

**Glasgow City Region - City Deal****Cabinet****Report by Director of Regional Economic Growth****Contact: Mandy MacDonald 0141 287 8503**

**PMO Evaluation:
North Lanarkshire Council – Augmented Outline Business Case Motherwell
Town Centre Transport Interchange**

Purpose of Report:

To report to the Cabinet on the evaluation of North Lanarkshire Council's Augmented Outline Business Case for Motherwell Town Centre Transport Interchange. This Augmented Business Case was submitted to the Chief Executives' Group on 29th May 2019 when it was agreed that it be submitted to Cabinet for approval.

Recommendations:

It is recommended that the Cabinet:-

1. notes the content of the report;
2. notes the PMO Appraisal, Project Risk Register and Programme Risk Register are available on request from the Clerk;
3. agrees the updates to the content of the business case made during the augmentation of the Motherwell Town Centre Transport Interchange OBC as contained within this report;
4. notes the additional areas for development that NLC will be required to include within forthcoming FBCs, as described in section 9 of this report;
5. notes that there is no additional funding requirement; and
6. approves the augmented business case which, following appraisal, is considered to be compliant with HM Treasury Green Book.

1. Purpose

- 1.1. To report to the Cabinet on the evaluation of North Lanarkshire Council's augmented Outline Business Case for Motherwell Town Centre Transport Interchange dated April 2019. This Augmented Business Case was submitted to the Chief Executives' Group (CEG) on 29th May 2019 when it was agreed that it be submitted to Cabinet for approval.

2. Background

- 2.1. The CEG on 30 November 2017 approved a review process to ensure that Glasgow City Region City Deal business cases are compliant with the approach contained within the HM Treasury Green Book. Consultants Ekos were appointed to carry out the review and they developed an appraisal template which has incorporated the comments of both the UK and Scottish Governments. This appraisal template has been used to assess this business case for compliance with Green Book.
- 2.2. The submission of this business case for appraisal is considered as confirmation that North Lanarkshire Council approves the inclusion of this business case as part of the City Deal programme as stated in the current Glasgow and Clyde Valley City Deal Assurance Framework (10 March 2015) in section 4.1.1.
- 2.3. The Augmented Motherwell Town Centre Outline Business Case was approved by North Lanarkshire Council's Enterprise and Growth Committee on 9th May 2019.
- 2.4. The scope of the Motherwell Town Centre Transport Interchange Outline Business Case was initially within the scope of OBC of North Lanarkshire Council's Motherwell Town Centre Transport Interchange Project that was previously approved by Cabinet on 10 April 2018.

3. Review of the Augmented Motherwell Town Centre Transport Interchange OBC

- 3.1. Following the initial review of all project's OBCs, North Lanarkshire Council submitted an augmented version of Motherwell Town Centre Transport Interchange OBC to the PMO on 18 April 2019.
- 3.2. This business case has been reviewed and appraised and the PMO has been advised by Ekos that it is considered to be Green Book compliant.
- 3.3. The PMO has undertaken an additional review which provides an analysis of the content of the OBC approved by Cabinet on 10th April 2018 and the augmented version. Any relevant changes or updates to the business case in relation to the scope, finances or benefits that the project anticipates to deliver are set out in the following sections.

- 3.4. The information that will require to be included within FBCs that align to the Motherwell Town Centre OBC, as highlighted in the Ekos Review and by NLC within the OBC, is set out below in section 9 of this report.
- 3.5. The Executive Summary for the project is attached as Appendix 1.
- 3.6. A copy of the appraisal assessment of this business case is available from the Clerk.

4. Scope

- 4.1. The scope of the project remains broadly consistent from the approved OBC. Within the Augmented OBC the changes to the components are as follows: the Motherwell Rail Station element will be funded by Abellio and the park and ride facility will be funded by SPT. This change is reflected in section 7.1 below which sets out the '*Infrastructure and Land Benefits*'.

5. Programme Milestones

- 5.1. A high level project schedule is included within the business case.
- 5.2. The key milestone dates of this Augmented OBC are the same of the one reported in the Motherwell Town Centre Transport Interchange Project OBC approved by Cabinet on 10 April 2018.

6. Finance

- 6.1. The total cost of the project is £3.8m all funded from City Deal Grant and members' contribution. This is an augmented OBC and is not seeking any further funding at this stage. There has previously been £1.335m approved for this project at OBC Stage.
- 6.2. The financial case contained within the approved OBC and the augmented OBC have been reviewed. Relevant changes and updates that have been identified between the versions of the OBC are set out below:

Change/Issue	Approved OBC (April 2018)	Augmented OBC (May 2019)
Cost	Project cost is £3.492m and includes 100 car parking spaces.	Project cost increased to £3.8m and includes 20 car parking spaces along with additional work in relation to extending the road alignment including work on contaminated land. There will also be a further 80 car parking spaces funded from SPT making total of 100 car parking spaces.

Optimism bias	Optimism bias is 30%	Optimism bias is 30% and 6% where detailed cost estimates are available.
Funding	86/14% funding split not quantified	86/14% split shown as £3.268m and £0.532m respectively.
Phasing	Phasing of spend provided	Phasing of spend has been updated.
VAT	VAT treatment not mentioned	VAT costs expected to be recoverable
Benefit monitoring costs	Benefit monitoring costs not mentioned	Benefit monitoring costs mentioned as include within the project costs.
Financial Risks	Financial risks mentioned in financial case	Financial risks have been updated in financial case
Follow on investment costs	Follow on investment costs not mentioned	Follow on investment applies to the wider project and this includes additional spend of £9.8m for Motherwell Rail Station (£9.4m from Abellio) and Motherwell Station Park and Ride Improvements (£0.4m from SPT).

7. Benefits Realisation

- 7.1. The economic case and benefits of this project have been calculated based upon the transport benefits that will be delivered. While this differs from some other City Deal project business cases but Ekos have made clear that this is appropriate for this type of investment. Relevant changes and updates that have been identified between the versions of the OBC are set out below:

Change/Issue	Approved OBC (April 2018)	Augmented OBC (May 2019)
Employment benefits	Employment benefits were not quantified in the initially approved OBC.	Gross Additional Enabling Infrastructure Construction Jobs (Person Years of Employment) at GCR by 2035 - 20
GVA	The initial OBC stated that <i>"Values for net additional GVA at a local, regional and national level are not readily quantifiable due to the nature of the Project and appraisal."</i>	Gross additional GVA at GCR by 2035 - £1.2 million This GVA benefit will be derived from the construction of the infrastructure.
BCR	The BCR is 5.00.	Based on total public sector costs over 25 years, the BCR is 4.00

Private Sector Investment	Private sector investment was not quantified within the initially approved OBC. As per the comments in the augmented OBC, this project was not modelled as directly enabling private sector investment.	The OBC states that the project “ <i>as a transportation project and public good, does not directly enable follow on private sector investment</i> ”. The project is however expected to support the regeneration of Motherwell Town Centre and local economic performance.
Infrastructure and Land Benefits	<ul style="list-style-type: none"> • 800sqm new road carriageway for buses, taxis and drop off; 1 new bus facility with 4 stops and 2 shelters • 80 additional park and ride spaces • 1695m new cycle infrastructure; • 375m upgraded footway • 3394sqm new and reconfigured public realm • 73no new street trees, 239sqm of green infrastructure. • 0.23ha of vacant and derelict land at Muir Street regenerated through public realm improvement and removed from the Vacant and Derelict Land Register. 	<p>The scope has changed as some project elements are now funded from other sources.</p> <ul style="list-style-type: none"> • 162m new road carriageway for station access, including for taxis, station drop off and disabled parking. • Expanded and improved bus facilities with space for four buses, 2 new bus shelters with Real Time Passenger Information • 3040sqm public realm and landscape improvements, 27 new street trees • 1,990m new cycle network infrastructure • 725m upgraded footpath infrastructure • New lighting columns and CCTV cameras, 1 new signalised pedestrian crossing • 0.23ha of vacant and derelict land at Muir Street regenerated through public realm improvement and removed from the Vacant and Derelict Land Register.
Transport Benefits	Transport benefits were described but not fully quantified in the initial OBC.	The transport benefits of the project have been monetised over 25 years and set out as follows:

		<ul style="list-style-type: none"> • Travel time efficiency - £10.1m • Noise, air quality and greenhouse gases - £0.005m • Physical activity and journey quality - £0.8m • Accidents -£0.02m
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8. Legal and Procurement

8.1. The Legal and Procurement sections of the augmented OBC have been reviewed and there are no material changes.

9. Future Developments at FBC

9.1. Reflecting the comments made by NLC within their augmented OBC, and the comments made by EKOS as part of their appraisal, the PMO will require NLC to provide the information detailed in the sections below within forthcoming FBCs that align to the Motherwell Town Centre Transport Interchange OBC.

9.2. Based upon the Ekos appraisal of the augmented OBC, the PMO has taken into account the comments received and considers that the following additional information will require to be provided by NLC within forthcoming FBCs:

- i. An updated assessment of optimism bias and contingency within the Financial Case of the subsequent FBC submissions;
- ii. Confirmation of all funding award/ approvals will require to be provided within the subsequent FBC submissions;
- iii. The relevant grant agreement and any relevant conditions will require to be finalised in advance of the FBC and reported therein;
- iv. As NLC will provide a grant to the ScotRail Alliance for delivery of a small element of the project, further detail will require to be reported within the FBC submissions, including details of any grant conditions; and,
- v. Sustainability Case will be updated at FBC to take account of results from the Air Dispersion Modelling work.

10. Transport Appraisal Group Review

10.1. The original OBC was reviewed by TAG in April 2018. The project scope and direct deliverables have changed slightly since the original OBC but with the same key elements included (with the exception of the P&R element that will now be taken forward through SPT funding).

10.2. 2.1.8 notes that the extension to park and ride capacity at sites to the east and west of Motherwell station forms part of the project scope, but will now be taking forward through funding awarded by SPT. 80 additional car parking spaces will be delivered through this investment.

10.3. Section 4 of the OBC sets out a comprehensive options appraisals process, with the preferred option summarised in Section 4.3.12 and associated figures.

Section 4 of the OBC also sets out the traffic modelling approach and the transport (TEE) and other economic benefits from the sub-project, demonstrating a positive BCR and NPV.

- 10.4. Given the nature of the proposals associated with the OBC and that the sub-project will deliver the opportunity for enhanced access (particularly public transport and active travel) to the major transport interchange at Motherwell station, it is considered that there are no transport issues that require any further attention or comment from TAG.

11. Recommendations

11.1 It is recommended that the Cabinet:-

1. notes the content of the report;
2. notes the PMO Appraisal, Project Risk Register and Programme Risk Register are available on request from the Clerk;
3. agrees the updates to the content of the business case made during the augmentation of the Motherwell Town Centre Transport Interchange OBC as contained within this report;
4. notes the additional areas for development that NLC will be required to include within forthcoming FBCs, as described in section 9 of this report;
5. notes that there is no additional funding requirement; and
6. approves the augmented business case which, following appraisal, is considered to be compliant with HM Treasury Green Book.

Appendix 1 – Executive Summary

1.1 Executive Summary

- 1.1.1 This is an augmentation of the Motherwell Town Centre Transport Interchange Outline Business Case approved by Cabinet on 10 April 2018. This Augmented OBC updates the OBC previously approved to reflect the latest Business Case Appraisal Criteria (V7) and HMT Green Book Guidance requirements. Additional economic analysis is now included to strengthen the business case and a more robust options appraisal process has been undertaken in order to confirm the Preferred Option.
- 1.1.2 Further cost information been obtained on construction costs, third party costs and external consultancy costs. The Economic and Financial cases are therefore based on more robust cost data than previously available. The Project has an approved project cost of £3.8M within the revised Pan Lanarkshire Orbital Transport Corridor SBC. As detailed within the Financial Case, the updated project costs presented are in line with the approved budget of £3.8 million. This includes allowances for optimism bias, inflation and contingency which provide mitigation against programme and project risks.

1.2 The Project

- 1.2.1 The Motherwell Town Centre Transport Interchange project (“the Project”) is a sub-project of the Pan Lanarkshire Orbital Transport Corridor, one of the three core City Deal infrastructure projects in North Lanarkshire. A revised Strategic Business Case for the wider Pan Lanarkshire Orbital Transport Corridor (Pan Lan) project was approved in December 2017 with an approved project cost of £189.5m. The Motherwell Town Centre Transport Interchange is one of three sub-projects within the wider Pan Lan project. It will provide an improved multi-modal transport interchange at Motherwell Station, improving access to the station and enhancing interchange between car/bus/bike and train. It will also improve public transport quality and reliability and increase efficiency of the local road network. The Project integrates with investment plans by ScotRail Alliance to redevelop Motherwell Station and this increases the overall benefit of the Project.
- 1.2.2 The Project will provide infrastructure to improve transport interchange, bus service reliability, reduce road congestion, enhance accessibility to the local and strategic rail network and improve public transport connectivity around the Glasgow City Region. The Project will therefore result in improved accessibility to jobs and improved connectivity between labour markets and economic opportunities. It will support the movement of people to employment, education and training opportunities.

Strategic Need for the Project

- 1.2.3 The strategic need for the Project is evidenced by a variety of sources including statistical and demographic data, transport data and assessments,

engagement with passengers, business and industry and economic outlook reporting.

- 1.2.4 The Project deliverables will improve the efficiency of the local road network, encourage increased modal shift to public transport and active travel, resulting in highway and local road decongestion and improved local air quality within the Motherwell Town Centre Air Quality Management Area. The Project deliverables will also help to improve the mobility of the area's workforce and provide a more efficient and connected transport system.
- 1.2.5 All the factors driving the requirement for the Project provide the basis for public sector intervention. City Deal funding will overcome the identified barriers and enable the delivery of the Project, in co-ordination with planned investment for Motherwell Station by ScotRail Alliance, which will allow the economic, transport, environmental, social and health benefits to be realised and to their full potential.

1.3 Options Appraisal

- 1.3.1 An Options Appraisal assessed a long-list of potential options against Scope, Service Solution Service Delivery, Service Implementation, Funding and Value for Money aspects. The need for the Project to be a physical intervention within Motherwell town centre, and in the area next to Motherwell Station, is established within the Strategic Case and by a joint Feasibility Study and Masterplan for Motherwell Station undertaken by consultants for ScotRail Alliance. The appraisal therefore focuses on four physical intervention options and assessing these against the project objectives, including deliverability factors. The short listed options emerging from the Long-List appraisal process have been subject to cost benefit and value for money analysis to determine the Preferred Option which delivers against the critical success factors and project objectives, presents an affordable solution and that optimises value for money. Chapter 4 details the options appraisal process and provides justification for the Preferred Option identified.

Proposed Solution

- 1.3.2 The Preferred Option is deliverable, performs strongly against the project and equality objectives and provides good value for money. The Preferred Option (the net additional scenario) compares favourably to the Deadweight (counterfactual) scenario in terms of the benefits generated and its performance against the Project Objectives.
- 1.3.3 The Scope involves the creation of an expanded bus facility on Muir Street with new arrangements for taxis, drop-off and disabled parking adjacent to Motherwell Station; a reconfigured and widened station forecourt area; pedestrian and cycle network improvements and links to a proposed active travel hub close to the station. The land requirements are attainable and the levels of construction and operational risk are within tolerable limits.

- 1.3.4 The combined investment of the Preferred Option and the investment in Motherwell Station led by ScotRail Alliance will deliver transformative change for Motherwell Station and town centre. Park and Ride expansion also forms part of the wider project and will be delivered directly in partnership with Strathclyde Partnership for Transport (SPT). The combined City Deal and non-City Deal investment in this location is summarised within Table 1.1.

Table 1.1 Investment Profile

Motherwell Town Centre Transport Interchange and Rail Station: Investment Profile		
Project Aspect	Funding	Source
Motherwell Town Centre Transport Interchange	£3.8m	GCR City Deal (86%) North Lanarkshire Council (14%)
Non-City Deal Funded 'Wider Project': Motherwell Rail Station		
Project Aspect	Funding	Source
Motherwell Rail Station	£9.4m	Abellio; Strathclyde Partnership for Transport; other public sector funding.
Motherwell Station Park and Ride Improvements	£0.4m	Strathclyde Partnership for Transport (SPT)

- 1.3.5 The new infrastructure will endorse sustainable transport principles by improving active travel and public transport access. This will facilitate increased use of public transport to access jobs, training and education and for leisure trips. The new infrastructure is also expected to have local air quality benefits for the Motherwell Town Centre Air Quality Management Area by reducing traffic congestion and encouraging a reduction in vehicle trips for access to the station and town centre in favour of public transport and active travel.

1.4 Economic case for investment

- 1.4.1 The economic case for investment is based around addressing current inefficiencies in the regional transport network which are a constraint to growth and to inter-connectivity between local labour markets, businesses and economic centres. The Project will deliver societal and economic benefits and will, in conjunction with planned investment in Motherwell Station by Abellio ScotRail Ltd, act as a catalyst for economic regeneration in the local area. It will also contribute towards improving public transport connectivity for the Ravenscraig regeneration site by improving capacity and interchange arrangements for buses, cycles and park and ride at

Motherwell Station.

- 1.4.2 The Project concerns the delivery of road, public realm, cycleway and footpath infrastructure to facilitate improved transport interchange and improved accessibility between employment centres and labour markets and to economic, education and training opportunities. These deliverables all fall within the definition of 'Public Goods', that is goods to be enjoyed by all, where there is no incentive to pay, therefore, there is no incentive for the market to supply. It cannot be expected that a market will form to co-finance and deliver the infrastructure investment required, which is predominantly within the public realm. There is a strong case for public sector intervention to provide the transport infrastructure and that the North Lanarkshire economy would be better off if the infrastructure was built.

The direct deliverables of the project will provide:

- Highway and local road network decongestion benefits;
- Improved journey times and reduced queue lengths;
- Improved public transport journey time reliability;
- Enhanced road, cycle and pedestrian network safety and security;
- Enhanced access and connectivity to the regional transport network, job, training and education opportunities;
- A safe and more attractive environment with amenity and air quality benefits;

The project will also indirectly facilitate:

- Increased footfall, dwell time and spend in the local economy, improving performance and resilience;
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The Project will deliver positive socio-economic impacts through:

- Capital expenditure on new infrastructure and associated construction jobs and community benefits;
- Improved access to employment, training and education opportunities from the local area; and
- Workers, commuters, residents and visitors spending in the local economy.

Project Contribution to the City Deal Economic Case

- 1.4.3 The Project directly contributes to the economic outcomes set out in the GCR Infrastructure Fund: Economic Case by delivering the following quantifiable economic and transport benefits, discounted and over the 25 year City Deal assessment period:
- New transport infrastructure to improve the efficiency of both the local road network in Motherwell town centre the regional public transport system;
 - 20 net additional construction jobs (PYEs);
 - £1.2m net additional construction GVA;

- £0.11m net additional town centre spend and rail revenue;
- £4.81m net additional operational, safety and environmental benefits; and
- £8.18m Net Present Value of monetised benefits (highway and non-highway).

Value for money

- 1.4.4 There is a strong transportation economic case for the Project. The estimated Net Present Value (NPV) has been calculated over the 15 years (to 2035), the 25 year City Deal Appraisal period, and over a 60 year period in line with both the City Deal requirements and standard practise for the appraisal of transportation projects. The NPV of the Project over 15 years is £4.21m and the Benefit to Cost Ratio is 2.56:1. Over 25 years the NPV is £8.18m and the BCR is 4.00:1. Finally, over 60 years the NPV is £19.14m and the BCR is 7.85:1. At each of the assessment intervals the Project therefore represents good value for money.
- 1.4.5 The Project, as a transportation project and public good, does not directly enable follow-on private sector investment. A Public and Private Sector BCR has therefore not been calculated. The Project is however expected to support the regeneration of Motherwell Town Centre and local economic performance

1.5 Proposed team and project management arrangements

- 1.5.1 The Project will be delivered by North Lanarkshire Council through the multi-disciplinary Enterprise Projects Team, with the exception of the station forecourt improvement works which will be delivered by ScotRail Alliance as part of a contract to redevelop Motherwell Rail Station. An experienced multi-disciplinary management team has been formed within North Lanarkshire Council Enterprise and Communities Service to take forward the project. The corporate City Deal Internal Steering Group will provide senior management oversight of the project.

1.6 Funding

- 1.6.1 There are no external funding requirements for the Project. All capital project costs will be funded by the Glasgow City Region City Deal and North Lanarkshire Council on a ratio of 86% GCR City Deal / 14% NLC. North Lanarkshire Council's contribution to the project is committed and secured within the Council's budgeting process.
- 1.6.2 In order to develop the Project to a stage where tenders can be issued for the contract works, project funding to the value of £1,335M was approved by Cabinet on 10th April 2018 (original OBC). No further Project Funding above the £1,335M (already approved) is sought at this stage. Approval for the remaining projects costs (up to £2.465m) will be sought at Full Business Case stage once tenders have been issued and returned.

1.7 Recommendation

- 1.7.1 It is recommended that the Chief Executive Group approve this augmented Outline Business Case for the Motherwell Town Centre Transport Interchange sub project and to note the additional economic and options appraisal undertaken to meet HMT Green Book and the latest City Deal PMO Business Case Appraisal Criteria requirements.