



Glasgow City Region - City Deal

Cabinet

Report by Director of Regional Economic Growth

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Item 6 (c)

4th June 2019

PMO Evaluation:

South Lanarkshire Council – Augmented Outline Business Case - Cathkin Relief Road

Purpose of Report:

To report to the Cabinet on the evaluation of South Lanarkshire Council's Augmented Outline Business Case for Cathkin Relief Road. This Augmented Business Case was considered by the Chief Executives' Group on 29th May 2019 when it was agreed that it be submitted to Cabinet for approval.

Recommendations:

It is recommended that the Cabinet:-

1. notes the content of the report;
2. notes the PMO Appraisal, Project Risk Register and Programme Risk Register are available on request from the Clerk;
3. agrees the updates to the content of the business case made during the augmentation of the Cathkin Relief Road OBC as contained within this report;
4. approve the augmented business case which, following appraisal, is considered to be compliant with HM Treasury Green Book; and
5. note that no additional funding is required.

1. Purpose

- 1.1. To report to the Chief Executives' Group on the evaluation of South Lanarkshire Council's augmented Outline Business Case for Cathkin Relief Road dated April 2019. This Augmented Business Case was submitted to the Chief Executives' Group on 29th May 2019 when it was agreed that it be submitted to Cabinet for approval.

2. Background

- 2.1. The CEG on 30 November 2017 approved a review process to ensure that Glasgow City Region City Deal business cases are compliant with the approach contained within the HM Treasury Green Book. Consultants Ekos were appointed to carry out the review and they developed an appraisal template which has incorporated the comments of both the UK and Scottish Governments. This appraisal template has been used to assess this business case for compliance with Green Book.
- 2.2. The submission of this business case for appraisal is considered as confirmation that South Lanarkshire Council approves the inclusion of this business case as part of the City Deal programme as stated in the current Glasgow and Clyde Valley City Deal Assurance Framework (10 March 2015) in section 4.1.1.
- 2.3. Cathkin Relief Road Outline Business Case was initially approved by Cabinet on 20th October 2015 and the Full Business Case was approved on 15th December 2015.
- 2.4. The main construction of the Cathkin Relief Road was completed in early 2017 and the road is now open for public use. Cathkin Relief Road is part of the impact evaluation for Gateway Review 1 and the benefits of the project will be monitored by the MA and the PMO.

3. Review of the Augmented Cathkin Relief Road OBC

- 3.1. Following the initial review of all project's OBCs, South Lanarkshire Council submitted an augmented version of Cathkin Relief Road OBC to the PMO on 12 April 2019 to reflect the comments of the initial review.
- 3.2. This business case has been reviewed and appraised and the PMO has been advised by Ekos that it is considered to be Green Book compliant.
- 3.3. The PMO has undertaken an additional review which provides an analysis of the content of the initial version of the OBC approved by Cabinet on 14 February 2017 and the augmented version. This review does not identify any areas of substantive change to the scope, finances, or delivery of the project. Any relevant changes or updates to the business case in relation to the scope, finances or benefits that the project anticipates to deliver are set out in the following sections.
- 3.4. The Executive Summary for the project is attached as Appendix 1.

- 3.5. A copy of the appraisal assessment of this business case is available from the Clerk.

4. Scope

- 4.1. SLC has confirmed to the PMO that the scope of the project remains unchanged from the initial OBC. The title and grouping of the project components is unchanged from the initially approved OBC.
- 4.2. While the construction of the road is complete, SLC have identified that there will be some ongoing work that may require to be undertaken to mitigate against any potential disbenefits of the project. SLC will report to the PMO on any mitigation activity that they undertake.

5. Programme Milestones

- 5.1. As this project is already completed, the only relevant key milestone is the target construction end date. The construction start was originally forecasted for 6th May 2016 with a construction duration of 30 weeks. This Augmented OBC shows the same construction start date, but with a longer duration of 47 weeks (17 weeks later than originally forecasted).

6. Finance

- 6.1. The total cost of the project is £16m all funded from City Deal Grant. This is an Augmented Business Case and is not seeking any further funding.
- 6.2. The financial case contained within the initially approved OBC and the augmented OBC have been reviewed. Relevant changes and updates that have been identified between the versions of the OBC are set out below:

Change/Issue	Approved OBC (August 15)	Augmented OBC (April 2019)
Cost	Project cost is estimated to be £21.6m	Project cost is £16m. Reduction in cost of £5.6m has been vired to Greenhills (£2.6m) and retained by authority. SLC Virement agreed by Cabinet 12/12/17
Funding	14% contribution from member authority and 86% from grant	Project is 100% funded from grant due to cost savings achieved.
Phasing	Spend phasing provided	Spend phasing has been updated. This includes spend of £1.54m for financial years 2019/20 onwards although the project is complete. This will cover complementary works and any outstanding payments.

Revenue implications	Revenue implications not quantified	Revenue implications for lifecycle costs are £0.65m per annum
VAT	VAT treatment not mentioned	VAT costs recoverable
Project costs	Projected spend provided	Detailed of actual spend provided
Benefit and monitoring costs	Benefit and monitoring costs not mentioned	Benefit and monitoring costs quantified at £0.23m.
Follow on investment	Follow on investment costs not mentioned	The need for follow on investment is noted
Risk	Financial risks provided	Financial risks have been updated.

7. Benefits Realisation

- 7.1. The project outputs and benefits contained within the initially approved OBC and the augmented OBC have been reviewed. Relevant changes and updates that have been identified between the versions of the OBC are set out below:

Change/Issue	Approved OBC (October 2015)	Augmented OBC (12.04.19)
Employment Benefits	Cathkin Relief Road could potentially create 1,023 FTEs	Construction employment - Net additional construction (infrastructure and follow on development) person years of employment by 2035 at GCR - 145 Operational employment - Net additional FTEs by 2035 - 65
Benefit Cost Ratio	BCR of 2.9.	BCR of 3.4.
GVA	The Gross Value Added (GVA) of the Cathkin Relief Road is estimated to be £18.0 million (2010 values).	Net additional GVA at GCR by 2035 - £82.7m Net additional GVA at GCR over 25 years - £91.3m
Private Sector Investment	There was no estimate of private sector investment that will be leveraged	Net additional private sector investment (follow on developments) by 2035 - £6.61m

	through follow on investment.	
Infrastructure Benefits	The initially approved OBC didn't quantify the project infrastructure benefits.	<p>Substantially more detail given in the augmented OBC about the benefits that will be derived from the Cathkin Relief Road project.</p> <ul style="list-style-type: none"> - 1.6km of new road network - 57 new LED Lighting units - 2.8km of new electricity cables - 130m of electricity cables updated - 130m of improved water mains - 60 housing units - 3,559sqm of NIA Class 4 floorspace - 5,963sqm of NIA Class 5 floorspace - 6.9ha of greenspace enhanced - 2.43ha of wildflower area created - 725m2 of Attenuation Areas, 625m of proposed dry Swale and Swale/Filter Drain - 800m of living willow/woven willow - 45,000m3 waste construction material recycled - Driver journeys delayed by congestion reduced to 12% - 10% increase in pedestrian and cyclists

8. Legal and Procurement

8.1. The Legal and Procurement sections of the augmented OBC have been reviewed and there are no material changes.

9. Transport Appraisal Group Review

9.1. The Transport Appraisal Group (TAG) has carried out a review of this business case. The TAG's findings are set out below.

9.2. This project has been completed and is open to traffic. The Cathkin Relief Road and associated land use developments were included in the 2018 Transport Cumulative Assessment Exercise. In view of this, TAG has no comments on this Augmented OBC/FBC.

10. Recommendations

10.1. It is recommended that the Cabinet:-

- notes the content of the report;
- notes the PMO Appraisal, Project Risk Register and Programme Risk Register are available on request from the Clerk;
- agrees the updates to the content of the business case made during the augmentation of the Cathkin Relief Road OBC as contained within this report;
- approves the augmented business case which, following appraisal, is considered to be compliant with H.M. Treasury Green Book; and
- notes that no additional funding is required.

1.1 Project Overview

- 1.1.1 The Cathkin Relief Road (the project), has been completed and opened to the public on 24th February 2017. It provides a new 7.3m wide carriageway between the junctions of Cathkin Bypass/Burnside Road and Fernhill Road/Croftfoot Road/Blairbeth Road. Adjacent to the new carriageway is a 2m wide footway on the south side and a 3m wide combined cycleway/footway on the north side.
- 1.1.2 This augmented Outline/Full Business Case (OBC/FBC) presents the case for £16.00m investment in the Cathkin Relief Road. Project funding of £21.6m was approved at OBC stage by Cabinet on the 15th December 2015. While activity under the recommended investment option has not altered from the previously approved OBC, additional analysis is included to further strengthen the case for CD investment.
- 1.1.3 The cost of the Cathkin Relief Road project was expected to be £21.6m, however, the outturn spend is now expected to be £16m, a reduction of £5.6m. This is made up of project savings just over £3m which were previously intimated to the Project Management Office (PMO) in October 2016, and also further cost savings of £2.6m identified through a review of the remaining complementary works at Cathkin, sought as a result of the budget pressures identified at Greenhills. The original £3m savings had been retained by South Lanarkshire Council, this equates to the Council's 14% contribution to this project. The
- £2.6m savings now identified through the review of complimentary works are funded by City Deal Grant.
- 1.1.4 The existing Cathkin Bypass is a strategically significant road linking employment sites adjacent to the motorway network and across Glasgow City to the labour market in Cathkin and in other settlements across South Lanarkshire¹. The route is a key access point to the M74, which was extended in 2011.
- 1.1.5 While the M74 extension was seen to significantly reduce traffic flows on the local road network of neighbouring Rutherglen one year after opening,² traffic pressures are increasing in the Cathkin area with drivers travelling towards Cambuslang Road and Polmadie to access the motorway.³
- 1.1.6 Project Area traffic levels are anticipated to increase further due to the establishment of Community Growth Areas (CGAs) in Hamilton, East Kilbride, and Newton. The CGA's will support growing demand in South Lanarkshire, with some 7,500 new homes expected to be delivered by 2033⁴.
- 1.1.7 Market failure limits the area in various ways:

Physical limitations: inadequate transport infrastructure limits the capacity and connectivity of the road network. Road users experience congestion and increased journey times, restricting connections to the wider road network;

Operational limitations: travel time constraints and congestion reduces the competitiveness of the local area in attracting residents. Businesses based in employment sites reliant on the existing road infrastructure face greater difficulties in recruiting and retaining staff; and

Geographical limitations: inefficient transport infrastructure reduces the geographic accessibility of the Project Area to and from cultural, leisure and employment opportunities.

1.1.8 The project is needed now to help stem the deterioration in the local and wider areas attractiveness as a result of poor connectivity.

1.1.9 It aims to address market failures illustrated by:

- Inadequate transport infrastructure limiting capacity and the connectivity of the area's road network;
- Congestion issues reducing the area's attraction as a residential location; and
- Inefficient transport infrastructure limiting the area's geographic accessibility and access to cultural, leisure and employment opportunities

1.1.10 This augmented outline/full business case demonstrates that the project will address these market failures and realise a number of direct and indirect benefits for the City Region over the 25-year appraisal period, as shown in the table below.

1.1.11 A high-level options appraisal has been prepared based on the project objectives and the required contribution to Gross Value Added (GVA) for the entire City Deal. The aim is to achieve a step change in the delivery of housing across the area, whilst supporting investments elsewhere in the City Region i.e. Clyde Gateway. By doing so, additional jobs and GVA can be stimulated over and above business as usual (counterfactual).

1.1.12 the headline results are presented below.

Category	Specific information to be provided	£m
GVA	Net Direct at GCR by 2035	108.3
	Net Direct at Scotland level by 2035	123.1
	Net Additional at GCR by 2035	82.7
	Net Additional at Scotland Level by 2035	86.5
	Net Direct at GCR over 25 years	124.4
	Net Direct at Scotland level over 25 years	141.4
	Net Additional at GCR over 25 years	91.3
	Net Additional at Scotland Level over 25 years	93.7
		BCR
Benefit Cost Ratio	Total Public Sector Costs by 2035	5.5
	Total Public Sector Costs over 25 years	6.1
	Detail of the figures (benefits and costs) used to calculate the BCR over a 25-year period at GCR level	Economic Case
		Jobs
Construction Employment – Short Term	Gross Enabling Infrastructure Development Jobs at GCR (Person Years of Employment) by 2035	125
	Net Additional Enabling Infrastructure Construction Jobs at GCR (Person Years of Employment) by 2035	100
	Gross Development/Follow On Construction Jobs at GCR (Person Years of Employment) by 2035	115
	Net Additional Development/Follow On Construction Jobs at GCR (Person Years of Employment) by 2035	45

Operational Employment – permanent jobs	Gross Operational FTEs by 2035	355
	Net Additional FTEs by 2035	65
		£m
Private Sector Investment	Direct Project Private Sector Investment by 2035 (£m NPV)	12.1
	Net Additional Private Sector Investment (Follow-on developments) by 2035	6.61

¹ This includes Burnside, Fernhill & Castlemilk

² Transport Scotland, *M74 Completion Scheme One Year After Opening Evaluation: Scottish Trunk Road Infrastructure Project Evaluation (STRIFE)*, 2012. pp.30, 63. Available at: <https://www.transport.gov.scot/projects/m74-completion/project-details/>

³ South Lanarkshire Council, *Local Transport Strategy, 2013-2023*. s.9.40 Available at: http://www.southlanarkshire.gov.uk/info/200230/public_and_community_transport/209/local_transport_strategy

⁴ See Community Growth Area Outline Business Cases.