



**Glasgow City Region Cabinet**

**Report by Director of Regional Economic Growth**

**Contact: Jane Thompson**

**Tel: 0141 287 5369**

**PMO Evaluation:**

**Inverclyde Council – Outline Business Case – Inverkip A78 Transport Improvements**

**Purpose of Report:**

To report to the Cabinet on the evaluation of Inverclyde Council's Outline Business Case for Inverkip A78 Transport Improvements.

**Recommendations:**

The Cabinet is invited to submit this report to Cabinet with a recommendation that it:

- a) note the content of this report;
- b) note the PMO Appraisal and Project Risk Register are available on request from the Clerk; and
- c) approve this Outline Business Case.

## **1. Purpose**

- 1.1. To report to the Cabinet on the evaluation of Outline Business Case (OBC) for Inverkip A78 Transport Improvements.
- 1.2. The submission of this business case for appraisal is considered as confirmation that Inverclyde Council approves the inclusion of this business case as part of the City Deal Programme as stated in the Glasgow City Region City Deal Assurance Framework 2019.
- 1.3. Inverclyde Environment & Regeneration Committee provided approval for submission of this Outline Business Case at a meeting on 31 August 2023. Project costs and contributions from Inverclyde Council were subsequently reviewed and approved by the Council's Policy & Resources Committee on the 19 September 2023.

## **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. EKOS Consulting Ltd, in the process of reviewing the GCR City Deal OBCs, 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.

## **3. Review of Inverkip A78 Transport Improvements OBC**

- 3.1. The appraisal of this business case was carried out in line with the appraisal template, and the PMO considers that the OBC is consistent with the requirements of H.M. Treasury Green Book. While the PMO considers that the OBC is compliant with the requirements of Green Book, it remains that case that all legal and financial risks associated with the project remain with the Member Authority.
- 3.2. The PMO consider that the content of this OBC is consistent with the content of Inverkip A78 Transport Improvements SBC previously approved by Cabinet on 20 October 2015.
- 3.3. The monitoring and evaluation of the Inverkip A78 Transport Improvements OBC will continue to inform the overarching Programme Business Case.
- 3.4. The Executive Summary for the Inverkip A78 Transport Improvements project is attached as Appendix 1.
- 3.5. A copy of the PMO's appraisal assessment of this business case is available from the Clerk.

## **4. Current Status of Project**

- 4.1. In advance of the approval of this OBC, this project reported at 'Green' status for Scope, Finance, Timeline and Benefit Realisation.

## **5. Scope**

- 5.1. The Scope of the Inverkip A78 Transport Improvements OBC is consistent with the content of the SBC previously approved by Cabinet on 20 October 2015.
- 5.2. The proposed works will deliver:
  - Two signal-controlled junctions on the A78 at Kip Marina and Main Street in Inverkip;
  - Associated road surfacing repair, markings, signage, and installation of signals;
  - Staged delivery of a signalised roundabout at Brueacre Junction on the A78 involving:

- Construction of a new at-grade three-arm 44m Inscribed Circle Diameter (ICD) roundabout to facilitate access to the Inverkip Power Station development site for construction traffic only;
- Minor re-alignment of the A78 northbound and southbound approaches to tie into the proposed roundabout and avoid impacts on adjacent railway embankment; and
- Subsequent conversion and upgrade to a signalised roundabout, closure of the existing northbound slip road to the junction and opening of the development spine road linking Spey Road and the new roundabout. To be delivered by the Developer prior to occupation of 200 units within the development.

5.3. There have been no Change Controls submitted for Scope since the approval of the SBC.

## 6. Timescale

6.1. Inverclyde Council is proposing to submit an FBC following the approval of this OBC. The key milestone dates for each are as follows:

| Activity   | Timescale                  |
|--|----------------------------|
| OBC Approvals  | November 2023              |
| Site Investigation / Utility Surveys                       | November-December 2023     |
| PCSA Project Design (DMRB)                                 | November 2023-March 2024   |
| Transport Scotland Minute of Agreement (MoA)               | November 2023 – March 2024 |
| Feasibility Stage Market Testing                           | January – February 2024    |
| Full Business Case   | February-March 2024        |
| Pre-Construction Stage                                     | March 2024                 |
| Inverclyde Council Committee Approvals                     | March 2024                 |
| Advance Works (Statutory Undertakers / Roadworks Register) | February– July 2024        |
| Pre-Construction / Supply Chain Mobilisation               | April – May 2024           |
| Main Works Construction                                    | April 2024 – November 2024 |
| Project Completion   | November 2024              |
| Commencement of Inverkip Power Station Redevelopment       | 2025 onwards               |

6.2. From project inception, there has been 2 CCRs submitted for Programme Milestone changes:

- SBC approved by Cabinet on 20/10/2015: Construction end date April 2017
- Programme Business Case approved by Cabinet 01/08/2019: Construction End date March 2021 (+47 months)
- CCR no. 200217\_IC\_0001 approved by Cabinet on 17/02/2020: Change of FBC submission date from February 2020 to August 2020. No change to Construction End date
- CCR no. 201021\_IC\_0003 approved by Cabinet on 21/10/2020: Construction End date moved from March 2021 to Feb 2022 (+11 months)

## 7. Finance

7.1. The total cost of the project is £3.8m. This will be funded from City Deal (including the Inverclyde Council Member Authority contribution) funding as set out below:

- City Deal Grant - £ 3.25m (or 86% of CD funding)

- City Deal Inverclyde Council MA Contribution - £0.55m (or 14% of CD funding)

- 7.2. A total of £0.260m was previously approved at SBC for OBC development. No further funds are sought at OBC stage. The remaining £3.540 of City Deal funds (Grant and IC contribution) will be requested at FBC.
- 7.3. A full financial analysis has been carried out as part of the evaluation of the business case for the project funding. The drawdown of this funding will be completed on the basis of actual eligible expenditure, in association with the grant drawdown principles outlined within the Assurance Framework.
- 7.4. No Change Controls have previously been submitted for Finance since the approval of the SBC.

## 8. Benefits Realisation

- 8.1. The Inverclyde Council's OBC has identified and quantified the project outputs for this OBC and provided completed individual benefits trackers as required by the Assurance Framework.
- 8.2. **GVA:** The GVA that is projected to be delivered by the project and attributable to the City Deal investment by 2035 and over 25 years (2045) is set out in the table below:

| GVA  |        |
|--|--------|
| Net additional GVA at GCR over 25 years            | £71.8m |
| Net additional GVA at Scotland level over 25 years | £145m  |

- 8.3. **Benefit Cost Ratio (BCR):** The GCR City Deal Programme Management Toolkit states that the BCR should be calculated using the *Net Additional GVA at GCR over a 25 year period* against *total public sector costs* for the project the BCR is calculated as follows:

| Benefit Cost Ratio                              |           |
|---|-----------|
| Net Additional GVA at GCR over a 25 year period | £116m     |
| Total public sector costs over 25 years         | £3.8m     |
| BCR   | 30.5 to 1 |

- 8.4. The public BCR of 30.5 to 1 is for the benefits and costs that are attributed to the City Deal Investment. Therefore for every £1 of public money invested, £30.5 of economic benefit is secured for the City Region, demonstrating value for money. The Programme Business Case 2019 calculated an overall BCR for the City Deal Programme of 6.25 to 1.
- 8.5. **Employment Benefits:** The projected number of jobs, both the short-term construction jobs through both the enabling infrastructure and follow on development, and the operational permanent jobs, that are attributed to the City Deal investment are set out in the table below:

| Construction Employment - short term  |          |
|---|----------|
| Net additional enabling infrastructure jobs at GCR (Person Years of Employment by 2035) | 400 Jobs |

|  |          |
|--|----------|
| <b>Net additional development / follow on jobs at GCR (Person Years of Employment) by 2035</b> | 140 Jobs |
| <b>Operational Employment – permanent jobs created.</b>  |          |
| <b>Net additional Full Time Equivalents by 2035</b>  | 140      |

- 8.6. **Private Sector Investment:** Details of the development sites where anticipated private follow-on investment is projected to deliver £100m (Net additional private sector investment) by 2035 is described within the OBC, alongside the arrangements that are in place to facilitate follow-on private sector investment. Delivery of this follow on investment will be monitored by the PMO quarterly benefits reporting.
- 8.7. **Community Benefits:**
- 8.8. The OBC confirms that community benefit arrangements follow Scottish Government Procurement guidance, and will be compliant with requirements of GCR Buyers' Guide and that the Cenefits system will be used for monitoring and reporting City Deal community benefits.
- 8.9. A Community Benefits Strategy for the project will be delivered via the procurement process and will seek to define a clear and deliverable Benefits Realisation Plan. This shall include: Promotion of 'Living wage' / Training element(s) / Local Employment Charter / Local contractor database.
- 8.10. There have been no change controls submitted for Benefits Realisation since the approval of the SBC and Programme Realignment Paper.

## **9. Recommendations**

- 9.1. The Cabinet is invited to submit this report to Cabinet with a recommendation that it:
- a) note the content of this report;
  - b) note the PMO Appraisal and Project Risk Register are available on request from the Clerk; and
  - c) approve this Outline Business Case.

## Appendix 1 – Executive Summary

The Outline Business Case (*OBC*) seeks approval for £3.25 million from the Glasgow City Region City Deal Infrastructure programme towards the £3.8 million A78 Transportation Improvements Infrastructure Project linked to the Mixed Use redevelopment of Inverkip Power Station site. The drawdown of the funding will be sought at FBC stage. The project cost is to be funded through:

|                                   |   |
|-----------------------------------|---|
| • City Deal -                     | £3.25 million (85.5% of total project cost) |
| • Inverclyde Council Contribution | £0.55 million (14.5% of total project cost) |
| • <b>Total Cost</b>               | <b>£3.8 million</b>                         |

The A78 Transportation Improvements will deliver strategic road infrastructure to release development land at Inverkip, a former Coal-fired Power Station site now vacant and derelict brownfield site and a regional priority for development as part of the wider regional regeneration programme across Inverclyde.

The provision of the strategic road infrastructure proposed by the A78 Transportation Improvements agreed with Transport Scotland will remove an identified constraint to the regeneration of the Inverkip site enabling the development of one of the largest vacant and derelict land sites in the west of Scotland. In summary, the scope of the Project is:

- Delivery of two signal-controlled junctions on the A78 at Kip Marina and Main Street in Inverkip.
- Associated road surfacing repair, markings, signage, and installation of signals.
- Staged delivery of a signalised roundabout at Brueacre Junction on the A78 involving:
  - Construction of a new at-grade three-arm 44m ICD roundabout to facilitate access to the Inverkip Power Station development site for construction traffic only.
  - Minor re-alignment of the A78 northbound and southbound approaches to tie into the proposed roundabout and avoid impacts on adjacent railway embankment.
  - Subsequent conversion and upgrade to a signalised roundabout, closure of the existing northbound slip road to the junction and opening of the development spine road linking Spey Road and the new roundabout. To be delivered by the Developer prior to occupation of 200 units within the development.

Inverkip is a regional regeneration priority that recognises the need to address vacant and derelict land, address housing needs supporting population growth and secure economic and environmental benefit. The project addresses the restricted network and junction capacity on the A78 trunk road at locations in and around Inverkip. It will release investment and enable the development of a 50.4-hectare brownfield site at the former Inverkip Power Station, providing for up to 650 houses and 3,000 sqm commercial / community / office floorspace and 3,000 sqm of outdoor community formal activity space, including children's play facilities. In addition, the scheme protects and enhances 25ha of the local Green Network.

Wider economic benefits associated with the project (and follow-on development of Inverkip Power Station) will include c. £100m of leverage private sector investment, construction employment of 400 jobs (PYE) and 120 jobs (PYE) supported in retail & leisure industries by resident expenditure, at the Inverclyde level. Total construction GVA impact for Inverclyde from the Inverkip Power Station development is £28m, along with annual ongoing operational GVA impact of £4m.

In addition to generating significant economic value for the Inverclyde and the City Region, the Masterplan proposals will secure positive benefits for local communities in and around Inverkip and provide additional local services supporting 20-minute neighbourhoods. The Inverkip and wider Inverclyde area has suffered from the negative impacts of industrial closures as evidenced by high levels of deprivation, inequality and an environment degraded by industrial development. The proposals offer opportunity to benefit from improved opportunity and access to employment, services, community facilities and greenspace.

The development has been granted Planning Permission in Principle (2022) and accords with the

Local Development Plan (Adopted LDP2/d-LDP3) and principles of NPF4 and has been master planned to support to a Mixed-Use redevelopment incorporating quality place-making, active travel, healthy communities and sustainable living. The project demonstrates a strong fit with national, regional and local economic policies and is a priority within Schedule 1 LDP Priority Projects. The site is specifically identified within the Inverclyde Economic Regeneration Strategy 2021-2025, The Inverclyde Outcomes Improvement Plan as a key strategic site, and as a 'Priority Place' within the LDP. It is recognised across these document as re-development opportunity to create potential for additional housing and limited commercial accommodation. In the absence of network improvements to the A78 development will not proceed.

Project Management will be led by Inverclyde Council (Environment & Regeneration Directorate), working closely in consultation with Transport Scotland and other stakeholders including Scottish Power Generation to ensure timely delivery of the project and wider follow-on investment. A Senior Responsible Officer (Stuart Jamieson), Project Sponsor (Eddie Montgomery), and Project Manager (Jennifer Horn) have been identified and governance arrangements for project delivery established, including a Project Board comprising key stakeholders.

Delivery of the project will the Council commissioning Balfour Beatty in a design & build contract for the works, acting on behalf of Scottish Power Generation as disclosed agent under the SCAPE Civil Engineering Framework Scotland.

Key Milestones for the Project have been identified and include:

- Completion of Transport Scotland Minute of Agreement in Q4 2023 / Q1 2024
- Advance Works and Pre-Construction Mobilisation in Q2 2024
- Completion of strategic transport infrastructure (A78(T) upgrades) by the end of 2024
- Commencement of Inverkip Power Station Redevelopment from 2025, with multi-phase delivery completing major regeneration for housing and mixed-use commercial development by 2035.

Overall, the OBC sets out the rationale for intervention alongside the options considered in identifying the preferred way forward, the economic benefit and the arrangements for managing and delivering the A78 Transportation Improvements. It demonstrates the project is financially sustainable and will deliver economic benefit and public value including wider social and environmental effects.



A78 / Kip Marina & Main Street Junctions  
(Drawing No. 5222730-ATK-HML-SK-CH-01)

Main Road

Inverkip

Brueacre Junction  
(Drawing No. 42018/2001/SK127)