

WEST DUNBARTONSHIRE COUNCIL**Report by Chief Officers (Roads & Neighbourhood) & (Regeneration and Regulatory)****Council: 28 June 2023**

Subject: Exxon Site Project Full Business Case**1. Purpose**

- 1.1** To seek approval to submit the Full Business Case for the Exxon site project to the Glasgow City Region Cabinet for their approval on 8 August 2023.

2. Recommendations

2.1 It is recommended that Council:

- i) approve the Full Business Case for the updated project cost of £44.325m and note the project's enhanced long term economic outcomes for the City Region including Gross Value Added of 520.8, and 980 jobs.
- ii) approve a Project Change Control Request be submitted to Glasgow City Region for consideration;
- iii) agrees that the Full Business Case is presented to the Glasgow City Region Chief Executive Group and subsequently to Cabinet for approval on 8 August 2023;
- iv) commences discussions with Glasgow City Region on the availability of additional funding to meet the increased costs and scope of the project;
- v) subject to a positive outcome of iv), seek additional funding from Glasgow City Region to meet, or partially meet the shortfall in funding of £14.118m;
- vi) should iv) and v) not be successful, approve the increased financial commitment from £10.059m to £20,334, by updating the Council's capital plan, subject to approval of the Full Business Case by the Glasgow City Region Cabinet; and
- vii) subject to the approval of the Full Business Case by the Glasgow City Region within parameters agreed in 2.1(i) – (iv) above, to delegate authority to the Chief Officer: Regulatory and Regeneration to enter into the necessary construction and consultancy contracts for the delivery of the works as specified in the Full Business Case.

3. Background

- 3.1** The Full Business Case (Appendix One) has been developed by the Council working with consultants Stantec, with scheme costs provided by Balfour Beatty. The Full Business Case provides certainty of costs, subject to a number of minor design elements that will go on to be fully market tested. Approval of the Full Business Case by first Council, then the Glasgow City Region Chief Executives Group and City Region Cabinet will unlock the already agreed level of City Deal funding, allowing the project to be implemented within the agreed timescale.
- 3.2** The original Outline Business Case for the City Deal project was approved by Council on 22 February 2017 with a total project budget of £27.897m, 86% of which would be funded by City Deal (£23.991m) and 14% by Council (£3.906m). This was subsequently approved by the City Region Cabinet on 11 April 2017.
- 3.3** The refreshed Outline Business Case approved in November 2018 resulted in an increased project budget of £34.050m requiring an additional £6.153m of funding. Council agreed to contribute the £6.153m should City Region monies not be forthcoming. At the time there was no provision for City Region to approve this amount, and to date there has been no additional funding agreed. Table 1 outlines the total project costs of the previously approved Outline Business case and the project costs detailed in the proposed Full Business Case.

Table 1: Total Project Capital Costs

	Business Case Stage	Total Project Cost (£'000)
February 2017	OBC	27,897
November 2018	OBC Refreshed	34,050
August 2023	FBC	44,325

- 3.4** Construction costs have significantly increased during the past few years due to the pandemic and its financial aftermath, the war on Ukraine and its impact on worldwide supply chains, and more recently the capacity of contractors to take on additional work resulting in material increases in tender prices. In working with Balfour Beatty through the Scape framework the Council has mitigated some of the construction sector capacity problems, but is not immune to the impact of other factors.
- 3.5** During earlier stages of detailed design development and in anticipation of increasing costs, the Exxon Project Board considered a number of options between October 2022 and January 2023, which aimed to rationalise design and identify cost avoidance without reducing the functionality of the project proposal. The value engineering exercise identified a £6.350m saving.

4. Main Issues

- 4.1** ExxonMobil are progressing their remediation works on site and remain on track to complete remediation to allow the Council to take possession of the site by the end of 2023 to facilitate the commencement of infrastructure works. The City Deal and Council funded infrastructure programme involves delivering a spine road through the site to provide access and a potential relief route for the A82. It also includes upgrades to the western and eastern junctions on the A82 and cycle paths including a rerouting of the National Cycle Network Path 7. There are wider ambitions and planning obligations to deliver the approved masterplan including improvements to Dunglass Castle, a green network, and community access to the riverfront. These latter elements are not currently funded.
- 4.2** Planning Permission in Principle (PPiP) reference DC20/088 was granted on 13th January 2021 for the “Development of up to 44,450m² of commercial/ industrial floorspace, link road with upgraded junctions on the A82 and A814, a railway underbridge and an overbridge, landscaping, green network and public realm improvements, flood defences, drainage, transport and utilities infrastructure including the formation of platforms for development across the site on land at the former Dunglass Oil Terminal located on Dumbarton Road in Bowling.
- 4.3** The permission contained 31 conditions of which 12 conditions required to be discharged prior to the submission of the first application for the approval of matters specified in conditions. To date 11 of the 12 conditions have been discharged with only 1 conditions remaining to be discharged in relation to Construction Traffic Management Plan (CTMP). It is anticipated that this remaining condition will be discharged shortly. The Approval of Matters Specified in Conditions application is due to be submitted week beginning 12th June 2023. The first AMSC application will contain information relating to development platforms, the position of all, roads, access arrangements, footpaths, green corridors open space, boundary treatments and drainage infrastructure, together with the Design & Construction Management Plan and Operational Phase Management Plan
- 4.4** An Elected Member Briefing at Pre-application stage took place on 10th May 2023. The comments received from Elected Members during the Briefing will be addressed in the forthcoming application. The Approval of Matters Specified in Conditions planning application will be considered at a future Planning Committee.
- 4.5** Balfour Beatty was appointed as the main contractor via the Scape framework agreement. Working with their consultancy team, they have been engaged in the pre-construction stage of development, which involves developing the final design and establishing costs for each element of the programme from their sub-contractors. Following approval of the Final Business Case by both Council and Glasgow City Region Cabinet in August, Balfour Beatty will be appointed for the construction phase.
- 4.6** Separately, the Council have agreed with Network Rail to deliver the upgrade of the Western Underpass, which is necessary for the spine road to be

delivered on time. Pre-construction work for the western underpass is taking place and confirmation of Network Rail's contractor's start date is awaited. These works are costed within the wider project budget for the Exxon project, but require to be constructed under the jurisdiction of Network Rail and their contractor rather than Balfour Beatty.

- 4.7** The proposed Option 5 in the Full Business Case in Appendix One demonstrates that the programme of infrastructure set out in 4.1 will exceed the economic growth measured by Gross Value Added (GVA) which was anticipated at the outset of the region-wide City Deal programme. The new spine road will improve active and vehicular transport infrastructure for local residents, businesses and new developers and employers. When the site is developed, an estimated 41,672 sq m of gross floorspace for new employment uses will be created, supporting 980 jobs.
- 4.8** The current proposed project includes the transport infrastructure (including the spine road, western junction development, improvement of Dunglass roundabout, Western Underpass construction, Eastern Overbridge deck replacement) and platform development with associated landscaping. Creation of development platforms improves the developability of sites and will also accelerate the rate of land sales. It should be noted that development platforms involve levelling of ground over large areas of land. They are not intended to provide any constraints to development, and their scale will give multiple developers flexibility to determine the scale and format of development.
- 4.9** The City Deal Programme Management Office Business Case Appraisal Criteria states that 'Business Cases will be appraised in relation to the extent to which all requirements have been fully achieved. This Full Business Case has been structured to specifically address the appraisal criteria as set out in the Assurance Framework and the additional programme economic case questions taken from the latest Programme Business Case. The Full Business Case and Change Control Request will be considered by Glasgow City Region Cabinet on 8 August 2023.
- 4.10** In relation to land acquisitions there are a number of Temporary Access Agreements required to be completed and these have been agreed in principal pending confirmation of dates and scope of works. In addition two land purchases have been progressed with remaining land purchases agreed in principal pending legal completion.
- 4.11** A comprehensive communications plan will ensure West Dunbartonshire residents, businesses and elected members are well informed at all of the various stages of this project. This will include bespoke communications to those residents and businesses impacted by ongoing work; working with key partners including Transport Scotland to ensure key messaging is distributed widely to maximise reach and buy-in from road users; local and national press coverage; information sharing with Community Councils and other organisations; detailed website updates; and social media posting on a regular basis.
- 4.12** Elected Members will receive updates around key milestones throughout the project to ensure awareness. In addition, the communications team will work

closely with the contractor on wording of signage, letter drops and any potential footage which can be used online to increase knowledge and engagement with the site. The Council's Communications team is part of the wider Glasgow City Region City Deal Communications Group and all updates will be shared with them, and will align with wider messaging.

5 People Implications

- 5.1 There are a number of senior officers involved in the Glasgow City Region wider programme as identified at City Region Update paper at Council on 26 August 2021.

6. Financial Implications

- 6.1 The approved budget to date for the City Deal Exxon project is £34.050m, with £23.991m from City Region and £10.058m (if Glasgow City Region weren't meeting the costs of £6.153m identified in the refreshed Outline Business Case in November 2023) from West Dunbartonshire Council. Total expenditure to date is £3.524m, all of which has been funded by the City Region as part of original agreed Outline Business Case approved costs. Based on the current programme, the revised Business Case has a projected total project cost of £44.325m. The additional funding being requested is £14.118m. Should the Council be unsuccessful in securing the funding from Glasgow City Region, this would be added to the Council's capital plan and the revenue costs to borrow the additional amount would be £11.230m

- 6.2 Outlined in Table 2 is a breakdown of the capital cost in the:

- Best case scenario - City Deal agrees to fund 86% of the revised total project cost
- Worst case scenario - City Deal reject any application for further funding above and beyond the £23.991m already agreed.

Table 2 - Capital Cost Breakdown

	FBC Total Project Cost (£,000)	City Region Share (£,000)	Council Share (£,000)	City Region Share	Council Share
Best Case	44,325	38,120	6,205	86%	14%
Worst Case	44,325	23,991	20,334	54%	46%

- 6.3 Future disposals are not accounted for in the cost breakdown above, however a land valuation previously reported to Council has been on the basis of the site having the benefit of development platforms for commercial/industrial uses.
- 6.4 It is likely that any Council contribution would predominantly be funded by prudential borrowing which will have a revenue cost implication due to the associated cost of borrowing. Based on a 20 year loan, at current PWLB borrowing rates, the cost to borrow the £10.059m already approved as the

Council contribution (as per paragraph 3.3) would be £5.556m. If the City Deal agreed to fund 86% of the revised total project cost (Best Case Scenario) the cost of borrowing would reduce to £3.427m. In the Worst Case Scenario it would increase to £11.230m. Note that these are estimates and likely to decrease as:

- the borrowing would not all need to be taken out at once
- bank interest rates are projected to decrease
- some of the capital costs could be funded by future land sales at the Exxon site or the sale of other non-operational Council assets

7. Risk Analysis

- 7.1** There are a number of project risks associated with the development at the Exxon project site and these are contained within the project risk register and updated by the Project Board on a regular basis. The Project Board is made up of senior officers from all key services.
- 7.2** Mitigation measures on early value engineering of design options were taken before costs were refined, therefore reducing some risks related to cost increases, as previously identified.
- 7.3** There is a risk that Glasgow City Region will claw back funding if the project doesn't proceed, and the capital expenditure would have to be accounted for as in-year revenue expenditure.
- 7.4** Should development platforms not proceed there is a risk that it will have a detrimental effect on the marketability of the site and anticipated capital receipts will not be realised.
- 7.5** There is a risk that sale of land required to build the infrastructure to access the site cannot be agreed with 3rd party landowners. Mitigation actions have been put in place by previous Council decisions.
- 7.6** There is a third-party risk with ExxonMobil's completion of the remediation of the site to enable handover to the Council for commencement of the contract. They have however reported that they are on track to complete in time.
- 7.7** The Planning risks are that the Approval of Matters Specified in Conditions application is not approved or the permission contains conditions which result in further increase in costs of the development or restrictions to when the development can be carried out.
- 7.7** The construction contract won't be awarded until relevant project risks are mitigated to an acceptable standard.

8. Equalities Impact Assessment

- 8.1** A completed EIA was undertaken as part of the Outline Business Case, and there have been no material changes since.

9. Consultation

- 9.1** Consultation with all key stakeholders is progressing as we continue to work as part of the Glasgow City Region.
- 9.2** Legal Services, Finance, Planning and the Corporate Procurement Unit are regularly consulted through their participation in the Exxon project board.
- 9.3** Wider communication is produced regarding progress of the Glasgow City Region at its website <http://www.glasgowcityregion.co.uk/>

10 Strategic Assessment

- 10.1** At its meeting on 26 October 2022, the Council agreed that one of its main strategic priorities for the Strategic Plan 2022 - 2027 is:
- Our economy is strong and flourishing
- 10.2** The proposals within this report are specifically designed to deliver on this priority.

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Appendix: Appendix One – Full Business Case
Appendix Two - Glossary

Background Papers:

ExxonMobil Commercial Agreement 24 June 2020.
Glasgow City Region City Deal - Exxon Site Outline
Business Cases 22 Feb 2017 and 28 Nov 2018
(Refreshed).

Clyde Valley City Deal - Update and Strategic Business
Case- Council 24 June 2015.

Clyde Valley City Deal Update- Council 25 Aug 2015 and
16 Dec 2015.

Clyde Valley City Deal- Governance- Council 17 Dec
2014.

Glasgow City Region City Deal- Council 13 August 2014.
“City Deal Initiative” Clyde Valley Investment Fund-
Council 30 April 2014 (Memorandum of Understanding).

Clyde Valley Community Planning Partnership – City Deal

Initiative – Council 28 August 2013.
Equalities Impact Assessment November 2018.
Environmental Impact Assessment - [DC20/088 – Planning Application – Documents.](#)

Wards Affected: All