



Glasgow City Region - City Deal

Cabinet

Report by Director of Programme Management Office

Contact: Robert Pollock Tel: 0141 287-6786

Item 5 (a)

13th June 2017

PMO Evaluation:

Glasgow City Centre – Full Business Case

City Centre Enabling Infrastructure Integrated Public Realm – Sauchiehall Street West

Purpose of Report:

To report on the PMO evaluation of Glasgow City Council's Full Business Case for the City Centre Enabling Infrastructure Integrated Public Realm programme – Sauchiehall Street West. The Business Case was considered by the Chief Executives' Group on 24th May 2017 when it was agreed that it be submitted to Cabinet for approval.

Recommendations:

It is proposed that the Cabinet:

- (1) agree that Glasgow City Council be invited to proceed to delivery monitoring and evaluation of the project;
- (2) Glasgow City Council will take cognisance of the Programme Business Case and will contribute toward delivering the outcomes of the Programme
- (3) note the Executive Summary of the Business Case in Appendix 1 and the Project Risk Register in Appendix 2; and
- (4) approve the funding requirement of **£6.751 million.**

Contents

1	Purpose.....	3
2	Review	3
3	Financial.....	3
4	Benefits Realisation	4
5	Recommendations	4
6	APPENDIX 1: Executive Summary	5
7	APPENDIX 2: Project Risk Register.....	11

1 Purpose

- 1.1 To inform the Cabinet on the results of the PMO evaluation of Glasgow City Council's Full Business Case for City Centre Enabling Infrastructure Integrated Public Realm programme – Sauchiehall Street West. The Business Case was considered by the Chief Executives' Group on 24th May 2017 when it was agreed that it be submitted to Cabinet for approval.

2 Review

- 2.1 The Executive Summary for the project is attached at Appendix 1. This describes the strategic case; the preferred option, demonstrates its affordability; environmental sustainability; procurement strategy and management arrangements.
- 2.2 The submission of this business case 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 (10th March 2015) in section 4.1.1.
- 2.3 The project has been reviewed against the business case criteria outlined within the Glasgow City Region City Deal Business Case Guidance and Template (KPMG Toolkit Draft 21 July 2016) as approved by the Chief Executives' Group on the 3rd August 2016.
- 2.4 As part of the review the project risk management was considered to ensure compliance with the City Deal Risk Strategy and to demonstrate sufficient mitigation and management actions are being implemented. The project risk register is attached as Appendix 2.
- 2.5 The City Centre Enabling Infrastructure Integrated Public Realm programme – Sauchiehall Street West is a full business case and as such is now moving to construction phase and beginning to achieve benefit realisation goals which will be monitored by the Member Authority and the PMO and progress will be reported via the PMO Report.
- 2.6 The monitoring and evaluation of the City Centre Enabling Infrastructure Integrated Public Realm programme – Sauchiehall Street West will continue to inform the overarching Programme Business Case.

3 Financial

- 3.1 This is a Full Business Case for City Centre Enabling Infrastructure Integrated Public Realm programme – Sauchiehall Street West and seeking approval of **£6.751 million**
- 3.2 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.

4 Benefits Realisation

- 4.1 City Centre Enabling Infrastructure Integrated Public Realm programme – Sauchiehall Street West has met the requirements at FBC for benefits realisation. Project Benefits have been identified and quantified individual benefits tracking information has been provided.

5 Recommendations

- 5.1 It is proposed that the Cabinet:

- (1) agree that Glasgow City Council be invited to proceed to delivery monitoring and evaluation of the project;
- (2) Glasgow City Council will take cognisance of the Programme Business Case and will contribute toward delivering the outcomes of the Programme which will be represented in future iterations of the Programme Business Case.
- (3) note the Executive Summary of the Business Case in Appendix 1 and the Project Risk Register in Appendix 2; and
- (4) approve the funding requirement of **£6.751 million**.

APPENDIX 1: Executive Summary

1.1 Introduction

- 1.1.1 This Full Business Case seeks approval to invest **£6.751 million** in the construction of **Sauchiehall Street Avenue (Charing Cross to Rose Street)**; the first phase of Sauchiehall Street Avenue. This project is acting as a proof of concept to demonstrate the integration of a placemaking approach within the design and development of streetscape within Glasgow city centre, as part of the Glasgow City Centre Enabling Infrastructure Integrated Public Realm (EIIPR) programme. This approach has been productive and useful in informing the development of the wider EIIPR activity.
- 1.1.2 Although Sauchiehall Street Avenue was initiated as an early proof of concept project, it should be noted that it subsequently became part of the EIIPR programme through the acceleration process of the Glasgow City Region City Deal. By accepting the Sauchiehall Street Avenue as part of the accelerated City Deal programme it was acknowledged that the Tree Design and Sourcing contract had already been awarded prior to this decision being made.
- 1.1.3 This FBC comprises two contracts:
- (i) **Contract 1: Tree design and sourcing:** this relates to the procurement of the design of the tree pit and rooting zones and associated public realm, and the sourcing and supply of the necessary trees, and the implementation of all associated works;
 - (ii) **Contract 2: Public realm:** this relates to the full construction of Sauchiehall Street Avenue including footways, carriageway, segregated cycle way, avenue of trees, and all associated works.
- 1.1.4 Contract 1 was awarded to Land Engineering in August 2016 with a target cost of £1.09m. The design of the tree pit and rooting zones was finalised as the technical and detailed design of Sauchiehall Street Avenue was completed. The trees have been sourced and were procured in early 2017 and are currently being held at a tree nursery with a vesting agreement in place. The planting of the trees will take place in October/November 2018.
- 1.1.5 Accordingly Rainton Construction has been recommended for the award of Contract 2. The contract award value is £3,021,514.68. This relates to full construction works associated with the delivery of Sauchiehall Street Avenue. The successful construction contractor has been procured to undertake the implementation of the design on site and will comprise some of the following actions:
- (i) Site Clearance
 - (ii) Drainage
 - (iii) Carriageway works
 - (iv) Kerbing
 - (v) Footway works
 - (vi) Traffic Signal Works

- (vii) Traffic Sign Installation (Permanent and Temporary)
- (viii) Carriageway Markings

- 1.1.6 Sauchiehall Street Avenue is a quality place-making scheme that will transform a key city centre street through the introduction of an improved external environment that will rebalance traffic modes, introduce green and SMART infrastructure, and place *people* firmly at the heart of the project vision and design strategy.
- 1.1.7 The project will deliver immediate improvements to the general physical environment, introduce pedestrian and cycle infrastructure, green infrastructure, extended pedestrian space, reduced motor vehicle space, and responds directly to a wide range of strategic objectives. This is the first FBC being submitted under the EIIPR programme. When this programme is fully implemented it will enable the development of currently under-utilised and/or vacant sites and property, thus delivering directly on the Glasgow City Region City Deal objectives of GVA via floor space and employment.
- 1.1.8 This Executive Summary follows the layout provided by the City Deal Business Case guidance (July 2016), as does the wider report. There should be no omissions to the information required.

1.2 The Strategic Case

- 1.2.1 The strategic need for Sauchiehall Avenue mirrors that of the wider EIIPR programme and can be summarised as follows:
- (i) The **2008 economic crisis** which had a disproportionate effect on city centres, particularly in the retail and office sectors. This period triggered a credit crunch which made borrowing significantly harder, instituted a development freeze, numerous business insolvencies and job losses, the effects of which are still being felt six years later;
 - (ii) This economic crisis also spilled over to **public sector budgets** that previously supported projects like the EIIPR programme;
 - (iii) The era of significant **European funds** that previously supported city centres and capital infrastructure projects came to an end with the Enlargement agenda in the mid-2000s;
 - (iv) **Retail trends** such as the rise in online shopping, out-of-town competition, the convenience culture and the disproportionate increase in business rates vis-à-vis inflation, have demanded a wholesale rethink by policy-makers on city centre strategy in all its forms;
 - (v) The **market failure** in public realm investment.
- 1.2.2 A failure to respond to these issues will leave Glasgow city centre at an increasing competitive disadvantage in a period of already substantial and wide-ranging external pressures affecting city centres in general. It will be unable to fulfil its potential, respond to known risk, or be developed to full capacity thereby limiting investor confidence in the city which is likely to have further knock-on impact on the city region. Sauchiehall Street is already at

serious risk of further decline, illustrated by current vacancy rates of 18% against 11.5% for the wider city centre.¹

- 1.2.3 **Sauchiehall Street Avenue** will improve the physical environment significantly thereby creating a clear gateway to the city centre at Charing Cross, and improving connectivity and access between commercial sites and local services and transport hubs, and unlocking sites for employment space. It will also enable the uptake of under-utilised and vacant space in existing sites. These sites are in business-friendly locations i.e. there is excellent business-to-business accessibility and business-to-labour market accessibility. Sauchiehall Street is adjacent to the strategic motorway network, and comprises areas with relatively high rents – indicating high demand for the city centre. In addition the provision of quality public realm will enhance the city centre's attractiveness for businesses to locate within as well as increasing visitor interest.

1.3 The Economic Case

- 1.3.1 The EIIPR programme is not typical of the other City Deal infrastructure projects which tend to have more direct delivery of commercial space which makes the calculation of economic uplift significantly easier. The rationale for the process is fully detailed in section 3 and it is highlighted that unlike any other infrastructure investments, there is an almost total market failure in public realm intervention which demands public sector investment.

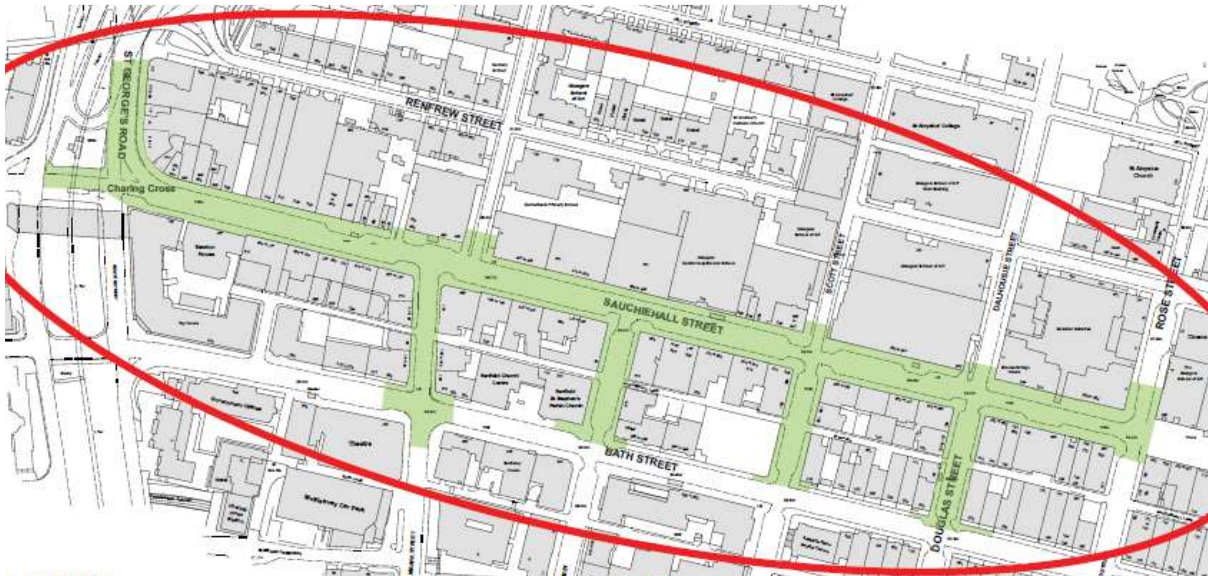
- 1.3.2 In summary, the EIIPR programme involves a **three-stage options appraisal** to demonstrate the full economic impact. This FBC for Sauchiehall Street Avenue contains the **final stage appraisal** and confirms the direct benefits to be achieved through the investment. This will be supplemented later through a separate economic impact analysis commission being undertaken for the first block of EIIPR Avenues, which will focus on the **indirect** economic uplift to be collectively enabled through the grouped blocks of Avenues. This approach is being taken to minimise duplication and overstatement of economic impact which may occur if economic assessment was undertaken individually on each Avenue. .

- 1.3.3 This FBC will specifically deliver:

- 19,300 sq.m of new public realm;
- 300 sq.m of blue/green infrastructure;
- 1,000m of enhanced road network;
- 1,000m of enhanced public walkway
- 800m of new cycle track;
- 5 junction upgrades
- 27 items of green infrastructure (trees)
- 92 construction jobs

- 1.3.4 The site location is provided below.

¹ Glasgow City Council, March 2017



1.3.4 An illustration of how Sauchiehall Street Avenue will look post construction is also detailed below.



1.4 The Commercial Case

1.4.1 Both Contract 1 and Contract 2 were procured through Glasgow City Council's Construction and Trades Framework, Lot 5. This is fully detailed in the Management Case and at Appendices D and E.

1.4.2 The main risks prior to and during the construction period for both contracts will relate to:

- (i) Financial implications and time delays: due to a lack of information forthcoming from utility companies there is a lack of comprehensive information about utilities below the surface
- (ii) Financial implications and time delays: due to design changes required during the construction process to emerging circumstances/information not previously known
- (iii) Reputational: due to maintaining access to/servicing of residential, retail and leisure activities throughout the construction period.
- (iv) Reputational: due to maintaining the safety of night-time economy during the construction period
- (v) Financial implications and time delays: due to multiple contractors on site simultaneously

1.5 The Financial Case

1.5.1 To enable the project to proceed £6,751m of City Deal funding is requested. The projects funding breakdown is shown below:-

	Funding Total £000
Glasgow City Council City Deal contribution – Approved by Executive Committee on 14th August 2014 (14%)	1,009
City Deal Funding contribution (86%)	6,201
Total City Deal Funding Required	7,210
Less City Deal funding approved as part of OBC	459
Total City Deal Requested	6,751

1.5.2 A breakdown of project spend by cost category is shown in the table below.

	TOTAL £000
Construction	3,022
Utility Works	999
Street Trees	1,091
Street Furniture & CCTV	611
Project Management & Design	567
Contingency	920
TOTAL	7,210

1.6 The Sustainability Case

1.6.1 A holistic approach to environmental and place management is fundamental to the EIIPR programme and Sauchiehall Avenue will clearly demonstrate sustainability. The Sustainability Case outlines a range of ways in which the

programme will seek to minimise carbon output, energy, and waste, and maximise the city centre's resilience in all associated matters.

1.7 The Management Case

- 1.7.1 The EIIPR programme will be directly managed by the GCC DRS City Centre Regeneration team, utilising internal and external resources as required. It will be supported by the City Deal Assurance Framework, and the corporate project management toolkit.

1.8 Recommendation

- 1.8.1 It is recommended that the Cabinet approve this Full Business Case for the preferred option for the Sauchiehall Street Avenue project, and approve the project funding sought at this stage to enable award of the works contracts which comprise the project.

APPENDIX 2: Project Risk Register

CITY DEAL PROJECT RISK REGISTER																
Project Name: City Centre Enabling Infrastructure Integrated Public Realm: Sauchiehall St Phase 1 Member Authority : Glasgow City Council Project Location : City Centre - Glasgow Senior Responsible Officer : Richard Brown Project Sponsor : Jane Laiolo Project Manager : Derek Dunsire Date Updated : 21 April 2017																
Last Reporting Period : February 2017																
Risk Ref	Status	Risk Category	Risk Description : Challenge	Risk Description : Impact	Inherent Impact	Inherent Probability	Inherent Risk	Inherent Rank	Owner	Control Actions	Residual Impact	Residual Probability	Residual Risk	Rank	Date Checked	Movement in Period
SS A 001	Open	Financial /timescales	There is a lack of comprehensive information about utilities below the surface	This will lead to delays and extraordinary costs	5	5	25	High	PM	Pro-active communication with utility companies to determine the required actions and responsibilities Engagement of specialist organisations to assist	5	3	15	High	21/04/17	
SS A 002	Open	Financial /timescales	Design changes required during the construction process to emerging circumstances/information not previously known	This leads to additional costs or time	5	3	15	High	PM	Engagement of utility specialists and on-going communication and engagement with utility companies	5	2	10	High	21/04/17	
SS A 003	Open	Financial /timescales	Programme activity conflicts with other City Centre Development	Delays to this project	3	3	9	Medium	PM	Ongoing review and update of the programme in light of other activity/developments	3	1	3	Medium	21/04/17	
SS A 004	Open	Financial /timescales	Availability of materials and resources required may be limited due to the level of PR works across Glasgow Region being undertaken in a similar timeframe	Programme delays and increasing costs	4	2	8	High	PM	Early notification to suppliers.	4	1	4	High	21/04/17	
SS A 005	Open	Reputational	Confusion in identifying priority at junctions with revised priority	Road safety hazard	5	3	15	High	PM	Incorporation of recommendations of the Road User Safety Audit and ongoing monitoring	5	2	10	High	21/04/17	
SS A 006	Open	Reputational	Safety of night-time economy during the construction period	Safety hazard	4	3	12	High	PM	Ensure site is appropriately secured with associated signage in line with approved traffic/pedestrian management	4	2	8	High	21/04/17	
SS A 007	Open	Reputational	Maintaining access to/servicing of residential, retail and leisure activities throughout the construction period.	Complaints from Stakeholders if not completed; obstruction of emergency services	5	3	15	High	PM	Continuous monitoring of the plans to ensure appropriate access is maintained throughout	5	2	10	High	21/04/17	
SS A 007	Open	Financial /timescales	Multiple contractors on site simultaneously	Dispute over site control and access, programme delays and related safety concerns	4	3	12	High	PM	Clear documentation agreement and adherence to governance structures and associated responsibilities.	4	2	8	High	21/04/17	
SS A 008	Open	Financial /timescales	Management of trees up to the point of planting	Damage to trees leading to financial and time impact.	4	2	8	High	PM	Liaise with supplier to ensure health of the trees is maintained	4	1	4	High	21/04/17	