

EAST RENFREWSHIRE COUNCIL10 September 2025Report by Director of EnvironmentAURS ROAD UPDATE AND FUNDING REQUEST**PURPOSE OF REPORT**

1. The purpose of this report is to update the Council on the progress of the Aurs Road City Deal project, currently under construction, and to request that the Council approves the expenditure of the additional funds that will be required to complete the project.

RECOMMENDATIONS

2. The Council is asked to:
- a) Note the progress on site and the strategic importance of the Aurs Road project;
 - b) Acknowledge that additional funds will be required to complete the project;
 - c) Approve in principle £4.3m of additional funds to complete the Aurs Road project, together with an allowance for variance in the remaining unfixed elements of the cost to complete, requiring a total sum of up to £6.9m; and
 - d) Approve a maximum of £3m to be drawn from the Capital Reserve, with the balance of up to £3.9m to be funded from external borrowing and that authority is delegated to the Chief Executive and Chief Financial Officer to determine the exact sums to be drawn from the Capital Reserve and borrowed, dependent on the final outcome cost of the project and any additional funds that may be obtained.

BACKGROUND

3. The Aurs Road improvement project will transform the route between Barrhead and Newton Mearns from a winding, single carriageway road into a safer, straighter road with a new active travel route and waterside promenade overlooking Balgray Reservoir.

4. Aurs Road is a highly complex infrastructure project with a range of factors making it very challenging. Construction work started in January 2024. Aurs Road was initially estimated to be fully completed by early 2025 but due to a number of issues encountered on site, the project is currently projected to be completed by Spring 2026.

5. With a complex project involving a historic asset, such as Aurs Road, there is always a risk that construction challenges will lead to unforeseen delay. Delay has led to a rise in costs for a number of reasons including: the need to cover the cost of additional survey work, redesign of some aspects of the project; agreement of the redesign with parties including the contractor and Scottish Water; additional time that the contractor is on site; and additional materials required.

REPORT

6. The project team has agreed designs for all aspects of the project and is in a position to provide an estimate of the cost to complete. Members will recall that the construction is being managed under a standard construction contract known as New Engineering Contract 3 (NEC3). All parties are therefore bound by the provisions within the NEC3 contract. This includes confidentiality clauses in relation to any disputes arising between the Council and the parties to the contract.

7. The project team has formally requested, under the terms of the contract, a 'Cost to Complete' calculation from the NEC3 Project Manager, who acts for all parties within the contract, to enable this update on the Aurs Road project. Where costs increase as a result of changes within the contract period, these are recorded through a series of 'Compensation Events' (the contract term used for events arising within the construction programme that lead to changes in costs) and then resolved and implemented by the NEC3 Project Manager. The 'Cost to Complete' has therefore been calculated in advance of the contractor providing a price for additional works, as these are contained within a series of Compensation Events that are currently being worked through. It contains informed estimates of both the additional works that are required and the likely cost of the outstanding Compensation Events that have yet to be resolved and agreed with the contractor.

8. As the 'Cost to Complete' is the NEC3 Project Manager's estimate, he has recommended that the Council allows a variance of between 20 and 50 per cent on the construction element of the outstanding costs that he has calculated to complete the project. This variance is termed 'cost sensitivity'. For the purposes of this report, cost sensitivity of 40% has been assumed on the construction element of the costs provided, representing a reasonable margin of sensitivity added to the NEC3 Project Manager's estimate. The 40% cost sensitivity is not applied to the whole 'Cost to Complete', but only to the variable element within the estimate, namely the construction costs. Other aspects of the 'Cost to Complete' are fixed, such as the cost of the Project Manager's support. There is no need to apply the cost sensitivity allowance to the fixed costs.

9. The original Full Business Case for Aurs Road was approved by the Glasgow City Region in October 2023 with an original estimated budget of £22.7m, including contingency, made up as follows:

- £12.72m funding from the Glasgow City Region City Deal – made up of £5.47m by each of the UK and Scottish Governments and £1.78m from East Renfrewshire Council,
- £8.32m funding from Sustrans' Places for Everyone programme in support of the project's active travel ambitions,
- £0.81m funding from the Scottish Government's Bridge Fund, and
- £0.80m developer contributions from new house building projects in the area.

10. Additional sources of funding amounting to £0.9m have recently been identified to support the project, encompassing a further £0.3m from Sustrans and £0.6m from developer contributions. The total committed funding is £23.6m.

11. Based on the NEC Project Manager's assessment of the cost to complete, the revised project outturn cost is estimated to be in the region of £28m. There is £23.6m of committed funding and a consequent funding shortfall of £4.3m. In line with the advice provided by the NEC3 Project Manager, a 40% cost sensitivity has been added to the construction costs within the Project Manager's estimate, to reflect the risk that arises. Once the 40% cost sensitivity

is added to the NEC3 Project Manager's estimated construction costs, a total of £6.9m additional budget is required to be made available. The overall budget provision required for the Aurs Road project, including 40% cost sensitivity on the construction costs, is therefore in the region of £30.5m.

12. When projects are presented for funding by the City Deal, they are assessed based on the Benefit Cost Ratio (BCR) that they generate. The BCR is derived from the present value of benefits divided by the present value of costs. In the approved Outline Business Case, the BCR was calculated for the overall programme of projects at Barrhead South, including Aurs Road. At the inception of the projects, the BCR was 9.4 (with anything above 1 being a viable project). The estimated additional cost to complete Aurs Road has been added to the Barrhead South BCR model by the Glasgow City Region Intelligence Hub. The outcome of this calculation with the additional estimated costs, is now a BCR of 6.2, which demonstrates that the Barrhead South programme, including the Aurs Road project, remains a significant overall economic benefit to the area.

13. After discussion with Finance colleagues, it is anticipated that the shortfall will be covered by a combination of funds from the Capital Reserve and additional borrowing to make up the remainder of the sum required. Any additional funds that are identified later, such as underspends, released contingencies from other projects or any funds that are recovered from partners in this project, will contribute to paying back the borrowed sum. It is proposed that a maximum of £3m is drawn from the Capital Reserve, with the remainder of the total (up to £3.9m) funded from additional borrowing.

14. The project is making progress on site. To date:

- 88% of the promenade wall has been completed with only one area remaining to be completed.
- The reservoir drawdown tower access bridge has been dropped into its final position on the promenade wall and temporary supports removed from site.
- The new road bridge, the active travel route bridge and Scottish Water culvert structural works have been completed.
- Finishing works on the bridges are ongoing include kerbing, prepping for surfacing and drainage connections.
- Earthworks operations continue on site in preparation for the final section of embankment reinstatement taking place. This final embankment reinstatement was subject to design development which was completed and issued to the Contractor in July 2025. Subsequent discussions with the contractor show that reinstatement requires a complex sequence of works including installation of sheet piles, completion of the remaining 12% of the promenade wall, and SPEN electricity cable diversions before it can be finished. This aspect of the works poses a significant programme and health and safety risk given its' reliance on a third party organisation attending site to deliver the works and the need to work adjacent to 11kv electricity cables. The risk is being mitigated with both project and senior level engagement with SPEN and a detailed methodology review and approval process.
- Road and cycleway surfacing operations are ongoing and being delivered by the subcontractor Roadways. The surfacing for the new roundabout junction and approaches commenced week beginning 4th August 2025. Once complete, the surfacing should continue towards Springfield Junction subject to completion of the outstanding foul drainage that will be used by the visitor facility.
- The promenade walkway paving blocks and kerbing operations are shaping the landscape of the project with distinct finish and colour. Other road furniture and infrastructure installation including street lighting, traffic signals, car park drainage, seating area benches and bins, and signage installation are all underway or soon to commence.

15. The City Deal is a region-wide infrastructure programme, made up of 22 major infrastructure projects within the eight member authorities. These projects have been in delivery for the last 10 years. The original £1bn programme of investment from the UK and Scottish Governments was supported with a contribution from local government of £130m. The Glasgow City Region Programme Management Office (PMO) produces a quarterly assessment of the costs of projects. At Quarter 1 2025/26, Local Authorities' contribution had increased to £267m and a number of the complex projects planned originally have been paused or not progressed, as a consequence of rising costs. East Renfrewshire's project portfolio is on course to be completed before the end of the City Deal programme in 2030.

16. The Aurs Road construction is on course to allow the road to be reopened by Spring 2026. The programme of regular updates to Members will continue to be provided, to inform them of progress towards completion.

FINANCIAL IMPLICATIONS

17. The original approved cost of the project was £22.7m. East Renfrewshire Council's original investment in the project was £1.8m or 8% of the total funding package.

18. The total project cost is now estimated to be a maximum of £30.5m (including 40% cost sensitivity allowance on the construction costs). When current committed funding of £23.6m has been taken into account, there will be a shortfall of up to £6.9m (including 40% cost sensitivity allowance on construction costs). If the total project cost is assumed to be £28m, the Council's contribution will amount to £6.1m or 22% of the overall funding package. If the maximum total project cost of £30.5m is assumed, the Council's total contribution will amount to £8.7m or 29% of the overall funding package.

19. This report is therefore seeking authority for up to £6.9m additional resource to complete the project. This will be funded through a combination of a drawdown from the Capital Reserve and additional borrowing. This report requests authority to draw a maximum of £3m from the Council's Capital Reserve and to fund the balance of up to £3.9m, as required, through additional borrowing. It is requested that authority is delegated to the Chief Executive and Chief Financial Officer to determine the exact sums to be drawn from the Capital Reserve and borrowed, dependent on the final outcome cost of the project and any additional funds that may be obtained, for example, through underspends within other projects.

20. A range of revenue consequences have been calculated to provide an illustration of the additional cost of borrowing that may arise as a consequence of the additional costs to complete the Aurs Road project, at an assumed interest rate of 4% over a period of 20 years. If it is assumed that the maximum amount of £3m is drawn from the Capital Reserve, the revenue consequences of additional borrowing are illustrated in the paragraph below.

21. If the cost increase is £4.3m, £1.3m would be borrowed at an annual repayment rate of £97,500. If the cost increase is £6.9m, £3.9m would be borrowed at an annual repayment rate of £292,500.

22. The allocation of the drawdown from the Capital Reserve and additional borrowing, between financial years, is dependent on the timing of the expenditure and will be reflected in the capital monitoring reports submitted to Cabinet and Council. In light of movements in the capital programme, the increased borrowing will not require the prudential indicators and limits to be revised.

CONSULTATION AND PARTNERSHIP WORKING

23. Partnership working is key to the delivery of the Aurs Rd project and partners have been engaged and consulted with to identify solutions and ways forward to achieve project delivery. This project is being led by the Council's City Deal and Infrastructure team and involves multiple stakeholders. External partners include the Glasgow City Region City Deal Programme Management Office, Scottish Water, Sustrans, Transport Scotland, local landowners, appointed contractor John Graham Construction Ltd and design team Stantec. There may be potential, through the NEC3 contract, to recover elements of the cost over-run from relevant partners. The Council will seek to recover any costs due, however finalising settlements could take some time and will only be resolved after the project is completed. In this regard, the requirement to respect the confidentiality clauses in the NEC3 contract is reiterated.

CONCLUSIONS

24. The Aurs Road improvement project is a critical part of East Renfrewshire's £4m City Deal programme, which aims to stimulate sustainable, inclusive economic growth. Delivery of this key project is at a crucial stage with construction in progress on site and projected completion in Spring 2026. The focus remains on completing this project as soon as possible and continuing to manage the costs through regular and sustained scrutiny.

25. While the project has taken longer than expected and costs have increased, these much-needed improvements will be worthwhile in the long term, providing better transport links and an impressive waterside promenade to benefit local communities. The benefit cost ratio (BCR) for the project remains at 6.2.

26. The delays and increasing budget requirements are challenging, however, now the revised designs are in place, the project is anticipated to move forward to completion within the Project Manager's estimated cost, including a cost sensitivity allowance within the recommended range. For the purposes of this report, we have assumed a cost sensitivity allowance of 40% on construction costs, requiring an additional sum of up to £6.9m. This brings the Council's total contribution to the completion of a new, straighter and safer Aurs Road and the associated active travel route to between £6.1m and £8.7m. Members will note the figures in paragraph 15, demonstrating that a number of the significant infrastructure projects proposed across the City Region as a whole have experienced rising costs. This reflects the challenges that surround bringing forward major infrastructure projects.

27. Following completion of the project, it will be important to evaluate the costs and benefits of East Renfrewshire's package of City Deal funded projects as a whole. In light of the particular challenges at Aurs Road, it will be important to learn from the experience of delivering this project. A full evaluation and review will be carried out at the appropriate time, once the project is complete, the final outturn is known and all Compensation Events have been settled.

RECOMMENDATIONS

28. The Council is asked to:

- a) Note the progress on site and the strategic importance of the Aurs Road project;
- b) Acknowledge that additional funds will be required to complete the project;

- c) Approve in principle the expenditure of £.4.3m additional funds to complete the Aurs Road project, together with an allowance for variance in costs, requiring a total sum of up to £6.9m; and
- e) Approve a maximum of £3m to be drawn from the Capital Reserve, with the balance of up to £3.9m to be funded from external borrowing and that authority is delegated to the Chief Executive and Chief Financial Officer to determine the exact sums to be drawn from the Capital Reserve and borrowed, dependent on the final outcome cost of the project and any additional funds that may be obtained.

Director of Environment

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