



## **Glasgow City Region - City Deal**

### **Cabinet**

### **Report by Director of Regional Economic Growth**

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## **Item 7 (b)**

**12th February 2019**

### **PMO Evaluation:**

#### **East Renfrewshire Council – Augmented Outline Business Cases:**

- **East Renfrewshire Business Boost**
- **Levern Works Regeneration Project (phase 2)**

### **Purpose of Report:**

To report to the Chief Executives' Group on the evaluation of East Renfrewshire Council's augmented:

- Outline Business Case (OBC) for East Renfrewshire Business Boost. (Business Boost); and,
- OBC/FBC for Levern Works Regeneration Project (phase 2).

### **Recommendations:**

Cabinet is invited to:

- i. note the content of the report;
- ii. agree the updates to the content of the business cases made during the augmentation of the East Renfrewshire Business Boost OBC and the Levern Works Regeneration (phase 2) OBC/FBC, as contained within sections 5 and 6 of this report; and
- iii. approve the augmented OBC for East Renfrewshire Business Boost and OBC/FBC for Levern Works Regeneration (phase 2) which, following appraisal, are considered to be compliant with H.M. Treasury Green Book.

## **1. Purpose**

- 1.1 To report to the Cabinet on the evaluation of East Renfrewshire Council's augmented:
  1. Outline Business Case (OBC) for East Renfrewshire Business Boost. (Business Boost); and,
  2. OBC/FBC for Lavern Works Regeneration Project (phase 2).
- 1.2 The submission of these business cases for appraisal is considered as confirmation that East Renfrewshire Council approves their inclusion 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 These augmented Business Cases were considered by the Chief Executives' Group on 31st January 2019 when it was agreed that they should 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 Business Cases**

- 3.1 M77 Strategic Corridor OBC, of which both East Renfrewshire Business Boost and Lavern Works Regeneration Project (phase 2) are components, was approved by Cabinet on 18 August 2015. The OBC of August 2015 also included the Full Business Case for Lavern Works. A subsequent Full Business Case (FBC) for Business Boost was approved by the Chief Executives Group on 30 November 2017 under delegated authority and this was reported to Cabinet on 12 December 2017. The Business Boost project has completed construction and is entering the operational phase.
- 3.2 Following the initial review of all project OBCs, East Renfrewshire Council submitted augmented OBC for the East Renfrewshire Business Boost and OBC/FBC for Lavern Works Regeneration Project (phase 2).components 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 PMO has undertaken an additional review of each OBC which provides an analysis of the content of the initial version of the OBC approved by Cabinet on 18 August 2015 (and also the subsequent FBC of 27 November 2017 for

Business Boost) in relation to 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 ERC has confirmed to the PMO that the scope of both the Business Boost and Levern Works projects remain 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**

##### **East Renfrewshire Business Boost**

- 5.1 The total cost of the Business Boost Initiative is £5.72m of which approximately £4.82m is funded from City Deal Grant (86%), £0.78m from Members Contribution (14%) and £0.12m from external contributions. Cabinet have previously approved total funding of £5.6m all of which was previously approved at FBC stage on 12 December 2017. This OBC is not seeking any additional funding.
- 5.2 The financial case contained within the August 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:

<b>Change/Issue</b>	<b>Approved OBC for all elements of the M77 Strategic Corridor Investment Programme (August 2015)</b>	<b>Business Boost Initiative Augmented OBC/FBC (Version dated December 2018)</b>
Project cost	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 £5.72m and represents the Business Boost Initiative only which was part of the overall M77 project. This is an increase in cost of £1.52m from the original £4.2m cost when part of the overall M77 project. The project cost of £5.72m is funded from £5.6m City Deal including members' contribution and £0.12m from Developers contributions.
Various	Project cost, breakdown, spend phasing, revenue implications, expenditure non non-Council assets, risks, optimism bias, contingency etc. relate to the overall M77 project.	Project cost breakdown, spend phasing, revenue implications, expenditure on non-Council assets, risks, optimism bias, contingency etc. relate only to the Business Boost project whereas in the original OBC these related to the entire M77 project. It is expected that all these elements will have been revised however it is not possible to

		confirm this from reviewing the augmented Business Boost 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

### **Levern Works Regeneration Project (phase 2)**

- 5.3 The total cost of the project is £1.835m of which £0.912m is funded from the City Deal Infrastructure Fund including both grant and member's contribution, £0.165m from additional member's contributions and £0.758m from external contributions. Cabinet has previously approved funding of £0.912m on 18 August 2015. This is an OBC/FBC and is not seeking any further funding.
- 5.4 The financial case contained in the August 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:

<b>Change/Issue</b>	<b>Approved OBC for all elements of the M77 Strategic Corridor Investment Programme (August 2015)</b>	<b>Levern Works Regeneration Project (Phase 2) Augmented OBC/FBC (Version dated January 2019)</b>
Project costs	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 £1.835m and represents Levern Works Regeneration only which was part of the overall M77 project. This is an increase in cost of £0.923m from the original £0.912m cost when part of the overall M77 project. The project cost of £1.835m is funded from £0.912m City Deal including member's contribution, £0.758 from external contributions and £0.165m additional Council contributions.
Various	Project cost, breakdown, spend phasing, revenue implications, expenditure non non-Council assets, risks, optimism bias etc. relate to the overall M77 Project.	Project cost, breakdown, spend phasing, revenue implications, expenditure on non-Council assets, risks, optimism bias, contingency etc. relate only to the Levern Works project 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	Further information provided and a statement that VAT costs are expected to be recoverable

## 6. Benefits Realisation

### East Renfrewshire Business Boost

- 6.1 Project outputs and benefits are contained within the augmented OBC/FBC for Business Boost.
- 6.2 It should be noted that as ERC has split the project into a series of OBCs to reflect the different project components, the estimated overall project benefits will be finalised upon the submission and agreement of the final FBC for the M77 Programme. For this reason, the information in the table below should not be considered as a direct comparison as the initial OBC reflected the entire M77 programme, whereas this OBC relates only to the Business Boost Lavern Works component.
- 6.3 The PMO will collate all of the benefits information included in the OBCs submitted for the M77 Programme to inform the Programme Business Case. A description of the project benefits are contained within the table below:

Change/Issue	Approved OBC for all elements of the M77 Strategic Corridor Investment Programme (August 2015)	Business Boost Augmented OBC/FBC (Version dated December 2018)
GVA	Generating between £21.7 and £35.2 million additional GVA per annum at GCR level over a 30 year period.	Total net additional GVA at GCR level by 2035: £25.0m
Benefit Cost Ratio	There was no project benefit cost ratio calculated within the initial OBC.	8.0
Construction Employment	2,541 total person years of employment (PYEs) at GCR.	Net additional person years of employment: 40
Operational Employment	Supporting between 740 and 1,140 additional jobs across GCR.	Net additional operational jobs: 100 [Appendix B1]
Private Sector Investment	Up to £367 million	No private sector investment is attributed to the Business Boost
Floorspace Outputs	Business incubation space: 1,750 sqm	New Office floorspace: 1,354sqm

	Commercial and light industrial: 9,700sqm  Retail space: 7,000sqm	
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### **Levern Works Regeneration Project (phase 2)**

- 6.4 Project outputs and benefits are contained within the augmented OBC/FBC for Levern Works.
- 6.5 It should be noted that as ERC has split the project into a series of OBCs to reflect the different project components, the estimated overall project benefits will be finalised upon the submission and agreement of the final FBC for the M77 Programme. For this reason, the information in the table below should not be considered as a direct comparison as the initial OBC reflected the entire M77 programme, whereas this OBC relates only to the Levern Works component.
- 6.6 The PMO will collate all of the benefits information included in the OBCs submitted for the M77 Programme to inform the Programme Business Case. A description of the project benefits are contained within the table below:

<b>Change/Issue</b>	<b>Approved OBC for all elements of the M77 Strategic Corridor Investment Programme (August 2015)</b>	<b>Levern Works Regeneration Project (Phase 2) Augmented OBC/FBC (Version dated January 2019)</b>
GVA	Generating between £21.7 and £35.2 million additional GVA per annum at GCR level over a 30 year period.	Total net additional GVA at GCR level by 2035: £19.9m
Benefit Cost Ratio	There was no project benefit cost ratio calculated within the initial OBC.	12.8:1 over 25 year period GCR
Construction Employment	2,541 total person years of employment (PYEs) at GCR.	60 net PYEs 2035
Operational Employment	Supporting between 740 and 1,140 additional jobs across GCR.	Net additional FTEs: 40 by 2035

Vacant and Derelict Land	8.1 ha brought back into use  3.4 ha of land remediated.	9ha of vacant and derelict land brought back into use.
Infrastructure benefits	Electricity Cables: 15,000m New/enhanced sewage network: 5 locations Water mains: 5,000m	This benefits category is not attributed to the Lavern Works element of the M77 Strategic Investment Corridor.
Transport benefits	New Road created: 4,000m Cycle route created: 2,850m Bus routes created: 3,800m	New footpath: 850m New cycle route: 850m
Private Sector Investment	Up to £367 million	Leveraged funding activity: RCGF (match funding): £738,424; GVC Green Network: £20,000. Follow-on private sector investment: £8m
Floorspace Outputs	Business incubation space: 1,750 sqm Commercial and light industrial: 9,700sqm Retail space: 7,000sqm	Light Industrial floorspace: 843sqm New Retail floorspace: 5,945sqm
Environmental Benefits	Greenspace enhanced: 12ha  Sustainable urban drainage system created: 1,500sqm	Greenspace created: 0.37ha at the Nestle site and 0.67ha at the Community Landscaped Gateway
Housing benefits	Number of dwellings created: 2,110 Number of affordable homes: 530	This benefits category is not attributed to the Lavern Works element of the M77 Strategic Investment Corridor.

## 7. Legal and Procurement

- 7.1 The Legal and Procurement sections of the augmented business cases have been reviewed and no material or substantive changes have been identified.

## 8. Recommendations

- 8.1 Cabinet is invited to:
- i. note the content of the report;

- ii. agree the updates to the content of the business cases made during the augmentation of the East Renfrewshire Business Boost OBC and the Levern Works Regeneration (phase 2) OBC/FBC, as contained within sections 5 and 6 of this report; and
- iii. approve the augmented OBC for East Renfrewshire Business Boost and OBC/FBC for Levern Works Regeneration (phase 2) which, following appraisal, are considered to be compliant with H.M. Treasury Green Book.