



Glasgow City Region - City Deal

Cabinet

Report by Director of Regional Economic Growth

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Item 7

12th December 2017

PMO Evaluation:

North Lanarkshire Council – Strategic Business Case Pan Lanarkshire Orbital Transport Corridor

Purpose of Report:

To report on the PMO evaluation of North Lanarkshire Council's revised Strategic Business Case for Pan Lanarkshire Orbital Transport Corridor.

Recommendations:

It is recommended that Cabinet

- (1) notes the Executive Summary in Appendix 1, the Project Contextual Information in Appendix 2 and the Project Risk Register in Appendix 3; and
- (2) approves the revised Strategic Business Case on the terms set out in the report.

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1 Purpose

- 1.1 To inform the Cabinet on the results of the Programme Management Office (PMO) evaluation of North Lanarkshire Council's revised Strategic Business Case, called Pan Lanarkshire Orbital Transport Corridor, Revised Strategic Business Case (November 2017) V.4 for the Pan Lanarkshire Orbital Transport Corridor.

2 Review

- 2.1 The Executive Summary for the project is attached as Appendix 1.
- 2.2 The Pan Lanarkshire Orbital Transport Corridor revised Strategic Business Case is a re-submission of the Strategic Business Case originally approved by the Cabinet in August 2015. Since this approval, the TIF investment for Ravenscraig has been withdrawn leaving a public sector gap in the project financing. This prejudices the delivery of the Pan Lanarkshire Orbital Transport Corridor and the realisation of the benefits assumed in the original economic modelling for the overall GCR City Deal Programme as, whilst not part of the City Deal in financial terms, the TIF investment and the outputs from the associated economic development proposed at Ravenscraig were assumed within the original economic modelling.
- 2.3 Therefore, in order to deliver the full extent of the Pan Lanarkshire Orbital Transport Corridor as initially envisaged, North Lanarkshire Council is seeking agreement from Cabinet that the former Ravenscraig infrastructure works, originally financed by TIF, will now be included within the overall objectives of the revised SBC.
- 2.4 The submission of this business case for appraisal is considered as confirmation that North Lanarkshire Council approves the submission of this business case to be considered for inclusion in 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
- 2.5 The revised Pan Lanarkshire Orbital Transport Corridor SBC has been evaluated against the business case criteria outlined within the Glasgow City Region City Deal Assurance Framework (10 March 2015).
 - 2.5.1 The project risk register is attached as Appendix 3
 - 2.5.2 Prior to the submission of the Outline Business Case to Cabinet North Lanarkshire will prepare a detailed financial report to be presented to the Finance Strategy Group and Chief Executives' Group setting out the financial strategies that will address the overall funding requirements for the revised project.

3 Financial

- 3.1 The total cost of the project is £189.5m. This represents an increase of £95.9m from the approved £93.6m within the Infrastructure Fund. North Lanarkshire Council are identifying options to fund this gap and these will be reported when the Outline Business case is presented.
- 3.2 At SBC stage £3.5m was previously awarded for this project and £0.3m has been spent to date.
- 3.3 A full financial analysis has been carried out as part of the evaluation of the business case for the project funding. This is a revised Strategic Business Case for Pan Lanarkshire Orbital Transport Corridor and is not seeking any further funding at this stage.
- 3.4 The drawdown of funding will be completed on the basis of actual eligible expenditure, in association with the grant drawdown principles outlined within the Assurance Framework.

4 Benefits Realisation

- 4.1 Pan Lanarkshire Orbital Transport Corridor SBC describes high level project benefits. Project outputs have not been quantified within the SBC. The Benefits Realisation Templates from the Assurance Framework require to be completed for the OBC.

5 Recommendations

It is recommended that Cabinet

- (1) notes the Executive Summary in Appendix 1, the Project Contextual Information in Appendix 2 and the Project Risk Register in Appendix 3; and
- (2) approves the revised Strategic Business Case on the terms set out in the report.

APPENDIX 1: Executive Summary

Introduction

This Strategic Business Case seeks approval for a revision to the Pan Lanarkshire Orbital Transport Corridor SBC, previously approved in August 2015 by the GCR Cabinet, to deliver infrastructure improvements along the complete Pan Lanarkshire Orbital Transport Corridor.

The Pan Lanarkshire Orbital Transport Corridor Project will deliver the transport infrastructure needed to improve connectivity between centres of population and employment sites in North Lanarkshire, unlocking the economic development potential of the former steelworks site of Ravenscraig, now a strategic economic investment location with national development status.

The Project will provide:

- new and upgraded road infrastructure on an orbital route from the M74 at Motherwell, through the strategic economic investment site of Ravenscraig to the M8 at Eurocentral / Newhouse Industrial Estate / Chapelhall and onward past Airdrie via a new link road, to connect with the A73 to the south of Cumbernauld;
- improved public transport interchange at Motherwell train station, incorporating access improvements, enhanced public realm, park and ride expansion and active travel links.

The approved SBC sought financing for the northern half of the Orbital Transport Corridor only, with the southern section of the Corridor, through Ravenscraig, to be delivered with TIF investment.

Since the SBC Cabinet approval in 2015, the TIF investment has been withdrawn leaving a public sector gap in the project financing. This prejudices the delivery of the Pan Lanarkshire Orbital Transport Corridor and the realisation of the benefits assumed in the economic modelling for the overall GCR programme. Whilst not part of the GCR City Deal in financial terms, the proposed TIF investment (Ravenscraig Phase 2) and the outputs from the associated significant commercial development proposed at Ravenscraig were assumed within the overall GCR City Deal Programme and economic modelling.

In order to deliver the full extent of the Pan Lanarkshire Orbital Transport Corridor and realise the significant economic potential of Ravenscraig this revised submission makes the business case for the former Ravenscraig TIF infrastructure investment proposal to be considered as part of the GCR City Deal Infrastructure Programme.

The Strategic Case

The strategic case demonstrates the need for improved orbital connectivity between centres of population and existing and proposed employment locations within North Lanarkshire to address barriers to economic growth and unlock development opportunities at Ravenscraig and at other sites served by the orbital transport corridor.

It is crucial to the prosperity of North Lanarkshire and the wider Glasgow City Region that the necessary transport links along the full length of the Pan Lanarkshire Orbital Transport Corridor, including the southern section through Ravenscraig, are in place to enable residents to access employment and take advantage of the economic opportunities created within the City Region.

The Project has been developed in response to identified strategic need and forms a constituent part of the wider GCR infrastructure programme.

The Economic Case

Market failure is preventing the private sector from providing the infrastructure required to provide the orbital links to connect centres of population with key employment locations within North Lanarkshire and to realise the full development potential at Ravenscraig. The proposed infrastructure will remove these barriers and also ensure Ravenscraig can be developed to its full capacity. The economic case is developed around the benefits of: opening up the regional economic investment site of Ravenscraig; stimulating business investment along the Orbital Corridor; and the associated employment opportunities created.

In addition to transportation benefits this revised SBC will therefore support the realisation of economic impacts from the regeneration of the Ravenscraig site currently estimated at 6,700 gross jobs and £360m gross additional GVA.

The Project will contribute to the City Deal objectives by creating net additional employment, Gross Value Added and business rate revenue. The Project also satisfies the GCR City Deal criteria by providing infrastructure that enables the continued development of a major employment site in a relatively disadvantaged area which has stalled due to market failure.

The Commercial Case

North Lanarkshire Council will primarily be responsible for the delivery of the Pan Lanarkshire Orbital Transport Corridor Project which is a transport infrastructure project with no commercial elements. The commercial risks and challenges associated with delivery sit with the Council.

The Financial Case

This SBC revision, to reshape the Pan Lanarkshire Orbital Transport Corridor subprojects and incorporate the Ravenscraig infrastructure access, has an overall project cost of £189.5m. This is £96m above the original approval awarded by GCR cabinet in August 2015.

As presented in Chapter 6, NLC have identified solutions to address the identified financial gap with no additional ask in terms of the approved City Deal funding contribution to the overall NLC City Deal Infrastructure Investment Programme.

North Lanarkshire Council is signed up to the principle of the City Deal Infrastructure Fund that will see the Council contribute up to 14% of the overall capital costs of its projects. This will be achieved through prudential borrowing over a thirty year period.

The Sustainability Case

The sustainability case is developed around minimising the overall impact on the environment and contributing to sustainable transport principles. The Project incorporates active travel into the design for the proposed new and upgraded road infrastructure and aims to increase the attractiveness of public transport and active travel to encourage modal shift to more sustainable travel patterns.

The Management Case

North Lanarkshire Council has established a multi-disciplinary team to deliver its City Deal Programme along with a City Deal Internal Steering Group which is made up of senior advisors and sits on a quarterly basis.

Recommendation

This SBC provides a proportionate assessment using all known available information to determine the strategic, economic, commercial, sustainability, financial and management case for the Project. The Business Case Appraisal Criteria Table in the proceeding section demonstrates conformity with the GCR City Deal Business Case Guidance.

The scope of this revised SBC de-risks the project and in turn the GCR City Deal Programme by addressing the current gap in infrastructure and bringing forward a proposal for the complete Pan Lanarkshire Orbital Transport Corridor to realise transportation and economic benefits for the wider Glasgow City Region.

North Lanarkshire Council firmly believes that investing in infrastructure to support the redevelopment of Ravenscraig and to ensure the wider transport objectives of the Pan Lanarkshire Orbital Transport corridor can be fully achieved is the correct way forward for the region and the performance of the GCR City Deal.

The North Lanarkshire Council City Deal Team formally request from the GCR Cabinet approval for this revised SBC.

Contextual Information on Pan Lanarkshire Orbital Transport Corridor SBC Resubmission

- 5.1 Ravenscraig is one of the largest brownfield sites in Europe, covering 445 hectares. Its status as a National Development (National Planning Framework 3) and a Strategic Economic Development Location (Clydeplan Strategic Development Plan) reaffirms the site as both a national and regional priority for economic regeneration and growth.
- 5.2 The site is surrounded by some of Scotland's most deprived communities that have been adversely affected from not only the closure of the steelworks but also the 20 year lag in the sustained regeneration of the site. A solution to the current status quo can only be achieved through committed public sector investment to address identified market failure - which is aligned to Scottish Government's wider Inclusive Growth agenda.
- 5.3 During the development phase of the GCR City Deal Infrastructure Programme in 2014/15, Ravenscraig infrastructure access (*represented in Figure 2.1 as sections B and C*) was intended to be funded through an approved Scottish Government Tax Incremental Financing (TIF) pilot scheme. The TIF pilot would have released £73m of capital funding that would be supplemented by a further £24m of private and Council contributions to cover all the necessary strategic road infrastructure costs which was constraining the future regeneration of the Ravenscraig site by Ravenscraig Ltd, a public private partnership between Scottish Enterprise, Tata Steel and Wilson Bowden Developments, established to develop and deliver the regeneration masterplan for the site.
- 5.4 Despite the obvious interdependencies between the Ravenscraig infrastructure access proposals and the wider scope and ambition of the Pan Lanarkshire Orbital Transport Corridor project as reflected in Figure 2.1, North Lanarkshire Council were advised by external consultants supporting the development of the GCR City Deal bid to essentially exclude the Ravenscraig Infrastructure element from the original Pan Lanarkshire Orbital Transport Corridor project SBC scope to be considered for funding as part of the GCR City Deal.
- 5.5 Whilst not part of the GCR City Deal ask in financial terms, the TIF investment and its associated significant proposed commercial development was assumed within the overall GCR City Deal Programme and economic modelling.
- 5.6 It has since become apparent that the Ravenscraig development will not come forward in the form intended due to wider changes in the retail and commercial property market. The business case for the TIF pilot was predicated on the Non Domestic Rate revenue from a 93,000sqm experiential town centre which is no longer viable in terms of scale for the site. Consequently Scottish Government approval for the TIF pilot and associated public sector funding contributions was withdrawn in late 2015.
- 5.7 Despite the unfortunate withdrawal of TIF funding, all public and private parties remain firmly committed to finding a new commercially viable future for the

regeneration of the Ravenscraig site. During 2016, public sector bodies including Scottish Government, Scottish Futures Trust and Scottish Enterprise worked alongside North Lanarkshire Council to explore alternative funding options. Given the scale of economic opportunity the site has to offer and after the exhaustion of other financial options such as the Growth Accelerator Model, the most sensible solution identified by all parties was for the former Ravenscraig TIF infrastructure investment proposal to be considered as part of the wider GCR City Deal Infrastructure Programme.

- 5.8 To re-iterate the significance of this subproject to the wider Pan Lanarkshire SBC and GCR Programme, whilst Ravenscraig Infrastructure Access was not part of the original Pan Lanarkshire Orbital Transport Corridor SBC scope, there was an inherent assumption that the additional public/private investment and consequent commercial development would be realised over the same time period of the GCR Infrastructure Programme. This is core GCR Programme economic baseline adjustment that now needs to be understood.
- 5.9 North Lanarkshire Council firmly believes that investing in infrastructure to support the redevelopment of Ravenscraig and to ensure the wider transport objectives of the Pan Lanarkshire Orbital Transport corridor can be fully achieved de-risks the Pan Lanarkshire Orbital SBC and its inclusion is therefore the correct step forward to support the performance of the GCR City Deal.

Revised Pan Lanarkshire Orbital Transport Corridor SBC Scope:

- 5.10 As evident in Figure 2.1 the infrastructure improvements that were to have been funded through TIF form a fundamental part of the Pan Lanarkshire Orbital Transport Corridor. In order that the full extent of the orbital corridor can still be delivered it is proposed that the Ravenscraig Infrastructure Access be added to the already agreed sub projects for Motherwell Town Centre and East Airdrie Link Road. The Project scope now comprises the following three sub projects:

(1) Ravenscraig Infrastructure Access: Together these works will provide the, predominantly offsite, road infrastructure needed to realise the redevelopment potential of Ravenscraig and improve orbital connectivity through Lanarkshire and the wider City Region:

- **Ravenscraig to M74** - junction and carriageway improvements on Hamilton Road (A723) and Airbles Road (B754) to increase capacity on the southern road link from the M74 to Ravenscraig. The improvements include: increasing capacity at key junctions (Hamilton Road/Airbles Road/Windmillhill Street); completing the dualling of Airbles Road and providing a new road bridge link over the west coast main railway line into Ravenscraig.
- **Ravenscraig A723 to M8 multi modal corridor link** - upgrading 3 kilometres of the A723, along its existing line, to provide a dual carriageway from its junction with the Ravenscraig distributor road, at the northern end of the Ravenscraig site, to the M8 at Newhouse/Eurocentral.

The improvements will include a shared footpath and cycleway and a sustainable urban drainage system (SUDS).

(2) Motherwell town centre transport interchange: Proposal to include park and ride and active travel links – upgrading and reconfiguring the infrastructure around Motherwell train station to: improve access to the station; enhance the interchange between car/bus/bike and train and reduce congestion in the town centre. This project links with Scotrail/Abellio's planned upgrade of the train station building.

(3) East Airdrie Link Road (EALR) – the construction of circa nine kilometres of new single carriageway, including a footpath and cycle path, from Newhouse to Stand. This new and more direct north-south route to the east of Airdrie will provide the increased capacity required to ensure improved connectivity on a non radial route through North Lanarkshire, connecting with the wider City Region. It will also help realise development opportunities along the existing A73 which is currently constrained by existing high traffic volumes, congestion and associated pollution.

2.12 Figure 2.2 shows the location of the above sub projects, which together with South Lanarkshire's planned City Deal investment on Stewartfield Way and the A726 and SPT's Bus Investment Programme, will deliver an upgraded and improved Pan Lanarkshire Orbital Transport Corridor to support the economic regeneration of Lanarkshire and the wider City Region.

Figure 2.1: Pan Lanarkshire Orbital Transport Corridor – SBC Revision

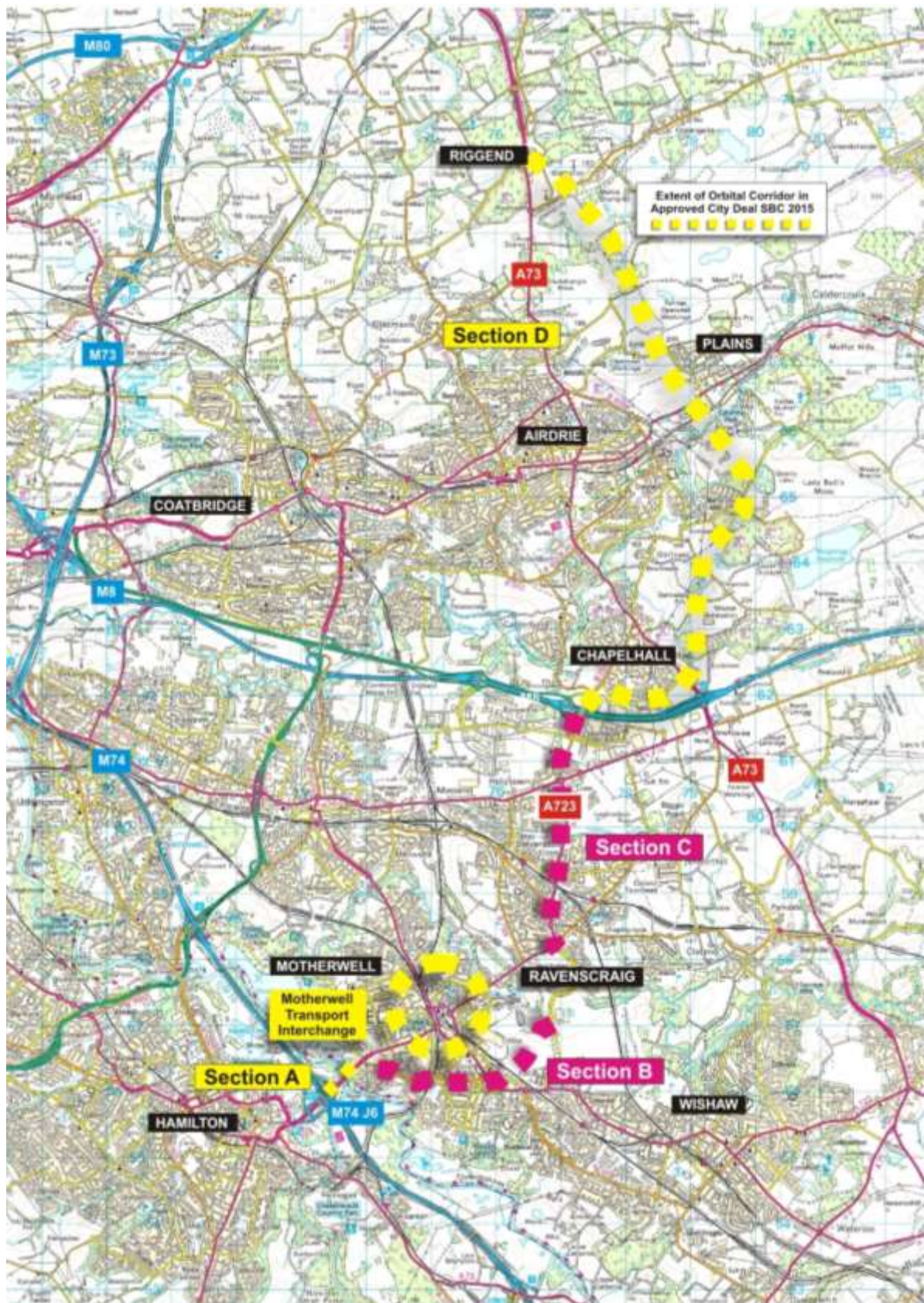
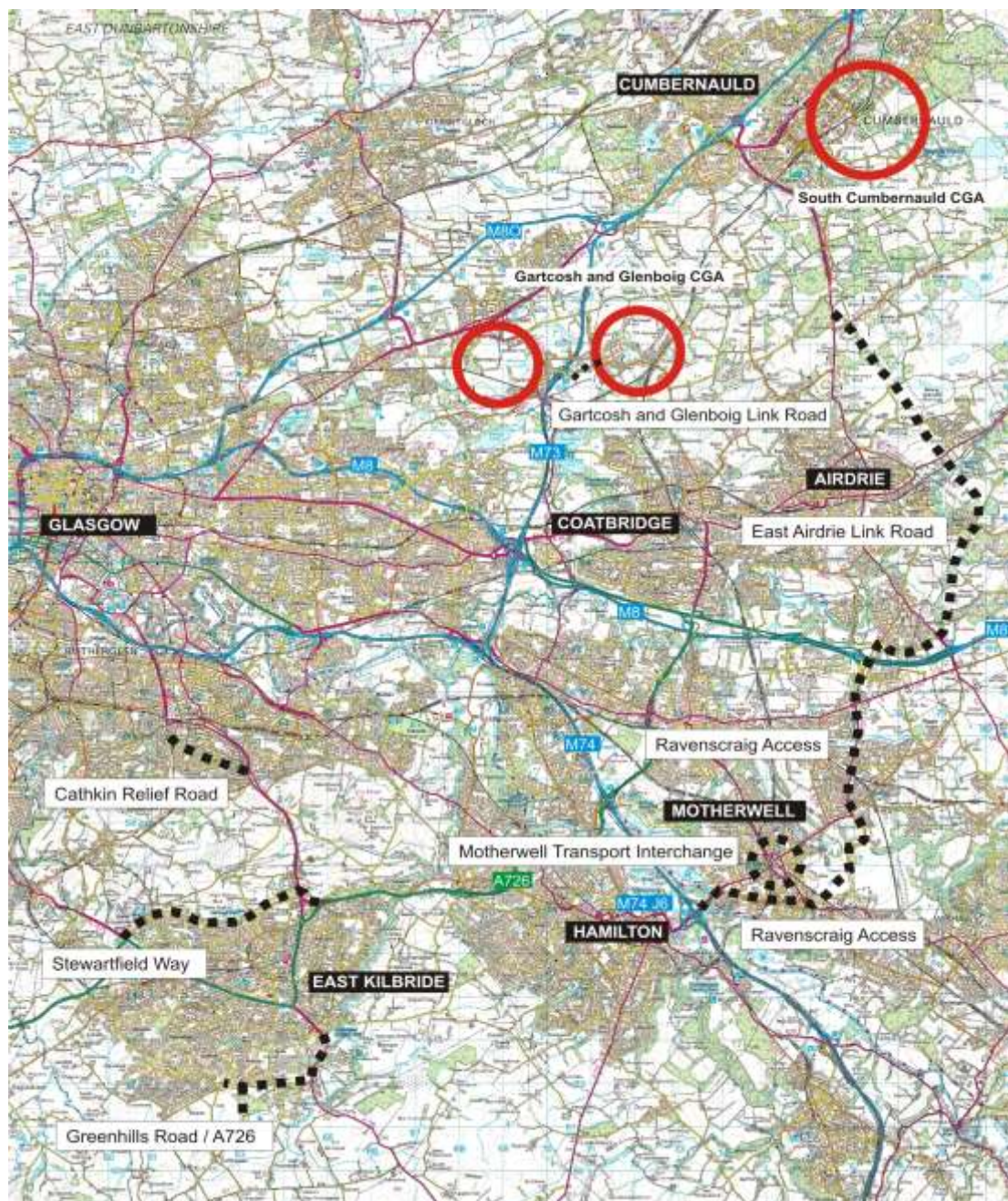


Figure 2.2: Revised Pan Lanarkshire Orbital Transport Corridor SBC Sub Projects



APPENDIX 3: PROJECT RISK REGISTER

CITY DEAL PROJECT RISK REGISTER

Project Title:	Pan Lanarkshire Orbital Transport Corridor														
Member Authority:	North Lanarkshire Council														
Project Location:	North Lanarkshire														
Project Sponsor:	Brian Lafferty														
Project Manager	Kate Bryson														
Date updated:	29 September 2017												Last reporting period:		

Risk Ref (NLC CD Prog)	Status	Risk Category	Risk Description		Inherent Impact	Inherent Probability	Inherent Risk Score	Inherent Rank	Owner	Controls Action	Resid. Impact	Resid. Probability	Resid. Risk Score	Resid. Rank	Date Checked	Movement in period
			Challenge	Impact												
PL1	Open	Reputational Internal risk	Public Relations	Lack of awareness, confusion or negative publicity related to GCR City Deal and NLC's involvement	3	4	12	High	ACEx Ent & Housing Head Corp Comms SRO PS	GCR City Deal Corporate Communications Strategy & Support Group established. NLC & GCR City Deal website info established. Ongoing engagement	2	3	6	Mod	29 Sept 17	↔
PL2	Open	Schedule/ Timescales External risk	Land Acquisition	Risk that agreement may not be secured with land owners timeously with impact on project construction and wider programme	4	4	16	High	ACEx Infrastructure Business Manager (Estates) PS	Monitor land ownership. Early negotiation & sufficient time within project programme. Pursue CPO process where appropriate Corporate Communications	3	4	12	High	29 Sept 17	↔
PL3	Open	Environmental External risk	Ground Conditions	Unknown or significant ground conditions significantly impact on project viability, programme or costs	4	5	20	High	ACEx Ent & Housing SRO PS	Extensive ground investigation works initial stages of project programme. Design options considered to mitigate ground conditions	3	3	9	Mod	29 Sept 17	↔

Risk Ref (NLC CD Prog)	Status	Risk Category	Risk Description		Inherent Impact	Inherent Probability	Inherent Risk Score	Inherent Rank	Owner	Controls Action	Resid. Impact	Resid. Probability	Resid. Risk Score	Resid. Rank	Date Checked	Movement in period
			Challenge	Impact												
PL4	Open	Schedule/ Timescales Internal risk	Managing Stakeholders	Stakeholder needs and expectations not effectively managed impacting on programme	3	4	12	High	ACEX Ent & Housing SRO PS	Early and ongoing stakeholder engagement Corporate Communications Engagement plan GCR PLG Broader Portfolios & wider Governance structure will support this process	3	2	6	Mod	29 Sept 17	↔
PL5	Open	People/Societal External risk	Managing Community	Community/resident opposition to project scope/delivery impact on development planning, programme, costs or Council/GCR reputation	4	5	20	High	ACEX Ent & Housing SRO PS	Engagement at key stages as part of project management. Delivery of engagement plan Corporate Communications NLP/LAPs/LATs/Community Forums/focus groups	3	4	12	High	29 Sept 17	↔
PL6	Open	Environmental External risk	Natural Environment	Potential conflict with natural environment through project construction/development impacting on project viability, programme, costs	4	4	16	High	ACEX Ent & Housing SRO PS	Site assessment and ongoing design/project development Pre application design review (ongoing) Early environmental screening. Environmental assessment Planning consent and conditions met Deliver mitigation plans	3	3	9	Mod	29 Sept 17	↔
PL7	Open	Schedule/ Timescales and Reputation External risk	Project development and delivery constraints	Significant restrictions may not make it possible to complete the works within the agreed timescale impacting on the programme and reputation of NLC/GCR	3	4	12	High	ACEX Ent & Housing SRO PS	Early site investigation and stakeholder consultation to establish extent of any constraints. Restrictions factored into sub projects. Individual project risk registers and	3	3	9	Mod	29 Sept 17	↔

Risk Ref (NLC CD Prog)	Status	Risk Category	Risk Description		Inherent Impact	Inherent Probability	Inherent Risk Score	Inherent Rank	Owner	Controls Action	Resid. Impact	Resid. Probability	Resid. Risk Score	Resid. Rank	Date Checked	Movement in period
			Challenge	Impact												
										programmes established Phasing plans Design refinement and mitigation						
PL8	Open	Schedule/ Timescales and Reputational and Financial Internal risk	Business approvals	Case Failure to obtain relevant SBC/OBC/FBC approval for NLC projects impacting on delivery programme, funding, delivery of economic outputs and reputation of NLC	5	2	10	High	ACEX Ent & Housing SRO PS	Business cases to be reviewed against PMO evaluation criteria prior to submission. External consultancy support sought where necessary to assist project business case formation.	5	1	5	Mod	29 Sept 17	↔
PL9	Open	Schedule/ Timescales and Financial External risk	Statutory Stakeholder input	Stakeholder lead in times not compatible with construction phase	3	3	9	Mod	ACEX Ent & Housing SRO PS	Establish – lead in times and filter into programme. High level influence to secure stakeholder buy in (Future utilities group TBA) Liaise with stakeholders and outside parties. Corporate Communication	3	2	6	Mod	29 Sept 17	↔
PL10	Open	Regulatory/ Legal External risk	Securing consents and legal agreements	Risk that relevant consents cannot be secured to deliver sub projects impacting on project viability and delivery of economic outputs	4	2	8	Mod	ACEX Ent & Housing SRO PS	Sufficient timescale allowed for obtaining all relevant consent and legal agreements within detailed project programme. Early and regular consultation with consenting authorities and Abellio Scotrail/Ravenscraig Ltd Update and monitor consent	2	2	4	Mod	29 Sept 17	↔

Risk Ref (NLC CD Prog)	Status	Risk Category	Risk Description		Inherent Impact	Inherent Probability	Inherent Risk Score	Inherent Rank	Owner	Controls Action	Resid. Impact	Resid. Probability	Resid. Risk Score	Resid. Rank	Date Checked	Movement in period
			Challenge	Impact												
										process within programme						
PL11	Open	Contractual & Financial Internal risk	Increased costs	Tender costs exceed funding budget	3	4	12	High	ACEx Ent & Housing SRO PS	50% optimism bias applied. Robust cost planning to be applied to Outline Business Cases Design refinement Budget review and pre tender cost estimates	3	3	9	Mod	29 Sept 17	↔
P12	Open	Schedule/ Timescales & Financial Internal risk	Availability of contractors and external consultancy support	Failure to appoint appropriate external consultancies/contractor to take forward development of sub projects	3	3	9	Mod	ACEx Ent & Housing SRO PS	Use procurement frameworks. Develop sourcing methodologies. Package sub projects so scale of works attracts competitive market response Use of PCS and procurement events to raise awareness.	2	2	4	Mod	29 Sept 17	↔
PL13	Open	Financial Internal risk	Significant Project Cost Over-run	Costs for delivering project significantly exceed the OBC approved levels	3	3	9	Mod	SRO PS	Projects to go through formal approval process prior to commencement. Contingency sum to be included in delivery budgets Pre-tender cost estimates applied Project/contract management and robust budget monitoring with corrective action as appropriate. Project delivery will be monitored via 4-weekly reporting to	3	2	6	Mod	29 Sept 17	↔

Risk Ref (NLC CD Prog)	Status	Risk Category	Risk Description		Inherent Impact	Inherent Probability	Inherent Risk Score	Inherent Rank	Owner	Controls Action	Resid. Impact	Resid. Probability	Resid. Risk Score	Resid. Rank	Date Checked	Movement in period
			Challenge	Impact												
										Member/Officer Board and PMO.						
PL14	Open	Objectives & Project External risk	Lack of change control mechanisms for changes	Continued lack of sufficient change control measures within the GCR City Deal Programme impacts on project viability and delivery of approved SBC sub projects and achieving project objectives	4	5	20	High	ACEX Ent & Housing SRO PS	Ongoing lobbying of PMO.	4	4	16	High	29 Sept 17	↔
PL15	Open	Financial External Risk	Economic outputs and associated financial risks from under-achievement	Project may not achieve GVA target. Potential financial risk for funding eligibility at gateway review stage	5	2	10	High	ACEX Ent & Housing SRO PS	GVA assessed @ Programme as opposed to project level, creating flexibility in terms of individual project economic performance.	3	3	9	Mod	29 Sept 17	↔