

Report

Report to:	Executive Committee
Date of Meeting:	1 May 2019
Report by:	Executive Director (Community and Enterprise Resources)

Subject:	Glasgow City Region City Deal – Strathaven Road - Woodfoot Road Transport Corridor 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 Strathaven Road – Woodfoot Road Transport Corridor 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 Strathaven Road – Woodfoot Road Transport Corridor 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 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. 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 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 1800 residential units. The Strathaven Road – Woodfoot Road Transport Corridor Improvements is the third of these projects to be brought forward to Full Business Case stage at Hamilton CGA, the previous two being Woodhead Primary School Extension Primary School and Highstonehall Road Improvements.
- 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 Hamilton CGA Outline Business Case, was approved by the Executive Committee on the 5 October 2016. This outline business case was also confirmed as being HM Treasury Green Book compliant by the City Deal Cabinet on 14 August 2018.
- 3.6. Full Business Cases for each project requires to be formally approved via the:-
- ◆ Member Authority Committee process
 - ◆ City Deal Chief Executive's Group which considered and approved this FBC on 25 April subject to this Committee approval.

4. Current Proposal

- 4.1. A Full Business Case (FBC) has now been produced for the Strathaven Road – Woodfoot Road Transport Corridor Improvements element of the Hamilton 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. This FBC covers two road junction improvements at Strathaven Road/Annsfield Road and Woodfoot Road/Sherry Drive.
- 4.2. The physical outputs from the project are:-

Strathaven Road / Annsfield Road Junction

- ◆ 1 existing traffic light controlled junction at Strathaven Road reconfigured
- ◆ 5 improved pedestrian crossing points
- ◆ 290 sq. m of new carriageway created via widening works
- ◆ Associated improvements to the existing carriageway, footpaths and LED street lighting installation

Woodfoot Road / Sherry Drive Junction

- ◆ 1 new traffic light controlled junction created at Woodfoot Road / Sherry Drive.
- ◆ 3 no. pedestrian crossing points installed
- ◆ 300 sq. m of new carriageway created via widening works
- ◆ Associated improvements to the existing carriageway, footpaths and LED street lighting installation

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 road junction woks.

4.5. The project cost is £1.079 million comprising £0.928 million City Deal funding (86% share) and £0.151 million SLC funding (14% share).

4.6. The approval of this Full Business Case will release funds to meet all these costs. The roundabout construction contract is expected to commence on site in June 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 Strathaven Road – Woodfoot Road Transport Corridor Improvements project is £1.079 million. 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 (£0.928 million) with the Council contributing the 14% balance (0.151million).

7. Other Implications

7.1. 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.

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)

11 April 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
- ◆ Executive Committee, 21 November 2018 – City Deal – Hamilton Community Growth Area, Highstonehall Road Improvements – Full Business Case

List of Background Papers

- ◆ City Deal, Hamilton Community Growth Area – Strathaven Road – Woodfoot Road Transport Corridor Improvements, Full Business Case (FBC3)

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 - Strathaven Road – Woodfoot Road Transport Corridor Improvements Full Business Case

Executive Summary

- i. This Final Business Case 3 (FBC3) is for £1.079 million City Deal funding – £0.928 m City Deal (86%) and £0.151 m SLC (14%) – to enable junction upgrades to the Strathaven Road - Woodfoot Road Transport Corridors at the Hamilton 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 £21.002m City Deal funding to develop the Hamilton 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 1,800 new homes at Hamilton CGA.
- iii. The strategic aim of the Strathaven Road - Woodfoot Road Transport Corridors Junction Improvement project element is:

“To deliver the off-site road infrastructure in a manner that enables delivery of the residential development 11 years earlier than planned with associated economic and social benefits.”
- iv. 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 1,800 new homes at Hamilton 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 6,345 new residents.
- v. As reported in the OBC (and evidenced in the development profiles at Appendix 3), the counterfactual arrangement is that the CGA development will be less attractive to purchasers and it will take until 2041 to complete the 1,800 houses (2030 with preferred intervention).

The Economic Case

- vi. 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.
- vii. The only viable options at FBC stage for Strathaven Road - Woodfoot Road Transport Corridors 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 two key junctions on the Strathaven Road - Woodfoot Road Transport Corridors was identified as the best option to achieve the project objectives.

The Commercial Case

- viii. Delivery of additional capacity in the road network is identified as a critical requirement in delivering the full CGA over 12 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 FBC3 is via appointment of a contractor, via a competitive tender, sourced from the SLC Roads Contracting Framework.
- x. This FBC3 is scheduled to be delivered on site during the summer of 2019 to minimise disruption on the Hamilton road network and ensure continued progress by developers in delivering the CGA project to the desired timescales. It will follow on from the completion of the main works contained in FBC2 at Highstonehall Road.

The Financial Case

- xi. The estimated total City Deal cost of the Hamilton CGA project, submitted at OBC, was £21.002m (split 86% CD / 14% SLC) with potential additional leveraged investment of £3.1m from SLC, £17.5m from Developers' S75 obligations, and £242m housebuilding and associated on-site infrastructure costs.
- xii. Following a competitively tendered procurement exercise, the cost of delivering Strathaven Road - Woodfoot Road Transport Corridors is estimated at £1.079m, accounting for 5.14% of the total approved Hamilton CGA City Deal allocation. The project works will commence on site in June 2019 – following approval of £21m 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. £1.079 m of City Deal funds.
- 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 cost profile for the whole CGA investment programme. The contract for this FBC3 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

- xv. The management and delivery of Strathaven Road - Woodfoot Road Transport Corridors 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, recognising the need for future (planned) investment by the private sector to deliver the new houses.
- xviii. In summary the City Deal investment generates the following results:
 - Hamilton CGA Benefit Cost Ratio over 25 year period
 - Glasgow City Region level – 1.9:1
 - Scotland level – 3.1:1
 - 370 net construction PYE's (Scotland level)
 - 10 net operational FTE's (Scotland level)
 - £0.23 annual GVA (net direct Scotland level impacts)
 - £26m net GVA, discounted over 23 years (Scottish level net direct impact)