

## Item 9

6th August 2024



Glasgow City Region - City Deal

Cabinet

Report by Paul Manning, Chief Executive

Contact: [Iain.Ross@southlanarkshire.gov.uk](mailto:Iain.Ross@southlanarkshire.gov.uk)

### **SOUTH LANARKSHIRE COUNCIL: STEWARTFIELD WAY PROJECT CHANGE CONTROL REQUEST**

#### **Purpose of Report:**

The report sets out a proposed Change Control Request relating to a change in scope for the Stewartfield Way Project.

#### **Recommendations:**

It is proposed that the Cabinet:

- (a) Notes the contents of this report;
- (b) Approves the change to scope and timelines as set out within the report.

## **1. INTRODUCTION**

- 1.1.1 This paper has been prepared by EKOS Ltd on behalf of South Lanarkshire Council (SLC) to support a change control request submitted to the Glasgow City Region Programme Management Office (GCR PMO) (MA Change Control No: SFW - EK - CCR1). The Change Control Request relates to the Stewartfield Way (SFW) project which has been approved to Strategic Business Case stage.
- 1.1.2 The paper sets out the following:
- Description of requested change from the approved SBC.
  - Drivers and rationale for the requested change – both directly within the project and within the wider landscape.

## **2. DESCRIPTION OF THE REQUESTED CHANGE**

### **2.1 Project Changes**

- 2.1.1 The current Outline Business Case (OBC) submission target date was April 2022. However, following further consideration of the Options Appraisal within the SBC (in accordance with HM Treasury Green Book requirements) revisions to the project are proposed.
- 2.1.2 These revisions include a review of the scope of the project transport infrastructure element and the inclusion of East Kilbride town centre site preparation and development elements. Based on this, additional work, it is proposed that a separate OBC is created for each project element with these two OBCs now submitted for approval at November 2024 Cabinet meeting. These changes will reflect the updated position as per the re-scoping exercise. The works will progress with the budget agreed as the total for all works.
- 2.1.3 No additional funding is requested at this time.
- 2.1.4 A summary of the new proposed project is provided below.
- 2.1.5 Proposed new project activity under each OBC:
- Stewartfield Way OBC - Continuation of proposals to improve transport network capacity at the eastern end of the route (Kingsgate) and the western end of Stewartfield Way (Philipshill). These transportation related improvements would assist in accelerating and encouraging future economic growth across the north of East Kilbride arising from potential developments, including at Kingsgate and Playsport and assist in improving access to the relocated Hairmyres Station / strategic regional park and ride interchange.
  - East Kilbride Town Centre OBC – Significant investment in the town centre will be required to respond to the radical changes in retail habits, the change in ownerships and control of different parts of the town centre. This is likely to include enabling works at the Centre West mall including site enabling, demolition, infrastructure and utility works to support future alternative development proposals contained in the masterplan proposals that were subject of a recent public consultation. The development of a 'Civic Hub' Council facility (incorporating community facilities) will also be progressed.

#### 2.1.6 Breakdown of construction costs and funding - £62.2million total funding:

- SFW OBC - £30 million
- East Kilbride Town Centre OBC - £32.2 million

#### Funders:

- GCRC - £53.5 million
- SLC - £8.7 million

#### Start and end dates for City Deal funded activity:

- Approval of OBCs – 5 November 2024
- Planning Permission for component projects – summer 2024 – spring 2026
- Detailed project development work – autumn 2025-2028
- Approval FBCs – spring 2025-2027
- Phased procurement – spring 2025-2027
- Phased construction – spring 2025-2028.

## 2.2 Key Points to Note on the Changes

### 2.2.1 While the project deliverables have been developed and expanded, crucially, the following points are highlighted:

#### a. The strategic need for the project remains the same

From the approved SBC – “the rationale for intervention is based on releasing economic growth within East Kilbride. With the loss of a number of major employers from the town over recent years, the number of employment opportunities has declined – over the past four years (of available data, BRES by 2011 Datazone) the number of full-time jobs has declined by 8% or 2,000 jobs and, while there has been an increase in part-time employment of 10%, this only equates to 1,000 jobs or 500 Full Time Equivalent (FTE) posts. This equates to a net loss of 1,500 FTE jobs in East Kilbride over the period between 2015 and 2019.”

The strategic need for the project remains the same and we would note that the socio-economic position within East Kilbride has worsened since the initial SBC was approved.

#### b. The scope of the project remains the same, but now includes additional elements

As identified in the approved SBC, the Options Appraisal noted the following shortlisted options as being “the preferred way forward” and recommended they be taken forward for more detailed appraisal at OBC stage:

- Dualling partial length of SFW at key locations.
- Dualling partial length of SFW at key locations + green + active travel options.

SLC has confirmed that direct transport interventions through dualling sections of SFW and delivering new active travel routes will continue to play an important part of the project. However, they will be supported by direct intervention in East Kilbride town centre through site remediation/preparation works and construction of a new community hub asset.

#### c. The SMART project objectives remain the same

The strategic need and scope for intervention have not changed, and therefore the project's SMART objectives remain relevant and appropriate. An updated view on how the project will deliver the objectives is provided.

**Objective 1:** Support the development of brownfield sites in East Kilbride.

Through targeted intervention in the transport network, the project will reduce congestion at pinch points in the road network to enhance and accelerate the commercial viability of brownfield sites that have been historically unattractive to the market and slow to be developed.

In addition, the project now proposes to invest directly within 2 brownfield sites (4.5ha) in East Kilbride town centre to help attract investment within new commercial, residential, and community property.

**Objective 2:** Improve access to employment and training opportunities.

The project will still create training opportunities at the same scale within the construction sector during the capital programme (the overall costs remain the same), for example, through community benefits and apprenticeships.

In addition, it is envisaged that through direct intervention in the town centre and creating a new vision and purpose for East Kilbride (aligning with the 20-minute neighbourhood and town centre living concept) that this will: help safeguard the longer-term future of the town centre shops and services (securing employment and training opportunities); and start to attract new investors and opportunities to the town.

**Objective 3:** Improve the resilience of the local transport network.

Through the dualling of sections on SFW and the creation of adjacent cycling and improved bus infrastructure, the project will reduce congestion, improve resilience, and provide alternative options for modes of transport - supporting a modal shift.

**Objective 4:** Increase sustainable travel mode share.

As above, the project will enhance the active travel and bus infrastructure – encouraging a modal shift to more active and sustainable forms of travel.

**d. The type of benefits and impacts that are anticipated to be delivered remain the same**

Given the early stage of the proposal, the approved SBC did not quantify the impacts and benefits that were anticipated to be delivered through the SFW project. It did, however, consider the type and nature of the benefits that could be delivered. All the benefits noted within the initial approved SBC will continue to be delivered through the new project and we would note that the project will also provide additional direct benefits in the form of:

- Vacant + derelict land brought into use.

**2.3 Approved SBC Indicative Project Benefits**

2.3.1 The project benefits (marked as a ✓) that were noted as part of the approved SBC will still be delivered under the project. In addition, the benefits noted with a ✓ are new benefits.

	Direct Benefit	Indirect Benefit
Development Opportunities		

	Direct Benefit	Indirect Benefit
Commercial (new and refurb)		√
Leisure + culture (new and refurb)	√	√
Residential (new)	√	√
<b>Employment and economic</b>		
Construction – jobs, apprenticeships, and training	√	√
Operational – jobs, apprenticeships, and training		√
Net additional GVA	√	√
Private sector investment leveraged		√
<b>Land infrastructure</b>		
Vacant + derelict land brought into use	√	√
Land decontaminated		
<b>Travel and transport infrastructure</b>		
Road network (enhanced)	√	
Road junction (new/ upgrades)	√	
Walking routes (enhanced)	√	
Cycle routes (new/ enhanced)	√	
Public transport (reliability)	√	

- 2.3.2 As noted below, East Kilbride Town Centre has experienced a very difficult period and its future is uncertain. There are currently around 3,000 jobs based in the town centre. Recent high profile and large employer losses include Marks and Spencer, Debenhams, and Sainsburys (representing around 500 jobs). The town centre operators were placed into administration in November 2022 and work is ongoing with the asset managers to bring the majority of the town centre to the market. The remaining part of the centre is commercially unviable and requires the direct interventions set out in this report. The current vacancy rate (floorspace) is at 28% and the significant footprint of the town centre (1.3 million sqft) means that it has significant ongoing costs (utilities, overheads, maintenance, Non-Domestic Rates, etc - £6.35m per annum).
- 2.3.3 Under the counterfactual scenario, based on conversations with the town centre managers, EKOS have assumed that the town centre could continue to operate (albeit gradually declining) for the next five years before it would no longer be commercially viable in its current form. Therefore, under the policy off scenario the town centre would be commercially unviable by 2029 which could result in the centre closing entirely, or a significant rationalisation of floorspace and economic activity.
- 2.3.4 In terms of the assessment of net additional benefit, using CD funding to redevelop and reconfigure the town centre to a smaller more manageable and better-quality centre with a more diverse offer (including the new housing and civic centre) could help sustain and safeguard the future of the jobs and activity on site, which is valued in the region of £75 million (GVA) per annum. Further work is required to better understand the net additional activity that could be safeguarded, however, the potential scale of impact is significant and we are confident that the revised project proposal will deliver a positive BCR over the long term.
- 2.3.5 In addition, the one-off construction impacts are likely to be in the region of £20m - £25m and the redevelopment of centre West for town centre housing could create £8m net additional GVA.
- 2.3.6 The other ‘benefit streams’ that require to be assessed to measure the economic impacts include the potential to leverage private investment as a result of the enhanced transport infrastructure and wider town centre regeneration. This is likely to include new commercial and residential activity within Brownfield sites within a 2km proximity to the town centre.

## 2.4 Risks and Mitigation

- 2.4.1 A Full project risk register in line with assurance framework will be included in the Outline Business Case.

## 3. DRIVERS AND RATIONALE FOR REQUESTED CHANGE

The main drivers for the requested change are summarised below.

### 3.1 Economic downturn

- 3.1.1 This section summarises the impact of the recent economic downturn (post-COVID, cost of living crisis, increasing capital inflation).

### 3.2 Population

- 3.2.1 Despite several private and social-rented housing developments being completed within the town in recent years, the overall population of East Kilbride has declined and there are some dramatic shifts forecast in the demographic composition – the percentage of pensionable age population is forecast to increase by one-third over the next 20 years.

#### Population Change 2011-2021

	2011	2017	2021	Change (2011-2021)	
	No.	No.	No.	No.	%
East Kilbride Town Centre	1,524	1,591	1,497	-45	-3%
East Kilbride	73,056	74,008	70,833	-2,223	-3%
South Lanarkshire	313,900	318,170	322,630	8,730	3%
Scotland	5,299,900	5,424,800	5,479,900	180,000	3%

- 3.2.2 This will have several implications, including: a smaller local labour pool – potentially impacting the growth of the indigenous base and attracting new starts-ups and/or inward investment; changing demand and additional pressure on public services (reflecting the growing ageing population); and generally changing the dynamics of the town and town centre.

### 3.3 Employment Base

- 3.3.1 East Kilbride is the main commercial centre for the region, however, EKTC has struggled in recent years, experiencing a -16% decline in jobs since 2017 – almost one in every six jobs have been lost. East Kilbride is a 'traditional town centre' that is dominated by retail and public services and the data identifies that since 2017 both sectors have experienced significant job losses.
- 3.3.2 Over the same period, employment within the public sector has fallen by -75% (750 jobs) and is likely to decline further as public sector budgets are being cut to the bone and retail has fallen - 29% (375 jobs) – in part driven by the closure of large chains such as Marks and Spencer, Debenhams, and Sainsburys. Interestingly, employment within the retail sector has remained flat across the wider town – indicating that the growth in out-of-town retail sites such as Kingsgate have come at the expense of EKTC.

- 3.3.3 Simply put, the sectors that were traditionally the foundation of the town centre economy and helped ensure a busy and thriving area are experiencing significant challenges – there are now at least 800 less people accessing the town centre for work daily, and this does not consider the impact of the transition to hybrid working.

### **3.4 East Kilbride Town Centre**

- 3.4.1 After a difficult trading period over recent years where EKTC lost several large national retailers (notably Marks and Spencer, Debenhams, and Sainsburys) the town centre operators were placed into administration in November 2022. The appointed administrators are considering different strategies that will enhance the centre and the appropriate time to bring it to the market for sale.
- 3.4.2 While to date the day-to-day operations have been largely unaffected, challenges and constraints remain, for example:
- The current vacancy rate is at 28%. This is almost double the vacancy rate the town centre has historically operated at (12% - 14%, which is line with the national average).
  - The significant footprint of the town centre (1.3 million sqft) and ongoing costs (utilities, overheads, maintenance, Non-Domestic Rates, etc - £6.35m per annum) means that there are questions over the longer-term commercial viability of the town centre in its current situation.
- 3.4.3 Given the difficult trading conditions and increasing cost base it will be challenging for the administrators to source an appropriate buyer for the town centre in its current form. If the centre continues to trend at its current vacancy rate (or below) then the longer-term financial/commercial viability of the centre is uncertain. In addition, the high vacancy rates and decreased footfall will make it more challenging to attract new operators.

### **3.5 Changing Nature of Town Centres and Place-based Regeneration**

- 3.5.1 In recent years, out-of-town retail sites, changing shopping habits, and the growth of online retailing have all challenged town centres. As the number of people visiting town centres and the range of shops to be found in town centres has changed, there has been a related impact on the local historic character of town centre buildings, their range of uses and street patterns. These may well be permanent changes.
- 3.5.2 The decline in use of several particular types of buildings (for example, pubs, post offices, and banks) has added to the problem. Reduced footfall and increased vacancy rates in some areas has led to under-investment and a deterioration in the quality of the environment. Some high streets and town centres have entered a spiral of decline.
- 3.5.3 At the same time, there have been changes to the planning system that have made it easier to transform retail and office buildings into residential properties. These changes can also have a major impact on the character of historic places.
- 3.5.4 Traditional town centres are struggling and failing across Scotland – this is borne out in both the data and evidence for East Kilbride, specifically, but also when we look at other towns and cities across Scotland. Unfortunately, East Kilbride is just one of many town centres across Scotland that has struggled within the current environment and if it is unable to adapt and evolve then the short-medium term prospects do not look optimistic.

- 3.5.5 Over recent years there have been several town centres and/or large retail in-town shopping centres that have failed and went into administration. This is symptomatic of the changing trends and dynamics of the retail sector. Some recent examples are outlined below.

**Cumbernauld Town Centre, Cumbernauld** – the town centre has the inauspicious honour of being awarded the Carbuncle “Plook on the Plinth prize” twice - this has long been an issue for the town both in terms of its layout and physical appearance. In March 2023, despite having a range of national retailers such as Next and TK Maxx and footfall of 3.5 million per annum, the Antonine Shopping Centre, which is located adjacent to the town centre was placed into administration.

Nonetheless, the town centre is now part of an exciting regeneration and redevelopment programme that has been awarded £9.2m through the Levelling Up Fund (LUF) (round 2) to redefine itself as a '21st Century new town' and further develop its commercial, industrial, and retail role as a sustainable, green, and low-carbon regional hub<sup>1</sup>. The vision is built around a transformed low-carbon town centre defining Cumbernauld as a hub for services, education, shopping, and leisure, expressed by a new restructured mixed-use centre situated within a greenspace and parkland setting that supports active travel and leisure.

**Bon Accord Shopping Centre, Aberdeen** - the shopping centre, located in Aberdeen city centre has been a key part of Aberdeen's retail offering alongside the Trinity Centre and Union Square. In late 2022, citing cash flow issues the owners were placed into administration.

The centre has recently been bought by a new operator - media reports suggest that the centre was bought for less than £10 million but that in 2019 was being marketed for a sale (that ultimately did not go through) for £110 million - representing a decrease in value of 90% in just four years.<sup>2</sup>

**Shawlands Arcade, Glasgow** - the Arcade, which was built in the 1960s, is the main commercial/retail thoroughfare within one of Glasgow's satellite town centre communities – Shawlands and the Southside. It is currently subject to a redevelopment/regeneration proposal (planning permission in principle approved) that includes the creation of 600 BTR residential units, ground floor shops and commercial space, and communal landscaped roof gardens and terraces<sup>3</sup>.

One of the challenges that the redevelopment/regeneration proposal is seeking to address is the commercial viability and sustainability of the Arcade – current vacancy rate is 21% and several occupiers pay a peppercorn rent as charities or social enterprises.

Given the Arcade's age, the size and specification of the units, and competition from out-of-town and other retail parks, the Arcade is facing increasing challenges and pressure concerning its functionality as a local commercial hub/destination. The last significant investment in the centre was 27 years ago in 1995 when the central mall was covered - since then, it has experienced gradual decline.

**Dumbarton Town Centre, Dumbarton** – the town centre acts as one of the regional hubs for retail and public services (alongside Alexandria) but has experienced gradual decline over recent years. In recognition of the challenges facing the Dumbarton town centre, as with Cumbernauld town centre, the regeneration of Dumbarton town centre is being supported through the UK Government LUF (round 1) and was awarded grant funding £20 million<sup>4</sup>. The project includes the purchase of the struggling Artizan shopping centre – long regarded as an eye sore within the town and partly

<sup>1</sup> Cumbernauld Town Centre regeneration, see here: <https://www.northlanarkshire.gov.uk/regeneration-and-investment/towns-and-communities/place-vision/town-visions/your-town-vision/cumbernauld-town-vision>

<sup>2</sup> Bon Accord Centre, see here: <https://www.insider.co.uk/news/aberdeens-bon-accord-centre-sold-29747746>

<sup>3</sup> Shawlands Arcade, see here: <https://shawlandsarcade.com/>

<sup>4</sup> Dumbarton town centre regeneration, see here: <https://www.gov.uk/government/case-studies/redeveloping-dumbarton-town-centre-with-199-million-funding>



demolishing the old centre and developing a new urban quarter. The project also includes redeveloping Glencairn House as a community space (housing a library, museum, children's play area) and improved travel and transport connections.

### **3.6 Changing Policy Environment**

3.6.1 Several policies were reviewed where we identified cross-cutting priorities that support the proposed changes to the project, including:

- A New Future for Scotland's Town Centres.
- Retail Strategy for Scotland.
- Scottish Government's Place Principle.
- SLC's Connect Plan.
- South Lanarkshire Promote.
- South Lanarkshire's Community Wealth Building Strategy.
- Local Living and 20 Minute Neighbourhoods.
- The Town Centre First (TCF) principle.

3.6.2 There has been an increase in demand for town centres to diversify their offerings to encourage footfall and increased spending. The Scottish Government has adopted the TCF principle in its decision making – ensuring that decisions around commercial developments (for example, retail or leisure developments) prioritise benefitting the town centre and using evidence-based decision-making to show why town centres may not be suitable for specific developments.

3.6.3 Encouraging local living does not only offer economic benefits and local spending, it also improves health and the environment. The 20-minute neighbourhoods concept aims to reduce the number of cars on the road by promoting active travel – as daily amenities are accessible within a short distance. Additionally, it allows for more social and cohesive communities, with individuals being able to live, learn, work, and socialise locally.

3.6.4 The main points from the strategy review are that:

- Town centres are changing due to various factors, including: the rise in online shopping, drop in footfall, the COVID-19 pandemic, and the cost of living crisis.
- People are utilising out-of-town retail parks over town centre shopping due to the diversity of their offerings.
- Town centres must adapt to include a diverse offering of retail, food and drink, and entertainment, to compete with out-of-town retail parks.
- Local living and 20-minute neighbourhoods have become a policy focus within Scotland - place-based delivery models.

3.6.5 The policy is fairly definitive, the way in which we use our town centres has fundamentally changed and therefore the ways in which we intervene and the mechanisms we use to support regeneration must also change. Adopting a more holistic place-based approach that has got community wellbeing and sustainability as its focus is the key driver for regeneration.

### **3.7 Market Failure and Development Viability**

- 3.7.1 The basis for public sector intervention is rooted in the concept of “market failure”, as when the private sector or ‘market’ cannot deliver optimal results, then there is a rationale for the public sector to intervene. Within this framework, the public sector's role is to target the root cause of the failure to promote “market adjustment”.
- 3.7.2 Within the original SBC the market failure is noted as “public goods” – these are commodities or services that are provided without profit to all individual members of a society, either by the government or by a private individual or organisation. Given the potential for non-contributing beneficiaries (or free riders), public goods therefore tend not to be provided by the private sector as the cost of provision cannot readily be recovered. Public transport infrastructure – particularly roads/ cycle paths/ walkways – is typically regarded as a public good asset in that they can be used by all with no mechanism to recover cost.
- 3.7.3 This market failure remains, and the project will help to directly address the constraints.
- 3.7.4 In addition, we need to consider the constraints that is preventing and delaying brownfield sites coming forward for investment and development. A review of the East Kilbride and Langlands employment land and property market undertaken by Ryden in May 2023 identifies several challenges on the horizon that will impact the commercial and residential property market over the short-medium term, including:
- Obsolescent stock – a significant amount of the industrial (and to a lesser extent office property) is at risk of obsolescence – with much of the industrial property constructed pre-1980's, the physical condition and energy efficiency do not meet current requirements.
  - Development viability gap – outside of the core city centres there is limited market for new private-sector led residential, office properties, and industrial property (more generally) remains an unattractive investment proposition.
- 3.7.5 We have reviewed the available evidence which includes a baseline assessment of trends, direct feedback and data from the town centre owners, and a review of other town centre projects. It is our conclusion that intervention in the transport infrastructure alone will not be enough to promote “market adjustment” and address the prevailing market failures and constraints - development viability gap remains.
- 3.7.6 There is therefore a strong case and justification for public sector intervening directly in the market in the form of investment in town centre infrastructure and assets in order to ‘pump prime’ investment and activity.

## **4. RECOMMENDATIONS**

- 4.1.1 It is proposed that the Cabinet:
- (a) Notes the contents of this report;
  - (b) Approves the change to scope and timelines of the project as set out within the report.