

# Report

Report to:	<b>Executive Committee</b>
Date of Meeting:	<b>21 November 2018</b>
Report by:	<b>Executive Director (Community and Enterprise Resources)</b>

Subject:	<b>Glasgow City Region City Deal – Newton Community Growth Area, Westburn Road Roundabout - Full Business Case</b>
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## **1. Purpose of Report**

1.1. The purpose of the report is to:-

- ◆ set out the Full Business Case (FBC) for the Westburn Road Roundabout element of the Newton Community Growth Area City Deal project
- ◆ advise Committee on the next steps in progressing the project

## **2. Recommendation(s)**

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the Westburn Road Roundabout Full Business Case be approved; and
- (2) that grant funding be sought in accordance with the City Deal Grant Distribution Process outlined in the Assurance Framework in relation to the delivery of the project with the precise arrangements to be agreed by the City Deal Chief Executive's Group (CEG) and City Deal Cabinet.

## **3. Background**

- 3.1. The Council is 1 of 8 local authorities who, with the UK and Scottish Governments, are signatories to the £1.13 billion Glasgow City Region City Deal.
- 3.2. The City Deal is made up of a list of 20 key infrastructure projects that are intended to collectively drive economic growth across the Glasgow City Region area.
- 3.3. Community Growth Areas (CGAs) is one of four South Lanarkshire projects among the list of twenty. Newton Community Growth Area is one of 4 CGAs that have been combined together form the CGA project – the other CGAs being located in Hamilton, Larkhall and East Kilbride.
- 3.4. The Newton CGA comprises a number of individual education, transport and community infrastructure projects which will be delivered over a timeframe of up to 10 years which will in turn 'create' capacity to accommodate the increase in population from housebuilding of up to 1500 residential units. The new Westburn Road Roundabout is the third of these projects to be brought forward to Full Business Case stage at Newton CGA, the previous two being Newton Farm Primary School and Newton Rail Station Park & Ride.

- 3.5. Governance arrangements for the City Deal initiative are defined within the associated Assurance Framework. This sets out requirements for the development of Business Cases for individual projects. The first level of business case was the Strategic Business Case and this was approved by the Executive Committee on 26 August 2015 and the second level business case, the Newton CGA Outline Business Case, was approved by the Executive Committee on the 02 December 2015.
- 3.6. Full Business Cases for each project requires to be formally approved via:-
- ◆ The Member Authority Committee process
  - ◆ The City Deal Chief Executive's Group which will consider the FBC on 29 November
- 3.7 On 18 August 2015 the City Deal Cabinet approved Strategic Business Cases for all four of the Council's City Deal Projects and on 15 December 2015 the Outline Business Case for Hamilton CGA was approved. This outline business case was also confirmed as being HM Treasury Green Book compliant by the City Deal Cabinet on 14 August 2018.

#### **4. Current Proposal**

- 4.1. A Full Business Case (FBC) has now been produced for the Westburn Road Roundabout element of the Newton CGA project. As a result of impacts generated by the new homes to be built on the site a number of improvements require to be implemented to address the increase in traffic movements in the local road network
- 4.2 The physical outputs from the Westburn Road Roundabout project are:-
- ◆ 340 metres of upgraded road carriageway
  - ◆ 765 metres of new/upgraded footway/cycleway
  - ◆ One new 4 arm, 48 metre diameter roundabout at the junction of Westburn Road and Westburn Drive
  - ◆ One new pedestrian crossing on Westburn Drive
  - ◆ 4 no. Sustainable Urban Drainage installations
- 4.3 This FBC continues to make the case for the City Deal funding for Hamilton CGA project in terms of:-
- ◆ Strategic Fit
  - ◆ Commercial Case
  - ◆ Economic Case
  - ◆ Financial Case
  - ◆ Management Case

The Executive Summary of the FBC is contained in Appendix 1.

- 4.4 The production of the Full Business Case is the final City Deal approval milestone for this element of the Newton CGA project and provides details of the delivery and construction of the of the school extension.
- 4.5 The approval of this Full Business Case will release funds to meet the costs of the construction work which will commence on site in March 2019.

## **5. Employee Implications**

- 5.1. There are no direct employee implications from this project as existing resources within Planning and Economic Development Services are currently tasked with the management and delivery of this City Deal project.

## **6. Financial Implications**

- 6.1. The project budget for the Westburn Road Roundabout project is £2.31million. Project costs incorporate all construction related costs and community benefit monitoring.
- 6.2. The City Deal funding element of the total project cost is 86% of the project cost (£1.987 million) with the Council contributing the 14% balance (0.323million).

## **7. Other Implications**

- 7.1. Risk - The City Deal Cabinet has a Risk Management Strategy to apply across all City Deal projects. The purpose of this Risk Management Strategy is to provide a systematic and effective method by which risks can be consistently managed. It adopts a best practice approach, describes the specific risk management techniques and standards to be applied and the responsibilities for achieving effective risk management.
- 7.2. The Council is required to apply this City Deal Risk Management Strategy across each of its City Deal projects to ensure consistency across all City Deal projects. This will be a key tool in mitigating project risks and thereby limiting our financial risk associated with the Council's 14% share of City Deal project costs. A robust monitoring system has also been put in place to ensure that 'early warnings' are provided and appropriate action taken.
- 7.3. Sustainability – The statutory processes associated with the approval of the Hamilton CGA have considered the following sustainability agenda items and are subject to monitoring and review as detailed proposals for each phase of the development progress:-
- ◆ encourage energy efficiency through the orientation and design of buildings
  - ◆ choice of materials and the use of low and zero carbon generating technologies
  - ◆ support sustainable water resource management
  - ◆ support sustainable waste management
  - ◆ consider the lifecycle of the development
  - ◆ encourage the use of sustainable and recycled materials in construction
  - ◆ support habitat connectivity
  - ◆ consider active travel and sustainable transport links

## **8. Equality Impact Arrangements and Consultation Arrangements**

- 8.1. This report does not introduce a new policy, function or strategy or recommend a significant change to an existing policy, function or strategy, and, therefore, no impact assessment is required. Consultation has taken place with relevant Resources within the Council and the CGA developers. In addition consultation was undertaken with the wider community through the planning process.

**Michael McGlynn**  
**Executive Director (Community and Enterprise Resources)**

16 October 2018

**Link(s) to Council Values/Ambitions/ /Objectives**

- ◆ Get it right for children and young people
- ◆ Promote economic growth and tackle disadvantage
- ◆ Improve the availability, quality and access of housing
- ◆ Improve the road network, influence improvements in public transport and encourage active travel
- ◆ Work with communities and partners
- ◆ Improve achievement and attainment

**Previous References**

- ◆ Executive Committee, 26 August 2015 – City Deal – South Lanarkshire Council, Community Growth Areas, Strategic Business Case
- ◆ Executive Committee, 02 December 2015 – City Deal – South Lanarkshire Council Community Growth Areas, Newton Community Growth Area, Outline Business Case
- ◆ Executive Committee, 27 January 2016 – City Deal – Newton Community Growth Area, Newton Primary School, Full Business Case
- ◆ Executive Committee, 08 March 2017 – City Deal – Newton Community Growth Area, Newton Station Park & Ride, Full Business Case

**List of Background Papers**

- ◆ City Deal, Newton Community Growth Area – Westburn Road Roundabout, Full Business Case

**Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

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## Appendix 1 Westburn Road Roundabout FBC

### Executive Summary

- i. This Final Business Case 3 (FBC3) is for £2.31m City Deal funding – £1.99m City Deal (86%) and £0.32m South Lanarkshire Council (SLC) (14%) – to enable development of Westburn Roundabout at the Newton Community Growth Area (CGA), accounting for Element 3 of the whole CGA project proposal. This FBC continues to build the case from the Strategic Business Case (SBC) which secured approval for £62.3m across South Lanarkshire's four CGAs and from the Outline Business Case (OBC) which secured approval for £10.163m City Deal funding to develop the Newton CGA project, comprising off-site infrastructure (roads, school, park & ride, cycle/ walk path).

### The Strategic Case

- i. As presented in the OBC, there is a critical need for investment in road infrastructure to allow the development of 1,500 new homes at Newton CGA.
- ii. The strategic aim of the Westburn Roundabout project element is:  
  
*“To deliver the off-site road infrastructure required to enable the delivery of 1,500 homes eight years earlier than planned with associated economic and social benefits.”*
- iii. Delivery of the Westburn Roundabout is a necessary pre-requisite project for the realisation of the full Newton CGA development. At present there is an identified constraint in the current road infrastructure network, with current conditions being suitable for a development of 1,212 homes.
- iv. The lead developer, Taylor Wimpey, is committed to the Newton CGA project, albeit at a lower rate and over a longer time period. The Westburn Roundabout will enable developers to deliver the full site capacity of 1,500 units, addressing the clear need for additional housing units at the City Region and sub-regional level. Furthermore, as an integral part of the Newton CGA, the infrastructure intervention made possible by City Deal investment will enable the development to be completed in 14 years, as opposed to the 22-year period in the absence of intervention.
- v. As presented in the OBC, the market failure rationale is based on development of the full CGA and the constrained road infrastructure in particular which is preventing this. The infrastructure is defined as a public good, typically funded by the public sector. Whilst there is a negotiated S75 settlement from the lead developer that will part-fund required junction upgrades, there is a need for additional investment to enable an upgrade of the Westburn Road / Westburn Farm Road junction to facilitate the full development potential of the site.
- vi. The implication of not addressing the market failure at Newton CGA is slower delivery of fewer houses and lower-quality provision of the off-site roads infrastructure.

### The Economic Case

- vii. The OBC analysed a series of high level project options within a wider development programme. Therefore, it was necessary that the FBC detail the specific road infrastructure sub-options available to SLC that would enable the effective delivery of 1,500 homes at the Newton CGA. The economic case presents and tests a series of these sub-options – including the counterfactual or 'do nothing' option, before a preferred solution that meets the identified needs and delivers Value for Money for the public sector.
- viii. Viable options were identified as those that enabled the full delivery of 1,500 homes at the Newton CGA. The economic case identified that this was only possible through the construction of a full 40m Inscribed Circle Diameter (ICD) four arm Roundabout that could fulfil the current and future traffic demand in and around the Newton CGA. Therefore, the economic analysis compares this intervention to the counterfactual, establishing the additional impacts stimulated by the public-sector investment and the interventions relative value for money.

ix. The net additional impacts of the intervention - over a 25-year period - are as follows:

- 115 construction jobs (Infrastructure and Residential development)
- £9.60m in GVA from construction activity
- 315 operational jobs from household expenditure
- £4.07m in GVA from operational activity
- Total Net Additional GVA £13.58m

### **The Commercial Case**

- x. Delivery of additional road capacity at Westburn Road is identified as a critical requirement in delivering the full CGA by meeting the needs of the key partners – new and existing local residents (by increasing capacity), SLC and City Deal Partners (by delivering additional economic value) and home builders/ house purchasers (by creating a more attractive development proposition).
- xi. As considered in the OBC options analysis, SLC sought to secure additional/ replacement funding from other sources, but this proved impossible without reducing investment plans for other economic development projects. City Deal funding is therefore identified as the only viable source for delivery of the critical off-site infrastructure works needed to bring forward the development earlier than planned. The S75 funding, which will be held by SLC as annual trigger payments are made, will fund other aspects of the required off-site infrastructure needed to create a sustainable community at Newton CGA.
- xii. Achieving a successful outcome at Westburn Roundabout and the wider Newton CGA is dependent on securing follow-on investment from the developers and their housebuilding partners, estimated at £150m for house building and on-site infrastructure (roads, utilities and services).

### **The Financial Case**

- xiii. The estimated total City Deal cost of the Newton CGA project, submitted at OBC, was £10.163m, which will leverage £3.222m of SLC funding and £8.74m in developer contributions for the off-site road/school and community provision. This will stimulate up to a further £150m direct on-site developer cost in building out the Newton CGA development. Phasing of full CGA project expenditure is presented in OBC.
- xiv. Following a competitively tendered procurement exercise, the cost of delivering the Westburn Roundabout project element is estimated at £2.31m, accounting for 23% of the total approved Newton CGA City Deal allocation. The tender process resulted in a lower than anticipated project cost for project element – £2.31m total costs, against £3.65m profiled at OBC. The total Newton CGA budget remains as profiled in the OBC, covering any cost uplift in other project elements.
- xv. The construction works are scheduled to be delivered over a 6-month period, starting March 2019. The Roundabout is expected to be operational by September 2019.
- xvi. SLC will take on the additional maintenance responsibilities of the Westburn Roundabout in perpetuity, following completion of the infrastructure works. These costs will be funded from existing Council revenue and capital budgets, as the need arises.
- xvii. The ongoing revenue costs for other City Deal funded CGA elements will be reviewed as each FBC element is submitted. The total estimated revenue cost across all elements is estimated in the OBC at £2.5m per annum. A lifecycle cost analysis estimates that the non-discounted revenue costs over a 25-year period for the Westburn Roundabout will be £0.66m.

### **The Management Case**

- xviii. The management and delivery of Westburn will be contained within the remit of SLCs CGA Programme. Newton CGA will be managed by SLC in accordance with the standards required by the City Deal governing principles. Project roles have been assigned to the Senior Responsible Officer, Project Sponsor, Project Manager and an internal Project Team. Community and Enterprise Services within SLC will lead the delivery of the project, ensuring alignment against other SLC City Deal and infrastructure related projects.

- xix. SLC Economic Development will have responsibility for the long-term monitoring and evaluation of the project benefits, including community benefits, in line with the M&E Plan, using in-house resources supplemented by external specialist consultants as required. The economic impact model developed to appraise the gross and net benefits of the alternative options, allows for the activities to be measured and performance tracked against the forecast profile.
- xx. The key objectives and critical success factors (as defined in the Strategic Case) have ensured that the development of the Newton CGA is embedded in a holistic approach to sustainability – environmental, economic, social and community – and the financial appraisal confirms that the project is financially sustainable, albeit with a need for future (planned) investment by the private sector to deliver the new houses.