



Glasgow City Region

Cabinet

Report by Director of Regional Economic Growth

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**PMO Evaluation:
East Renfrewshire Council – Augmented Outline Business Case Barrhead
South**

Purpose of Report:

To report to the Cabinet on the evaluation of East Renfrewshire Council's Augmented Outline Business Case for Barrhead South.

Recommendations:

The Cabinet is invited to:-

1. note the content of the report;
2. note the PMO Appraisal, Project Risk Register and Programme Risk Register are available on request from the Clerk;
3. agree the updates to the content of the business case made during the augmentation of the Barrhead South OBC as contained within this report;
4. approve the augmented business case which, following appraisal, is considered to be compliant with H.M. Treasury Green Book; and
5. note that there is no additional funding requirement for this OBC.

1. Purpose

- 1.1. To report to the Cabinet on the evaluation of East Renfrewshire Council's augmented Outline Business Case for Barrhead South.

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 H.M. 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 East Renfrewshire 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. Augmented Outline Business Case Barrhead South Outline Business Case was approved by East Renfrewshire Council on 27 March 2019.
- 2.4. The scope of the Barrhead South Outline Business Case was initially within the scope of the wider OBC of East Renfrewshire Council's M77 Strategic Corridor Project that was previously approved by Cabinet on 18 August 2015.
- 2.5. The FBC for the Balgraystone Road component of this OBC was submitted to the Chief Executives' Group (CEG) for approval under delegated authority on 28 March 2019. The CEG approved the FBC, pending the approval of this augmented OBC by the Cabinet on 9 April 2019.

3. Review of the Augmented Barrhead South OBC

- 3.1. Following the initial review of all project's OBCs, East Renfrewshire Council submitted an augmented version of Barrhead South OBC to the PMO on 22 March 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 18th August 2015 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 information that will require to be included within FBCs that align to the Barrhead South OBC, as highlighted in the Ekos Review and by ERC within the OBC, is set out below in section 8 of this report. The Balgraystone Road FBC, which is a component of this OBC, is submitted to the Chief Executives' Group in the same cycle as this OBC. The PMO considers that the Balgraystone Road FBC meets the requirements set out in Section 8 of this report.
- 3.5. The Executive Summary for the project is attached as Appendix 1.
- 3.6. A copy of the appraisal assessment of this business case available from the Clerk.

4. Scope

- 4.1. ERC 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 and the phasing of the FBC submissions has been updated with some changes in the overall programme.

5. Programme Milestones

- 5.1. A high level project schedule is included within the business case.
- 5.2. The key milestone dates of this business case are as follows:

Tender for Aurs road Construction	April 2019
Balgraystone Road construction start - end	May 2019 - November 2019
Aurs Road FBC completion	July 2019
Aurs Road construction start - end	October 2019 - October 2020

6. Finance

- 6.1. The total cost of the project is £13.9m all funded from City Deal Grant and members' contribution. There has been no funding previously approved for this project and this OBC is not seeking any funding to progress to FBC.
- 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 2015)	Augmented OBC (January 2019)
Financial Case	Project cost is £44m for one combined M77 project all funded from City Deal Grant (£37.84m) and members contribution (£6.616m).	Project cost is approximately £13.9m (including optimism bias) and represents Balgraystone Road (£2.54m) and Aurs Road (£11.34m) only which is part of the overall M77 project. The project cost of £13.9m is funded

		entirely from City Deal Grant and members contributions. The cost breakdown, spend phasing, revenue implications, expenditure on non-Council assets, risks, optimism bias, contingency etc. relate only to the Balgraystone Road and Aurs Road projects whereas in the original OBC these related to the entire M77 project. It is therefore not possible to identify if any of these elements have changed in the augmented OBC without reviewing the OBC for all sub-projects within the M77 project.
VAT Implications	VAT implications not mentioned	VAT costs are expected to be recoverable.

7. Benefits Realisation

- 7.1. The project outputs and benefits contained within the July 2015 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 2015)	Balgraystone Road Improvement and Aurs Road and Boardwalk realignment Project Augmented OBC (March 2019)
GVA	Generating between £21.7 and £35.2 million additional GVA per annum at GCR level over a 30 year period.	Net Additional GVA at Glasgow City Region by 2035 is £96.3m
Benefit Cost Ratio	There was no project benefit cost ratio calculated within the initial OBC.	The benefits cost ratio is calculated at 9.4 (based on £13.5m of PV costs against £127.3m of net additional GVA over a 25 year period).
Construction Employment	2,541 total person years of employment (PYEs) at GCR. Levern Works (Crossmills Business Park and Nestle Site): 40 person years of employment. Eastwood Business Incubation Centre: 68 person years of employment.	Net Additional Enabling Infrastructure Construction Jobs at GCR (PYE) by 2035 – 95 Net Additional Development/Follow On Construction Jobs at GCR (PYE) by 2035 - 355

	M77 Junction 5 to Barrhead: 364 person years of employment	
Operational Employment	Supporting between 740 and 1,140 additional jobs across GCR. Levern Works (Crossmills Business Park and Nestle Site): directly creating 11 new jobs. Eastwood Business Incubation Centre: direct impact of 119 new office jobs. M77 Junction 5 to Barrhead: No operational employment attributed in the original OBC.	Net Additional FTEs by 2035 – 125 (induced employment)
Vacant and Derelict Land	8.1 ha brought back into use 3.4 ha of land remediated.	No benefits attributed to this OBC.
Transport & Infrastructure benefits	New Road created: 4,000m Cycle route created: 2,850m Bus routes created: 3,800m Electricity Cables: 15,000m New/enhanced sewage network: 5 locations Water mains: 5,000m	500 housing units 3.9km of new two way public road with integrated footpath 470m of 6m wide carriageway road with integrated footpath. 246m of upgraded footpath. 1380m of new footpath/cycle way 1 new junction 1 junction improved 492m of new cycle path 3.07km of new pedestrian footpath 1 new road bridge constructed 4.45km of new road created 0.094km of road enhanced 4.45km of carriageway with reduced flood risk
Private Sector Investment	Up to £367 million	Net Additional Private Sector Investment of £33.8m by 2035.

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. Future Developments at FBC

- 9.1. Reflecting the comments made by ERC within their augmented OBC, and the

comments made by EKOS as part of their appraisal, the PMO will require ERC to provide the information detailed in the sections below within forthcoming FBCs that align to the Barrhead South OBC.

- 9.2. Based upon the content of the augmented OBC, ERC has indicated that the following information will be provided within forthcoming FBCs to be submitted for the wider Barrhead South project:
- i. Further refinement of project costs, including optimism bias;
 - ii. Clarification that all relevant planning permissions have been secured;
 - iii. A final design for each project component;
 - iv. Update the Commercial and Financial Cases within FBCs;
 - v. Finalise the Environmental Impact Assessment for the Aurs Road component;
- 9.3. Based upon the Ekos appraisal of the augmented OBC, the PMO has taken into account the comments received and considers that the following additional information will require to be provided by ERC within forthcoming FBCs:
- i. Clarification that land acquisition and planning permissions have been concluded for the Aurs Road component;
 - ii. The mitigation actions for all internal and external constraints are reviewed and updated at FBC;
 - iii. Emerging project risks to be identified and detailed within the risk register at FBC stage;
 - iv. Details on any payments to external parties should be detailed at FBC stage;
 - v. Confirmation of the VAT treatment;
 - vi. Confirmation of contractual community benefits secured against each contract; and,
 - vii. Further detail on the traffic modelling and impact in relation to the Aurs Road project.

10. Transport Appraisal Group Review

- 10.1. The Transport Appraisal Group (TAG) has carried out a review of this business case. The TAG's findings are set out in the following paragraphs.
- 10.2. *“Balgraystone Road Upgrade: As the scope for the Balgraystone Road element of this sub-project as set out in the augmented OBC appears to be identical to that set out in the previous FBC (although there is an absence of detailed plans in the augmented OBC showing the upgrade), TAG has no further comments to make on this element of the augmented OBC.*
- 10.3. *Aurs Road Re-alignment: TAG had not previously reviewed the previous SBC or OBC for the M77 Strategic Corridor. However, the draft SBC had been considered by the Transport SAF Group when preparing the Initial Findings Report on the Transport SAF, with comments provided on the transport elements. There is limited information on the exact nature of the upgrades and the only plan provided appears to be the high-level location plan in Appendix A.*

- 10.4. *In terms of Transport Economic Efficiency (TEE) Impacts, Section 5.13.2 states: 'As part of the business case, ERC is undertaking a proportionate appraisal, and due to the nature of Balgraystone Road and Aurs Road projects, it was decided that a standard TEE analysis was not required as the number of road users affected is likely to be minimal'. Section 5.13.3 provides some further justification for this approach for Balgraystone Road but not for Aurs Road. It is not clear whether any traffic modelling has been undertaken. Although the rationale for the approach taken is understood and considered to be not inappropriate, some further commentary on this would have been helpful, particularly in view of the potential implications for traffic movements implied from the text in relation to improved workforce mobility. Notwithstanding the above comments, given that it appears that certain constraints will continue to exist on Aurs Road, it is not considered that the Aurs Road sub-project will have any significant impact on the strategic transport network"*
- 10.5. East Renfrewshire have been asked to include further analysis of any potential transport impact of the Aurs Road project component within their FBC and this is also listed at 9.3 vii above.

11. Recommendations

11.1 The Cabinet is invited to:-

1. note the content of the report;
2. note the PMO Appraisal, Project Risk Register and Programme Risk Register are available on request from the Clerk;
3. agree the updates to the content of the business case made during the augmentation of the Barrhead South OBC as contained within this report;
4. approve the augmented business case which, following appraisal, is considered to be compliant with H.M. Treasury Green Book; and
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Appendix 1 – Executive Summary – Barrhead South OBC

Project Overview

Project History

The M77 Strategic Corridor project was previously approved by the City Deal Cabinet in 2015.

The wider umbrella project comprised both transport infrastructure and property development sub-projects, the combination of which is designed to support the planned growth of Newton Mearns; to transform the Dams to Darnley Country Park into a regional visitor/leisure attraction; and to sustain the regeneration of the town of Barrhead, especially reversing the trend of socio-economic decline that affects Barrhead South.

The M77 Strategic Corridor project can therefore be regarded as an overarching umbrella scheme to be delivered by East Renfrewshire Council, at an estimated cost of £44million.

A number of road infrastructure schemes were included within the wider project as termed, Strategic Investment Zone 1 of the M77 Strategic Investment Corridor. This included The Balgraystone Road Improvement, and Aurs Road realignment projects, both of which are set out in this Outline Business Case (OBC). These specific road interventions form elements of the suite of interdependent, sub-projects required to contribute towards the overall objectives and benefits set out in the SBC for the M77 Strategic Corridor. Crucially, the combined impact of local transport infrastructure improvements helps to improve connections across the Council area and provides accessibility for all to the centrally located Dams to Darnley Country Park.

A key part of the M77 Strategic Corridor's economic objectives is also the delivery of housing within the Barrhead South Strategic Development Opportunity. This SDO aims to deliver a new sustainable community in the south of Barrhead with approximately 1050 new homes, a new railway station, a strong and connected green network and enhanced local transport links and accessibility between the two towns of Barrhead and Newton Mearns and to the Dams to Darnley Country Park.

It is clear that private sector developers will benefit from the proposed interventions through improved accessibility and wider improvements to Barrhead's offer as a place to live. However, as the private benefits to individual market players will not outweigh the total investment required to deliver the infrastructure, there is no incentive for private sector actors to commit the required funding, demonstrating the market failure. The failure of market players to develop allocated residential units across Barrhead South, stemming from the perception of poor accessibility a result of public infrastructure, attests the necessity of public sector intervention. Therefore, the only viable funder of the interventions would be the public sector. Given the nature of the project ERC is well placed to deliver the most efficient infrastructure solution to this market failure.

In the absence of intervention, it is anticipated that the identified market failure will become more deeply entrenched. As time goes on, it is expected that housebuilders will seek to deliver housing in more commercially viable markets such as Newton Mearns and the need for housing in regeneration areas such as Barrhead will not be met. Therefore, strategic investment in both Balgraystone and Aurs Road is required now to prevent current physical, operational, and geographical limitations (i.e. the market failure) from persisting.

Existing and new local residents will benefit from the overall programme of infrastructure investment, with the expected employment opportunities arising from the development of each of the projects, as well as longer term job prospects arising both locally and across the wider Glasgow City region as a result of improved connections to the strategic road/rail network.

This Outline Business Case provides the justification to take forward two pieces of road infrastructure from the SBC; the Balgraystone Road and Aurs Road realignment projects which will act as enabling infrastructure for the Barrhead South SDO. Given the geographical proximity of both pieces of infrastructure and the fact that they contribute towards the same outcomes, it was felt prudent to combine them as one OBC. Project descriptions are provided below. Separate Full Business Cases will be developed for each project.

Balgraystone Road Improvement and Aurs Road Realignment – The Project

The Balgraystone Road project is the realignment and upgrading of approximately 470m of existing Balgraystone Road and its connections to the local road network. The Aurs Road project involves improving and realigning approximately 2km of Aurs Road through the Dams to Darnley Country Park, which will allow the route to function as a public transport corridor. Walking and Cycling infrastructure will also be included with the addition of the Dams boardwalk.

The projects are an essential piece of enabling infrastructure that will help to unlock the Council's land asset at Barrhead South for early phases of residential development, especially social-rented housing, provide access to a proposed railway station on the Glasgow-Neilston line and improve access to the proposed water-based leisure developments within the Country Park.

The road projects will set the future transport patterns for local residential development, enabling predominantly sustainable and public transport choices to be made over private motor vehicle use and reduce environmental and safety impacts on the local road network.

Without primary development of the Balgraystone Road, and Aurs Road straightening, the wider Barrhead South Strategic Development Opportunity cannot proceed to full development within the necessary timescale and interdependent local transport infrastructure projects such as the new railway station, the Aurs Road Realignment and leisure development within the Country Park will be inhibited.

The Project supports the viability of the Barrhead South Strategic Development Opportunity, accelerating the development of a key site where over 1000 houses have

been allocated to support the regeneration of Barrhead. In a wider sense, it is key to the wider achievement of the M77 Corridor strategy, which will boost economic growth in the City Region, by providing essential improvements in the transport, housing, business, and leisure and recreation offer of East Renfrewshire.

The total cost of the combined interventions is £12.070m. These road infrastructure projects seek £10.380 funding (86%) from the City Region Deal Infrastructure Fund, which will be supported by £1.690m (14%) of funding from ERC².

Benefits

This augmented outline business case demonstrates that the Balgraystone Road and Aurs Road projects will realise a number of direct and indirect benefits for the City Region over the 25-year appraisal period, as shown in below.

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 volume and delivery rate of housing in the area, and that by doing so, additional jobs and GVA can be stimulated over and above business as usual.

It is anticipated that the full intervention (i.e. development of both Balgraystone and Aurs Road) over a 5-year period (2019-2023) will stimulate an additional 335 homes over and above the counterfactual. The headline results are presented below.

Category	Specific Information to be provided	£m
GVA	Net Direct at GCR by 2035	136.6
	Net Direct at Scotland level by 2035	119.0
	Net Additional at GCR by 2035	96.3
	Net Additional at Scotland Level by 2035	82.7
	Net Direct at GCR over 25 years	185.1
	Net Direct at Scotland level over 25 years	166.7
	Net Additional at GCR over 25 years	127.3
	Net Additional at Scotland Level over 25 years	114.7
		BCR
Benefit Cost Ratio	Total Public Sector Costs by 2035	13.3
	Total Public Sector Costs over 25 years	9.4
	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	110
	Net Additional Enabling Infrastructure Construction Jobs at GCR (Person Years of Employment) by 2035	95
	Gross Development/Follow On Construction Jobs at GCR (Person Years of Employment) by 2035	405
	Net Additional Development/Follow On Construction Jobs at GCR (Person Years of Employment) by 2035	355
		FTEs
Operational Employment – permanent jobs	Gross Operational FTEs by 2035	195
	Net Additional FTEs by 2035	125
		£m
Private Sector Investment	Direct Project Private Sector Investment by 2035 (£m)	52.9
	Net Additional Private Sector Investment (Follow-on developments) by 2035	33.8

Notes:

2 City Deal - £10,380,200 + ERC - £1,689,800