

CHAPELCROSS (CX) SITE TRANSFORMATION- APPROVAL TO START THE NEXT STAGE

1. Purpose of Report

1.1 The purpose of the report is to present Members with an update on the Chapelcross site transformation activities during the last 12 months.

1.2 To present Members with an overview of the key management and leadership measures that the CX Partnership is taking to deliver a step change and success for the short, medium and longer-term site transformation.

1.3 To secure Members' approval for the formal commencement of the CX programme management process which is underpinned by national best practice guidance and management process which provides a transparent and accountable methodology to direct successful programmes.

1.4 The subject matter of this report is within the delegations of the Economy, Environment and Infrastructure Committee. However, it is requested that this matter is considered by Full Council due to the strategic nature of the business.

2. Recommendations

Members are asked to: -

2.1 agree to withdraw delegation from the Economy and Resources Committee to consider this report due to the strategic nature of the project;

2.2 dependent upon the decision 2.1, agree the progress that has been made in developing the business case for the transformation of the Chapelcross site, as detailed in 3.3.4;

2.3 agree the bespoke route-map (**Appendix 1** - CX Route-map) as a high-level baseline for short, medium and longer term planning the delivery of the transformation ambitions and the measurement of progress;

2.4 approve the start of CX programme management process, as described in the programme mandate (**Appendix 2**) to unlock the development of the 200ha Chapelcross site;

2.5 note that the development of the Chapelcross site has the potential to create a significant number of new, high value jobs contributing to Economic Growth and address climate change, as detailed in 3.3, and

2.6 note that further reports will be brought before Members on the progress of the programme or to seek approvals for programme activities to progress beyond an agreed stage boundary or the agreed scope, as detailed in 3.2, 3.5.18 and **Appendix 2**.

3. Considerations

3.1 at its meeting on 25 September 2018, Full Council approved the Strategic Outline Business Case (SOBC) for Chapelcross as part of the Borderlands submission to UK and Scottish Governments.

3.2 Chapelcross is a large and complex site, and our emerging business case for redevelopment is being built around a robust programme to take forward its redevelopment. However, approval to start the programme does not commit the Council to delivery of the full site. Approval relates to the next stage activities. If circumstances change or the business case cannot be made, the programme can be suspended. A further report will be brought before Members for programme activities to progress beyond a stage boundary or the agreed scope.

3.3 The headline objectives of our programme are to:

- Create a large-scale strategic mixed-use employment site for Borderlands with significant wider economic impact
- Support the development of green energy production, storage and distribution solutions
- Maintain 100% beneficial use of the site over the full decommissioning period to 2095 (in line with Energy Act 2004 requirements) and beyond.
- Make a significant contribution to the achievement of UK's 2050 net zero carbon target.

3.3.1 The 200+ hectare Chapelcross site, located in the M74 corridor, offers a unique opportunity to develop a strategic employment site that could act as a major economic magnet for Dumfries and Galloway and the wider Borderlands area- see diagram 1.

3.3.2 Alongside the capacity to deliver a substantial amount of employment development over several decades, the site has potential to act as a new and important location for green energy production, storage and distribution, taking advantage of its existing national grid connection.

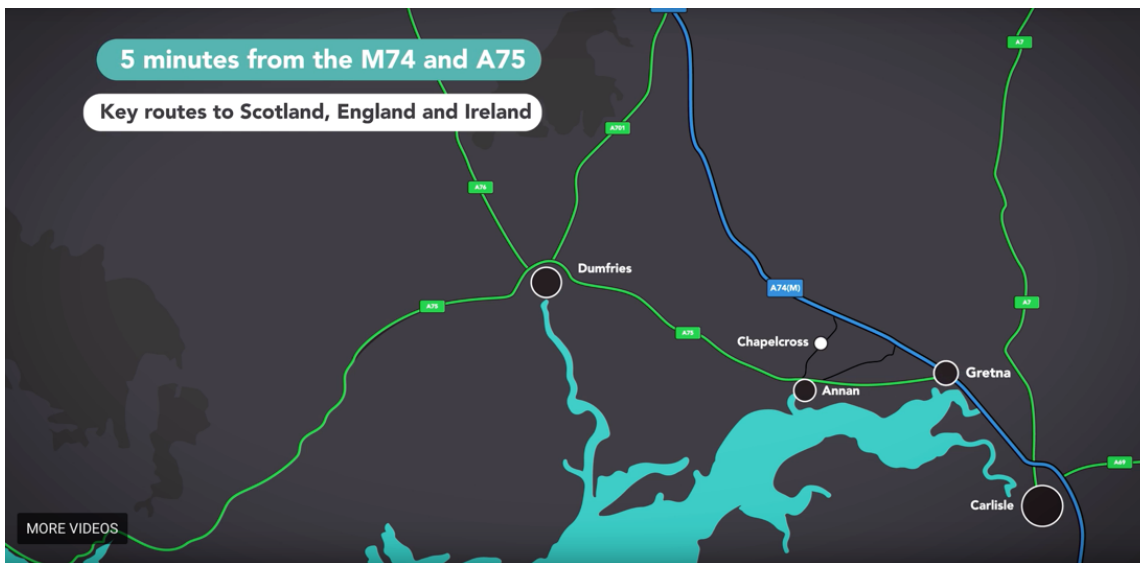


Diagram 1.

Chapelcross location close to key routes to Scotland, England and Ireland

3.3.3 The CX Partnership i.e. Scottish Enterprise; the Nuclear Decommissioning Authority (NDA); and Dumfries and Galloway Council have a shared interest in the development of the Chapelcross site and have agreed a Memorandum of Understanding (MoU) to this end. The CX Partnership MoU was signed in 2016 and will be updated and developed to reflect the need for the step change in collaboration, focus and commitment to deliver the ambition. This activity will include the fit of the CX programme collaboration within Borderlands.

3.3.4 Significant progress has been made by the partners in the later part of the 12-month period since September 2018. This progress is underpinned by the efforts by the Borderlands Inclusive Growth Deal which contained an SOBC for the Chapelcross Project. This resulted in a conditional funding package of £7.5M from the Scottish Government and £7.8M from the UK Government being committed within the Borderlands Growth Deal Heads of Terms. It also stated that the NDA would be pleased to receive bids for funding. Award of all funding is conditional on approval of the relevant business case. The total conditional combined award from the United Kingdom Government (UKG) and the Scottish Government (SG) for CX was £15.3M. It should be noted that the Borderlands funding period is 10 years from the Scottish Government and 15 years from the UK Government. Additional funding will be potentially available from the NDA.

3.4 Our ask through the Borderlands Growth Deal was for site servicing costs and for highways improvements to prepare the site for development. The requested spend to be in Scotland. No financial ask was sought for any of the potential sources of energy generation and storage on site. The highways improvement Ask recognised UKG/SG budgetary pressures and the need to adopt value engineering principles to address affordability challenges in the delivery of a fit for purpose highways access solution.

3.4.1 The CX SOBC identified a short-term priority to secure funding to enable initial highway improvements which are required to bring site access up to standard and funding for site servicing costs. Securing adequate spendable funding early would potentially save a minimum of 18 months from its design and construction timeline to bring the site business park stand of the proposal into commercial use.

3.4.2 Following the July Deal announcement, an officer and Member delegation attended the NDA Annual Summit in Anglesey. This afforded an opportunity for the Chief Executive to present an update to Summit attendees and receive an invitation to provide a further update at the 2020 summit for the same purpose. It also resulted in an invitation from the NDA Chairman to meet with the NDA Main Board when it visits the Chapelcross site, in October 2019. The purpose of the meeting will be to provide an update of progress with the Borderlands Inclusive Growth Deal, the Chapelcross initiative and the Council's approach to social and economic development. The timing of the invitation is of particular relevance as the NDA is currently revising its Social and Economic Development Strategy, which it hopes to approve in January 2020.

3.4.3 The CX Project Team has continued to progress due diligence, planning and engagement activities in support of the next stage of the programme.

3.4.4 A Member Workshop was successfully carried out on 06 September 2019 with the Member learning objectives:

- To be better informed on the efforts in play to deliver the Chapelcross site transformation over the short, medium and longer terms
- To have an opportunity to contribute to the next stage proposal

3.5 Key management and Leadership

This sub-section provides an overview of the key management and leadership measures that the CX Partnership is taking to deliver success for the short, medium and longer term.

3.5.1 The introduction of a new CX lead resource provided an opportunity for a cold-eyes review of the CX SOBC draft and associated studies with the CX project. This process assessed and evaluated the CX plans in place together with progress since 2004.

3.5.2 Through the review process, the team identified and acknowledged that there were issues which needed to be addressed to develop and deliver a compelling business case and build delivery confidence going forward.

3.5.3 To date, the CX initiative has been managed as a series of studies. It was clear from the review that a step change in approach is needed to drive focus, collaboration and commitment and overcome historical barriers. In addition, the onward development of the programme requires more robust management in order to develop the full business case.

3.5.4 The key levers for delivering this step change are the application of best practice programme management and business case development guidance.

3.5.5 In order to secure the approval for a project to be included in the Final Borderlands Deal an outline business case, OBC, will need to be developed according to the Treasury's Green Book Guidance based on the 5 Case Model, **Appendix 3**.

3.5.6 The programme management best practice guidance sponsored by the UKG is called Managing Successful Programmes (MSP). MSP is well suited to the nature, scale and complexity of the CX transformation challenge

3.5.7 The MSP guide approach has been aligned to the decommissioning timescale through development of a flexible and scalable framework model which we have called the CX Route-map. **Appendix 1** shows the full CX Route-map and **Appendix 1A** is an abstract which breaks down the full Chapelcross decommissioning to 2095 period as a journey within a flexible framework.

3.5.8 The model allows for the CX programme to create a masterplan (blueprint) which covers the full decommissioning period to 2095 and recognise that projects and initiatives will be delivered in tranches aligned with the Borderlands funding lifetime or a longer period, should further funding be available.

3.5.9 The new programme management controls will include the use of a gated process and assurance review. These will allow the Council to test the ongoing viability of the programme. The gated process includes go/no-go approvals and decisions at key points. The decision to approve supports the delivery of the next stage activities within validated and approved remit or plan. Approval decision scope is typically the next programme stage or tranche, and does not guarantee subsequent stages will be approved, or that the programme will not be stopped if circumstances require it to be. This provides flexibility in that the staged development of the Chapelcross site could respond flexibly to demand over the longer transformation delivery timeline and includes mechanisms for programme suspension or cancellation, if required.

3.5.10 The key activities included within the proposed first programme stage, will drive the step change collaboration, focus and commitment which are needed to establish short term success and create the foundation for success in the longer term.

3.5.11 The full scope of the first stage activities is contained within the MSP manual. How the activities will deliver the required step change is captured in **Appendix 4** - table to show the impact of first programme stage activities.

3.5.12 First stage activities will ensure that due diligence will be carried out within the next programme stage to capture and respond appropriately to risks (threats and opportunities), assumptions, issues and dependencies (RAID). An initial RAID log is included as an appendix (**Appendix M5**) to the mandate to capture current thinking and to help get this process started within the next stage activities.

3.5.13 Since the issue of the CX SOBC to the Scottish and UK Governments for approval the Council has declared a Climate Emergency. Officers have brought forward due diligence activities regarding a number of areas including: the zero-latency digital link; geothermal energy; solar energy; hydrogen production and potential commercial use of hydrogen as a fuel for highway and rail transport. We are in the process of devising market and specialist engagement activities for the programme in these areas.

3.5.14 The benefits which will result from the CX programme proposal should be noted and effort made to ensure that they are optimised through collaborative working across the Council, the Borderlands Partnership and beyond. The CX programme has developed a

sunray format diagram model (**Appendix 5**) to help capture and share activities between partners and will be embedded in the CX Partnership's way of working.

Programme Governance

The initial organisation governance diagram is shown as **Appendix 6**. The diagram shows the current CX project organisational governance structure, the proposed CX programme structure(draft) and the Council's structure (high level).

3.5.15 The CX programme will be subject to a managed start up process which will include a strategy meeting, a start-up meeting and induction for new members captured within a CX start-up plan. This will be within oversight of the DGC senior leadership team and the accountability of a nominated lead officer up until the point that the programme board is established

3.5.16 The CX programme board will have its own terms of reference and will report to the sponsor organisations on a monthly basis, or as otherwise defined within the programme board terms of reference. The development and management of the RAID log (**Appendix M5**) will be a standing item on the programme board meeting agenda

3.5.17 The current CX organisation arrangements will be integrated into the proposed CX programme arrangements. The CX programme management activities will be separated from business as usual line management. DGC will provide competent resource to the programme team. The management of the team member performance engaged on CX programme work will be from within the programme governance, or as otherwise approved.

3.5.18 Members will receive a formal update of progress the Economy and Resources committee in January 2020.

4. Governance Assurance

The Corporate Management Team have been consulted as part of the preparation of this report and all are in agreement with the information contained in the report.

5. Impact Assessment

This report does not propose a change in policy, the formal adoption of a plan, policy or strategy it is not necessary to complete an Impact Assessment.

Author(s)

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Approved by

NAME	DESIGNATION

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Appendices – 6

Appendix 1	- CX Route-map
Appendix 1A	- CX Route-map: Chapelcross Site Transformation Journey
Appendix 2	- CX programme mandate
Appendix 3	- Business Case- 5 case model development
Appendix 4	- Table to show the impact of first programme stage activities
Appendix 5	- CX Sunray Diagram – Longer term planning
Appendix 6	- CX Organisational Governance (draft model)

Background Papers

Dumfries and Galloway Council - Item 22 – 25 September 2018 – Borderlands Inclusive Growth Initiative Exempt Item

<https://dumfriesgalloway.moderngov.co.uk/ieListDocuments.aspx?CId=137&MId=270&Ver=4>

Hyperlinks

[Heads of Terms-Borderlands Inclusive Growth Deal](#)

[UKG Press release 01 July 19 -Borderlands Inclusive Growth Deal](#)

[White Paper \(5 Case Model\): Better Business Cases APMG International](#)

[White Paper: Managing Successful Programmes \(MSP\) - A Basic Overview](#)

[White Paper: Managing Successful Programmes Business Benefits](#)

HM Treasury guidance on how to appraise and evaluate policies, projects and programmes.

[HMT The Green Book \(central government guidance on appraisal and evaluation\)](#)

[HMT Business case guidance for projects](#)

[HMT Business case guidance for programmes](#)

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