



Glasgow City Region - City Deal

Cabinet

Report by Director of Regional Economic Growth

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Item 4

1st June 2021

PMO Evaluation:

South Lanarkshire Council – Strategic Business Case Stewartfield Way

Purpose of Report:

To report to the Cabinet on the evaluation of South Lanarkshire Council's Strategic Business Case (SBC) for the Stewartfield Way Programme.

Recommendations:

The Cabinet is invited to:

- (1) note the content of this report and the appraisal of the Stewartfield Way SBC;
- (2) approve the Stewartfield Way SBC; and
- (3) note that the project risk register and PMO appraisal are available from the Clerk

1. Purpose

- 1.1 To report to the Chief Executives' Group on the evaluation of South Lanarkshire Council's (SLC) Strategic Business Case (SBC) for the Stewartfield Way Project.
- 1.2 This SBC presents an augmented version of the original SBC presented to the Glasgow City Region City Deal Programme Management Office in August 2015, which secured approval for project development spend up to £1.206m.
- 1.3 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.
- 1.4 The submission of this business case was approved by South Lanarkshire Council's 10 March 2021 Executive Committee. The content of the committee report is consistent with the scope, finance, timeline, and benefits of the SBC submitted to the PMO.

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 the SBC

- 3.1 Following appraisal, the PMO considers that this SBC is in line with the H.M. Treasury Green Book requirements for the SBC stage of business case development. At this stage there are no projections of the economic benefits (GVA, employment) that this project might deliver. These calculations would be made at the OBC stage.
- 3.2 Following approval from the Cabinet, the SLC will seek to commence the development of the OBC for the project and progress will be reported to the CEG and Cabinet via the PMO report.
- 3.3 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. Scope

- 4.1 The scope of the SLC Stewartfield Way project will be confirmed at OBC stage. The emerging scope, as set out in the preferred way forward, includes the partial dualling of Stewartfield Way at key locations with a range of active travel options.
- 4.2 There have been no change controls submitted for Scope since the approval of the

original SBC.

5. Milestones

- 5.1 A high level indication of the anticipated key milestone dates outlined in the business case are as follows:

Activity	Timeline
OBC Approval at Cabinet	Winter 2021
Completion/ approval of FBCs	Spring 2022 to 2024
Phased construction period	2022 to 2025

- 5.2 One Change Control Request for project Timescales has previously been approved:
- Change Control no. 170806_SLC_001 approved in August 2017 restated construction start to summer 2022 and continuing through to the end of spring 2024 (the SBC indicated Construction to take place between January 2019 – July 2020) with a delay of approximately 4 years.
- 5.3 In approving this SBC there will be a further restatements to the last approved OBC, FBC, Construction start and end dates.

6. Finance

- 6.1 A full financial analysis has been carried out as part of the evaluation of the business case for the project funding.
- 6.2 The total cost of the project is £62.2m - £53.5m City Deal (86%) and £8.7m South Lanarkshire Council (14%). Cabinet has previously approved £1.206m funding in August 2015 for this project. This is sufficient funds to develop to the next Outline Business Case stage and therefore this SBC is not seeking any additional 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.
- 6.3 There have been no change controls submitted for Finance since the approval of the original SBC.

7. Benefits Realisation

- 7.1 The SBC identifies a number of indicative direct and indirect benefits that it is expected the project will deliver. These include development opportunities (commercial, leisure and residential), employment (construction and operational jobs), economic (GVA), private sector investment leveraged, vacant and derelict land brought back into use, road network and active travel, public transport and electric vehicle infrastructure.
- 7.2 These benefits will require to be fully quantified for the OBC.
- 7.3 There have been no change controls submitted for Benefits Realisation since the

approval of the original SBC.

8. Recommendations

8.1 The Cabinet is invited to:

- (1) note the content of this report and the appraisal of the Stewartfield Way SBC;
- (2) approve the Stewartfield Way SBC; and
- (3) note that the project risk register and PMO appraisal are available from the Clerk.

Appendix 1 – Executive Summary

Introduction

This Strategic Business Case (SBC) is for the £62.2m – £53.5m City Deal (86%) and £8.7m South Lanarkshire Council (14%) – **Stewartfield Way/ East Kilbride Sustainable Transport Capacity Enhancements Project**, hereafter referred to as the project. This SBC presents an augmented version of the original SBC presented to the Glasgow City Region City Deal Programme Management Office in 2015, which secured approval for project development spend up to £1.2m.

At this stage, the SBC sets the context for an agreement in principle for the project and seeks - approval to develop the detailed proposal for intervention - to be presented in subsequent Outline and Full Business Cases (OBC/ FBCs).

The rationale for the project is to release economic growth potential within the City Region – development potential and business/ freight operations in East Kilbride are constrained by the transport network. This project completes the third and final City Deal funded transportation project for South Lanarkshire Council, with Cathkin Relief Road completed in 2017 and Greenhills Road due to complete during summer 2021.

Through the commission to augment this SBC, transportation specialists AECOM were appointed to undertake a high level review of traffic modelling data. The review concludes that road infrastructure improvements along the project corridor go some way to accommodate against trips generated by potential new developments. In addition to road-based infrastructure improvements further mitigation measures (sustainable and active travel measures) should also be considered.

The review confirms the Council's view that the project is needed to release capacity for economic development activity, that the technical options that were previously considered will deliver benefits, and that there is benefit in further expanding the project beyond road improvement works to include wider sustainable and active travel measures. This will form the preferred way forward as the project moves into the OBC stage. At that stage the preferred option will be chosen.

The Council will undertake further analysis of the traffic modelling in support of detailed project development – this will be prepared in advance of, and reported within, the forthcoming OBC/FBC.

Strategic Case

The strategic need for the project is based around additional economic value that will be generated through the release of development opportunities in East Kilbride.

Designated as a New Town in 1947 the town has grown exponentially over the past 70 years to become one of the largest settlements in Scotland. This growth has, however, created a unique local context with residents and businesses heavily reliant on private transport – a functional road and wider transport network is therefore of vital importance to the town.

As summarised in Chapter 2, the key challenges that the project seeks 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; and

- sustainable travel constraints – infrastructure restricts modal shift to sustainable/ active travel.

The project is a long-held priority for SLC, encompassed within the local development plans and transport strategies for 20 years and reaffirmed in the most recent iterations. It is aligned with a wide range of strategy documents at national/ regional/ local levels and makes a strong contribution to the policy objectives. There have been minor delays due to the Coronavirus pandemic, but the project is coming forward and builds on a major public consultation exercise that was completed in December 2019.

In the absence of the project there will continue to be some development in East Kilbride, but the economic potential of the town and the wider South Lanarkshire and the City Region will not be fully harnessed. Site development will be constrained, affecting business retention/ growth and employment/ training opportunities.

The strategic aim of the project is:

“to enhance the economic potential of East Kilbride by addressing infrastructure constraints and improving choice for sustainable and active travel modes, providing better access to recreational, residential and commercial developments across the town and into the wider city region.”

The project objectives are to:

- support site development in East Kilbride;
- improve access to employment and training opportunities in EK; and wider City REGION area
- improve the resilience of the local transport network and improve/ maintain journey time reliability; and
- increase sustainable travel mode share on local journeys (walk, cycle, bus) in East Kilbride, and on regional journeys (bus/ train) into the city region.

A detailed project Risk Register has been developed and will be reviewed regularly by the Project Board. At SBC stage, 15 risks (excluding two closed risks) have been identified and are being actively managed through mitigation and control actions.

Economic Case

Based on the project rationale and objectives the project team undertook a review of the long-list options for the project, as summarised in the following table.

Table ES1: Long List Options Scoping

Category	Options with each category		
Scope	Dualling full length of SFW – Queensway to EK Expressway	Dualling partial length at key locations	Dualling partial length at key locations + green + active travel options
Outcome	Reject: Not supported after consultation ✗	Proceed: Appraise for OBC ✓	Proceed: Appraise for OBC ✓
Service solution	SLC led PM: direct control of works (cost/ quality) and community benefits	Other public PM: risk losing control of cost/ quality	Private PM: no appetite, would increase cost

Category	Options with each category			
Outcome	Preferred: taken forward to OBC ✓	Reject: SLC has statutory role ✗	Reject: SLC has statutory role ✗	
Service delivery	SLC in-house DLO: direct control of works, cost risks retained	Procure contractor: competitive process, works undertaken by specialists	Grant: SFW is SLC asset, no other obvious delivery body	
Outcome	Reject: high risk and capacity constraints ✗	Preferred: detailed options appraised for OBC ✓	Reject: high risk, potential state aid / subsidy control ✗	
Implementation	Single phase in 2022: Possible best value efficiency but high level of disruption for existing road users	Single phase later: efficient but increased costs and opportunity cost of missed economic value	Split phase: delivery of elements from 2022-2025 to focus on different locations and travel modes	
Outcome	Proceed: Appraise for OBC ✓	Proceed: Appraise for OBC ✓	Preferred: Appraise for OBC ✓✓	
Funding	SLC + City Deal: delivers time/ scale additionality	All SLC: substitution from other planned activity	Other public: review alternative funders, none evident at SBC	Private: not available as public good market failure
Outcome	Preferred: Appraise for OBC ✓✓	Proceed: Appraise for OBC ✓	Proceed: Appraise for OBC ✓	Reject: private sector will not fund ✗

From the SBC options scoping analysis there is a clear route forward for both service solution and service deliver – SLC will project manage the delivery and delivery but will procure specialist contractors to undertake the works. For the other three aspects, Scope, Funding & Implementation, there is no clear route forward and the alternatives will be tested through the OBC analysis work, which will also include analysis of the counterfactual position (do nothing) to demonstrate the additionality that the project will deliver.

In line with Green Book appraisal guidance the economic benefits of the short-listed options will be appraised as part of the OBC process. We have, however, identified the type of benefits (direct and indirect) that we expect to arise at Section 3.2 in the SBC – these will include new commercial and residential development, employment and

economic outcomes, redevelopment of brownfield land, and travel/ transport infrastructure improvements.

As defined in the full 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 1000 jobs or 500 FTE posts. This equates to a net loss of 1,500 FTE jobs in East Kilbride over the period between 2015 and 2019.

Commercial Case

SLC has undertaken recent and in-depth consultation with local stakeholders to identify the needs of local residents, business owners, workers and others. This has identified a solid basis of support for the scheme, but has also identified that there are wider issues that communities would wish to see incorporated were not part of the original proposal – environmental matters relating to the climate emergency and the inclusion of sustainable and active travel options.

The primary rationale for the project is to create net additional economic value through investment and site development that is currently constrained by the transport network. Chapter 4 outlines details of property market research that clarifies the need for development of modern business premises in East Kilbride and the extent of obsolescence in the town's existing commercial estate portfolio.

The chapter also outlines the procurement strategy, and expected timescales for project development and delivery between 2021 and 2025.

As outlined at Section 4.2 Procurement Strategy, the key milestones for delivery are expected to be:

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| – Initial project development work | Completed in winter 2020/ 21 |
| – Completion / approval of augmented SBC | Complete by Spring 2021 |
| – Completion / approval of OBC | Complete by Winter 2021/ 22 |
| – Detailed project development work | Spring 2021 to 2024 |
| – Planning consents / other approvals | Spring 2021 to 2024 |
| – Completion/ approval of FBC | Spring 2022 to 2024 |
| – Phased procurement process | Winter 2021 to Winter 2025 |
| – Phased construction period | 2022 to 2025 |
| – Project monitoring | Ongoing to 2035 |

These timescales will be refined as the project progresses through the business case process and elements become more defined.

Financial Case

The total project costs are expected to be consistent with the 2015 SBC at £62.2m – split 86% City Deal and 14% SLC. The allowances for Optimism Bias is 20% and Contingencies are also estimated at 20%. This augmented SBC is not seeking the release of any additional funding for the project at this stage. The £1.2m funding approved at SBC stage in 2015 is sufficient to take the project through the OBC stage.

The ongoing management and maintenance of the completed project will be undertaken by SLC, delivered through the Roads Revenue budget – the completed infrastructure is unlikely to require major maintenance spend in the first ten years, but thereafter will be the responsibility of the Council.

The costs of delivering follow-on investment in brownfield site remediation and premises development are expected to be met by the private sector – this is essential linked activity to ensure that the project's objectives and expected benefits are secured.

Management Case

SLC has the in-house expertise to deliver this project, as demonstrated through the recent completion of the City Deal funded projects at Greenhills Road and Cathkin Relief Road.

A Project Team has been established and key roles have been allocated to skilled and experienced officers, with support from external consultancy where needed.

The project will be managed through established protocols – the SLC City Deal Infrastructure Group.