



Glasgow City Region Cabinet

Item 14

5 November 2024

Report by Director of Regional Economic Growth

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PMO Evaluation:

South Lanarkshire Council – Outline Business Case – Stewartfield Way Capacity Enhancement

Purpose of Report:

To report to the Cabinet on the evaluation of South Lanarkshire Council's Outline Business Case for Stewartfield Way Capacity Enhancement.

Recommendations:

The Cabinet is invited to:

- a) note the content of this report
- b) note the PMO Appraisal and Project Risk Register are available on request from the Clerk
- c) approve this Outline Business Case and the £3.5m additional funding requested to take the project to FBC.

1. Purpose

- 1.1. To report to the Cabinet on the evaluation of Outline Business Case (OBC) for South Lanarkshire Council's (SLC) Stewartfield Way Capacity Enhancement Project.
- 1.2. The submission of this business case for appraisal is considered as confirmation that SLC 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. This OBC will be presented to Glasgow City Region Cabinet on 8 November 2024 for approval then will be subject to South Lanarkshire Council's Executive Committee approval on 13 November 2024.

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 Stewartfield Way 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 Stewartfield Way SBC previously approved by Cabinet on 1 June 2021
- 3.3. The monitoring and evaluation of the OBC will continue to inform the overarching Programme Business Case.
- 3.4. The Executive Summary for the project is attached as Appendix 1. 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 'Future' for Benefit Realisation.

5. Scope

- 5.1. The proposed works will deliver:
 - Road (Enhanced) [km] – 1.8km
 - Cycle Routes (New) (Shared) [km] – 1km
 - 50 LED street lighting columns
 - Junctions (Improved) [no.] - 5
 - Junctions (New) [no.] - 2
- 5.2. There has been one Change Control Request submitted for Scope since the approval of the SBC.
 - 240806_SLC_028 - Addition of Dualling partial length of SFW at key locations + Dualling partial length of SFW at key locations + green + active travel options. Split of project into two OBCs: Stewartfield Way and East Kilbride Town Centre.

6. Timescale

- 6.1. SLC is proposing to submit an FBC following the approval of this OBC. The key milestone dates are as follows:
- FBC Approval: June 2026
 - Tender/procurement: July 2026
 - Construction Start: October 2026
 - Construction End: October 2028
 - Project Maintenance: October 2028 onwards
- 6.2. From project inception, there has been 2 CCRs submitted for Programme Milestone changes:
- 170806_SLC_001 – Construction Start delayed from SBC date of January 2019 to summer 2022 (+approx.42months) and Construction End delayed from SBC date of July 2020 to spring 2024 (+approx. +48 months)
 - 240806_SLC_028 - OBCs submission delayed from April 2022 to November 2024 (+31 months), FBCs approval is anticipated to be between spring 2025-2027 (to be confirmed within OBCs) and construction start to be delayed from summer 2022 to spring 2025 (approx.+36 months) and construction end delayed from spring 2024 to end of 2028 (approx.+55months)

7. Finance

- 7.1. The total cost of the Stewartfield Way/East Kilbride Twon Centre overall project is £62.212m. August 2024 Cabinet agreed to allocate this Stewartfield Way Capacity Enhancement sub-project a budget of £30m from the overall budget. This will be funded from City Deal (including the SLC Member Authority contribution) funding as set out below:
- City Deal Grant - £25.8m (or 86% of CD funding)
 - City Deal SLC MA Contribution - £4.2m (or 14% of CD funding)
- 7.2. A total of £1.0m was previously approved at SBC and this OBC is seeking funding of a further £3.5m to take the project to 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.

8. Benefits Realisation

- 8.1. South Lanarkshire Council has identified and quantified the project outputs and outcomes for this OBC and provided completed individual benefits trackers for benefits 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	£191.5m
Net additional GVA at Scotland level over 25 years	£169.9m

- 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	£191.5m
Total public sector costs over 25 years	£26.9m
BCR	7.2 to 1

- 8.4. The public BCR of 7.2 to 1 is for the benefits and costs that are attributed to the City Deal Investment. Therefore for every £1 of public money invested, £7.2 of economic benefit is secured for the City Region, demonstrating value for money.
- 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)	130 Jobs
Net additional development / follow on jobs at GCR (Person Years of Employment) by 2035	160 Jobs
Operational Employment – permanent jobs created	
Net additional Full Time Equivalents by 2035	270

- 8.6. **Private Sector Investment:** Details of the development sites where anticipated private follow-on investment is projected to deliver £69.4m (Net additional private sector investment) by 2044 is described within the OBC, alongside a description for how the project will stimulate follow-on private sector investment. Delivery of this follow-on investment will be monitored by the PMO quarterly benefits reporting.
- 8.7. **Community Benefits:** The OBC confirms that the procurement policy and procurement approaches will follow public procurement regulations. The procurement strategy for the project is aligned with the Regional Sustainable Procurement Strategy and compliant with requirements of GCR Buyers' Guide and confirmation provided that the Cenefits system will be used for the monitoring and reporting of community benefits.
- 8.8. The OBC confirms that SLC have an established and strong track record in securing community benefits and this approach will continue for this project with final community benefit arrangements confirmed once tenders have been scored.

9. Recommendations

- 9.1. The Cabinet is invited to:
- note the content of this report
 - note the PMO Appraisal and Project Risk Register are available on request from the Clerk
 - approve this Outline Business Case and the £3.5m additional funding requested to take the project to FBC.

Appendix 1: Executive Summary

This Outline Business Case (OBC) is requesting capital funding of £30m including £25.8m from the City Deal and £4.2m from SLC to support the Stewartfield Way Capacity Enhancement Project (SFWCEP). The gearing ratio between City Deal and SLC funding is split: City deal 86% and SLC 14%. This OBC continues to build the case outlined in the SBC which released £1m to develop the project proposal from SBC to OBC. This OBC seeks an additional £3.5m to be released to develop the project proposal (this includes Public Utilities Diversions, Land Agreements, ground investigations, environmental reports and design) to FBC.

The project involves a targeted intervention in the transport network, increasing the capacity of Stewartfield Way by alleviating congestion at critical pinch points, road dualling at strategic section of SFW and the creation of adjacent cycling and improved bus infrastructure. This is predicted to accelerate the delivery of new development.

Project Scope

Direct City Deal Funded Activity:

The key component of the proposed scheme is the conversion of the existing roundabouts at Nerston and Mavor junctions to 3 and 4 way traffic signal controlled junctions. This will enhance the flow of traffic through the junctions, removing “choke points” and support and accelerate economic development in the north and west of East Kilbride. The improvement will benefit residents and businesses in East Kilbride as well as residents of Rutherglen, Cambuslang, Hamilton and Glasgow at large, in addition to residents travelling to and from outlying areas such as Chapelton and Strathaven.

As part of the Stewartfield Way project, active travel improvements will be delivered including walking and cycling infrastructure. This will provide connections to both the NCN-756 national cycle route and the local cycle network. This will include the widening of parts of the NCN-756 and improvements to the facilities at Mavor and Nerston junctions, along with improvements to the adjoining local cycle network.

The specification includes:

- 1.8km of Road Enhanced - The widening of the existing carriageways on the A749 and Stewartfield Way to enhance and facilitate the new junction layouts. The carriageway alignment will be designed to the Design Manual for Roads and Bridges (DMRB).
- 1km of New Shared Cycle Route - The improvement and addition to the existing off-road cycleway adjacent to the carriageway. The cycle way will extend and tie into existing cycle routes in the area. Drainage elements will be designed to the DMRB and the Sewers for Scotland guidelines.
- New modern LED street lighting (50 columns) incorporating aluminium columns with LED lanterns will be implemented. The lighting project will be designed to BS EN 13201 lighting class ME4a.
- 5 Improved Junctions - Junctions at the existing Mavor and Nerston roundabouts to be re-designed to new 3 / 4 way traffic signal controlled junctions with cycle and pedestrian facilities and a new traffic signal-controlled junction to be constructed at the existing entrance to PlaySport..

- 1 New Junction - A new traffic signal-controlled junction to be constructed, which creates a new route into the Kingsgate retail area, with pedestrian and cycle facilities.



Figure 1 – Location Plan

Follow-on Activity:

The City Deal investment is expected to bring forward additional active travel routes in line with the East Kilbride Active Travel Plan as funding becomes available from Transport Scotland.

In addition, it is anticipated that the project will help leverage and accelerate investment from the private sector (£69.4m), including commercial and residential development across vacant greenfield and brownfield sites -24,380 sqm mixed office and industrial (class 4, 5, 6).

Strategic Case

Stewartfield Way is on northern edge of the town and is the most direct route for traffic travelling to, from and between two major transport nodes in East Kilbride – the Glasgow Southern Orbital in the west (M77 connection) and the A749 East Kilbride Expressway in the east (M74 connection). It is, however, a single carriageway one-lane road with eight roundabouts between these two points and, as such, through traffic typically uses the A726 Queensway dual carriageway through the town centre, or other less appropriate routes.

Project delivery is part of the wider East Kilbride Community Growth Area and will provide the opportunity for opening up potential development sites identified in the Local Development Plan and improve access to existing businesses.

SLC have identified several Brownfield sites in proximity to SFW that are allocated in the LDP 2 but are currently stalled. These sites could be opened up through the provision of an enhanced transport network and accelerate development activity to help create new employment generating opportunities.

The key challenges that the SFWCEP is seeking to address are:

- Economic constraints – decline in employment opportunities.
- Lack of commercial floorspace – retention and attraction of businesses.
- Population constraints – long-term growth putting pressure on transport.
- Sustainability constraints – long-term attractiveness of East Kilbride.
- Capacity constraints – road network restricts brownfield and new site development opportunities.
- Sustainable travel constraints – infrastructure restricts modal shift to sustainable/ active travel.

Policy Fit

UK Level

- Growth Plan 2022.

Scotland Level

- National Performance Framework.
- Scotland' National Strategy for Economic Transformation.
- National Planning Framework 4.
- National Transport Strategy 2.
- Infrastructure Investment Plan for Scotland 2021-22 to 2025-26.
- Equality, opportunity, community – New leadership – A fresh start.

Glasgow City Region and Local Policy

- Glasgow City Region Deal.
- Glasgow City Region Economic Strategy.
- Clydeplan.
- Connect – Council Plan 2022-2027.
- South Lanarkshire Local Development Plan 2.
- South Lanarkshire Council Local Transport Strategy 2013 – 2023.

SMART Objectives

Objective	Specific	Measurable	Attainable	Relevant	Time-bound
Support the development of brownfield sites in East Kilbride.	Leverage private sector investment of £69.4m in identified brownfield sites and deliver 24,000 sqm of commercial space and 150 housing units	Measurable by property development activity – building warrants and completion certificates	To be delivered by private developers and dependent on City Deal funding for enabling infrastructure	Based on identified sites and aligned with policy objectives	Private sector property developed expected to be realised by 2044
Improve access to employment and training opportunities.	Create 150 direct construction jobs and £8.6m GVA, and through leveraged activity support a further 530 indirect jobs and £182m GVA and number of apprenticeships, job training opportunities created	Measurable by construction contractors benefits reporting and post-implementation monitoring plans	SLC have control over project deliver and can influence direct project impacts- jobs, GVA and training opportunities. Indirect impacts are subject to private sector follow-on activity.	Based on a project level data and a bespoke economic impact appraisal.	Direct impacts to be achieved by 2028, follow-on impacts expected to be achieved by 2044.
Improve the resilience of the local transport network.	Delivery of a reliable local road network that supports efficient journey times and enhanced reliability for route users, particularly public transport operators through delivery of: <ul style="list-style-type: none"> • 1 new and 5 enhanced junctions. • 1.8 km of road enhancements • 50 new lighting columns • 7 pedestrian crossings installed 	Measurable by monitoring journey times pre and post project completion	Based on traffic modelling in East Kilbride and transportation appraisal of the project.	Need is based on data from traffic modelling; aligned with policy objectives	Benefits accrue following the completion of the project 2028.
Increase sustainable travel mode share.	Delivery of walking/ cycling options with access to major bus and rail stations <ul style="list-style-type: none"> • 1 km of new pathways/cycle paths 	Measurable by monitoring travel patterns and passenger volumes	Based on traffic modelling in East Kilbride and evidence of behavioural change in similar locations	Aligned with policy objectives	Benefits accrue following the completion of the project 2028.

Economic Case

Shortlisted Options

Short-Listed Options

Option	Description
Option 1: Do nothing	The business-as-usual or counterfactual position considers what would happen in the absence of public sector intervention
Option 2: Do minimum	Integrated bus route and stop enhancement, including controlled pedestrian crossings.
Option 3: Dualling partial length + (Preferred way forward)	Dualling partial length at key locations, junction and controlled crossing enhancements, and active travel options.
Option 4: Full dualling along length of SFW	Full dualling along length of SFW, junction and controlled crossing enhancements and active travel options.

Benefits

Over the 25-year appraisal period, the total present value net GVA impacts are outlined below.
Cumulative 25-Year Impacts (Net GVA)

	Option 1 Do Nothing	Option 2 Do minimum	Option 3 Dualling partial length + (Preferred way forward)	Option 4 Full dualling along length of SFW
South Lanarkshire	£41.5	£91.8	£168.7	£190.8
Glasgow City Region	£62.7	£140.2	£256.1	£290.0
Scotland	£55.0	£124.3	£226.7	£256.9

Value for Money

The public sector cost benefit ratio which sets Present Value Net Additional GVA impacts against present value public sector costs are presented below.

Public Cost Benefit Ratios

		Total Present Value Costs	Present Value Net GVA	BCR
Option 2	South Lanarkshire	£17.7	£50.2	2.8
	Glasgow City Region	£17.7	£77.5	4.4
	Scotland	£17.7	£69.3	3.9
Option 3	South Lanarkshire	£26.9	£127.2	4.7
	Glasgow City Region	£26.9	£193.4	7.2

	Scotland	£26.9	£171.8	6.4
	South Lanarkshire	£36.6	£149.3	4.1
Option 4	Glasgow City Region	£36.6	£227.3	6.2
	Scotland	£36.6	£201.9	5.5

Values rounded to nearest £0.1m and discounted at 3.5% annually.

The summary benefits set against City Deal Key Economic Performance Indicators are presented.

City Deal Key Economic Performance Indicators

Output Category	Output Reference	Benefit	Geographic Level	Value By 2035	Value Over 25 Years
Employment	EMP_01	Gross Construction PYE by 2035	Glasgow City Region	330	-
	EMP_02	Net Additional Construction PYE by 2035	Glasgow City Region	290	-
	EMP_03	Gross Operational FTEs by 2035	Glasgow City Region	400	-
	EMP_04	Net Additional Operational FTEs by 2035	Glasgow City Region	270	-
GVA	GVA_GCR_01	Net Additional GVA by 2035 (£m)	Glasgow City Region	£60.3	£191.5
	GVA_GCR_02	Net Additional GVA over 25 year period (£m)	Glasgow City Region		
	GVA_SCOT_01	Net Additional GVA by 2035 (£m)	Scotland	£54.4	£169.9
	GVA_SCOT_02	Net Additional GVA over 25 year period (£m)	Scotland		
Investment	OFL_01	Direct Project Private Sector Investment by 2035 (£m)	Glasgow City Region	£0.0	-
	OFL_02	Net Additional Private Sector Investment (Follow-on) by 2035 (£)	Glasgow City Region	£18.7	-
	OFL_03	Total Investment Combined (£m)	Glasgow City Region	£18.7	-
	OFL_04	Other Public Sector Investment Leveraged	Glasgow City Region	£0.0	-
BCR	BCR_01	Value of Net Additional Benefits over 25 Years (£m)	Glasgow City Region	-	£193.4
	BCR_02	Value of Public Sector Costs over 25 Years (£m)	Glasgow City Region	-	£26.9
	BCR_03	Public Benefit Cost Ratio over 25 Years	Glasgow City Region	-	7.2

Commercial Case



Addressing Partners' Needs

The project has been informed by a traffic modelling exercise that looked at issues and challenges across the wider East Kilbride road and active travel network and the development of the preferred option took account of factors including risk, impact, cost, value for money, and also specifically considered whether the preferred solution addressed the identified market failure and the needs of project partners.

Delivering Follow-on-Investment

Achieving success over the longer term is dependent on securing follow-on investment from the private sector within a range of sites within proximity to the road network and within the wider town centre. As per the Economic Case, some of this investment is unlikely to occur in the absence of the project, while within other sites its likely to be accelerated (i.e. it would likely happen but as a result of the project will occur over a condensed timescale).

The potential development sites are noted below. Assuming a commercial development footprint of 25%, this could leverage c. 24,000sqm of commercial floorspace. If we specifically consider the sites in close proximity to SFW (1-3km), this equates to 16,650 sqm. The timescales over which the leveraged activity and investment is anticipated is 2028 – 2037.

The need for follow-on investment and development activity is identified as a key external dependency of the project. It should be noted that in the absence of the project, there will be no follow-on investment

No other alternative funders or sources have been identified – the project will, however, leverage additional funding from Transport Scotland as funding becomes available to provide a continuous active travel route.

Procurement Strategy

All procurement will comply with SLCs Procurement Strategy (2023-28) and will also follow the Scottish Government's Procurement Journey as best practice for public sector procurement as well as the Glasgow City Region Sustainable Procurement Strategy.

Tendering for Required Services

Timescales for the delivery of key elements of the project are outlined below, with completion of the main construction scheduled for October 2028.

Design: by October 2025

Ground Investigation: by July 2025

Land agreements / Planning Consultation / Consents etc: by July 2026

Tender preparation / Procurement Process / Contract Award: by July 2026

FBC Submission and Approval: by June 2026

Construction: October 2026

Project Maintenance: October 2028 onwards

The conditions of contract chosen are the NEC4 Engineering and Construction Contract, Option C (Target Contract with activity schedule). The Council have successfully used this contract, along with others from the NEC suite, for almost 15 years. These conditions offer a managed approach to the contract process and have allowed South Lanarkshire Council to maintain control of both time and budget throughout the duration of the project.

Financial Case

The total public sector capital costs to deliver the project are £30m, broken down as follows:

- City Deal: £25.8m.
- SLC City Deal Match: £4.2m.

The gearing ratio achieved between City Deal and the Managing Authority is City Deal 86% and SLC 14%. The project period is estimated to be between 2024 – 2032 with the main construction activity occurring 2026 – 2028.

This OBC continues to build the case outlined in the SBC which released £1m to develop the project proposal from SBC to OBC. This OBC seeks an additional £3.5m to be released to develop the project proposal (this includes Public Utilities Diversions, Land Agreements, ground investigations, environmental reports and design) to FBC.

Breakdown of Project Costs

Budget heading	Cost estimate
Site investigation	£150,000
Land / Legal fees	£100,000
Accommodation works	£500,000
External consultants	£489,000
Design fees	£1,141,000
Site supervision fees	£1,630,000
Public utilities	£2,500,000
Contract works	£16,300,000
Traffic signals	£300,000
Public consultation costs	£5,000
Post contract monitoring	£163,000
Monitoring and evaluation	£163,000
Optimism Bias	£3,260,000
Contingencies	£3,260,000
Total	£29,961,000

Financial risks are fully considered in Risk Register along with an assessment of how they will be allocated and managed.

Project Costs Phasing of Project Costs

2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
£85,000	£2,845,000	£2,270,000	£13,000,000	£11,000,000	£200,000	£200,000	£200,000	£200,000	£300,000
0.3%	9.5%	7.6%	43.3%	36.7%	0.7%	0.7%	0.7%	0.7%	0.7%

Note: figures rounded

The total amount of leveraged private funding and estimated profile is outlined below.

Estimated Follow-on Investment

	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
Commercial	£5.3	£7.4	£3.9	£4.2	£5.6	£5.9	£2.0	£3.9	£3.3	£41.6
Housing	£11.8	£11.8	£4.1	£0.0	£0.0	£0.0	£0.0	£0.0	£0.0	£27.8
Total	£17.2	£19.3	£8.0	£4.2	£5.6	£5.9	£2.0	£3.9	£3.3	£69.3

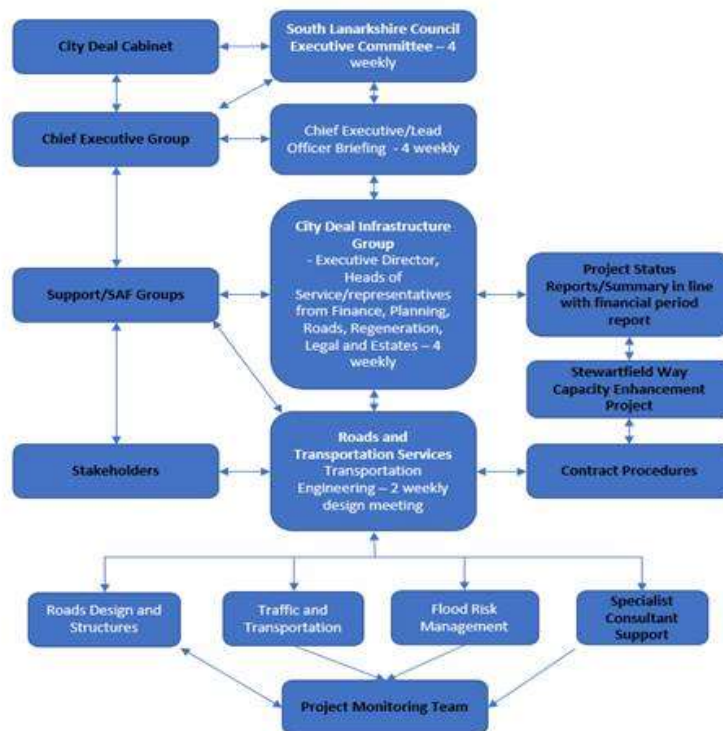
Management Case

Project Roles and Responsibilities



The project will be delivered through SLC Roads Department. The Council's Legal and Procurement service will ensure that all the contractor/subcontractors and consultant/sub-consultants engaged on the planning, design and delivery of the project comply with statutory requirements.

Internal Project Governance Organogram



Monitoring and Benefits Realisation

SLC is developing a City Deal monitoring and evaluation framework to ensure compliance with PMO requirements for performance management.

Quarterly progress reporting on project development and delivery is provided by the City Deal Programme Manager (Economy & Infrastructure) to the Programme Management Office via project status reports and MA programme reports. Benefit realisation updates will also be provided on a quarterly basis to adhere with the requirements of GCR City Deal, using the methodology set out in the Benefit Tracking Template provided within the Assurance Framework.

Project monitoring and evaluation is a key element of the appraisal process. The project will be subject to a robust monitoring and evaluation programme, in line with the guidance set out in the CD Assurance Framework and Green Book and led by the CD team set up by SLC.

Individual Benefit realisation trackers are detailed within the business case. The Project Manager shall have responsibility for monitoring and evaluation.