

Report

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

Subject:	Glasgow City Region City Deal – Hamilton Community Growth Area, Highstonehall Road Improvements - Full Business Case
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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 Highstonehall Road Improvements element of the Hamilton 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 Highstonehall Road Improvements 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. Hamilton Community Growth Area is one of 4 CGAs that have been combined together form the CGA project – the other CGAs being located in Newton, Larkhall and East Kilbride.
- 3.4. The Hamilton 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 some 1800 residential units. The new Highstonehall Road Improvements is the second of these projects to be brought forward to Full Business Case stage at Hamilton CGA, with the first being Woodhead Primary School Extension approved by the Committee on 15 August 2018.

- 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 Outline Business Case, was approved by the Executive Committee on 5 October 2016.
- 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 18 October 2016 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 Highstonehall Road Improvements element of the Hamilton CGA project. As a result of impacts generated by the proposed 450 homes, including 50 affordable homes, to be built on the site a number of improvements require to be implemented to address the increase in traffic movements at the proposed site access points..
- 4.2 The physical outputs from the Highstonehall Road Improvements project are:-
- ◆ 450 metres of improved/widened carriageway
 - ◆ 200 metres of new footway
 - ◆ One new roundabout on Highstonehall Road
 - ◆ One enhanced and reconfigured roundabout at Stewart Avenue
- 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 Hamilton 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 complete by April 2019.

5. Employee Implications

- 5.1. There are no direct employee implications from this project as existing resources within Planning & 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 Highstonehall Road Improvements project is £1.75million. 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 (£1.505 million) with the Council contributing the 14% balance (0.245million).

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)

12 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, 05 October 2016 – City Deal – South Lanarkshire Council Community Growth Areas, Hamilton Community Growth Area, Outline Business Case
- ◆ Executive Committee, 15 August 2018 – City Deal – Hamilton Community Growth Area, Woodhead Primary School Extension - Full Business Case

List of Background Papers

- ◆ City Deal, Hamilton Community Growth Area – Highstonehall Road Improvements, 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 Highstonehall Road Improvements FBC

Executive Summary

- i) This Final Business Case 2 (FBC2) is for £1.75m City Deal funding – £1.505m City Deal (86%) and £0.245m SLC (14%) – to enable upgrade to a section of Highstonehall Road at the Hamilton Community Growth Area (CGA), accounting for Element 2 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 £21.002m City Deal funding to develop the Hamilton CGA project, comprising off-site education, community and transport infrastructure.

The Strategic Case

- i. As presented in the OBC, there is a need for investment in offsite road infrastructure (and education/ community facilities) to allow the development of 1,800 new homes at Hamilton CGA.
- ii. The strategic aim of the Highstonehall Road project element is:

“To deliver the off-site road infrastructure in a manner that enables delivery of the residential development 12 years earlier than planned with associated economic and social benefits.”
- iii. 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 1800 new homes at Hamilton CGA. This included a review of the existing road network capacity and the additional traffic generation created and increased use of public transport by up to 6345 new residents.
- iv. As reported in the OBC (and evidenced in the development profiles at Appendix 4), the counterfactual arrangement is that the CGA development will be less attractive to purchasers and it will take until 2027/28 before there have been sufficient S75 payments to fund delivery of the off-site road infrastructure (i.e. from 500 market homes).

The Economic Case

- v. 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.
- vi. The only viable options at FBC stage were around the design and timing of project proposal. Through analysis of need and physical solutions, the delivery of off-site road network improvements along 450m of Highstonehall Road was identified as the best option to achieve the project objectives.
- vii. Additional impacts for the intervention over a 25 year period include:
 - 210 net additional construction Person Years Employment (PYE)
 - 10 net direct additional full time equivalent (FTE) jobs
 - £20 million net additional GVA

The Commercial Case

- viii. Delivery of additional capacity in the road network is identified as a critical requirement in delivering the full CGA over 11 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).
- ix. City Deal funding has been identified as the only viable source for delivery of the critical off-site infrastructure works for Hamilton CGA (schools/ roads) needed to bring forward the development earlier than planned. The commercial arrangement for delivery of FBC2 is via grant to Miller Homes for £1.6m to deliver the off site roadworks improvements – costs have been independently verified for SLC by Armour Construction Cost Consultants.

- x. To retain the established housebuilder consortium partnership (Miller / Avant) and maintain the economic rationale presented in the OBC, this project element had to come forward considerably earlier than planned.

The Financial Case

- xi. The estimated total City Deal cost of the Hamilton CGA project, submitted at OBC, was £21.002m. Phasing of the full CGA project expenditure is presented in the OBC.
- xii. Following a competitively tendered procurement exercise, the cost of delivering Highstonehall Road is estimated at £1.75m, accounting for 8% of the total approved Hamilton CGA City Deal allocation. Due to external factors (as discussed in the Introduction at Section 1) the project works commenced on site in August 2018 – following approval of £21m City Deal funding at OBC stage. The construction works delivered by Miller Homes will be paid by the provision of a City Deal grant amounting to £1.6 million.
- xiii. SLC will take on the additional maintenance responsibilities of the upgraded road in perpetuity, following completion of the works. These costs will be funded from existing Council revenue and capital budgets, as the need arises.
- xiv. SLC has ultimate responsibility for cost over-runs beyond the level of financial budget/ approval for the CGAs – an allowance of 25% has been made for Optimism Bias within the costs. VAT has been treated as recoverable.

The Management Case

- xv. The management and delivery of Highstonehall Road will be contained within the remit of SLCs CGA Programme. Hamilton 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 Planning & Economic Development will lead the delivery of the project with SLC Roads & Transportation Services providing statutory services back up as the works require formal Road Construction Consent approval and will be adopted by SLC on completion. This joint approach ensures alignment against other SLC CGA and Roads projects across the transport network
- xvi. 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 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.
- xvii. The key objectives and critical success factors (as defined in the Strategic Case) have ensured that the development of the Hamilton 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.