

Edinburgh and South East Scotland City Region Deal Joint Committee

10am, Friday 4 June 2021

Dunfermline Strategic Transportation Intervention Measures (STIM) Full Business Case

Item number 5.4

Executive Summary

This report presents the Business Case for a Proposal to part fund the Dunfermline Strategic Growth Transportation Infrastructure Programme, as part of the Edinburgh and South East Scotland (ESES) Region City Deal. This proposal, through the Housing Infrastructure Fund, will provide a means to unlock and accelerate investment in essential new strategic transportation infrastructure in the Dunfermline Strategic Growth Area. This will facilitate large-scale mixed-use development and investment in the Dunfermline and wider Edinburgh City Region economy including unlocking up to 2,000 affordable and 6,000 private homes.

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Dunfermline Strategic Transportation Intervention Measures (STIM) Business Case

1. Recommendations

- 1.1 To endorse the Full Business Case (FBC) included as Appendix 3 to this report to support for submission of a Housing Infrastructure Fund application(s); and
- 1.2 To note that Fife Council's Policy & Co-ordination Committee on 13th May 2021 authorised officers to submit the Business Case to the Edinburgh and South East Scotland City Region Deal Joint Committee and Government partners for final approval.

2. Background

- 2.1 The attached Business Case presents a proposal to part fund the Dunfermline Strategic Growth Transportation Infrastructure Programme.
- 2.2 Fife's Strategic Development Areas (SDAs) are large scale, mixed-use, development allocations which are identified through the Strategic Development Plans of SESplan (for the Edinburgh City Region) and TAYplan (for the Dundee City Region). The delivery of the SDAs is central to the spatial strategy of Fife Council's Adopted Local Development Plan (FIFEplan) which proposes several SDA sites across Fife for development. Cumulatively, it is estimated the SDAs have an investment value of £3 billion. Development of the SDAs are key components to achieving the outcomes of the Plan 4 Fife, Fife's Local Outcome Improvement Plan (LOIP), and contribute to the themes of thriving places and inclusive growth and jobs.
- 2.3 The Dunfermline SDA programme (see Appendix 1) represents one of the largest areas of strategic growth in Scotland. This programme has the potential to provide approximately 8,000 homes (including a minimum of 25% affordable units); 80 ha of employment land; 5 new primary schools and £36m in developer contributions to secondary education facilities in the Dunfermline area; and other community facilities. There will be additional benefits to the wider Dunfermline Strategic Transportation Zone where a total of 14,000 houses are programmed. The Dunfermline SDA programme will not only assist Fife's post-COVID economic recovery but will also unlock the delivery of up to 2,000 affordable housing units and

help meet the Council's affordable housing target and support the Scottish Government's Housing to 2040 vision.

- 2.4 Fife Council will deliver a major investment programme in strategic transportation infrastructure in Dunfermline (see Appendix 2) to support the SDA delivery of homes, employment land and community infrastructure such as schools, shops and urban parks. Such investment will accelerate inclusive growth, create new economic opportunities, and new jobs that will help to reduce inequalities in the Dunfermline area and beyond. This will be achieved through direct investment by the Council working in partnership with private sector landowners and developers to leverage additional investment and funding into Dunfermline, Fife and the wider City Region.
- 2.5 The aim is to create a long-term investment programme in Dunfermline that will assist in the delivery of the objectives of the LOIP not only in Dunfermline but into Mid Fife and the rest of Fife through increased connectivity and economic growth. The importance and benefits of Dunfermline's strategic growth to Fife and the wider Edinburgh City Region have been recognised through the Edinburgh & South East Scotland City Region Deal. Dunfermline is one of the seven strategic sites identified within the deal that can access monies to deliver infrastructure and unlock strategic growth.

3. Main report

- 3.1 The vision is that the SDA programme will have a transformative effect on Dunfermline, in terms of place making and inclusive and economic growth and contributes to national, regional and local policy objectives. This vision, therefore, supports not just the ambitions of the ESES City Deal but also the strategic ambitions outlined throughout the Business Case.
- 3.2 However, there is a capital gap due to an uplift in capital costs and a timing gap between the interventions being put in place and the funds being received in full through developer contributions. Without public sector intervention to bridge the initial upfront infrastructure funding timing lag and capital gap, the strategic growth of Dunfermline, as proposed through [SESplan](#) and [FIFEplan](#), will not be able to be delivered by the private sector. The timing gap has always been expected and been estimated and accounted for in the Fife Council Capital Plan. However, capital costs are likely to be higher than the level that can feasibly be covered from receipt of developer contributions. The Business Case will support a grant funding application for Housing Infrastructure Fund grant to bridge the projected capital funding gap.
- 3.3 Under the Business as Usual scenario within the Business Case, it is anticipated that the continued developed of the SDA sites would stall due to the critical nature of the transportation network in Dunfermline. This would result in the non-delivery of the SDA Programme in Dunfermline and as a result, national, regional and local objective to deliver homes and economic growth through strategic growth would fail. The consequences of failing to deliver enhanced connectivity in Dunfermline would

also impact on other parts of Fife, in particular Mid Fife and the wider Edinburgh City Region.

- 3.4 The data in the supporting Dunfermline Housing Market Report (Appendix 8.3 of the Business Case) highlights that Dunfermline has a strong housing market. Dunfermline has weathered the post credit crunch downturn better than settlements of similar size and out of the 5 comparators shows the most consistency from year to year demonstrating its resilience and its attractiveness to developers. However, the buoyancy of the market may create a challenge.
- 3.5 It is approved Fife Council policy that Section 75 contributions for off-site transportation interventions in Dunfermline will be collected, held within the Fife Infrastructure Investment Fund, and the funds drawn down as required for Fife Council to deliver the required infrastructure interventions. Due to the strong Dunfermline housing market; many of the Dunfermline housing sites are now being considered through the planning process and programmed to be under construction at the same time. This accelerates the requirement for transportation infrastructure and results in a cash flow deficit within the Infrastructure Investment Fund that requires to be filled to allow development to proceed.
- 3.6 The Business case has been considered by ESES Regional Housing Partnership and endorsed by the Regional Housing Board. The Regional Transport Appraisal Board will be briefed at their meeting on 10th May. The Council has worked collaboratively with Scottish Government, More Homes Division and Scottish Futures Trust to arrive at a workable solution of grant funding. The Business Case has been endorsed in principle by More Homes Division.

Risk Assessment

- 3.7 An assessment of the risks associated with the delivery of the transportation interventions has been undertaken and forms part of the Business Case. This identifies a wide range of potential risks and the impacts these would have on the delivery of the STIM Programme. Sensitivity analysis has been undertaken to help inform this risk analysis and can be found in Table 5.5 of the Business Case. The Business Case Risk Register can be found within Appendix 8.10 of the Business Case and the STIM Programme Risk Register is appended to this report as Appendix 4.

4. Financial impact

- 4.1 Fife Council has worked closely with Scottish Government More Homes Division and Scottish Futures Trust to arrive at the most appropriate source of funding that will work to reduce the funding gap in the Dunfermline STIM programme. Housing Infrastructure Fund (HIF) grant has been identified as the most appropriate funding solution for Dunfermline and the Business Case has been written to align with this funding stream. This collaborative working has also been focused on achieving a

funding route for other strategic sites within the City Deal, where there are similar objectives.

4.2 In summary, this proposal seeks to secure Housing Infrastructure Funding (HIF) of £16.5m towards strategic transportation infrastructure. The grant would cover 25% of construction costs to align with the 25% affordable housing provision. The Scottish Government has advised that the City Deal HIF funding shall not affect the amount of potential HIF funding Fife Council could access through its affordable housing programme. HIF funding is required to unlock the 2,000 affordable units proposed and deliver the wider strategic growth of Dunfermline. Funding will be applied for, and phased, over three, five-year grant periods to align with the Scottish Parliament parliamentary periods (a requirement of HIF funding). An initial phase 1 grant application of £4.85m, covering 2021/22 - 2025/26 will be submitted on approval of the Business Case. Table 1 outlines the proposed grant over the 15-year delivery period:

Grant Period	Phase 1 (2021/22 - 2025/26)	Phase 2 (2026/27 - 2030/31)	Phase 3 (2031/21 - 2035/36)	Total
Grant	£4.85m	£6.1m	£5.58m	£16.538m

Table 1: Projected grant phases

5. Alignment with Sustainable, Inclusive Growth Ambitions

5.1 The Inclusive Growth Challenges for the City Region and a Framework to tackle these are set out in Pages 6 - 10 of the City Region Deal document. Dunfermline is one of the seven strategic sites identified within the Housing Theme as a key area of change and growth. The strategic urban expansion of Dunfermline is of a scale not seen outwith Scotland's cities for a number of years. It will contribute to increased sustainable economic growth and directly contribute to Themes 1 and 2 of the Edinburgh and South-East Scotland City Region Deal inclusive growth framework:

- Theme 1: Accelerating inclusive growth
- Theme 2: Removing the physical barriers to growth

5.2 The delivery of the Dunfermline STIMs Programme will directly address transportation infrastructure constraints that are currently impacting on the amount of available land for housing. This will contribute to Theme 2 by removing physical barriers to growth. By improving connectivity and unlocking affordable housing, private housing and employment land/commercial expansion, the Programme will accelerate inclusive growth and contribute to Theme 1 by unlocking a significant programme of construction. This will be achieved initially through the delivery of the transportation interventions over a 15 year period but also the unlocking and delivery of up to 2,000 affordable and 6,000 private homes programmed up to 2058/59.

- 5.3 The Economic Impact Assessment undertaken as part of the Business Case projects 1,000 construction jobs per annum will be sustained across the construction phase. In addition, the Programme will help contribute to the growth ambitions of the City Region Deal by growing employment opportunities. By the end of year 30, approximately 1,000 permanent/recurring jobs will have been created on the employment allocation (based on a conservative 25% take-up of employment land).

6. Background reading/external references

- 6.1 [Fife Council Policy & Co-ordination Committee, 13th May 2021](#), Item 7 - Edinburgh & South East of Scotland City Region Deal: Dunfermline Strategic Transportation Intervention Measures (STIM) Business Case.

7. Appendices

Appendix 1: Dunfermline Strategic Development Area

Appendix 2: Dunfermline Strategic Transportation Intervention Measures

Appendix 3: Dunfermline Strategic Transportation Intervention Measures City Deal Business Case

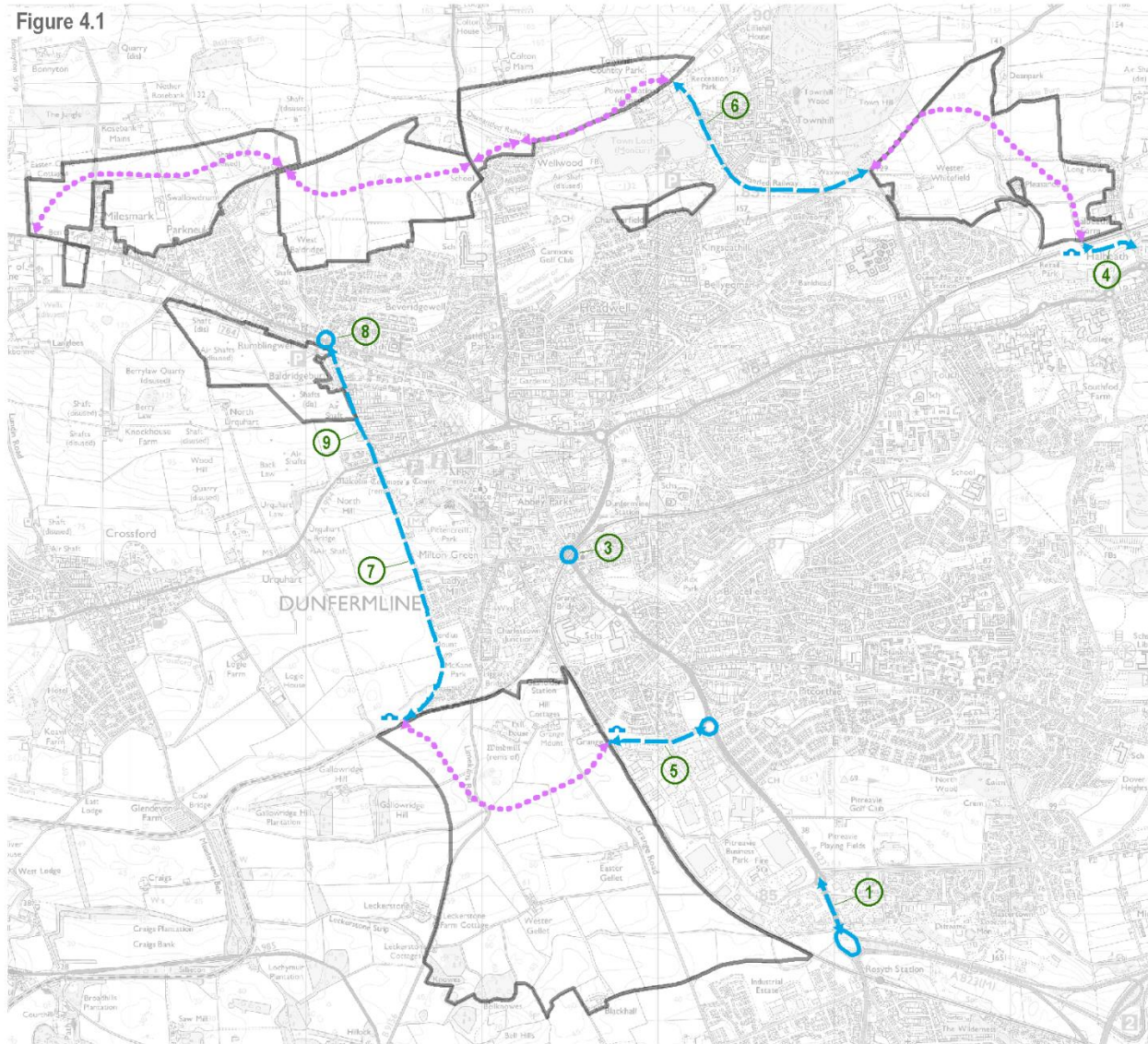
Appendix 4: Dunfermline Strategic Transportation Intervention Measures Programme Risk Register

Appendix 1: Dunfermline Strategic Development Area






Appendix 2: Dunfermline Strategic Transportation Intervention Measures

Figure 4.1



Dunfermline Strategic Transportation Intervention Measures

-  Sections of Northern Link Road & Western Distributor Road within SDA's
-  Bridge over railway
-  Sections of Northern Link Road & Western Distributor Road outwith SDA's
- ① Pitreavie Roundabout Signalisation & Additional Southbound Lane on A823
- ② Kings Road/Admiralty Road Junction Signalisation (Not Shown)
- ③ Bothwell Gardens Roundabout Signalisation
- ④ Northern Link Road (NLR) - East End
- ⑤ Western Distributor Road (WDR) - Grange Drive
- ⑥ NLR - A823 - Whitefield Road
- ⑦ WDR - Coal Road including Bridge Crossing of Dunfermline - Alloa Railway
- ⑧ WDR - William Street/ Rumblingwell Junction Upgrade
- ⑨ WDR - William Street



**Submission to Scottish Government
Edinburgh and South East Scotland City Deal
Housing Infrastructure Fund**

**Dunfermline Strategic Growth
Transportation Infrastructure Programme:
Supporting Housing Delivery**

Full Business Case

June 2021



**EDINBURGH AND SOUTH EAST SCOTLAND
CITY REGION DEAL**

Purpose of this Document

This document sets out the Full Business Case, in support of the Dunfermline Strategic Growth Transportation Infrastructure Programme. The Business Case provides the evidence that the most economically advantageous investment programme is being delivered and that it is affordable. In addition, the Full Business Case explains the fundamentals of the Dunfermline Strategic Growth Transportation Infrastructure and outlines the detailed arrangements for its delivery, demonstrating that the required outputs can be successfully achieved.

“We can also deliver transformational change through our approach to housing. The [COVID-19] crisis has reiterated the fundamental importance of safe and good quality housing for all - that means continuing our programme of housebuilding, and ensuring both new and existing homes are energy efficient and high quality, creating jobs as part of our investment in construction and retrofitting.”

Extract from the introduction from the First Minister, Rt Hon Nicola Sturgeon MSP
First Minister of Scotland to Protecting Scotland, Renewing Scotland: The
Government's Programme for Scotland 2020-2021, September 2020

“... delivering on the vision and aspiration set out in this strategy [Housing to 2040] will require hard work, collaboration and commitment. But when the prospect of doing so will enable us to realise an equal and fairer Scotland, where everyone has the right to a home, and helps us deliver a greener Scotland with vibrant and flourishing communities, then that effort will be worth it and for the generations to come.”

Foreword extract from Aileen Campbell, the Cabinet Secretary for Communities and
Local Government, Housing to 2040, March 2021

EXECUTIVE SUMMARY

This document presents a Business Case which seeks grants, from the Housing Infrastructure Fund (HIF), to part fund the Dunfermline Strategic Growth Infrastructure Programme as part of the Edinburgh and South East Scotland (ESES) Region City Deal. Grant funding is required to address a capital shortfall within the Dunfermline Strategic Transport Intervention Measures (STIM) Programme. This will enable strategic transportation infrastructure to be delivered to unlock the strategic growth of Dunfermline. By unlocking this growth and individual housing sites, up to 2,000 affordable housing units and up to 6,000 private units will be delivered.

The Business Case for Dunfermline shows a commitment to place-based investment which will see a co-ordinated approach to housing investment through delivery of essential transport infrastructure, using the investment first principle, that will enable private investment, supporting regional growth. This will be achieved by the delivery of strategic transportation interventions, unlocking up to 2,000 affordable homes as part of wider mixed-use development and investment in the Dunfermline economy. The place-based investment aligns with a number of Scottish Government strategies, aimed at transitioning to net zero emissions, driving inclusive economic growth and building resilient and sustainable places, (including the recently launched [Housing to 2040](#), the [Infrastructure Investment Plan for Scotland](#) and the [Place Principle](#)).

Figure 0.1, below, identifies the nine development sites which make up the Dunfermline strategic growth programme. Due to the scale of growth, significant infrastructure is required to service the strategic growth of Dunfermline as identified in Figure 0.2. This proposal will provide a means to unlock and accelerate investment in essential new strategic transportation infrastructure in the Dunfermline strategic growth area (see Figure 4.1) in order to facilitate up to 2,000 new affordable housing units as part of large scale mixed use development and investment in Dunfermline, Fife and the wider Edinburgh City Region economy.

Unlocking the seven strategic housing sites identified in ESES Region City Deal Heads of Terms Agreement and delivering innovative infrastructure solutions is essential to remove existing physical barriers to growth. The development pipelines created by the regional housing programme contributes significantly to the £1bn programme of construction planned across the city region deal programme.

Fife's Strategic Development Areas (SDAs) are large scale, mixed-use, development allocations which are identified through the approved Strategic Development Plans of [SESplan](#) (for the Edinburgh City Region) and [TAYplan](#) (for the Dundee City Region). The delivery of the SDAs is central to the strategy of Fife Council's Local Outcome Improvement Plan ([Plan 4 Fife](#)) and the [Adopted Local Development Plan \(FIFEplan\)](#) which proposes a number of SDA sites for development. Development of the SDAs will help achieve the outcomes of the Plan 4 Fife; in particular the themes of Thriving Places and Inclusive Growth and Jobs. At a national level, Fife's SDAs will contribute to national outcomes relating to place making; social inclusion; and low carbon.

The Dunfermline SDA Programme represents an exemplar of strategic growth within the City Deal Programme. Within the context of the then Development Plan

a *Dunfermline Strategic Framework* (WMUD 2009) study was commissioned by Fife Council. It looked at how the land-use elements (housing, employment, and community infrastructure) could be accommodated in Dunfermline in a manner which would result in “*high quality, sustainable & distinctive place-making*”. The starting point of the *Framework* was the development of walkable neighbourhoods based around mixed-use local centres and local employment land, supported by improved transport facilities. Community interests, key agencies and the principal developers were involved in this iterative process.

The Dunfermline SDA Programme now represents one of the largest areas of strategic growth in Scotland. The programme has potential to provide up to 2,000 affordable homes; as well as up to 6,000 market homes; 80 ha of employment land; 5 new primary schools; £36m in developer contributions to secondary education facilities in the Dunfermline area; as well as other community facilities; all integrated with new transport infrastructure. There will also be benefits to the wider Dunfermline Strategic Transportation Zone where a total of 14,000 houses are programmed (see Appendix 8.5). It was intended that all of the above infrastructure would be funded by developers, with either direct provision on site or via developer contributions. Additional costs have been identified which means this is no longer the case and there will be a capital shortfall. In the case of the off-site strategic transportation infrastructure, developer contributions are being collected in a Strategic Infrastructure Fund managed by Fife Council.

It is recognised that the Dunfermline SDA build out period will take the programme through the interim reduction targets to reduce greenhouse gases and potentially on to zero carbon targets as set out in the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019. The programme of STIMs will work alongside new park and ride schemes and a new rail halt at Halbeath Park and Ride. Improved modal options which will promote sustainable and active travel in Dunfermline and the surrounding area.

Dunfermline is South East Scotland’s largest town. The Dunfermline housing market has a strong track record of delivery and performance compared to other similarly sized locations and provides a strong rationale for why this is a low risk investment (see Section 4 - Commercial Case and Appendix 8.3 Dunfermline Housing Market Report).

However, despite the strong housing market, developers have viability issues, particularly, in the early years of development, when most on and off-site infrastructure needs to be provided. Extensive undermining in the area is resulting in significant ground remediation works for those already on site. Critical capacity issues in the school estate means that schools are required immediately or within the first few years of development, with interim temporary arrangements having to be put in place, and funded, by the developers. In addition, significant capacity issues exist in the Dunfermline road network, as identified in the Dunfermline Transport Assessment 2011 and the FIFEplan Local Development Plan Transport Appraisal 2015. To enable growth, new transportation interventions are required, alongside an increase in active travel opportunities. The Strategic Transportation Intervention Measures listed in Appendix 8.1 all have early triggers.

The response to COVID-19 and the subsequent impact on the development industry, and wider economy, is unlikely to be understood in full for some time. The conclusions drawn later in this document have looked at national and local impacts.

The Financial Model supporting this Business Case has a built in COVID assumption which assumed the delivery of 25% of the Dunfermline housing completions programmed in 2020/21 (due to construction pausing for 9 months), with recovery over the following 3 years. COVID-19 delays due to adaptations to working practices and disruption to the supply chain are expected to also have an adverse impact on construction costs. A contingency of 15% was included on construction costs in 2020/21 and 10% has been applied for costs in 2021/22.

If a funding solution for the delivery of the transport infrastructure cannot be found, then strategic growth in Dunfermline (including the delivery of affordable homes) would be challenging to deliver and would be delayed. In addition, a grant to part fund the delivery of transportation infrastructure would allow Fife Council to manage and deliver its considerable education infrastructure responsibilities and challenges in Dunfermline and elsewhere in Fife.

The Dunfermline Business Case

- **is seeking grant funding of £4.85m over the next Scottish Parliament parliamentary period (2021/22 – 2025/26), to unlock affordable housing - covering 25% of construction costs (to align with 25% affordable housing provision); and**
- **sets out plans for future phases of the Programme which will require financial support after 2025/26 estimated at £11.68m.**

The delivery of up to 2,000 affordable housing units in Dunfermline, as part of strategic growth across 9 sites, would meet the criteria of the Housing Infrastructure Fund. Funding would only be directed to infrastructure works which are outwith the curtilage of the affordable housing sites and which are of a scale that will open up larger sites for housing development. The HIF funding while unlocking the delivery of up to 2,000 affordable housing units, would further assist in enabling the delivery of up to 6,000 market housing units; employment land and other community infrastructure over the full Programme.

The Fund would not be used to:

- provide community infrastructure required as a consequence of new housing development, for example, schools;
- fund, or supplement, developer contributions towards affordable housing provision;
- replace other public sector contributions for major infrastructure which these bodies should be directly funding;
- fund works or other items which would normally be funded by the local authority, for example, general land acquisitions or acquisitions of property and land made under compulsory purchase orders (CPOs); or
- fund major roadworks, such as upgrading or realignment of trunk roads, which will not directly support housing delivery within the five-year period.

HIF grant funding to assist with the delivery of strategic transportation infrastructure in Dunfermline would: -

- enable housing and infrastructure delivery;
- support quality of life by promoting quality of place and the public interest in Dunfermline in line with 'A Plan for Scotland', the Scottish Government's Programme for Government; A National Mission with Local Impact Infrastructure Investment Plan for Scotland 2021-22 to 2025-2026; and the Place Principle;
- enable the delivery of up to 2,000 new affordable homes supporting the Scottish Government's Housing to 2040 vision;
- enable the delivery of up to 8,000 new homes, supporting the SESplan 19,000 target;
- enable the delivery of sustainable place making and new homes supporting Fife Council's Local Outcome Improvement Plan;
- enable Fife Council to maintain an effective 5-year housing land supply and fulfil its statutory requirement to deliver the adopted Local Development Plan;
- enable the collection of over £67m in transportation contributions (required to improve the local transportation network), and the equivalent of over £100m in education contributions; to sustain the growth from not only the strategic sites but the other 20 or so housing sites allocated in the Local Development Plan, in line with Fife Council's Planning Obligations Framework Supplementary Guidance; and
- enable further economic growth in the Dunfermline area through the creation of construction jobs and the delivery of employment land, and local community infrastructure.

In line with requirements of the UK Treasury Green Book methodology the business case highlights:

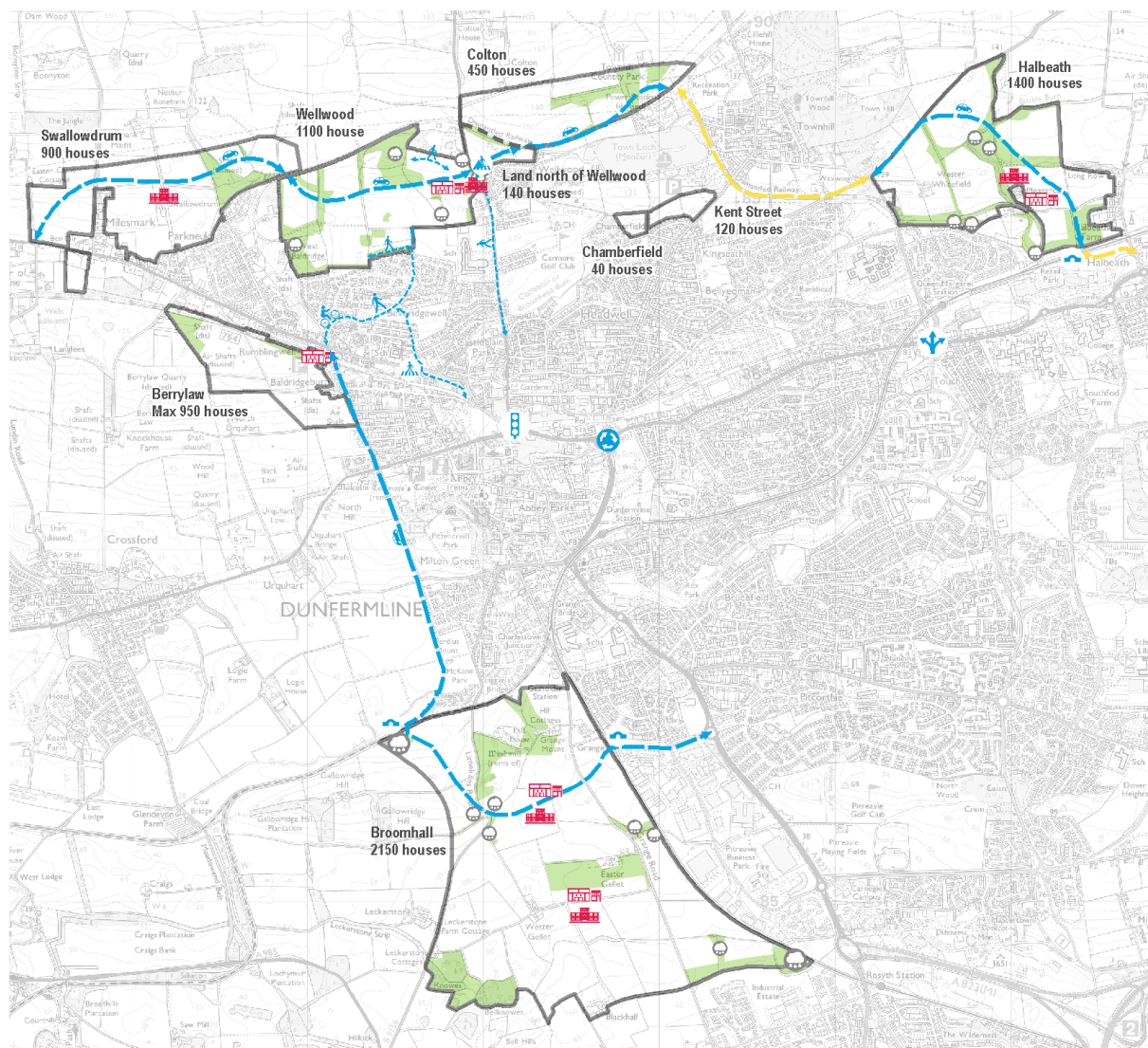
- Justifies the case for investment;
- Demonstrates Value for Money (VfM);
- Sets out the 5-Case model Strategic; Economic; Commercial; Financial; and Management.

Figure 0.1: Aerial View of Dunfermline SDA














Source: Fife Council









Figure 0.2: Infrastructure required to service the strategic growth of Dunfermline



Dunfermline SDA Infrastructure

-  Improvements to Sinclair Gardens roundabout
-  Traffic signal upgrade
-  Northern link road & western distributor road
-  New & enhanced pedestrian & cycle links
-  Bridge over railway
-  Junction & road improvements Whitefield Rd/ Halbeath Rd
-  Sections of Northern link road outwith SDA's
-  5 new Primary Schools at Wellwood, Broomhall, Halbeath & Swallowdrum
-  Neighbourhood centre
-  Sustainable Urban Drainage
-  Parks & structural landscaping

Other Infrastructure - no location

-  New/enhanced bus service
-  Sites for healthcare facilities - Swallowdrum & Halbeath
-  Contributions towards secondary school provision
-  Public Art
-  Wastewater Infrastructure
-  Water Infrastructure
-  Recycling Facilities
-  CHP/Renewable Energy

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Source: Fife Council

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1.0 INTRODUCTION

- 1.0.1 This Dunfermline Strategic Growth Infrastructure Programme Business Case is seeking to secure a first phase grant funding of £4.85m of Housing Infrastructure Fund (HIF) funding under the Edinburgh and South East Scotland (ESES) Region City Deal Heads of Terms agreed with the UK and Scottish Governments on 20th July 2017. This funding will be supplemented with a Fife Council Capital Programme contribution, which is based on developer contributions. Over the length of the programme funding will, therefore, come from the developer contributions and the Scottish Government with Fife Council funding the timing gap.
- 1.0.2 The proposal contained in this Business Case is to secure capital funding to part fund the infrastructure delivery of the Dunfermline Strategic Growth Programme. This proposal will provide a means to unlock and accelerate investment in essential transportation infrastructure in the Dunfermline Area and will facilitate the delivery of up to 2,000 affordable homes, as part of large-scale mixed-use development and investment in the Dunfermline economy and wider City Region.
- 1.0.3 The vision is that this place-based investment programme will have a transformative effect on Dunfermline, in terms of place making; social inclusion and economic growth whilst contributing to national, regional and local policy objectives. This vision, therefore, supports not just the ambitions of national policy and the ESES City Deal but the Fife-wide strategic ambitions contained throughout this Business Case.
- 1.0.4 The Dunfermline Strategic Development Area (SDA) programme represents one of the largest areas of strategic growth in Scotland. The Programme has potential to provide up to 8,000 homes (including a minimum of 25% affordable – approximately 2,000 units); 80 ha of employment land – along with the related employment and training opportunities; 5 new primary schools and £36m in developer contributions to secondary education facilities in the Dunfermline area; and other community facilities. There will be additional benefits to the wider Dunfermline Strategic Transportation Zone where a total of 14,000 houses are programmed (inclusive of the SDA - see Appendix 8.5 Transport Zones and Appendix 8.7 Financial Model).
- 1.0.5 The delivery of up to 2,000 affordable homes, a part of the Dunfermline strategic growth programme, will contribute to the Scottish Government's Housing to 2040 vision. The vision, is to deliver 100,000 affordable homes across Scotland by 2031/32, whilst adopting "*a place-based approach so that homes and places work together seamlessly and people can live in communities that meet their needs and support their health and wellbeing*". Amongst the actions set out in Protecting Scotland, Renewing Scotland: The Government's Programme for Scotland 2020-2021 is the objective of the Scottish Government to "*complete the delivery of affordable homes as quickly as it is safe to do so, and set out a 20 year vision for energy efficient, zero carbon housing, with access to outdoor space, transport links, digital connectivity and community services*".
- 1.0.6 The ESES City Region Deal has recently produced a draft paper on *The Role of Affordable Housing in Regional Economic Recovery*. The aim of the paper "*is to highlight the role of affordable housing to help rapidly rebuild the Scottish and city region economy, create jobs and revive our communities. The combination of strong*

demand for housing and the ability of regional partners to deliver affordable housing, provides a huge economic opportunity”.

- 1.0.7 Dunfermline is well placed to help the Scottish Government deliver its affordable housing commitments. The strategic growth of Dunfermline is already on-site delivering completions and is projected to deliver approximately 2,000 additional affordable homes, subject to resolving barriers to infrastructure delivery. Not only will Dunfermline contribute to meeting this affordable housing commitment, but it will help implement and deliver the Scottish Government’s 20 year vision for sustainable, balanced communities.
- 1.0.8 A quarter of new homes delivered in Dunfermline will be affordable. The developers are committed to working with Fife Council and Registered Social Landlords to deliver affordable housing in each phase of their developments. Key to this scale of delivery is the unlocking of the City Region’s seven identified strategic sites, including Dunfermline. The programme of new housing, supported by the partners and Scottish Government, aims to bring certainty to Small Medium Enterprises by maximising economic benefits from the construction process.
- 1.0.9 This proposal, therefore, sets out a high-level bid to secure capital funding to part fund the infrastructure delivery of the Dunfermline Strategic Growth Programme to assist the timeous and viable delivery of the Dunfermline Strategic Transportation Intervention Measures (STIM) (see Appendix 8.1); essential to unlocking the 2,000 affordable housing units and supporting the delivery of the wider SDA Programme in Dunfermline.
- 1.0.10 There is a mismatch between when transportation infrastructure is required to be delivered to allow development to proceed and when monies accrued from development contributions will be available to fund these infrastructure interventions in their entirety. Due to this timing issue, there will be a capital shortfall to support infrastructure. In addition, increased costs of £15.9m has meant that the capital shortfall is exacerbated which is why the Scottish Government is being asked to provide grant funding.
- 1.0.11 There is a direct timing relationship between the actual pace of development and the need for the delivery of the STIM measures. Should there be a delay to the pace of development then the STIM programme can also be reprogrammed. This will lead to reprofiling of the capital plan.

1.1 **Context for the Business Case**

- 1.1.1 The delivery of strategic growth in Dunfermline is supported by the Scottish Government, the ESES Region City Deal and Fife Council. The ESES City Deal aims to deliver inclusive economic growth and place based investment across the region through housing, innovation, transport, skills and culture. Investment in Fife is proposed through Strategic Growth as part of the Housing/Transport and Innovation Themes within the ESES Region City Deal Heads of Terms Agreement on 20th July 2017. The ambition is to invest in essential infrastructure required to unlock development in Dunfermline thus accelerating growth and delivering large scale affordable housing, other market homes and jobs.

- 1.1.2 Although supported by national, regional and local planning policy and objectives, the Strategic Development Sites allocated in [FIFEplan](#), (the Local Development Plan), have failed to deliver the planned housing and economic growth across Fife at the programmed rate. The downturn in the economy over the last 10 years has meant that the private sector has been unable to invest in essential infrastructure to enable the development of strategic sites. Severe constraints on the availability of debt finance, over a sufficiently long period from traditional funding sources, particularly since the financial crash in 2008/9 has exacerbated the problem. Whilst this lack of financial viability is not unique to Fife, it is constraining the creation of much needed homes and community infrastructure, and the resulting economic and job creation opportunities.
- 1.1.3 Just prior to the current COVID pandemic, there had been an upturn in the housing market in Dunfermline, with three SDA sites consented for 1,100, 2,150 and 90 units and one approved subject to Section 75 (1,400 units). Looking Dunfermline-wide, all but one of the SDA sites has now been submitted to the planning process (see Appendix 8.4 – Dunfermline Strategic Growth Development Overview). Past completions data for Dunfermline during the last economic recession indicates that Dunfermline continued to perform well. Whilst sites slowed, they continued to deliver. Local developers are indicating a positive outlook (as of March 2021). This is possibly in part due to committed sales and pent-up demand. The pandemic has also resulted in an intensification of the home and its space through home working. After the successful operation of their ‘virtual office’ during lockdown, many companies are now questioning if they require the same quantity of office accommodation in the future. Looking forward, this trend in home working is likely to continue. This is likely to lead to a longer term reduction in the requirement for many Fife residents to commute daily to their employer’s physical base. The need for less daily commuting and greater home working in the ‘virtual office’ is likely to influence peoples’ locational choices for future housing. It is predicted that Dunfermline could benefit from this trend as some people relocate from the city to a more competitively priced market such as Dunfermline, still within easy commuting distance of Edinburgh and with excellent public transport links.
- 1.1.4 However, the capital funding gap and lack of upfront funding available to deliver some of the essential transportation infrastructure, including a new Western Distributor Road and a Northern Link Road (see Appendix 8.1) may result in consented sites stalling. The Council believes that the opportunity presented under the City Deal will contribute to achieving the aim of securing long-term investment in the delivery of growth in Dunfermline, supporting the wider City Region. The Queensferry Crossing, a major public sector infrastructure investment, opened in September 2017 after investment of c£1.4bn. This investment helped improve connectivity (both by bus and private car) for businesses and residents in Fife to Scotland’s central belt and the principal cities of Edinburgh and Glasgow. By both reducing journey times and improving resilience in adverse weather conditions, the new crossing is helping to improve the region’s economic performance. In addition, the Forth Bridge enables improved bus services, with enhanced journey times, connected to the very successful Park and Ride facilities at Ferrytoll and Halbeath. In the context of the current City Deal proposal in this business case, complementary investment in strategic transportation interventions in Dunfermline will help capitalise on the increasing strength in the market stimulated by the new crossing over the next 10 years and beyond.

- 1.1.5 Fife Council has made significant investment over many years in transportation infrastructure in the Dunfermline area through its capital programme; including parking upgrades at Dunfermline Town and Queen Margaret railway stations; the provision of a new bus station; upgrades to primary routes through the town e.g. Sinclair Gardens Roundabout and Whitefield Road; as well as encouraging active travel through enhanced provision of cycle and footpath networks with links to the bus and rail stations. The investment has aided the Council's Objectives around improved social, economic and environment issues.
- 1.1.6 However, the scale of planned growth over the next 20 to 30 years in Dunfermline requires significant new investment in transportation infrastructure, as set out in the Dunfermline Strategic Land Allocation Transport Assessment (TA) 2009 and the FIFEplan TA 2015. The measures listed in Appendix 8.1 will assist network capacity and flows whilst providing for active travel (which will be an integral part of the transportation measures on and off the development sites).
- 1.1.7 Further transportation modelling work was commissioned in the autumn of 2020, in order to review the current STIMs, traffic assumptions and delivery programme. The purpose of this re-evaluation was to establish if there was a more efficient way to deliver these works. The additional transport modelling concluded that all programmed Dunfermline Strategic Transportation Intervention Measures are still required and that no additional transport infrastructure is necessary to support the strategic growth of Dunfermline.
- 1.1.8 Revised cost estimates were also prepared for the Dunfermline STIMs in autumn 2020. These estimates valued the cost of the STIMs at £50.055m in 2020 prices and £66.8m when indexed to date of delivery (and £69.1m when interest is added at £2.4m). This is an increase of £15.9m compared to the original cost estimates.
- 1.1.9 The objective of the business case is to provide a clear and justified basis for City Deal grant funding to deliver significant infrastructure in Dunfermline. It sets out how the proposed investment meets strategic objectives at national, regional and local levels and how it will assist in delivering national outcomes relating to place making; social inclusion; and low carbon. Furthermore, it highlights the anticipated economic outcomes and why investment is required; how the proposal will be delivered in commercial terms; the viability of the investment proposal and, finally, how the proposal will be achieved and managed.

1.2 Structure of this Business Case

- 1.2.1 This business case adopts the 5-Case structure and together these show how the scheme is:
- Closely aligned to wider strategies and objectives – **the strategic case.**
 - Best value for money – **the economic case.**
 - Achievable in commercial terms – **the commercial case.**
 - Affordable – **the financial case.**
 - Achievable in practical terms – **the management case.**

1.3 Key Stakeholders

- 1.3.1 The principal stakeholders for the purpose of the business case comprise of Fife Council, including senior officials and local elected Members, and private landowners and developers. In addition, a number of other organisations are jointly involved in the delivery of this project, in particular Transport Scotland, Network Rail, Scottish Power and Scottish Water. A collaborative approach has been adopted with client and consultancy teams and national bodies and the local authority all working together. Fife Council has adopted a key co-ordination and facilitation role. Fife Council and the developers have contributed to Transportation Modelling work. Fife Council is co-ordinating the delivery of all off-site transportation interventions. The Council is collaborating with the SDA developers to deliver the community infrastructure such as the 5 new primary schools required and will manage developer contributions to deliver new secondary school capacity. Fife Council is leading the financial modelling work for both education and transportation. An internal Strategic Transportation Interventions Delivery Board and School Education Development Board oversee this work, with both reporting to the Sustainable Growth & City Deal Board (see Section 6 regarding governance).
- 1.3.2 The individual developers are also responsible for delivering the transportation interventions where they run through their respective development sites e.g. the Northern Link Road and the Western Distributor Road. These routes will provide the primary route through a number of strategic growth sites. Whilst developers will directly deliver on site interventions, in line with planning guidance, they will be making developer contributions towards the delivery of off-site works. The delivery of three rail crossings (two on the Western Distributor and one on the Northern Link Road) and the closure of a level crossing at the east end of the NLR (reducing interface between road and rail users) will be delivered jointly by Fife Council and Network Rail (see Appendix 8.2 - Network Rail Joint Working Agreement).
- 1.3.3 Communities and other interested parties have been consulted through the Local Development Plan process on the strategic transport interventions and proposed associated routes. Briefing notes, and meetings have kept Community Councils updated on the progress in delivering the SDAs. In addition, each of the SDA developers have engaged in community consultation via the planning application process, including for example a World Café and Design workshops.

1.4 Programme Description

- 1.4.1 The proposal in this business case comprises a programme of investment in infrastructure over a period of 15 years (from 21/22 – 35/36). The overall investment over the whole programme is projected to be £16.5m City Deal funding and £52.6m Fife Council. Whilst the business case covers a wider programme of 15 years expenditure, a Phase 1 HIF application is being made for the £4.85m over the first 5 years. Phase 1 will cover the Scottish Parliamentary period 2021/22 - 2025/26 to align with HIF funding requirements. Based on the successful application and delivery of Phase 1, it would be the intention to engage with the Scottish Government for further funding for the remaining period of programmed expenditure up to 2035/36.

- 1.4.2 Fife Council will deliver a major investment programme in transportation infrastructure in Dunfermline to support the delivery of homes, employment land and community infrastructure such as schools, shops and urban parks. Such investment will accelerate inclusive growth, create new economic opportunities, and new jobs that will help to reduce inequalities in the Dunfermline area and beyond. This will be achieved through direct investment by the Council working in partnership with private sector landowners and developers to leverage additional investment and funding into Dunfermline, Fife and the City Region.
- 1.4.3 The aim is to create a long-term investment programme in Dunfermline that will assist in the delivery of the objectives of the Local Outcome Improvement Plan not only in Dunfermline but into Mid Fife and the rest of Fife through increased connectivity and economic growth.

2.0 STRATEGIC CASE

- 2.0.1 This section sets out the case for change at a strategic level. It summarises the programme's fit with wider policy objectives and summarises the strategic objectives for the investment programme. The investment proposed in this business case fits within, supports and contributes to the achievement of a number of policy objectives at a national, regional and local level.
- 2.0.2 The delivery of sustainable economic growth in Dunfermline is being progressed in alignment with the principles of the Infrastructure First approach and the Scottish Government infrastructure investment programme outcomes. The infrastructure investment programme is focussed on delivering good outcomes for the people of Scotland and, transitioning to net zero emissions, driving inclusive economic growth and building resilient and sustainable places.

2.1 Strategic Dimension

- 2.1.1 'A Plan for Scotland', the Scottish Government's Programme for Government, (September 2016) stated that the planning system ... ***“enables housing and infrastructure delivery and supports quality of life of all our communities by promoting quality of place and the public interest ...”***. [Protecting Scotland, Renewing Scotland: The Government's Programme for Scotland 2020-2021](#) also recognises the vital importance of ensuring that all parts of Scotland benefit from economic growth and highlights that the government will continue to support City Region Deals and Regional Growth Deals
- 2.1.2 Without assistance to augment the Council's current front-funding arrangements, the planning system in Fife is currently unable to integrate the timing and delivery of housing and infrastructure in Dunfermline thus maximising the associated economic growth. The Infrastructure Commission for Scotland's first published Report *Phase 1 Key findings: A blueprint Scotland* is welcomed. A number of the eight overarching themes, such as Place; Transport; Housing; and Public Service Infrastructure overlap with the objectives for delivering strategic growth in Dunfermline.
- 2.1.3 Fife's Strategic Development Areas (SDAs) are large scale, mixed-use, development allocations which are identified through the Strategic Development Plans of SESplan (for the Edinburgh City Region) and TAYplan (for the Dundee City Region). The delivery of the SDAs is central to the spatial strategy of Fife Council's Adopted Local Development Plan (FIFEplan) which proposes a number of SDA sites for development. Development of the SDAs will help achieve the outcomes of the Plan 4 Fife, Fife's Local Outcome Improvement Plan, and in particular contribute to the themes of Thriving places and Inclusive Growth and Jobs. The scale of growth in the Dunfermline area, which will involve significant capital investment, will result in a positive economic outcome for the local and regional economy: resulting in direct and indirect employment opportunities. At a national level, Fife's SDAs will contribute to national outcomes relating to the delivery of homes and jobs; place making; social inclusion; and net zero carbon whilst contributing to the post COVID-19 national economic recovery (see Appendix 8.3 Dunfermline Housing Market Report and Appendix 8.12 Assessment for Economic Impact.)

- 2.1.4 The Dunfermline SDA programme represents one of the largest areas of strategic growth in Scotland. The Programme has potential to provide up to 8,000 homes (including a minimum of 25% affordable – approximately 2,000 units); 80 ha of employment land; 5 new primary schools and £36m in developer contributions to secondary education facilities in the Dunfermline area; and other community facilities. There will be additional benefits to the wider Dunfermline Strategic Transportation Zone where a total of 14,000 houses are programmed (see Appendix 8.5 - Transport Zones and Appendix 8.7 - Financial Model).
- 2.1.5 The Dunfermline housing market is strong and continues to perform well when compared to the rest of Fife, and against similar sized towns in Scotland (see Appendix 8.3 - Dunfermline Housing Market Report). As a result, there is currently developer interest in all the Dunfermline SDA sites (see Appendix 8.4 – Dunfermline Strategic Growth Development Overview). However, there are long term socio-economic challenges in the area which restrict inclusive economic growth. The Dunfermline Area Community Plan Strategic Assessment identifies that greater investment is required in business infrastructure, transportation and digital connectivity to ensure the area's on-going and increasing competitiveness. The development of the Dunfermline SDA will bring additional infrastructure investment and help enable inclusive economic growth.
- 2.1.6 The Fife Industrial Estates Regeneration Programme, funded through the ESES Region City Deal, will invest in new business properties to create new employment opportunities in the Dunfermline and South Fife area. This business case seeks to unlock development investment in transportation infrastructure to enable that growth; the case is therefore linked to the delivery of homes and jobs.
- 2.1.7 A comprehensive programme of infrastructure delivery is required to support the SDA sites, to ensure that new development addresses any additional impacts on roads, schools and community facilities. This will be funded through developer contributions, as set out in [FIFEplan Planning Obligations Framework Supplementary Guidance 2017](#).
- 2.1.8 Whilst the delivery of strategic transportation interventions in Dunfermline is proposed to be funded by developers, in the inner and outer Transportation Zones (see Appendix 8.5), the additional costs identified along with the timing lag in funding in the early years will prevent progress in delivery and restrict economic growth in the area if the funding gap is not closed.

2.2 City Regions Aspirations to Deliver Inclusive Growth

- 2.2.1. Strategic growth and regeneration are part of the Plan 4 Fife (Fife's LOIP) and Fife's Development Plan strategy. While Fife is already prosperous and important to the national economy – generating £33bn of GVA a year, significant inequalities persist. It is estimated that 20% of Fife's population are living in poverty. The Scottish Index of Multiple Deprivation 2020 identifies communities within Dunfermline which are in the most deprived 20% - Abbeyview, Baldridgeburn, Brucefield, Halbeath, Headwell, Touch and Woodmill all fall into this category, with a combined population of 8,274 (an increase of over 2,500 since 2016). Three of these communities,

(Abbeyview, Headwell, and Touch and Woodmill), are within the 10% most deprived.

- 2.2.2. The ESES Region City Deal's vision is aimed at tackling the twin challenges of inequality and productivity. The successful delivery of a City Region Deal would make clear and measurable contributions to both inclusion and economic growth and address key economic barriers with significant new investment in housing, transport and community infrastructure. New jobs, skills and training opportunities will not only be created during construction and delivery of the planned growth but also in terms of future employment opportunities in the 80ha of employment land to be provided, and further employment opportunities in the community infrastructure (see Appendix 8.12 Assessment for Economic Impact).

2.3 Contribution to National Policy Objectives

Climate Change/Transitioning to Net Zero Emissions

- 2.3.1 The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 sets targets to reduce Scotland's emissions of all greenhouse gases to net-zero by 2045 at the latest, with interim targets for reductions of at least 56% by 2020, 75% by 2030, 90% by 2040.
- 2.3.2 Fife Council declared a climate emergency in 2019. It is recognised that Fife Council and the wider community have made considerable progress at reducing emissions and increasing resilience, but that we now need to mobilise to accelerate the pace and ambition of our response to the climate crisis. Climate Fife (Fife's Sustainable Energy & Climate Action Plan (SECAP)) is Fife's most recent response to the climate emergency.
- 2.3.3 It is recognised, by Fife Council, that spatial planning has the potential to lessen the impact of global climate change and help achieve sustainable development. Planning, along with Transportation, and aligned with relevant Community Planning strategies, can facilitate increased usage and access to public transport, walking and cycling modes. This can be achieved for example, by encouraging higher density development around transport nodes and an increase in mixed land-uses and active travel opportunities thus helping create balanced communities.
- 2.3.4 Fife Council has made significant investment over many years in transportation infrastructure in the Dunfermline area (see paragraph 1.1.5). The Dunfermline strategic growth programme will build on this and deliver active travel routes (on and off site) for pedestrians and cyclists and provide for sustainable transport modes (bus and rail), aimed at encouraging modal shift. The masterplans for the strategic development sites have applied the principles of walkable neighbourhoods (see paragraphs 2.4.5 and 3.1.12).
- 2.3.5 The Northern Link Road and Western Distributor Road will work alongside new park and ride schemes and a new rail halt at Halbeath Park and Ride. Further access to the south towards Edinburgh via bus has also been significantly improved now that the Forth Bridge is dedicated to public transport. Improved modal options which will promote sustainable and active travel in Dunfermline and the surrounding area are listed in section 2.4.

National Planning Framework

- 2.3.6 The current National Planning Framework, NPF3, sets out a long-term vision for development and investment across Scotland over the next 20 to 30 years. The Scottish Government state that the NPF *“is the spatial expression of the Government Economic Strategy, and of our plans for infrastructure investment. It is about our ambition to create great places that support sustainable economic growth across the country”*.
- 2.3.7 NPF 3 recognises Dunfermline as an important hub for employment and services and notes that it is identified for strategic growth as part of the Edinburgh City Region.
- 2.3.8 As part of the preparation of National Planning Framework 4, comments on how Scotland should look by 2050 were sought by the Scottish Government in early 2020. Further comments were sought on the NPF Position Statement in late 2020. It is expected that NPF4 will focus on achieving the following key outcomes by 2050:
- *Net-Zero Emissions*
 - *A Wellbeing Economy*
 - *Resilient Communities*
 - *Better, Greener Places*

In keeping with NPF4, strategic growth in Dunfermline is aligned with the objectives, of Transitioning to Net Zero Emissions; Driving Inclusive Economic Growth; and Building Resilient and Sustainable Places (see paragraphs 3.1.9 - 3.1.12).

- 2.3.9 However, as was noted in Fife Council’s submission to the initial NPF4 Call for Ideas, the delivery of strategic transportation interventions and community facilities (including secondary and primary school provision) to support the level of projected growth, and the associated revenue costs placed on the Council, will continue to be a challenge. This Business Case helps address this challenge by outlining the case for the part funding of strategic transportation infrastructure through City Deal.
- 2.3.10 The ESES Region City Deal authorities have also produced an interim Regional Spatial Strategy to feed into the preparation of the draft NPF4. The recently ratified Strategy focus on Regional recovery and renewal, as well as an adaptable and accessible region.

A National Mission with Local Impact: Infrastructure Investment Plan for Scotland

- 2.3.11 The [Infrastructure Investment Plan for Scotland 2021-2022 to 2025-2026](#) states that *“Scotland aims to deliver a wellbeing economy. That means ensuring society thrives economically, socially and environmentally, and that we deliver sustainable and inclusive growth for all. Making the right investments in the right places is crucial.”*
- 2.3.12 In particular, the Plan will focus on the following shifts in capital investment, to seek to address the economic, health and social impacts of COVID-19:

- Investing in digital connectivity and digital inclusion to help businesses, workers and service users to accelerate the uptake of digital services and reducing the need to travel.
- Supporting safe active travel and local, accessible public services in vibrant places to sustain local communities.
- Supporting green and blue spaces to provide access to nature.
- Investing in local business opportunities and job-creation to preserve and generate employment to support economic recovery.

The original concept plans for strategic growth in Dunfermline and the subsequent planning applications and supporting master plans are fully aligned with, and will deliver, these objectives. Fife Council will deliver a major investment programme in transportation infrastructure in Dunfermline to support the delivery of homes, employment land and community infrastructure such as schools, shops and urban parks and utilities. Such investment will accelerate inclusive growth, create new economic opportunities, and new jobs that will help to reduce inequalities in the Dunfermline area and beyond. This will be achieved through direct investment by the Council working in partnership with private sector landowners and developers to leverage additional investment and funding into Dunfermline, Fife and the City Region.

Place Principle

- 2.3.13 The [Place Principle](#) was adopted to help overcome organisational and sectoral boundaries, to encourage better collaboration and community involvement, and improve the impact of combined energy, resources and investment. It promotes a shared understanding of place, and the need to take a more collaborative approach to a place's services and assets to achieve better outcomes for people and communities. The principle encourages and enables local flexibility to respond to issues and circumstances in different places.
- 2.3.14 Strategic growth in Dunfermline is, and will continue to be, a collaborative, place-based approach with a shared purpose between the public and private sectors and local communities, to support a clear way forward for all services, assets and investments which will maximise the impact of their combined resources. The Dunfermline Area Community Plan Strategic Assessment identifies that greater investment is required in business infrastructure, transportation and digital connectivity to ensure the area's on-going and increasing competitiveness. The development of the Dunfermline SDA will bring additional infrastructure investment and help enable inclusive economic growth.

2.4 Contribution to Regional Policy Objectives

SESplan 2013

- 2.4.1 [SESplan's](#) Strategic Development Plan (SDP) June 2013, sets out the strategic vision for the South East of Scotland City Region: -
- “By 2032, the Edinburgh City Region is a healthier, more prosperous and sustainable place which continues to be internationally recognised as an outstanding area in which to live, work and do business.”*
- 2.4.2 Part of this vision includes: - *“Significant investment in infrastructure will be needed if new opportunities are to be realised and the area is to grow sustainably and improve its competitiveness nationally and internationally. The role of the SDP is to prioritise limited resources and provide a framework within which to align the investment plans of the key agencies and others.”*
- 2.4.3 *“The Spatial Strategy aims to encourage key development sectors and promote a sustainable growth pattern. It identifies priority strategic improvements to transport and other infrastructure which are required to support existing and future development.”*
- 2.4.4 The Spatial Strategy sets a framework for the SESplan area to take forward the Vision and Aims of the SDP. It identifies Sub Regional Areas across the SESplan area (e.g. Fife Forth) within which specific (SDAs) are identified with additional development in Fife Forth to be focussed in new SDAs in North Dunfermline and Ore/Upper Leven Valley areas.
- 2.4.5 The Edinburgh and South East Scotland City Region authorities produced an [interim Regional Spatial Strategy](#). The recently ratified Strategy focuses on Regional recovery and renewal, as well as an adaptable and accessible region. The Strategy states that, *“Fife’s strategic position stretching between three of Scotland’s cities ... with a long coastline and strategic transport routes provides excellent opportunities for investment to strengthen Fife’s communities and economy. Ongoing planned strategic growth of Dunfermline is the largest of the City Region’s development areas, with levels of strategic infrastructure investment highest outwith a Scottish city. Fife will build on this strong growth around Dunfermline and the Forth bridgehead area...”*
- 2.4.6 Key to the delivery of strategic growth in Dunfermline is the provision of a Northern Link Road (NLR) and a Western Distributor Road (WDR). Both roads will provide a primary frontage through the development sites, in keeping with the principles of place making. Place making connections which afford opportunities for active travel, access to formal and informal leisure activities, and access to green and blue infrastructure are recognised as key components to better physical, mental health and wellbeing. Pedestrian and cycle routes, proposed along the routes of the NLR and WDR, will provide opportunities to access the nearby Country Park and Loch to the north and the Town Park and wider countryside to the south-west. The masterplans for the strategic development sites, which are being developed around these roads and active travel routes have applied the principles of walkable neighbourhoods. It should be noted that new community infrastructure, such as schools, local shops and parkland, and areas of serviced employment land within the development sites have been designed to be walkable and supports the Scottish Government’s ambitions of 20-minute neighbourhoods.

- 2.4.7 Providing these alternative routes through Dunfermline will relieve congestion and potentially improve the air quality along the Halbeath Corridor which is currently an air quality hot spot. Appin Crescent, Halbeath is one of two Air Quality Management Areas in Fife being monitored for nitrogen oxide (NO₂) and fine particles (PM₁₀). (see [Fife Air Quality Annual Progress Report 2020](#)).
- 2.4.8 It is recognised that the Dunfermline SDA build out period will take the programme through the interim reduction targets to reduce greenhouse gases and potentially on to zero carbon targets (2045) as set out in the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019. The NLR and WDR will work alongside new park and ride schemes and a new rail halt at Halbeath Park and Ride. The proposed statutory closure of the level crossing at Halbeath, as part of the delivery of the NLR, will also improve performance on the Fife Circular line. Further access to the south towards Edinburgh via bus has also been significantly improved now that the Forth Bridge is dedicated to public transport. Improved modal options which will promote sustainable and active travel in Dunfermline and the surrounding area include: -
- Electrification of the East Coast Main Line and Fife Circular;
 - Dunfermline to Alloa railway route, and electrification, including delivery of the Charlestown Rail Chord to enable direct westerly access to Rosyth Port;
 - Halbeath Park and Choose capacity improvements including rail links;
 - Improved interchange facilities at Inverkeithing station and Ferrytoll Park and Ride;
 - A985/M90 traffic flow improvements serving Rosyth Port and West Fife including provision of park and choose, passenger ferry or river taxi options; and,
 - Improved public transport connectivity with Edinburgh City Centre.
- 2.4.9 The development and application of innovative technology in Fife could, for example, see the hydrogen technology, being developed at Fife Energy Park, applied to serve the East Coast mainline and Fife Circle trainline in future.
- 2.4.10 The results of the Longannet Taskforce, which should maximise employment opportunities in the wider area, is also likely to see increased connectivity. The Charlestown Rail Junction, a proposal in [FIFEplan](#), would see a link between Dunfermline to the Stirling Rail Line and the Fife Circle Line. The route abuts the northern boundary of the Broomhall SDA. In addition, a site to the west of Dunfermline, may be required to accommodate Talgo. The train manufacturer announced, in Nov. 2018, that it had selected the former Longannet power station as its new factory site, should it win the contract to build trains for HS2.

2.5 Contribution to Local Policy Objectives

Fife's Local Outcome Improvement Plan 2017

- 2.5.1 Fife Council, as part of Fife's Community Planning Partnership, is developing its Local Outcome Improvement Plan, the [Plan 4 Fife](#). The emerging vision is: *“by 2027, we want Fife to be a place where all residents live good lives, make informed choices and have a sense of control so that they can reach their full potential, and where all children are safe, happy and healthy. We want Fife to be a place where we make best use of our assets and facilities while sustaining them for future use.*

There are four priorities for the Plan 4 Fife:

- **Opportunities for all** – to ensure that every Fifer can access opportunities in education, training and jobs.
 - **Thriving places** – safe, well-designed and maintained places that promote wellbeing, where people are proud to be, and where they have access to the services and facilities they need at different stages of their lives.
 - **Inclusive growth and jobs** – to improve investment, growth and participation by businesses, people and communities, particularly in the mid-Fife area; to support businesses to grow and make sure that communities benefit from new business investment.
 - **Community-led services** – putting communities and service users at the heart of public services.
- 2.5.2 Dunfermline Strategic Growth Infrastructure Programme will contribute to meeting these priorities by meeting our ambitions for Fife by, improving access to affordable housing and other community infrastructure, increasing connectivity and therefore access to employment and training opportunities (see Appendix 8.6 - LOIP extract).
- 2.5.3 A key focus of the Thriving Places theme within the LOIP is the need to increase the supply of housing within Fife to help meet the challenge of Fife's growing population with more than 20,000 new homes needed over 10 years.
- 2.5.4 This is to be achieved by facilitating house building through well planned, sustainable communities, with adequate community infrastructure and affordable housing. Among the actions is one to *“promote investment and align public sector capital investment to unlock developer funding for transport and education infrastructure.”* This business case seeks to contribute to this aim and unlock development and transportation investment.

Adopted FIFEplan 2017 (Fife Local Development Plan)

- 2.5.5 [FIFEplan](#), was adopted in September 2017. It supports the creation of a place in which, by 2026, economy activity has recovered, and building is at a higher level of activity than at present, resulting in sustainable economic growth. This will be achieved by allocating land for new homes to be built and for investment in

economic growth and regeneration. The Plan policies encourage new, high quality development to achieve this.

- 2.5.6 Preparation of the next Local Development Plan (LDP) will commence later this year, with an indicative proposed new FIFEplan being ready for consultation in April-June 2023 and adoption in July-September 2024. The future housing allocation for Fife, which will be set out in the Housing Need & Demand Assessment (HNDA) 3, is currently unknown. However, the requirement to deliver the number of houses as allocated in the currently adopted LDP will still stand.
- 2.5.7 The adopted FIFEplan strategy combines growth ambitions with improving Fife as a place to live and work – keeping safe Fife’s rich environmental assets and improving and protecting the quality of Fife’s towns and villages as they change. The delivery of the SDA programme is central to delivering FIFEplan’s vision and strategy.
- 2.5.8 The Dunfermline Strategic Growth Infrastructure Programme will comprise a significant catalyst in securing the outcomes identified in FIFEplan. Dunfermline is a main focus for a large amount of strategic growth over the Local Development Plan period. The provision for a Northern Relief Road and a Western Distributor Road is essential to the delivery of these strategic developments. These will work alongside active travel options, the new park and ride at Halbeath and the improved access to the bridges to provide a range of travel options. There is also potential for improved rail connectivity through the introduction of a rail link between Inverkeithing and Halbeath, consistent with the Transport Scotland’s Strategic Transport Projects Review. Direct investment in essential infrastructure will support the delivery of up to 8,000 homes and 80ha of serviced employment land within Dunfermline alone. There will be additional benefits to the wider Strategic Transportation zone where a total of 14,000 houses are programmed. (See Appendix 8.5 Transport Zones and Appendix 8.7 Financial Model.)
- 2.5.9 Safeguarding and improving the environment are central to the Local Development Plan Strategy. The FIFEplan Strategic Environmental Assessment - Environment Report assesses the potential significant environmental impact of implementing the policies and proposals contained within the Plan across a number of themes. The summary for the strategy for Dunfermline is that it can be delivered without significant adverse impacts on the environment.
- 2.5.10 [FIFEplan](#) does not exist in a vacuum. It complements and supports the Council’s Local Outcome Improvement Plan ([Plan 4 Fife](#)), Local Community Plans, and the [Fife Economic Strategy](#). It also supports the Council’s aims of providing more good quality affordable homes and builds on the success of the 3,104 affordable homes that have been built in the last 5 years.

FIFEplan Planning Obligations Framework Supplementary Guidance 2017

- 2.5.11 [FIFEplan](#) Local Development Plan Policy 4: Planning Obligations and the related [Supplementary Guidance](#) on planning obligations provides the mechanism for developers to pay towards infrastructure required to mitigate the impact of their development. Contributions must be reasonable and proportionate to meet relevant planning tests in [Scottish Government Planning Circular 3/2012](#). The FIFEplan policy and guidance allow exemptions from making contributions including affordable housing and development on brownfield land; but if the proposed

development would create a critical capacity issue for the school estate, the exemptions may be set aside, and a contribution sought. These exemptions are built into the financial modelling that supports this business case.

- 2.5.12 As developer contributions are collected by Fife Council, for the strategic transportation interventions, they are held in an Infrastructure Fund. This approach allows cumulative contributions to be used in the most effective manner. In the event that an intervention was not delivered the developer contributions would be refunded after an agreed period of time as agreed in the developer's individual Section 75 Agreements.
- 2.5.13 On site requirements, local to individual developments within the SDAs, will be expected to be provided by the developer in a timely manner to serve proposed development, particularly active travel and sustainable transport measures.
- 2.5.14 The draft framework lists the Transportation interventions; identifies the Strategic Transportation Zones and confirms that transport contributions for the Dunfermline Zone will be held in the one of four sections of the Infrastructure Investment Fund (IIF). Developers will pay for interventions, totalling £50.055m at 2020 prices (£66.8m when index linked). Details on the operation of the IIF, including the value and timing of contributions collected for the Dunfermline Transportation Infrastructure Fund will be monitored through the annual HIF grant monitoring report.

2.6 Consultation

- 2.6.1 The Local Development Plan process has afforded a number of opportunities to comment on the SDA proposals, including the delivery of the Northern Link Road and the Western Distributor Road. Following Fife Council's Executive Committee approval on 23rd June 2015, the Proposed Local Development Plan was submitted to the Scottish Government Examination process. Through the examination process the Scottish Government Reporters considered all unresolved representations submitted to the Proposed Plan and made recommendations on any modifications that Fife Council required to make to the Plan prior to adoption.
- 2.6.2 Planning applications for the SDA sites will have to be accompanied by a Planning Application Consultation report. The site promoters will undertake comprehensive community consultation on the individual masterplans. Planning applications for the strategic transportation interventions, to be delivered by Fife Council, will also be the subject of community consultation and be accompanied by a Planning Application Consultation report.

2.7 Transportation

- 2.7.1 A comprehensive programme of infrastructure delivery is required to support the SDA sites, to ensure that new development addresses any additional impacts on roads, schools and community facilities. It is proposed that this will be funded through developer contributions, as set out in [FIFEplan Planning Obligations Framework Supplementary Guidance 2017](#). The framework within the supplementary guidance lists the Transportation interventions (see Appendix 8.1 – Strategic Infrastructure Transportation Measures) and identifies the Strategic

Transportation Zones (see Appendix 8.5 - Dunfermline Transport Zones). It also confirms that transport contributions for the Dunfermline Zone are held in the one of four sections of the Infrastructure Investment Fund (IIF).

- 2.7.2 The major roads, i.e. the Northern Link Road and the Western Distributor Road, will provide the primary routes through the SDA sites. The provision of the on-site components of the routes will be the sole responsibility of the developers to fund and deliver through their respective sites.
- 2.7.3 The Dunfermline Strategic Land Allocation TA (2011), prepared for the Dunfermline & West Fife Local Plan, identified strategic transportation intervention measures (STIM's) required to support SLA development. The FIFEplan TA was undertaken in 2015, which included an update of the Dunfermline SLA TA, tested existing STIMs and an east and west extension of the Northern Link Road. Individual TAs have been submitted in support of each development site's planning application. There is a strong evidence base to identify when interventions will be required. A timescale can be placed on each STIM by using the infrastructure capacity triggers set through the Section 75 agreements and the latest build programme for each site from the annual [Fife Housing Land Audit](#). However, the current scale of developer interest in Dunfermline, which has seen the majority of sites coming forward at the same time, results in forecast build out rates, as seen in the Housing Land Audit, that require earlier interventions. Further detailed design work will be undertaken for each intervention to further refine the high-level cost estimates.
- 2.7.4 The phasing and delivery of the interventions has been further tested by transportation modelling work commissioned by Fife Council in the autumn of 2020, in order to review the current STIMs, traffic assumptions and delivery programme. This additional transport modelling concluded that all programmed Dunfermline Strategic Transportation Intervention Measures are still required and that no additional transport infrastructure is necessary to support the strategic growth of Dunfermline.
- 2.7.5 The development partners are all committed to a high modal shift to meet environmental objectives. The provision of additional and enhanced cycle and pedestrian routes and connections to public transport (both bus and rail) are a fundamental part of each development.
- 2.7.6 The Council's Strategic Transportation Interventions Delivery Board (see Appendix 8.9 Strategic Transportation Interventions Delivery Board Remit) has a remit to deliver the strategic transport interventions required to serve Fife's proposed strategic growth. Whilst, the work of the board will be Fife-wide it will initially concentrate on Dunfermline where the development pressure, and consequently pressure on existing infrastructure, is most acute. The Strategic Transportation Board (see below) will be responsible for signing off the prioritised transportation interventions, in conjunction with Fife Council's Investment Strategy Group and the Policy & Co-ordination Committee. The Strategic Transportation Board will also be responsible for producing work programmes for all transportation interventions (including design work, lead-in times and delivery).
- 2.7.7 High level infrastructure design and costing work was undertaken for the Dunfermline Strategic Land Allocation TA 2009 and the FIFEplan TA 2015. This has been refined further by the individual transport assessments undertaken by the SDA developers. Fife Council Asset, Management & Design have commenced a

programme of design work. Specific measures, currently, being examined in more detail include the design work for the Northern Link Road and the compulsory purchase of land to deliver the Northern Link Road and the Western Distributor Road.

2.8 Do Nothing

- 2.8.1 Fife's Development Plan for the Dunfermline area ([SESplan](#) and [FIFEplan](#)) includes a commitment to strategic growth, including strategic development areas/strategic land allocations across Fife. In order to facilitate this growth, additional transportation infrastructure is required. Action to address current constraints to development has been identified. A grant to part fund strategic transportation interventions would allow the timely delivery of the infrastructure as, without the intervention, the Council would not be able to fund the gap identified as a result of the increased costs. Transport Assessments, undertaken on behalf of Fife Council and the individual developers, have considered how to ensure the existing road network operates within capacity for as long as possible prior to the strategic interventions being required (e.g. certain interim measures are being adopted, such as additional signalisation). The interventions will, however, be required prior to sufficient funds being collected through developer contributions.
- 2.8.2 A shortfall in funding to deliver key infrastructure could risk planning applications being refused. If that were to happen for development supported by the Development Plan, applicants may appeal planning refusals and planning permission could be granted on appeal leaving the Council to find funding solutions to deliver infrastructure. The impact of planning by appeal of course is a significantly reduced ability to secure the most positive outcomes and to co-ordinate growth with infrastructure delivery and mitigation. There is also a reputational risk to the Council if it is unable to deliver its own approved development strategy.
- 2.8.3 Alternatively, sites which are consented with a condition that a particular intervention is required at a certain trigger point will find that house building will be stopped. For example Wellwood, in the North of Dunfermline, requires the delivery of the Pitreavie Roundabout signalisation and an additional southbound lane on A823 prior to occupation of 250th house. This intervention is required by Transport Scotland. Failure to deliver would result in a build-up of queue lengths on the A823 (M) arm of the roundabout and increase the probability of queueing vehicles being struck by high speed vehicles leaving the M90. Transport Scotland would insist on the enforcement of the condition requiring that further house building stop until the intervention was completed. It should, however, be noted that this intervention is currently being delivered.
- 2.8.4 Table 2.1 identifies the result of a do-nothing approach for each Dunfermline STIM intervention. It is anticipated that all sites, if consented, would stall due to the critical nature of the transportation network in Dunfermline. Housing construction would be effectively halted by the required infrastructure not being delivered to facilitate development. Doing nothing would result in the non-delivery of the SDA Programme in Dunfermline. As a result, National, Regional and Local Objectives to deliver homes and economic growth through strategic growth would fail. The consequences of failing to deliver enhanced connectivity in Dunfermline would also

impact on other parts of Fife, in particular Mid Fife, and the wider Edinburgh City Region.

- 2.8.5 Ultimately, a shortfall in funding to deliver key infrastructure will result in the non-delivery of much needed local affordable housing. Thus, failing to deliver on the Housing to 2040 vision, the Infrastructure Investment Plan for Scotland, Fife Council's Local Outcome Improvement Plan (in particular the themes of Thriving places and Inclusive Growth and Jobs) and the policies and proposals of the Local Development Plan.

Table 2.1: [FIFEplan](#) STIMs – Do nothing

Intervention Measure			
Priority	Description	Required	Do Nothing
1	Pitreavie Roundabout Signalisation & Additional Southbound Lane on A823	Prior to occupation of 250 th house in Wellwood, or prior to occupation of 312 th house within Broomhall	Failure to deliver would result in a build-up of queue lengths on the A823(M) arm of the roundabout and increase the probability of queuing vehicles being struck by high speed vehicles leaving the M90. Transport Scotland would insist that further house building stop until the intervention was completed. (This intervention is currently being delivered.)
2	Kings Road/Admiralty Road (A985) junction signalisation	Prior to occupation of 312 th house within Broomhall	Failure to deliver would result in a build-up of queue lengths on all arms of the roundabout; the roundabout would exceed its practical capacity; an increase in delays and driver frustration at the roundabout; and an increase in journey times. Transport Scotland would likely insist that further house building stop until the intervention was completed.
3	Bothwell Gardens Roundabout Signalisation	Prior to occupation of 350 th house in Wellwood	Failure to deliver would result in a build-up of queue lengths on all arms of the roundabout; the roundabout would exceed its practical capacity; an increase in delays and driver frustration at the roundabout; and an increase in journey times. Fife Council would likely instruct the developer to cease house building until the intervention was completed.
4	Northern Link Road - East End	Prior to occupation of 340 th house in Halbeath North	Failure to deliver would result in a build-up of queue lengths on all arms of the Whitefield Road/Halbeath Road/Halbeath Place/Linburn Road signalised junction; the signalised junction would exceed its capacity; a significant increase in delays and driver frustration at the junction; and a significant increase in journey times, including to and from Queen Margaret Hospital. Drivers would seek an alternative route via the Kingseat Road Level Crossing. Network Rail would insist that further house building stop until the intervention was completed. Fife Council would likely instruct the developer to cease house building until the intervention was completed.

5	Western Distributor Road - Grange Drive Link Road	Prior to occupation of 655 th house within Broomhall	<p>Failure to deliver would result in a build-up of queue lengths and delays on all arms of the Brankholm Brae/A985 roundabout; a build-up of queue lengths and delays on all arms of the Pitreavie Roundabout (see 1 above); a build-up of queue lengths on the Limekilns Road/A985 junction, resulting in long delays for east-west traffic flow on the A985 Trunk Road; a build-up of queue lengths and delays on all arms of the Kings Road/A985 roundabout (see 2 above); a build-up of queue lengths and delays on all arms of the Bothwell Gardens roundabout (see 3 above); and an increase in queues and delays on all arms of the Elgin Street/Nethertown Broad Street/Moodie Street signalised junction. All junctions would exceed their capacity with significant increase in delays and driver frustration, and a significant increase in journey times. Drivers would seek alternative routes, but none would be available.</p> <p>Transport Scotland would insist that further house building stop until the intervention was completed. Fife Council would likely instruct the developer to cease house building until the intervention was completed.</p>
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6	Northern Link Road - A823 - Whitefield Road	Prior to occupation of 800 th house within Wellwood, Colton, Omnivale, Swallowdrum & Berrylaw	Failure to deliver would result in a build-up of queue lengths and delays on all the key routes within North Dunfermline, including the A823, A907 & A994 and also including the junctions referred to in 5 above. The Carnegie Drive (A907)/Pilmuir Street (A823)/Winterthur Lane signalised gyratory junction would exceed its practical capacity which would result in significant increase in delays and driver frustration and significant increases in journey times. There is a significant risk that the junction would fail completely resulting in a gridlocked road network. All junctions on the key routes would suffer from build up in queue lengths and delays. Any increase in delays would result in significant delays for all local and express bus services that all pass through Dunfermline Bus Station and/or the James Street stances, and a failure to provide a sustainable public transport system. Bus operators would withdraw services. Significant adverse impact on the Appin Crescent air quality management area. Any increase in delays would result in Dunfermline City Centre (Carnegie Leisure Centre, Carnegie Hall, Alhambra Theatre, Dunfermline Library & Museum, Pittencrieff Park & city centre shops and retail park) becoming significantly less attractive as a destination and adversely affecting their commercial viability. Drivers would seek alternative routes, but none are available. Fife Council would likely instruct the developer to cease house building until the intervention was completed.
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7	Western Distributor Road - Coal Road including bridge crossing of Dunfermline - Alloa Railway	Prior to Occupation of 1,413 th house within Broomhall and/or 1,187 th house within Dunfermline North (Wellwood, Colton, Omnivale & Swallowdrum) & Berrylaw	Failure to deliver would result in a build-up of queue lengths and delays on all the key routes referred to in 5 & 6 above with the same adverse consequences. Failure to deliver the WDR between Broomhall and Pittencrieff Street would result in a significant increase in vehicle trips on Coal Road and Lovers Loan. Both roads are narrow with high masonry boundary walls on one or both sides of the carriageway with the two roads meeting at a sharp 90° bend with no forward visibility. There are no pedestrian or cyclist facilities and the road is unsuitable for buses and large HGV's. The route is not currently suitable for the peak hour trips it accommodates and could not accommodate the significant increases in trips generated by the FIFEplan allocations.
8	Western Distributor Road - William Street/ Rumblingwell junction upgrade	Prior to Occupation of 1,413 th house within Broomhall and/or 1,187 th house within Dunfermline North (Wellwood, Colton, Omnivale & Swallowdrum) & Berrylaw	Failure to deliver would result in a build-up of queue lengths and delays on all arms of the junction and the key routes referred to in 5, 6 & 7 above with the same adverse consequences. Failure to deliver the junction upgrade would result in the junction operating over its capacity and result in a significant increase in journey time through the junction. The existing junction layout cannot accommodate the significant increases in trips generated by the FIFEplan allocations. There are no suitable alternative adjacent routes available. The journey times between Dunfermline City Centre and communities to the northwest of Dunfermline (including Gowkhall, Carnock, Oakley, Blairhall & Saline) would increase significantly, with existing bus services being significantly adversely affected. Fife Council would likely instruct the developer to cease house building until the intervention was completed.

9	Western Distributor Road - William Street	Prior to Occupation of 1,413 th house within Broomhall and/or 1,187 th house within Dunfermline North (Wellwood, Colton, Omnivale & Swallowdrum) & Berrylaw	Failure to deliver would result in a build-up of queue lengths and delays on all the key routes referred to in 5, 6, 7 & 8 above with the same adverse consequences. The existing William Street layout has a number of junctions with substandard visibility. Crossing William Street, Rumblingwell and Baldridgeburn are considered as risks to the safer routes to local primary schools and Pittencrieff Park. Failure to deliver the intervention measures and would result in these streets becoming barriers to safe pedestrian and cyclist movements, particularly in relation to safer routes to schools. Fife Council would likely instruct the developer to cease house building until the intervention was completed.
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Source: Fife Council

3.0 ECONOMIC CASE

3.1 The Edinburgh City and South East Scotland City Region

- 3.1.1 The Edinburgh City and South East Scotland City Region economy pre-COVID has been experiencing healthy levels of growth with a variety of thriving sectors. The City Region brings together six local authorities that span a large and varied geographic area with a population of 1.33 million, and an economy that generates £32.39 billion GVA per year.
- 3.1.2 The diversity of the City Region means that it is ideally placed to support a number of vibrant and growing industries. A City Region Deal that proposes a targeted series of interventions and projects to address the barriers to development, while building on the area's existing strengths, will accelerate economic growth, as well as address the inequality and productivity challenges.
- 3.1.3 The objective of current job creation in the region has focused on skills programmes in highly productive sectors in, for example, technology, science, finance, and energy and in driving higher productivity across lower income levels. This has resulted in growth for these high value sectors, however there should be a continued focus on developing supply of skills and a workforce in this area.
- 3.1.4 To attract inward investment, businesses need to see investment in the region's infrastructure. Across the region barriers to business growth include the availability of development land for housing and commercial expansion in urban areas, as well as physical and digital connectivity issues. The strategic growth of Dunfermline will contribute both to the delivery of additional housing and employment land and will help attract new inward investment into the region.
- 3.1.5 Existing transport infrastructure will need to be upgraded to reduce journey times, maintain safety, and improve road and rail connectivity across the City Region augmenting significant connectivity investment already delivered or in the pipeline.
- 3.1.6 Within this context, Fife Council has a long-standing commitment to growth around the west and north of Dunfermline. This strategy was devised early this century to address the growth requirements of the local population and the demand from inward migration. Although delayed by the recession, this strategy is now being realised through the progression of all the major development sites around the town.
- 3.1.7 As the largest town in the South East of Scotland, after Edinburgh, Dunfermline is a natural focus for economic growth. The south Fife area has a strong economy of its own but also benefits from close links to Edinburgh. These have been enhanced by the delivery of the Queensferry Crossing across the Forth, and the dedicated public transport route across the Forth Road Bridge.
- 3.1.8 The south Fife area is identified as a key driver in the Regional Economy in [SESplan](#) 1. With National Planning Framework (NPF) 3 identifying the need for an increased focus on housing delivery across the South East of Scotland,

and the South of Fife containing a large proportion of the growth planned in the region to 2036, there is a clear need to focus the delivery of infrastructure to provide the context for this growth. NPF3 also states that innovative means will be necessary to fund the infrastructure that is required to enable and support on-going inclusive growth.

- 3.1.9 The delivery of sustainable economic growth in Dunfermline is being progressed in alignment with the principles of the Infrastructure First approach and the Scottish Government infrastructure investment programme outcomes. The infrastructure investment programme is focussed on delivering good outcome and sustainable places.
- 3.1.10 **Driving inclusive economic growth.** Fife Council will deliver a major investment programme in transportation infrastructure in Dunfermline to support the delivery of homes, employment land and community infrastructure such as schools, shops and urban parks. Such investment will accelerate inclusive growth, create new economic opportunities, and new jobs that will help to reduce inequalities in the Dunfermline area and beyond. This will be achieved through direct investment by the Council working in partnership with private sector landowners and developers to leverage additional investment and funding into Dunfermline, Fife and the City Region.
- 3.1.11 **Transitioning to net zero emissions.** It is recognised that the Dunfermline SDA build out period will take the programme through the interim reduction targets to reduce greenhouse gases and potentially on to zero carbon targets as set out in the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019. The programme of Strategic Transportation Interventions (STIM) will work alongside new park and ride schemes and a new rail halt at Halbeath Park and Ride. Improved modal options which will promote sustainable and active travel in Dunfermline and the surrounding area.
- 3.1.12 **Building resilient and sustainable places.** How the land-use elements (housing, employment, and community infrastructure) could be accommodated in Dunfermline in a manner which would result in “*high quality, sustainable & distinctive place-making*”. The starting point of the *Framework* was the development of walkable neighbourhoods based around mixed-use local centres and local employment land, supported by improved transport facilities.
- 3.1.13 **To help ensure the best value for taxpayers' money in the delivery of vital public infrastructure projects in Dunfermline.** Fife Council has worked closely with the Scottish Futures Trust (SFT) in preparing this business case to secure funding for the Dunfermline strategic transportation interventions.

3.2 Dunfermline Economic Context

- 3.2.1 Dunfermline has a population of around 56,832 people, about 15% of Fife’s population. Whilst Dunfermline is one of the least deprived areas of Fife with only 9.3% of its population classified as income deprived and 7.9% employment deprived in the Scottish Government’s latest Scottish Index of Multiple Deprivation (SIMD20), between 2016 and 2020, the number of its data zones (and population) in the most 20% deprived in Scotland increased.

- 3.2.2 In addition, neighbouring Cowdenbeath has the second highest rate of deprivation in Fife - 17.0% of its population are income deprived (compared with a Fife average of 11.9%) and 13% are employment deprived (compared with a Fife average of 9.4%). Cowdenbeath and the area covered by West Fife and Coastal Villages also have a high number of people claiming out-of-work benefits. In September 2020, their claimant counts were 7.7% and 7.1% respectively compared with 6.7% in Fife as a whole.
- 3.2.3 The area covered by Dunfermline, South West Fife and Cowdenbeath Area Committees contains 35.7% of Fife's most deprived areas (11.2% are in Dunfermline, 19.4% in Cowdenbeath and 5.1% in South West Fife).
- 3.2.4 The strategy for south Fife has a strong focus on creating the economic climate and improved accessibility to address these inequality challenges.

3.3 Dunfermline Housing Market

- 3.3.1 Market-based investment has already achieved a significant level of growth in Dunfermline which is located within 30 minutes travel time of Edinburgh city centre. Its population grew by 10,000 residents/22% between 2001 and 2011. Further expansion to the north and west could be enabled by the delivery of key infrastructure projects, such as the Dunfermline Northern Link Road, the Western Distributor Road, Rosyth Park & Ride and the Charleston Rail Chord.
- 3.3.2 In comparison to other settlements of a similar size Dunfermline performs well. Dunfermline has weathered the post credit crunch downturn better than settlements of similar size. Table 3.1 shows the 12 most populous localities in Scotland and indexes their populations against Dunfermline i.e. Dundee's population is 2.79 times that of Dunfermline. From these localities, 5 were selected as house building comparators to Dunfermline – Dundee; East Kilbride; Hamilton; Kirkcaldy and Dysart and Perth (shaded blue in Table 3.1). Appendix 8.3 (Dunfermline Housing Market Report) assesses Dunfermline against these comparator localities to assess the strength of the Dunfermline housing market by looking at population, new house building activity, house sales activity and house price increase.

Table 3.1: Most populous localities in Scotland

Locality	Population 2016	Proportion (Dunfermline = 100%)
Glasgow	612,040	1,153%
Edinburgh	488,050	919%
Aberdeen	200,680	378%
Dundee	148,280	279%
Paisley	77,220	145%
East Kilbride	75,120	141%
Livingston	57,030	107%
Hamilton	54,080	102%
Dunfermline	53,100	100%
Cumbernauld	50,920	96%
Kirkcaldy and Dysart	50,010	94%
Perth	47,430	89%

Source: Fife Council

Table 3.2: Average and indexed completions by locality 2009/10 – 2018/19

Locality	Mean Completions 200/10-2018/19	Population Index from Table 1 of Appendix 8.3 (Dunfermline = 100%)	Mean completions normalised by population index
Dundee City	300	279%	108
East Kilbride	308	141%	219
Hamilton	296	102%	290
Dunfermline	303	100%	303
Kirkcaldy & Dysart	116	94%	124
Perth City	115	89%	129

Source: Fife Council

- 3.3.3 As Table 3.2 shows, Dunfermline is nearly 3 times as successful in attracting new development as its nearest neighbour, Kirkcaldy. If the mean completions figures were to be normalised by the population index, i.e. mean completions ÷ population index, in order to remove locality size as a factor in attracting and delivering new build housing, Dunfermline is by far the most successful of the comparator localities in attracting new build housing.
- 3.3.4 The data in Appendix 8.3 (Dunfermline Housing Market Report) highlights that Dunfermline has a strong housing market. Dunfermline has weathered the

post credit crunch downturn better than settlements of similar size. Whilst all localities underwent a significant reduction in new housing completions following the credit crunch and onset of the recession in 2008, of all the comparator localities, Dunfermline shows the most consistency from year to year demonstrating its resilience and its attractiveness to developers.

3.4 Why City Deal?

- 3.4.1 Dunfermline has now reached a point where economic growth, on a scale envisaged by national and regional strategy, will be unable to continue at the scale and timing anticipated until significant investment has been made into the town. Additional capacity is required within the school estate and the transport network within 2-3 years. Neither the private nor public sectors have the required funding to undertake these projects. Private sector infrastructure investment will be leveraged through the planning process but will also be made in the housing stock as the SDAs are developed. It will also enable private sector investment in the development of employment land in South Fife. Monies from the Housing Infrastructure Fund, via the City Deal Programme would allow development to be unlocked and proceed.
- 3.4.2 The advantage of HIF City Deal Funding is that this funding solution allows a package of support to be delivered rather than individual HIF applications for each intervention. The primary risk of individual applications would be no certainty that all applications would all be successful, thus creating a lack of confidence. Packaging all interventions within this Business Case, which covers the full STIM programme and provides detail for the first grant phase, provides confidence and certainty in the STIM delivery programme to the market to enable private sector investment.
- 3.4.3 Together, the early delivery of these projects will allow an accelerated progression of 2,000 affordable, and additional market housing, and employment sites to the benefit of the whole City Region. This will provide employment opportunities accessible to an area of persistent deprivation. It will allow the south Fife area to operate at an improved level of sustainability through greater public transport options and improve access to the wider City Region.
- 3.4.4 South West Fife has significant potential for further inclusive growth. Therefore, the Council and partners are continuing to promote the location given its strong existing employment profile and the areas excellent transport links, in addition to the areas strong skills base which stems from a proven track record in industry. Continued focus will also be placed via the Fife Economic Strategy 2017 to drive forward innovation and entrepreneurship by attracting new industry and modern employment uses to the area. Within this context, the Port of Rosyth remains a location for strategic investment and infrastructure focus.
- 3.4.5 City Deal funding support would also encourage the private sector to invest in commercial property. Research by Rydens in 2014/15 concluded that significant challenges face the sector in Fife. A growing obsolescence (physical, functional and energy) of the industrial and office stock, is resulting in the reduced availability of quality properties to encourage high value

businesses to locate to Fife. This is affecting the productivity of existing occupiers. The employment land allocation, which would be facilitated by the strategic transport infrastructure in Dunfermline, will provide opportunities for new development to address the obsolescence of industrial and office stock.

- 3.4.6 Current policy partly addresses the strategic transportation interventions funding issue through an assumption that developer contributions will primarily fund the interventions. However, the housing sites require a timing lag to be applied and funded to deliver the essential strategic infrastructure when it is required and allow development to proceed. In addition, there is a funding gap between the cost of the interventions and expected developer contributions due to increased costs. If the required infrastructure takes too many years to be realised, the delivery of the step change in economic performance increases will be delayed. City Deal funding enables the economic infrastructure to be forward-funded and accelerated; to unlock development and reduce risk for all stakeholders.

3.5 Alternatives

- 3.5.1 Through Regional and Local transport modelling, key transport interventions have been identified that require to be delivered to allow development to progress. These have been agreed by Transport Scotland and have been set out in the Local Development Plan as main elements of the spatial strategy.
- 3.5.2 Their funding has also been progressed through [Planning Obligations Framework Supplementary Guidance 2017](#). This policy guidance focuses on the impact of development on infrastructure and the levels which development should contribute to upgraded or new infrastructure.
- 3.5.3 Without the transport infrastructure set out in this bid, development cannot proceed in a timely and integrated manner and subsequently the strategy aims of national and regional planning may not be realised. The south Fife element of the south East Scotland City Region may not be able to assist, at the rate anticipated, with the increased delivery of housing (including 2,000 affordable units), economic growth and improvements to social inclusion that are predicted as a result of the strategy.
- 3.5.4 **Therefore, the do nothing or status quo option is not a viable alternative to the proposal in this business case.** Equally other options are not suitable as they would not reflect the outcomes of the transport modelling which the Council has agreed to include as a main part of its Local Development Plan spatial strategy.

3.6 Economic Benefits

Gross Value Added

- 3.6.1 The investment unlocks the complex delivery of key infrastructure that is required to allow private sector investment to deliver growth in this area. The Housing Infrastructure Fund would enable a viable funding package and

provide co-investment to advance housing delivery (including 25% affordable) for the Strategic Development Areas. It will also accelerate delivery of business investment and forecast increases in GVA and jobs across the SDA and the wider Dunfermline Intermediate Transport Zone (see Appendix 8.5). (Table 3.3 GVA Forecast).

Table 3.3: GVA Forecast

Indicator		Source
GVA: (Net Present Value of Direct GVA): (£M)	399	Fife Economic Model (2018)
Jobs (Net Average Direct Job Impact (p.a.))	599	Fife Economic Model (2018)
Net Average Job impact (p.a.)	822	Fife Economic Model (2018)
Housing Units Unlocked	14,747	Fife Economic Model (2018)
Qualitative impacts	<ul style="list-style-type: none"> Improved Fife and regional travel connections; Address existing air quality issues in East of Dunfermline; Provides accessible (travel times and distance <20Km) employment opportunities for South and Mid Fife residents; and 25% of homes in Dunfermline will be affordable. There will also be an affordable homes contribution from sites outwith the SDAs and from sites in the wider area (ranging from 5% to 25% depending on the settlement and Housing Market Area the site lies within). 	Fife Council

Source – Fife Economic Model 2018 (see Appendix 8.11)

3.6.2 The delivery of these transportation infrastructure interventions would unlock up to 2,000 affordable homes. In addition, it would help deliver a total of up to 8,000 homes in the Dunfermline strategic growth area and have added benefits across the wider region. This investment in the Dunfermline area and the knock-on impacts on the area adjoining the Bridgehead and Rosyth port facilities will provide new jobs accessible to the residents of Mid Fife and the wider Lothians.

Employment

3.6.3 The figures in the GVA forecast in table 3.3 are taken from the Fife Economic Model 2018. In 2020, a further estimate of the economic impact of the strategic growth was undertaken by Fife Council (see Appendix 8.12 Approach to Estimating Economic Impact). This appendix sets out the methodology for the calculation of employment associated with the strategic transport interventions in terms of:

- The long-term/permanent effect from employment land unlocked (circa 80 Ha); and
- The short-term/temporary effect from construction investment in the transport interventions themselves, and the associated construction of homes and schools.

3.6.4 The assessment is made over a 30-year time horizon, and also estimates the indirect and induced employment effects generated by these directly created jobs.

3.6.5 It concludes that on average, 1,000 construction jobs per annum will be sustained per annum across the construction phase, assuming a 30 year build out. This is likely to peak in the middle 10 years (years 10 to 20). By the end of the 30 year period, about 1,000 permanent/recurring jobs will have been created on the employment land allocation. These will build up over time, peaking in the later years, and continue on beyond the 30 years, but no jobs from the employment land are projected for the first few years. This assessment assumes 25% of the employment land being built out. The 80ha land allocation is of significant scale and is unlikely to be developed in full during a 30-year period. The employment has, therefore, been reduced by a further 75% to allow for an expected rate of build out and the risk that constraints render some sites undevelopable in the short to medium-term.

3.6.6 There is no comprehensive data available about the impact of COVID on employment effects or multipliers and this has therefore not been modelled. It would be reasonable to assume that, overall, COVID-19 will not significantly affect the total number of jobs created by each £1m invested by the construction sector. However, it may affect the balance between direct and indirect jobs as it could effectively push activity out to the supply chain and away from construction sites e.g. construction firms may seek products that minimise on-site assembly. It is not clear at this stage the extent to which this will happen and whether any changes will revert to pre-COVID approaches or endure as part of a new normal.

- 3.6.7 Regional approaches to off-site construction will have a bearing on the extent to which this shift will constitute leakage from the region (and indeed Scotland) and to what extent it will simply redistribute impacts between different sectors and geographies within the region.
- 3.6.8 There is no comprehensive data available about the impact of the EU Exit on employment effects or multipliers and this has not been modelled. There is some evidence of increases in the cost of imported raw materials, and rising wages as labour supply for the sector contracts due to fewer migrant workers. Both of these affects are likely to result in an overall reduction in the number of jobs created per £1m invested. Future trade deals, migration and innovation in the sector will influence the number of jobs sustained by construction investment.

4.0 COMMERCIAL CASE

- 4.0.1 Fife Council has a strong desire to see the strategies and allocations of [SESplan](#), [FIFEplan](#) and the [Plan 4 Fife](#) delivered. This includes as a key focus the strategic growth of Dunfermline to the benefit of Fife and the wider Edinburgh and South East Scotland City Region.
- 4.0.2 As identified within the Economic Case (Chapter 3), Dunfermline has a strong housing market. Whilst all localities underwent a significant reduction in new housing completions following the credit crunch and onset of the recession in 2008, of all the comparator localities, Dunfermline shows the most consistency from year to year demonstrating its resilience and its attractiveness to developers. Dunfermline is in addition nearly 3 times as successful in attracting new development as its nearest neighbour, Kirkcaldy. Analysis of housing completions indexed against population demonstrates that every comparator locality is outperformed by Dunfermline. It has delivered significantly more new housing than all comparators and has sufficient land allocated and programmed as effective to maintain, and improve on, new housing delivery.
- 4.0.3 The case, therefore, for continued housebuilding in Dunfermline remains very strong. This is reflected in the projected build rates for Dunfermline, as supplied by development interests, within the [Housing Land Audit 2019](#). The accuracy of previous projections for the Dunfermline Housing Market area within the Housing Land Audit has been analysed and found to have a high level of accuracy over most of the last 8 years due to the strong housing market (Table 4.1). When sites are allocated and gain planning consent, units are built and sell reflecting the strong market demand. Due to a very strong year in 2016/17 when 121% of the programmed housing output was achieved, the programmed output for the following year (2017/18) was increased accordingly. 2016/17 was a uniquely high level of completions and completions have now reduced as illustrated in Table 4.2. As this increase in completions has not been sustained, the adjusted 2017/18 programmed output resulted in an over prediction of 30%. This has levelled and, as a result, the 2018/19 prediction is within 10%.

Table 4.1: Housing Land Audit Prediction Accuracy¹

	Actual Completions / Programming in Previous Audit %							
Local Housing Strategy Area	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Dunfermline & Coast	99%	96%	103%	110%	103%	121%	70%	107%
Fife Average	82%	92%	95%	86%	85%	79%	74%	90%

Data Sources: [Housing Land Audits](#) (2012 - 2019).

At the time of preparing this Business Case, the 2020 Housing Land Audit is still under preparation.

¹ Data does not include small site completions and assumptions in calculations
Less than 100% indicates an over-prediction, more than 100% indicates an under-prediction

Key

Within 10%
Within 10-20%
More than 20% out over-prediction
More than 20% out under-prediction

Table 4.2: Annual House Completions within Dunfermline and West Fife Housing Market Area (HLA completions 2011/12 - 2018/19)

All Sites (capacity greater than 4 + small sites)			
Year	No. of completions Dunfermline & West Fife Housing Market Area	No. completions All Fife	Dunfermline & West Fife HMA as % of Fife Total
2011/12	505	859	59%
2012/13	536	917	58%
2013/14	536	848	63%
2014/15	514	876	59%
2015/16	540	985	55%
2016/17	589	1,388	42%
2017/18	570	1,390	41%
2018/19	723	1,213	60%
Total	4,513	8,476	53%

Data Sources: Housing Land Audits (2012 - 2019)

4.1 Appraisal of Delivery & Funding Options

4.1.1 The UK Treasury Green Book is guidance issued by HM Treasury on how to appraise policies, programmes and projects. It also provides guidance on the design and use of monitoring and evaluation before, during and after implementation. The role of appraisal and evaluation is to provide objective analysis to support decision making, including the scrutiny of business cases by government departments. The principles of the Green Book also support options appraisal. It is intended to assist in the development of transparent, objective and evidence-based advice to inform consistent decision making across government. This approach has been applied to the delivery of the Dunfermline Strategic Transportation Intervention Measures below.

4.1.2 It should be noted that Strategic Transportation Intervention Measures (STIMs) 7, 8 and 9 (Whitefield Road; Appin Crescent & Elgin St. Link Road), which were included in the FIFEplan Planning Obligations Guidance 2015, are no longer required and have been removed from FIFEplan Planning Obligations Guidance 2017. FIFEplan 2017, which replaced the Dunfermline & West Fife Local Plan 2012, identified additional land allocations which required different transport solutions, e.g. the Northern Link Road (NLR) was extended to the east and west removing the need for through trips in the town. STIMs 10, 11 and 12 were consequently renumbered to 7, 8 and 9 as below. As a result, STIMs 1 - 9, only, are referred to throughout the business case, including in Section 2.8 Do Nothing (Table 2.1). However, the Options Appraisal below includes the original (12) interventions in the Do maximum Scope option.

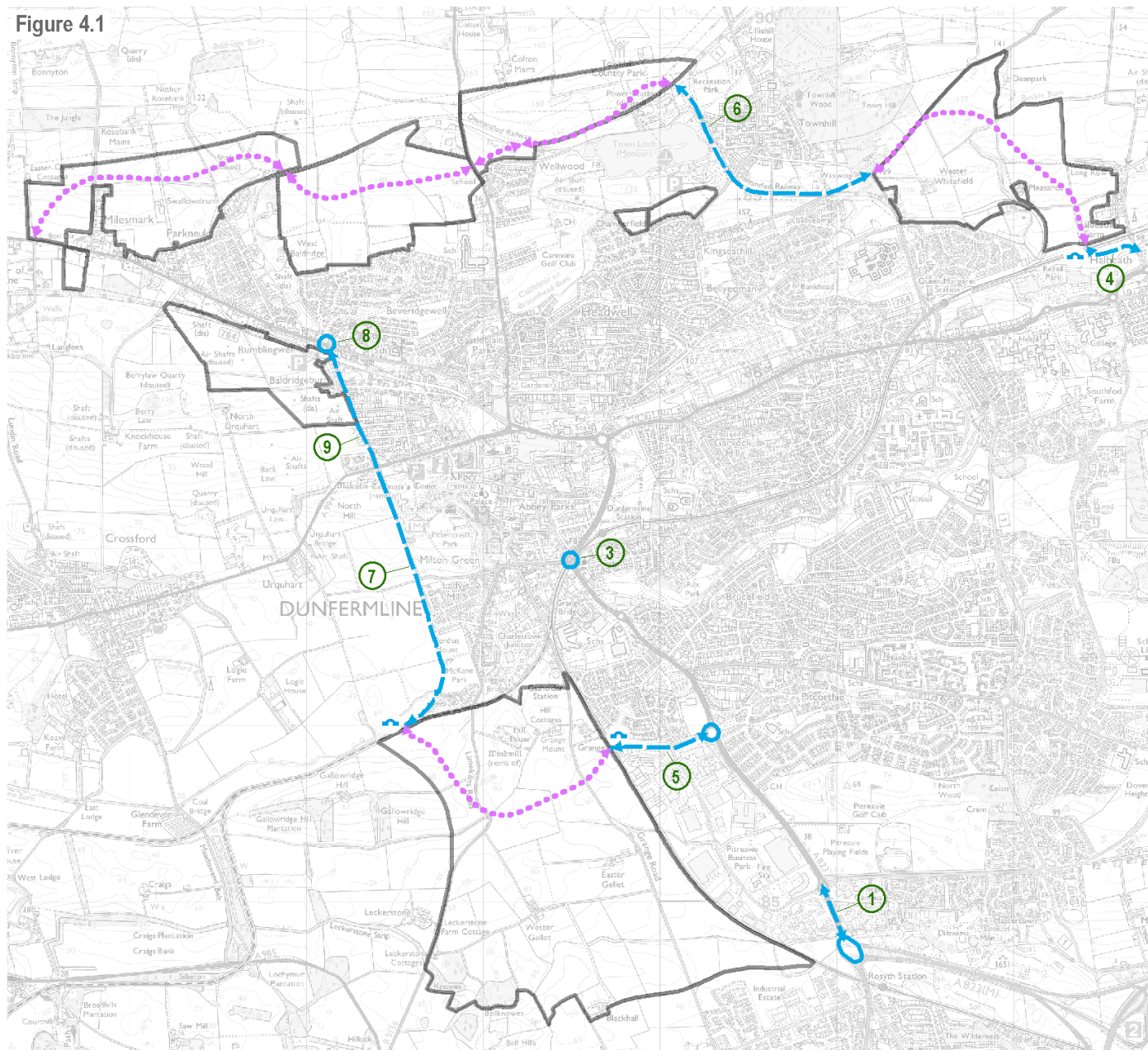
4.1.3 **Strategic Transportation Intervention Measures (STIMs) (1-9): -**

Figure 4.1, below, shows the location of the following strategic transportation measures: -

1. Pitreavie Roundabout Signalisation & Additional Southbound Lane on A823
2. Kings Road/Admiralty Road (A985) junction signalisation
3. Bothwell Gardens Roundabout Signalisation
4. Northern Link Road (NLR) - East End
5. Western Distributor Road (WDR) - Grange Drive Link Road
6. NLR - A823 - Whitefield Road
7. WDR - Coal Road including bridge crossing of Dunfermline - Alloa Railway (previously no.10)
8. WDR - William Street/Rumblingwell junction upgrade (previously no.11)
9. WDR - William Street (previously no.12)

The transportation intervention triggers on individual sites are listed below and mapped.

Figure 4.1



Dunfermline Strategic Transportation Intervention Measures

-  Sections of Northern Link Road & Western Distributor Road within SDA's
-  Bridge over railway
-  Sections of Northern Link Road & Western Distributor Road outwith SDA's
- ① Pitreavie Roundabout Signalisation & Additional Southbound Lane on A823
- ② Kings Road/Admiralty Road Junction Signalisation (Not Shown)
- ③ Bothwell Gardens Roundabout Signalisation
- ④ Northern Link Road (NLR) - East End
- ⑤ Western Distributor Road (WDR) - Grange Drive
- ⑥ NLR - A823 - Whitefield Road
- ⑦ WDR - Coal Road including Bridge Crossing of Dunfermline - Alloa Railway
- ⑧ WDR - William Street/ Rumblingwell Junction Upgrade
- ⑨ WDR - William Street

4.1.4 **Transportation Intervention triggers on individual development sites: -**

Wellwood

1. Pitreavie Roundabout required prior to occupation of 250th house
2. Bothwell Gardens signalisation prior to occupation of 350th house

Broomhall

1. Pitreavie Roundabout required prior to occupation of 312th house
2. Kings Road/Admiralty Road junction signalisation required prior to occupation of 312th house
3. WDR – Grange Road Link required prior to occupation of 655th house
4. WDR – Coal Road required prior to occupation of 1,413th house
5. WDR – William Street/ Rumblingwell junction required prior to occupation of 1,413th house
6. WDR – William Street required prior to occupation of 1,413th house

Halbeath

1. NLR - East End required prior to occupation of 340th house

Wellwood, Colton, N. of Wellwood, Swallowdrum & Berrylaw

1. NLR – A823- Whitefield Road required prior to occupation of 800th house
2. WDR – Coal Road required prior to occupation of 1,187th house
3. WDR – William Street/ Rumblingwell junction required prior to occupation of 1,187th house
4. WDR – William Street required prior to occupation of 1,187th house

4.1.5 It is approved Fife Council policy that developer contributions for off-site transportation interventions in Dunfermline will be collected and held within the Infrastructure Investment Fund, and the funds drawn down as required for Fife Council to deliver the infrastructure intervention(s). As previously identified, due to the strong Dunfermline housing market; many of the Dunfermline housing sites are now being considered through the planning process and programmed to be under construction at the same time. This accelerates the requirement for transportation infrastructure and results in a cash flow deficit within the Infrastructure Investment Fund that requires to be filled to allow development to proceed. In the event that housing construction should be accelerated or delayed, the potential risks and mitigation measures are identified in Appendix 8.10 (Programme Risk Register Extract).

4.1.6 This development pressure, along with the additional costs, results in a cash flow deficit and requires the previously approved delivery vehicle to be reviewed. As the financial model illustrates, all funding for each strategic transportation intervention measure will not be collected in its entirety before the intervention requires to be delivered. Whilst Fife Council had planned for the timing gap within their Capital Plan for the next 10 years, the additional costs are not reflected in the Capital Plan. Therefore, Fife Council will not be in a position to solely deliver all off-site interventions as all the capital required will not be collected from developers. In addition, as public sector organisations cannot apply for the financial transactions monies from the City

Deal Housing Fund, an alternative delivery model (i.e. non-Council delivery) was considered to meet the terms of the fund.

- 4.1.7 The creation of a delivery partnership between Fife Council and the private sector development interests for Dunfermline SDAs to deliver the off-site transport interventions was explored in the preparation of this Business case. To accord with the terms and conditions of the City Deal Housing Fund, it was proposed that the private sector interests, through the delivery partnership, would deliver the required off-site transportation infrastructure and borrow funding to address the cash flow deficit. Fife Council would be a minority partner in the delivery partnership. The role of the Council would be to collect and retain the private sector contributions within the Fife Infrastructure Investment Fund and allow these funds to be drawn down for the delivery of the transportation infrastructure by the private sector.
- 4.1.8 The success of such a delivery model required considerable hurdles to be overcome. Most significantly was the requirement for the responsibility of the delivery of off-site infrastructure to shift from the Council (current Council policy dictates Council delivery) to the private sector, thus increasing the level of risk placed on the development industry. In addition, the interest rate applied to City Deal Housing Fund monies have in the past been charged at commercial rates to meet state aid compliance (now addressed under the UK Subsidy Control Regime). This created a higher rate of interest than the private sector (and the Council) could borrow at from alternative sources, thus increasing overall costs.
- 4.1.9 The borrowing costs associated with the private sector led delivery of the strategic infrastructure, along with the transference of risk to the private sector (as delivery lead), understandably resulted in a very significant challenge to gain development industry sign up under the terms and conditions of City Deal Housing Fund.
- 4.1.10 As this business case illustrates, the private sector has the potential to deliver major mixed-use strategic growth in Dunfermline thereby meeting policy objectives. It is important to note that the development industry is committed to investing in the Dunfermline market. The policy of the Local Development Plan (and its supporting TAs) requires developers to fully fund the strategic transportation interventions required as a result of the cumulative development impact (based on the costs at the point planning consent is granted). To facilitate that growth, the Council needs to enable the process where there is a short-term timing lag in income. This is due to a mismatch between when infrastructure is required to be delivered to unlock development and when monies from development contributions will be in a position to fund these infrastructure interventions in their entirety.
- 4.1.11 Furthermore, revised STIM cost estimates have been prepared since the FIFEplan Planning Obligations Framework Supplementary Guidance 2017 was prepared (which set the level of developer contributions in policy). This has highlighted significant additional costs of £15.9m, an increase of 43%. When these costs, along with the introduction of the interest projected to be incurred from the timing gap in income are modelled, it is now projected that developer contributions will be unable to cover the full cost of infrastructure delivery (capital and borrowing costs). Whilst Fife Council had

planned for funding the timing gap, the shortfall due to increased costs is unaffordable for the council. However, it should be noted that HIF grant/City Deal funding will be used to reduce the capital shortfall.

- 4.1.12 Without public sector intervention to bridge the initial upfront infrastructure, the strategic growth of Dunfermline, as proposed through SESplan and FIFEplan, will not be able to be delivered by the private sector. This will have serious implications for the delivery of affordable housing in Dunfermline. It is considered essential that public sector intervention is secured to realise the potential economic benefits that would be expected to be accrued through the provision of new jobs and homes. The SDA Programme will meet the national, regional and local policy objectives if infrastructure can be front funded to kick-start and unlock development.
- 4.1.13 While the development industry continue to invest in the strategic growth of Dunfermline, the risk transference and increased costs associated with the interest rate to achieve the then State Aid compliance (now addressed under the UK Subsidy Control Regime) created a barrier to the private sector committing to City Deal funding under the current terms and conditions placed on the City Deal Housing Fund. Another solution required to be found which allows public sector investment to address the timing lag as well as the shortfall due to the increased costs. This will enable infrastructure to be delivered when required to unlock sites, deliver affordable housing, and allow the strategic growth of Dunfermline to progress as programmed in SESplan and FIFEplan. The increased costs have also resulted in a greater risk and level of exposure for the Council to cover. Therefore, an alternative funding solution requires to be found.
- 4.1.14 Fife Council has investigated alternative funding models with the Scottish Futures Trust and the Scottish Government that allow the Council (rather than the private sector) to deliver the infrastructure interventions, share risk and injects capital into the SDA programme. As Table 4.3 (UK Treasury Green Book Appraisal of Delivery Options) concludes, the preferred funding option is a Housing Infrastructure Fund (HIF) grant to part fund the delivery of the strategic transportation infrastructure.
- 4.1.15 Therefore, under the terms of the City Deal Housing Fund (the original funding option available), City Deal cannot successfully deliver the required transportation infrastructure due to the additional costs and risks placed upon the private sector. However, through the investigation of alternative funding mechanisms, the HIF grant funding mechanism has been identified as the preferred funding solution and allows both development and private sector investment to be unlocked.

Options	Do minimum	Intermediate	Do maximum
Scope	STIMs 1, 2, 3 & 11 (part). Does not deliver the road network capacity to enable strategic growth in Dunfermline as allocated in SESplan and FIFEplan.	Do all 9 STIMs. Delivers the road network capacity to enable strategic growth in Dunfermline as allocated in SESplan and FIFEplan.	Do all 12 STIMs, as set out in FIFEplan. (Interventions 7, 8 & 9 were subsequently removed). Delivers the road network capacity to enable strategic growth in Dunfermline as allocated in SESplan and FIFEplan. But would result in extra cost at no additional gain.
Service Solution	Upgrade and improve the existing road network for vehicle traffic only. This will not support the scale of housing identified in the development plan. This does not provide for sustainable travel and active travel solutions.	Improve existing network for all road users – vehicular, cycle and pedestrian routes. This will not support the scale of housing identified in the development plan.	Do all 9 STIMs plus additional sustainable transport measures.
Service Delivery Options	Fife Council design and construct through a procured service delivery. This is the agreed policy position. Delivers best value by keeping costs down and retains Council control of project delivery.	Joint delivery vehicle. Joint venture would allow risk sharing but could increase overall costs and does not accord with City Deal terms and conditions.	Transfer delivery of individual components to individual developers. Fife Council loses control of phasing and delivery of works and could increase overall costs.
Implementation Business Case	Deliver STIMs programme over 15/20 years. Delays network improvements and impacts on development delivery which is aligned with developer contributions. It is likely that development will stall due to reaching development triggers that require infrastructure to be delivered.	Deliver STIMs programme over 15 years. Allows delivery of strategic growth within proposed budget envelope. Would deliver planned growth in line with developer contributions, preventing sites stalling.	Deliver STIMs programme over 5 years. This would result in a significant increase in costs. Funding lag would be greater, as fewer developer contributions collected, therefore more City Deal money required. It is also likely that interventions would be delivered before they are required, resulting in additional (and unnecessary) revenue costs.
Funding	Fife Council have limited financial resources available through the Capital Plan, especially when considering the wider Fife Council capital funding of Dunfermline infrastructure (including education). In addition, Fife Council would take on all financial risk and exposure.	Blend of Fife Council and City Deal Grant to cover increased costs. A blended funding approach would be difficult to achieve and likely to require Scottish Government guarantees if the private sector was to be asked to take on funding of infrastructure through loans. Element of significant risk/exposure still sits with Fife Council.	Blend of Fife Council and City Deal/HIF grant capital funding to allow the Council to control delivery of infrastructure interventions, share risk and injects capital into the SDA programme.

Table 4.3: UK Treasury Green Book Appraisal of Delivery Options
Source: Fife Council

4.2 Risk Sharing/Public Sector Collaboration Options Appraisal

4.2.1 Table 4.3 above highlights the results of the appraisal that was undertaken to identify the potential delivery options available to deliver the Dunfermline Strategic Transportation Intervention Measures. The preferred option that is reflected in this business case is coloured green. A risk sharing/public sector collaboration options appraisal has also been undertaken. This was attended by Fife Council, Scottish Futures Trust and the Scottish Government. It reviewed the appraisal of funding options previously undertaken by Fife Council in Table 4.3, sought to highlight any additional options and ascertain if all parties agreed with Fife Council's conclusions. The options considered at the workshop were:

- Financial Transactions
- Risk Share with Private Sector Only
- Scottish Government Guarantee
- Increased Capital Grant Ask

4.2.2 A detailed appraisal of each option can be found within Appendix 8.14: Risk Sharing/Public Sector Collaboration Options Appraisal. The risk sharing/public sector collaboration options appraisal concluded that a capital grant ask would be the most acceptable option to the Scottish Government and so confirmed the approach of the earlier Fife Council appraisal.

Phased Approach

4.2.3 A phased approach of public funding is proposed. The viability of future investment will be kept under review (over and above grant reporting and the monitoring requirements set out in Section 6.6 *Programme and Project Monitoring, Evaluation and Reconciliation*).

4.2.4 Neither the Scottish Government nor Fife Council's current budgets extend far enough into the future to cover the full projected 15 year expenditure of the STIM programme. Fife Council's Capital Plan covers the 10 year period 2021-2031. The additional £15.9m costs are not included within the most recent Capital Plan. An initial 5 year grant funding application will be submitted for initial Scottish Government funding. Further funding applications will be submitted to the Scottish Government in future funding periods. Therefore, it should be noted that the assumption of 15 year Scottish Government grant funding is a significant and uncertain assumption. To reflect this, a series of 3 checkpoints will be built into the programme to agree funding in 5 year blocks. These reflect the grant funding periods which align with the Scottish Parliament Parliamentary periods. It is understood that there is no Scottish Government commitment to grant funding over the full programme. Approval of the Business Case will allow the first grant application to be prepared and submitted.

4.2.5 The proposal in the Dunfermline Business Case comprises a programme of investment in infrastructure from 21/22 to 35/36 and will form the basis of multiple grant applications for Scottish Government funding over the 15-year transport intervention delivery period. Whilst the Dunfermline Business Case covers the wider 15 year programme of expenditure, an initial phase 1 HIF grant application will be prepared for the immediate 5 years of expenditure. Phase 1 will cover the Scottish Parliamentary period 2021/22 - 2025/26 to

align with HIF funding requirements. As the Dunfermline STIM programme is not self-funding after the receipt of a Phase 1 grant, to help further reduce the gap, borrowing costs and negative NPV, future bids shall be made in successive parliamentary periods for HIF monies (or its future equivalent).

SMART Investment Objectives

4.2.6 The investment objectives are listed in Table 4.4 below:

Table 4.4: SMART Investment Objectives
By 2058/59

1.	To increase the supply of housing through the strategic growth of Dunfermline by up to 2,000 affordable units and up to 6,000 private units.
2.	Working in partnership with the private sector developers delivering strategic growth in Dunfermline, leveraging at least £66.8m of private sector investment for off-site strategic transportation intervention measures.
3.	To ensure that the Dunfermline & the Coast Local Housing Strategy Area sustains the projected growth within the Housing Land Audit 2019 and successive annual audits and contributes to delivering the policy objectives of Fife's Local Outcome Improvement Plan (Plan 4 Fife), Local Development Plan (FIFEplan) and the Edinburgh and South East Scotland's City Region Strategic Development Plan (SEsplan).

Source: Fife Council

4.3 Risks

- 4.3.1 This section provides an overview of the main risks identified in preparing the business case and the related mitigation strategies and actions. A risk register has been prepared for the purposes of this Business Case outlining the principal risks together with anticipated impact, likelihood and mitigation of those risks. The risk register is included in Appendix 8.10.
- 4.3.2 The overall approach to risk management is to achieve appropriate levels of risk sharing at programme and individual infrastructure intervention project level. This will be key to the successful delivery of the strategic transportation infrastructure intervention projects and to provide sufficient safeguards so that the Council and private sector are not overly exposed financially.
- 4.3.3 The proposals have been based on due consideration of the evidence of housing market demand reflected in the Housing Land Audit (prepared with the industry body Homes for Scotland) and the various transport assessments undertaken.
- 4.3.4 Subject to approval of the business case, the Council would propose to proceed in preparing detailed design proposals for each transportation

intervention. The private sector development interests will continue to secure the necessary consents for the initial phases of their development sites to progress as per the development build out rates/programming reflected in the financial model. It is recognised that as detailed design progresses then the contingency costs will become more accurate.

- 4.3.5 As identified in the Financial Case (Chapter 5) to achieve best value, it is suggested that a degree of flexibility and movement within the infrastructure programme is allowed. Various external factors may require for infrastructure to be brought forward or started later reflecting the priorities determined by the build out programme and its cumulative effect (as per the sensitivity analysis Table 5.5 and Appendix 8.7 - Financial Model). The programme provided, outlining the priority of the infrastructure provision, is indicative. It is based on the build out programme of the latest published Housing Land Audit ([2019](#)), will be updated annually, and will be subject to further change.
- 4.3.6 Fife Council takes a prudent approach to managing its financial risk. Any significant investment is based on a detailed Business Case for each phase of development. This is based on detailed analysis of the costs and benefits of individual projects. Where appropriate, the Council would propose that any significant capital investment be subject to appropriate mitigation measures such as Section 75 legal agreements being entered into with private sector developers.
- 4.3.7 Compliance is monitored through the Council's internal and external audit procedures. Appropriate consent from Scottish Government will be sought where asset and land ownership issues are incompatible with standard prudential borrowing rules.
- 4.3.8 The procurement of works and services will be conducted in full compliance with the Council's procurement regulations and the adoption of the provisions of UK and Scottish legislation. The Council has undertaken significant procurement exercises in relation to the delivery of infrastructure works in the recent years. Any procurement approach will be developed with the Council's Procurement Service, including the most appropriate procurement strategy, and procurement risks in relation to securing any contractor and/or consultants in respect of individual projects.
- 4.3.9 Fundamental to each infrastructure intervention is the delivery of the infrastructure components. Cost variances are included within the financial model sensitivity analysis to reflect the early-stage cost estimates of a number of the proposed infrastructure interventions. Further information of cost maturity can be found in Section 5.7 of Chapter 5 (Financial Case).
- 4.3.10 There is a risk that the cost of the infrastructure interventions is significantly understated or that phases of the project deliver significant cost over-runs due to currently unknown ground conditions. This might increase the level of unsupported borrowing, increase debt costs or the payback period. Contingencies have been built into the intervention costings and a potential cost-over run has been tested. A series of sensitivities have been run which consider the downside of the current financial assumptions. Prior to any investment, detailed design works, and ground investigation works will have been undertaken. It would be proposed in line with the Council's procurement

policies that a fully transparent tendering exercise be undertaken and only fixed sum contracts be entered into with the transfer of risk of any cost over-runs being relocated to the contractor.

- 4.3.11 There is a risk that private sector housing demand does not materialise to the extent anticipated or is significantly delayed as a result of, for example, the EU Exit, changes in government policy, economic instability, legal delays or health & safety issues. Prudence has been an underlying consideration in all the demand assumptions. It is proposed to take a prudent approach to any investment through the strategic transportation infrastructure measures and commitment to such investment will only be made on the basis of a detailed Business Case for individual projects.
- 4.3.12 A build rate for all Dunfermline strategic housing growth is published in the [Housing Land Audit 2019](#). It is assumed new development will proceed largely as programmed due to the strong housing market and high demand as discussed earlier in this chapter and Chapter 3 (Economic Case).

5.0 FINANCIAL CASE

5.0.1 As already identified, there are significant additional costs of £15.9m as well as a mismatch between when infrastructure is required to be delivered to unlock development and when monies from developer contributions will be in a position to fund these infrastructure interventions in their entirety. Due to the strong Dunfermline housing market; many of the Dunfermline housing sites are now being considered through the planning process and programmed to be under construction at the same time. This accelerates the requirement for transportation infrastructure and contributes to a cash flow deficit within the Infrastructure Investment Fund. Fife Council is modelling the Dunfermline Strategic Growth Infrastructure Programme as a self-contained financial model. This will allow the Council to manage this programme diligently and monitor spend and income against that programmed and mitigate as appropriate. It is the best way to drive value for money. There is no prescribed City Deal investment model.

5.0.2 Securing City Deal grant for the Dunfermline STIM Programme will help to allow Fife Council to manage and deliver the growth and infrastructure ambitions in Fife. The financial model within Appendix 8.7 (Financial Model) contains the following source data:

- Programmed build rates of development (based on land owner/developer intelligence from the Fife [Housing Land Audit 2019](#) (HLA)) adjusted for assumed COVID-19 delays
- Programme of transportation interventions (including trigger dates when required based on transport assessments and HLA build out rates);
- Programme of agreed payment triggers (both timing of staged payments and values);
- Programme of assumed payment triggers (for sites which have yet to have an agreed Section 75 in place - both timing of staged payments and values);
- Level of developer contributions already collected and either sitting in the Fife Infrastructure Investment Fund (IIF) or already invested in infrastructure delivery.

5.0.3 This source data allows the financial model (which includes the indexation of costs) to identify the level of capital required based on when developer contributions are programmed to be paid against when the infrastructure interventions are required to unlock development. There is a timing gap within the Strategic Transportation Interventions Measures programme between when the transportation interventions require to be in place and when developer contributions will be received in full. This has always been expected and been estimated and accounted for in the Fife Council capital plan. However, capital costs are projected to be higher than the level that can feasibly be covered from receipt of developer contributions. Housing Infrastructure Fund grant will bridge the projected capital funding gap.

5.0.4 In most cases, infrastructure will be required to unlock development before development has reached the level that will fully pay for the infrastructure

intervention(s). Front-funding is, therefore, required to address the cash flow deficit and bridge this timing lag.

- 5.0.5 The key point of this financial case is that it justifies the rationale for Scottish Government paying grant monies in an efficient manner – The preferred proposal is that the Dunfermline Strategic Transportation Intervention Measures are funded from HIF/City Deal funding to reflect actual expenditure incurred per financial year. The proposed sources of funding are summarised in Table 5.1 below.

Table 5.1: Sources of Funding

Funding Sources - Net Present Value	2019 to 2025/26 £m	Post 25/26 £m	Total £m
Infrastructure Capital Spend (Including Borrowing)	12.16	19.45	31.61
Funded By:			
Section S75 Contributions	7.44	16.74	24.18
Scottish Government Grant Funding	2.68	4.29	6.97
Fife Council Contribution	3.39	(2.94)	0.45
Total Funding	13.51	18.09	31.61

Source: Fife Council

Demonstrates potential funding based on 25% of the total investment post 2025/26. Total investment includes £2.4m interest costs.

- 5.0.6 On a cash basis, the programme generates a £15.22m surplus. However, there is a timing lag in receipt of developer contributions which is funded by the Council. The Net Present Value of the costs is £31.618m and the NPV of developer contributions is £24.18m, creating a gap of £7.42m. The £7.42m gap in funding is met from £6.97m HIF grant and 0.450m Fife Council. This is based on the assumption of the Council receiving 100% of the expected developer contributions. Any change in this would result in a financial risk to the Council.
- 5.0.7 The total cost of the STIMs is valued at £50.055m at 2020 prices. When index linked to date of delivery, the STIMs are valued at £66.8m (£69.1 once borrowing costs are added). Grant funding will part fund the infrastructure required to unlock development before all sites can progress. This upfront funding will unlock private sector investment in the off-site STIMs as in Appendix 8.1 (Strategic Infrastructure Transportation Measures).
- 5.0.8 There is a direct timing relationship between the actual pace of development and the need for the STIM measures on site. Should there be a delay (or acceleration) to the pace of development then the STIM programme can also be reprogrammed accordingly. This will ensure infrastructure is being

delivered at the correct time i.e. not too early to incur unnecessary revenue costs and not too late to result in development hitting triggers and therefore ceasing until infrastructure is delivered. Changes to the STIM programme may lead to reprofiling of the capital plan. However, the principle of the programme being delivered at the pace required by development remains.

5.1 Profile of Funding

- 5.1.1 As previously identified in the Strategic Case (Chapter 2), the [Planning Obligations Framework Supplementary Guidance 2017](#) lists the required transportation interventions (see Appendix 8.1 - Transportation Interventions) and identifies the Strategic Transportation Zones used as a basis to calculate and collect these contributions (see Appendix 8.5 - Dunfermline Transport Zones). The contributions for the Dunfermline Zone will be held in the one of four sections of the Infrastructure Investment Fund (IIF).
- 5.1.2 The phasing and delivery of the interventions have been tested by a number of Transport Assessments (TAs) (see the Strategic Case (Chapter 2) and Appendix 8.8 - Timetable Dunfermline Strategic Transportation Interventions - STIM). Through these TAs there is a strong evidence base to identify when interventions will be required. However, the current scale of developer interest in Dunfermline, which has seen the majority of sites coming forward at the same time, results in forecast build out rates, as seen in the [Housing Land Audit](#), that require earlier interventions.
- 5.1.3 The profiling of the timing lag funding is informed by the phasing and delivery of the interventions as identified above. It is important to note this is based on the proposed build-out rate and programming of the individual development sites and the cumulative effect of this development on strategic transportation infrastructure. This defines the priorities and timescales for the delivery of the strategic transportation intervention measures.
- 5.1.4 A strategic transportation financial model has been developed to provide an overview of the expected planning obligations from unconsented housing sites which will contribute to Dunfermline's Strategic Transport Interventions. This factors in the phasing of development sites (as at 31st March 2019) and cost of the Interventions (2020 STIM estimates index linked to date of delivery) based on Transport Assessments undertaken for the development plan process and subsequently for planning applications.
- 5.1.5 Analysis of the discounted cash flow financial model has identified a funding gap as a result of the increased costs as well as a timing lag funding profile that requires to be met to unlock sites and allow development to proceed. The reason for selecting this particular profile is that it provides the capital funding required to reduce the funding deficit, to allow infrastructure to be delivered timeously, unlock sites and allow affordable housing development to proceed. Other options considered included a flat-line payment profile over different time periods. However, these other options presented an unacceptable stalling and blighting of development (as in the Strategic Case, Section 2.8 – Do Nothing), level of financial risk, and borrowing costs so were not considered feasible. It is considered that the strategic transportation financial

model is the only affordable option that delivers the desired outcome of unlocking affordable housing delivery.

5.2 The Council's Debt Requirement

- 5.2.1 The financial model combines the infrastructure costs and projected income through developer contributions to estimate the Council's borrowing requirement. Borrowing is required to cover any deficit outstanding at the end of each financial year.
- 5.2.2 The capital and revenue implications of the Dunfermline transport infrastructure requirement have been modelled using a discounted cash flow (see Appendix 8.7 Financial Model). The capital costs and forecast developer contributions have been indexed using the Building Cost Information Service (BCIS) and include design costs. Developer contributions held within the Infrastructure Fund gains interest at a rate of 0.25%. Revenue costs have been inflated at 2%, reflecting the Bank of England target rate. As highlighted in Table 5.2 below, this resulted in a Net Present Value (NPV) Deficit of £0.4m over the full term of the projected STIM programme, as revenue costs are not funded in this model. This assumes that a Scottish Government grant will be provided for the full 15 years of expenditure.

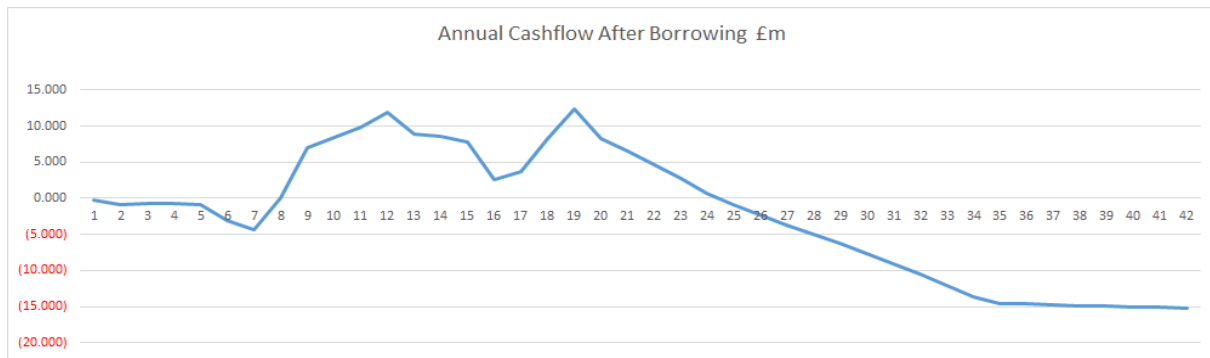
Table 5.2: Cash flow Table

Dunfermline Transport Infrastructure - £m	NPV of (Surplus)/ Deficit	Indexed (Surplus)/ Deficit	Investment	Developer Receipts	Interest
Base Case - Excluding Revenue	0.4	(15.2)	66.8	67.9	2.4
Base Case - Including Revenue	15.1	79.6	66.8	67.9	28.7

Source: Fife Council

- 5.2.3 For the purposes of the capital investment bid to City Deal the revenue costs have been removed from the model and, as Table 5.2 illustrates, this results in a NPV £0.4m Deficit, which would indicate that the capital investment is mostly funded if the Grant is provided for the 15 year period, however there is a timing lag in funding created by the delay in receipt of developer contributions which peaks at £12.4m.
- 5.2.4 The cash flow graph below (Figure 5.1) shows surplus until the capital expenditure exceeds income in 2024/25 and continues into deficit until 2041/42. Thereafter, the cash flow surpluses increase as future developer contributions are collected and capital spend has been fully funded and continues in surplus until the Dunfermline SDA house builds are completed in 2058/59. The total capital requirement to close this funding gap peaks at £12.4m. As identified in Figure 5.1, the capital funding to address this deficit is required from 2024/25 until 2041/42.

Figure 5.1: Dunfermline Strategic Transportation Interventions Discounted Cash Flow



Source: Fife Council

5.3 Affordability

- 5.3.1 As identified above in Figure 5.1, in the first 7 years of the programme there will be a net surplus in the Infrastructure Investment Fund (IIF) which will fund required infrastructure delivery. The financial modelling forecasts that to allow infrastructure to be delivered when required and allow development to proceed, the IIF will go into deficit between years 8-25. Work has been undertaken by Fife Council to model the full revenue cost to the Council of the strategic growth of Dunfermline (i.e. revenue costs which will occur as a result of strategic growth and resulting transport, education and other community infrastructure). In line with the Fife Council Medium-Term Financial Strategy, approved in September 2017, revenue costs associated with growth are to be funded by the respective Service(s). These are indicated at £1.355m p.a. at 2018 prices on the full investment programme.
- 5.3.2 The delivery of around 2,000 new affordable homes, as well as up to an additional 6,000 market homes, and the significant roads and housing infrastructure in the Dunfermline SDA is a major investment in Fife and key to achieving our growth targets. The STIM measures (indexed at £66.8m) to be delivered by the Council are only the off-site aspects of the new roads infrastructure associated with the development. In addition, the on-site aspects that are to be provided by the developers are even greater in financial terms with the overall new road's infrastructure being in the order of £150m. The revenue consequences of this huge investment are significant and grows in time. Immediate costs such as traffic signals, winter maintenance, street lighting energy, routine maintenance such as gully emptying, and road and lighting faults cannot be avoided and in time as the assets age, greater maintenance interventions will be needed with the estimate being around £2.5m pa in 30 years' time including indexation.

5.4 Debt drawdown and repayment profile

- 5.4.1 The financial modelling presented in this section should be considered indicative at this time but is to an appropriate level of detail to support this Business Case.
- 5.4.2 It is assumed that debt repayments will be on an income profile method basis. This method is that any surplus cash collected by the Investment Infrastructure Fund is applied to pay down the remaining principal balance. Early repayment of the principal balance can result in reduced financing costs.
- 5.4.3 For internal accounting purposes in line with the Council's treasury management policy, the Council adopts the Council's long term consolidated pool interest rate (currently 3.61%). The financial modelling undertaken for this bid reflects this pool rate against the Council's contribution.

5.5 Summary financial out-turn

- 5.5.1 The summary outline of the cash-flow is presented in Table 5.3 below.

Table 5.3: Cash-flow

	Cash-Flow (£m)
Infrastructure Capital Spend (Index linked)	66.8
City Deal HIF Funding	(16.5)
Interest Costs	2.4
Developer Contributions	(67.9)
Potential Surplus *	15.2
NPV	0.4

Source: Fife Council

* See paragraph 5.4.2 above.

- 5.5.2 The total off-site transportation infrastructure capital spend is anticipated to be £66.8m. Table 5.3: Cash Flow includes income sources comprising of Fife Council and City Deal funding and anticipated developer contributions. It also includes an estimate of the interest costs. The base case generates a negative Net Present Value (NPV) of £0.4m. In addition, as highlighted in section 6.2, it is proposed that a final reconciliation process is undertaken. This will ensure that, at the end of the Programme, if any surplus in funds exist, this is reinvested in affordable housing projects in Fife.

5.6 Key Assumptions of Base Case

5.6.1 The following assumptions have been used in the financial model:

Table 5.4: Key Assumptions

Cash-flows have been discounted at 7.38% in line with Green Book Guidance.
Development will build out at the rate programmed in the Housing Land Audit 2019 , adjusted for delays in 2020/21 due to the COVID-19 lockdown and the resulting increased construction costs due to adaptations to working practices and disruption to the supply chain in 2020/21 and 2021/22.
The programming of transportation interventions is based upon the programmed build out rate of the Housing Land Audit 2019 as adjusted for COVID-19.
For consented development sites with an agreed Section 75, the timing of staged payments will be as per the programme of the agreed Section 75 and 100% of the agreed Section 75 contributions will be recovered.
For development sites which have yet to have an agreed Section 75 in place, a programme of assumed developer contribution payment triggers and the timing of these has been estimated based on the programmed build out using the Housing Land Audit 2019 .
The level of timing lag funding is based on when developer contributions are programmed to be paid versus when the infrastructure interventions are required.
An assumption on the projected housing market performance is included as it will not mirror 100% of the projected output of the HLA over the STIM programme. Output will be affected by external economic influences such as recession. Assessment of the various scenarios considered can be found in Appendix 8.13 (Growth Scenarios to Project Future Housing Market Performance).

Source: Fife Council

5.7 Cost Maturity of Estimates for Transportation Interventions

- 5.7.1 The costings of the strategic transportation interventions are highlighted in Appendix 8.1 (Strategic Infrastructure Transportation Measures). The costs of the strategic transportation infrastructure are indicative and are based on the 2011 Dunfermline & West Fife Local Plan Transport Assessment which highlighted indicative designs and costs. As Appendix 8.8 (Timetable Dunfermline Strategic Transportation Interventions - STIM) highlights, the 2015 FIFEplan Local Development Plan Transport Appraisal (TA) built upon the 2011 TA and this information has been further updated as information has been received through more detailed specific TAs submitted with individual planning applications.
- 5.7.2 In the case of the Northern Link Road intervention, costs are very high level. The identified route is indicative, and no ground investigation work has been undertaken to date. Once ground investigation works and detailed design works are undertaken the costs for the Northern Link Road will be subject to further change. The degree of change is currently unknown and variations to capital costs have been reflected in the sensitivities tested and base case.
- 5.7.3 It is suggested that a degree of flexibility and movement within the infrastructure programme is allowed. Various external factors may require for

infrastructure to be brought forward or started later reflecting the priorities determined by the build out programme and its cumulative effect (as per the sensitivity analysis highlighted below and in Appendix 8.7 (Financial Model). The programme provided, outlining the priority of the infrastructure provision, is indicative. It is based on the build out programme of the [Housing Land Audit 2019](#), will be updated annually, and will be subject to further change.

- 5.7.4 Whilst this provides the best estimate at this time and has been factored up to include reasonable expectancies and contingencies, assessing cost maturity highlights that the cost of the infrastructure interventions needs to be reviewed on a more detailed project by project basis with the development of more specific cost estimates. As each project progresses into the ground investigation, scheme design and optioneering phase, confidence in budget profiles will improve. There is a risk that the STIM programme could be understated however the intention would be to cost engineer the projects to fit within the existing budget envelope.
- 5.7.5 The COVID assumption assumes the delivery of 25% of the Dunfermline housing completions programmed in 2020/21 (due to construction pausing for 9 months), with recovery over the following 3 years. COVID-19 delays due to adaptations to working practices and disruption to the supply chain are expected to also have an adverse impact on construction costs. A contingency of 15% has been included on construction costs in 2020/21 and 10% in 2021/22.

5.8 Inflation

- 5.8.1 Cost estimates for the transportation infrastructure have been taken from a 2020 base giving a total cost of £50.05m. Further indexation has also been applied in the financial model up to date of delivery for each STIM. The total compounded BCIS indexation as projected through the financial model, based on the programmed build out rate of the Housing Land Audit 2019, creates a total indexed cost of £66.8m. There is a risk that actual costs may increase at a different rate to the BCIS indexation.

5.9 Sensitivity Analysis

- 5.9.1 Sensitivity analysis has been carried out to evaluate some of the key variables and assumptions within the financial model and to determine where the main financial risks and opportunities lie within the project. The positive and negative impacts tested are listed in Table 5.5. The main negative financial risks relate to a recovery rate of less than 100% for developer contributions and an increase in construction costs. A reduced recovery rate of developer contributions has the potential to cause a significant impact due to lost revenue and an increase in construction costs will result in a higher capital cost than that envisaged through the high-level costing estimates undertaken to date.
- 5.9.2 The recovery rate of programmed developer contributions could be affected by a slower, or faster, build out rate than that envisaged through the [Housing](#)

[Land Audit 2019](#). A delay in income from developer contributions would increase interest costs on timing lag borrowing, which is offset by increased indexation being applied. Additionally, a reduction in developer contributions could also result from re-negotiated Section 75 Agreements. Once planning consent had been granted and a Section 75 agreement concluded, applicants can apply to re-negotiate their Section 75 Agreement through a Section 75A application. If successful, this could result in a lower developer contribution(s) being agreed from that of the original agreement.

- 5.9.3 Construction costs could also increase given the current cost maturity of the estimates for transportation interventions as highlighted above in Section 5.7.

Table 5.5 Sensitivity Analysis

Sensitivities - £m	NPV of (Surplus)/ Deficit	Cash (Surplus)/ Deficit	Timing Gap Peak	Investment	Developer Receipts - S75	Interest	Grant Assumed	Change in NPV	Comments
Base case	0.4	(15.2)	12.4	66.8	(67.9)	2.4	(16.5)	0.0	
Positive Impact on Base Case									
2 year delay in construction	(1.6)	(13.9)	(3.7)	69.8	(67.9)	0.7	(16.5)	(2.1)	Benefit Costs Increase due to inflation, allows income to accrue reduces timing gap
2% Increase in BCIS inflation	(1.3)	(34.9)	10.7	78.0	(94.6)	1.1	(19.3)	(1.7)	Benefit increased S75 income in later years Benefit Costs are lower than estimated
10% Decrease in Capital Costs	(1.1)	(19.4)	8.5	62.6	(67.9)	1.4	(15.5)	(1.5)	
Negative Impact on Base Case									
Interest Payable + 2% increase	1.1	(13.6)	13.9	66.8	(67.9)	4.0	(16.5)	0.7	Risk Interest Rates increase
Base Case 5 years	1.9	9.2	4.4	26.9	(13.3)	0.4	(4.8)	1.4	No further development beyond 5 years - gateway decision point
10% Increase in Capital Costs	2.0	(10.8)	16.4	71.0	(67.9)	3.6	(17.6)	1.6	Risk Costs are higher than estimated
2% Decrease in BCIS inflation	2.6	(2.9)	13.3	57.3	(49.7)	3.6	(14.2)	2.1	Risk S75 income reduced in future years less inflation
2 year delay in build out rate	2.9	(18.1)	16.6	66.8	(72.8)	4.4	(16.5)	2.4	Risk Slower build out results in increased income but interest cost on timing gap
Developer Contribution Drop - 10%	3.5	(6.2)	17.8	66.8	(61.1)	4.7	(16.5)	3.1	Risk Developer contribution drops due to legal challenge/methodology
Base case 5 years grant	6.1	1.8	24.0	66.8	(67.9)	7.7	(4.8)	5.6	Risk No Grant available beyond current SG Parliamentary Period
Base Case without SG Grant	9.9	10.9	30.7	66.8	(67.9)	12.0	0.0	9.5	Risk Grant not available – non-compliance with UK Subsidy Controls

Source: Fife Council

Assumptions: HIF/City Deal funding reduces the funding gap for the Council.

The base case assumes 100% of income from developer contributions is received, which does not reflect the risk that developers may default on the payments.

Sensitivity analysis has been carried out to assess the various risks and variables in the business case and are reflected in the risk register. The sensitivity analysis results vary from NPV surplus of £1.6m to NPV deficit of £15.1m. The base case shows a £15.2m surplus, which has a Net

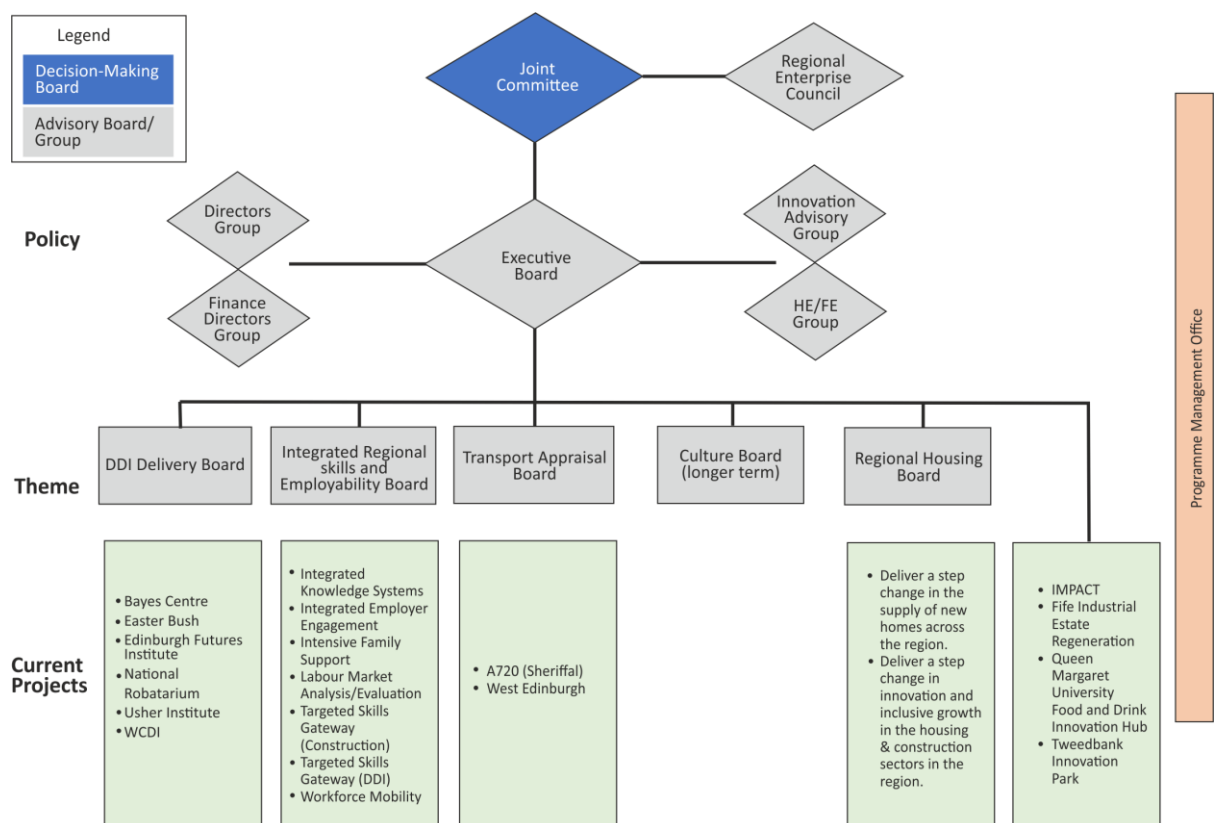
Present Value deficit of £0.4m. Whilst the construction costs are at an indicative stage and include built in contingencies, a 10% decrease and 10% increase in capital costs have been modelled to illustrate the impact of a change in infrastructure costs. As the model highlights, this would affect the capital gap, timing gap and assumed grant. Work will continue through the STIM Programme and the risk register to monitor the likelihood of these outcomes and develop mitigating actions as required.

6.0 MANAGEMENT CASE

6.1 Governance

6.1.1 City Deal funding is sought from the Edinburgh and South East Scotland Region City Deal Programme, although it is acknowledged that funding may be sourced from an alternative Scottish Government budget(s). The overall governance of the delivery of the Dunfermline Strategic Transportation Intervention Measures will be provided through the Edinburgh and South East Scotland City Deal governance structure as illustrated in Figure 6.1. The Dunfermline STIM Programme sits within the projects listed under the remit of the Regional Housing Board.

Figure 6.1: Edinburgh and South East Scotland City Deal regional governance structure



Source: Fife Council

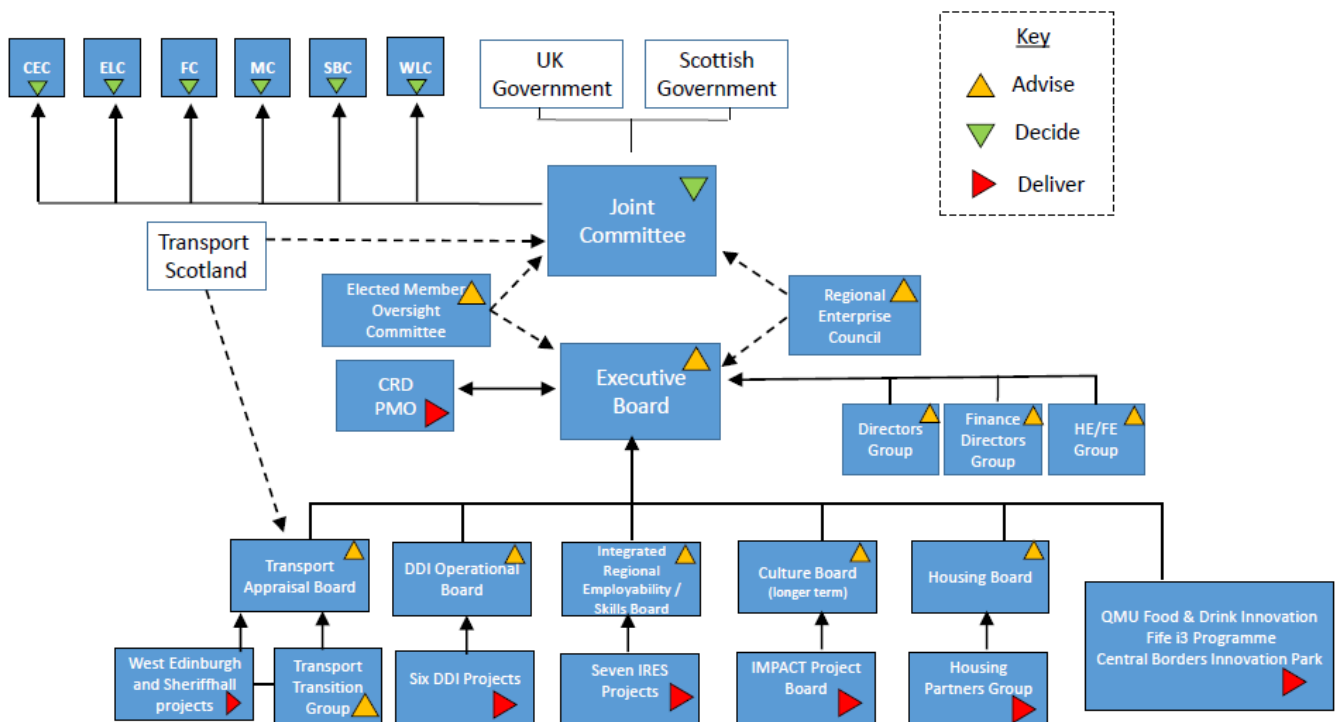
6.1.2 The Dunfermline STIM Programme will report to the Edinburgh and South East Scotland City Region Deal Executive Board and its Joint Committee. Fife Council authorised participation in the Joint Committee and City Deal governance in June 2018. The Dunfermline STIM Programme and the wider Fife Strategic Development Areas Programme is governed within Fife Council by the Council's Sustainable Growth and City Deal Board. The Board was established to provide the internal Fife Council governance for all strategic growth and City Deal matters within Fife. The Fife Strategic Growth and City Deals Board will also integrate the governance relating to both the Edinburgh and South East Scotland Region City and Tay Cities Deals. This will provide

strategic direction and oversee all city deal activities, programmes and projects to ensure inter-dependencies are managed and benefits realised.

6.1.3 Fife Council has established a Sustainable Growth and City Deals Programme Board to provide strategic direction and oversee all city deal activities, programmes and projects. Its remit includes management of the Dunfermline STIMs Programme and all other City Deal projects to ensure their inter-dependencies are managed and benefits realised. The Sustainable Growth and City Deals Programme Board will also integrate the governance relating to both Edinburgh and South East Scotland and Tay Cities Deals. The membership of the Sustainable Growth and City Deal Board consists of senior officers, Heads of Service and Executive Directors from key Council services. Further information on the membership and governance structure can be found in Appendix 8.9 (Strategic Growth and City Deals Programme Governance Structure).

6.1.4 The governance for the delivery of individual strategic transportation interventions will be controlled and overseen by the Council's Strategic Transportation Interventions Delivery (STID) Board. Membership of this Board consists of officers from Transportation, Planning and Finance and is chaired by the Senior Manager for Transportation. The STID Board is directly accountable to the Sustainable Growth and City Deal Board. The individual project and programme management arrangements are shown below:

Figure 6.2: Programme and Project Management Governance Arrangements



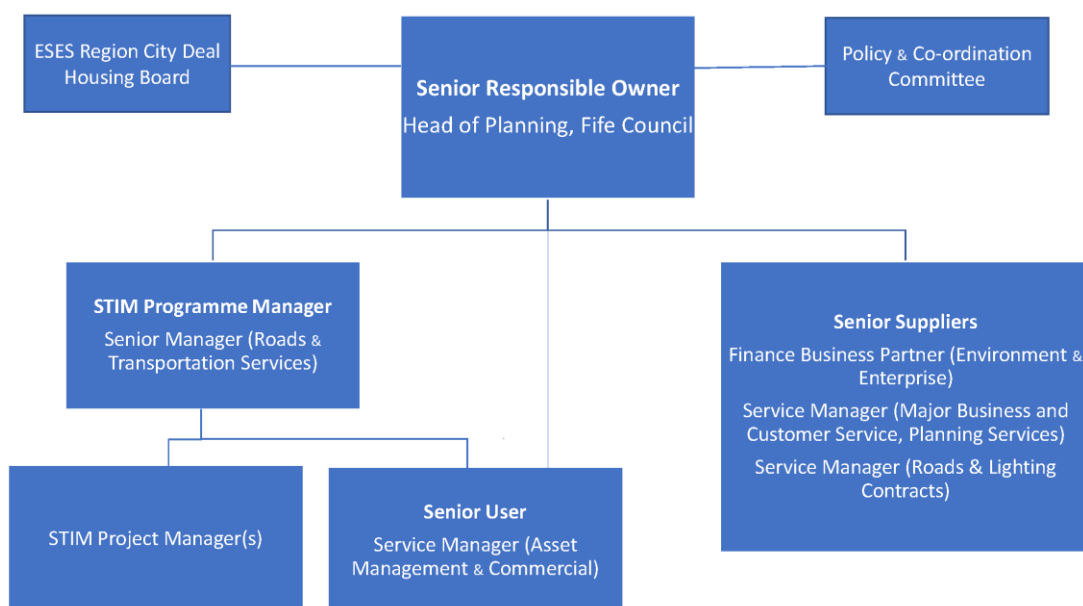
Source: Fife Council

- 6.1.5 As identified in Chapter 4 (Commercial Case), the creation of a delivery partnership between Fife Council and the private sector development interests for Dunfermline SDAs had been considered. However, the risk transference and increased costs associated with the City Deal interest rate created a barrier to the private sector committing to City Deal funding under the current terms and conditions placed on the City Deal Housing Fund.
- 6.1.6 Therefore, Fife Council investigated alternative funding models with the Scottish Futures Trust and the Scottish Government through the preparation of this Business Case. This was required from a governance perspective to allow the Council (rather than the private sector) to deliver the infrastructure interventions and share risk whilst also injecting capital into the SDA programme. As Table 4.3 (UK Treasury Green Book Appraisal of Delivery Options) concludes, the preferred funding option is a Housing Infrastructure Fund grant to part fund the delivery of the strategic transportation infrastructure.

6.2 Managing Change

- 6.2.1 Project and programme tolerances will set out in terms of cost, time, resources, quality, scope, risk and benefits. Tolerances will be agreed by the relevant Board and reviewed between programme/grant phases. The financial management and monitoring system of the programme shall include constantly revising and updating projections as the cost maturity of the programme increases. Where project or programme tolerances are exceeded, exception reports will be triggered and escalated as outlined below:

Figure 6.3: Change Control Process



Source: Fife Council

6.3. Contract Management

6.3.1 As Scotland's third largest local authority, Fife Council's Roads and Transportation Services have a Service turnover of approximately £80m per annum (capital and revenue). All contracts are actively monitored and managed. Contract management will be undertaken by Fife Council through a skilled team within Roads and Transportation Services using Fife Council's Contract Standing Orders – Scheme of Tender Procedures. Quality assurance requirements will be written into all contracts. The Senior Supplier and Project Manager (as identified in Figure 6.2) are Chartered Civil Engineers and are Members of the Institution of Civil Engineers and the Engineering Council, each with over 20 years' experience in the industry. Appendix 8.15 outlines further details of the contract management team.

6.4 Benefits Realisation

6.4.1 The Benefits Realisation Register is set out in Appendix 8.16. The benefits relate to the outcomes of delivering the STIMS as identified in this business case and the Economic Appraisal set out in Section 3.6. These will be managed and reviewed through the governance and change management processes.

6.5 Approach to Risk Management

6.5.1 The programme risks relate to delivery and viability; finance; and legal. A copy of the risk register is set out in Appendix 8.10. Plans to mitigate risk have been developed. Risks within the control of Fife Council, (staff capacity and appropriate governance arrangements) are being actively managed. Mitigation strategies relating to the wider economic environment (economic instability, interest rates) have been developed and will be deployed in response to changes or developments. All risks will be regularly reviewed and reported to the Strategic Transportations Intervention Delivery Board.

6.6 Programme and Project Monitoring, Evaluation and Reconciliation

6.6.1 Each project (transportation intervention) will require Fife Council approval to progress to design, procurement and delivery phases. Further reviews will be carried out after the procurement is completed for each project; and when each project is delivered. Benefit Realisation Reviews will also be conducted.

6.6.2 In order to monitor the outputs from the HIF grant funding, linked to City Deal, it is proposed that there be an annual monitoring process. The process will include:

- The preparation and submission of an annual report to the Scottish Government; and
- an annual meeting between Fife Council and Scottish Government officials to discuss the annual report, infrastructure

and housing delivery progress (programmed versus actual output) and any emerging trends.

- 6.6.3 The annual monitoring reports, prepared for the delivery of the Dunfermline Strategic Transportation Intervention Measures programme, will monitor programmed versus actual for a range of measures:
- Developer contributions received and spent (operation of the Infrastructure Investment Fund);
 - Housing completions (houses built);
 - Programmed completions (houses proposed to be built in future years as per the latest annual [Housing Land Audit](#));
 - Trigger dates for individual transportation interventions;
 - Intervention costs; and
 - Market led intelligence on delivery trends
- 6.6.4 Regular reporting to meetings of the City Deal Housing Theme Strategic Sites group, the Regional Housing Partners and Housing Board will ensure that lessons learned through the delivery of the Dunfermline strategic transportation infrastructure can help inform and improve other business cases being prepared, and programmes delivered, through the ESES City Deal Housing Theme.
- 6.6.5 In addition, it is proposed that a final reconciliation process is undertaken. This will ensure that, at the end of the Programme, if any surplus in funds generated by Scottish Government/City Deal funding exist, this is reinvested in affordable housing projects in Fife. Such projects would require the prior agreement of the Scottish Government.

7.0 CONCLUSIONS & RECOMMENDATION

7.1 Conclusions

- 7.1.1 The proposal contained in this Business Case is to part fund the delivery of the Dunfermline Strategic Growth Programme STIMs from the Edinburgh and South East Scotland Region City Deal. This will assist in addressing the funding deficit within the programme and reflects the aspiration to deliver strategic growth in Dunfermline. This proposal will provide a means to unlock and accelerate investment in essential transportation infrastructure in the Dunfermline Area. It will facilitate the unlocking and delivery of the strategic growth programme in Dunfermline, thereby providing up to 2,000 affordable homes, 6,000 private homes, large scale mixed use development and investment in the Dunfermline economy.
- 7.1.2 The Business Case for Dunfermline shows a commitment to place-based investment. The STIM programme displays a co-ordinated approach to housing investment through the delivery of essential infrastructure investment first, that will ensure private sector investment, whilst supporting regional growth.
- 7.1.3 The vision is that this programme will have a transformative effect on Dunfermline, in terms of place making and inclusive and economic growth and contributes to national, regional and local policy objectives. This vision, therefore, supports not just the ambitions of the Edinburgh and South East Scotland City Deal, but the strategic ambitions outlined throughout this business case. The investment in up to 2,000 new affordable homes, additionally up to 6,000 new market homes, new schools, employment opportunities and the creation of new sustainable communities will play a crucial contribution to Scotland's economic recovery.
- 7.1.4 There is a capital shortfall due to increased costs. In addition, there is a timing difference between when infrastructure is required to be delivered to allow development to proceed and when monies accrued from developer contributions will be in a position to fund these infrastructure interventions in their entirety. The financial model identifies the level of funding required based on when developer contributions are programmed to be paid against when the infrastructure interventions are required to unlock development. In general, infrastructure will be required to unlock development before development has reached the level that will fully pay for the infrastructure intervention(s).
- 7.1.5 The private sector has the potential to deliver major mixed-use strategic growth in Dunfermline thereby meeting policy objectives. The policy of the Local Development Plan requires developers to fund the strategic transportation interventions required as a result of the cumulative development impact. The development industry is committed to investing in the Dunfermline market and is already delivering units on the ground. To continue to secure strategic growth in the area infrastructure requires to be delivered timeously so as not to stall development.
- 7.1.6 Without public sector intervention to fund the capital shortfall and timing gap, the strategic growth of Dunfermline as proposed through [SESpplan](#) and

[FIFEplan](#), and the outcomes of the [Plan 4 Fife](#) (Fife's Local Outcome Improvement Plan) will not be able to be delivered. It is considered essential that public sector intervention is secured to realise the potential economic benefits in this Business Case that would be expected to be accrued through the provision of new jobs and homes. The SDA Programme will only be able to meet the national, regional and local policy objectives if infrastructure can be front-funded to kick-start and unlock development.

- 7.1.7 This document presents the Business Case for a proposal to part fund the Dunfermline Strategic Growth Programme, by means of HIF grant funding, as part of the Edinburgh and South East Scotland Region City Deal. This proposal will provide a means to unlock and accelerate investment in essential transportation infrastructure in the Dunfermline Strategic Growth Area to facilitate affordable housing delivery as part of large-scale mixed-use development and investment in the Dunfermline economy.
- 7.1.8 The advantage of HIF City Deal Funding is that this funding solution allows a package of support to be delivered rather than individual HIF applications for each intervention. The primary risk of individual applications would be no certainty that all applications would all be successful, thus creating a lack of confidence. Packaging all interventions within this Business Case, which covers the full STIM programme and provides detail for the first grant phase, provides confidence and certainty in the STIM delivery programme to the market to enable private sector investment.
- 7.1.9 HIF grant funding to assist with the delivery of strategic transportation infrastructure in Dunfermline would: -
- enable housing and infrastructure delivery; support quality of life by promoting quality of place and the public interest in Dunfermline in line with A Plan for Scotland', the Scottish Government's Programme for Government; A National Mission with Local Impact Infrastructure Investment Plan for Scotland 2021-22 to 2025-2026; and the Place Principle;
 - enable the delivery of up to 2,000 new affordable homes supporting the Scottish Government's Housing to 2040 vision;
 - enable the delivery of up to 8,000 new homes, supporting the SESplan 19,000 target;
 - enable the delivery of sustainable place making and new homes supporting Fife Council's Local Outcome Improvement Plan;
 - enable Fife Council to maintain an effective 5-year housing land supply and fulfil its statutory requirement to deliver the adopted Local Development Plan;
 - enable the collection of over £67m in transportation contributions (required to improve the local transportation network), and the equivalent of over £100m in education contributions; to sustain the growth from not only the strategic sites but the other 20 or so housing sites allocated in the Local Development Plan, in line with Fife Council's Planning Obligations Supplementary Guidance; and

- enable further economic growth in the Dunfermline area through the creation of construction jobs and the delivery of employment land, and local community infrastructure.

In summary the Dunfermline Business Case: -

- is seeking grant funding of £4.85m over the next Scottish Parliament parliamentary period (2021/22 – 2025/26), to unlock affordable housing - covering 25% of construction costs (to align with 25% affordable housing provision) (see Table 7.1); and
- sets out plans for future phases of the Programme which will require financial support after 2025/26 (see Table 7.1).

Table 7.1: Total Investment

Funding Source	2021/22 – 2025/26 Investment (£m)	Post 2026/27 Investment (£m)	Total Investment (£m)
Fife Council Investment	£22.5	£30.1	£52.6
City Deal Investment	£4.8	£11.7*	£16.5
Total Investment	£27.3	£41.8	£69.1

Source: Fife Council

* Demonstrates potential funding based on 25% of the total investment post 2025/26. Total investment includes £2.4m interest costs.

7.1.10 The benefits that the full £16.5m grant funding will unlock are highlighted in Figure 7.1.

Figure 7.1: Benefits of City Deal Funding



Source: Fife Council

7.2 Recommendation

It is recommended that the Full Business Case for the Dunfermline Strategic Transportation Intervention Measures is approved to support Housing Infrastructure Fund grant applications.

Signed:

Date:

Senior Responsible Owner:

Programme:

8.0 APPENDICES

- 8.1 Strategic Infrastructure Transportation Measures
- 8.2 Network Rail Joint Working Agreement
- 8.3 Dunfermline Housing Market Report
- 8.4 Dunfermline Strategic Growth Development Overview
- 8.5 Transport Zones
- 8.6 Local Outcome Improvement Plan Extract
- 8.7 Financial Model
- 8.8 Dunfermline Strategic Transportation Intervention Measures – Policy Process Timeline
- 8.9 Governance Structures
- 8.10 Programme Risk Register Extract
- 8.11 Fife Economic Model 2018
- 8.12 Assessment for Economic Impact
- 8.13 Growth Scenarios to Project Future Housing Market Performance
- 8.14 Risk Sharing/Public Sector Collaboration Options Appraisal
- 8.15 Contract Management Team
- 8.16 Benefits Realisation Register

Appendix 8.1 Strategic Infrastructure Transportation Measures

Transportation Intervention Measure	Estimated Cost (2020)
1. Pitreavie Roundabout Signalisation & Additional Southbound Lane on A823	£650,000
2. Kings Road/Admiralty Road junction signalisation	£1,456,000
3. Bothwell Gardens Roundabout Signalisation	£1,028,000
4. Northern Link Road (NLR) - East End	£11,500,000
5. Western Distributor Road (WDR) - Grange Drive	£10,308,000
6. NLR - A823 - Whitefield Road	£8,470,000
7. WDR - Coal Road including bridge crossing of Dunfermline - Alloa Railway	£12,333,000
8. WDR - William Street/Rumblingwell junction upgrade	£1,493,000
9. WDR - William Street	£2,817,000
	£50,055,000 (£66.8m indexed)

Notes:

1. Costs stated are subject to verification in costed TAs.
2. Cost updates have been updated to 2020 and index linked to date of delivery BCIS. The total compounded BCIS indexation as projected through the financial model, based on the programmed build out rate of the 2019 Housing Land Audit, creates a total indexed cost of £66.8m.

Appendix 8.2 Network Rail Joint Working Agreement

JOINT WORKING AGREEMENT

Heads of Terms

Between

1.0 Project Partners

1.1 Network Rail, 151-155 St Vincent Street, Glasgow, G2 5NW

and;

Fife Council, Fife House, North Street, Glenrothes, Fife, KY7 5

1.2 Fife Council will include representatives from Planning Services (PS) and Roads and Transportation Services (RTS).

2.0 Project Objectives

2.1 To implement the adopted FIFEplan Local Development Plan 2017 which promotes strategic growth in Dunfermline.

2.2 To reduce the risk to members of the public from injury at Kingseat Road level crossing on the Fife Circular, Dunfermline by reducing interface between road and rail users at this at-grade intersection; and

2.3 To deliver an alternative crossing in the form of a new vehicular and pedestrian bridge at Halbeath, Dunfermline; and

2.4 To provide significant improvement to transport infrastructure in Dunfermline by removal of delays to rail services, and vehicle, cycle and pedestrian trips. Reducing risk to rail passengers; performance benefit for NR; and environmental improvements – air quality.

2.5 To provide an alternative route between the NLR & Kingseat Road (via Pleasance Road).

3.0 Project Outcomes

3.1 To jointly secure the statutory closure of the Kingseat Road level crossing (to both vehicles and pedestrians);

3.2 To jointly secure the design and delivery of a new vehicular and pedestrian bridge and associated footpath links over the railway at Halbeath, Dunfermline; and

3.3 To jointly deliver the first part of the Northern Link Road.

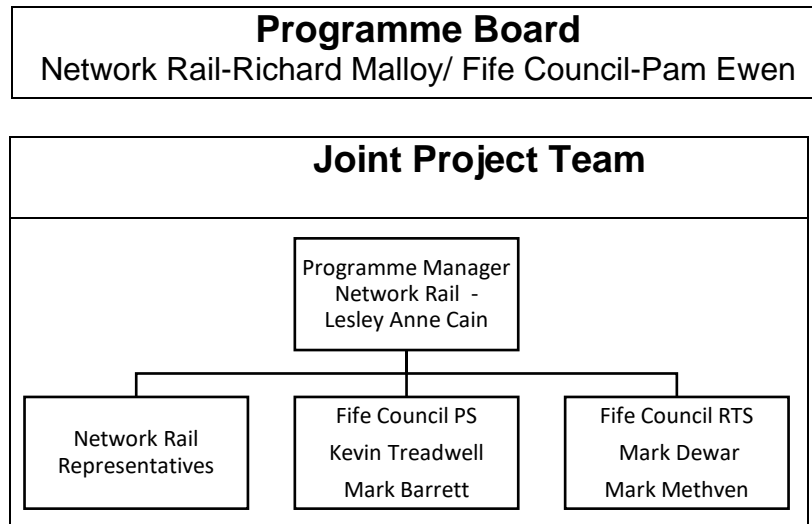
Planning

- 3.4** The Strategic Transport Projects Review 2 (STPR2) with regard to further electrification of the rail network notes (A.49) “in the longer term, extending into the period beyond STPR, this would include...Phase 3 – Electrification of routes between Edinburgh, Perth and Dundee including the Fife Circle.”
- 3.5** The Kingseat Level Crossing sits on the Fife Circle Route. The line between Alloa and Dunfermline is not currently signalled to passenger carrying standards. The Fife Circle is a priority for present investment in new rolling stock ***NR. Its morning peak services can be overcrowded. Failure at the level crossing signals can result in significant delays for both road and rail traffic.
- 3.6** The adopted Local Development Plan promotes strategic growth in Dunfermline. Development proposals include the Dunfermline N/W/SW Strategic Land Allocation and the North Dunfermline Strategic Development Area. The SLA/ SDA sites are capable of delivering over 7000 houses, 25% of which will be affordable. In addition, over 80 hectares of employment land are proposed. The proposed development will require a minimum of £35m of transportation infrastructure. This will include the delivery of a Northern Relief Road (NLR) and a Western Distributor Road (WDR). Fife Council will manage the delivery of off-site infrastructure, through the Infrastructure Investment Fund. The Fund will accrue as developer contributions are collected.
- 3.7** The Northern Link Road will run from Swallowdrum (A907) in the west to the Halbeath Bypass (A907) in the east via the new vehicular and pedestrian bridge crossing of the Fife Circle.
- 3.8** There is considerable developer interest in Dunfermline. With a significant number of live and approved applications across the north of Dunfermline which have the potential to unlock investment, realise regeneration potential, and deliver strategic infrastructure (see 4.3 above).

4.0 Project Structure/Governance

- 4.1** A Programme Board, to be chaired jointly by Network Rail and Fife Council, will be established (indicative names included).
- 4.2** A Joint Project Team made up of representatives of Network Rail and Fife Council will be established and run by a Programme Manager (indicative names included).

4.3



5.0 Project Tasks/Roles

5.1 The attached Programme Plan identifies key tasks; lead and support; as well as indicative timescales. The key tasks will include:-

Land Acquisition – to be led by Fife Council

Statutory Closure Order – to be led by Network Rail, supported by FC

Community Engagement – to be led by Fife Council, supported by NR

Committee Approval – to be led by Fife Council

Bridge Design, Road Design & Option Appraisal – jointly by Network Rail & FC

Delivery of Bridge (Bridge Construction Contract) – jointly by Network Rail & FC

6.0 Funding (Indicative at this stage for further discussion)

6.1 Land acquisition will be funded by Fife Council.

6.2 The closure of the level crossing and the delivery of the bridge will be jointly funded.

7.0 Timescales

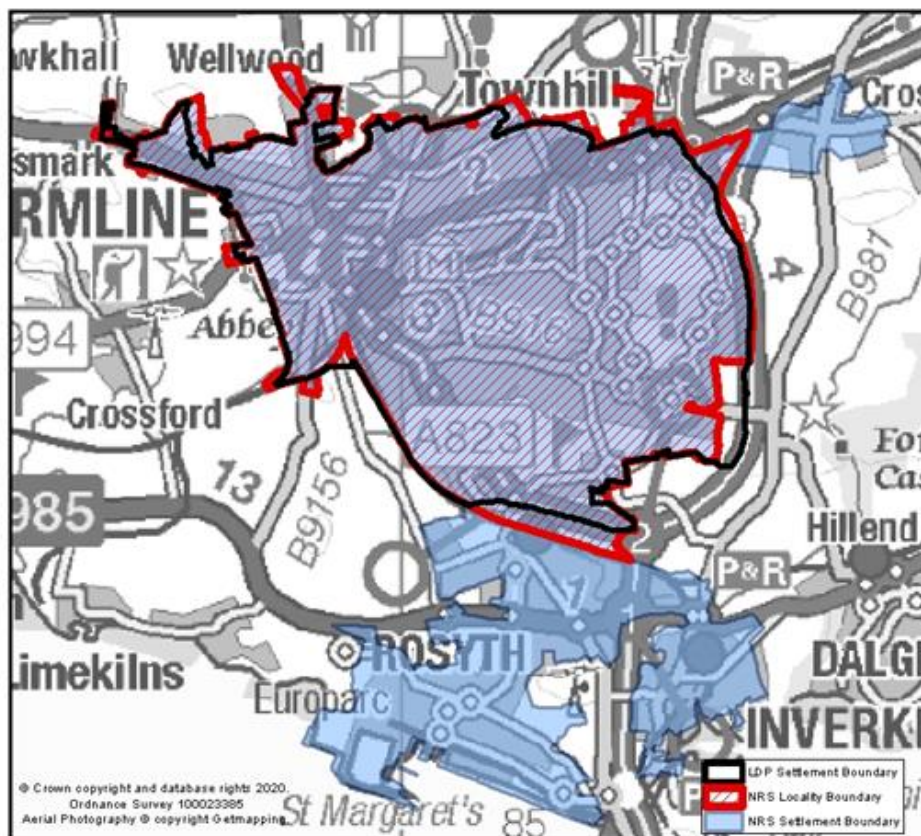
7.1 It is anticipated that delivery of this joint project may take 3 to 5 years. The community engagement and statutory notice procedure can take x months. There are also a number of tasks of a complex nature from land acquisition to design and construction of the new bridge.

Appendix 8.3 Dunfermline Housing Market Report

1. Introduction

1.1 This report assesses the strength of the housing market in the locality of Dunfermline (as defined by the NRS - National Records of Scotland). Both locality and settlement boundaries are assessed in determining mid-year population estimates by National Records of Scotland (NRS). Whilst the locality boundary for Dunfermline is a fair approximation of the settlement boundary delineated in FIFEplan – Fife’s Local Development Plan – the settlement boundary assessed by NRS includes Rosyth, Inverkeithing and Crossgates. Throughout this report, NRS locality boundaries are used. Map 1 illustrates the difference between the FifePlan Dunfermline settlement, NRS Dunfermline Settlement and NRS Dunfermline locality boundaries. Please note that all tables are ordered by population size and Dunfermline is highlighted for ease of reference.

Map 1: Local Development Plan settlement and NRS locality/settlement boundaries



Source: National Records of Scotland and FifePlan

1.2 Rather than focus solely on Dunfermline in attempting to assess the strengths of its housing market, this report assesses the Dunfermline locality against

comparator localities and looks at population; new house building activity; house sales activity; and house price increase.

2. Comparator localities

2.1 Dunfermline is the 9th largest locality in Scotland (source National Records of Scotland <https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-estimates/settlements-and-localities/mid-2016/list-of-tables>).

Table 1: 12 most populous localities in Scotland

Locality	Population Estimate 2016	Population Index (Dunfermline = 100%)
Glasgow	612,040	1,153%
Edinburgh	488,050	919%
Aberdeen	200,680	378%
Dundee	148,280	279%
Paisley	77,220	145%
East Kilbride	75,120	141%
Livingston	57,030	107%
Hamilton	54,080	102%
Dunfermline	53,100	100%
Cumbernauld	50,920	96%
Kirkcaldy and Dysart	50,010	94%
Perth	47,430	89%

Source: National Records of Scotland

2.2 Table 1 shows the 12 most populous localities in Scotland and indexes their populations against Dunfermline i.e. Dundee's population is 2.79 times that of Dunfermline. These indices are used to normalise subsequent statistics.

2.3 From these localities, 5 were selected as house building comparators to Dunfermline: Dundee, East Kilbride, Hamilton, Kirkcaldy and Dysart, and Perth (shaded blue in Table 1.2).

Dundee

2.4 Dundee was selected as the smallest city which is the centre of a city region. It is nearly 3 times the size of Dunfermline and is also the major service and employment centre for north Fife and Angus. Dundee is on the East Coast Main Line and has reasonable road and bus links.

East Kilbride

2.5 East Kilbride was selected for comparison as the first and largest of Scotland's New Towns. Like Dunfermline, East Kilbride is served by two railway stations.

Hamilton

2.6 Hamilton has almost the same population as Dunfermline being within 2%. It is served by the motorway network and has a bus station and three railway stations. Hamilton also has further advantages in that it is the administrative centre for South Lanarkshire Council.

Kirkcaldy and Dysart

2.7 Kirkcaldy and Dysart were selected as a Fife comparator. The combined locality was once the most populous in Fife but was overtaken by Dunfermline sometime after the turn of the millennium.

Perth

2.8 Perth is Scotland's newest city but is of similar historical importance to Dunfermline. Perth also has planned strategic development which could deliver 6,000 - 8,000 homes and, as such, shares similar characteristics with Dunfermline.

3. Housing completions

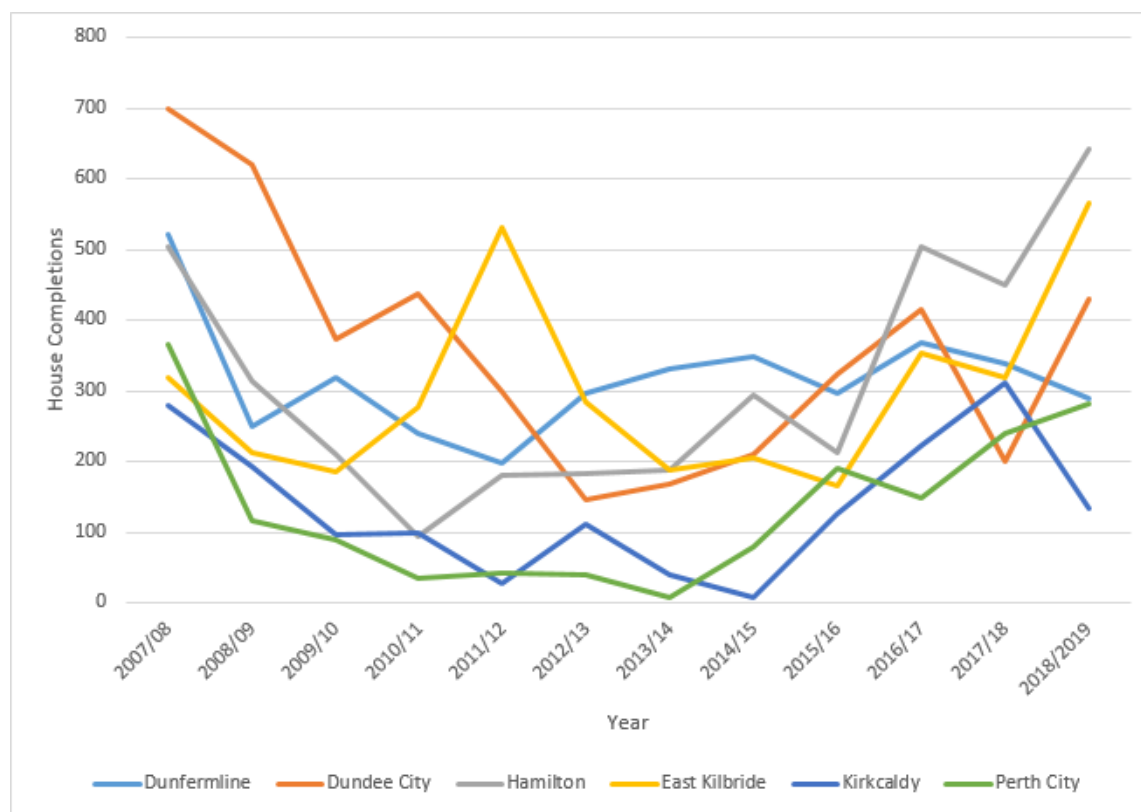
3.1 New house building is adopted as a measure of the attractiveness of a locality to house builders. Completions figures were collected for each of the localities by year from 2007/08 to 2018/19. This period has one year before the start of the recession in 2008 and stretches to the partial recovery which is beginning to become apparent.

Table 2: Housing completions by locality 2007/08 – 2018/19

	2007 /08	2008 /09	2009 /10	2010 /11	2011 /12	2012 /13	2013 /14	2014 /15	2015 /16	2016 /17	2017 /18	2018 /19
Dunfermline	522	250	320	240	199	297	332	348	296	368	338	290
Dundee City	700	621	372	437	299	147	168	210	323	416	201	430
Hamilton	503	313	210	94	180	183	188	293	213	503	449	642
East Kilbride	320	213	185	278	532	285	188	206	166	354	320	567
Kirkcaldy	279	193	96	99	28	112	40	8	125	222	311	133
Perth City	365	117	88	34	43	40	7	79	191	148	239	282

Table 2 & Chart 1 Sources: Dundee Housing Land Audit; South Lanarkshire Council; Fife Housing Land Audit; Perth and Kinross Housing Land Audit

Chart 1: Housing completions by locality 2007/08 – 2018/19



3.2 As can be seen from Table 2 and Chart 1, all localities underwent a significant reduction in new housing completions following the credit crunch and onset of the recession in 2008. Of all the comparator localities, Dunfermline shows the most consistency from year to year demonstrating its resilience and its attractiveness to developers.

3.3 To further explore the relationship between house completions and locality size, Table 3 takes the mean of completions from 2009/10 – 2018/19 and indexes them by the population index in Table 1.

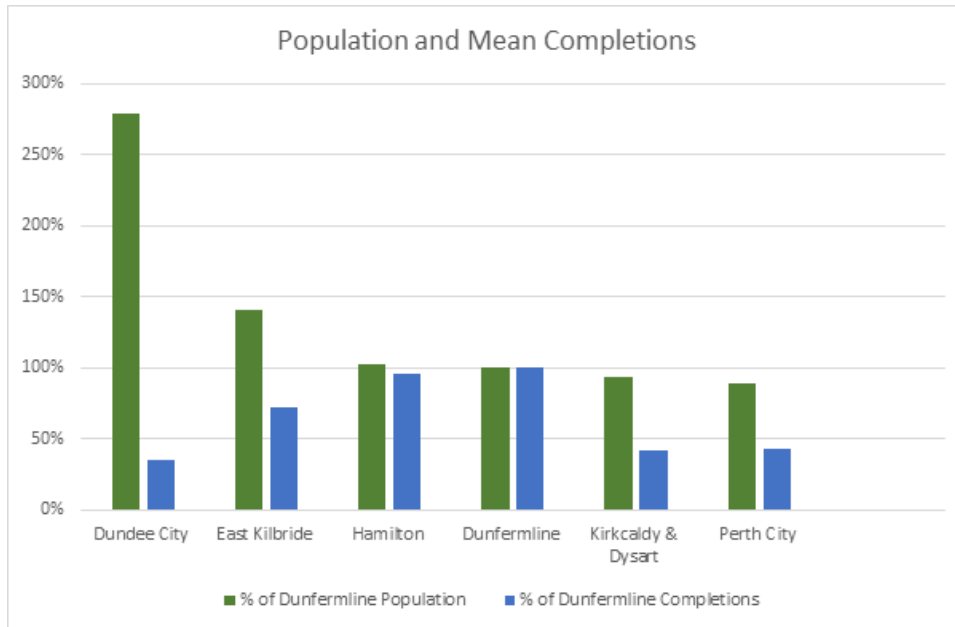
Table 3: Average and indexed completions by locality 2009/10 – 2018/19

Locality	Mean Completions 2009/10-2018/2019	Population Index from Table 1 (Dunfermline = 100%)	Mean completions normalised by population index
Dundee City	300	279	108
East Kilbride	308	141	219
Hamilton	296	102	290
Dunfermline	303	100	303
Kirkcaldy & Dysart	117	94	125
Perth City	115	89	129

Sources: Tables 1 & 2

3.4 As Table 3 shows, Dunfermline is nearly 3 times as successful in attracting new development as its nearest neighbour, Kirkcaldy. If the mean completions figures were to be normalised by the population index, i.e. mean completions ÷ population index, in order to remove locality size as a factor in attracting and delivering new build housing, Dunfermline is the most successful of the comparator localities in attracting new build housing.

Chart 2: Population and completions index

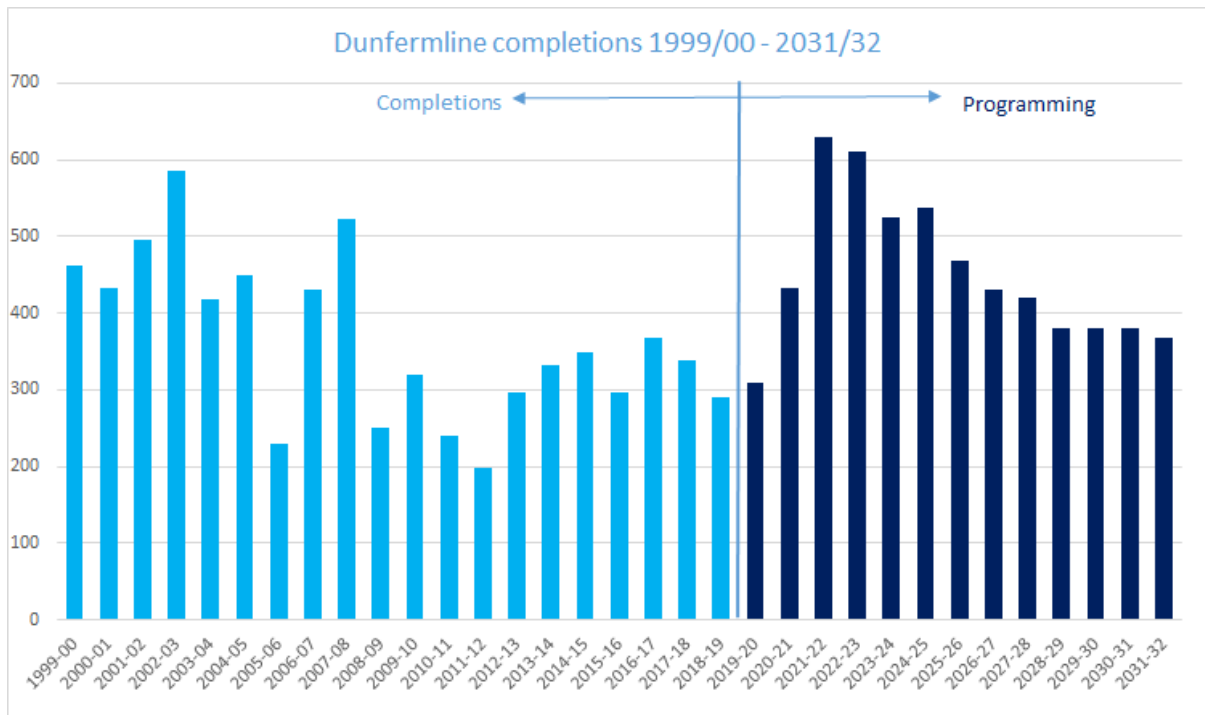


Sources: *Tables 1 & 2*

3.5 Chart 2 combines population of locality (2016 estimate) with mean completions by locality (2009/10-2018/2019) and indexes each comparator locality against Dunfermline (Dunfermline = 100%) and orders the chart by comparative population. As Dunfermline represents the 100% index in both population and mean completions, any comparator locality which outperformed Dunfermline in these measures would have the % of Dunfermline Completions higher than % of Dunfermline Population.

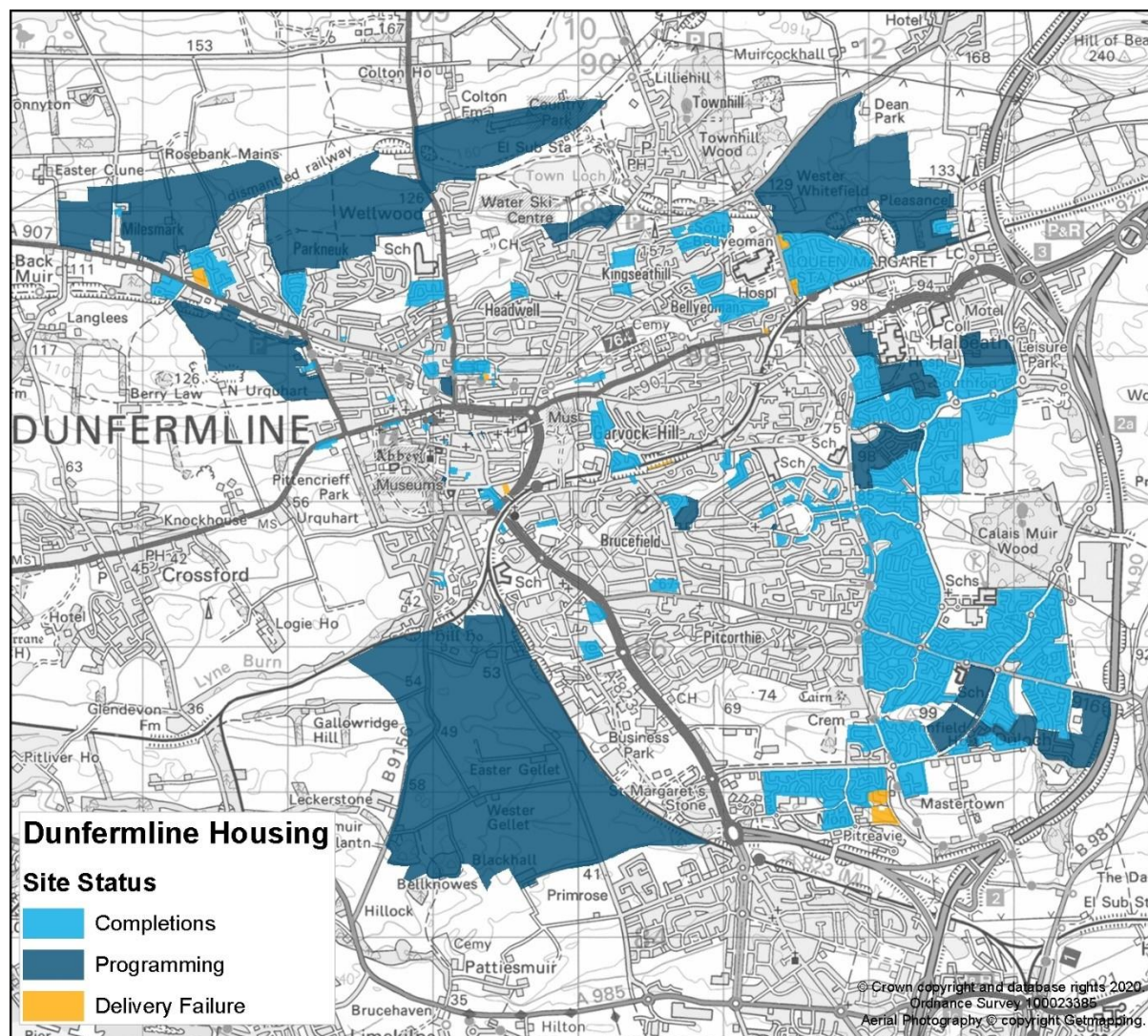
3.6 Data on programmed development is available for Dunfermline and is given in Chart 3. This shows that Dunfermline has sufficient land to maintain, and improve on, its delivery of new housing.

Chart 3: Dunfermline completions and programming 1999/00 – 2031/32



Source: Fife Housing Land Database

Map 2: Dunfermline completions and programming 1999/00 – 2031/32



Source: Fife Housing Land Database

Note: Not all the land shown is programmed to be developed by 2032 and some of the larger sites have a projected lifespan beyond this timescale.

3.7 Map 2 is a mapped representation of the data in Chart 3 and shows the distribution of completed and programmed housing in Dunfermline from 1999 to 2032. Of particular interest is the small number and area of sites which have failed to deliver housing completions and are no longer programmed. This is a further indication of the strength of the market in Dunfermline.

3.8 In conclusion, Dunfermline has weathered the recession better than localities of a similar size. When indexed by population, Dunfermline has delivered significantly more new housing than all comparators and has sufficient land allocated and programmed as effective to maintain, and improve on, new housing delivery.

4. House sales

4.1 Localities which have good employment opportunities, good access to these opportunities and are attractive as places to live, learn, work and take leisure tend to have a high number of house sales as a result. Indeed, the number of house sales can be seen as a measure of the attractiveness of the locality as, not only a place to live, but a place to invest in new development.

4.2 Statistics on house sales have been taken from Zoopla over a ten-year period. Although this ten-year period is not exactly the same period as was used for new home completions in section 3, the period is sufficiently long to smooth out any anomalies and spikes which may exist in the data.

Table 4: House sales by locality in the last 10 years

Locality	10-year sales
Dundee City	20,425
East Kilbride	12,627
Hamilton	7,774
Dunfermline	14,829
Kirkcaldy and Dysart	7,902
Perth	11,522

Source: <https://www.zoopla.co.uk/> as at 14/09/2020

4.3 Table 4 shows that Dunfermline had the second highest number of house sales of all the comparator localities over the last 10 years. However, the more homes there are in a locality, the more there are to bring to market. Although, strictly speaking, these statistics should be normalised by the number of homes in each locality, this data is not available and the 2016 mid-year population estimates are used as a proxy for number of homes. Table 5 normalises the data using the population index in Table 1.

Table 5: House sales by locality in the last 10 years normalised by population index

Locality	10 year sales	% of Dunfermline Population	10 year sales normalised by population index
Dundee City	20,425	279	7,321
East Kilbride	12,627	141	8,955
Hamilton	7,774	102	7,622
Dunfermline	14,829	100	14,829
Kirkcaldy and Dysart	7,902	94	8,406
Perth	11,522	89	12,946

Sources: Tables 1 & 4

4.4 Table 5 shows that, when the house sales data is normalised using the population index, Dunfermline has, proportionally, the greatest number of house sales over the last 10 years.

4.5 Another indicator of attractiveness is the proportion of house sales which were of new build homes. As stated in paragraph 4.2 the house sales data and the new build completions data do not cover the same period and data which covers the same period is not available. However, both datasets cover 10-year blocks which is of a sufficient sample size to be a reasonable indication of the proportion of new home sales to all sales. Whilst this data should be treated with some caution, the same data has been used for each comparator locality and, barring a significant event which exists in one period but not in another, is sufficient to rank the localities by proportion of new build sales to all sales.

Table 6: Localities ranked by new build completions ÷ 10-year house sales

Locality	10 year sales	Completions 2008-2017	Completions/ Sales %	Rank
Dundee City	20,425	3,003	14.7%	5
East Kilbride	12,627	3,081	24.4%	2
Hamilton	7,774	2,955	38.0%	1
Dunfermline	14,829	3,028	20.4%	3
Kirkcaldy and Dysart	7,902	1,174	14.9%	4
Perth	11,522	1,151	10.0%	6

Sources: Tables 2 & 4

5. House prices

5.1 House prices are an indicator of the attractiveness of a locality as they reflect what the market is prepared to pay. Table 7 may be seen to represent a vindication of the selection process by which the comparator localities were chosen – all average house prices are within ± £25,000 of the mean of means. Dunfermline has a relatively high house price, surpassed only by Perth. However, looking at the longer term, including the worst years of the recession, Dunfermline has the highest overall price increase over the last 10 years of all the comparators. This indicates resilience and return on investment which is likely to be attractive to new housing developers.

Table 7: House prices and house price changes over time periods

Locality	Average Price over last 12 months	% Price change over last 12 months	% Price paid increase over 10 years
Dundee City	158,343	-1478	27,651
East Kilbride	138,732	-1296	31,705
Hamilton	146,601	5,858	36,297
Dunfermline	170,172	-3071	40,982
Kirkcaldy	137,941	4340	30,242
Perth	184,694	3475	33,983

Source: <https://www.zoopla.co.uk/> as at 21/09/2020

6. Conclusions

6.1 This report, having assessed the strength of the housing market in the locality of Dunfermline, concludes that Dunfermline compares favourably with the selected comparator localities in terms of:

- Historic housing completions
- House sales
- House prices
- House price growth

6.2 Dunfermline has weathered the recession better than localities of a similar size and, when indexed by population, Dunfermline has delivered more new housing than all comparators. In addition, Dunfermline has sufficient programmed land to maintain, and improve on, housing delivery in the locality well beyond 2032. Dunfermline has only a small number and area of sites which have failed to deliver housing completions and are no longer programmed. This is a further indication of the strength of the market in Dunfermline.

6.3 Dunfermline has the second highest number of house sales of all the comparator localities over the last 10 years (Table 6). However, when the house sales data is normalised using the population index ranks 3 ahead of both Dundee and Perth.

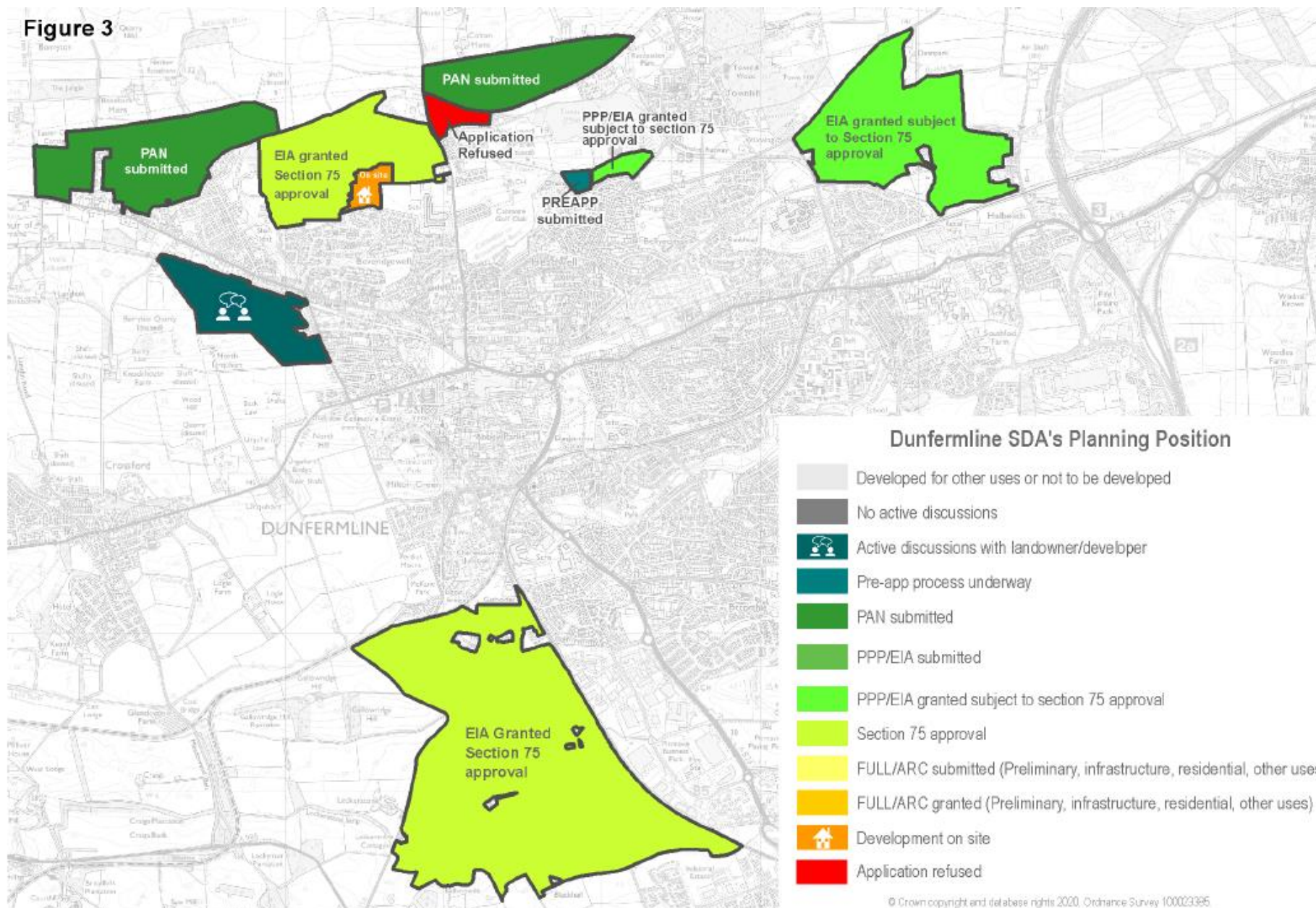
6.4 Dunfermline has the highest overall price increase over the last 10 years of all the comparators. This indicates resilience and return on investment which is likely to be attractive to new housing developers.

6.5 This report, having assessed the strength of the housing market in the locality of Dunfermline, concludes that Dunfermline shows the most consistency from year to year demonstrating its resilience and that it is well placed to continue to deliver house completions.

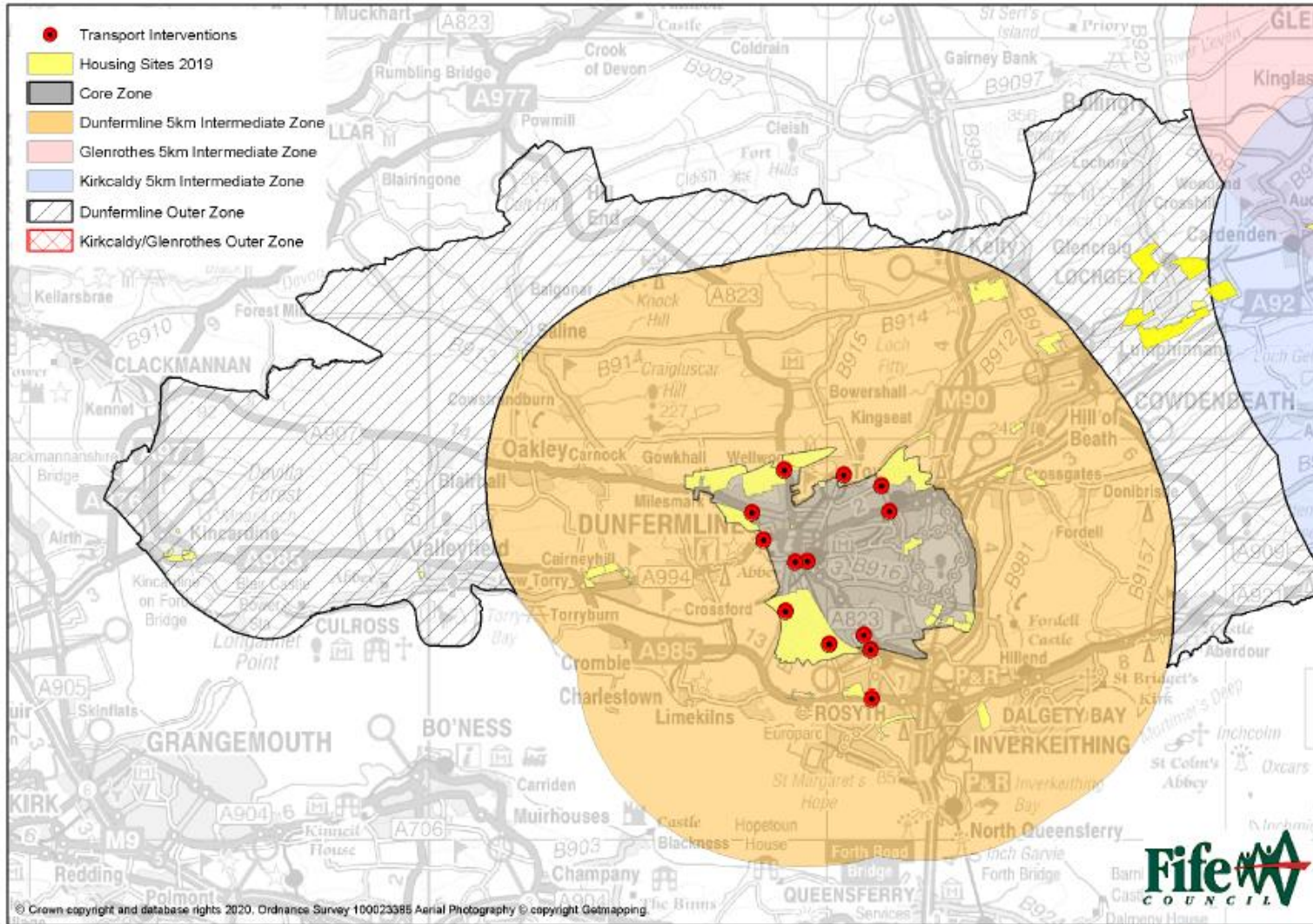
Appendix 8.4 Dunfermline Strategic Growth Development Overview

Strategic Location (SDA/SLA)	Planning Status (Oct. 2020)	Homes/ Jobs	Estimated Site Value
Dunfermline N-W-SW (Wellwood)	Approved and under construction – 1100 homes	Up to 8,000, (inc. 2,000 affordable) 80ha employment land	£947M
Dunfermline N-W-SW (Berrylaw)	Application awaited		
Dunfermline N-W-SW (Broomhall)	Approved – minimum 2150 homes		
North Dunfermline (Halbeath)	Approved subject to Section 75 - 1400 homes		
North Dunfermline (Kent Street)	Application approved – 92 units		
North Dunfermline (Chamberfield)	PRE APP commenced		
North Dunfermline (Colton)	Application under consideration – 450 homes		
North Dunfermline (N.of Wellwood)	Refused– 140 homes		
North Dunfermline (Swallowdrum)	PAN submitted		
North Dunfermline (Carnock Road)	PAN submitted		
Total Investment Value of Fife-wide SDA Programme			£3 Billion

Figure 3



Appendix 8.5 Transport Zones



Appendix 8.6 Local Outcome Improvement Plan Extract

Plan for Fife 2017-2027

Thriving Places Theme

Our Focus	Lead	Expected Changes	Actions for 2017-2020
<ul style="list-style-type: none"> Increase the supply of housing, improve conditions in the private rented sector and improve access to information on housing choices. 	Micheal Enston	<ul style="list-style-type: none"> 3,500 additional affordable rented houses. Adequate infrastructure availability. Reductions in homelessness, and sub-standard private sector housing. 	<ul style="list-style-type: none"> Promote investment and align public sector capital investment to unlock developer funding for transport and education infrastructure. Deliver an integrated approach to support the delivery of strategic housing across Fife's nine identified "strategic development areas". Deliver a Phase 3 affordable housing programme of 3,500 homes by 2022. Implement robust measures to improve private sector housing conditions. Prevent homelessness by providing more housing options and supporting households to sustain their accommodation. Deliver energy efficiency measures to reduce fuel poverty and improve health and wellbeing across all housing tenures.

Extract from Page 18

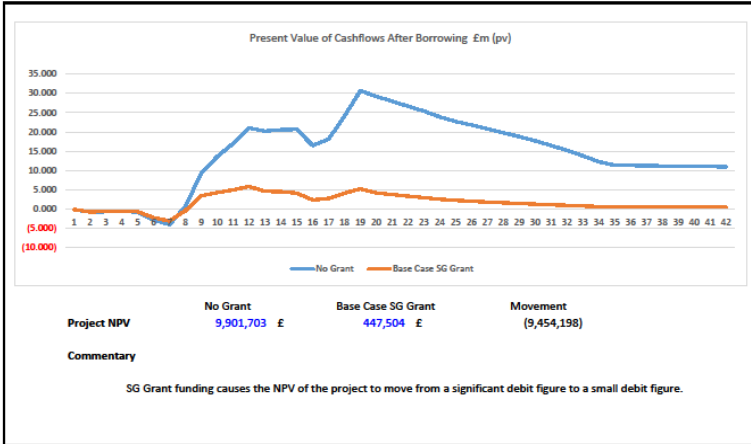
Appendix 8.7 Financial Model

Dunfermline Transport Infrastructure			Total	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37...	2057/58	
SDA CASHFLOW - 42 years				Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20....	Year 41	
	£m	Inflation	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Capital Expenditure			2020 Prices																						
1. Pitreavie Roundabout Signalisation & Additional Southbound L	0.650	BCIS	0.650			0.125	0.525																		
2. Kings Road/Admiralty Road junction signalisation	1.456	BCIS	1.750																						
3. Bothwell Gardens Roundabout Signalisation	1.028	BCIS	1.173					0.235	0.469	0.469															
4. Northern Link Road (NLR) - East End	11.500	BCIS	13.957					0.052	0.054	0.112	1.738	5.890	6.111	0.000											
5. Western Distributor Road (WDR) - Grange Drive	10.308	BCIS	13.338												6.669										
6. NLR - A823 - Whitefield Road	8.470	BCIS	10.027					0.052	0.108	0.558	5.248	4.062	0.000												
10. WDR - Coal Road including bridge crossing of Dunfermline - A1	12.333	BCIS	19.903																	3.981	7.961	7.961			
11. WDR - William Street/Rumblingwell junction upgrade	1.493	BCIS	2.080													0.416	0.832	0.832							
12. WDR - William Street	2.817	BCIS	3.923													0.785	1.569	1.569							
Total Capital Expenditure	50.055		66.802	0.000	0.000	0.125	0.525	0.338	0.631	1.139	6.986	10.302	6.811	7.369	6.669	1.201	2.401	2.401	0.000	3.981	7.961	7.961	0.000		
Income			Per unit																						
Scottish Government Grant	2017 Prices	25%	(16.538)					0.000	(0.085)	(0.158)	(0.285)	(1.746)	(2.576)	(1.703)	(1.842)	(1.667)	(0.300)	(0.600)	(0.600)	0.000	(0.995)	(1.990)	(1.990)		
Dunfermline Core Zone	(0.005)	BCIS	(55.479)	(0.033)	(0.215)	(0.558)	(0.292)	(1.043)	(2.357)	(1.912)	(1.392)	(2.427)	(4.045)	(2.818)	(2.364)	(2.452)	(2.544)	(2.549)	(2.220)	(2.303)	(1.912)	(2.003)		0	
Dunfermline Intermediate Skm Zone	(0.002)	BCIS	(2.896)	(0.021)	(0.151)	(0.262)	(0.074)	(0.254)	(0.273)	(0.383)	(0.308)	(0.211)	(0.211)	(0.150)	(0.127)	0.000	(0.137)	(0.142)	(0.146)	(0.054)	0.000	0.000		0	
Dunfermline Intermediate Skm Zone	(0.002)	BCIS	(6.310)	(0.163)	(0.204)	(0.240)	(0.037)	(0.085)	(0.160)	(0.181)	(0.203)	(0.321)	(0.347)	(0.346)	(0.365)	(0.275)	(0.286)	(0.297)	(0.308)	(0.216)	(0.179)	(0.186)		0	
Dunfermline Outer Zone	(0.000)	BCIS	(0.116)	(0.002)	(0.002)	(0.000)	(0.004)	(0.009)	(0.010)	(0.041)	(0.016)	(0.016)	(0.017)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		0	
Dunfermline Outer Zone	(0.000)	BCIS	(2.982)		0.000	0.000	0.000	(0.009)	(0.047)	(0.053)	(0.164)	(0.164)	(0.145)	(0.131)	(0.136)	(0.142)	(0.147)	(0.152)	(0.158)	(0.164)	(0.105)	(0.095)	(0.084)	(56.667)	
Variance of Existing S75 to Supplementary Guidance - reduction and profile				(0.173)	(0.204)	(0.401)	0.500	0.641	(0.078)	(1.303)	0.579	0.326	0.112	0.116	0.187	0.194	0.201	0.209	0.216	(1.466)	0.000	0.000	0.000	0.000	
Total Income			Totals Indexed	(84.404)	(0.204)	(0.620)	(0.072)	(0.420)	(0.494)	(2.827)	(2.430)	(2.640)	(3.616)	(5.580)	(6.267)	(5.099)	(4.364)	(2.966)	(3.504)	(5.213)	(2.839)	(3.674)	(4.176)	(4.262)	(0.057)
Net Annual Cashflow				(17.602)	(0.204)	(0.620)	0.053	0.105	(0.156)	(2.196)	(1.290)	4.345	6.686	1.232	1.103	1.570	(3.164)	(0.565)	(1.102)	(5.213)	1.141	4.287	3.785	(4.262)	(0.057)
Cumulative Cashflow for borrowing cost					(0.204)	(0.823)	(0.770)	(0.665)	(0.821)	(3.016)	(4.307)	0.039	6.725	7.956	9.059	10.629	7.465	6.900	5.798	0.585	1.727	6.014	9.799	5.537	(17.553)
Borrowing cost on gap																									
Interest Receivable	0.25%		(0.630)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.008)	(0.011)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	(0.044)
Interest Cost	3.61%		3.011	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.001	0.243	0.287	0.327	0.384	0.269	0.249	0.209	0.021	0.062	0.217	0.354	0.200	0.000	
Net Annual Cashflow				(15.222)	(0.204)	(0.622)	0.051	0.104	(0.158)	(2.203)	(1.301)	4.347	6.929	1.519	1.430	1.954	(2.894)	(0.316)	(0.893)	(5.192)	1.204	4.505	4.139	(4.062)	(0.101)
Cumulative Cashflow after borrowing costs					(0.204)	(0.826)	(0.775)	(0.671)	(0.829)	(3.032)	(4.333)	0.013	6.942	8.461	9.891	11.845	8.950	8.635	7.742	2.550	3.754	8.258	12.397	8.334	(15.129)
Discount Factor			NPV																						
Net Present Value																									0.448

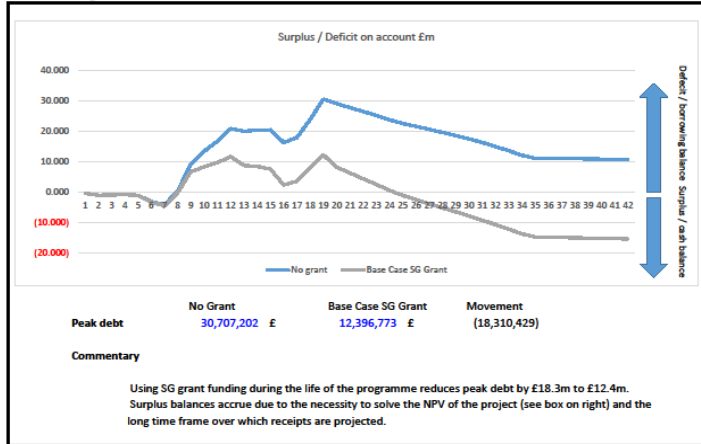
Assumptions
Optimism Bias in HLA 2019 varied for Slow Burn Scenario
Based on HLA 2019
Cost of Transport Solutions indexed from 2020 Prices
S75 income received 12 months following build, with initial deferred payments
Capital costs include abnormal costs, contingency, design fees and land cost
COVID 19 Lockdown 9 months delay in build rate
Modelled S75 income adjusted for existing agreements

Dunfermline Transport Project SG Funding Ask

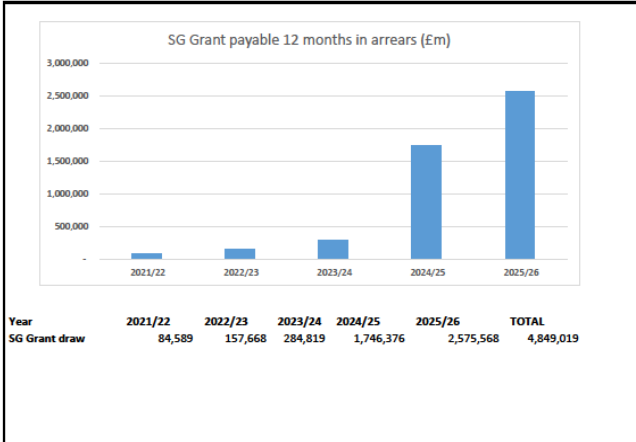
Net Present Value



Peak Borrowing



SG Drawings - Parliamentary Period



Assumptions and Inputs

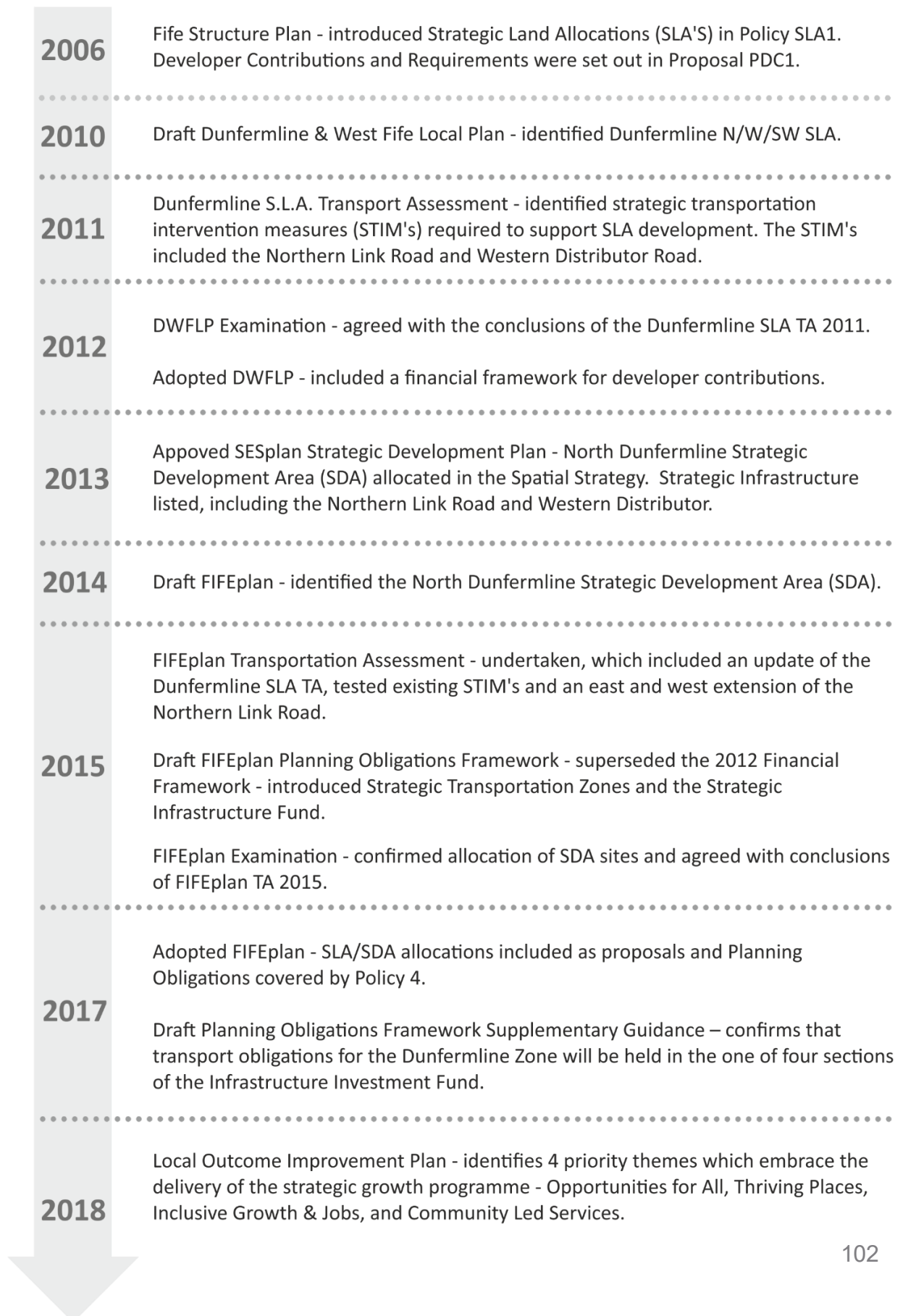
Real Discount Rate	3.5%
Inflation	3.75%
Nominal Discount Rate	7.38%
SG Grant proportion	25%

Notes

Model uses credits (income, funding, etc) as negative numbers and debits (expenditure) as positive numbers; therefore a positive balance on the charts represents a net debit position for the project which has had to be funded from borrowing.
NPV and surplus/deficit chart are related but distinct. The NPV chart has been created by applying discount factors to the cash flows shown in the surplus/deficit chart

Appendix 8.8 Dunfermline Strategic Transportation Intervention Measures – Policy Process Timeline

Dunfermline Strategic Transportation Intervention Measures - Policy Process Timeline



Appendix 8.9 Governance Structures

The figure below illustrates the governance structure for the Fife Strategic Development Area Programme.

Appendix 2: Fife Strategic Development Areas Governance Structure



Senior Suppliers:

Shelagh Mclean, Head of Education & Children's Services
 Alan Paul, Senior Manager, Property Services
 Morag Ferguson, Head of Legal Services
 Ken Gourlay, Head of Assets, Transportation & Environment
 Elaine Muir, Head of Finance
 William Shand, Strategic Development Manager, Planning Services

Suppliers:

Finance - Jackie Johnstone, Accountant (capital & revenue financial modelling)

Education - Louise Playford, Service Manager, Property Services; Avril Graham, Sustainable Estate Officer; Gary Scott, Research Consultant (School role forecasting & infrastructure modelling); Diarmid McLachlan, Lead Professional, Architect (infrastructure design)

Planning - Major Business & Customer Service

Transportation - Mark Barrett & Richard Simmons, Lead Officers, Development Management Transportation (transportation infrastructure requirements); John Mitchell, Service Manager, Sustainable Transport & Parking and Mark Dewar, Service Manager, Roads Design & Construction (transportation infrastructure design)

Legal - Mary Mclean, Legal Team Manager; June Barrie, Legal Services Manager & Steven Patterson & Laura Lamb, Solicitor (Legal advice & Section 75 agreements)

Economic Development - Pamela Stevenson, Service Manager, Economic Development; Ronnie Hair, Property Investment & Development Manager and Anne Rennie (Employment land requirements & delivery)

Housing - Helen Wilkie, Service Manager, Housing Condition and Supply, (Affordable housing) requirements & delivery

Property - Michael McArdle (Land acquisition)

Health & Social - Fiona McKay, Head of Strategic Planning Performance & Commissioning (Health & social care partnership)

Developers & land owning interests - various (development promotion & delivery)

Appendix 8.10 Programme Risk Register Extract

Risk Matrix:

Risk	Impact				
	None (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost certain (5)	5	10	15	20	25
Likely (4)	4	8	12	16	20
Possible (3)	3	6	9	12	15
Unlikely (2)	2	4	6	8	10
Remote (1)	1	2	3	4	5

Key

Risk	Insignificant	Low	Medium	High
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Risk	Potential Impact	Likelihood	Suggested Mitigation	Managed Risk Score
Financial and Viability Risk				
As a result of rising interest rates there is a risk that debt costs could increase which may result in higher borrowing costs.	Moderate. Increase the level of potentially unsupported borrowing and increase in debt cost.	Unlikely. Interest rates are likely to rise as rates are historically low. However, the Council use a pool rate which limits the risk.	Sensitivity of base case to confirm affordability of debt pricing movements.	Medium
As a result of COVID-19 there is a risk that work practices will require to change which may result in increased construction costs.	Minor. Short-term loss of productivity due to social distancing and revised work practices.	Almost Certain. However, it is assumed this will be short-term due to the vaccine roll-out and that revised work practices will have become the 'new normal'/standard work practice.	The financial model reflects a 15% increase in construction costs for financial year 20/21 and a 10% increase for financial year 21/22, to be applied to base case of financial model. The model assumes costs will return to normal financial year 22/23 onwards.	Medium
As a result of a delay in the infrastructure delivery from that programmed in the base case (e.g. transportation or education provision) there is a risk that infrastructure may not be delivered by when it is	Major. Stalled sites through effectively constraining and halting house building once Section 75 triggers are reached for individual sites, until infrastructure is delivered which allows sites to restart construction and progress. This is a risk not just for the delivery of transportation infrastructure. A	Possible. Although risks are largely controllable by the Council, timescales are indicative requiring further design work and may rely on CPO powers if land acquisition cannot be successfully negotiated.	Effective contract management and programming of all infrastructure required to support the strategic growth of Dunfermline. Transportation infrastructure delivery is programmed just before it is required based on the Section 75 triggers for each site and the programmed build rate for each site (using the 2019 Housing Land Audit). This ensures that infrastructure is not delivered until required, maximises the cashflow available through Section 75 income and that revenue costs are not being incurred earlier than required.	Medium

Risk	Potential Impact	Likelihood	Suggested Mitigation	Managed Risk Score
<p>required, which may result in sites stalling until infrastructure is delivered.</p>	<p>delay in education provision could stall sites and result in the revised projected build out of sites, therefore potentially impacting on the timing of transportation infrastructure.</p> <p>This would have significant implications for the delivery of new homes in Dunfermline, 25% of which will be affordable (2,000 units).</p> <p>Potential increase in level of unsupported borrowing (dependant on where occurs in programme).</p> <p>This could create a reputational impact for Fife Council.</p>		<p>Where land assembly is required and it is unclear if an agreement will be reached, a twin track approach of negotiation and progressing a CPO is being undertaken. This will ensure that if a CPO is required, the preparatory work has been undertaken. Agreement in principle has been gained from Council committee regarding use of CPOs.</p> <p>Regular dialogue with the house building industry (including through the annual Fife Housing Land Audit process) and with government decision makers.</p> <p>Prudent revenue assumptions.</p> <p>Manage the funding drawdown with effective debt management strategy.</p>	<p></p>
<p>As a result of an accelerated rate of house building from that programmed in the base case there is a risk that infrastructure may not be delivered by when it is required, which may result in sites stalling until infrastructure is delivered.</p>	<p>Major. Stalled sites through effectively constraining and halting house building once Section 75 triggers are reached for individual sites, until infrastructure is delivered which allows sites to restart construction and progress.</p> <p>This would have significant implications for the delivery of new homes in Dunfermline, 25% of which will be affordable (2,000 units).</p> <p>This could create a reputational impact for Fife Council.</p>	<p>Possible. If developers accelerate output beyond that proposed in the Housing Land Audit and the base case, this could result in sites reaching their Section 75 triggers before infrastructure is delivered, thus stalling development/sites. This is unlikely in the short term given that programmed output has been pushed back due to the effect of Covid-19 on the construction industry and the period of lockdown when construction temporarily halted. Housing market analysis has also identified a strong correlation between proposed and actual house building.</p>	<p>Effective contract management and programming of all infrastructure required to support the strategic growth of Dunfermline.</p> <p>Regular dialogue with the house building industry (including through the annual Fife Housing Land Audit process) and with government decision makers.</p> <p>Revise infrastructure delivery programme to respond to changes in projected house building as documented in the Housing Land Audit.</p>	<p>Medium</p>
<p>As a result of an under estimation of costs there is a risk that costs may be higher which may result in a cost over-run.</p>	<p>Major (recorded as major although level of impact is dependent on level cost increase). Increased capital costs would create a level of unsupported borrowing and therefore increase in debt costs as cost increases cannot be</p>	<p>Possible. Impact of Covid-19 increases this risk.</p> <p>Costs are very high level. The identified routes are indicative, and no ground investigation work has been undertaken to date.</p>	<p>Whilst this business case provides the best estimate at this time and costs have been factored up to include reasonable expectancies and contingencies, assessing cost maturity highlights that the cost of the infrastructure interventions needs to be reviewed on a more detailed project by project basis with the development of more specific cost estimates. As each project progresses into the ground</p>	<p>Medium</p>

Risk	Potential Impact	Likelihood	Suggested Mitigation	Managed Risk Score
	<p>funded by Section 75 contributions. Section 75 agreements cannot be revisited once they have been signed by all parties.</p> <p>This could create a reputational impact for Fife Council.</p>	<p>Once ground investigation works and detailed design works are undertaken the costs will be subject to further change. The degree of change is currently unknown and variations to capital costs have been reflected in the sensitivities tested and base case.</p> <p>Future legislative requirements could result in increased construction costs to assist in achieving net zero carbon targets.</p>	<p>investigation, scheme design and optioneering phase, confidence in budget profiles will improve. There is a risk that the Strategic Transport Intervention Measures (STIM) programme could be understated however the intention would be to cost engineer the projects to fit within the existing budget envelope and remain within the principle of being self-funded by developer contributions.</p> <p>Detailed design and costings will be undertaken before Fife Council commits to undertaking and delivering all the (STIMs).</p> <p>Detailed technical appraisal and costings. The briefs for all STIMs detailed design work include investigating opportunities to deliver the requirements of the transportation interventions (infrastructure) through alternative, more cost effective, solutions.</p> <p>Index linking of all costs.</p> <p>Effective contract management and programming.</p> <p>Fixed price contracts to contain costs.</p> <p>Contingencies in the financial modelling to take account of unplanned cost increases.</p> <p>Updated existing cost assumptions (undertaken in 2020).</p>	
<p>As a result of house building delivering slower than programmed in the base case there is a risk that timescale for private sector payments through developer obligations could increase, which may result in a larger timing gap and thus increased borrowing costs.</p>	<p>Minor if slow down before infrastructure delivered.</p> <p>Moderate if slow down after infrastructure delivered due to delay in projected revenues.</p>	<p>Possible. However, Dunfermline house market is performing well and traditionally has been strong, outperforming comparable settlements of a similar size. There is significant demand for housing at February 2021 (although the impact of Covid, and the resulting economic recession, is unclear in the longer term). If a developer was to walk away from a site, given the strong market interest, another developer would take on the housing site.</p> <p>Once Fife Council has delivered the required strategic transport measures, a development site(s) is significantly de-risked for the developer, making it less likely they will</p>	<p>If slow down before infrastructure delivered, delivery can be reprogrammed to reflect revised house building rate/timescales.</p> <p>Ensure regular dialogue with development industry to consider the latest programming information for each site. Modelling assumptions prudent and based on a realistic scale of build out.</p> <p>Early engagement with infrastructure project partners (e.g. Network Rail) and prepare development agreements.</p>	Insignificant

Risk	Potential Impact	Likelihood	Suggested Mitigation	Managed Risk Score
		relinquish their interest in the site.		
As a result of a change in Planning Obligations Supplementary Guidance Methodology there is a risk that developer contribution levels could change which may result in reducing the value of developer contributions.	Major. Increase the level of unsupported borrowing and therefore increase in debt costs. Increased capital funding gap if construction costs cannot be funded by Section 75 contributions.	Unlikely. Planning obligations costs are directly related to the impact(s) of the SDA development and the delivery cost.	In any review in methodology of the supplementary guidance, the objective of the guidance would not change - to ensure that the costs of addressing the impact of the SDA development are met by the development industry. Any review would be subject to its own risk analysis.	Medium
As a result of a reduction in the BCIS rate after infrastructure is delivered there is a risk that developer contribution levels could change which may result in reducing the value of developer contributions.	Major. Increase the level of unsupported borrowing and therefore increase in debt costs. Increased capital funding gap if construction costs cannot be funded by Section 75 contributions.	Possible. BCIS rates do change over time.	Re-run the financial model if the BCIS rate changes to quantify the level of impact and examine options to fund any resulting unsupported borrowing.	Medium
Legal risk				
As a result of non-compliance with UK Subsidy Controls (replacement for EU State Aid regulations there is a risk that the legality of the programme is called into question which may result in City Deal funding not being available.	Major if legality of the programme called into question. This would create a reputational risk for Fife Council along with potential delays and uncertainty.	Unlikely. The City Deal funding will help unlock affordable housing delivery across all sites. Funding will not benefit a single developer.	Legal due diligence prior to any investment. A high level 'in principle' discussion has already taken place within the Scottish Government and no initial concerns have been highlighted.	Insignificant
As a result of non-compliance with UK procurement legislation there is a risk that the procurement practices of the programme are called into question which	Major. Potential legal challenge, delays in letting construction contract.	Remote. Fife Council procurement procedures will be followed which accord with UK requirements.	Legal due diligence will support the approach to procurement.	Low

Risk	Potential Impact	Likelihood	Suggested Mitigation	Managed Risk Score
may result in City Deal funding not being available				
As a result of land not being available or uncertainties over land ownership there is a risk that uncertainty and legal challenges may result in delay in infrastructure delivery.	Moderate. Potential legal challenge, delays and uncertainty.	Possible. Although, most land in developer control. Potential issues regarding need to CPO.	Title search/due diligence. Legal agreements between land owners and developers. Agreement in principle has been gained from Council committee regarding use of CPOs. Where land assembly is required and it is unclear if an agreement will be reached, a twin track approach of negotiation and progressing a CPO is being undertaken. This will ensure that if a CPO is required, the preparatory work has been undertaken. Agreement in principle has been gained from Council committee regarding use of CPOs.	Medium
As a result of a failure to ensure an effective governance structure there is a risk that decisions may be challenged which may result in legal challenges.	Moderate. Reputational, political and legal impact of poor governance.	Remote. A governance structure exists within Fife Council to approve the delivery programme and investment. This consists of the: Strategic Transportation Interventions Delivery Board; Sustainable Growth and City Deal Board; Investment Strategy Group; and Policy and Co-ordination Committee.	Ensure appropriate governance structure is in place. Ensure key stakeholders are engaged.	Insignificant
As a result of a lack of funding to deliver key infrastructure there is a risk that planning applications could be refused which may result in those refusals being appealed.	Major. A lack of funding to deliver key infrastructure could risk planning applications being refused. If that were to happen for development supported by the Development Plan, applicants may appeal planning refusals and planning permission could be granted on appeal leaving the Council to find funding solutions to deliver infrastructure. The impact of planning by appeal is a significantly reduced ability to secure the most positive outcomes and to co-ordinate growth with infrastructure delivery and mitigation. There is also a reputational risk to the Council if it is unable to deliver its own approved	Almost certain if a funding solution is not found through City Deal. Without City Deal funding, a funding gap exists that cannot be bridged by Section 75 contributions.	The funding solution proposed in the Business Case being agreed through the Edinburgh & South East Scotland City Deal.	High

Risk	Potential Impact	Likelihood	Suggested Mitigation	Managed Risk Score
	development strategy.			
As a result of a legal challenge to the developer obligations there is a risk that the value of contributions could reduce which may result in the Council being unable to deliver the full programme of required transport interventions.	<p>Major. If successful in reducing the value of contributions, this would increase the level of unsupported borrowing and therefore increase in debt costs.</p> <p>Increased capital funding gap if construction cost increases cannot be funded by Section 75 contributions.</p> <p>Reputational risk to Fife Council.</p>	<p>Possible. However, Planning Obligations Supplementary Guidance was widely consulted upon before Council approval.</p> <p>Many sites now have a signed Section 75 agreement in place or are currently engaged in preparing a Section 75 agreement with the Council.</p>	<p>The cost estimates provide the best estimate at this time and has been factored up to include reasonable expectancies and contingencies. Assessing cost maturity highlights that the cost of the infrastructure interventions needs to be reviewed on a more detailed project by project basis with the development of more specific cost estimates. As each project progresses into the ground investigation, scheme design and optioneering phase, confidence in budget profiles will improve.</p> <p>The briefs for all STIMs detailed design work include investigating opportunities to deliver the requirements of the transportation interventions (infrastructure) through alternative, more cost effective, solutions to keep Planning Obligation costs low.</p> <p>Monitor and review the Planning Obligations Supplementary Guidance at regular intervals to ensure it remains up to date.</p>	Medium
Strategic Risk				
As a result of the strategic growth of Dunfermline not being achieved there is a risk that the ambitions of the Local Development Plan (LDP) and Local Outcome Improvement Plan (LOIP) will not be met which may result in the projected increased GVA and place making not being delivered.	Major. The planned strategic growth of Dunfermline would not be realised. The planned sustainable urban expansion would be replaced by piecemeal, unplanned development without the same level of place making and economic benefits accrued from a planned sustainable expansion.	Unlikely. The sustainable urban expansion of Dunfermline is Council policy and is reflected in the LOIP, LDP, Strategic Development Plan (SESplan) and the Edinburgh and South East Scotland City Deal.	Ensure the delivery of the proposed strategic growth of Dunfermline as proposed in the LDP through the use of masterplans and continued dialogue with land owners and the development industry. Address the funding gap through the preparation of a business case for City Deal funding.	Medium
Reputational Risk				
As a result of a funding gap there is a risk that Fife Council is unable to deliver the required transport interventions and as a result private sector	Major. Stalled sites through effectively constraining and halting house building once Section 75 triggers are reached for individual sites, until infrastructure is delivered which allows sites to restart construction and progress.	Possible. Although risks are largely controllable by the use of Housing Infrastructure Fund grant.	<p>City Deal Business Case to access Housing Infrastructure Fund grant.</p> <p>Manage the funding drawdown with effective debt management strategy.</p>	Medium

Risk	Potential Impact	Likelihood	Suggested Mitigation	Managed Risk Score
investment slows/stops.	<p>This would have significant implications for the delivery of new homes in Dunfermline, 25% of which will be affordable (2,000 units).</p> <p>Potential increase in level of unsupported borrowing (dependant on where occurs in programme).</p> <p>This could create a reputational impact for Fife Council.</p>			

Appendix 8.11 Fife Economic Model 2018

Appendix 8.11 is available on request.

INTRODUCTION

This appendix sets out the methodology for the calculation of employment associated with the strategic transport interventions in terms of:

- The long-term / permanent effect from employment land unlocked (circa 80 Ha); and
- The short-term / temporary effect from construction investment in the transport interventions themselves, and the associated construction of homes and schools

The assessment is made over a 30 year time horizon, and also estimates the indirect and induced employment effects generated by these directly created jobs.

JOBS CREATED ON EMPLOYMENT LAND**Summary of Approach**

The expected amount of employment generated is based on the total land area. The gross site area is reduced by 64% to give an estimate of the net developable area (this allows for roads, gradient, embankments and landscaping, SUDS areas, stand-off areas, parking, etc). It is assumed that each Ha of developable land can support 70 jobs¹.

However, this 80 Ha land allocation is of significant scale, and is unlikely to be developed in full during a 30-year period. The employment has therefore been reduced by a further 75% to allow for an expected rate of build out and the risk that constraints render some sites undevelopable in the short to medium-term.

Type 1 and Type 2 multipliers from the Scottish Input-Output Tables (2017) were then used to estimate the associated indirect (or supply-chain), and induced employment². These are based on an unweighted average across SIC sectors 10 - 32.

The expected jobs will build up over the course of the 30 year period as sites are developed out and occupied. They will continue beyond the 30-year period as these are permanent effects of the investment.

Modelling Results

The results of the modelling are summarised below:

Economic Impact	Gross Area (Ha)	Net developable area (Ha)	Gross direct jobs	Direct jobs reduced to reflect risk & demand	Total employment *
Employment Land in SDA area	80	28.8	2,016	504	1,044

* including direct, indirect and induced effects (at year 30)

CONSTRUCTION JOBS

Summary of Approach

The jobs associated with the transport interventions themselves, and the housing and school investment that they are expected to unlock have each been estimated separately. These can be combined to give a total figure for employment, and the average annual employment level.

The estimates are based on 2020 prices over a 30-year timeframe and use data from the most recent (2017) Scottish Input-Output tables (see <https://www.gov.scot/publications/input-output-latest/>).

This approach estimates jobs in Scotland but does not provide a regional breakdown.

Expected levels of investment are based on the following information:

- Immediate Housing – 8,000 units in the immediate SDA area, at £140,000 average development cost per unit (2018 prices)
- Additional Housing – an additional 875 units in the wider SDA area (at the same assumed average development cost as indicated above)
- Transport – £80m of investment (2020 prices, source Table 2.1 of business case)
- Schools – £161m investment (2020 prices, source p. 6 of business case)

The HM Treasury GDP Deflator was applied to express all investment consistently in 2020 prices.

The employment effect and the employment multiplier for the construction sector in the Scottish Input-Output Tables (2017) were used to estimate that each £10m invested in construction generates circa 87 construction jobs. Type 1 and Type 2 multipliers were then used to estimate the associated indirect (or supply-chain), and induced employment.

The above ratio was based on the 2017 Input-Output tables. This was adjusted using the HM Treasury GDP Deflator. This reduced the expected jobs by approximately 6%.

Beyond the 30-year timeframe of this analysis the construction jobs will fall to zero because the construction activity will be complete.

Modelling Results

The results of the modelling are summarised below:

Construction Investment	£m at 2020 prices	Direct Employment	Indirect Employment	Induced Employment	Total employment	Average employment p.a.
Housing in immediate area	1,167	9,523	5,211	1,972	16,706	557
Housing unlocked in wider area	875	7,142	3,909	1,479	12,529	418
Transport	80	653	357	135	1145	38
Schools	161	1,314	719	272	2305	77
Total	2,283	18,631	10,196	3,857	32,685	1,089

Expected Impact of COVID-19

There is no comprehensive data available about the impact of COVID on employment effects or multipliers and this has therefore not been modelled. It would be reasonable to assume that, overall, COVID-19 will not significantly affect the total number of jobs created by each £1m invested by the construction sector. However, it may affect the balance between direct and indirect jobs as it could effectively push activity out to the supply chain and away from construction sites e.g., construction firms may seek products that minimise on-site assembly. It is not clear at this stage the extent to which this will happen and whether any changes will revert to pre-COVID approaches or endure as part of a new normal.

Regional approaches to off-site construction will have a bearing on the extent to which this shift will constitute leakage from the region (and indeed Scotland) and to what extent it will simply redistribute impacts between different sectors and geographies within the region.

Expected Impact of the EU Exit

There is no comprehensive data available about the impact of the EU Exit on employment effects or multipliers and this has not been modelled. There is some evidence of increases in the cost of imported raw materials, and rising wages as labour supply for the sector contracts due to fewer migrant workers. Both of these affects are likely to result in an overall reduction in the number of jobs created per £1m invested.

Future trade deals, migration and innovation in the sector will influence the number of jobs sustained by construction investment.

Appendix 8.13 Growth Scenarios to Project Future Housing Market Performance

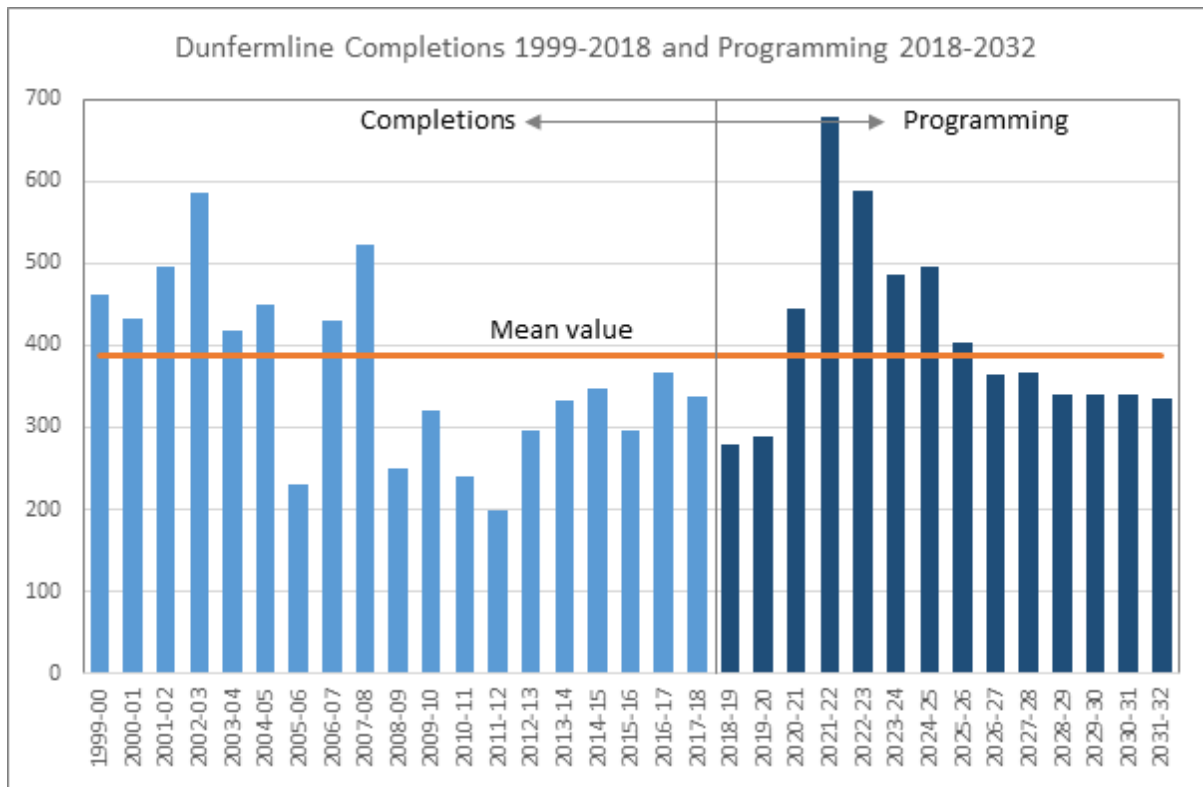
In developing the base case, it is important to consider the future performance and behaviour of the Dunfermline housing market. The operation of the Dunfermline housing market is the greatest sensitivity upon which costs and timescales could deviate from that programmed in the Housing Land Audit (HLA). In conjunction with the Scottish Futures Trust, 4 scenarios have been developed to test the effect of housing market performance on the STIM programme. These were initially based on the scenarios developed for the E&SES City Deal Winchburgh model. To reflect the strength of the Dunfermline housing market (including during the last recession) the short term under performance scenario has been altered from that of Winchburgh to include shorter and shallower dips/troughs which reflects the market strength of Dunfermline.

A fifth scenario has also been developed to examine developer optimism bias in the programming of housing completions within the Housing Land Audit.

The OBC and financial model recognises that the Dunfermline SDA programme has potential to provide up to 8,000 homes (including a minimum of 25% affordable – approximately 2,000 units); 80 ha of employment land; 5 new primary schools; £36m in developer contributions to secondary education facilities in the Dunfermline area; as well as other community facilities; all integrated with new strategic transport infrastructure. There will also be additional benefits to the wider Dunfermline Strategic Transportation Zone where a total of 14,000 houses are programmed. All of the above infrastructure will be 100% funded by developers, with either direct provision on site or via Section 75 contributions. In the case of the off-site strategic transportation infrastructure, Section 75 contributions will be collected in a Strategic Infrastructure Fund to be managed by Fife Council.

The Dunfermline housing market has traditionally performed well, as evidenced in the graph below and Appendix 8.3. Dunfermline has weathered the last economic recession better than many similar sized towns. However, the more recent impacts of COVID-19 and the resulting economic recession are largely as yet unknown. The longer-term impacts of the COVID-19 pandemic are harder to predict but it is plausible to assume that sites in Dunfermline may not build out as quickly as currently programmed. As a result, a COVID assumption has been developed. This has reprogrammed the housing output for 20/21 to 25% of the 2019 HLA to reflect the period of lockdown and when housing sites temporarily stopped construction. Within this COVID assumption, it is programmed that the market recovers over the following 3 years. The future phasing of sites will be kept under review.

Dunfermline completions and programming 1999/00 – 2031/32



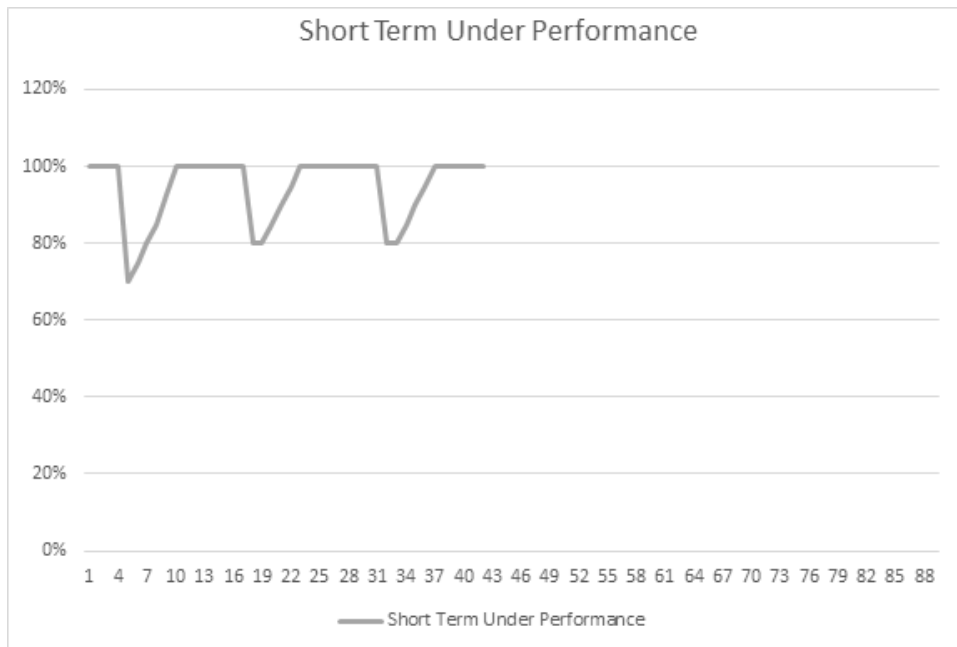
Scenarios

As previous housing completions illustrate, the market does not produce a constant level of completions year on year. External influences, that are not reflected in the HLA, will affect the behaviour of the housing market, such as recession. Therefore, it is important to reflect this in the base case. In projecting the future performance of the Dunfermline housing market, a total of 5 scenarios were modelled:

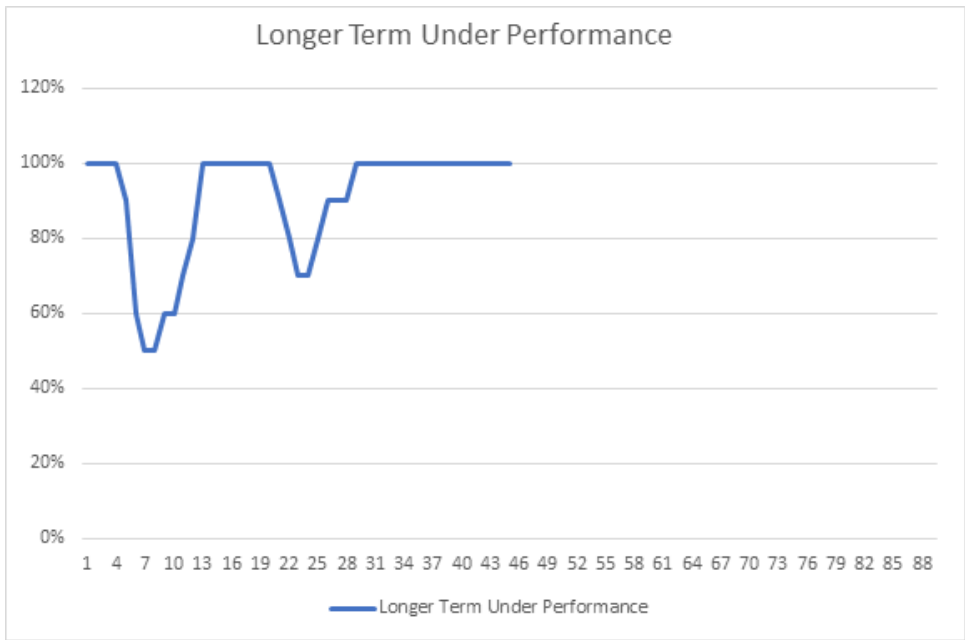
1. Short Term Under Performance
2. Longer Term Under Performance
3. Extreme Market Failure
4. Modest Over Performance
5. HLA Optimism Bias 10%

These scenarios have been applied to the 2019 HLA and COVID assumption and modelled to highlight different growth scenarios against different market positions/behaviours. The output from each scenario has been assessed and the most likely future behaviour of the Dunfermline housing market selected as an input into the base case. It is important to note that the scenarios don't all stop in the same year. This is due to the different scenarios resulting in different build out rates. All scenarios continue until all units are built out and therefore each has a different term. Each scenario is presented below.

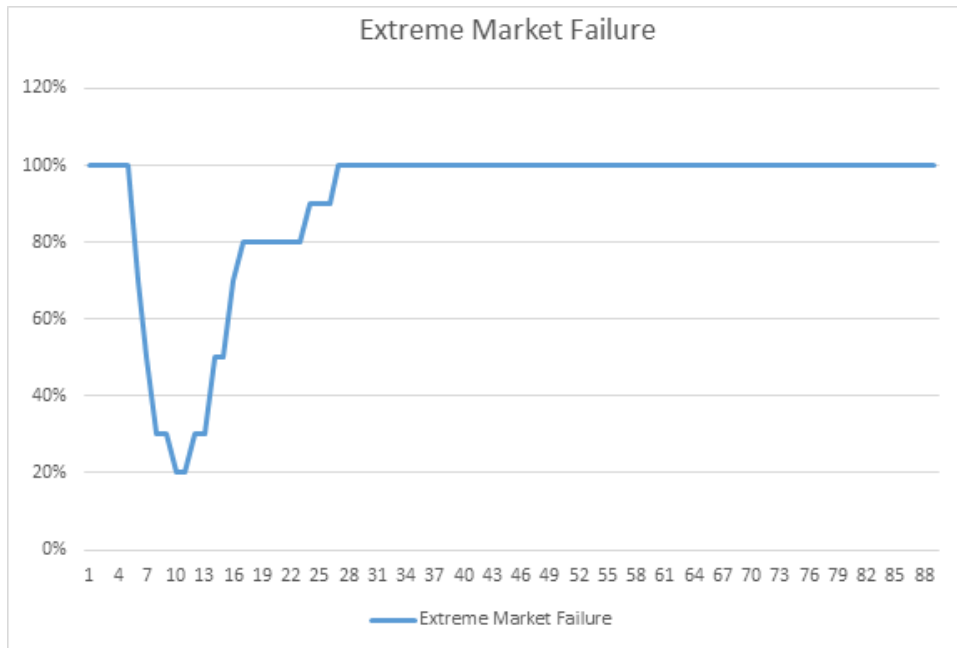
Short Term Under Performance assumes a cyclical slowing of market and then recovery throughout the build out period. It does not assume an enhanced performance relative to the business case as in the earlier period, housing output is dictated by the infrastructure delivery programme and in the later years of the programme, output already reflects a strong market. The shallow slowing of the market within this scenario reflects the strength of the Dunfermline housing market. All units are built out and income recovered by the end of the programming.



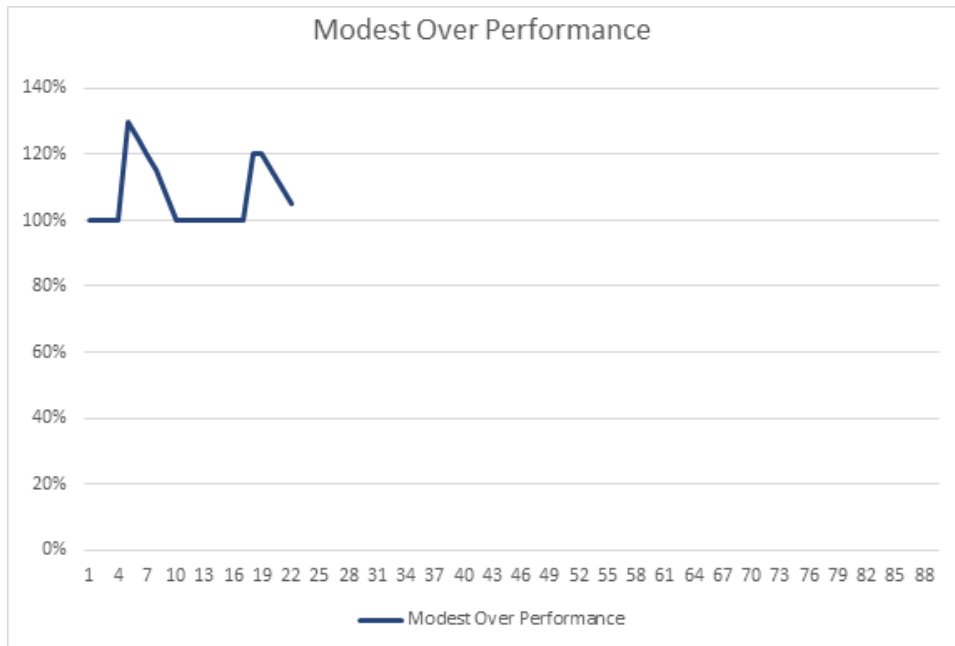
Longer Term Under Performance assumes income, via Section 75s, is as projected in the initial years before a decline in the housing market. The market recovers and then experiences another, lesser decline, later in the build out period. All units are built out and income recovered by the end of the programming.



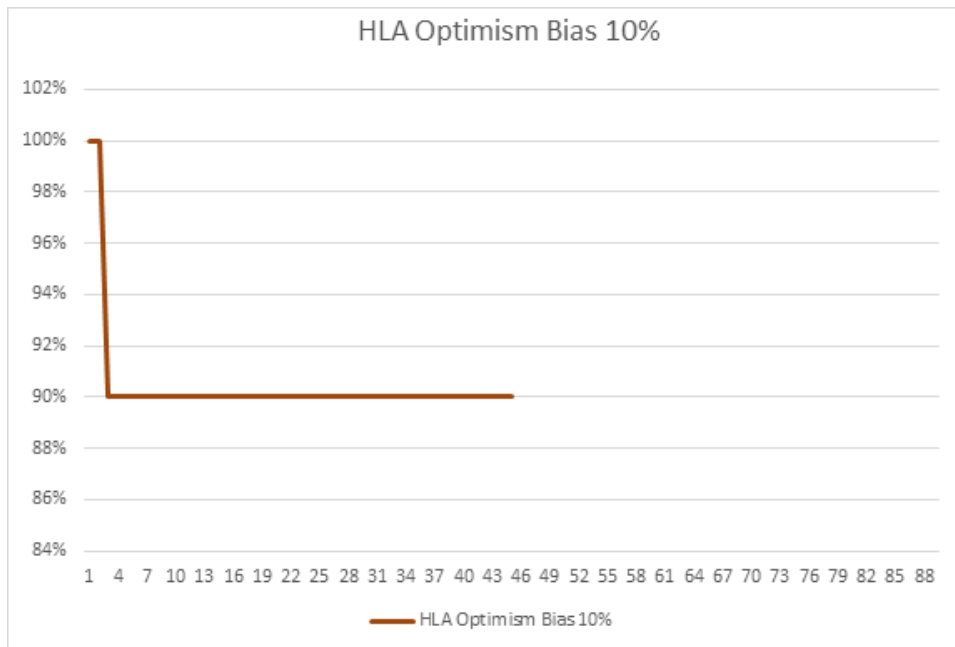
Extreme Market Failure assumes an extreme downturn in the market in a scenario which represents a deep recession. Development will stop and/or sites will stall, resulting in no Section 75 income in certain years before recovery. All units are built out and income recovered by the end of the programming.



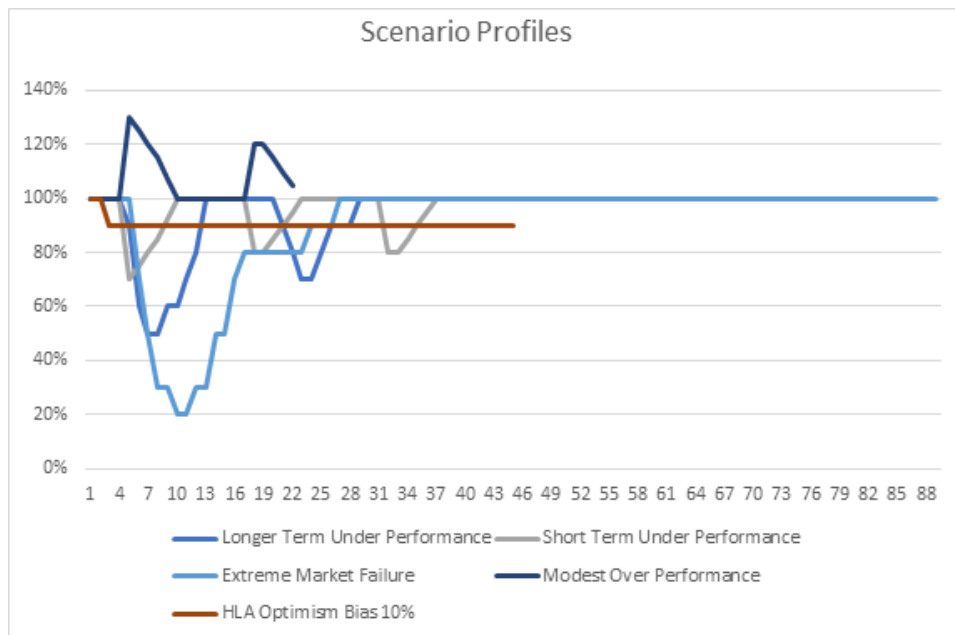
Modest Over Performance assumes a cyclical upturn in the market before returning to the projected in the HLA. The Modest Over Performance reflects a cyclical boom in the housing market. All units are built out and income recovered by the end of the programming.



Housing Land Audit Optimism Bias 10% assumes all sites have over estimated annual completions by 10% and adjusts downwards accordingly. The HLA is agreed annually with the house building industry and this scenario assumes that projected completions (versus actual completions) are 10% more optimistic with housebuilders only delivering 90% of the units programmed. All units are built out and income recovered by the end of the programming. As the first 2 years (2017/18 and 2018/19) of this scenario reflect actual site completions rather than 90% of projected completions, they are modelled at 100%.



All Scenario Profiles



Conclusion

Past completions data for Dunfermline during the last economic recession indicates that Dunfermline continued to perform well. Whilst sites slowed, they continued to deliver. Local developers post lockdown are currently indicating a positive outlook, possibly in part due to committed sales and pent up demand. However, this will be more difficult to predict longer term. While Dunfermline is not immune to the effects of recession, the extent of the dip in performance is relative to the strength of the housing market. This suggests the shallow dip of the Short Term Under Performance scenario is the most appropriate scenario to apply in the base case. It is not considered that the Extreme Market Failure scenario, reflecting a deep recession, is appropriate and similarly it is considered that the Longer Term Under Performance scenario (while not as severe as Extreme Market Failure) reflects deeper recession/market dips than is likely to be experienced in Dunfermline given the strength of the market.

With the current global pandemic and the signs of the country going into recession, it is unlikely that the housing market is going to experience an increase in output. Furthermore, as housing output in Dunfermline is directly controlled by infrastructure delivery (and the associated triggers) it is unlikely that the market can increase beyond the completions programmed in the base case as the infrastructure will not have been delivered to support/release the increase in units. On this basis, the Modest Over Performance scenario is not considered appropriate.

In the case of Dunfermline, the Housing Land Audit has proven to be accurate with any optimism bias being, on average, less than 10%. This suggests the optimism bias

scenario would model a slowing of the market to a greater extent than would be expected for Dunfermline. The Short Term Under Performance scenario, while also slowing the market, is the most appropriate scenario to apply in the base case to model projected performance. The rate of market slowing compared to the HLA 2019 over the length of the project is considerably less for the Short Term Under Performance scenario than the optimism bias scenario, or the deeper dips of the Extreme Market Failure or Longer Term Under Performance scenarios. This reflects the strength of the Dunfermline housing market.

It is therefore considered that a Short Term Under Performance scenario is the most likely to reflect the future performance of the Dunfermline Housing Market. This scenario is identified as one of the inputs to the base and is reflected in the key assumptions (section 5.6 of the OBC).

Appendix 8.14 Risk Sharing/Public Sector Collaboration Options Appraisal

Background/Context

Fife Council have been working with the Scottish Futures Trust (SFT) and the Scottish Government's More Homes Team for some time to establish if, and how, a collaborative approach between these organisations can resolve a funding barrier to the delivery of Strategic Transport Intervention Measures (STIMs) in and around Dunfermline.

This collaborative approach, through a series of workshops and meetings, has further refined and developed the ask of the Business Case. This has focussed on identifying an innovative funding solution that looks beyond City Deal funding to unlock the delivery of housing within Dunfermline. This is discussed in more detail below.

In total, £34.1m investment is required across nine individual projects to enable the delivery of the development sites that comprise the Dunfermline Strategic Development Area (SDA). In total the Dunfermline SDA has the capacity to deliver more than 8,000 homes in addition to commercial development. This investment will also unlock housing sites in the wider area, by removing constraints on the local and regional transport network.

Investment in education provision at primary and secondary level is also required to enable the sites' build out. However, the resolution of this constraint is being taken through a separate process.

Dunfermline SDA is included among the strategic sites listed in the Edinburgh and South East Scotland City Region Deal. The relevant section of the deal document states:

*“Collaboratively regional partners and Government will work together on:
[...]*

- *Developing risk-sharing guarantees on a site-by-site basis to support local authority borrowing and share the financing risk of infrastructure delivery required across strategic sites, starting with Winchburgh in 2018, where West Lothian Council has agreed guarantees for up to £150m of infrastructure investment with the Scottish Government. These will be repaid by developer contributions as set out in a complementary tripartite agreement between West Lothian Council, the lead developer and the Scottish Government.*
- *Seven strategic sites have been identified in SESplan as key areas of change and growth (Blindwells, Calderwood, Dunfermline, Edinburgh's Waterfront, Shawfair, Tweedbank and Winchburgh). Business cases will be developed within the 15-year period of the City Region Deal, of which Winchburgh is likely to be the first. Taken together these sites will deliver over 41,000 new homes, create 7,800 jobs and contribute over £10 billion*

to the wider economy. The Scottish Government and city region commit to work together on each of these strategic housing sites recognising the long-term nature of these proposals with most new homes being delivered over a 15-year period.

To support this, the Scottish Government will commit at least £50 million. City Region partners will explore, with the Scottish Government, innovative solutions to stimulate creative ideas, fresh thinking and innovation in the provision of housing. This collaboration will consider the evolving financial landscape with the Scottish Government's proposals to establish the Building Scotland Fund and Scottish National Investment Bank."

Risk Sharing Workshop

SFT has participated in a series of workshops and meetings to support Fife Council as they refine and develop their ask of Scottish Government in relation to unlocking the delivery of Dunfermline.

This appendix reflects the discussion and conclusions of the risk appraisal workshop that took place at SFT's offices on 3rd February 2020 and further discussion after the workshop. Therefore, the costs quoted do not reflect the September 2020 cost estimates.

Baseline Conditions & Key Considerations

1. There are three key principal parties that control the land to be built on in the northern and western expansion of Dunfermline. These are Taylor Wimpey, Stirling Developments and I&H Brown.
2. I&H Brown own some of the land they will develop and they, along with the other developers, have options in place with landowners for the remaining land to be developed.
3. Contributions towards STIM is just one cost faced by developers. The others include (inter alia) primary education, secondary education, transport infrastructure within their sites and the cost association with the ground conditions in the area due to previous undermining, which is requiring significant grouting to be carried out before development can commence.
4. Fife Council has made a commitment in policy to undertake the STIM projects that lie outwith developers' sites. These STIM projects comprise of nine projects, all established through transport appraisal work. It is the means of funding and delivering these nine STIM projects that this paper is concerned with.
5. The £34.1m cost of these projects will be recouped over time through developer contributions.
6. Most of the planning consents and Section 75 agreements around the SDA have already been granted/agreed. This means that the level of income Fife

Council will secure from developer contributions is – for the most part - already fixed.

7. The amount Fife Council can receive from developer contribution to fund STIM has also been set in supplementary guidance. This amount is reflected in existing and emerging Section 75 agreements.
8. The £34.1m cost of the STIM projects has been determined by Fife Council through high level design and costing. The real cost of the project may be higher. However, Fife Council cannot increase the level of developer contributions, if indeed the cost rises, as (as above) the amount to be paid by developers has already been agreed. The agreed level of developer contributions was based on the estimated £34.1m cost (2017 cost which is index linked in the financial model).
9. The requirement for Fife Council to lead the project and the multiplicity of sites are key factors in determining the most effective and most appropriate way forward. It is approved Fife Council policy that Section 75 contributions for off-site transportation interventions in Dunfermline will be collected, held within the Fife Infrastructure Investment Fund, and the funds drawn down as required for Fife Council to deliver the required infrastructure interventions
10. It was agreed that, given the number of sites and range of developers and landowners involved in Dunfermline SDA, the likelihood of the sites being delivered in line with how they are currently profiled in the financial model – which reflects the contents of the most recent Housing Land Audit – is low.
11. It was also highlighted at the workshop that previous high levels of housing delivery – even through the global downturn after 2008 – was positively influenced by the fact that key infrastructure such as roads and schools were already in place. The northern and western expansion of Dunfermline will be more vulnerable to any downturn at the early stages of its build out if that infrastructure is not in place.
12. Finally, there is work being undertaken in parallel with Fife Council to address the other infrastructure barrier to delivery of the Dunfermline SDA, which is the need to create additional education capacity. While a solution has been agreed with the private sector, this is currently being re-examined due to difficulties associated with delivery. Therefore, resolving the STIMS project will not unlock Dunfermline SDA unless a solution to education provision is found in parallel.

Options Appraisal

The four options previously assessed by Fife Council were reviewed. No additional options were suggested by any party at the workshop.

1. Financial Transactions

Finance is available to developers through Financial Transactions monies. This can be offered to the private sector by the public sector through funds such as the Housing Infrastructure Fund (HIF) and the Building Scotland Fund (BSF). Finance must be offered on commercial terms, to ensure State Aid² compliance.

This can be a useful source of finance where a developer does not have access to a good commercial rate through the market due to the nature of the developer (e.g. SME) or the nature of the work (not all banks offer finance for enabling infrastructure as investment is required ahead of returns in the form of housing sales).

How Financial Transitions Could Work

The Developer(s) undertakes and forward funds works up front and accesses finance for works through existing mechanisms (HIF and BSF).

Benefits

- Developer borrows and assumes risk.
- No impact on public sector balance sheet.

Disbenefits

- Fife Council has given policy commitment to lead project due to the multiplicity of sites and Fife Council cannot apply for financial transactions monies.
- Cumulative impacts – 8 projects with multiple developers contributing to each.
- Would require a lead developer/consortium with legal agreements for repayment.
- Less certainty on delivery.

Option for Dunfermline SDA?

Financial transactions monies (the option currently on the table for City Deal) is not an option for Dunfermline as this is only available to the private sector. Developers are already funding works within their sites in Dunfermline. The STIM projects must be led by Fife Council. Due to conditions on the Housing Infrastructure Fund and/or Building

² This risk appraisal workshop took place in February 2020. Since then, EU State Aid has been replaced by the UK Subsidy Control Regime, reflecting the EU Exit.

Scotland's Future fund, Fife Council is unlikely to be able to access these for the delivery of market (non-affordable) housing projects. Therefore, financial transactions monies are not a viable option.

2. Risk Share with Private Sector Only

As part of the Winchburgh tripartite risk sharing arrangement under the E&SES City Deal, Winchburgh Developments Ltd (WDL) entered into a legal agreement whereby they guaranteed a baseline payment equivalent to one year's developer contributions (based on 350 unit per annum) for the first three years of construction. Thereafter, WDL agreed to make available the equivalent of one year's developer contributions (£850,000), which could be drawn down by West Lothian Council in the event there was a shortfall in developer contributions due to a slowdown in development below the baseline of 350 units per annum.

In effect, WDL guaranteed that West Lothian Council's debt repayments for the delivery of a new high school would be covered for the first three years of construction and provided a stand-by facility that guaranteed up to £850,000 to make up any shortfall going forward. This was sufficient to cover potential shortfalls in contributions in all but the most extreme of circumstances (e.g. occupancy of homes dropping below 350 homes per annum sharply and for a prolonged period).

How the Private Sector Could Risk Share

Fife Council would act as lead developer for STIM, funding all capital works. The Council would put in place legal contracts with private sectors partners who agree to risk share through the provision of facilities as described above to reduce risk of underpayment of developer contributions. No Scottish Government role would be required.

Benefits

- Fife Council – private sector share some of the risk around funding the development of STIMs.

Disbenefits

- Deliverability - Private sector have no rationale to enter into risk share agreements as most site owners/operators have signed Section 75 agreements already that did not include this and Fife Council has agreed to fund STIM through agreed Section 75 payments. Not possible to revisit these retrospectively unless the private sector initiates this.
- Complexity – there are three major landowners, therefore requiring multiple contractual arrangements.

- Sufficiency – scenarios around under-delivery of homes have been run by Fife Council, however the quantum of contributions that would be generated by each developer annually and the potential requirement regarding a stand-by facility has not been tested.

Option for Dunfermline SDA?

Any scope for a developer led risk share is very limited in Dunfermline. The only strategic site within the SDA that does not yet have a signed Section 75 agreement in place is Halbeath (Taylor Wimpey), although this is in its final stage of conclusion. Therefore, a risk share with the private sector is not considered to be a viable option and another solution is sought which would allow investment to address the timing lag across all SDA sites.

3. Scottish Government Guarantee

Within the Edinburgh and South East Scotland City Region Deal, the Scottish Government undertook to develop risk-sharing guarantees on a site by site basis to support local authority borrowing and share the financing risk of infrastructure delivery required across strategic sites, starting with Winchburgh in 2018, where West Lothian Council has agreed guarantees for up to £150m of infrastructure investment with the Scottish Government. These will be repaid by developer contributions as set out in a complementary tripartite agreement between West Lothian Council, the lead developer and the Scottish Government.

How a Scottish Government Guarantee Could Work

Fife Council would fund all capital works, including the cash flow gap currently identified and act as lead developer. If a guarantee was made available, the Scottish Government would cover some/all (yet to be determined) of the cost of Fife Council's debt repayments in the event of a shortfall in developer contributions.

On the basis of the Winchburgh guarantee, this form of risk share with the Scottish Government would be made available subject to a range of conditions including but not limited to:

- Only utilised in event of shortfall in developer contributions and where all other means of making up the deficit are exhausted.
- Guarantee is provided on commercial basis to ensure State Aid² compliance – this would involve a facility fee and interest rate on sums drawn down to cover shortfalls.
- Support/risk share for the guarantee is provided via securities over land to the Scottish Government.
- The maximum/cumulative risk exposure would need to be calculated to establish how much of this Scottish Government would be able/willing to cover and how long the guarantee might be made available for.

Benefits

- Fife Council – remains lead developer, undertakes all borrowing but with less risk associated with it.
- Scottish Government – no impact on capital budget.

Disbenefits

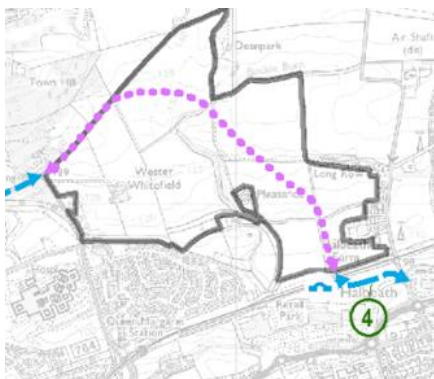
- Complexity of setting up a guarantee, with significant time and resources involved, particularly if the sum of money to be covered by the guarantee is relatively small.
- Impact on Scottish Government contingent liability, which means a guarantee must go through a parliamentary approval process.
- Making guarantee available may not unlock this site on its own. This may be a deterrent from investing resources in this approach, unless a solution to education provision is agreed in advance.

Option for Dunfermline SDA?

Scottish Government officers have indicated that entering into a guarantee to enable the strategic growth of Dunfermline is unlikely to be an option. The reasoning for this being the large amount of work for the relatively small sums of money involved and the concern that any guarantee would run over a long-time frame, require Parliamentary approval and span multiple Parliamentary periods.

4. Increased Capital Grant Ask

One option discussed at the workshop was the scope for the Scottish Government to make a contribution to the capital cost of the STIM programme. The most critical project, which occurs relatively early in the programme and is therefore a higher risk element for Fife Council to fund, is the Northern Link Road (east end), which comprises a bridge over the railway to serve Halbeath (project 4 below highlighted in blue).



How an Increased Capital Grant Ask Council Work

Rather than seek funding for the cashflow gap identified through the business case financial model, Fife Council would make a business case to seek funding for a specific element of the STIM programme. Fife Council would then need to borrow less, and this removes the requirement for risk sharing or a guarantee.

25% of housing across the Dunfermline SDA will comprise of affordable housing. On that basis, one option to explore further is the utilisation of the Housing Infrastructure Fund to make a contribution towards the overall cost of the project that reflects the proportion of affordable housing to be delivered.

Benefits

- Fife Council – Lower borrowing requirement/lower impact on revenue budget. May result in lower developer contribution ask (Fife Council would need to establish if developers would need to be refunded if a surplus was generated by the programme with the additional of capital funding from Scottish Government).
- Scottish Government – avoids complexity/costs of guarantee while unlocking a critical element of the STIM programme.
- Northern Link Road may result in benefits to Network Rail and Transport Scotland.
- There may be scope for the City Deal funding to be repayable once developer contributions received.
- If it is repayable, there may be scope for this fund to be recycled, echoing how Highland Council has deployed its Evergreen Fund.³

Disbenefits

- Scottish Government – impact on capital budget.
- When this was assessed in more detail, the proposal to fund a specific element of the STIM programme was not supported by the Scottish Government as it would favour specific developers/sites and therefore fail the test of State Aid² compliance.

Option for Dunfermline SDA?

Not under the initial proposal of funding a specific element of the STIM programme due to failing the test of State Aid² compliance.

However, through further discussion and informal feedback the State Aid² unit has been provided on the basis of the provision of funding towards enabling infrastructure generally for the strategic growth of Dunfermline i.e. not a specific intervention. Such

³ Since the workshop, the Evergreen funding approach has been further investigated. When assessing the timing of the STIM intervention delivery, the programme does not allow for the recycling of funding (a key component of Evergreen Funding) and therefore has been discounted by Fife Council and the Scottish Government as a viable funding option.

funding would be compliant as long as infrastructure was to benefit the whole of the Dunfermline area i.e. funding was directed generally to the STIMS/public works and not directed to a specific intervention(s)/developer(s).

This revised option of funding towards enabling infrastructure generally for the strategic growth of Dunfermline offers the greatest potential to provide a funding solution to the cashflow deficit of the STIM programme.

Conclusions

It was concluded through the options appraisal that a capital grant ask would be the most acceptable option to the Scottish Government and so confirmed the approach of the draft Business Case. In assessing a potential risk share with the Scottish Government, their position appears clear; there is no appetite for a guarantee. Therefore, another approach was required to be explored to share the risk of the strategic growth of Dunfermline between the Council and the Scottish Government. It was agreed this should be progressed through the option of an increased capital grant as identified in Option 4 above.

No funding options in addition to those already highlighted in the draft Business Case were identified.

Appendix 8.15 Contract Management Team

Senior Supplier

BEng (Hons) in Civil Engineering

Chartered Civil Engineer Member of the Institution of Civil Engineers

Over 20 years' experience in the industry

Project Manager

BEng (Hons) in Civil & Transportation Engineering

Chartered Civil Engineer Member of the Institution of Civil Engineers

Accredited NEC Project Manager since 2014.

Over 20 years' experience in the industry

Construction projects the Project Manager has delivered valued at over £1M to date include:

- Roads Maintenance Contract – The City of Edinburgh Council (2004 – 2006) £2M
- Chapel Level Dualling, Kirkcaldy – Fife Council (2012) £3.8M
- Halbeath Park & Ride – Fife Council (2013) £10M
- The Cross, Cupar – Fife Council (2014) £1.6M
- Dunfermline Flood Prevention Scheme Phase 2 – Fife Council (2015) £2.5M
- Methil Low Carbon – Site Servicing – Fife Council (2015) £1.1M
- Kirkcaldy High Street Ph3 & Charlotte Street – Fife Council (2016) £1.1M
- Shorehead Leven Streetscape Improvements – Fife Council (2017) £1.3M
- Cowdenbeath High Street – Fife Council (2018) £1.6M
- The Waterfront, Kirkcaldy – Fife Council (current) £1.6M

Appendix 8.16

Benefits Realisation Register

Benefit ID	Benefit Title and Description	Link to Dunfermline Strategic Growth Transportation Infrastructure Programme Objectives	Owner	Planned Outcome	Stakeholders and Beneficiaries	Measure Description & Expected Result	Baseline Measure	Frequency
BEN 001	Number of affordable homes	Enable the delivery of up to 2,000 affordable housing units in Dunfermline.	Head of Planning	Sustainable placemaking; Inclusive growth.	Scottish Government; ESES City Region; Fife Council; Fife Residents	Measures number of affordable homes provided. Expected to increase.	25% of housing constructed. (Fife Housing Land Audit 2019)	Annual
BEN 002	Number of new homes	Enable the delivery of up to 8,000 new homes in Dunfermline.	Head of Planning	Sustainable placemaking; Inclusive growth	Scottish Government; ESES City Region; Fife Council; Fife Residents	Measures number of new homes provided. Expected to increase.	Affordable and market house completions (Fife Housing Land Audit 2019)	Annual
BEN 003	Effective housing land supply	Enable Fife Council to maintain an effective 5-year housing land supply.	Head of Planning	Sustainable placemaking; Inclusive growth	Scottish Government; ESES City Region; Fife Council; Fife Residents	Measures amount of effective housing land. Expected to be maintained.	5 year effective housing land supply (Fife Housing Land Audit 2019)	Annual
BEN 004	Resilient and sustainable place making	Support quality of life by promoting quality of place and applying the investment first principle in Dunfermline.	Head of Planning	Sustainable placemaking; Inclusive growth	Scottish Government; ESES City Region; Fife Council; Fife Residents	Measure new community infrastructure provision (including new primary & early years provision; open space and urban parks; local shops, and land for health care provision. Expected to increase.	Project delivery. (FIFEplan Action Programme 2020)	Annual

Benefit ID	Benefit Title and Description	Link to Dunfermline Strategic Growth Transportation Infrastructure Programme Objectives	Owner	Planned Outcome	Stakeholders and Beneficiaries	Measure Description & Expected Result	Baseline Measure	Frequency
BEN 005	Transportation improvements	Deliver strategic and local transportation interventions, including active travel, required to improve the Dunfermline transportation network.	Head of Planning/ Senior Manager, Roads & Transportation	Sustainable placemaking; Inclusive growth	Scottish Government; ESES City Region; Fife Council; Fife Residents	Measure the number of interventions delivered and monitor the capital spend on interventions. Expected to increase.	Project delivery. (FIFEplan Action Programme 2020) Monies spent. (Fife Council Capital Plan and the Dunfermline City Deal Business Case Financial Model)	Annual
BEN 006	Secure the statutory closure of the Kingseat Road level crossing (to both vehicles and pedestrians).	Improve transport infrastructure in Dunfermline by removal of delays to rail services, and vehicle, cycle and pedestrian trips. Reducing risk to pedestrian, road and rail passengers.	Head of Planning/ Senior Manager, Roads & Transportation / Network Rail	Sustainable placemaking; Inclusive growth.	Scottish Government; ESES City Region; Fife Council; Fife Residents; Network Rail	Measure delivery of intervention – NLR East End. Time taken on vehicle, cycle and pedestrian trips will decrease (an improvement). Risk of accident on the railway line will decrease (an improvement).	Project delivery. (FIFEplan Action Programme 2020) Monies spent. (Fife Council Capital Plan and the Dunfermline City Deal Business Case Financial Model)	Annual
BEN 007	Net zero emissions	Deliver active travel routes for pedestrians and cyclists and provide for sustainable transport modes (bus and rail). Develop walkable neighbourhoods.	Head of Planning/ Senior Manager, Roads & Transportation	Sustainable placemaking; Inclusive growth.	Scottish Government; ESES City Region; Fife Council; Fife Residents	Measure the air quality hot spot on Halbeath corridor, Dunfermline for nitrogen oxide (NO2) and fine particles (PM10).	Air quality (Appin Crescent, Dunfermline automatic air quality monitoring station and Fife Air Quality Progress Report 2020)	Annual

Benefit ID	Benefit Title and Description	Link to Dunfermline Strategic Growth Transportation Infrastructure Programme Objectives	Owner	Planned Outcome	Stakeholders and Beneficiaries	Measure Description & Expected Result	Baseline Measure	Frequency
						Air quality expected to improve.		
BEN 008	Additional economic growth in the Dunfermline area	Creation of direct and indirect jobs.	Head of Planning/ Head of Business & Employability	Economic growth is resilient, sustainable and inclusive.	Scottish Government; ESES City Region; Fife Council; Fife Residents	Measure total employment resulting (direct and indirect) Expected to increase.	Jobs created. (Fife Economic Model 2018 and the Dunfermline City Deal Economic Impact Modelling 2020)	Annual
BEN 009	Employment land supply	Enable the delivery of up to 80ha of employment land in Dunfermline.	Head of Planning/ Head of Business & Employability	Economic growth is resilient, sustainable and inclusive.	Scottish Government; ESES City Region; Fife Council; Fife Residents	Measures amount of effective employment land. Expected to increase.	Employment land delivery. (Fife Employment Land Audit/ Register and FIFEplan Action Programme 2020)	Annual
BEN 010	Additional investment in the Dunfermline area	Unlocking investment in other on and off-site infrastructure.	Head of Planning	Economic growth is resilient, sustainable and inclusive.	Scottish Government; ESES City Region; Fife Council; Fife Residents	Measure the number of interventions delivered and monitor the capital spend on interventions. Expected to increase.	Project Delivery (FIFEplan Action Programme 2020) Monies spent. (Fife Council Capital Plan)	Annual



June 2021

APPENDIX 4 - PROGRAMME RISK LOG

Risk description	Threat / Opportunity	Date raised	Raised by	Risk Owner	Original risk score			Proximity	Escalation to issue required?	Action(s) required	Cost Implications	Outcome	Current status	Managed risk score			Score difference	Date last reviewed
					Likelihood	Impact	Overall score							Likelihood	Impact	Overall score		
Financial and Viability Risks																		
As a result of rising interest rates there is a risk that debt costs could increase which may result in higher borrowing costs.	Threat	15/04/21	FBC Risk	Finance	2	4	8	Ongoing	No	Sensitivity of base case to confirm affordability of debt pricing movements.	Increased borrowing costs	Continue to monitor interest rates and borrowing costs. If increase, affordability of borrowing for the Council will require to be reviewed and built into future borrowing projections.	Open - being monitored	2	4	8	No change	27/04/21
As a result of COVID-19 there is a risk that work practices will require to change which may result in increased construction costs.	Threat	15/04/21	FBC Risk	Programme Manager	5	3	15	Live	No	Short-term loss of productivity due to social distancing and revised work practices and projected cost increases to be reflected in Programme Base Case.	Increased Capital Cost	The financial model reflects a 15% increase in construction costs for financial year 20/21 and a 10% increase for financial year 21/22, to be applied to base case of financial model. The model assumes costs will return to normal financial year 22/23 onwards	Open - being actioned	5	2	10	Decrease	27/04/21
As a result of a delay in the infrastructure delivery from that programmed in the base case (e.g. transportation or education provision) there is a risk that infrastructure may not be delivered by when it is required, which may result in sites stalling until infrastructure is delivered.	Threat	15/04/21	FBC Risk	Programme Manager	3	4	12	Not soon	No	Effective contract management and programming of all infrastructure required to support the strategic growth of Dunfermline.	Potential increase in level of unsupported borrowing (dependant on where occurs in programme).	Infrastructure delivery is programmed just before it is required based on the Section 75 triggers for each site and the programmed build rate for each site (using the 2019 Housing Land Audit). This ensures that infrastructure is not delivered until required, maximises the cashflow available through Section 75 income and that revenue costs are not being incurred earlier than required. Where land assembly is required and it is unclear if an agreement will be	Open - being monitored	2	4	8	Decrease	27/04/21
As a result of an accelerated rate of house building from that programmed in the base case there is a risk that infrastructure may not be delivered by when it is required, which may result in sites stalling until infrastructure is delivered.	Threat	15/04/21	FBC Risk	Programme Manager	3	4	12	Not soon	No	Effective contract management and programming of all infrastructure required to support the strategic growth of Dunfermline. Regular dialogue with the house building industry (including through the annual Fife Housing Land Audit process) and with government decision makers. Revise infrastructure delivery programme to respond to changes in projected house building as documented in the Housing Land Audit.	Funding not available when required.	Continued dialogue with the house building industry (including through the annual Fife Housing Land Audit process) and with individual developers through regular SDA update meetings.	Open - being monitored	2	4	8	Decrease	27/04/21
As a result of an under estimation of costs there is a risk that costs may be higher which may result in a cost over-run.	Threat	15/04/21	FBC Risk	Programme Manager	4	4	16	Live	No	Revised costing exercise of all STIMs.	Increased capital cost. Level of impact is dependant on level cost increase.	Revised costing exercise increased costs by £15.9m. It is proposed that this will be mitigated against by HIF funding, therefore reducing the impact. Business Case to be submitted to City Deal Joint Committee in June 2021.	Open - being actioned	4	3	12	Decrease	27/04/21
As a result of house building delivering slower than programmed in the base case there is a risk that timescale for private sector payments through developer obligations could increase, which may result in a larger timing gap and thus increased borrowing costs.	Threat	15/04/21	FBC Risk	Programme Manager	3	3	9	Not soon	No	Ensure regular dialogue with development industry to consider the latest programming information for each site. Modelling assumptions prudent and based on a realistic scale of build out. Early engagement with infrastructure project partners (e.g. Network Rail) and prepare development agreements.	Could result in a larger timing gap and thus increased borrowing costs. Impact dependant on if slow down occurs before or after infrastructure delivery.	Latest market intelligence shows a strong and confident housing market with no slowing over what programmed in the HLA.	Open - being monitored	2	3	6	Decrease	27/04/21
As a result of a change in Planning Obligations Supplementary Guidance Methodology there is a risk that developer contribution levels could change which may result in reducing the value of developer contributions.	Threat	15/04/21	FBC Risk	Head of Planning Service	2	4	8	Not soon	No	For any review in methodology, ensure planning obligations costs are directly related to the impact(s) of the SDA development and the delivery cost.	Increased capital funding gap if construction costs cannot be funded by Section 75 contributions.	No methodology review undertaken to date. In any review in methodology of the supplementary guidance, the objective of the guidance would not change - to ensure that the costs of addressing the impact of the SDA development are met by the development industry. Any review would be subject to its own risk analysis.	Open - to be actioned	2	4	8	No change	27/04/21
As a result of a reduction in the BCIS rate after infrastructure is delivered there is a risk that developer contribution levels could change which may result in reducing the value of developer contributions.	Threat	15/04/21	FBC Risk	Programme Manager	3	4	12	Not soon	No	If BCIS rate reduces, re-run the financial model if the BCIS rate changes to quantify the level of impact and examine options to fund any resulting unsupported borrowing.	Funding gap	Agreed to monitor BCIS rate.	Open - being monitored	3	3	12	No change	27/04/21
Legal Risks																		
As a result of non-compliance with UK Subsidy Controls (replacement for EU State Aid regulations) there is a risk that the legality of the programme is called into question which may result in City Deal funding not being available.	Threat	15/04/21	FBC Risk	Programme Manager	1	4	4	Not soon	No	Legal due diligence to support the approach to procurement.	City Deal funding not available.	Fife Council procurement procedures to followed which accord with UK requirements.	Open - to be actioned	1	4	4	No change	27/04/21
As a result of land not being available or uncertainties over land ownership there is a risk that uncertainty and legal challenges may result in delay in infrastructure delivery.	Threat	15/04/21	FBC Risk	Programme Manager	3	4	12	Ongoing	No	Although, most land in developer control. Potential issues regarding need to CPO. Title search/due diligence. Legal agreements between land owners and developers. Agreement in principle has been gained from Council committee regarding use of CPOs. Where land assembly is required and it is unclear if an agreement will be reached, a twin track approach of negotiation and progressing a CPO is being undertaken.	Potential CPO/land acquisition costs.	Agreement in principle has been gained from Council committee regarding use of CPOs.	Open - being actioned	3	3	9	Decrease	27/04/21
As a result of a failure to ensure an effective governance structure there is a risk that decisions may be challenged which may result in legal challenges.	Threat	15/04/21	FBC Risk	Programme Manager	1	3	3	Not soon	No	Follow agreed governance structure for the STIM Programme o approve the delivery programme and investment. This consists of the Strategic Transportation Interventions Delivery Board; Sustainable Growth and City Deal Board; Investment Strategy Group; and Policy and Co-ordination Committee.	Legal costs	Agreed governance structure followed.	Open - being monitored	1	3	3	No change	27/04/21
As a result of a lack of funding to deliver key infrastructure there is a risk that planning applications could be refused which may result in those refusals being appealed.	Threat	15/04/21	FBC Risk	Head of Planning Service	4	5	20	Not soon	No	Funding solution to be found through City Deal. Without City Deal funding, a funding gap exists that cannot be bridged by Section 75 contributions.	Legal costs	Proposed outcome - The funding solution proposed in the Business Case being agreed through the Edinburgh & South East Scotland City Deal. (managed score risk will reduce significantly on agreement of grant)	Open - being monitored	4	5	20	No change	27/04/21
As a result of a legal challenge to the developer obligations there is a risk that the value of contributions could reduce which may result in the Council being unable to deliver the full programme of required transport interventions.	Threat	15/04/21	FBC Risk	Head of Planning Service	3	4	12	Not soon	No	No legal challenge envisaged. Planning Obligations Supplementary Guidance was widely consulted upon before Council approval. Many sites now have a signed Section 75 agreement in place or are currently engaged in preparing a Section 75 agreement with the Council.	Funding gap	Propose to review Planning Obligations Supplementary Guidance through preparation to LDP2.	Open - to be actioned	3	4	12	No change	27/04/21
Strategic Risks																		
As a result of the strategic growth of Dunfermline not being achieved there is a risk that the ambitions of the Local Development Plan (LDP) and Local Outcome Improvement Plan (LOIP) will not be met which may result in the projected increased GVA and place making not being delivered.	Threat	15/04/21	FBC Risk	Head of Planning Service	2	4	8	Not soon	No	Ensure the delivery of the proposed strategic growth of Dunfermline as proposed in the LDP through the use of masterplans and continued dialogue with land owners and the development industry. Address the funding gap through the preparation of a business case for City Deal funding.	Funding gap	The funding solution proposed in the Business Case being agreed through the Edinburgh & South East Scotland City Deal.	Open - being actioned	2	4	8	No change	27/04/21
Reputational Risks																		
As a result of a funding gap there is a risk that Fife Council is unable to deliver the required transport interventions and as a result private sector investment slows/stops.	Threat	15/04/21	FBC Risk	Programme Manager	3	4	12	Not soon	No	Effective contract management and programming. Business case for use of Housing Infrastructure Fund grant.	Potential increase in level of unsupported borrowing (dependant on where occurs in programme).	City Deal Business Case to access Housing Infrastructure Fund grant. Manage the funding drawdown with effective debt management strategy.	Open - being monitored	2	4	8	Decrease	27/04/21