

Glasgow and Clyde Valley Cabinet**Report by Head of Programme Management Office**

**PMO Evaluation -
West Dunbartonshire Council Strategic Business Case – Exxon Site
Development Project**

Purpose of Report:

West Dunbartonshire Council, as a Member Authority, has submitted the following Strategic Business Case for evaluation by PMO. The Glasgow and Clyde Valley Cabinet is requested to consider the recommendations from the PMO, which have been approved by the Chief Executives' Group:-

Strategic Business Case – Exxon Site Development Project

Recommendations :

It is proposed that the Cabinet:-

- (1) agree that West Dunbartonshire Council be invited to proceed to develop the project submitted to the next stage of development through the preparation of an Outline Business Case, subject to them developing aspects of the Business Case to meet in full the business case criteria going forward;
- (2) note that West Dunbartonshire Council will continue to take cognisance of the emerging outcomes of the SAF and the detail of the Programme Business Case; and
- (3) approve funding of £500,000 for feasibility studies.

1. Purpose:

- 1.1 West Dunbartonshire Council, as a Member Authority, has submitted Exxon Site Development Project, Strategic Business Case for consideration by Glasgow and Clyde Valley Cabinet. This Business Case was considered by the Chief Executives' Group on 5th August 2015 when it was agreed that it should be submitted to Cabinet for approval.

2. Background:

- 2.1 The Executive Summary for the project is attached as Appendix 1. This describes the strategic need for the project, the options which have been considered to address the area's development constraints and the outline of a proposed solution.

3 PMO Assessment

- 3.1 The project has been reviewed against the business case criteria outlined within the Assurance Framework which aims to provide a level of technical checking, and to identify areas where further analysis or planning is required to develop the project to the next level of detail. These technical checks have been discussed with West Dunbartonshire Council and will form the basis of development work going forward.
- 3.2 The Strategic Business case has also been assessed for "strategic fit" against the main objectives of the City Deal overall, namely;
 - (i) To increase economic growth while reducing economic inequality and disparities between people and places.
 - (ii) To improve connectivity within the Glasgow City region through infrastructure investment.
 - (iii) To support a growing population.
 - (iv) To provide high quality locations for investment and economic activity.
- 3.3 The project is aligned with these objectives and the project outputs can be more fully defined at the Outline Business Case stage
- 3.4 The Programme Business Case is in development in parallel with our appraisal of this project. The outcomes of the SAF and Programme Business case process will further inform the development of this project business case as they are developed to an Outline Business Case.
- 3.5 The SAF exercise is complete the recommendations from this analysis will continue to be developed within the Programme Business Case.
- 3.6 **Financial**

This Strategic Business Case seeks approval for funding of £500,000. This is to carry out feasibility studies on the site. The total estimated cost of the project is £27,897,000.

3.7 Legal

The Member Authority should ensure close liaison and co-operation with the Legal and Procurement Support Group, and the Legal Sub Group in particular, to ensure that all outstanding legal issues are recognised and addressed appropriately at a Project and Programme level.

4.0 Recommendations

4.1 It is proposed that the Cabinet:-

- (1) agree that West Dunbartonshire Council be invited to proceed to develop the project submitted to the next stage of development through the preparation of an Outline Business Case, subject to them developing aspects of the Business Case to meet in full the business case criteria going forward;
- (2) note that West Dunbartonshire Council will continue to take cognisance of the emerging outcomes of the SAF and the detail of the Programme Business Case; and
- (3) approve funding of £500,000 for feasibility studies.

Executive Summary – Exxon Site

Introduction

This document sets out the Strategic Business Case for West Dunbartonshire Council's project under the terms of the Glasgow and Clyde Valley City Deal. The project involves the redevelopment of the former oil terminal at Bowling - the Exxon site development project. In due course, it is the Council's intention to rename the project to better reflect the geographical location and intended future use of the site.

The Strategic Business Case for £27.897m of funding to support infrastructure investment to realise the development potential of the Exxon site at Bowling is compelling. While ownership of the site presently remains with Exxon, it is the Council's intention to acquire it as soon as possible. Draft Heads of Terms are expected to be presented by the land owner to the Council at the end of June 2015. A Technical Due Diligence exercise reported in May 2015 to assist the Council with the acquisition.

The site is crucial to West Dunbartonshire's future economic development and will make a significant contribution to economic growth across the Clyde Valley. The Council aims to spearhead its development for higher value economic activities, building on its strategic accessibility, riverside location and unique environmental assets.



West Dunbartonshire faces several economic challenges, including relatively low levels of employment, economic activity and income generation. There are high levels of public sector dependency for employment as well as significant out-commuting to the wider Glasgow city region. Despite an educated labour force, there is a shortage of senior employment opportunities in West Dunbartonshire. The shortage of work opportunities locally is a significant barrier to the area's economic growth. There is a clear need to stimulate greater economic activity in West Dunbartonshire to sustainably increase levels of employment, income and Gross Value Added (GVA) and to build economic resilience. The Glasgow and Clyde Valley City Deal Infrastructure Fund provides the opportunity to address these issues and create wonderful opportunities for the future, both in West Dunbartonshire and across the Clyde Valley.

Strategic and Policy Context for the Project

The site is allocated for industrial/business opportunities in the proposed Local Development Plan (LDP) and as a Specialised Economic Development area in the Adopted Local Plan. The strategic planning context set out in Scottish Planning Policy and National Planning Framework 3 also supports its regeneration and development.

Strategic Need

West Dunbartonshire performs below average when considering key macro-economic indicators for the Glasgow and Clyde Valley City Deal area and Scotland. There is a lack of jobs in West Dunbartonshire with job density only at 0.55 per head and a high dependence on the public sector. The area has a smaller business base than the Glasgow and Clyde Valley City Deal area and Scotland.

Overall skill levels of West Dunbartonshire residents are marginally below sub-regional and national comparators but a skilled workforce is still available in the area. However, the population of West Dunbartonshire is both falling and ageing.

Addressing these issues through the creation of additional employment land opportunities will have a significant impact across West Dunbartonshire and the wider Clyde Valley area.

Existing Arrangements

The 63 hectare site formerly accommodated Exxon's Bowling Oil Terminal. Decommissioning began in 1997. The developable area including for roads and development plots is estimated at 31 hectares (pending further site investigation and assessment of environmental and other constraints). Remediation of contaminated land and provision of suitable enabling infrastructure would allow the economic development potential of the site to be unlocked.

Project Objectives and Contribution to the Clyde Valley Economy

Generating additional large scale employment opportunities in West Dunbartonshire and significantly increasing its GVA are the project's core objectives.

The project objectives are focussed upon increasing and diversifying economic activity in West Dunbartonshire and creating a major growth opportunity in a unique location to drive growth across the Clyde Valley. The Exxon site development project will provide more local employment opportunities and facilitate sustainable communities through local living and working.

Option Appraisal

A high level option appraisal has been prepared based on the project objectives. These aim to achieve a step change in the volume and value of economic activity in West Dunbartonshire through a combined focus on those sectors presently performing well and other growth sectors. The project seeks to develop the momentum generated by areas such as Lomondgate and the Vale of Leven Industrial Estate.

It aims to meet the expansion requirements of successful local enterprises while also attracting inward investment linked to its accessibility (to the strategic road network, Glasgow Airport, and potentially as a gateway to the West Highlands), well-educated resident workforce, riverside location and high value environmental characteristics.

The combination of these factors dictates availability of a large scale, high quality site, well connected to existing and future strategic infrastructure, accessible to West Dunbartonshire residents and workers from across the Clyde Valley, and with the potential to develop a comprehensive approach to its design, development, management and marketing.

The proposed West Dunbartonshire Local Development Plan highlights an increasing requirement for additional employment land over the Plan period and beyond, based on take up rates over the previous 10 years.

Project options of suitable scale in West Dunbartonshire are limited to Lomondgate, Vale of Leven Industrial Estate, and the Exxon site. Each of the options has a supportive planning designation. At this stage, a high level option appraisal has been undertaken, based on: site area; long term capacity to meet the needs of West Dunbartonshire's economy; capacity to generate additional GVA; and availability.

Lomondgate has successfully developed the BBC's presence at its Dumbarton studios, while also safeguarding and securing the headquarter presence of Aggreko in West Dunbartonshire. Development of the remaining components is anticipated in the next 3-5 years. While the momentum generated by its development will increase demand for floorspace in West Dunbartonshire, other large scale opportunities will also be required to realise the required step change in economic activity.

The Vale of Leven Industrial Estate is home to major international companies such as Chivas, Polaroid Eyewear and Diamond Power and is in several ownerships. Comprehensive development opportunities are limited by the pattern of available plots and the existing buildings. Access to the A82 is indirect (via Lomondgate Interchange). Despite formation of an industrial Business Improvement District in 2014, the estate needs to address long term promotional challenges. The capacity for additional development of the scale required by the project is limited.

The Exxon site is of the scale required to meet project objectives and is in single ownership albeit that other land is required for access. The 63 hectare site is subject to a range of ground and access constraints, and environmental designations. These reduce the developable area, including for roads and development plots to some 31 hectares which would be the largest concentration of potential employment land in West Dunbartonshire.

Should the constraints be addressed, a high quality, well located site would be available within the next 7-10 years. The site has the potential to offer a broad range of development and employment opportunities in the medium to long term. City Deal funding offers the opportunity to address the site constraints in a comprehensive manner.

From the high level options appraisal, the Exxon site development project is best placed to meet project objectives. More detailed option appraisal will be completed at Outline and Full Business Case stages.

Project Scope

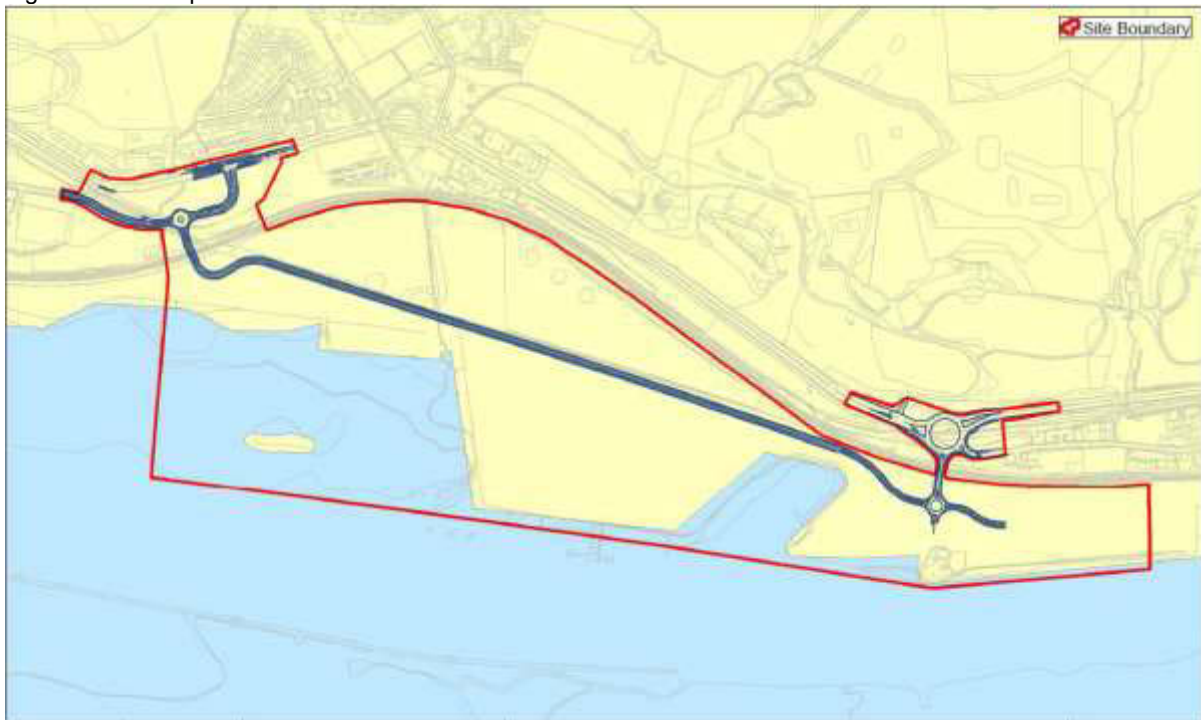
The project entails delivery of all necessary infrastructure required to enable development of the strategically important site. Later it will entail work to attract businesses to the site.

Throughout, it will involve work with community partners and contractors to deliver community benefits.

The site requires substantial investment in site preparation prior to development taking place including decontamination works, creation of new roads infrastructure, flood defences and new services.

One of the fundamental infrastructure requirements is the construction of road accesses at the eastern and western extents of the site linked by a distributor road through the site which will enable it to be opened up for development. This is shown in Figure ES1 below.

Figure ES1 – Proposed Access Road



The project will deliver economic benefits to West Dunbartonshire by creating the conditions that will unlock the potential of the site for development.

To realise the delivery of the infrastructure a series of tasks must be undertaken to set out the land-use masterplan for the site, obtain the necessary consents for infrastructure and put in place a plan for implementation that minimises risks and ensures all key stakeholders are kept engaged and in agreement with the proposals at all stages of the project.

Dependencies and Constraints

The majority of potential dependencies and constraints are linked to environmental issues on the site and can be mitigated through appropriate management and application of suitable interventions as the project is taken forward to implementation.

The main dependencies and constraints relate to ecological issues, heritage, flooding, contamination and remediation, land ownership, public utilities and wider transport network impacts and agreement to proposals with key stakeholders.

Stakeholders

Stakeholder engagement has been a key consideration during project development as cooperation and buy-in of key stakeholders will be essential to the swift and successful delivery of the project. Consultation to date has involved a series of meetings with key stakeholders including Transport Scotland, Network Rail, SEPA and SNH. Findings from other relevant stakeholder consultation exercises, such as the Local Development Plan preparation, have also been fed into the process. All engagement has been positive and has helped shape project development.

In May 2015, stakeholder meetings were held with statutory consultees to the planning process to formally inform them about the project as the masterplanning process gets underway.

As the project develops, additional mapping of stakeholders and development of a communication and engagement strategy will be undertaken.

Costs

The costs of the project were established during negotiations to establish the Glasgow and Clyde Valley City Deal. Cost estimates have not changed since then and are therefore estimated as follows (at 2014 prices):

- Capital costs - £13.990m
- Optimism bias at 35% - £4.850m
- Cash Flow Inflation at 26% - £3.640m
- Preliminaries, Design and Contingency - £5.417m
- **Total Costs - £27.897m**

It is anticipated that the Council's share of the investment will be £3.817m, with the remainder being funded by grant from the UK and Scottish Governments.

Benefits

The benefits are expected to include:

- Infrastructure;
- Transport;
- Employment;
- Environmental;
- Business; and
- Financial.

At this stage it is not possible to quantify all benefits. Whilst the anticipated economic benefits cannot be fully detailed until the land-use strategy for the site has been established through the masterplan, three high-level scenarios of possible employment land-use distribution have been developed to assist forward planning. These vary according to: the amount of developable land assumed to be available; the combination of office, industrial, distribution and storage uses; and the broad phasing of development. The potential range of anticipated benefits from these scenarios is shown in Table ES1 below.

Table ES2 – Potential Range of Anticipated Benefits

	To 2029	After 2029	Total
Development (m ²)	6,540 - 14,390	9,100 - 24,275	20,000 - 44,200
Employment (net additional)	290 – 390	160 - 300	450 - 690
Additional annual GVA (£m)	£19.2 - £31.9	£31.5 - £60.8	

Note: May 2029 is Gateway Review 3 under the Glasgow & Clyde Valley City Deal

When the site development is complete it is anticipated that:

- at least 20,000m² of industrial and commercial development will have been developed and occupied;
- up to 690 net additional full time equivalent (FTE) positions will have been created; and
- economic activity at the Exxon site will generate additional GVA of at least £31.9 million per annum.

In determining benefits it is assumed that the major infrastructure works will start on site late in 2018 with work completed in 2021 and developable plots available for occupation from 2021/22 reflecting the lead-in time for site preparation.

The Exxon site will be developed and occupied over many years. The full benefits of the site will be realised at this point.

Risk

All major risks that could affect the successful implementation of the project have been identified and are set out in detail in the Risk Register. We have developed a risk management strategy where risks are logged, graded, assigned to the person(s) best able to manage them, tracked and escalated in accordance with the governance procedures.

After mitigation measures and control actions the main remaining risks to the project are related to land ownership, reaching agreement with stakeholders on the technical approach, Network Rail's requirements in relation to adoption of the existing access bridge and gaining statutory approvals for development.