

Glasgow City Region – City Deal

Cabinet

Report by Director of Programme Management Office

Contact: Mandy MacDonald, Tel: 0141 287 8503

PMO Evaluation:

North Lanarkshire Council Outline Business Case GARTCOSH/GLENBOIG COMMUNITY GROWTH AREA – GARTCOSH BUSINESS PARK TO GLENBOIG LINK ROAD

Purpose of Report:

To report on the PMO evaluation of North Lanarkshire Council's Outline Business Case for Gartcosh/Glenboig Community Growth Area project – Gartcosh Business Park to Glenboig Link Road element.

Recommendations :

It is proposed that Cabinet

- (1) agree that North Lanarkshire Council be invited to proceed to develop the project submitted to the next stage of development through the preparation of a Full Business Case, subject to the business case evaluation criteria being met in full;
- (2) note that North Lanarkshire Council will develop their business case in line with the Programme Business Case;
- (3) note the Executive Summary of the project at Appendix 1;
- (4) note the project risk register in Appendix 2; and
- (5) approve the funding requirement of £1.5m.

1 Purpose

- 1.1 To report on the PMO evaluation of North Lanarkshire Council's Outline Business Case for **GARTCOSH/GLENBOIG COMMUNITY GROWTH AREA**.

2 Background

- 2.1 The Executive Summary for the project is attached as Appendix 1. This describes the strategic case; the preferred option, demonstrates its affordability; environmental sustainability; procurement strategy and management arrangements.
- 2.2 North Lanarkshire Council have confirmed their Local Authority supports the submission of this project as part of the City Deal programme.
- 2.3 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. The Transport Appraisal Group have reviewed the business case.
- 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 Programme Business Case has been approved. Gartcosh/Glenboig Community Growth Area will take cognisance of this and will contribute toward delivering the outcomes of the Programme which will be represented in future iterations of the Programme Business Case. Gartcosh/Glenboig Community Growth Area will make any amendments required, in respect of this, as the project develops the next stage of business case.

3 Financial

- 3.1 This Outline Business Case is seeking approval of funding of £1.5m to progress the project to Full Business Case. This £1.5m will support enabling works with regard to service diversion, tender design, and design and management input. The total project funding for this element of the project is £6.579m.
- 3.2 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 The OBC provides a list of construction, employment, financial, commercial floorspace, housing, transport infrastructure, and environmental infrastructure outputs. The full realisation for some of the anticipated benefits occurs after 2035. The PMO will work with the Member Authority to ensure that only those benefits realised before 2035 are monitored and contribute towards the City Deal objectives.

5 Recommendations

- 5.1 It is proposed that the Cabinet:

- (1) agrees that North Lanarkshire Council be invited to proceed to develop the project submitted to the next stage of development through the preparation of a Full Business Case, subject to the business case evaluation criteria being met in full;
- (2) note that North Lanarkshire Council will develop their business case in line with the Programme Business Case;
- (3) note the project risk register in Appendix 2; and
- (4) approve the funding requirement of £1.5m.

North Lanarkshire Council Outline Business Case

1 GARTCOSH/GLENBOIG COMMUNITY GROWTH AREA - Executive Summary

- 1.1.1 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.
- 1.1.2 The link road Project assessed in this OBC will provide the necessary road infrastructure that will allow the economic and social benefits of the CGA to be both maximised and realised sooner. The Project will also enhance the attractiveness and investment potential of Gartcosh Business Park relative to its current position.
- 1.1.3 The core justification for the Project is to drive forward significant housing development in the CGA and facilitate the realisation of existing private sector interest by addressing the identified market failure. It will also act as a catalyst for further private sector commercial investment, igniting the development therefore of not only stalled housing, but also industrial and business sites.
- 1.1.4 The Project involves the construction of a new link road from Glenboig to Gartcosh Business Park and the upgrade of existing road infrastructure, to provide a link road of local distributor road standard between Glenboig and Junction 2A of the M73 Motorway.
- 1.1.5 This Executive Summary follows the layout suggested in the GCR City Deal Assurance Framework.¹ Additional topics have been included to emphasise the assessed value and benefit of the Project.²

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 CGAs³ identified over a decade ago to address a housing shortfall across the GCV city region.⁴ The CGAs continue to be a significant component of the medium to long term GCV city region growth strategy.⁵ The substantial

¹ The Assurance Framework provides the following 'suggested area for inclusion: Strategic need for the project; options (shortlisted); proposed solution; forecast costs; contingency plan; and proposed team and project management arrangements.'

² Value for Money and Economic Benefit

³ The Gartcosh/ Glenboig CGA is one of two current City Deal projects which is CGA related.

⁴ Glasgow and Clyde Valley Joint Structure Plan 2006

⁵ ClydePlan Strategic Development Plan (Proposed Plan January 2016)

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 the 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. The sources of market failure 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 rate of housing completions within the CGA. Transport modelling has demonstrated that the CGA cannot be developed to its full 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 five link road options on the merits of accessibility, design feasibility and environmental considerations. Chapter 4 describes the list of Options that have been considered and provides justification for the preferred Option.

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 the Strategic Transport Assessment concludes 'there is no satisfactory alternative' to the preferred solution.

1.5 Forecast Cost & Contingency

1.5.1 The estimated Project cost is £6.579 million. This includes allowances for inflation, optimism bias (30%) and contingency (9%) which provide mitigation against programme risks. Project cost estimates for each project element are detailed at Table 7.3.

1.6 Proposed team and project management arrangements

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

1.7 Project contribution to City Deal Economic Case

1.7.1 The Project directly contributes to the economic outcomes set out in the GCV Infrastructure Fund: Economic Case by delivering a significant uplift in Gross Value Added (GVA)⁶, net additional employment⁷, private sector investment and net additional tax revenues. At a North Lanarkshire level the project will enable:

- 3,030 housing units (54% of which are a direct result of the Project);
- £64.1 million construction GVA and 1,389 net additional person years of construction employment;
- £260.8 million of private sector housing investment and £1.8 million additional tax revenue⁸;
- £3.7 million operational GVA from the Gartcosh Business Park element and 50 net additional FTEs (per annum); and
- £3.5 million private sector investment and £0.1 million net additional non-domestic business rate revenue.

1.7.2 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.

1.7.3 The deliverables from the project will indirectly enhance the development potential of adjacent sites totalling c.214 hectares.

⁶ Gross Value Added (GVA) is the measure of the value of goods and services in an area, industry or economy

⁷ 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.

⁸ Per annum once fully developed

1.8 Value for Money

- 1.8.1 The estimated net present value of additional future cash flows to 2037 is some £90.5 million.⁹ The Project will therefore generate £14 of net additional revenue for every £1 of capital investment.¹⁰

⁹ Council Tax (£12.2 million) + NDR (£0.2 million) + Household expenditure (£78.1 million) = £90.5 million

¹⁰ Project Cost (£6.579 million) / NPV of future cash flows (£90.5 million) = 13.9 (i.e. Project provides £13.9 for every £1 of capital invested)

Gartcosh Business Park to Glenboig Link Road: Risk Register

CITY DEAL PROJECT RISK REGISTER																
Project Title:		Gartcosh Business Park to Glenboig Link Road														
Member Authority:		North Lanarkshire Council														
Project Location:		Gartcosh, Glenboig, North Lanarkshire														
Project Sponsor:		Shirley Linton														
Project Manager:		Kate Bryson														
Date updated:		12 May 2016											Last reporting period:			
Risk Ref	Status	Risk Category	Risk Description		Inherent Impact	Inherent Probability	Inherent Risk Score	Inherent Rank	Owner	Controls Action	Resid. Impact	Resid. Probability	Resid. Risk Score	Resid. Rank	Date Checked	Movement in period
			Challenge	Impact												
1	Open	Schedule/ Timescales	Land Acquisition	Terms not secured with land owner impact on project viability, programme or costs	4	4	16	High	Assist. Chief Exec. Housing & Enterprise Head of P & R Prog. Leader	Negotiation Enter into Legal Agreements	3	3	9	Mod	11 April 2016	↓
2	Open	Environmental	Ground Conditions	Unknown or significant ground conditions impact on project viability, programme or costs	4	3	12	High	Assist. Chief Exec. Housing & Enterprise Business Manager (Rds & Structures Design)	Ground Investigation prioritised early in Programme. Pl. Conditions	3	3	9	Mod	11 April 2016	↓
3	Open	Schedule/ Timescales	Managing Stakeholders	Stakeholder needs and expectations not managed effectively impacting on timescales and reputation	3	4	12	High	Assist. Chief Exec. Housing & Enterprise Head of P & R Prog. Leader	Ongoing stakeholder engagement Partnership working with public and priv sector partners	3	2	6	Mod	11 April 2016	↓
4	Open	People/Societal	Managing Community	Community/residents needs and expectations not managed effectively impacting on timescales and reputation	4	3	12	High	Assist. Chief Exec. Housing & Enterprise Head of P & R Prog. Leader	Engage Community at key stages of project management – community information plan NLP/LAPS/LATS/ Comm forums	3	3	9	Mod	11 April 2016	↓

5	Open	Reputational	Public Relations	Lack of awareness, confusion or negative publicity to the project, City Deal or NLC involvement impacting on reputation	3	4	12	High	Assist. Chief Exec. Housing & Enterprise Head of P & R Prog. Leader	GCR CD Corp comms strategy and support group NLC City Deal website	2	2	4	Mod	11 April 2016	↓
6	Open	Environmental	Natural Environment	Project conflicts with natural env impacting on project viability, programme and costs	4	4	16	High	Assist. Chief Exec. Housing & Enterprise Head of P & R Prog. Leader	Design/ project development EIA Planning consent and cond. Relevant licenses Deliver mitigation plans Consult relevant statutory bodies	3	3	9	Mod	11 April 2016	↓
7	Open	Schedule/ Timescales	Investment Conflicts	Project may conflict with wider infrastructure of development proposals	3	5	15	High	Assist. Chief Exec. Housing & Enterprise Head of P & R Prog. Leader	SAF exercise – PMO evidenced no exceptional project conflicts CD Programme Business Case NLLDP Align investment programmes Co-ordinate construction activity	3	2	6	Mod	11 April 2016	↓
8	Open	Schedule/ Timescales	Project Development and Delivery Constraints	Significant restrictions may not make it possible to complete the works within the planned period.	3	5	15	High	Assist. Chief Exec. Housing & Enterprise Head of P & R Prog. Leader	Early site Investigation and stakeholder consultation to establish any constraints Robust contract programming Design Refinement	3	3	9	Mod	11 April 2016	↓
9	Open	Schedule/ Timescales	Business Case approval	Failure to obtain relevant OBC and FBC approval impacting on	5	3	15	High	Assist. Chief Exec. Housing &	Prog. Team continually review internal	5	1	5	High	11 April 2016	↓

				delivery programme					Enterprise Head of P & R Prog. Leader	resources to meet timescales Prog. Team create strong understanding of PMO/business case evaluation criteria						
10	Open	Schedule/ Timescales	Statutory Stakeholder input	Stakeholder lead in times not compatible with construction phases impacting on timescales	3	3	9	Moderate	Assist. Chief Exec. Housing & Enterprise Head of Enviro Assets Manager (Rds and Structures Design)	Establish lead in times and filter into programme Liaise with stakeholders and external parties Align delivery programmes	3	2	6	Mod	11April 2016	↓
11	Open	Regulatory/ Legal	Securing Consents	Risk that relevant consents cannot be secured	5	3	15	High	Assist. Chief Exec. Housing & Enterprise Head of P&R Prog. Leader	Allow sufficient timescale for obtaining all relevant consents within project programme Legislation Council Policy Statutory Processes Legal services input Regular consultation with Planning and roads authority and other consenting authorities	2	2	4	Mod	11April 2016	↓
12	Open	Financial	Increased Costs	Tender costs exceed funding budget	3	4	12	High	Assist. Chief Exec. Housing & Enterprise Head of P&R Prog. Leader	50% optimism bias applied Robust cost planning to be applied Design refinement	3	3	9	Mod	11April 2016	↓

									Budget reviews							
									Pre tender cost estimates							
13	Open	Schedule/ Timescales	Availability of contractors and external consultancy support	Failure to appoint appropriate external consultancy and contractors	5	3	15	High	Assist. Chief Exec. Housing & Enterprise Head of P&R Prog. Leader	Use of existing procurement and new SLC led procurement frameworks	2	2	4	Mod	11April 2016	↓
									Use of CD portal on PCS PIN notice to provide suppliers with advance notification							
									Secure consultancy support with the relevant technical expertise							
14	Open	Financial	Significant project cost over run	Costs for delivering project significantly exceed the FBC approval levels	3	3	9	Moderate	Project manager Prog. Leader CD Accountant	Formal approval prior to commencement	3	2	6	Mod	11April 2016	↓
									Contract management and robust budget monitoring with corrective action as appropriate							
									Project delivery monitoring via 4 weekly reporting to PMO							
									Contingency sum to be included in delivery budgets							
15	Open	Economic (Financial)	Stalled or delayed commercial and housing development	Commercial development or housing completions significantly stalled or delayed impacting on the benefit realisations	4	4	16	High	Assist. Chief Exec. Housing & Enterprise Head of P&R Prog. Leader	Partnership work with SE to support development of Gartcosh Business Park	4	3	12	High	11April 2016	↓

									Ongoing monitoring of development levels					
									Work with developers/Fusion Assets to create speculative commercial development					
									Work with Glenboig Consortium and wider CGA developers to encourage housing completions					

Risk Assessment Matrix						
Risk Assessment Matrix		Impact				
		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Fundamental
Probability	5 almost certain					
	4 likely					
	3 possible					
	2 unlikely					
	1 extremely unlikely					

In assessing probability, the following 1 to 5 scoring system is to be followed:

5 = almost certain to occur.	(>80% certainty)
4 = likely to occur.	(51% - 80% certainty)
3 = possible that it may occur.	(21% - 50% certainty)
2 = unlikely to occur.	(6% - 20% certainty)
1 = extremely unlikely that it may occur.	(<6% certainty)