



Glasgow City Region - City Deal

Cabinet

Report by Director of Regional Economic Growth

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Item 7 (c)

12th February 2019

PMO Evaluation:

**West Dunbartonshire Council – Augmented Outline Business Case
EXXON Site Development Project**

Purpose of Report:

To report to the Cabinet on the evaluation of West Dunbartonshire Council's Augmented Outline Business Case (OBC) for EXXON Site Development Project.

Recommendations:

It is recommended that the Cabinet:-

- i. notes the content of the report and the additional funding requirement of £6.153m, as described in section 5;
- ii. agrees the updates to the content of the business case made during the augmentation of the Exxon Site Development OBC as contained within sections 5 and 6 of this report;
- iii. approves the augmented Outline Business Case for Exxon Site Development Project which, following appraisal, is considered to be compliant with H.M. Treasury Green Book.

1. Purpose

- 1.1 To report to the Cabinet on the evaluation of West Dunbartonshire Council's augmented Outline Business Case (OBC) for Exxon Site Development Project dated January 2019.
- 1.2 The submission of this business case for appraisal is considered as confirmation that Glasgow City 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.
- 1.3 The Exxon Site Refreshed Outline Business Case was approved by West Dunbartonshire Council on 28 November 2019.
- 1.4 This Augmented OBC was submitted to the Chief Executives' Group on 31st January 2019 when it was agreed that it be submitted to Cabinet for approval.

2. Review of OBCs

- 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 appraise the augmented OBCs for compliance with Green Book.

3. Review of the Augmented Exxon Site Development Project OBC

- 3.1 Exxon Site Development Project OBC was approved by Cabinet on 11 April 2017.
- 3.2 Following the initial review of all project OBCs, West Dunbartonshire Council submitted an augmented version of Exxon Site Development Project OBC to the PMO on 14 December 2018 to reflect the comments of the initial review.
- 3.3 The augmented OBC has been reviewed and appraised and the PMO has been advised by Ekos that it is considered to be Green Book compliant.
- 3.4 The information that will require to be included within FBCs that align to the Exxon Site Development Project OBC, as highlighted in the Ekos Review and by WDC within the OBC, is set out below in section 8 of this report
- 3.5 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 18 August 2015 and the augmented version. This review identifies any areas of substantive change to the scope, finances, or delivery of the project. These changes are set out below within this report.

4. Scope

- 4.1 WDC 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. Financial

- 5.1 The total cost of the project is £34.050m. This represents an increase of £6.153m from the approved £27.897m cost all funded from City Deal Grant and members contribution. West Dunbartonshire Council would seek to meet this through additional City Deal Funding should it become available however the Council has agreed that should this not be the case then it will meet the additional spend required to deliver the project. Cabinet have previously approved total funding of £3.448m of which £2.948m was previously approved at OBC stage on 11 April 2017. This OBC is not seeking any additional funding.
- 5.2 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 (April 2017)	Augmented OBC (January 2019)
Project cost	Project cost is £27.897m all funded from City Deal with £24.080m from grant (86%) and £3.817m from member authority (14%).	Project cost increased to £34.050m all funded from City Deal with £29.283m from grant (86%) and £4.767m from member authority (14%). This represents an increase in cost of £6.153m. West Dunbartonshire Council would seek to fund this increase in cost of £6.153m from City Deal however should this not be available it has agreed to fund the additional spend required to meet the cost of the project.
Capital costs	Project capital costs provided	Project capital costs updated
Expenditure on non-council assets	Expenditure on non-Council assets £2m	Expenditure on non-Council assets reduced to £0.371m
Revenue Implications	Full year annual revenue implications £0.019m	Full year annual revenue implications increased to £0.072m
Dependencies and Risks	Financial dependencies and risks provided	Financial dependencies and risks updated
Follow on investment	Follow on investment not quantified	Follow on private sector investment of £32.2m

Spend profile	Spend profile provided	Spend profile updated
VAT	VAT implications not mentioned	VAT costs are expected to be recoverable
Optimism Bias	Optimism bias ranges between 25% and 44% and totals £5.6m	Optimism bias ranges between 15% and 40% and totals £3.9m.
Debt financing	Debt financing costs quantified at £0.452m per annum.	Debt financing costs increased to £0.474m. Should the additional grant funding not be awarded this would increase the annual cost to £0.7m.
Options Appraisal	No option appraisal in Economic case	Option Appraisal in Economic Case. Clarification for reason for costs beyond 2035 is required.

6. Benefits Realisation

- 6.1 The project outputs and benefits contained within the April 2017 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 (April 2017)	Augmented OBC (January 2019)
GVA	Net additional GVA of 64.77m per annum Construction GVA of £12.17m	£230.2m net additional NPV GVA by 2035
Benefit Cost Ratio	Not included within the original OBC	A benefit cost ratio of 13.0. This is based upon £31.7m of total public sector costs against £411.4m net additional GVA over 25 years.
Construction Employment	135 person years of employment	A total of 670 net direct construction jobs at the City Region level. This consists of 415 for the infrastructure development and 255 for the subsequent development activity.
Operational Employment	689 net additional FTE positional (based upon 1,055 gross FTEs)	840 net additional net operational jobs by 2035
Land benefits	Area of site reclaimed, (re)developed or assembled (including all roads and development plots) – 19.10 Ha. This total area was described as Vacant and Derelict within the OBC.	This is unchanged – 19.10ha of vacant and derelict land will be brought back into use.

Infrastructure benefits	1.95km of new road 1.32km of enhanced road 1 new junction 1 enhanced junction 0.475km of enhanced cycleway 20,000sqm of public realm (new). 1 road bridge 1 pedestrian underpass Area of Land protected from flood – 24.77ha Greenspace enhanced or protected – 27.13ha	1.95km of new road 1.32km of enhanced road 1 new junction on the A82 at Dumbuck with closure of the existing junction 1 remodelled junction on the A82 at Dunglass 0.475km of enhanced cycleway 20,000sqm of public realm (new). 1 remodelled road bridge 1 pedestrian underpass of the Glasgow/Dumbarton Railway Area of Land protected from flood – 24.77ha Greenspace enhanced or protected – 27.13ha
Private Sector Investment	£23.43m	£32.2m of additional private sector investment by 2035
Commercial Floorspace	44,200sqm if industrial and commercial floorspace. This consisted: 25,000sqm of Warehouse & Storage (class 6) 9,600sqm of Industrial floorspace (class 5) 7,850sqm of business floorspace (class 4) 1,750sqm of office floorspace (class 2)	45,512sqm of employment floorspace by 2035 derived from a total of 19.1ha of land available to be developed for employment Office (class 2) – 1,752sqm Business (Class 4) – 7,860sqm Industrial (Class 5) – 9,900sqm Storage/Distribution (Class 6) – 25,500sqm

7. Legal and Procurement

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

8. Future Business Case Development

- 8.1 Reflecting the comments made by WDC within their augmented OBC, and the comments made by EKOS as part of their appraisal, the PMO will require WDC to provide the information detailed in the sections below within forthcoming FBCs that align to EXXON Site Development Project:

- i. Description of how the project will be implemented including what the money will be spent on (refer to comment in section 1.5.3 of the Ekos review table);
- ii. How the preferred option addresses the needs of all parties and project partners (refer to comment in section 3.1.1 of the Ekos review table);
- iii. Clarification on commercial demand for the outputs generated by the project (refer to comment in section 3.1.4 of the Ekos review table);

- iv. Clarification on the procurement strategy(refer to comment in section 3.2.1 of the Ekos review table) i.e.:
 - a. More information on the Commercial Case, and
 - b. Sourcing Strategy as *Appendix I* of the OBC is currently blank;
- v. Clarification on contracting arrangements (refer to comment in section 3.2.6 of the Ekos review table); and
- vi. Clarification guarantees and financial agreements as Negotiations with EXXON are not yet concluded (refer to comment in section 4.1.8 of the Ekos review table).

9. Recommendations

9.1 It is recommended that the Cabinet:-

- i. notes the content of the report and the additional funding requirement of £6.153m, as described in section 5;
- ii. agrees the updates to the content of the business case made during the augmentation of the EXXON Site Development OBC as contained within sections 5 and 6 of this report; and
- iii. approves the augmented Outline Business Case for EXXON Site Development Project which, following appraisal, is considered to be compliant with H.M. Treasury Green Book.