



Glasgow City Region – City Deal

Cabinet

Report by Director of Regional Economic Growth

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**PMO Evaluation:
North Lanarkshire Council – Augmented Outline Business Case
Gartcosh Business Park to Glenboig Link Road**

Purpose of Report:

To report to the Cabinet on the evaluation of North Lanarkshire Council's Augmented Outline Business Case (OBC/FBC) for Gartcosh Business Park to Glenboig Link Road.

Recommendations:

The Cabinet is invited to:-

1. note the content of the report;
2. note the PMO Appraisal, Project Risk Register and Programme Risk Register are available on request from the Clerk;
3. agree the updates to the content of the business case made during the augmentation of the Gartcosh Business Park to Glenboig Link Road OBC/FBC as contained within this report;
4. approve the augmented business case which following appraisal, is considered to be compliant with H.M. Treasury Green Book; and,
5. note that there is no additional funding requirement for this project.

1. Purpose

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- 2.1. To report to the Cabinet on the evaluation of North Lanarkshire Council's augmented Outline Business Case for Gartcosh Business Park to Glenboig Link Road dated June 2016.

3. Background

- 3.1. 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. Consultants Ekos were appointed to carry out the review and they 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.
- 3.2. The submission of this business case for appraisal is considered as confirmation that North Lanarkshire 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 (10 March 2015) in section 4.1.1.
- 3.3. The Gartcosh Business Park to Glenboig Link Road Outline Business Case was approved by North Lanarkshire Council on 25 May 2016.
- 3.4. Gartcosh Business Park to Glenboig Link Road OBC was approved by Cabinet on 7 June 2016. Gartcosh Business Park to most recent Glenboig Link Road FBC was approved by CEG on 16 December 2016 and the construction of the project has subsequently been completed.

4. Review of the Augmented Gartcosh Business Park to Glenboig Link Road OBC/FBC

- 4.1. Following the initial review of all project's OBCs, North Lanarkshire Council submitted an augmented version of Gartcosh Business Park to Glenboig Link Road OBC/FBC to the PMO on 11th March 2019 to reflect the comments of the initial review.
- 4.2. This business case been reviewed and appraised and the PMO has been advised by Ekos that it is considered to be Green Book compliant.
- 4.3. The PMO has undertaken an additional review which provides an analysis of the content of the initial version of the OBC/FBC approved by Cabinet on 7 June 2016 and the augmented version. Any relevant changes or updates to the business case in relation to the scope, finances or benefits that the project anticipates to deliver are set out in the following sections.
- 4.4. The Executive Summary for the project is attached as Appendix 1.

4.5. A copy of the appraisal assessment of this business case available from the Clerk.

5. Scope

5.1. NLC has confirmed to the PMO that the scope of the Gartcosh Glenboig has altered to include the construction of 2 additional roundabouts. This change has incurred no additional cost to the amount approved by CEG on 16 December 2016 and this change in scope is not considered to be such as would have an impact on the benefits that will be delivered.

6. Programme Milestones

6.1 Construction of the Gartcosh Glenboig Link Road has concluded.

7. Finance

7.1. The total cost of the project is £6.223m all funded from City Deal grant and members contribution. The amount previously approved at FBC stage for this project is £6.223m. This is an augmented OBC and is not seeking any further funding.

7.2. The financial case contained within the initially approved OBC/FBC and the augmented OBC/FBC have been reviewed. Relevant changes and updates that have been identified between the versions of the OBC/FBC are set out below:

Change/Issue	Approved OBC (April 2017)	Augmented OBC (January 2019)
Project Cost	Project cost is £6.579m.	Project cost reduced to £6.223m.
Tender Information	No information on tenders for work contracts	Information on tenders work contracts provided.
Contingency/Optimism Bias	Contingency is 9% and optimism bias 30%	Contingency is 10% and optimism bias 6%
VAT	VAT treatment not mentioned	VAT is expected to be recoverable
Phasing	Project costs and phasing provided	Project costs and phasing provided but has been updated
Follow on Investment	Follow on investment not mentioned	Follow on investment costs estimated at £127.9m for housing (£125.5m) and commercial development (£2.4m).
Monitoring Costs	Project monitoring costs mentioned but not quantified	Project monitoring costs mentioned and costed at £45k.

Funding	Funding of £1.5m requested.	Mentioned in 6.2.4 that £6.223m funding previously approved
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8. Benefits Realisation

- 8.1. The project outputs and benefits contained within the initially approved OBC and the augmented business case have been reviewed. Relevant changes and updates that have been identified between the versions of the OBC/FBC are set out below:

Change/Issue	Approved OBC (April 2016)	Augmented OBC/FBC (March 2019)
GVA	£3.7 million operational GVA from the Gartcosh Business Park element and	Total net additional GVA at GCR level by 2035: £66.9m
Benefit Cost Ratio	14	15.3
Construction Employment	27 gross person years of employment.	Net additional person years of employment (both infrastructure and follow-on construction): 280 person years of employment.
Operational Employment	50 net additional FTEs (per annum);	Net additional operational jobs: 165 FTEs
Private Sector Investment	£260.8 million of private sector housing investment and £1.8 million additional tax revenue ;	Direct Project Private Sector Investment by 2035 (£m) 70.1 Net Additional Private Sector Investment (Follow-on developments) by 2035 (29.3
Infrastructure Benefits	Total Number of New Houses: 3,030 Commercial floorspace: 5434 sqm 500m of new two way, single carriage way road. 500m of upgraded single carriageway road. 246m of upgraded footpath. 1380m of new footpath/cycleway	New Industrial floorspace: 5435sqm Total Number of New Houses: 3,030 500m of new two way, single carriageway road and 2 new roundabouts 500m of upgraded single carriageway road. 246m of upgraded footpath. 1380m of new footpath/cycleway. 2.15ha of extension areas to Gartcosh local nature reserve

	2.15ha of extension areas to Gartcosh local nature reserve 1190sqm of SUDS basin and associated landscaping.	1190sqm of SUDS basin and associated landscaping.
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9. Legal and Procurement

- 9.1. The Legal and Procurement sections of the augmented OBC/FBC have been reviewed and there are no material changes.

10. Transport Appraisal Group Review

- 9.1 The Transport Appraisal Group (TAG) has carried out a review of this business case. The TAG's findings are set out below:
- 9.2 The original OBC was reviewed by TAG in May 2016 and the original FBC was reviewed by TAG in September 2016, prior to its approval by Cabinet in December 2016. As construction of the project is nearing completion/completed, TAG has no further comments.

11. Recommendations

- 10.1 The Cabinet is invited to:-
1. note the content of the report;
 2. note the PMO Appraisal, Project Risk Register and Programme Risk Register are available on request from the Clerk;
 3. agree the updates to the content of the business case made during the augmentation of the Gartcosh Business Park to Glenboig Link Road OBC/FBC as contained within this report;
 4. approve the augmented business case which following appraisal, is considered to be compliant with H.M. Treasury Green Book; and
 5. note that there is no additional funding requirement for this project.

12. Appendix 1 – Executive Summary – Gartcosh Glenboig Link Road Augmented OBC/FBC

1.1 Executive

1.1.1 The Gartcosh Business Park to Glenboig Link Road is a sub-project of the Gartcosh and Glenboig Community Growth Area Project. The wider Gartcosh and Glenboig CGA Strategic Business Case was approved in August 2015. The overall approved project cost is £66.3M. The Gartcosh Business Park to Glenboig Link Road is one of six sub-projects within the project. It will provide vital strategic road infrastructure required to enable development of the Gartcosh/Glenboig CGA to its full planned capacity, and to aid development of the strategic employment location at Gartcosh Business Park.

1.1.2 This Final Business Case for the Gartcosh Business Park to Glenboig Link Road sub-project (hereafter referred to as “the Project”) encompasses the augmented Outline Business Case, reflecting HMT Green Book Guidance and City Deal (CD) appraisal requirements, and the Full Business case for the Project. The Preferred Option for the Project has not altered from the previously approved OBC (May 2016) and FBC (December 2016), however additional economic analysis is now included in order to strengthen the business case.

1.1.3 This is an augmented business case for a Project that was completed in February 2019. The Economic and Financial Cases are therefore based on robust cost data. The original Full Business Case, approved in late 2016, had an approved project cost of £6.223M. Whilst the final account for one of the works contracts has yet to be agreed, current projections are that the final project cost will be within this approved project cost.

The Project

1.1.4 The Gartcosh/Glenboig Community Growth Area (CGA) is a large scale strategic land release that will facilitate the delivery of up to 3,030 new houses within North Lanarkshire. The co-ordinated delivery of significant enabling infrastructure is however required to enable the full development of the CGA. Transport assessments have concluded that a link road between Glenboig and Gartcosh is a vital requirement. The need for advance funding and developer contributions to finance this infrastructure has had a negative impact upon development viability. This, along with wider market conditions over recent years, has stalled development of the CGA.

1.1.5 The link road Project assessed in this Final Business Case will provide the necessary road infrastructure that will allow the economic and social benefits of the CGA to be maximised and realised sooner. The Project will also enhance the attractiveness and investment potential of Gartcosh Business Park relative to its current position.

1.1.6 The core justification for the Project is to drive forward significant housing development in the CGA and realise private sector interest by addressing identified market failure. The Project will also be a catalyst for further private sector commercial

investment, igniting the development therefore of both stalled housing, and also industrial and business sites.

1.1.7 The Project involves construction of a new link road from Glenboig to Gartcosh Business Park and the upgrade of existing road infrastructure. It will provide a link road of local distributor standard between Glenboig and Junction 2A of the M73. The project also involves ecological mitigation works in the form of extensions to Gartcosh Local Nature Reserve.

1.2 Strategic Need for the Project

1.2.1 The strategic need for the project is based on satisfying projected population and household growth in North Lanarkshire and the Glasgow and Clyde Valley (GCV) city region. The Gartcosh/Glenboig CGA was one of thirteen CGAs² identified over a decade ago to address a housing shortfall across the GCV city region³. The CGAs continue to be a significant component of the medium to long term GCV city region growth strategy⁴. The substantial economic, social and housing benefits enabled by the Project support local, regional and national policy and strategy aspirations.

1.2.2 A lack of co-operation between the multiple land owners and developers to submit appropriate development plans combined with a requirement for advanced infrastructure funding and wider market and economic conditions has severely curtailed development of the CGA. Issues relating to prohibitive costs, imperfect information, barriers of scale and risk aversion also place the CGA in a competitively disadvantaged position relative to sites with less risk, cost and guaranteed immediate sales. These market failures are therefore preventing the Project being jointly progressed and financed by the developers, despite the knowledge that it will lead to a more efficient outcome. City Deal funding will overcome these barriers and enable the prompt delivery of the Project. This will allow the economic and social benefits of developing the CGA to be realised sooner and to their full potential.

1.2.3 In the absence of City Deal funding, the strategic transport mitigation measures required for the CGA would be brought forward incrementally according to buildability, receipt of development contributions and the rate of housing completions within the CGA. Transport modelling has demonstrated the CGA cannot be developed to its planned capacity without the Link Road. This restricts the ability of North Lanarkshire Council to achieve sufficient advance funding through developer contributions in order to construct the link road, and limits developer confidence in the CGA.

1.2.4 Accelerated delivery of the Project will provide the road infrastructure and improvements to renew investor and developer confidence in the long term sustainable development of the CGA and Gartcosh Business Park. It will safeguard the CGA and ensure North Lanarkshire is developed in a planned sustainable way as set out in the North Lanarkshire Local Plan and related economic strategy.

1.3 Options

1.3.1 An Options Appraisal assessed a long-list of potential options against Scope, Service Solution, Service Delivery, Service Implementation, Funding and Value for Money aspects. The need for the Project to be a physical intervention within the

Gartcosh and Glenboig area is established within the Strategic Case, and by Strategic Transportation Assessments undertaken for the CGA on behalf of developers. The Scope appraisal therefore focuses on five link road route options, identified and assessed within Strategic Transport Assessments, on the merits of accessibility, design feasibility and environmental considerations. The short-listed options emerging from the Long-List appraisal process have then been subject to cost benefit and value for money analysis to determine the Preferred Option which delivers against the critical success factors and project objectives, presents an affordable solution and that optimises value for money. Chapter 4 details the options appraisal process and provides justification for the Preferred Option identified.

1.4 Proposed Solution

1.4.1 The Preferred Option meets sustainability objectives by providing direct access to Gartcosh Rail Station and utilising the existing road network which minimises the length of new road required. The land required for the preferred Option is considered to be 'suitable and available' and minimises the impact on adjacent land parcels. In relation to environmental considerations, it minimises impact on Gartcosh Local Nature Reserve and European Protected Species, and the Strategic Transport Assessment concludes 'there is no satisfactory alternative' to the preferred solution. The Preferred Option maximises the delivery of new housing, associated community facilities and employment opportunities in the Gartcosh/Glenboig area therefore facilitates increased distributional and equity factors to the other shortlisted options considered. The Preferred Option optimises value for money by delivering a Public Sector BCR of 15.27 and a Public and Private Sector BCR of 1.00 at a City Region level.

1.5 Forecast Cost & Contingency

1.5.1 The cost of this sub-project is £6,223 million. This includes allowances for inflation and contingency (9%) which provides mitigation against programme and project risks.

1.6 Proposed team and project management arrangements

1.6.1 An experienced multi-disciplinary management team has been formed within North Lanarkshire Council Enterprise and Communities Service to deliver this project. A corporate City Deal Internal Steering Group has also been established which will provide senior management oversight of the project. External consultancy support will be appointed where necessary.

1.7 Project contribution to City Deal Economic Case

1.7.1 The Project directly contributes to the economic outcomes set out in the GCR Infrastructure Fund: Economic Case by delivering a significant uplift in Gross Value Added (GVA)⁵, net additional employment⁶, private sector investment and net additional tax revenues. Over twenty-five years at the City Region level, the project will enable:

- 1,720 housing units;

- 350 net additional construction jobs;
- 60 net additional FTE operational jobs supported by the Business Park;
- 140 net additional FTE operational jobs supported by resident expenditure;
- £125.5 million gross private sector housing investment; and
- £2.4 million gross private sector investment in the Business Park.

1.7.2 The Project will generate £92.7 million net additional GVA to the City Region discounted and over twenty-five years including:

- £15.6 million construction GVA;
- £38.8 million GVA from jobs supported by resident expenditure; and
- £38.3 million operational GVA from the Business Park element.

1.7.3 The Project will also provide a more efficient and better connected transport system, improve the mobility of the area's workforce and enhance the attractiveness of the area to inward investors.

1.7.4 The deliverables from the project will indirectly enhance the development potential of adjacent housing and industrial sites in the Gartcosh/Glenboig Community Growth Area and Gartcosh Business Park, a Strategic Economic Investment Location.

1.8 Value for Money

1.8.1 The Project is anticipated to generate £92.7 million net additional GVA at City Region level for total Public Sector investment of £6.1 million discounted and over twenty-five years. This results in a Public Sector BCR of 15.27, indicating high Value-for-Money.

1.8.2 Once private sector investment in related housing and the business park is included, the combined Public and Private Sector BCR is 1.01, indicating good Value-for-Money.

Notes:

² The Gartcosh/ Glenboig CGA is one of two current City Deal projects which is CGA related.

³ Glasgow and Clyde Valley Joint Structure Plan 2006

⁴ ClydePlan Strategic Development Plan (Proposed Plan January 2016)

⁵ Gross Value Added (GVA) is the measure of the value of goods and services in an area, industry or economy

⁶ Net additional employment impacts take account of jobs taken up by people outwith the region, existing workers or jobs would have been created without the Project. Jobs supported by supply chain and workers spending are also included in net additional impacts.