

# Supplementary Agenda



## West Dunbartonshire Council

**Date:** Wednesday, 30 October 2024

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**Time:** 16:00

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**Format:** Hybrid Meeting

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**Contact:** Carol-Ann Burns, Senior Democratic Services Officer  
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Dear Member

### ITEM TO FOLLOW

I refer to the agenda for the above meeting that was issued on 17 October 2024 and now enclose a copy of the undernoted report relating to Item 9 which was not available for issue at that time.

Yours faithfully

**PETER HESSETT**

Chief Executive

Note referred to:-/

Note referred to:-

**ITEM 9. EXXON INFRASTRUCTURE PROJECT UPDATE**

**265 – 269**

Submit report by the Chief Officer – Regulatory and Regeneration; -

- (a) advising of the recent cost pressures that have impacted on the Exxon Infrastructure Project;
- (b) seeking agreement of a revised scope for the Project and to increase the budget by £0.8m so that the Project's outcomes can continue to be delivered; and
- (c) to agree to seek approval from City Region for these changes.

Distribution:-

Provost Councillor Karen Murray Conaghan  
Councillor James Bollan  
Councillor Ian Dickson  
Councillor Diane Docherty  
Councillor Fiona Hennebry  
Councillor Gurpreet Singh Johal  
Councillor Daniel Lennie  
Councillor David McBride  
Councillor Jonathan McColl  
Councillor James McElhill  
Councillor Michelle McGinty

Councillor June McKay  
Councillor John Millar  
Councillor Lawrence O'Neill  
Councillor Lauren Oxley  
Councillor Chris Pollock  
Councillor Martin Rooney  
Councillor Gordon Scanlan  
Councillor Hazel Sorrell  
Councillor Clare Steel  
Councillor Sophie Traynor

Chief Executive  
Chief Officers

Date of issue: 24 October 2024

**WEST DUNBARTONSHIRE COUNCIL****Report by Chief Officers (Roads & Neighbourhood) & (Regeneration and Regulatory)****Council: 30 October 2024****Subject: Exxon Infrastructure Project Update****1. Purpose**

- 1.1** To note the recent cost pressures that have impacted on the Exxon Infrastructure Project, to agree a revised scope for the Project and to increase the budget by £0.8m so that the Project's outcomes can continue to be delivered, and to seek approval from City Region for those changes.

**2. Recommendations**

**2.1** It is recommended that Council:

- i) notes the inflationary and utility price increases that have impacted on the Project costs since 2023.
- ii) notes that an additional contribution is expected from Glasgow City Region to offset some of the additional capital costs.
- iii) approves the revised scope, at a cost of an additional £0.8m capital funding which has an additional borrowing requirement of £21,000 per annum.
- iv) submits a Change Control Request to Glasgow City Region.
- v) proceeds with the finalisation and signing of the construction contracts.
- vi) notes that the marketing of the site will commence.
- vii) notes the anticipated future income from sales and leasing of the development platforms.
- viii) notes the potential future availability of the £1m payment from Esso to contribute towards the project.
- ix) approves the continuation of discussions on future funding from Glasgow City Region, and any other external funding source.

**3. Background**

- 3.1** At its meeting on 21 June 2023, Council approved the £44.325m Final Business Case for the infrastructure proposals for the Exxon site and agreed that the Business Case be presented to Glasgow City Region for approval. Council also agreed to commence discussions with the City Region regarding

securing funding that might be available from the Region following a region-wide project reprogramming exercise. At the June 2023 meeting, Council agreed to commit up to £20.344m towards the project, with the City Region committing to funding the balance of £23.991m. The revenue cost associated with borrowing £20.334m is estimated as £10.675m over 20 years, approximately £534k per annum (based on current interest rates). There is further capital funding anticipated from City Region as a result of the surplus funds that became available when the Glasgow Airport Rail Link was withdrawn from the City Region programme.

- 3.2** The main elements of the approved project are the construction of a spine road through the site, a new railway underpass transport access at the western end of the site, a new overpass at the east, and creation of three development platforms, or large development plots, across the site. Both the infrastructure and development platforms provide the site with a strategic advantage and de-risk the site for potential developers and operators, making it more marketable than a site without any infrastructure investment. The anticipated economic growth of 520.8, expressed in the Final Business Case as Gross Value Added (GVA), is derived in part from the construction jobs created during the construction period, but mainly from the more sustainable jobs and growth from new industry and commerce as the site is built out. These long term benefits flow directly from the platforming of the site. The preparation and servicing of the development platforms results in immediately developable land. The approved project has a Benefit Cost Ratio of 11 i.e. for each pound spent, there is an anticipated benefit to the wider economy of £11. This and the GVA levels are considered some of the highest within the Glasgow City Region projects to date.

#### **4. Main Issues**

- 4.1** The detailed project design required some refinement after the Full Business Case was approved by Council, because at the time contractors had to make assumptions about the costs of key structures such as the eastern overbridge and the underpass structures at the western junctions, and the traffic signalisation of the Dunglass roundabout, which had to be linked to the traffic signals at the Western Junction per Transport Scotland requirements. The impact of traffic management costs in particular could not be fully understood at the time, and the development of the design in conjunction with the requirements of Transport Scotland alone has increased the total cost by £0.6m.
- 4.2** The project programme has also been impacted by a 10-month delay on Esso's land remediation due to the complexity of the site contamination. This delay has had a substantial inflationary impact on the final project cost, however one of the most significant costs increases has been the utility diversions, which has increased from £1.2m to £2.44m. This has been an issue common to many other major construction projects, and has been the experience in other City Deal projects across the Region.
- 4.3** The Council's contractor for the main works contract, Balfour Beatty provided their finalised construction cost at the end of September 2024. Taking account of the inflationary and traffic management factors mentioned above the construction cost increase is £4.41m, and together with the utility costs

increases of £1.24m, the total cost of delivering the project in full has increased from £44.325m to £49.965m. There are further staffing and project management costs that take the total cost to £50.201m. With the anticipated additional funds from City Deal, the net cost of the approved project would be £48.375m. The possession approval process is underway for the required possession date. Network Rail have advised that the costs are anticipated to remain the same as previously quoted however cost certainty will be received when the requested possession date is confirmed by them. Confirmation is imminent.

- 4.4** Since receiving notification of the increased costs from Balfour Beatty, the Exxon Project Board have undertaken an appraisal that considers the financial and economic consequences of altering the scope and minimising additional project costs. All of the major transport infrastructure including the spine road and access to the site at either side and one development platform at the most central part of the site can be achieved with an increase of £0.8m. With the anticipated income from City Deal, the net cost is £45.105m. The revised project has a GVA of 331.4 and a Benefit Cost Ratio of 7.4. This will de-risk the site to some extent but it will require additional infrastructure at a cost to the developer. Initial discussions have taken place with the City Region Programme Management Office. Any change to the project, significant or otherwise will be subject to a Change Control Request, but it is anticipated that the revised values will be acceptable as they remain higher than most, in terms of GVA and Benefit Cost Ratio. Due to the minimal risk that the Change Control Request won't be approved, it is recommended that Council proceeds with the finalisation of the construction contracts (the Balfour Beatty contract plus the Network Rail plus the Western Underbridge works) pending the Change Control Request being approved in order to maintain the programme and fix costs. If there is a need to change any element of the project it can be dealt with as a Compensation Event mechanisms within the contracts.
- 4.5** The Exxon Project Board has recommended that the promotion and marketing of the site to developers gets underway. The most up to date valuation of the site indicates that upwards of £3m in capital receipts can be anticipated from sale or lease of the development plots, which will go some way to offsetting initial capital costs. The inclusion of platforming on one part of the site not only enhances the value of the site, it is also understood that it increases the likelihood of early sale. It is recommended to Council that a marketing strategy which includes the potential for a development partner or developers to share the costs of the remaining platforms is produced. In doing this, we may also be able to demonstrate the relative attractiveness of the platforms, and therefore quantify the financial benefit of bringing development platforms to market, compared with unfinished ground.
- 4.6** The revised scope has been appraised by the Council's planning service. The Chief Planning Officer has confirmed that it is unlikely to raise any significant planning issues and can be carried out under the existing consents on the site, subject to compliance with current planning conditions.
- 4.7** Previous reports have noted that Esso Petroleum Limited are due to provide a "dowry" sum of £1M to the Council on the transfer of land. There is a possibility that this sum may in whole or part be used to effect Environmental

Insurance. The Council's Insurance and geotechnical / environmental advisers will be asked to review previous assumptions in this regard and any sums not required for insurance may be available to offset costs. This may only be fully understood once platforming operations have been completed but is mentioned here for completeness.

- 4.8** Finally it should be noted that the assumptions around land sales have not to date included the area of around 5 acres or so to the north of the railway line which accommodated the former Highland Fuels Depot. The disposal of this land in due course is likely to bring an additional receipt to the Council.

## **5. People Implications**

- 5.1** There are no personnel issues.

## **6. Financial Implications**

- 6.1** Taking account of the additional contribution anticipated from City Deal, the capital cost increase to the Council for the revised scope is £0.8m. This additional borrowing requirement of £0.8m has an estimated revenue implication of £0.420m which will be spread over the life of the loan (at approximately £21k per annum – an estimate is based on a 20 year loan at 5% - this is indicative as the actual amount will depend on the interest rate when the borrowing occurs). Other avenues to offset costs will be explored as noted above, albeit there is no current indication of further direct grant funding for the project beyond the sums noted from the City Region.
- 6.2** Future disposals are not accounted for in the cost breakdown of the works above, however as noted in paragraph(s) 4.5 and 4.8 above, income is expected from land sales.

## **7. Risk Analysis**

- 7.1** There are a number of project risks associated with the development at the Exxon project site and these are contained within the project risk register and updated by the Project Board on a regular basis. The Project Board is made up of senior officers from all key services.
- 7.2** Mitigation measures on early value engineering of design options were taken before costs were refined, therefore reducing some risks related to cost increases, as previously identified.
- 7.3** The additional contribution from City Deal is subject to final agreement by UK and Scottish Governments, however it is considered that the risk of this not being forthcoming is minimal.
- 7.4** There is a risk that reducing the immediately developable land on site will have a detrimental effect on the marketability of the site and the anticipated capital receipts and GVA will not be realised or will be significantly delayed.

**7.5** There is a remote risk that the City Region will not approve the Change Control Request as we anticipate. This has been mitigated through advance discussions with City Region Programme Management Office staff and the form of contract would permit any changes required by the Programme Management Office to be instructed at a later point with the cost of such changes being arrived at in a clear and transparent manner.

## **8. Equalities Impact Assessment**

**8.1** A completed EIA was undertaken as part of the Outline Business Case, and there have been no material changes in terms of impact on people with protected characteristics since.

## **9. Consultation**

**9.1** Consultation with all key stakeholders is progressing as we continue to work as part of the Glasgow City Region.

**9.2** Legal Services, Finance, Planning and the Corporate Procurement Unit are regularly consulted through their participation in the Exxon project board.

## **10. Strategic Assessment**

**10.1** At its meeting on 26 October 2022, the Council agreed that one of its main strategic priorities for the Strategic Plan 2022 - 2027 is:

- Our economy is strong and flourishing

**10.2** The proposals within this report are specifically designed to deliver on this priority.

**Alan Douglas**

**Chief Officer: Regulation and Regeneration**

**Gail Macfarlane**

**Chief Officer: Roads and Neighbourhood**

**Date: 24/10/24**

**Person to Contact:** Gillian McNamara  
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**Appendix:** None

**Background Papers:** City Region Update December 2023  
Exxon Site Project Full Business Case June 2023  
Equalities Impact Assessment November 2018.  
Environmental Impact Assessment - [DC20/088 – Planning Application – Documents.](#)

**Wards Affected:** All