

Report

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Report to:	Executive Committee
Date of Meeting:	15 August 2018
Report by:	Executive Director (Community and Enterprise Resources)

Subject:	Glasgow City Region City Deal – Hamilton Community Growth Area - 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 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 Hamilton Community Growth Area 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 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 to 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 sub-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 Hamilton CGA is the first of these sub-projects to be brought forward to the Full Business Case stage.
- 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

The approval of this Full Business Case by the City Deal Chief Executives Group held on 02 August 2018 was conditional on SLC Executive Committee approval being given on 15 August 2018.

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 the 18 October 2016 the Outline Business Case for Hamilton CGA was approved.

4. Current Proposal

4.1. The first Full Business Case (FBC) has now been produced for Hamilton CGA and involves the extension of Woodhead Primary School which lies adjacent to the CGA site.

4.2. The key output from this Hamilton CGA sub-project are seven new classrooms with a capacity for up to 210 pupils. The total cost of the project is £4.1 million

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 contractor to deliver this project has been identified via a competitive tender process. The approval of this Full Business Case will release funds to meet the costs of the construction work which will complete in August 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 this Hamilton CGA sub- project is £4.1million. Project costs include professional fees, construction works, contingency and community benefit monitoring.

6.2. The City Deal funding element of the total project cost is 86% of the project cost (£3.526 million) with the Council contributing the 14% balance (0.574million).

7. Other Implications

- 7.1. Risk - The City Deal Cabinet has a Risk Management Strategy which is 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)

23 July 2018

Link(s) to Council Ambitions/Vision/Values/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

List of Background Papers

- ◆ City Deal, Hamilton Community Growth Area – Full Business Case (FBC1)

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 – Full Business Case – Hamilton Community Growth Area (FBC1)

Executive Summary

- i. This is the first Final Business Case 1 (FBC1) for Hamilton Community Growth Area. It requests funding for £4.1m City Deal funding – £3.53m City Deal (86%) and £0.58m SLC (14%) – to fund an extension to Woodhead Primary School (PS) at the Hamilton Community Growth Area (CGA). This is Element 1 of the whole CGA project proposal. This FBC continues to build the case from the Strategic Business Case (SBC) which secured approval for £62m across South Lanarkshire's four CGAs and from the Outline Business Case (OBC) which secured approval for £21m 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 critical need for investment in education infrastructure to allow the development of 1,800 new homes at Hamilton CGA.
- iii. The strategic aim of this project element is:

“To deliver the school extension and nursery in a manner than enables delivery of the residential development 11 years earlier than planned with associated economic and social benefits.”
- iv. Based on capacity planning (i.e. individual class make-up at the start of the school year) the actual working capacity at this primary school in 2017/18 is 380 pupils, with space for an additional 15 pupils only. Delivery of the project, starting in 2018, is a necessary pre-requisite project for delivery of the full CGA development and enable its completion 11 years earlier than planned. The CGA is focused on development of family-style houses, for which provision of accessible education (in particular primary school) is a key selling point. The total estimated population at the new Hamilton CGA is 6,345 people, of which 480 are expected to be of primary school age.
- v. As reported in the OBC, 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 education infrastructure (i.e. from 500 market homes).

The Economic Case

- vi. The economic case presents and test 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 were identified as being around the activity of the project proposal i.e. either extend an existing or build a new stand-alone primary school. Through analysis of the local school portfolio and potential to accommodate an extension, this location was identified as the best option for a school extension project. The estimated cost of delivering a new seven classroom primary school did not offer value for money and was therefore discounted.

The Commercial Case

- viii. Delivery of additional capacity in the non-denominational primary school system 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 to meet delivery of the critical off-site infrastructure works (schools/ roads) needed to bring forward the development earlier than planned.

The Financial Case

- x. The estimated total City Deal cost of the Hamilton CGA project, submitted at OBC, was £21m (split 86% CD / 14% SL) with additional leveraged investment of £3.1m from SLC, £17.5m from Developers' S75 obligations, and £242m housebuilding and associated on-site infrastructure costs. Phasing of the full CGA project expenditure is presented in Appendix 6 of the OBC.
- xi. Following a competitively tendered procurement exercise, the cost of delivering this project is estimated at £4.1m, accounting for 20% of the total approved Hamilton CGA City Deal allocation.
- xii. SLC will take on the additional maintenance responsibilities for the project in perpetuity, following completion of the extended I building. These costs will be funded from existing Council revenue and capital budgets, as the need arises.
- xiii. SLC has ultimate responsibility for cost over-runs beyond the level of financial budget/ approval for the CGAs. VAT has been treated as recoverable.

The Management Case

- xiv. The management and delivery mechanism will be 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. Community and Enterprise Services within SLC will lead the delivery of the project, ensuring alignment against other SLC CGA and Roads projects.
- xv. 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.
- xvi. 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.