

Report

Report to:	Executive Committee
Date of Meeting:	16 August 2023
Report by:	Executive Director (Community and Enterprise Resources)

Subject:	Glasgow City Region City Deal – A72 Lanark Road / M74 Junction 7 Signalisation – Revised Full Business Case
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1. Purpose of Report

1.1. The purpose of the report is to: -

- ◆ advise on action taken, in terms of Standing Order No 37(c) because of the timescales involved, by the Executive Director (Community and Enterprise Resources), in consultation with the Chair and an ex officio member, to approve the revised Full Business Case (FBC) for the A72 Lanark Road / M74 Junction 7 Signalisation element of the Larkhall 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 following action taken, in terms of Standing Order No 37(c), in view of the timescales involved, by the Executive Director (Community and Enterprise Resources), in consultation with the Chair and an ex officio member, be noted:-
- ◆ approval of the revised A72 Lanark Road / M74 Junction 7 Signalisation Full Business Case
 - ◆ approval to seek grant funding 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 one of eight 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 and inclusive 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. Larkhall Community Growth Area is one of four CGAs that have been combined together form the CGA project – the other CGAs being located in Newton, Hamilton and East Kilbride.

- 3.4. The Larkhall CGA comprises several individual education and transport 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 1750 residential units. The A72 Lanark Road / M74 Junction 7 Signalisation is the second of these projects to be brought forward to Full Business Case stage at Larkhall CGA, the previous project being Glengowan Primary School Extension which was completed in July 2022.
- 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 Larkhall CGA Outline Business Case, was approved by the Executive Committee on the 08 February 2017.
- 3.6. Full Business Cases for each project require to be formally approved via:-
- ◆ the City Region Member Authority Committee process
 - ◆ the City Region Director of Regional Economic Growth has delegated powers to approve this revised FBC. The City Deal Chief Executive's Group will note that this revised FBC has been approved via the delegated authority approval process

4. Current Proposal

- 4.1. A Full Business Case (FBC) was produced for the A72 Lanark Road / M74 Junction 7 Signalisation element of the Larkhall CGA project and approved by Executive Committee on 17 May 2023. The successful contractor subsequently withdrew from the process post award. This revised FBC covers the next best submission tendered for the two road junction improvements where the on / off slip road ramps from Junction 7 M74 meet the A72 Lanark Road.
- 4.2. The physical outputs from the project are:-
- ◆ 2 new traffic light-controlled junctions at the M74/A72 on and off ramp slip roads
 - ◆ 2,300 sq. m of new carriageway created or improved via widening works/ resurfacing works
 - ◆ improved LED Street lighting installed (40 columns)
 - ◆ 10,000 sq.m of existing carriageway improved
 - ◆ 2 new/improved vehicle restraint systems along the length of the M74/A72 overbridge parapets – total 210 lin. metres
- 4.3. This revised FBC continues to make the case for the City Deal funding for Larkhall CGA project in terms of:-
- ◆ Strategic Fit
 - ◆ Commercial Case
 - ◆ Economic Case
 - ◆ Financial Case
 - ◆ Management Case

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

- 4.4. The production of the revised Full Business Case is the final City Deal approval milestone for this element of the Larkhall CGA project and provides details of the delivery and construction of the of the road junction woks.

- 4.5 The revised project cost is £2.245 million comprising £1.931 million City Deal funding (86% share) and £0.314 million SLC funding (14% share).
- 4.6. The approval of this revised Full Business Case will release funds to meet all these costs. The construction contract is expected to commence on site in Sept / Oct 2023

5. Employee Implications

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

6. Financial Implications

- 6.1. The project budget for the A72 Lanark Road / M74 Junction 7 Signalisation project was previously approved at £1.98 million. As a result of the selected contractor recently withdrawing from the process, the second placed tenderer is now being selected to implement the works at an increased project cost of £2.245 million. These 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 (£1.931 million) with the Council contributing the 14% balance (£0.314million).
- 6.3. The increased cost will be met by the current £0.3 million underspend at Newton where all OBC outcomes have been achieved which involved the housing contractor building the supporting green infrastructure to connect the CGA with the NCN 75 and railway station.
- 6.4. The revenue implications associated with this project have been included in the Council's Revenue Budget Strategy for 2023/2024.

7. Climate Change, Sustainability and Environmental Implications

- 7.1. Sustainability – The statutory processes associated with the approval of the Larkhall 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: -

- ◆ consider active travel and sustainable transport links
- ◆ encourage the use of sustainable and recycled materials in construction
- ◆ support habitat connectivity
- ◆ consider the lifecycle of the development
- ◆ support sustainable water resource management
- ◆ support sustainable waste management
- ◆ encourage energy efficiency through the orientation and design of buildings
- ◆ choice of materials and the use of low carbon generating technologie

8. Other Implications

- 8.1. Risk - The City Deal Cabinet has a Risk Management Strategy applied 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.
- 8.2. 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.

9. Equality Impact Arrangements and Consultation Arrangements

- 9.1. 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 a wider community through the CGA planning process.

David Booth

Executive Director (Community and Enterprise Resources)

27 July 2023

Link(s) to Council Values/Priorities/Outcomes

- ◆ 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.

Previous References

- ◆ Executive Committee, 26 August 2015 – City Deal – South Lanarkshire Council, Community Growth Areas, Strategic Business Case,
- ◆ Executive Committee, 08 February 2017 – City Deal – South Lanarkshire Council Community Growth Areas, Larkhall Community Growth Area, Outline Business Case
- ◆ Executive Committee, 23 June 2021 – City Deal – Larkhall Community Growth Area, Glengowan Primary School Extension - Full Business Case
- ◆ Executive Committee, 17 May 2023 - A72 Lanark Road / M74 Junction 7 Signalisation – Full Business Case

List of Background Papers

- ◆ City Deal, Larkhall Community Growth Area – A72 Lanark Road / M74 Junction 7 Signalisation, Revised Full Business Case (FBC2)

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

Glasgow City Region City Deal – A72 Lanark Road / M74 Junction Signalisation – Revised Full Business Case

Executive Summary

- i. This Full Business Case 2 (FBC2) is for £2.245m City Deal funding – £1.931m City Deal (86%) and £0.314m SLC (14%) – to enable signalisation of the M74 / A72 Lanark Road junctions at the Larkhall Community Growth Area (CGA), accounting for Element 2 of the Larkhall CGA project proposal. This FBC continues to build the case from the Strategic Business Case (SBC) which secured approval for £60.3m across South Lanarkshire's four CGAs and from the Outline Business Case (OBC) which secured approval for £20.15m City Deal funding to develop the Larkhall CGA project, comprising off-site education, community and transport infrastructure.

The Strategic Case

- ii. As presented in the OBC, there is a need for investment in offsite road infrastructure (and education/ community facilities) to allow the development of up to 1,750 new homes at Larkhall CGA. This project is directly related to the creation of the initial development of 1,000 homes on the current CGA site that has commenced construction with 310 houses built to date.

- iii. The strategic aim of the M74 / A72 Lanark Road Junction Signalisation project element is:

“To deliver the off-site road infrastructure in a manner that enables delivery of the residential development 10 years earlier than planned with associated economic and social benefits.”

- iv. The planned outputs from the M74 / A72 Lanark Road Junction Signalisation project are:

- 2 new traffic light-controlled junctions at the M74/A72 on and off ramp sliproads
- 2,300 sq. m of new carriageway created or improved via widening works / resurfacing works.
- Improved LED street lighting installed (40 columns)
- 10,000 sq,m of existing carriageway improved.
- 2 new / improved vehicle restraint systems along the length of the M74/A72 overbridge parapets – total 210 linear metres.

SLC will have ongoing responsibility for the management and maintenance of the improved junction, as defined in the financial appraisal, the revenue operating costs have been estimated and are acknowledged by SLC.

- v. In advance of the CGA development receiving planning consent it was necessary to carry out a transport assessment to consider the implications of developing up to 1,750 new homes at Larkhall CGA. This included a review of the existing road network capacity, the additional traffic generation created and increased use of public transport by up to 4,829 new residents.
- vi. As reported in the OBC (and evidenced in the development profiles at Appendix 9), the counterfactual arrangement is that the CGA development will be less attractive to purchasers and it will take until 2042 to complete only 1,000 homes as opposed to 1,750 houses by 2032 with preferred intervention.

The Economic Case

- vii. The economic case presents and tests a series of alternative options – including the counterfactual or 'do nothing' options, before a preferred solution that meets the identified needs and delivers Value for Money for the public sector.
- viii. The only viable options at FBC stage for M74 / A72 Lanark Road Junction Signalisation were around the design and timing of the project proposal. Through analysis of need and physical solutions, the delivery of off-site road network enhancements at this key junction on the M74 / A72 Lanark Road Junction was identified as the best option to achieve the project objectives.

The Commercial Case

- ix. Delivery of additional capacity in the road network is identified as a critical requirement in delivering the full CGA over 10 years by meeting the needs of the key partners – new and existing local residents (by releasing capacity), SLC and City Deal partners (by delivering additional economic value) and housebuilders/ house purchasers (by creating a more attractive development proposition).
- x. City Deal funding has been identified as the only viable source for delivery of the critical off-site enabling infrastructure works for Larkhall CGA (schools/ roads/community) needed to bring forward the development earlier than planned. The commercial arrangement for delivery of FBC2 is via appointment of a contractor, through a competitive tender.
- xi. This FBC2 is scheduled to be delivered on site during the autumn / winter of 2023/24 to ensure continued progress by developers in delivering the CGA project to the desired timescales. It follows on from the completion of the extension works contained in FBC1 at Glengowan Primary School.

The Financial Case

- xii. The estimated total City Deal cost of the Larkhall CGA project, submitted at OBC, was £21.50m (split 86% CD / 14% SLC) with potential additional leveraged investment of £12.85m from SLC, £17.5m from Developers' S75 obligations, and £193m housebuilding and associated on-site infrastructure costs (Discounted).
- xiii. Following a competitively tendered procurement exercise, the cost of delivering the M74 / A72 Lanark Road Junction Signalisation project is estimated at £2.245m, accounting for 11% of the total approved Larkhall CGA City Deal allocation. The project works will commence on site in Sept/ Oct 2023 – following approval of £21.5m City Deal funding at OBC stage, SLC has committed to carrying the financial risk of any project cost overrun beyond the City Deal funding request for this project i.e. £2.245 m of City Deal funds.
- xiv. SLC will take on the additional maintenance responsibilities at the new signalised junction, upgraded carriageway etc. in perpetuity, following completion of the works. These costs will be funded from existing Council revenue and capital budgets, as the need arises.
- xv. SLC has ultimate responsibility for cost over-runs beyond the level of financial budget/ approval for the CGAs – an allowance of 25% was made for Optimism Bias within the cost profile for the whole CGA investment programme. The contract for this FBC2 has been awarded on a fixed price basis and Optimism Bias for this element has therefore been reduced to zero. Any VAT applicable has been treated as recoverable.

The Management Case

- xvi. The management and delivery of M74 / A72 Lanark Road Junction Signalisation project will be contained within the remit of SLC's CGA Programme. Larkhall CGA will be managed by SLC in accordance with the standards required by the City Deal governing principles. Project roles have been assigned to Senior Responsible Officer, Project Sponsor, Project Manager and an internal Project Team. SLC Enterprise & Sustainable Development Services will lead the delivery of the project with SLC Roads & Transportation Services providing statutory services back-up as the works will be adopted by SLC and Transport Scotland on completion. This joint approach ensures alignment against other SLC CGA and Roads projects across the transport network.
- xvii. SLC Enterprise & Sustainable Development Services will have responsibility for the long-term monitoring and evaluation of the project benefits, including community benefits, in line with the Monitoring & Evaluation Plan, using in-house resource and 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.
- xviii. The key objectives and critical success factors (as defined in the Strategic Case) have ensured that the development of the Larkhall 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, recognising the need for future (planned) investment by the private sector to deliver the new houses.

- xix. In summary the City Deal Larkhall investment generates the following results as per the OBC with this project (FBC2) contributing 11% of the results:

Criteria	Measurement (Actual or 11% Proportion of CGA)	Timescale
City Deal infrastructure	Completion of transport corridor /M74 junction upgrade works	By 2024
City Deal spend	£2.25m (total nominal) – 86% City Deal / 14% SLC	By 2024
Proportion of Larkhall CGA development	Delivery of 193 houses, accommodating c. 492 residents (total direct for preferred option)	By 2032
Proportion of private developer spend	Investment of £18.1m via construction of on-site infrastructure/ residential units and S75 contribution (total NPV for preferred option)	By 2030
Proportion of construction impacts ¹	253 Person Year Equivalent – net additional annual jobs	By 2031
Proportion of operational impacts	£24.8m net additional GVA at Scotland level Building up to 24 net additional FTEs – permanent jobs Building up over 25 years to generate total £4.8m net additional GVA at Scottish level	By 2041

¹ Note: construction and operational impacts are based on the net additional – difference between the net impact for preferred intervention less the net impact for the counterfactual intervention.