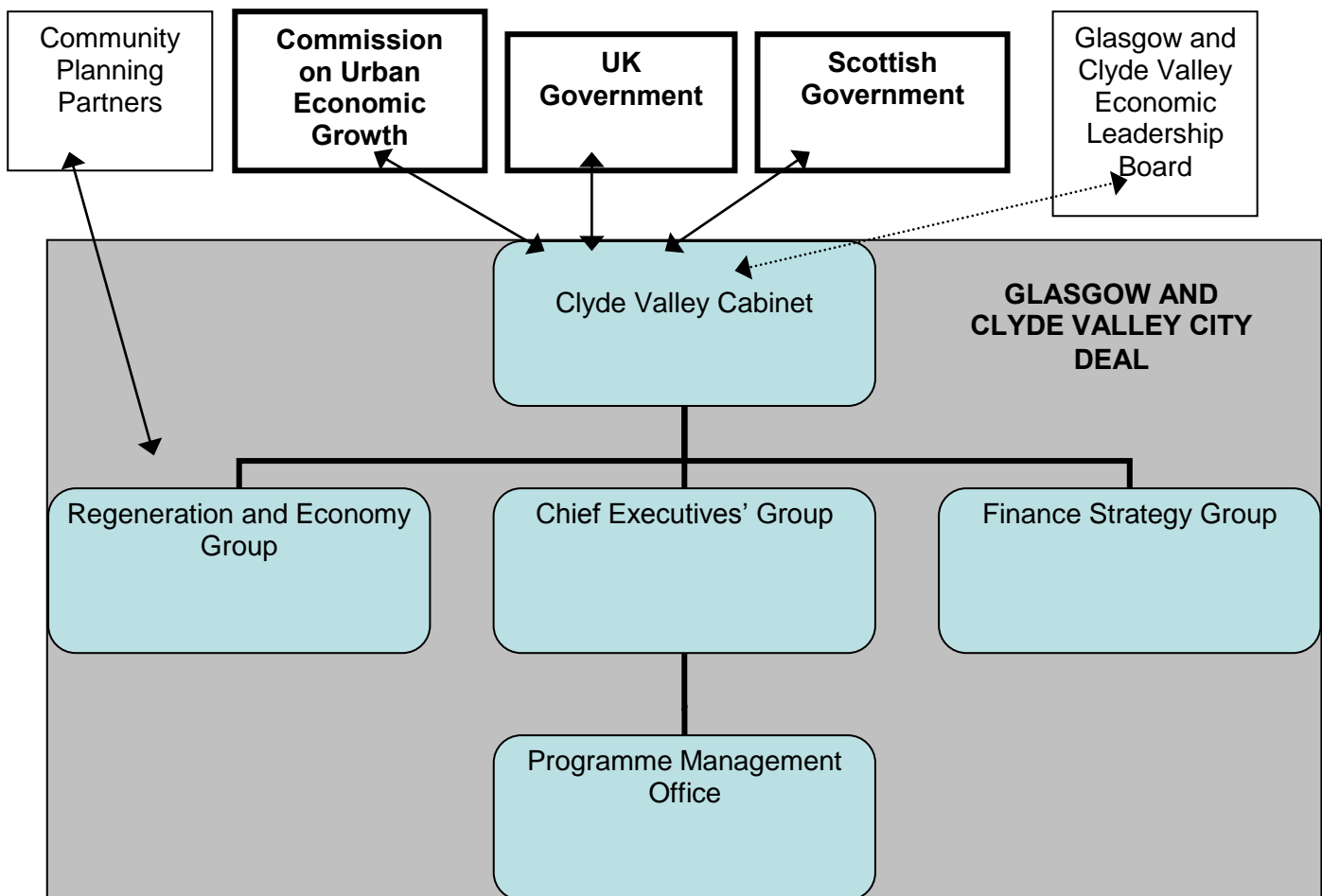
**M77 Strategic Corridor - Outline Phasing**

	2015				2016				2017				2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Schemes within M77 Strategic Corridor 2015 to 2020</b>																								
<b>Junction 5 to Barrhead</b>																								
1. New link road from Junction 5 to Barrhead - link road phases 1-3																								
1.1 includes the Neilston Railway line overbridge upgrades)																								
1.2 includes access road to retirement village																								
1.3 budget provision for purchase of land for Balgray Link																								
<b>M77 to Country Park &amp; Barrhead</b>																								
<b>New Railway Station - Barrhead South</b>																								
1. Provision of new unstaffed station from Atkins STAG Report																								
2. Parking / bus stop / paths associated with station																								
<b>Dams Road Re-alignment (including access to visitors centre)</b>																								
1. Straightening of Aurs Road (Dunira Strategy Report 2013)																								
<b>Sewerage/water/power/telecomms provision for all developments in Country Park</b>																								
1. Provision of utilities infrastructure to Country Park - allowance																								
<b>Visitors Centre</b>																								
1. Dams to Darnley Visitors Centre																								
(Including café/restaurant/toilets/visitor information/car parking)																								
<b>Schemes within M77 Strategic Corridor</b>																								
Eastwood Business Incubator and Innovation Centre																								
Foundry - Employment Links																								
Job Creation at Glasgow Road Corridor Barrhead																								

Appendix 3: Draft Governance Arrangements

Governance arrangements will be underpinned by the establishment of the following groups:

The Clyde Valley Cabinet; the Chief Executives' Group; Finance Strategy Group; Regeneration and Economy Group; Commission on Urban Growth; and Glasgow and Clyde Valley Economic Leadership Board. In addition, delivery will be underpinned by a City Deal Programme Management Office. All elements of the proposed governance arrangement will be agreed and in place by December 2014 and are shown below:.



**The Clyde Valley Cabinet** will be the ultimate decision making body in the structure, it will be responsible to the UK and Scottish Governments and will act in the joint interests of the participating Authorities. The group will operate strictly on a one member, one vote basis. For the Infrastructure Fund the following local authorities will have a vote: East Renfrewshire; Glasgow City; Inverclyde; North Lanarkshire; Renfrewshire; South Lanarkshire; and West Dunbartonshire.

The members of the Cabinet will be the Leaders of the participating Authorities. The Chair of the Cabinet will be the Leader of Glasgow City Council and will act, where necessary as the point of contact for both the UK Government and Scottish Government Ministers with regard to the implementation and management of this City Deal.

The Cabinet will meet quarterly, and will make strategic decisions regarding all aspects of the Glasgow and Clyde Valley City Deal (infrastructure, labour market and private sector growth schemes). This includes final decisions on infrastructure investment programme; approving changes to the infrastructure fund; overarching programme management of labour market programmes; and delivery of private sector growth capital schemes

**The Chief Executives' Group** will work as a group, taking operational responsibility individually (for activity within their Local Authority area) and collectively across Glasgow and Clyde Valley. The Chief Executives will meet in advance of the Leaders to agree a programme of work for the Leaders and they will individually prepare briefing for their own Leaders.

**The Finance Strategy Group** will be chaired by one of the Chief Executives and will focus primarily on the strategic finance aspects of the investment programme. The programme of work will include, but not be restricted to:

- Advice and research on long term borrowing and negotiation with lenders.
- Development of standard control and reporting templates.
- Development of modelling system for monitoring programme implementation and financial profiles.
- The group will be made up of senior finance specialists from the Authorities.

**The Regeneration and Economy Group** will be chaired by one of the Chief Executives and will provide strategic guidance to the Consortium and individual Authorities on the implementation of the investment programme. It is intended that the work of the Regeneration and Economy Group ensures the maximum leverage from the capital investment in terms of new employment opportunities, community benefits and sustainable design. We will draw on the work of the 2014 Legacy process in the design of the group.

**The Commission on Urban Growth** will be established to monitor and verify the impacts of the programme at a regional and national level. The proposal is that the Commission is chaired by an independent expert in the field of economics, and has expert members appointed jointly by Government and the Consortium

In support of the Leaders Group, the Glasgow Economic Leadership Board will be developed into a new **Glasgow and Clyde Valley Economic Leadership Board** to provide links to industry which will assist in the maximisation of the benefits of the investment programme.

**Glasgow and Clyde Valley City Deal – Programme Management Office**

As part of Glasgow and Clyde Valley's Governance arrangements a City Deal **Programme Management Office** will be established in Glasgow City Council. This Programme Management Office will act as both secretariat to the Leaders' Group and as the central point for appraisal and monitoring in the investment, labour market and private sector programmes.

The key responsibilities of the **Programme Management Office** will be:

- Organisation of meetings of the Leaders and Chief Executives and preparation of agendas and records of decisions.
- Acting as first point of contact for UK and Scottish Governments
- Preparing reports for Government on progress and impacts in a format to be agreed
- Conducting appraisal of new and substitute schemes in the investment programme
- Working with individual Authorities to assist implementation of projects
- Analysis and reporting on progress and impact
- Analysis and reporting on wider benefits realisation
- Liaison and co-ordination of programmes with other regional partners
- Submitting information to the Governance Groups

Appendix 4: Reserve List of Projects

New Park and Ride Car Park at M77 J5 (200 spaces) including access road, bus turning area, bus stances and alterations to roundabout

Boardwalk at Dams to Darnley

Cycle Routes within Maidenhill

Upgrade of existing Country Park Car Park to increase by 40 Spaces

Expanded path network within Country Park

Creation of Environmental Education Centre and Ranger Base including parking

Water-sports Centre at Balgray Dam including Clubhouse and Cable Park

Aurs Road Upgrade of weak bridge and Road to Rugby Club

Reconfiguration of Spiersbridge Roundabout to improve traffic flow

M77 bridge upgrade works and path network from bridge

Neighbourhood retail potential for 3,000m<sup>2</sup>

Upgrade of Patterton Station to public transport interchange hub

Strategic Land Acquisitions

Roads and infrastructure upgrades to Barrhead South