



Outline Business Case

FOR PROPOSED CAPITAL FUNDED PROJECT

Title:	Perth Eco-Innovation Park at Perth West		
Executive Sponsor:	<i>Barbara Renton</i> Executive Director (Communities)	Version:	V1.2
Author:	Serge Merone	Date:	14/02/2023

1. Strategic Case

1.1. Project Objectives

The development of the Perth West strategic site represents a once-in-a-generation, sustainable development opportunity for Perth. The project which is the subject of this OBC concerns phase 1 of a larger project and will provide the critical enabling infrastructure and site preparation works to unlock the full 240-hectare site. Perth West is integral to the delivery of the Local Development Plan and recognised as strategically important by its inclusion in the Department for International Trade “Invest in Great Britain” portfolio. The unlocking of Perth West will drive the ambition of the Council and stakeholders to become one of Europe’s most sustainable small cities through its focus on clean growth technology and net zero carbon development.

This OBC relates to Phase 1, the Perth Eco-Innovation Park (the project). This project will deliver 11 hectares of development-ready employment land, establishing the first phase of the planned 25+ hectare Eco-Innovation Park, alongside residential development, community facilities, mobility hubs and amenity features. The Eco-Innovation Park will contribute to the diversification of Perth’s economy, which is over-reliant on generally lower skilled hospitality, retail and tourism jobs; as well as improving the city’s productivity and competitiveness and supporting a Just Transition to net zero.

The total cost for Phase 1 is estimated at £25.2 million however, adding 30% contingency in line with HM Treasury Green book methodology to account for inflationary increases on the current cost and delivery uncertainties, gives a total estimated expenditure of £32.8 million for Perth West Phase 1. Funding mechanisms are detailed in section 4 ‘Financial Case’.

The project objectives are:

- By 2026, to deliver the enabling infrastructure to unlock 11 hectares of commercial development (overall commercial site 25ha) as a national exemplar of net-zero carbon development
- To attract new and grow existing businesses, capture sustainable mobility and smart energy opportunities to create high value jobs in the clean growth sector (1,000 jobs).
- To be a catalyst to drive business and place innovation establishing Perth as a city-scale ‘living lab’ and support the transition to a data and technology driven, net-zero economy. The Project will integrate with the Perth Innovation Highway Tay Cities Deal funded project, a 5-mile innovation corridor, which will connect Perth West to the city centre in a sustainable way with physical and intelligent digital, energy and transport infrastructure.

The project aligns with the principles and strategic outcomes agreed by the Council in its Investment Blueprint and with the high-level priorities identified in its 30-year Investment Plan. The project will aim to have a net zero carbon impact by encouraging and facilitating sustainable transport and active travel (EV charging,

hydrogen refuelling, active travel & public transport infrastructure) and by decarbonising commercial assets. It will support the delivery of our Economic Wellbeing Plan. It will promote inclusive economic growth by maximising community wealth building (local employment, larger and more diverse business base) and a vibrant economy by creating new business infrastructure; and realising tangible benefits from smart technology (deployment of sensors through innovation highway, integrate mobility, energy and digital data). It will also support effective asset management by working with communities and businesses and partners to share assets and integrate services (Perth West as a 20-minute neighbourhood).

Moreover, the project is strategically aligned with Council policies and objectives as set out in Table 1.

Table 1: Local Policy and Objectives Alignment

Policy Driver	Policy Vision / Strategy / Outcome	Project Objectives
Economic		
Perth and Kinross Local Development Plan 2 (adopted 2019)	The Local Development Plan (LDP) is the Council's statutory corporate document that guides all future development and use of land by setting out planning policies and land allocations to promote the sustainable economic growth of the area to the year 2029.	The investment will unlock the Perth West site, which is allocated in the LDP (reference MU70) and has planning permission in principle for a mixed-use development to include 2,210-3,453 homes and 25+ hectares of employment land. Once in place, the enabling infrastructure and site works for the Eco-Innovation Park will help to drive market investment and support the requirements of Policy 7: <i>Employment and Mixed-Use Areas</i> , which states that there should be good walking, cycling and public transport links to new employment generating areas.
Perth and Kinross Economic Wellbeing Plan (March 2021)	Emphasises the need to build a more resilient economy and to make a swifter transition to a digital economy, to plan for clean growth and to support businesses to become more future-focused. Investing in clean growth and building on Tay Cities Deal funded projects, such as the Perth Eco-	The Phase 1 investment will provide vehicular and pedestrian access to the Perth West Site, where the 'Perth Eco-Innovation Park' will be located. The Park aims to drive business and place innovation across Perth as a city-scale living lab for digital technology, sustainable mobility and smart energy, to create a more diverse and higher productivity economy that is more resilient for the future.

	Innovation Park and Innovation Highway.	
Tay Cities Region (Tay Cities Regional Economic Strategy (2019 - 2039))	Sets the vision for an inclusive, vibrant, and net-zero carbon economy by 2045. The ambition is to increase the number of businesses and to create better-paid jobs. The Tay Cities region comprises several industrial sub-sectors which have been identified as offering significant growth potential within the region to create high value economic outputs and processes including engineering, advanced manufacturing, energy and clean technologies.	Phase 1 investment will unlock the Perth West Site where the 'Perth Eco-Innovation Park' will be located. The Park will host clean growth manufacturing and environmental service businesses seeking enhanced environmental and economic performance through collaboration in managing environmental and resource issues including energy, water, and materials. The Park will attract businesses developing products or services relating to digital technology and sustainable mobility and smart energy.
Climate Change		
Perth City Development Plan (2020-2040)	Sets goals and make Perth a carbon-neutral city by 2040.	Perth West is uniquely placed to drive forward this inclusive, green growth agenda due to its scale, location, framework and collaborative delivery approach. Within a regional context, the development provides a pathway for research and manufacturing to deploy, at scale, innovative solutions to achieving net zero targets in a city environment.
Perth and Kinross Climate Change Strategy and Action Plan (2021)	Outlining the initial route map to a net zero carbon and climate resilient Perth and Kinross by 2045.	Perth West is uniquely placed to drive forward inclusive and green growth due to its scale, location, development framework and collaborative delivery approach. Within a regional context, the development provides a pathway for research and manufacturing to deploy, at scale, innovative solutions to achieving net zero targets in a city environment.

Perth West is also aligned with wider regional and national policy objectives.

The strategic outcomes of the project are outlined in the Theory of Change logic model produced for the LUF bid submission. As shown in Figures 1 and 2, this sets out the high-level outputs, outcomes and impact of the project.

Figure 1: Theory of Change - Logic Model (part 1)

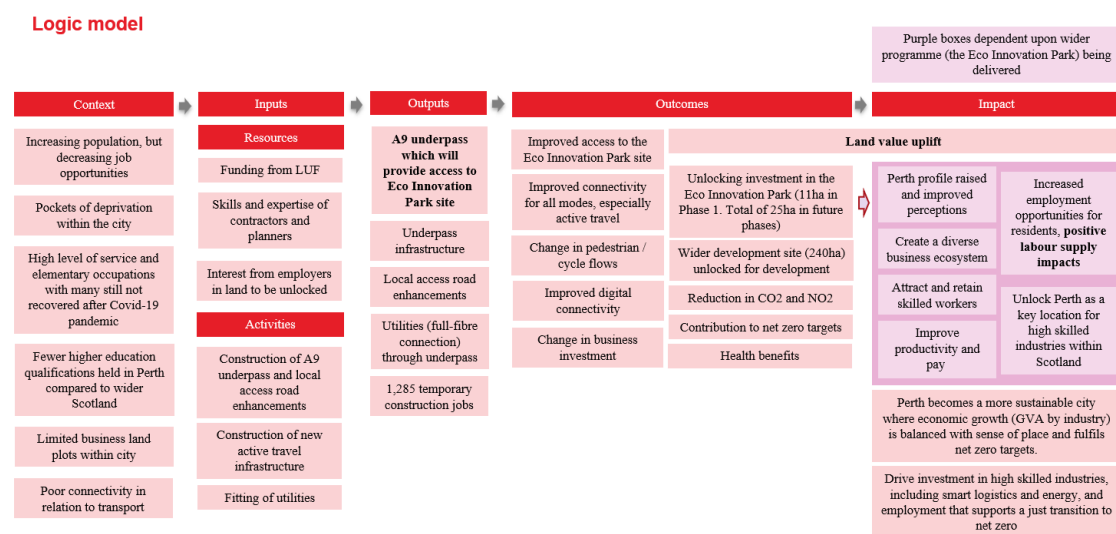
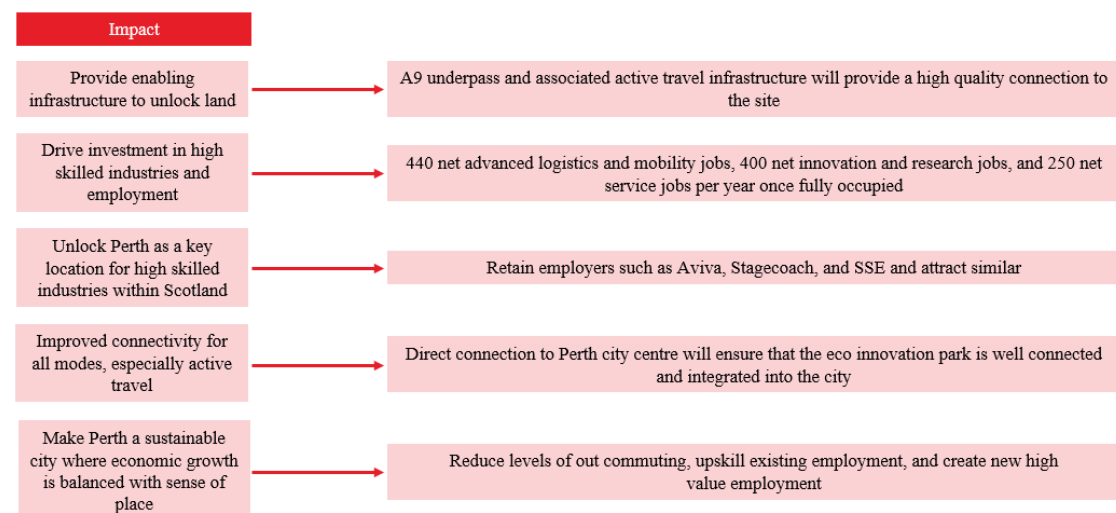


Figure 2: Theory of Change - Logic Model (part 2)



Planning Permission in Principle has been granted for Phase 1 of Perth West (reference 20/00667/IPM). The project is expected to generate the following outcomes and benefits:

- **Attract innovative businesses in new clean growth sectors:** Perth West is expected to support 2,300 gross jobs, 1,080 of which are net additional to the Perth & Kinross area, including 440 in advanced logistics and mobility sectors, 400 in research and development, and a further 250 in the services sector.
- **Generate net zero energy and support decarbonisation:** to decarbonise electricity, heat and transport energy demand for Perth through advanced

logistics, smart energy systems, based on the principles of a 'Living Lab' (Testing Innovation in the Real World, Nesta, 2019).

- **Increase productivity (by increasing employment in high productivity sectors):** employment in high productivity sectors will directly generate an estimated annual uplift of £137.4 million Gross Value Added (GVA); 5.4% of total Perth and Kinross GVA. By 2045, it will generate an estimated £669 million net additional GVA.
- **Diversify Perth's economy to increase job opportunities and raise skills levels and average earnings:** Perth is over reliant on lower paid, lower skilled tourism and hospitality jobs, with the workforce impacted negatively and disproportionality by the COVID-19 pandemic. The project will attract new sectors and raise skills and wage levels.
- **Catalyse further development and private sector investment:** employment development at Perth West is designed to stimulate supply chain growth and related development across the city. Investment in physical infrastructure will also accelerate development of the wider area, bringing forward a further 2,000 homes (current Planning Permission in Principle residential development is limited to 1,500 dwellings).
- **Generate additional tax revenue through new commercial and housing development:** Once fully occupied, housing and commercial development is anticipated to generate £1.7 million and £2.1 million in annual Council Tax and Business Rates revenue respectively; a cumulative £30 million by 2045.
- **Deliver social value and community benefits through construction and supply chain procurement:** Perth West's delivery will support an estimated 3,000 gross temporary construction jobs. 1,285 of these would be net additional, generating a one-off boost of £119 million GVA to the Council area economy.
- **Integrate with the Innovation Highway project to create a truly transformational investment in Perth:** £5 million commitment in the Tay Cities Deal – to create a smart digital and mobility corridor between Perth West and the city centre which will support the roll-out of gigabit capable full fibre broadband and 5G.
- **Support investment in sustainable transport infrastructure:** Perth and Kinross Council area, and surrounding local authorities, would benefit from reduced emissions from HGVs, vans, buses and coaches through a National Green Transport Hub for EV recharging, hydrogen and other low carbon fuels at the Perth West site. This will bring positive environmental impacts, such as supporting Scotland's move towards net zero emissions, and positive economic impacts such as improving productivity, business operations and logistics which will ultimately enhance economic competitiveness.

1.2. Existing Arrangements

The case for change and the local challenges and barriers to growth under existing arrangements are set below. A comprehensive socio-economic baseline assessment was prepared supporting the case for investment. The existing situation can be summarised as follows:

- Economic sectors / labour market: weaknesses in Perth's economy were exposed by the COVID-19 pandemic, with the area hit harder and taking longer to recover than most other areas across Scotland (even though the Perth and Kinross area has historically been seen as a strong economic region). Currently, there is an over-reliance on traditionally low productivity sectors such as retail and tourism. There is a need to diversify the economy and attract investment into high productivity sectors, particularly in the strongly growing green, creative and digital economy.
- Ageing population: Almost two thirds of the population in Perth is of working age (16-64), slightly above the regional rate but below the national level. A fifth of the population in Perth is aged 65 or over, which is a smaller proportion than across the Council area and comparable to the average across Scotland. Perth's population has continued to see a gradual increase over time, broadly in line with Scotland-wide trends. However, the growth is being driven by older age groups.
- High economic activity but an overreliance on low productivity and vulnerable sectors: Generally, the economic activity rate throughout the Perth and Kinross local authority is greater than the national level. The employment rate in Perth reflects relatively high levels of economic activity. Although a higher proportion of the population in Perth is in employment, they are mostly with in lower skilled occupations. Lower skilled occupations are more vulnerable to automation and the more jobs that require high-skilled workers in an area, the lower the risk of automation overall. During recession tourism and retail jobs are particularly susceptible with an economic downturn predicted throughout 2023. There is a need for greater access to high-quality and high paid economic opportunities, linked to highly skilled occupations.
- Low productivity reflected in lower pay: There is a higher concentration of low-skilled and typically lower paid employment (SOC2010 Group 7-9) in the Perth and Kinross Council area, with median gross weekly pay of full-time workers 8% lower than the national average (in 2021). Meanwhile, the COVID-19 pandemic has impacted employment opportunities within lower paid and lower skilled sectors, meaning the Perth and Kinross area was more exposed to the effects of the pandemic than most other areas in Scotland including those that are more deprived. Perth and Kinross experienced one of the highest increases in the number of claimants in March 2022 and still has ground to cover in terms of recovery from the pandemic.
- Competitiveness as an innovative business location: Between 2016 and 2021, there was also an 8% decrease in enterprises within the high value information and communication industry. Similarly, a 3% decline was experienced in professional, scientific and technical industries. In 2021, several local businesses and national chains announced significant job losses and closures, some impacting on the local economy. The COVID-19 pandemic has emphasised the need for Perth and Kinross to make a swifter transition to a more resilient and modern economy, embracing digital, clean growth and supporting businesses to become more innovative, productive and future-focused. There is a need for Perth to increase competitiveness and become more economically resilient, moving towards higher skilled, higher productivity jobs to grow and diversity the city's economy.

- Research and Development Investment Challenges: Perth and Kinross council area is under-performing in attracting research and development investment, well below the Scotland average in both spend per head and spend in business research and development as a percentage of GDP. Perth West will contribute to addressing the over-reliance on lower paid sector employment, and the poor representation of other growth sectors such as financial or business services and life sciences, which limits R&D investment and innovation.
- Qualifications and Skills: Perth has a relatively high qualifications profile which are above the regional and national averages in terms of GCSE grades A-C and GCE A level or equivalent qualifications. However, in 2021, only 28% of people aged 16-64 in Perth were educated to degree level or higher, considerably below the average across the wider local authority (34%) and Scotland (36%). This project will help develop a demand for higher level skills in the area.
- Deprivation and living environment: The Scottish Index of Multiple Deprivation (SIMD) is a relative measure of disadvantage across data zones in Scotland. There are 9 data zones in Perth categorised within the 20% most deprived areas in Scotland. Data zones Hillyland, Tulloch and Inveralmond 1 and Muirton 1 fall within the 10% most deprived data zones nationally. Equally, Letham 1, 4 and 5, Hillyland, Tulloch and Inveralmond 6 and Central and South Inch 2, 3 and 6 are within the 20% most deprived. These data zones are close to Perth West project area.
- CO2 Emissions: CO2 emissions in Perth and Kinross fell by 37% between 2005 and 2019, from 1,501kt to 953.1kt. In 2019, transport was the largest single emitter, both in Perth and Kinross (59% of total) and nationally (33%). Transport CO2 emissions are particularly high across Perth and Kinross highlighting a need for the decarbonisation of transport. There is an opportunity for investment to drive the decarbonisation of Scotland's logistics supply chain and tourism industry due to the project's strategic site location at a key point in Scotland's transport network. There is an opportunity for growth in the green economy for the benefit of improving local air quality and health outcomes and contributing to the success of progress towards meeting local and national sustainability and net zero targets.
- Perth West Development: The principles outlined in the Theory of Change Logic Model (Figures 1 & 2) are aligned to addressing the local challenges set out in this section. Phase 1 will ultimately unlock 240 hectares of development land in Perth West, including 25 hectares in the Perth Eco Innovation Park (11 hectares as part of Phase 1).
Perth West represents the only viable option for sustainable development at a scale that can deliver real transformation towards achieving the vision for Perth as the most sustainable, small city in Europe. The Perth West development will help to address many of the issues highlighted, including the creation of space for new businesses and higher skilled employment opportunities (e.g. smart logistics, advanced mobility, and energy) to lessen the city's reliance on low paid service sectors such as tourism and hospitality. Strong integration of the site into the rest of Perth, will contribute to a transformational impact with the ability to change the perception of the city economically - from one that is seen

principally as a 'nice place to visit' to one which has a thriving and dynamic modern local economy.

1.3. Business Needs

Linked to section 1.2, the key challenges and needs can be summarised as follows:

- Perth's growth is physically constrained by its geography – bounded by the River Tay to the east and the A9/M90 to the west.
- There are limited sites available, of the scale required, for transformational development to realise a step-change in city-level economic productivity.
- The city has experienced an increase in population and housing demand but is not seeing the employment growth to match – this risks an unsustainable pattern of growth if the population is not able to access local, high quality and well-paid long-term employment opportunities.
- There is a need to remain economically competitive, retain anchor employers such as SSE, Aviva or Stagecoach and stem further job losses, which may be a consequence of more attractive and innovative opportunities presented elsewhere.
- There is a need to create a more dynamic and innovative business economy in new growth sectors and an environment which stimulates further private investment, particularly in research and development activity and promotes an environment in which new high growth business start-ups thrive.
- The Perth and Kinross Economic Wellbeing Plan (March 2021) emphasises the need for more digital businesses, better connectivity, re-skill and up-skill of individuals, and clean growth.
- There is a need to build resilience in and transform the local economy to adapt to the impact of a data and technology driven economy. Existing jobs in Perth and Kinross are particularly sensitive to such impact and could be adversely affected. For instance, there is a high proportion of jobs in services which will be negatively affected by automation.
- There is need for investment in high skilled industries which can support the transition to net zero.

Public sector investment is required to overcome market failures which are constraining and limiting the economic potential of the city.

In the last three years, businesses in the city have grown and there is increasingly high demand for office space. However, the existing office supply has not experienced a corresponding increase. Currently, the planning system cannot compel private housebuilders to provide serviced commercial or industrial plots before clear demand, whereas very often employment land provision is linked with house completion rates instead of the needs of local businesses or inward investors. The situation has been constraining the number of businesses seeking to expand. Meanwhile, development land of the scale required to satisfy business needs and transformational change is limited in Perth due to its geographical constraints.

An assessment of alternative sites to service demand and deliver on the LDP is provided in the Site Assessment Report (Bidwells, 2022) and concludes that only Perth West, out of sites available over both the short and longer term, meets the key criteria in being of strategic scale and capable of facilitating an area that would bring inward investment and allow for the future long term sustainable growth of the city.

There is a market failure in that the employment area (Perth West) cannot be accessed without significant investment, from which many parties will benefit (given it will provide access to and from the site for all users). Public funding is required to provide this access through construction of the new underpass, local road improvements and site preparation works (such as platforming and utilities).

Private investment in public infrastructure will be underprovided by the market. This leads to a coordination failure in terms of accessing the Perth West site. Public funding is therefore needed to provide this infrastructure and site preparation works in order to unlock the Perth West employment land. Without this investment, the site will either remain as is, limiting the sustainable growth ambitions of the city, or take significantly longer to come forward.

The first phase of the Perth West site, the Eco-Innovation Park, is forecast to deliver 1,080 net new jobs and a GVA of £65m per annum for the city once completed.

1.4. Potential Scope

The current scope for Perth West, as set out in the planning permission is as follows:

- residential development of a maximum of 1,500 dwellings;
- commercial development of 25 hectares comprising: business (class 4), general industry (class 5), storage and distribution (class 6), shops (class 1), financial; professional and other services (class 2), food and drink (class 3), hotels (class 7), non-residential institutions (class 10); and
- Infrastructure development comprising bus depot; car parking; Perth Innovation Highway; hydrogen fuelling/charging centre; formation of road junction; underpass and road network; road alterations; footways; cycleways; greenspace; landscaping; and associated works.

The existing planning permission in principle for Phase 1 has been granted subject to conditions (details refer to PKC Report of Handling - report no.21/71). No works in connection with the development approved will take place until full details of the siting, design, external appearance and landscaping of the development and the means of access serving the development have been submitted to and approved in writing by the Planning Authority.

Cost items for Phase 1 are set out in Table 4 within the Financial Case, section 4.1, and cover the following project scope / outputs:

- Tweed Place Improvements
- New road underpass from Tweed Place (under the A9) to access the Perth West site

- Other local road improvements
- Drainage and utilities
- Phase 1 site platforming

1.5. Strategic Risks

The principal strategic risk is that there are currently limited opportunities of scale to attract (and retain / grow) high productivity businesses within Perth. There is a highly constrained supply of serviced sites around Perth, as evidenced in the Perth Site Assessment Report (Bidwells, June 2022).

Without intervention, the Local Development Plan (LDP) ambition for new employment development is unlikely to be met. The LDP identifies a significant amount of land for employment use, particularly as a condition of receiving planning consent for housebuilding.

There are several businesses seeking to expand which cannot due the nature of their operations, the size of site they need, and the affordability of what is currently on offer. Failure to unlock the site at Perth West would therefore represent an allocation inefficiency given existing demand and the fact that development land of this scale and significance is limited in Perth.

Strategic risks as a result of a no intervention (Do Nothing) scenario include:

- Loss of competitiveness
- Lack of innovation and lower business productivity as a result
- Lower employment opportunities
- Less resilient economy
- Less sustainable economy

These risks are high if Phase 1 investment does not come forward as there are limited alternative development options capable of catalysing the step-change in productivity and sustainable development required.

There are also strategic risks associated with undertaking the project; these are picked up in the Management Case and accompanying Risk Register. These include the scale of capital funding required to bring the site forward for development and the potential risk of a funding gap if insufficient funding – both public and private sector – is secured. Private sector funding will be influenced by external factors such as the macroeconomic situation, market demand, land and property values and inflation which will all impact on development viability but are outside of the Council's control.

1.6. Constraints

The limitations of the project are identified as:

- Political: the project's timely delivery is dependent on securing PKC funding
- Financial: the project has a high, upfront capital cost which is likely to require borrowing. This is covered further in the Financial Case.

- Commercial: currently there is no private sector investment secured for the project and this is subject to market conditions and investor confidence.
- Social: community engagement has been undertaken as part of the planning application, but further engagement will be required to maximise community benefits and social value.
- Environmental: environmental constraints were assessed in the planning application with environmental conditions to be satisfied
- Legal: land is not under PKC ownership.

1.7. Consultation

A significant amount of stakeholder engagement has been undertaken, from initial allocation of the Perth West site in the Local Development Plan through to the planning application for Phase 1 of Perth West.

PKC Local Development Plan

The Perth West development site was allocated in LDP1, for which consultation was undertaken on transport and the Main Issues Report (MIR) from October 2010 to February 2011. Following on from a Design Charrette in Spring 2015, the expanded site for Perth West proposed in the MIR of LDP2 went through consultation from December 2017 to February 2018; no changes were made to the Proposed Plan prior to submission for Examination.

Perth West Planning Application (20/00667/IPM)

Consultation responses were gathered from key stakeholders during the planning process leading to Planning Permission in Principle (PPP) being granted. The Perth and Kinross Council Planning & Development Management Committee Meeting held on 1 June 2021 states that consultation responses from the public were collated during the planning application process. A public exhibition was held on 6 February 2020, with attendance from 61 members of the public. A presentation was also made to Methven Community Council on 20 February 2020.

Key Agencies Group (KAG) Online Workshop

An online workshop was held on 15 December 2020 on behalf of the KAG (which comprises NatureScot, SEPA, Scottish Water, Historic Environment Scotland and others), with organisations involved in the Perth West development to explore how 'theme leads' could better work together, in line with the Scottish Government's Place Principle. Points were made that without connecting transport infrastructure, there is a risk that the site could become an isolated 'suburban' place separated from the city, which counteracts moves towards an inclusive local economy.

Key Engagement Forums

The Perth City Leadership Forum has been engaged throughout the Perth West expansion proposal and have an ambition for Perth to be the most sustainable, small city in Europe. It is a key engagement forum which gives wide representation covering the Council, business leaders from across sectors and a wide representation from the third sector, from youth groups to environmental charities.

Letters of Support

The development received letters of support including SSE, Aviva, Stagecoach, Perthshire Chamber of Commerce, Perth City leadership Forum, John Dewar Lamberkin Trust, Muir Group, Stewart Milne Homes and TACTRAN.

Engagement lessons have been learnt from recent infrastructure projects and this project will seek to follow best practice. The future engagement plan for Perth West will focus on engaging people using an inclusive approach and getting information about the project to local communities as early as possible

Perth People Place

To capture views from a wider audience, the Commonplace digital engagement tool was adopted with over 1,300 comments, over 4,000 contributions and 500 subscribers for news updates. A key approach to the engagement strategy, which will be adopted for Perth West, is to work with those whose voices are often seldom heard, particularly children and young adults as well as other harder to reach groups.

Perth Transport Futures

Engagement and consultation events have been held in community venues since 2017. These have primarily been late afternoon/ early evening to ensure working people can attend. These events have been supplemented by posters in community venues and leaflets being sent to local residents.

1.8. Dependencies

Internal		External	
Area	Description of dependency	Area	Description of dependency
Planning (Application for Approval of Matters Specified in Conditions – Planning (Scotland) Act 1997	Development of the new road through the underpass must be approved under an application for AMSC	Transport Scotland	Transport Scotland is responsible for the A9 due to this being a trunk road. TS is a key stakeholder with high interest. TS has been engaged through the planning process and has no objection in terms of the impact to the trunk road (A9), although 17 conditions have been outlined
Planning	Road construction consent is required from the local roads	Tay Cities Deal project – Innovation Highway	This project needs to integrate closely with the Innovation

(Road Construction Consent – Roads (Scotland) Act 1984	authority (PKC) for a new road or an extension of an existing road		Highway project to ensure a coordinated approach and efficiencies
Roads	A temporary traffic regulation order (TRO) allows the local roads authority or Transport Scotland (in the case of a trunk road) to ensure the safe movement of traffic while construction works take place. TRO(s) for Tweed Place and/or the A9 may be required during construction works	Environment (SEPA & NatureScot)	High interest stakeholders with conditions on development; the project should be seen as an opportunity to be an exemplar for positive environmental outcomes including supporting climate resilience, mitigation (carbon sequestration) biodiversity and nature recovery
Political	Project requires continued political support	Planning / legal: Major landowners	Statutory planning engagement required
Finance	Project requires continued public financial support	UK and Scottish Government	Subject to success of grant funding applications

1.9. Impact on the Community and Community Co-production

The development of land at Perth West has been the subject of extensive consultation over the past 5-7 years, commencing with the charrette framework in 2015 and the publication of the subsequent strategic development framework of 2016. The findings of that exercise have been taken forward through the public consultation that has shaped the planning application. Centred on a public exhibition and presentation / question & answer session with Methven & District Council, the consultation process identified the following key themes:

- The early delivery of infrastructure to support zero carbon energy, integrated with a digital network and active travel
- The early delivery of employment land
- Broadening the range and tenure of new housing to include retirement, affordable housing and custom & self-build

- Support for the delivery of land at Broxden to counterbalance development to the north of Perth and,
- Managing and mitigating congestion on the local road network.

These considerations have been accounted for in the refinement of the masterplan for the proposed development which, consistent with the provisions of the LDP2 for Perth West, are set within the context of a comprehensive masterplan which has evolved through engagement with key landowners and local community. As the project progresses to the next stage, further and effective public engagement will ensure that there is a strong degree of community co-production throughout the design and masterplan.

1.10. Sustainability

Sustainable development recognises that the three pillars – the economy, society, and the environment – are interconnected. The Perth West development will respect all the guiding principles for sustainable development:

- Living within environmental limits: through its design, the project will seek opportunities to limit climate change, support biodiversity net gain and nature recovery. The project will be integrated into future Nature Network plans.
- Ensuring a strong, healthy and just society: the development will help to diversify Perth's economy, providing new employment and housing opportunities.
- Achieving a sustainable economy: Perth West will contribute to increased prosperity and opportunities for all, particularly in the green economy
- Using sound science responsibly: the ambition is that the Eco-Innovation Park will drive business productivity and place innovation by connecting mobility and energy, establishing Perth as a city-scale living lab to support the transition to a data and technology driven, net-zero economy.
- Promoting good governance: the project will ensure active participative systems of governance across all levels of society, engaging people's creativity, energy and diversity.

Scottish Government has set a target to reduce greenhouse gas emissions through a Just Transition to a net zero economy and society, ensuring the shift is fair and creates a better future for everyone. The development will support the Just Transition to this target, to achieve net zero emissions of all greenhouse gases by 2045.

1.11. Inclusion and Equality

It is recognised that the project will only promote good community relations where there is adequate, effective and inclusive engagement with local stakeholders, including residents, landowners, businesses and other organisations such as community groups / charities. By providing the opportunity for the local community to contribute throughout the development of the project, the investment will better

address the existing challenges and disparities, strengthening integration across the local community through empowering the community to shape the proposal.

The overall aim has been to ensure that the evolution of the Perth West project is shaped through collaboration and engagement consistent with planning legislation and guidance. Future engagement will continue to reach out to as many local stakeholders as possible, particularly harder to reach groups, aligning with and learning lessons from other projects such as the engagement action plans for the Perth People Place and Perth Transport Futures Programmes. This would include maximising access to training and job opportunities for groups facing multiple barriers to employment as well as engaging with groups facing specific challenges in relation to physical access to infrastructure and services.

The project will ensure equal access to new employment opportunities across the community with a focus also on delivering inclusivity to the local community including residents of the most deprived data zones surrounding the site and training and skills development to help residents access employment opportunities.

1.12. Resource efficiency

The Procurement Strategy covers resource efficiency in terms of environmental and sustainability performance. This will include adoption of circular economy principles as well as implementation of sustainability standards such as PAS 2080:2016 for carbon management in infrastructure. Perth Eco-Innovation Park will be designed and developed as an exemplar of Net-Zero development. Working side-by-side with like-minded companies will engender opportunities for cross-selling, joint working and ideas generation. In addition, companies will be well-positioned to minimise their collective environmental impact work together on energy consumption, waste solutions and the active travel promotion.

2. Economic Case

2.1 Critical Success Factors *(the crucial attributes essential to the successful delivery of the project against which the available options are assessed):*

An options assessment was undertaken to consider different site options (Perth Site Assessment Report, June 2022). This considered six potential site options (described below) across Perth against the Critical Success Factors outlined below.

Critical Success Factors		
Critical Success Factor	Option Appraisal Scoring Weighting (W) (cumulative 100)	Reason for Weighting
CSF1 – Strategic Fit / Scale of Development: Captures the strategic fit in terms of the	25	Equal weighting assumed




scale of development that could be delivered at the site.		
CSF2 – Strategic Fit / Deliverability: Local Development Plan (LDP) status & planning / land ownership	25	Equal weighting assumed
CSF3 – Economic / Deliverability: Site opportunities versus constraints (infrastructure requirements)	25	Equal weighting assumed
CSF4 – Economic / financial Commercial appeal (market view)	25	Equal weighting assumed

** Perth Site Assessment Report (June 2022)*

Appraisal of Options against Critical Success Factors

The scoring of options against the CSFs involved a high level assessment (Bidwells, June 2022).

Scoring

Score	RAG Rating	Description
3	N/A	Exceeds the strategic objectives (not used as a score in the Site Assessment Report, June 2022)
2		Fully meets the strategic objectives
1		Partially meets the strategic objectives
0		Fails to meet the strategic objectives

2.2 Impact Analysis

The case for change was made in the Levelling Up Fund (Round 2) application to UK Government (August 2022). This explored the rationale for government intervention and the potential consequences of a ‘do nothing’ scenario which showed that there would be a high risk of Perth not being able to attract inward investment if the site were not developed.

Impact Analysis of ‘do nothing’ option

Risk	Organisational and/or Service Impact	Probability (High/Medium/Low)
Risk1	Ability to attract inward investment significantly reduced	High
Risk2	Economy is / remains over-reliant on traditional low productivity sectors with little innovation and loss of competitiveness	Medium
Risk3	Employment opportunities, particularly in highly-skilled jobs and new markets, supporting transition to net zero, are limited	Medium
Risk4	Sustainable development limited to small-scale opportunity rather than transformational impact	High

Financial implications of 'do nothing' option

Recurring Annual Capital Requirements (net increase/decrease from current commitment)	Not quantified. Net decrease from current commitment. No large capital investment required under Do Nothing option.
Recurring Annual Revenue Requirements (net increase/decrease from current commitment)	Not quantified. Net decrease from current commitment, however, in the longer term a 'do nothing' option would potentially increase revenue requirements with greater need to support the local economy to overcome worsening structural challenges.

2.3 Options Appraisal (including a minimum of do minimum, preferred option and transformational)

The risks and impacts of the 'do nothing' option are provided in the sections 1.2, 1.5 and 2.2. If no suitable site/area is identified, there would be a high risk of not attracting investment, continue to rely on low productivity and low wage sectors with little capacity to innovate and transform the economy. Given the stated strategic objective to sustainably grow Perth an assessment of potential locations was undertaken with six sites/areas identified:

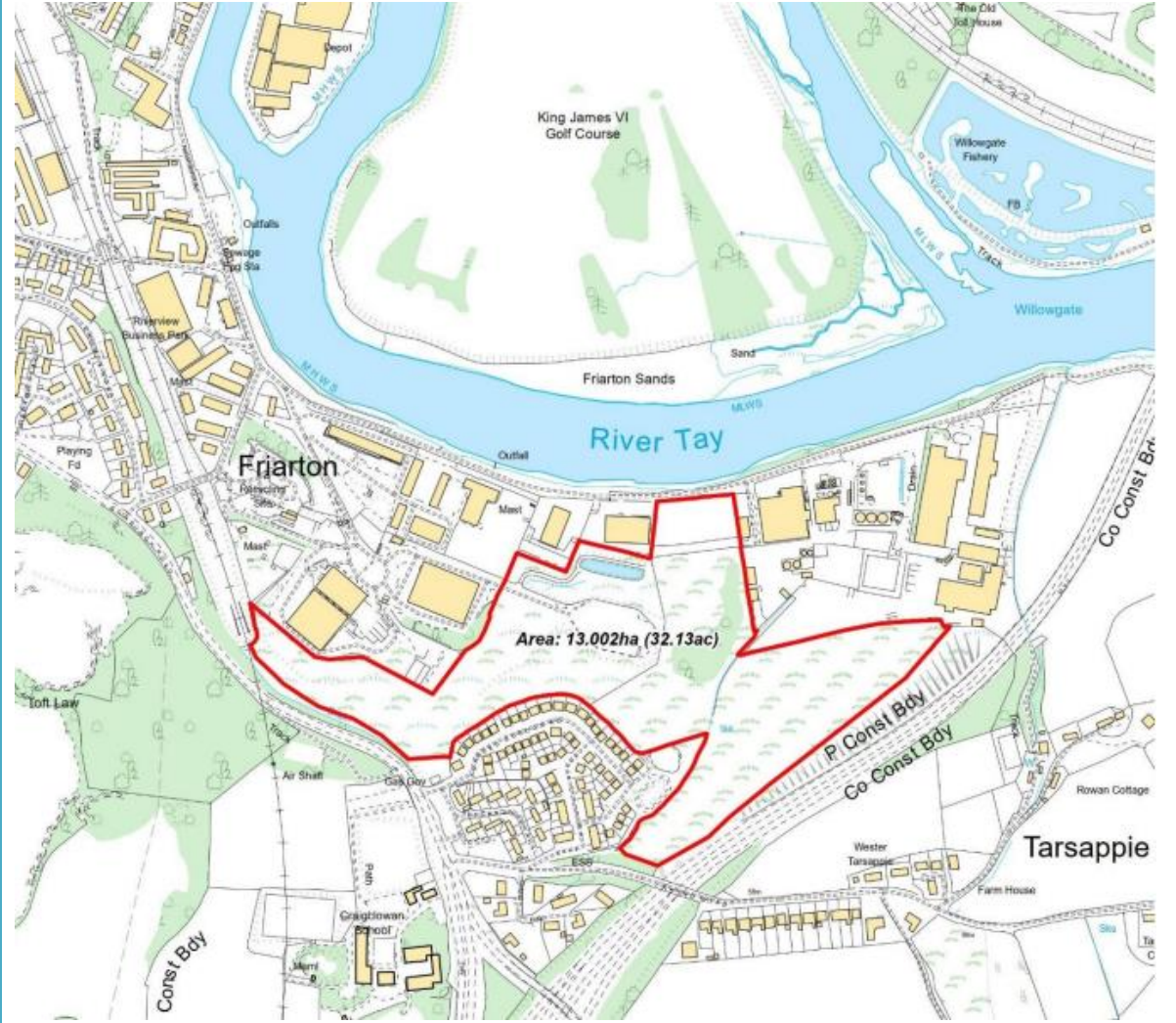
- Perth Harbour industrial and business area
- Inveralmond West
- North Muirton Industrial Estate
- Oudenarde, Bridge of Earn
- West Kinfauns
- Perth West

These are summarised in the options tables below.

Rather than undertake a detailed financial resource analysis, the assessment reviewed key criteria and parameters such as site ownership, site access, known constraints and potential

opportunities, as well as the perceived view of the property market of each site’s development potential (Bidwells, June 2022).

Option 1

Summary of Option	
<p>Site Name: Perth Harbour industrial and business area – Southeast of Friarton Bridge</p> <p>Site area: 13.002 hectares</p> <p>Site Description: This developed area abuts the River Tay and is an extension of the existing harbour development to the south east of Friarton Bridge. The zone provides a mixture of business park office space and industrial uses other than a small fringe of land along the edge of the Tay.</p> <p>Figure 3: Site Plan - Perth Harbour</p>	
	
Key Parameters	
Planning status	The site is allocated within the Perth and Kinross LDP for employment, general opportunity and waste management uses.

Ownership	Multiple owners but dominated by two private owners.
Access	There is access from Edinburgh Road and via Shore Road to Perth. The Shore Road junction to Edinburgh Road is constrained due to slope and junction geometry and not ideal for HGV access. The road is also constrained by a railway bridge.
Site Levels	Site levels and slope are a major constraint for this whole area and restrict the scale and layout of any future expansion and development.
Constraints	The majority of the site is partly used for waste management and for business use and only some parts not currently developed. Future investment would potentially require the relocation of existing uses. The site is also partially constrained by topography.
Opportunities	There are few opportunities and no obvious opportunities of any scale for redevelopment or investment in this industrial area.
Market assessment	The site is predominantly used for lower value uses although there are a number of occupiers who have developed haulage and distributions. The site is now focussing on raw material for the food industry and other industrial uses. The harbour is predominantly used for agricultural and construction material distribution.

Critical Success Factor	Qualitative Assessment	Score (S) 0 - 3	Weighted Score (A) = (S x W)
CSF1 Strategic Fit / Scale of Development	Limited scale future development; only suited to modest future development/redevelopment	0	0
CSF2 Strategic Fit/Deliverability	Identified in the Local Development Plan for waste management and as an opportunity site for Business and Industrial	0	0
CSF3 Economic / Deliverability	The site is heavily constrained in terms of access and contours. Any development will require significant engineering	0	0
CSF4 Economic / Financial	Little appeal in the market other than for lower value industrial users or a modest expansion of the existing business park.	0	0
CSF Weighted Score for Option 1			0

** Insert/delete as required*

Risks associated specifically with option

Likelihood Scoring

5	Highly Likely
4	Likely
3	May or not occur
2	Unlikely
1	Highly Unlikely

Impact Scoring

5	Major impact to project delivery
4	Significant impact to project delivery
3	Manageable impacts to project delivery
2	Minor impact to project delivery
1	No impact to project delivery

Description of Risk	Likelihood of Risk (L)	Impact of Risk (I)	Score (B) = (L x I)
Risk1 - Investment does not represent value for money (project outcomes and impact not achieved)	4	4	16
Risk2 - Higher than anticipated development constraints	3	4	12
Risk3 - Limited market appeal reduces funding opportunities and inward investment	4	4	16
Total Risk Score for Option 1			44

Option 2

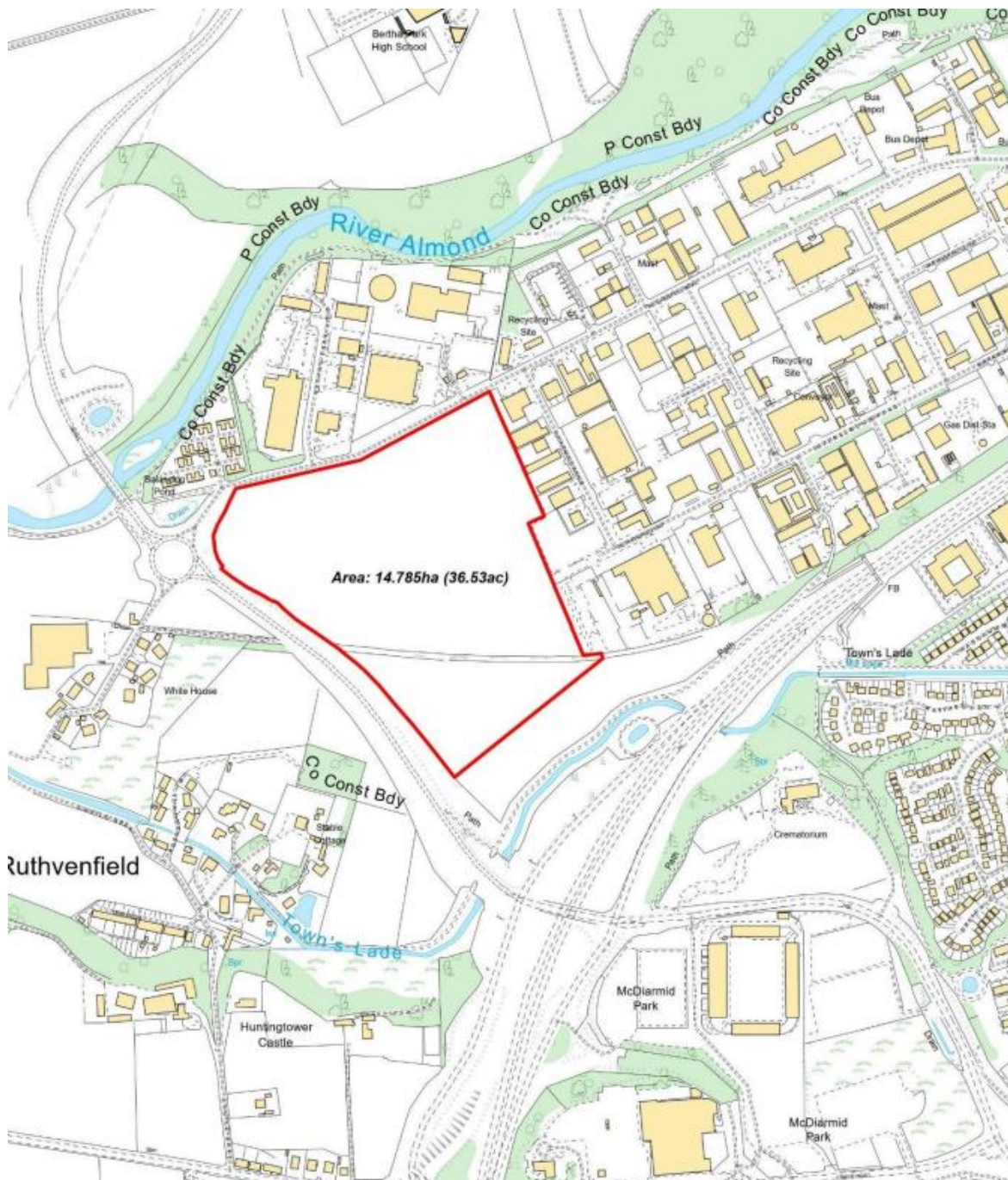
Summary of Option

Site Name: Inveralmond West, Ruthvenfield Road

Site area: 14.785 hectares

Site Description: The site lies to the south of Ruthvenfield Road and the western edge of the existing Inveralmond Industrial Estate. The western boundary has the new Cross Tay Link Road. The first section leads to the Bertha Park housing development. The site is gently sloping to the north and generally has a northerly aspect.

Figure 4: Site Plan - Inveralmond West, Ruthvenfield Road



Key Parameters	
Planning status	The site is allocated in the current Perth & Kinross Local Development Plan.
Ownership	The site ownership is split between two landowners. Other than Perth West, the site represents the only substantial allocated area currently available for development. It is anticipated this area will be developed out in the near future and that part of the site will be used by one of the landowners for their own purpose.
Access	The site has good access both from Inveralmond Roundabout via Ruthvenfield Road and through the existing Inveralmond Industrial Estate and also has access to the A9 trunk road over the short distance of the Cross Tay Link Road and the newly formed junction on the A9. This area does suffer from traffic congestion at peak periods.
Site Levels	The majority of the site is sloping to the north and would need platforming to provide areas for industrial scale buildings.
Constraints	The site requires provision of internal infrastructure and road network, T-junctions etc. It is not clear how the surface water drainage would be dealt with and it is anticipated that this will be required to drain into the River Almond over third party lands. The site is split two-thirds/one-third by the route of the historic railway line which is bounded by a high voltage overhead line. Due to ownerships, it is unlikely to be marketed as a large single site, which limits its potential.
Opportunities	The site has good linkage to the existing road infrastructure, is unlikely to have significant ground condition issues other than platforming and could easily be integrated into the existing industrial estate to service the local and regional market.
Market assessment	It is envisaged that the northern part of the site will be partially developed by one of the landowners for their own use with the remainder earmarked for future development. It is unlikely to be available as a whole for major inward investment and therefore likely to serve the local market demand for the next 5- 10 years at which point Perth would have no sites of any scale to offer businesses or employers looking to relocate to Perth or invest in this area of the Tayside economy. We anticipate this site will be developed out in part as a phase in advance of the delivery of Perth West.

Appraisal of Options against Critical Success Factors

The scoring of options against the CSFs involved a high level assessment (Bidwells, June 2022).

Scoring

Critical Success Factor	Qualitative Assessment	Score (S) 0 - 3	Weighted Score
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			(A) = (S x W)
CSF1 Strategic Fit / Scale of Development	The scale of the area is limited in the medium and long term and unlikely to be available as a whole.	1	25
CSF2 Strategic Fit/Deliverability	This site is allocated in the Local Development Plan for employment and industrial uses. The site has split ownership with two landowners.	1	25
CSF3 Economic / Deliverability	The site has good access and connectivity but no internal infrastructure and is sloping and will need considerable earthworks to provide platforms for larger buildings.	2	50
CSF4 Economic / Financial	The site is well connected to the existing industrial estate and is well suited for expansion of this primarily for local business. The area next to the Cross Tay Link Road would appeal to office and business uses whereas the area to the East is more suited to Industrial.	2	50
CSF Weighted Score for Option 2			150

* Insert/delete as required

Risks associated specifically with option

Likelihood Scoring

5	Highly Likely
4	Likely
3	May or not occur
2	Unlikely
1	Highly Unlikely

Impact Scoring

5	Major impact to project delivery
4	Significant impact to project delivery
3	Manageable impact on project delivery
2	Minor impact to project delivery
1	No impact to project delivery

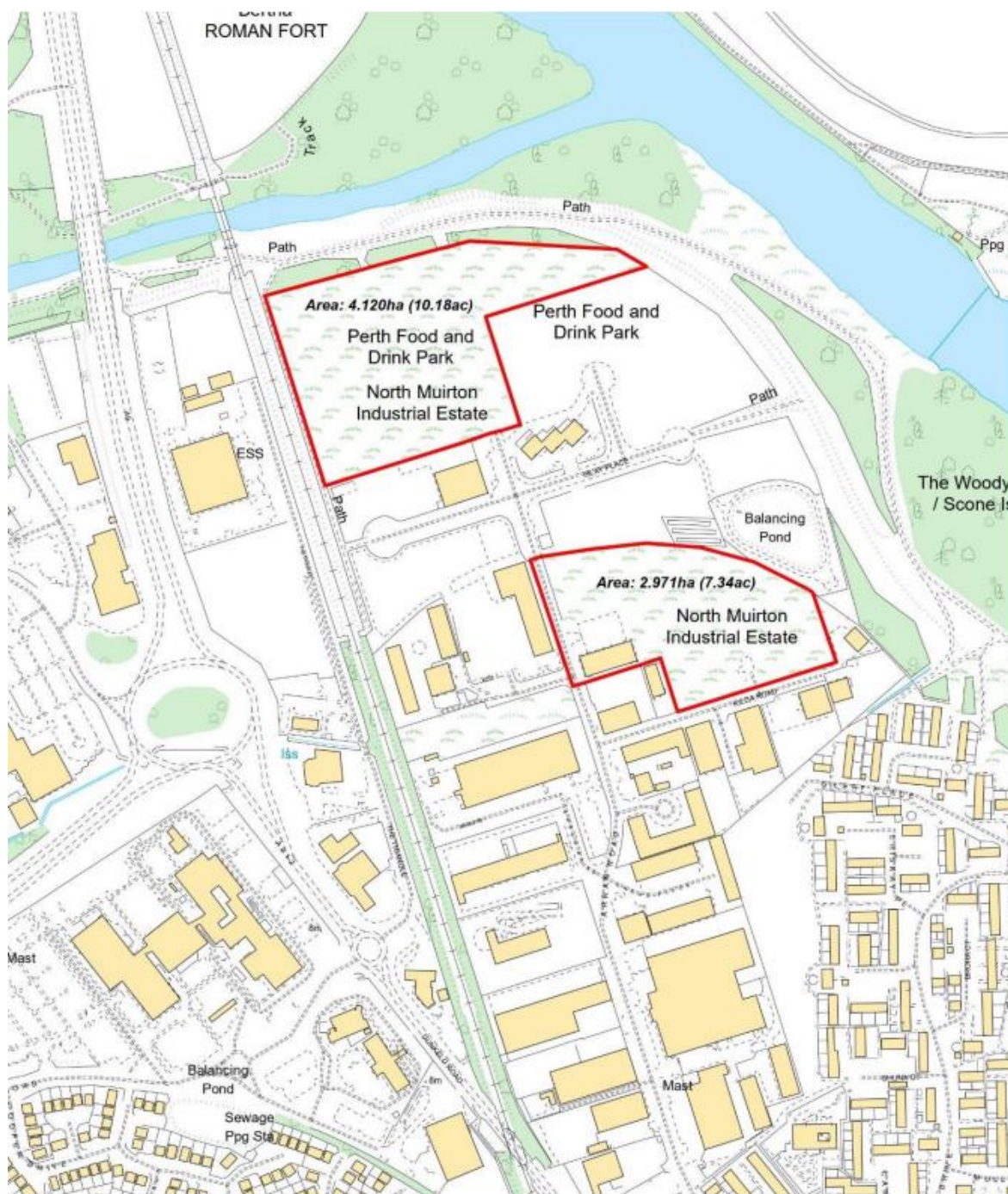
Description of Risk	Likelihood of Risk (L)	Impact of Risk (I)	Score (B) = (L x I)
Risk1 - Investment does not represent value for money (project outcomes and impact not achieved)	2	3	6
Risk2 - Higher than anticipated	2	3	6

development constraints			
Risk3 - Limited market appeal reduces funding opportunities and inward investment	2	3	6
Total Risk Score for Option 2			18

Option 3

Summary of Option
<p>Site Name: North Muirton Industrial Estate, Arran Road</p> <p>Site area: 7.091 hectares</p> <p>Site Description: The site lies at the north end of the North Muirton Industrial Estate and includes the partly developed areas of the existing North Muirton Industrial Estate and Perth Food & Drink Park.</p>

Figure 5: Site Plan - North Muirton Food Park And North Muirton Arran Road



Key Parameters

Planning status	These areas are allocated in the Perth & Kinross Local Development Plan for Business Industrial Use.
Ownership	These areas are owned by multiple owners and partly owned by Perth & Kinross Council.
Access	Both sites have good access through the existing industrial estate. The access from the trunk road network is adequate, however, it is a fairly lengthy sub-road through the existing industrial estate to reach these

	sites. Whilst they are suitable for HGV, it would not be possible to access these sites with abnormal loads and the site is considered as back land and is poor in terms visibility and access compared to other available land despite being partly serviced.
Site Levels	These sites are both level with no constraints in terms of platforming or earthworks.
Constraints	The scale of the sites are constrained to a major developer or investor and the relatively long cul-de-sac access will be viewed by some as less than optimal.
Opportunities	These smaller areas are suited for secondary business and industrial use. The length of the access is somewhat inconvenient and makes them less attractive to industrial and business use due to inconvenience of delivery and particularly unattractive to commercial/retail and trades counter type uses.
Market assessment	North Muirton Industrial Estate has been less successful than anticipated as it is locationally challenged with no visibility from the road network. The remaining sites are suitable for haulage, minor distribution and manufacturing and will provide additional capacity to local rather than strategic market.

Appraisal of Options against Critical Success Factors

The scoring of options against the CSFs involved a high level assessment (Bidwells, June 2022).

Scoring

Critical Success Factor	Qualitative Assessment	Score (S) 0 - 3	Weighted Score (A) = (S x W)
CSF1 Strategic Fit / Scale of Development	Limited scope for future development of any scale and likely to be utilised as expansion and or relocation of existing local businesses.	0	0
CSF2 Strategic Fit/Deliverability	Benefits from planning status in the Local Development Plan and a large proportion of this area is owned by Perth and Kinross Council.	1	25
CSF3 Economic / Deliverability	The site benefits from existing installed infrastructure over much of the area but has a less than optimal access and approach.	2	50
CSF4 Economic / Financial	The area has been available for many years and is viewed as	0	0

	back land in the market with no visibility and likely to attract local industrial, haulage yard uses.		
CSF Weighted Score for Option 3			75

** Insert/delete as required*

Risks associated specifically with option

Likelihood Scoring

5	Highly Likely
4	Likely
3	May or not occur
2	Unlikely
1	Highly Unlikely

Impact Scoring

5	Major impact to project delivery
4	Significant impact to project delivery
3	Manageable impact on project delivery
2	Minor impact to project delivery
1	No impact to project delivery

Description of Risk	Likelihood of Risk (L)	Impact of Risk (I)	Score (B) = (L x I)
Risk1 - Investment does not represent value for money (project outcomes and impact not achieved)	4	4	16
Risk2 - Higher than anticipated development constraints	2	3	6
Risk3 - Limited market appeal reduces funding opportunities and inward investment	4	4	16
Total Risk Score for Option 3			38

Option 4

Summary of Option
<p>Site Name: Oudendarde, Bridge of Earn</p> <p>Site area: 34.829 hectares</p> <p>Site Description: The business allocation within the Oudendarde Masterplan is formed in two plots, the latter of which is 15.2 hectares on the north side of the A912 lying just to the east of the M90 at Bridge of Earn.</p>

Figure 6: Site Plan - Oudenarde, Bridge Of Earn



Key Parameters

Planning status	These sites are allocated for business use in the Adopted Perth & Kinross Local Development Plan.
Ownership	Single ownership.
Access	The site has good access for vehicles from the M90 and A912 with new roundabout junctions to be formed to facilitate the development.
Site Levels	The sites are extremely level and will require little or no platforming but are sufficiently flat that surface water drainage may be a constraint. These

	sites will be delivered as part of the wider Oudenarde housing development and the infrastructure for them will rely upon the housing being delivered as part of their development.
Constraints	Due to technical and cost constraints the Oudenarde development, allocated many years ago, has failed to be built out whilst many other housing development areas round Perth have been delivered during the time of its allocation.
Opportunities	The key advantage of this site is the proximity and easy access to the M90. Bridge of Earn currently does not have a railway station although a halt is envisaged, and the site would benefit from a reasonable bus service and being within easy commuting distance of Perth and Dundee.
Market assessment	Whilst the site has planning consent, the delivery is dependent on the neighbouring housing being developed out and the resolution of the various and significant constraints to that, in particular, a railway crossing. As a single site, it is attractive to inward investment as at 15.2 hectares it could accommodate a substantial strategic investment or a number of large business units. However, the site is not particularly sustainable in terms of access for employees or transport. The market would view this site as somewhat rural despite its good access and it may be unattractive to some due to its remoteness from the core of Perth City.

Appraisal of Options against Critical Success Factors

The scoring of options against the CSFs involved a high level assessment (Bidwells, June 2022).

Scoring

Critical Success Factor	Qualitative Assessment	Score (S) 0 - 3	Weighted Score (A) = (S x W)
CSF1 Strategic Fit / Scale of Development	Captures the strategic fit in terms of the scale of development that could be delivered at the site.	2	50
CSF2 Strategic Fit/Deliverability	The site is allocated in the LDP and is in one ownership.	2	50
CSF3 Economic / Deliverability	The site currently has no internal infrastructure other than one access of a roundabout and a second roundabout will be required to develop the site. The site is very flat and subject to surface water ponding and on clay so ground conditions are likely to require significant	1	25

	additional works in terms of foundations or piling.		
CSF4 Economic / Financial	This site is outlying and rural from Perth and has no good connectivity to the wider population. It has limited bus services but benefits from a connection to the M90. It is suited to industrial and distribution and perhaps some small-scale units for local services and is unlikely to be developed as a key area of inward investment for the wider city. Its development will be reliant on the delivery of the neighbouring housing which has remained undeveloped for many years.	0	0
CSF Weighted Score for Option 4			125

* Insert/delete as required

Risks associated specifically with option

Likelihood Scoring

5	Highly Likely
4	Likely
3	May or not occur
2	Unlikely
1	Highly Unlikely

Impact Scoring

5	Major impact to project delivery
4	Significant impact to project delivery
3	Manageable impact on project delivery
2	Minor impact to project delivery
1	No impact to project delivery

Description of Risk	Likelihood of Risk (L)	Impact of Risk (I)	Score (B) = (L x I)
Risk1 - Investment does not represent value for money (project outcomes and impact not achieved)	3	4	12
Risk2 - Higher than anticipated development constraints	3	3	9
Risk3 - Limited market appeal reduces funding opportunities and inward investment	3	4	12
Total Risk Score for Option 4			33

Option 5

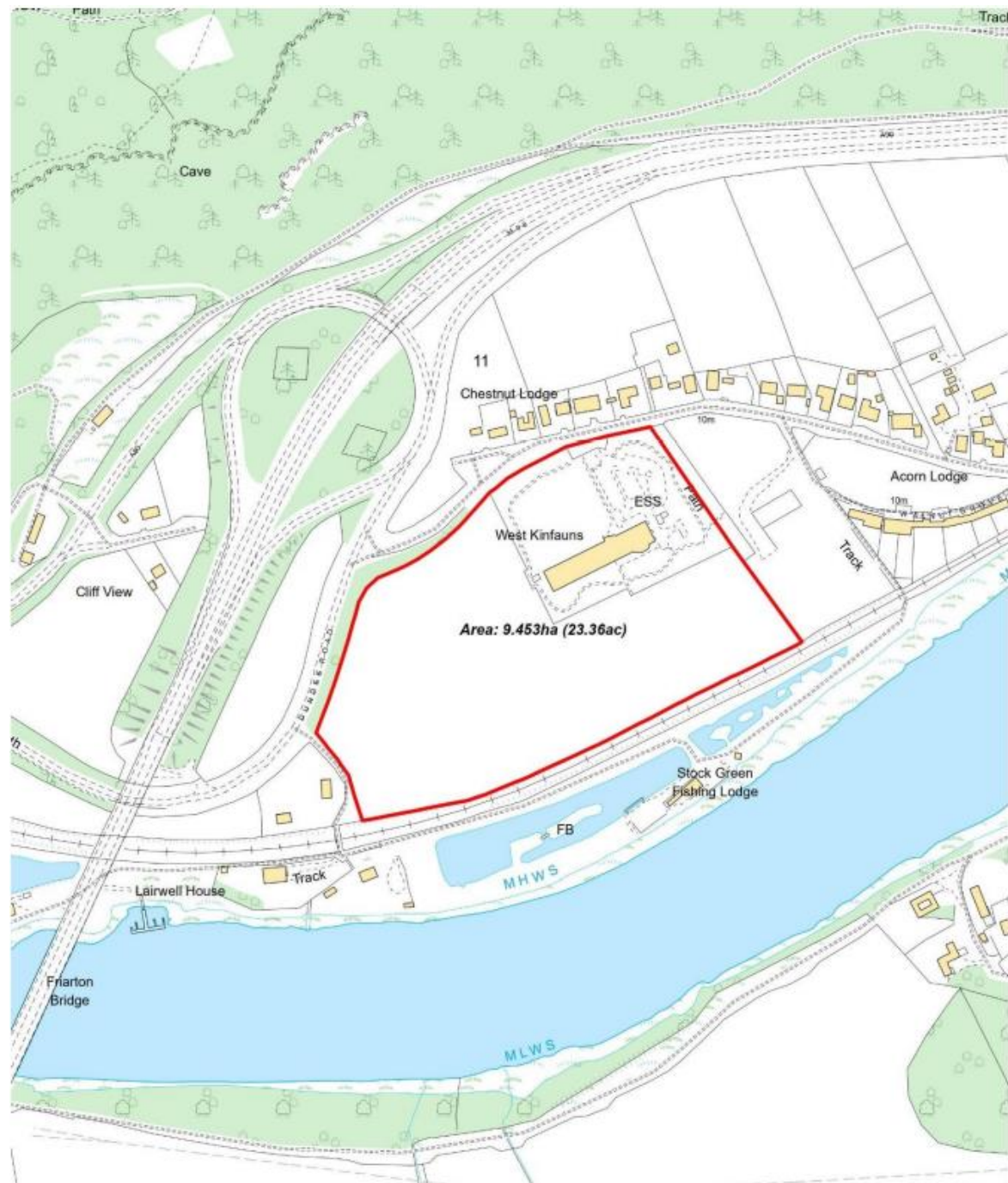
Summary of Option

Site Name: West Kinfauns

Site area: 9.453 hectares

Site Description: This site lies to the north of the River Tay and the south of the A90. The site is predominantly level and has a southerly aspect and is partly developed with one office building.

Figure 7: Site Plan - West Kinfauns



Key Parameters	
Planning status	This site is partly allocated for business use. In August 2022, a planning application in principle was granted for a mixed-use development comprising a museum, hotel and lodges, other leisure activities, open space and park and choose.
Ownership	The site is in one ownership.
Access	Access is via a minor junction from the A85 directly off the junction from the M90 and provides excellent access to the M90.
Site Levels	The site is generally level with a southerly aspect.
Constraints	There is one existing building on the site currently used for office use. It is well connected to the road network, and it is not linked to any other business use area or the wider community and has poor pedestrian links to Perth. The site is also low lying and may be prone to flooding in the future. The site is only moderately landscaped and is highly visible from sensitive locations like Kinnoull Hill and the M90 and any industrial development of any scale would have a constraint in terms of visual amenity.
Opportunities	This site would provide a good opportunity for large scale industrial investment or business park use, noting the extant planning consent for leisure related uses. Its location out of town is not ideal from a sustainable transport perspective and the overall site is limited in scale for larger scale investments and future expansion.
Market assessment	The existing building, Caledonian House, was sold when Edrington Distillers left Perth. The site has good road links to Perth and Dundee and the Central Belt.

Appraisal of Options against Critical Success Factors

The scoring of options against the CSFs involved a high-level assessment (Bidwells, June 2022).

Scoring

Critical Success Factor	Qualitative Assessment	Score (S) 0 - 3	Weighted Score (A) = (S x W)
CSF1 Strategic Fit / Scale of Development	This site lacks scale to meet the longer-term strategic fit. While it is partly developed it is effectively a rural site unconnected to the wider urban population other than by road.	1	25
CSF2 Strategic Fit/Deliverability	The site is allocated for employment development and is	1	25

	in a single ownership, however some of the site is allocated as open space and a park and choose. The park and choose would assist in overcoming connectivity issues but limits the available site for business uses.		
CSF3 Economic / Deliverability	The site has a developed access and service connections and is a level and easily developed area.	2	50
CSF4 Economic / Financial	An outlying site and while it has good motorway access has little else to commend it to the market.	0	0
CSF Weighted Score for Option 5			100

** Insert/delete as required*

Risks associated specifically with option

Likelihood Scoring

5	Highly Likely
4	Likely
3	May or not occur
2	Unlikely
1	Highly Unlikely

Impact Scoring

5	Major impact to project delivery
4	Significant impact to project delivery
3	Manageable impact on project delivery
2	Minor impact to project delivery
1	No impact to project delivery

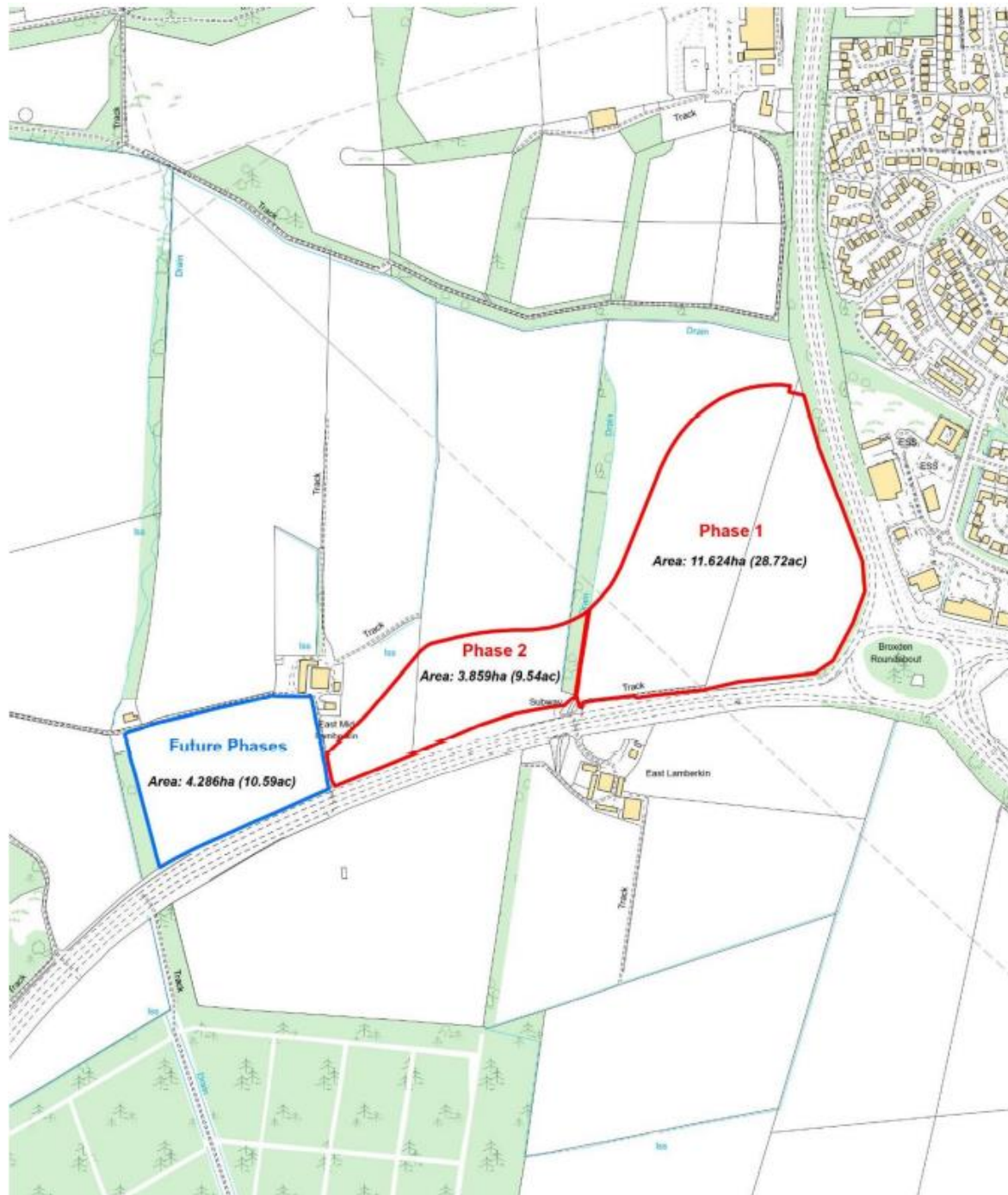
Description of Risk	Likelihood of Risk (L)	Impact of Risk (I)	Score (B) = (L x I)
Risk1 - Investment does not represent value for money (project outcomes and impact not achieved)	3	4	12
Risk2 - Higher than anticipated development constraints	3	3	9
Risk3 - Limited market appeal reduces funding opportunities and inward investment	4	4	16
Total Risk Score for Option 5			37

Option 6

Summary of Option
Site Name: Perth West

Site area: 11.625 hectares (Initial phase 1 area) Potential for substantial future expansion.
Site Description: The site lies adjacent to the southwest of Perth at the Broxden roundabout, where the M90 and A9 meet. The site is currently farmland. The employment land shown below is part of a wider mixed used development that will create a new community including a new village centre.

Figure 8: Site Plan - Perth West



Key Parameters

Planning status	The Phase 1 and 2 sites are allocated for business use in the adopted Perth & Kinross Local Development Plan November 2019. These sites are part of a much larger allocation for housing and mixed-use development extending northwards to the Crieff Road.
Ownership	The employment land allocation is in single ownership.
Access	The subject of this OBC is a proposed new access into the site under the A9 via Tweed Place. The road pattern within the site can be set out to accommodate the specific requirements of any investor/user.
Site Levels	The site slopes from the A9 to the south into a dip before rising to the north. These changes in levels will allow any buildings to be fitted into the landscape to reduce their impact. The slope will also help the drainage solution.
Constraints	In addition to the provision of a new access, the site has HV cables crossing the south west corner of the site, although these don't have any major impact on the layout.
Opportunities	The site has excellent outlook to the north and has the ability to create a new modern sustainable environment for people to work in. The quality of the site environment and its location means that it can effectively compete with other similar sites in other locations for more mobile new opportunities.
Market assessment	While the area is untested in the market as it is a completely new expansion. It would offer good access to transport links. Good access to areas of housing for sustainable housing and minimal commuting. It would be accessed via an area that is recognised as the best quality business space in Perth with recent investment by a number of companies and is likely to be viewed as an extension to this quality business park area with the underpass providing good visibility to the A9 and M90.

Appraisal of Options against Critical Success Factors

The scoring of options against the CSFs involved a high level assessment (Bidwells, June 2022).

Scoring

Funded

Critical Success Factor	Qualitative Assessment	Score (S) 0 - 3	Weighted Score (A) = (S x W)
CSF1 Strategic Fit / Scale of Development	Captures the strategic fit in terms of the scale of development that could be delivered at the site providing significant capacity	2	50

	beyond that which is available in the short to medium term of the city		
CSF2 Strategic Fit/Deliverability	The site has approved Local Development Plan status and is being actively promoted by the single landowner.	2	50
CSF3 Economic / Deliverability	The site is of a scale that will provide a strategic expansion to Perth providing a meaningful opportunity for large scale inward investment and the creation of a new economic growth area. It is fully deliverable other than the economic issues relating to the access via the required underpass. The land value and scale will deliver economic development but will not support the significant off-site abnormal cost of the retrofitted underpass. The assessment assumes outside LUF funding and without this the assessment would be less favourable or undeliverable.	2	50
CSF4 Economic / Financial	The site has excellent road connections to both Edinburgh and Glasgow and the rest of the central belt. Its location on the edge of town, provides an opportunity to compete with other locations for a high-quality office and business space in a high quality environment. Economic returns will be in line with the neighbouring development and likely to attract medium to large scale investment.	2	50
CSF Weighted Score for Option 6 (Funded)			200

** Insert/delete as required*

Unfunded

Critical Success Factor	Qualitative Assessment	Score (S) 0 - 3	Weighted Score (A) = (S x W)
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CSF1 Strategic Fit / Scale of Development	Captures the strategic fit in terms of the scale of development that could be delivered at the site providing significant capacity beyond that is available in the short to medium term of the city	2	50
CSF2 Strategic Fit/Deliverability	The site has approved Local Development Plan status it is being actively promoted by the single landowner.	2	50
CSF3 Economic / Deliverability	The site is of a scale that will provide a strategic expansion to Perth providing a meaningful opportunity for large scale inward investment and the creation of a new economic growth area. Future land values will allow Perth West to be built out however if the Eco-Innovation Park is to be delivered in the short to medium term the cost of the retrofitted underpass will require to be met upfront. Housebuilders will not be able to finance the provision of employment land as this is not usually provided in advance of house completions. Therefore, without public sector intervention to bring forward this site it will remain undeveloped in the medium-term. Ultimately, developers would need to provide the necessary infrastructure (or walk away) however in the intervening years the economic development opportunity for Perth will be lost.	0	0
CSF4 Economic / Financial	The site has excellent road connections to both Edinburgh and Glasgow and the rest of the central belt. Its location on the edge of town, provides an opportunity to compete with other locations for a high-quality office and business space in a high quality environment. Economic returns will be in line with the neighbouring development and	2	50

	likely to attract medium to large scale investment.		
CSF Weighted Score for Option 6 (Unfunded)			150

** Insert/delete as required*

Risks associated specifically with option

Likelihood Scoring

5	Highly Likely
4	Likely
3	May or not occur
2	Unlikely
1	Highly Unlikely

Impact Scoring

5	Major impact to project delivery
4	Significant impact to project delivery
3	Manageable impact on project delivery
2	Minor impact to project delivery
1	No impact to project delivery

Funded

Description of Risk	Likelihood of Risk (L)	Impact of Risk (I)	Score (B) = (L x I)
Risk1 - Investment does not represent value for money (project outcomes and impact not achieved)	1	1	1
Risk2 - Higher than anticipated development constraints	1	1	1
Risk3 - Limited market appeal reduces funding opportunities and inward investment	1	1	1
Total Risk Score for Option 6 (Funded)			3

Unfunded

Description of Risk	Likelihood of Risk (L)	Impact of Risk (I)	Score (B) = (L x I)
Risk1 - Investment does not represent value for money (project outcomes and impact not achieved)	1	1	1
Risk2 - Higher than anticipated development constraints	2	4	8

Risk3 - Limited market appeal reduces funding opportunities and inward investment	1	1	1
Total Risk Score for Option 6 (Unfunded)			10

Benefit and Risk Summary

CSF Weighted Score (A)							Total Risk Score (B)						
Options							Options						
1	2	3	4	5	6 (F)	6 (U)	1	2	3	4	5	6 (F)	6 (U)
0	150	75	125	100	200	150	44	18	38	33	37	3	10

* F = funded; U = unfunded.

Total Scoring (A-B)						
Options						
1	2	3	4	5	6 (F)	6 (U)
-44	132	37	92	63	197	140

* F = funded; U = unfunded.

Option appraisal scores summary

	Total Score
Option 1	-44
Option 2	132
Option 3	37
Option 4	92
Option 5	63
Option 6 (Funded)	197
Option 6 (Unfunded)	140

Preferred Option = Option 6 (Funded)

Preferred Option Economic Appraisal

An economic appraisal was undertaken to demonstrate the value for money of the enabling infrastructure (the A9 Underpass and local road improvements). The methodology adopted a land value uplift approach, consistent with government appraisal guidance. Due to lower land values in Perth (and Scotland in general) the economic appraisal resulted in a relatively low Net Present Public Value and Benefit Cost Ratio (BCR). With a BCR of just over 1, this represents acceptable value for money. With higher costs for the full Phase 1 project,

including additional cost items relating to site platforming, drainage and utilities, and other local road improvements, the BCR would be reduced below 1. However, there are a number of significant non-monetised impacts, as outlined in Table 2 and a strong strategic case for the project.

Table 2: Economic Appraisal Summary - Option 6 (Economic Appraisal)

Ref	Item	Value
A	Present Value Benefits (£m)	£32.8m
B	Present Value Cost (£m)	£31.9m
C	Present Value of other quantified impacts (£m)	-
D	Net Present Public Value (£) [A-B]	£0.9m
E	'Initial' Benefit Cost Ratio [A / B]	1.02
F	'Adjusted' Benefit Cost Ratio [(A + C) / B]	-
G	Significant Non-monetised impacts	<ul style="list-style-type: none"> • Contribute to unlocking the remainder of Perth West beyond Phase 1 • Increase private investment • Reduce overreliance on low productivity sectors • Improve active travel connectivity for residents • Improve perceptions and retention of major existing anchor companies
H	Value for Money (VfM) Category	Acceptable
I	Switching Values & rationale for VfM category	BCR just above 1 = acceptable With higher Phase 1 costs, BCR is reduced to lower value for money.
J	Risks	
K	Other issues	Over 1,200 construction jobs supported through the construction of the project

*Note: economic costs are not the same as financial costs. Costs presented in the above table are discounted to Present Values.

3. Commercial Case (for preferred option - to be completed in conjunction with Corporate Procurement)

3.1 Procurement Strategy

The Commercial Case is set out in full in the Delivery Plan. This includes detail on the outline procurement strategy, including options assessment and rationale for current preferred way forward.

The outline Procurement Strategy has been developed following official guidance for public sector contracting authorities on the procurement of construction works, including The Construction Playbook (UK Government), Construction Procurement Handbook (Scottish Government) and Procurement Journey. The Public Contracts (Scotland) Regulations 2015 shall apply.

The Procurement Strategy (and route to be selected) and Contract Strategy (allocation of risk and reward) have not yet been formally approved. This section sets out the preferred way forward at this point in time (February 2023).

The initial Procurement Strategy has been developed considering market engagement, market conditions and lessons learnt from the first two phases of PKC's Perth Transport Futures Project (PTFP): Phase 1 - A9/A85 Junction Improvement and Link Road to Bertha Park (completed in 2019), and Phase 2, the Cross Tay Link Road (CTLR) (live project).

Phase 1 involved the construction of a new A9 grade separated junction, a new 2.6km single-carriageway link road and a new crossing over the River Almond. The project won numerous awards, including NEC Contract of the Year 2019, Scottish Green Champion Award (2019), and a Social Value Award 2018 (CECA). The Council undertook the detailed design for this scheme, with construction undertaken through the SCAPE Scotland Framework.

The CTLR involves the detailed design and construction of a new A9 grade separated junction, a 3-span bridge over the River Tay and railway, and a six kilometre stretch of new carriageway. The main objectives of the scheme are to reduce traffic congestion and related pollution in Perth city centre and enable the sustainable development of Perth. It is the biggest infrastructure project ever undertaken by Perth and Kinross Council.

After a robust procurement process, Stage 1 of the contract (Early Contractor Involvement) was awarded in August 2021, with Stage 2 (Construction) due to commence in September 2022. Completion is anticipated for Spring 2025. This contract was procured through competitive procedure with negotiation.

Although both of these projects (A9/A85 Junction Improvement & CTLR) are of a much higher value, the lessons learnt from these high-profile schemes will be applied in the development of the Procurement and Contract Strategies for the Perth West Phase 1 project.

A procurement options appraisal has informed the initial Procurement and Contract strategy and will be subject to ongoing review to ensure best value for money in terms of time, cost and quality requirements alongside economic, environmental and social value outcomes

Similar to the CTLR project, it is expected that the project for the Perth West Underpass and Associated Works will be delivered in two phases:

1. Infrastructure Planning and Concept Design Works
2. Detailed Design and Construction

Phase 1: Infrastructure Planning and Concept Design Works

There is a requirement to progress rapidly to concept design to meet the LUF and project requirements. Therefore, the likely procurement route is to utilise an established construction contract procurement Framework which will allow for contract award within financial year 2022/23, while at the same time ensuring that time savings are not at the detriment of quality, value for money or wider innovation and scheme benefits.

The likely procurement route is to run a Mini-Competition through the SCAPE Scotland Consultancy (Infrastructure) Framework. The rationale for discounting other

options is mainly time-based, with open competition likely to require longer timeframes for contract award.

SCAPE is a public sector organisation which helps to deliver essential projects to the highest possible standard, with a focus on community benefits and value for money. SCAPE's direct award construction, consultancy and civil engineering frameworks are fully compliant with Scottish procurement legislation (The Public Contracts (Scotland) Regulation 2015). SCAPE has delivered more than 260 projects across Scotland and created more than £400 million of community benefits across the country.

“As local government representatives, we define success in the same way as you. For us, compliance, taxpayer value, sustainable delivery, community cohesion and local economic impact are just as important as time, cost and quality” [SCAPE, 2022](#)

SCAPE's vision and values align fully with Perth and Kinross Council's procurement strategy.

PKC are using SCAPE frameworks effectively on other projects, such as the Dunkeld Road (through the SCAPE Consultancy Framework – Place Shaping), which involves design development of a multi-modal corridor as a first phase of reimagining travel in Perth (as part of the wider Perth People Place project). Phase 1 of the PTFP was also constructed using the SCAPE Framework.

Phase 2: Detailed Design and Construction Works

For Phase 2, three procurement options have been considered as follows:

Option 1: Civil Engineering Framework

Option 2: Competitive Dialogue

Option 3: Competitive Procedure with Negotiation

Option 1 considered the use of frameworks including (a) Crown Commercial Service – Construction Works and Associated Services (RM6088) and (b) SCAPE Scotland Civil Engineering Framework.

Due to limited experience in using (a), this was not taken further in the procurement options appraisal, although could be reconsidered with more information. Although (b), the SCAPE Scotland Civil Engineering Framework, offers quick access to the market, which negates the need to undertake a procurement exercise, competition is limited. In the interests of promoting fair competition, it is unlikely that this option is considered.

Options 2 and 3 offer a competitive procurement route and are similar with the exception of the dialogue during the selection process. The competitive dialogue procedure would mean the Council has to engage with all bidders over the duration of the selection process. The level of interest at previous market engagement events has been high and the Council's project team is relatively small and so this option would be onerous, as well as being time-consuming for bidders (Contractors at previous market engagement events have stated that this cost would likely be reflected in bids). This route would also elongate the selection process.

During the Phase 1 Contract, the design will be developed to Design Manual for Roads and Bridges (DMRB) Stage 2 and will be developed to DMRB Stage 3 as part of the Phase 2 Contract. The design will need to be sufficiently developed to inform the Phase 2 Scope of Services, to allow the Council's project team to define the contractual requirements and formulate the questions for the quality submission.

Taking account of the above, a Competitive Procedure with Negotiation (Option 3) is deemed the most suitable for the procurement of construction works and will allow for quicker competition. The award criteria (Price/Quality ratio) will be established as part of the Contract Strategy but will be based on meeting the objectives of the contract in terms of quality, innovation and productivity, skills (key persons within the contract data), environmental (including carbon management) and social outcomes and collaboration.

It is highlighted, however, that due to the current status of the construction industry regarding inflation and material supply and costs, the Phase 2 contract procurement option will remain under close review to ensure that the Council opts for the route which will achieve cost certainty and best value.

Market engagement for the Perth West project will also be undertaken to determine specific interest and market conditions closer to construction. Financial risk will continue to be monitored throughout, with continual review and update of the Risk Register and briefing to the Programme Board and Finances & Resources Committee if there are significant budget implications or financial risks to report.

Procurement Plan

The procurement plan and key milestones are set out in Table 3: Procurement Plan: Key Milestones. These represent outline estimates and will be refined with a more detailed procurement activity schedule as the project progresses. The Procurement and Contract strategy will be reviewed over the next 6-9 months as the Delivery Plan is refined.

Table 3: Procurement Plan: Key Milestones

Key Milestone	Anticipated Start Date	Anticipated Completion Date
Update Business Case, including outline procurement strategy for approval	Aug 22	Jan 23
Prepare Specification of Requirements (Phase 1 contract)	Jan 23	Mar 23
Phase 1 contract: SCAPE Consultancy Framework Appointment		Apr 23
Phase 1: Infrastructure Planning and Concept Design Works (DMRB Stage 2)	Apr 23	May 23
Outline Business Case (OBC) developed and Phase 2 Procurement Strategy Agreed (Gateway approval required)		June 2023
Prepare Phase 2 procurement documents	May 23	Aug 23
Issue Phase 2 ITT (Detailed design and Construction specification of requirements)		Sept 23
Tender return and evaluation	Sept 23	Dec 23

Tender report submitted for approval	Jan 24	Feb 24
Full Business Case (FBC) prepared for contract award (Gateway approval required)		Feb 24
Notification of outcome and standstill period	Feb 24	Mar 24
Phase 2 Contract Award: Detailed Design and Construction (Stage 1 ECI)	Mar 24	Apr 24
ECI Period including design development and advance works	May 24	Nov 24
Full Business Case (FBC) updated for Gateway approval to proceed to main construction (Gateway approval required)		Dec 24
Main construction	March 25	Dec 26

3.2 Service Requirements

The procurement and contract management of Phase 1 (Infrastructure Planning and Concept/Outline Design Works) will be led by PKC's Transport Planning Team. This team led the feasibility and outline design works for Phase 1 and 2 of the PTFP. Both projects were procured through a Public Contracts Scotland Framework.

This team undertook the options appraisal, feasibility and outline designs following the Design Manual for Roads and Bridges and developed both projects to Stage 2 DMRB. These projects were then passed to the Council's Road Infrastructure Team. This would also be the plan for the Perth West Project.

The same team is currently managing the Perth People Place, Dunkeld Road project through the SCAPE Framework (Consultancy – Place Shaping).

The procurement and contract management of Phase 2 (Construction phase) will be led by the Roads Infrastructure Team. This team includes a Roads Infrastructure Manager, 1x Senior Engineer, 2x project officers, and 1x technician. This team delivered the detailed design (DMRB Stage 3) and construction of Phase 1 of the PTFP and is currently responsible for the delivery of the CTRL.

For the CTRL, this included a £3.5 million contract (through the Scotland Excel Framework). This contract was awarded to Sweco in July 2017 and included the development of the Specimen Design, site investigations, drainage and flood assessments, public utility liaison and design, environmental impact, archaeological and ecological studies and preparation of the planning application.

The team also procured the Detailed Design and Construction Contract for the CTRL following Route 3 Procurement Journey utilising PCS-T. The contract for Stage 1 was awarded in August 2021 to BAM Nuttall Ltd with Stage 2 to be awarded following the successful completion of Stage 1.

The Road Infrastructure Team has been engaged in the process to ensure that there will be sufficient capacity to deliver the project, particularly given the resourcing demands of the CTRL. The PKC Client Project Team on CTRL (Stage 1 – ECI) is supported by additional resources and expertise. This includes NEC project manager and additional project management support, plus technical client support (Sweco). Support would also be available for the Perth West Project.

3.3 Charging Mechanism

The Contract Strategy will set out the commercial structure and risk allocation. The Form of Contract is likely to be NEC4 Engineering and Construction Contract, but the Main Option will be selected as part of the market engagement process taking account of market conditions.

Through market engagement for the CTLR, project Contractors expressed a strong desire for Early Contractor Involvement (ECI) so it is likely this will form part of the Stage 2 Contract for the Perth West LUF Project.

The Contract Strategy may therefore follow a two-stage approach as follows:

- Stage 1: ECI with contractor working with PKC to develop the detailed design and undertake advance works. Under this arrangement, the appointed Contractor has time to optimise, innovate and de-risk the design and construction. Construction can be de-risked by doing advance works to ensure licenses and permits are obtained well before construction operations. All this should contribute to better Value for Money for Stage 2 when compared with immediately signing a contract for detailed design and construction.
- Stage 2: Construction.

Experience from other projects has been taken on board in considering the Contract Strategy. As mentioned above, the Form of Contract is likely to be the NEC4 Engineering and Construction Contract. The third edition (NEC3) of this industry standard conditions of contract was successfully used on the A9/A85 project (Option A Priced Contract with Activity Schedule was adopted).

The CTLR was procured as NEC4 Option C Target Contract with Activity Schedule and included a pain/gain share mechanism and Early Contractor Involvement Clauses.

The NEC Form of Contract promotes good project management and collaboration between the parties which were evidenced on previous contracts and are currently being implemented on the CTLR.

3.4 Risk Transfer

Phase 1 will be assured by the SCAPE Scotland Consultancy Framework, with due diligence checks having been undertaken on the main consultancy partners. Contract management and payment structures will be governed by the framework call-off contract terms. SCAPE provides guidance in relation to compliant contract structures, sub-contracting and assignment within the scope of the SCAPE framework agreement.

For Phase 2, Detailed Design and Construction, due diligence will be undertaken as part of the competitive procedure and negotiation. The form of contract will also ensure effective contract management and appropriate payment structures which incentivise high performance, with KPIs to drive quality.

Lessons Learned – measures to be put in place to manage contractor / supplier risks

The PKC project teams that will be involved with the Perth West project gained considerable knowledge and valuable experience working on the Perth Transport Futures Project (A9/A85 Junction Improvement and Link Road to Bertha Park). This was procured through the SCAPE Procure Framework and consisted of three stages: Feasibility, Pre-construction and Construction. At the end of the project a review was undertaken including an extensive, lessons learnt, exercise.

Key lessons to apply to this project (currently also applied to the CTRLR project) are as follows*:

*NOTE: as mentioned in previous sections, the Procurement and Contract Strategies (form of contract, ECI, etc) are still to be formally agreed for the Perth West project.

Lesson 1

The NEC workshop (involving the Contractor and Client) held at the start of the construction stage did not clearly define roles and responsibilities and did not address the Contractor's lack of knowledge of the NEC form of contract. This proved particularly relevant when it was realised the Contractor's systems were not NEC-based, operating on a traditional design and construct basis, leading to the Contractor seemingly wanting to change the design unnecessarily.

- Perth West: Ensure the key project team members are involved in all workshops and that roles and responsibilities are clearly defined. PKC will ensure that all systems, including quality assurance, are in place.

Lesson 2

The collaborative approach adopted by the project team was essential to timely problem solving and minimising the impact (including cost impact) of issues encountered on site.

- Perth West: Build upon the NEC collaborative approach but ensure that it is adopted at contract award i.e., ensure that the Contractor's delivery team is involved in the commencement of the contract and fully integrated into the Early Contractor Involvement and detailed design stages.

Lesson 3

The Contractor received a final warning from SEPA and a Planning Enforcement Notice; there was also a significant health issue relating to dust involving NHS Tayside. The Contractor did not appreciate the reputational issues associated with these and the need to embed the environmental elements of the scheme into the construction.

- Perth West: Contract to include specific clauses regarding meeting compliance of the environmental elements of the work to be included in the contract. This will include requirements for monitoring and contingency planning.

Lesson 4

The contractor did not make use of modern technologies regarding administration, quality control and site activities.

- Perth West: The contract will include specific requirements, but it is proposed to develop these with the Contractor and their designer during the early stages of the contract.

Lesson 5

The poor quality of materials and workmanship was evident throughout the contract (in some areas) particularly with regard to surfacing and kerbing. In the latter stages of the contract sufficient and appropriate resources were not provided to ensure timely completion and quality finish.

Perth West: The contract will include specific clauses and requirements with regards to sub-contracts and performance. Particular focus will also be placed upon the Key Persons named within the contract and compliance with this.

3.5 Key Contractual Arrangements

Key contractual arrangements will be set out in the Full Business Case. At this stage the procurement and contract strategies are at an outline stage, drawing on lessons learnt from other capital projects. The procurements and contract strategy will need to be refined and agreed through gateway approvals.

3.6 Personnel Implications (to be completed in conjunction with HR)

There are no personnel implications.

3.7 Accountancy Treatment (to be completed in conjunction with Finance)

Expenditure and income on the project will be charged to Capital in accordance with accounting standards. It will therefore be reflected accordingly in the Council's balance sheet and categorised as Investment property. The net capital expenditure (borrowing) will also be charged to the Loans Fund and will therefore be subject to annual loan charges. The Loans Fund repayment method applicable will be the income matching method, whereby all subsequent income from grants, contributions and land disposals will be applied to reduce the debt. Loans Fund Interest and expenses will be charged on the outstanding debt of the project each year at the prevailing CF rate, until such time as the debt has been fully repaid.

4 Financial Case (for preferred option)

4.1. Capital and Revenue Requirements

A full review of the cost information available for the project has been undertaken. This included a review of a number of cost estimates provided by several suppliers at an earlier stage of project development (2019):

- Gardiner & Theobald (an independent construction and property consultancy working across the built environment)
- Morgan Sindall (construction and regeneration group)
- Systra (consulting and engineering firm)

It should be noted that all the above provided outline cost estimates were not for reliance. Arup reviewed all the cost information and produced a technical note which sets out the context, costings date, assumptions and limitations.

This above cost information was then consolidated and updated to reflect current prices given the recent inflationary environment for construction price escalation.

Table 4: Cost Summary Table

Ref	Description	Cost (current prices, 2022)	Cost (current prices + 30% contingency)
A	Tweed Place Improvements	£1,053,500	£1,369,600
B	Underpass	£9,365,500	£12,175,700
C	Innovation Highway East	£1,215,700	£1,580,600
D	Balance of Innovation Highway to Power Lines	£1,847,900	£2,402,500
E	M/M Link Road	£1,281,600	£1,666,300
F	Other items	£944,600	£1,228,200
G	Drainage	£1,365,000	£1,774,800
H	Utilities	£406,000	£528,200
I	Haul Road	£131,200	£170,600
J	Platforming	£4,135,000	£5,375,600
K	Sensor Allowance	£152,900	£198,800
Sub-total		£21,898,900	£28,470,900
	Land Cost	-	-
	Monitoring and Evaluation	£60,000	£78,000
	Design Phase & Management (5%)	£1,094,900	£1,423,500
	Contractors Fee (10%)	£2,189,900	£2,846,900
Total		£25,243,800	£32,817,000

The total cost for Phase 1 is estimated at £25.2 million; adding on 30% contingency, to account for inflationary increases on the current cost and delivery uncertainties, gives a total estimate of £32.8 million for Perth West Phase 1. This includes the costs for Perth Innovation Highway.

Capital Costs for Phase 1 would be phased from 2023/24 to 2025/26 as follows:

2023/24	2024/25	2025/26	Total
3.000m	20.800m	9.017m	32.817m

4.2. Net Effect on Prices

There will be no net effect on prices.

4.3. Impact on Balance Sheet

The project will require PKC borrowing to fund the upfront investment. The amount required will depend on outturn costs, which will be influenced by inflation and other financial risks. Given the outline stage of costs, a relatively high contingency has been applied of 30%. Based on the current funding strategy would result in a capital cost for PKC to fund for Phase 1 of £2.7m.

In addition to capital costs, there would be revenue costs in relation to loan charges as the Council would have to pay upfront borrowing in advance of grants, capital receipts or contributions being paid. The funding strategy is for the loan charges to be calculated for “interest only”. The overall impact of both Perth Eco-Innovation Park and Innovation Highway on the Council’s revenue budget would have to be calculated.

4.4. Impact on Revenue Budget

The Impact on the Council’s revenue budget would have to be calculated.

Once fully occupied, housing and commercial development is anticipated to generate £1.7 million and £2.1 million in annual Council Tax and Business Rates revenue respectively (a cumulative total of £30 million by 2045) from 2028/29 (2 years after construction completion).

4.5. Funding Mechanisms and Affordability *(including partnership and leverage)*

The OBC aims to achieve a close to cost neutral position for the Council and the sources of funding to support the capital costs are identified below:

- Commercial Land receipts: £5.130m - Sale of 27 acres (11ha) of commercial land at market value of £190,000/acre. This would be available from 2026/27. Ownership transfer of agricultural land from current owner (John Dewar Lamberkin Trust-JDLT) to PKC to develop commercial land would be covered by a contract to be agreed.
- Tay Cities Deal (TCD) Perth Innovation Highway: £5m - The UK Government has allocated £5m towards the development of Perth Innovation Highway. JDLT has agreed to transfer the TCD project leadership role to PKC which has now been agreed by TCD PMO. An OBC and FBC would have to be approved by TCD Joint Committee. TCD funding would be paid between 23/24 and 29/30. Costs for Phase 1 include sensor allowance which would also be deployed along Glasgow Road linking Perth Eco-Innovation Park to City Centre.
- Developer Contributions: £20m - Existing landowners (JDLT, Muir and Stewart Milne) would benefit from the project as it would provide access to the development sites for housing. Negotiations are currently taking place to secure appropriate, proportionate contributions towards the access infrastructure through

the Section 75 Planning Obligation. Developer contributions would be paid from 2026/27 onwards over at least 10 years and are linked to house completions and therefore the wider economic state.

The funding and delivery strategy would be developed further in progressing to Full Business Case, including other public sector funds and partnership opportunities. OBC will have to be reviewed when the outcome of Developer contributions' negotiations are known. However, there is a need to progress activities now to meet challenging timescales focusing on Contract Strategy and infrastructure planning and concept design works (DMRB stage 2).

5 Management Case (for preferred option)

5.1 Programme and Project Management Methodology

The project will be managed through a PRINCE2-structured framework, in line with the Council's Project Management Toolkit guidance. The project management methodology was developed with a comprehensive Delivery Plan to demonstrate that the necessary governance, plans and resource will be in place to ensure successful delivery.

The Core Project Team (CPT) will be responsible for setting up for successful delivery. The CPT is outlined in Figure 9; this is a combination of the successful teams currently delivering the Perth People Place (PPP) project and Perth Transport Futures Project (PTFP).

Figure 9: Perth West Phase 1 Core Project Team



The roles and responsibilities are outlined below:

Executive Sponsor: the most senior sponsor for the project, sitting on the Executive Leadership Team (ELT) for the Council. Barbara Renton is the most experienced member of the ELT, with extensive experience in strategic environmental and planning matters, including major infrastructure projects.

Project Board - this is the Smart Perth and Kinross Programme Board that will steer the project from inception to completion comprising representatives of services contributing to the project and chaired by the Head of Service, David Littlejohn, who is an experienced Town Planner overseeing strategic planning and development projects.

Project Manager – the person responsible for the delivery of the project who will have responsibility for management of suppliers, the budget and the project plan, escalating any issues to the Board and Executive Sponsor/ELT where necessary. Jillian Fergusson is the Roads Infrastructure Manager, who has overseen: the recently completed A9/A85 improvements; the Councils contribution to A9 dualling; and, is overseeing the build of the Cross Tay Link Road (CTLR).

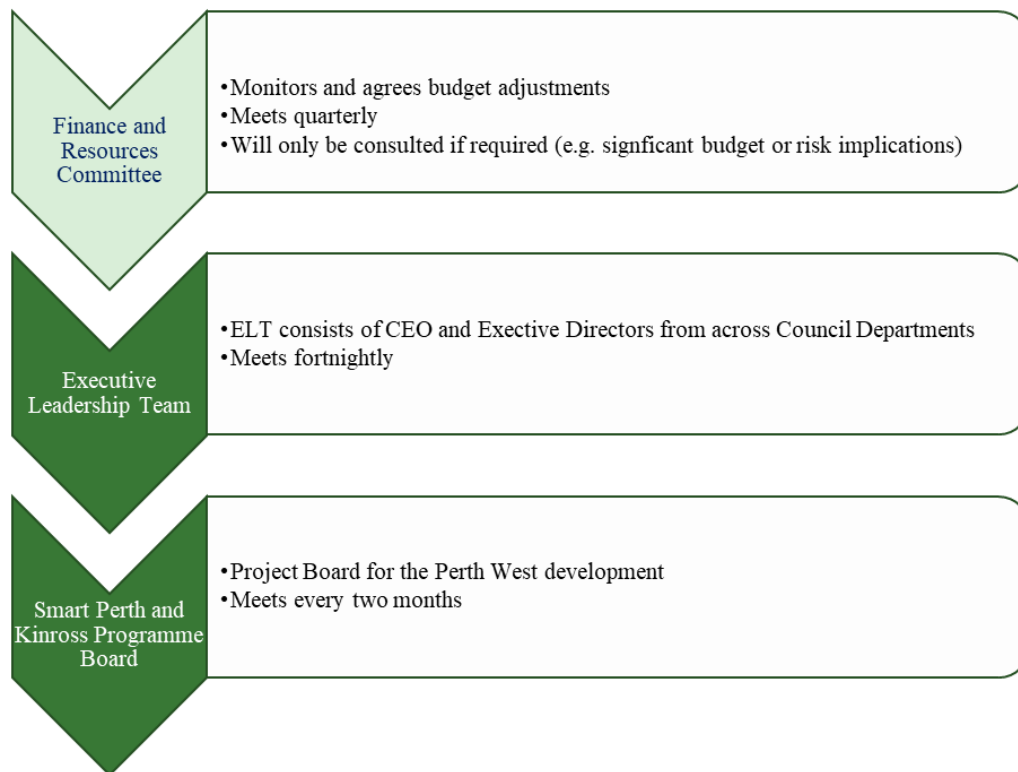
Project team - the team comprising representatives of the various services and any external advisors, working under the guidance of the Project Manager that will help

deliver the project from inception to completion. Representatives are all senior officers from their respective services with experience on similar scale projects.

Project Support - this will comprise the administrative and technical support to enable the delivery of the project, also supporting the governance structure.

The governance and reporting structure is set out in the Delivery Plan covering the Gateway Review Process and assurance arrangements. An overview of the governance structure for the project is provided in Figure 10.

Figure 10: Perth West Phase 1 Governance



- The Finance and Resources Committee will agree any project budget adjustments. The Committee meets on a quarterly basis and consists of fifteen members of the Council and the Convenor of the Council.
- The Executive Leadership Team (ELT) will oversee key decision points in the Gateway Review Process (GRP). The ELT meets weekly and consists of the Chief Executive, Executive Director – Education and Children Services, Executive Director – Communities, Chief Operating Officer, and Chief Finance Officer, Health and Social Care Partnership.
- The Smart Perth and Kinross Programme Board (Smart PK Board) will provide the strategic direction, meeting every two months and monitoring progress against the project plan, including critical Gateways and key milestones.

5.2 Programme and Project Management Plans

A Short project Plan is provided below and supported by a Delivery Plan. The project is split into eight milestones as follows:

- Milestone 1: Phase 1 Infrastructure planning and concept design (current – June 2023)
- Milestones 2, 3 and 4 relate to critical supporting activity
 - Milestone 2: Governance (Gateway approval points aligned with business case stages and marked in red in the project plan – Gateway Review Process ongoing throughout project)
 - Milestone 3: Finance & Funding (linking with other projects e.g. Innovation Highway, Tay Cities Deal – May 2023)
 - Milestone 4: Legal input (land assembly and title investigations (Sept 2022 – May 2023)
- Milestone 5: Planning application and stakeholder engagement (main activity between Apr 2023 – Aug 2023)
- Milestone 6: Phase 2 contractor procurement, including scoping requirements, market engagement, preparing tender documents, evaluating returns and contract award, including standstill period (Apr 2023 – Mar 2024)
- Milestone 7: Detailed design and construction works (April 2024- Mar 2026)
- Milestone 8: Monitoring and evaluation (April 2026 – March 2027)

5.3 Use of Specialist Advisers

The use of specialist advisers will be covered in the Full Business Case. This OBC has been informed by the Levelling Up Fund (Round 2) submission prepared by Arup with input from Bidwells property consultants. The submission also received input from Ristol Consulting (Mark Richardson) who worked on the planning application for Perth West and Stantec advisers who worked on economic appraisal.

5.4 Change and Contract Management Arrangements

Detailed change and contract management arrangements will be set out in the Full Business Case.

5.5 Benefits Realisation

It is important that benefits are managed as robustly as costs. Therefore, a benefits realisation plan will be prepared to set out the plan to monitor activities and outputs against the planned programme and logic model.

There is a close relationship between benefits realisation and monitoring and evaluation tasks. Specific owners will be identified to oversee the tracking of benefits and ensure they are realised – this will be specified in the Benefits Realisation Plan (BRP) and Monitoring and Evaluation Plan (MEP) once finalised as part of the Full Business Case development. If benefits are not being realised as expected, potential

remedial action can then be taken to try to bring the benefits back in line with expectations.

The project benefits – the outputs, outcomes and impacts – are set out in the project Theory of Change logic model.

5.6 Risk Management

Risk management should be considered at every stage of the project and business case.

A risk management strategy for the project has been developed and reflects:

- A continuous approach to risk management
- A thorough approach to identification of risks
- Active risk avoidance and mitigation
- Effective communication of risks throughout the delivery team to ensure issues can be managed with an appropriate level of authority
- Delivery of the project objectives to cost, quality and time

A Risk Register has been developed which will be updated monthly and is owned by the Project Manager (table 5).

As the project progresses to delivery, with the FBC setting out the final procurement, contract and management arrangements, the Risk Register will be transferred to those responsible for risk on a day-to-day basis, with PKC officers maintaining ownership of the overarching, high-level register.

The Risk Register is the main tool for identifying and managing risk and will be incorporated into PKC's risk management methodology, supported by the Project Management Toolkit. Within the register, risks are categorised as political, regulatory, financial, professional and construction as well as internal / external. The Risk Register includes a current assessment (August 2022) of risk, accounting for potential impact and likely probability, Control or mitigation measures are identified along with an assessment of residual risk.

Risk management and transfer is also considered in the Procurement Strategy and will be detailed further as the strategy is developed and agreed through gateway approvals; an outline strategy is included in the Delivery Plan and covers potential Early Contractor Involvement to mitigate design and delivery risks.

The top remaining risks are listed below:

- Rank 1st
 - Grant or contributions funding lower than anticipated
 - Increasing costs reducing Value for Money
 - Cost escalation due to inflation
- Rank 2nd
 - Loss of national, regional or political support for the project
 - Changes in the design requirements enforced by Transport Scotland delay and thus add cost to the programme
 - Insufficient market demand to deliver the desired levels of economic activity and GVA forecast

Table 5 - Risk Register:

Reference	Type	Number	Internal / External	Description	Inherent impact	Inherent probability	Inherent risk score	Rank	Control actions	Residual impact	Residual probability	Residual risk score	Rank
Pol_1	Political	1	External	Loss of national, regional or political support for the project	5	1	5	4	Continued dialogue with key government representatives	5	1	5	2
Reg_1	Regulatory	1	Internal/ External	Failure to get planning permission for underpass	4	1	4	5	Engagement with planning professionals at the Council	4	1	4	3
Reg_2	Regulatory	2	External	Regulatory approval for the underpass; provision of underpass design; possessions for construction of the underpass delayed by TS	4	2	8	3	Continued dialogue with TS and other key agencies	3	1	3	4
Con_1	Construction	1	External	Drainage issues delaying construction	2	1	2	7	Investigation of controlling actions following water assessment	1	1	1	5
Con_2	Construction	2	External	Ecological constraints preventing the start of construction	4	2	8	3	Set up Key Agencies group to shape mitigation	1	1	1	5
Con_3	Construction	3	External	Ground conditions delaying the construction programme	4	1	4	5	Further survey work	3	1	3	4
Con_4	Construction	4	External	Ground conditions impacting on costs	4	1	4	5	Addressing the issues as identified	4	1	4	3

Con_5	Construction	5	External	Unforeseen services delaying the construction programme	4	1	4	5	Addressing the issues as identified	4	1	4	3
Con_6	Construction	6	External	Archaeological constraints delay the construction programme	4	2	8	3	Archaeological survey ahead of construction to mitigate risk of delay. Set up a Key Agencies group	4	1	4	3
Reg_3	Regulatory	3	External	Changes in the design requirements enforced by TS delay and thus add cost to the programme	5	2	10	2	Keeping up to date on design standard changes	5	1	5	2
Con_7	Construction	7	Internal	Stopping up orders	2	4	8	3	Early discussions with TS	1	1	1	5
Con_8	Construction	8	Internal	Ecological constraints preventing the start of construction	4	2	8	3	Set up Key Agencies group to shape mitigation	1	1	1	5
Pro_1	Professional	1	External	Insufficient market demand to deliver the desired levels of economic activity and GVA forecast	5	2	10	2	Continued engagement with key stakeholders including private investors and developers	5	1	5	2
Pro_2	Professional	2	External	Availability of construction labour to complete the project given regional activity	4	1	4	5	Engagement with local, regional and national contractors before procurement	4	1	4	3
Pro_3	Professional	3	Internal	Delays in tender process for construction works	4	2	8	3	Engagement with local, regional and national contractors before procurement	3	1	3	4
Pro_4	Professional	4	Internal	Inappropriate governance procedures in place	3	1	3	6	Governance procedures in place	1	1	1	5
Pro_5	Professional	5	External	Increasing costs reducing Value for Money	4	3	12	1	Considering possible scenarios and impact from the outset; increasing optimism bias	3	3	9	1
Pro_6	Professional	6	External	Unable to find suitable contractors	5	2	10	2	Engagement with contractors to gauge availability, creating back up plans for any issues identified	4	1	4	3

Fin_1	Financial	1	External	Cost escalation due to inflation	4	3	12	1	Build in significant inflation and contingency into base cost estimate	2	3	6	1
Fin_2	Financial	2	External	Grant or contributions funding lower than anticipated	3	4	12	1	PKC will consider feasibility of additional borrowing to meet the shortfall	3	4	12	1
Fin_3	Financial	3	Internal	Design work proposes overly expensive design on contractor	3	2	6	2	clearly defined and managed ECI stage so the contractor is involved in detailed design work	2	1	2	3

5.7 Post Implementation Evaluation Arrangements

During the project, outputs will be regularly monitored against planned targets. Project outputs will be reported on a quarterly and 6 monthly-basis.

Once the project is complete, an evaluation will be carried out to assess the outcomes and impacts that have occurred. Given the nature of the project, the planned outcomes will materialise once the construction work is complete.

The table below provides an overview of the key indicators that will be assessed during the monitoring and evaluation of the scheme.

Table 5: Monitoring and Evaluation Indicators

Indicator	Output/ outcome/ impact	Data Source	Freq. of Data Collection	Reporting responsibility
A9 underpass linking to the Eco Innovation Park site	Output	Construction progress to be reported on in quarterly and 6 monthly monitoring reports	Quarterly and six monthly	Project manager
Local access road enhancement	Output			
Utilities (e.g. full-fibre connection) through underpass	Output			
Approximately 1,300 temporary construction jobs	Output	To be reported on in quarterly and 6 monthly monitoring reports		
Improved access to the Eco-Innovation Park site	Outcome (1st layer)		One year post opening evaluation	Transport Planning
Time savings	Outcome (1st layer)	On site traffic monitoring	One year post opening evaluation	Transport Planning
Increase in non-motorised users (NMUs)	Outcome (1st layer)	On site NMU traffic monitoring	One year post opening evaluation	Transport Planning
Improved digital connectivity	Outcome (1st layer)	Calculated based on digital infrastructure connected (links to Innovation Highway MEP)	End of construction period	Project manager
Unlocking investment in Eco Innovation Park	Outcome (2nd layer)	Local authority monitoring of investment and wider programme	One year post opening evaluation	Project Manager / Economic Development
Wider development site unlocked	Outcome (2nd layer)	Local authority monitoring of investment and wider programme	One year post opening evaluation	Project Manager / Economic Development
Reduction in CO2 and NO2	Outcome (2nd layer)	Onsite air quality monitoring	One year and 5 year post opening evaluation	Project Manager / Transport Planning

Health benefits	Outcome (2nd layer)	Calculated based on NMU activity	One year and 5 year post opening evaluation	Project Manager / Transport Planning
Investment in high skilled industries	Impact	Local authority monitoring of investment	One year and 5 year post opening evaluation	Project Manager / Economic Development
GVA by industry	Impact	Publicly available data	One year and 5 year post opening evaluation. Also data to be included in the 3 monthly and 6 monthly project monitoring reports.	Project Manager / Economic Development
Land value uplift	Impact	Publicly available data	One year and 5 year post opening evaluation. Also data to be included in the 3 monthly and 6 monthly project monitoring reports.	Project Manager / Economic Development
Perception of local area	Impact	Local resident and business survey	One year and 5 year post opening evaluation.	Project Manager / Economic Development
Progress against net zero targets	Impact	Emissions – tracked against local net zero targets	One year and 5 year post opening evaluation.	Project Manager / Economic Development

Conducting an evaluation of the scheme is essential to understand the impacts that have materialised in relation to the original objectives and Theory of Change, and to understand what has worked well, challenges and lessons learnt.

It is proposed that PKC will commission an external consultant to carry out an impact and process evaluation of the project. A budget allocation has been reserved to cover the costs of delivering the monitoring and evaluation work.

An impact evaluation will assess the extent to which the planned outcomes and impacts identified have been achieved against those set out in the Theory of Change/ logic model. It will also explore who is benefiting from the project.

The monitoring of data for each of the indicators will be used to inform the evaluation. The objectives of the impact evaluation are:

- To quantify the outcomes and impacts that have been achieved as a result of the project;
- Where it is not possible to quantify the impacts, these will be explored in a qualitative way; and
- To demonstrate the extent to which the objectives of the project and Theory of Change have been achieved.

A theory-based approach will be used to explain the causality between the project and the changes that have occurred on the ground in terms of outcomes and impacts. Where possible, a Value for Money (VfM) assessment will be carried out.

In addition to exploring the impacts of the project, the process evaluation will also be used to identify how the project progressed against the plan and whether the intended outputs have been delivered. This will help to understand what worked well in delivering the project; for example, the relationships between planning, resourcing, budgeting and risk management, barriers and challenges, and how these have been overcome and the lessons learnt.

The objectives of the process evaluation are:

- Understand whether the project has been delivered according to plan and whether the anticipated outputs have been delivered (and if not, why);
- To understand locally to what extent the process has built leadership, partnerships and/or capability and reduced silo working; and
- To understand what worked well, challenges and lessons learnt.

5.8 Contingency Arrangements

There are no alternative sites proposed as contingency. In terms of costs and contingency, the following have been assumed:

- Design phase and management costs are assumed at 5% (of capital cost) and the contractor fee is assumed at 10%. These are based on professional judgement and benchmarks from other projects.
- A relatively high contingency (30%) has been applied to the cost estimates. The rationale for this contingency is that the costs represent an outline budget only. The level of detail at the stage of costing was insufficient to ascertain quantities with no detailed specification available but rather indicative drawings.