



Glasgow City Region - City Deal

Cabinet

Report by Director of Programme Management Office

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Item 5 (c)

13th June 2017

**PMO Evaluation:
North Lanarkshire Council – Outline Business Case
Eurocentral Infrastructure**

Purpose of Report:

To report on the PMO evaluation of North Lanarkshire Council's Outline Business Case for Eurocentral Infrastructure. The Business Case was considered by the Chief Executives' Group on 24th May 2017 when it was agreed that it be submitted to Cabinet for approval.

Recommendations:

It is proposed that the Cabinet:

- (1) agree that North Lanarkshire Council be invited to proceed to delivery monitoring and evaluation of the project;
- (2) North Lanarkshire Council will take cognisance of the Programme Business Case and will contribute toward delivering the outcomes of the Programme which will be represented in future iterations of the Programme Business Case.
- (3) note the Executive Summary of the Business Case in Appendix 1 and the Project Risk Register in Appendix 2; and
- (4) approve the funding requirement of **£4m**.

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1 Purpose

- 1.1 To inform the Cabinet on the results of the PMO evaluation of North Lanarkshire Council's Outline Business Case for Eurocentral Infrastructure. The Business Case was considered by the Chief Executives' Group on 24th May 2017 when it was agreed that it be submitted to Cabinet for approval.

2 Review

- 2.1 The Executive Summary for the project is attached at Appendix 1. This describes the strategic case; the preferred option, demonstrates its affordability; environmental sustainability; procurement strategy and management arrangements.
- 2.2 The submission of this business case is considered as confirmation that Glasgow City 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 (10th March 2015) in section 4.1.1.
- 2.3 The project has been reviewed against the business case criteria outlined within the Glasgow City Region City Deal Business Case Guidance and Template (KPMG Toolkit Draft 21st July 2016) as approved by the Chief Executives Group on the 3rd August 2016.
- 2.4 As part of the review the project risk management was considered to ensure compliance with the City Deal Risk Strategy and to demonstrate sufficient mitigation and management actions are being implemented. The project risk register is attached as Appendix 2.
- 2.5 The Eurocentral Infrastructure is an Outline Business Case and as such is invited to prepare a Full Business Case.
- 2.6 The monitoring and evaluation of the Eurocentral Infrastructure Project will continue to inform the overarching Programme Business Case.

3 Financial

- 3.1 The total cost of the project is £12.6m. This element of the project has an estimated cost of **£4m**.
- 3.2 A full financial analysis has been carried out as part of the evaluation of the business case for the project funding. The drawdown of this 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 Eurocentral Infrastructure has met the requirements at OBC for benefits realisation. Project Benefits have been identified and quantified individual benefits tracking information has been provided.

5 Recommendations

5.1 It is proposed that the Cabinet:

- (1) agree that North Lanarkshire be invited to proceed to delivery monitoring and evaluation of the project;
- (2) North Lanarkshire Council will take cognisance of the Programme Business Case and will contribute toward delivering the outcomes of the Programme which will be represented in future iterations of the Programme Business Case.
- (3) note the Executive Summary of the Business Case in Appendix 1 and the Project Risk Register in Appendix 2; and
- (4) approve the funding requirement of **£4m**.

APPENDIX 1: Executive Summary

Introduction

This Outline Business Case (OBC) seeks approval of for a further £4m of Glasgow City Region investment to support the development of vital Eurocentral infrastructure projects comprising both the Holytown Link Road and Eurocentral Park & Ride/Share Scheme.

The Strategic Case

The North Lanarkshire economy is undergoing a period of transformational change, shifting from an economy dominated by traditional industries to a more services based economy. The appeal of North Lanarkshire's key employment sites is therefore a critical factor in encouraging new employers to the area to provide employment opportunities to replace those in declining sectors.

Eurocentral/ Maxim Business Park is one of Scotland's key commercial developments positioned in a highly accessible location on the A8/M8 motorway. The original planning application was granted in 1995 with the conditions that no more than 80ha of the site could be developed unless a third access point was provided onto the A775 at Holytown. To date 160ha have been developed. This is 200% of the planning condition limit.

A Traffic Report has been prepared for the Holytown Link Road Project. The report demonstrates a third access is required to ensure the full development of Eurocentral. Without the Link Road traffic congestion and journey times will continue to grow on existing access routes including McNeil Drive, Holytown Main Street and on the approach to the roundabout at Bo'Ness Road. Local bus operators have also confirmed they will positively consider the implications of the Holytown Link Road in the future development of their services.

Consultations with Maxim Business Park, Commercial Property Agents and discussions with existing tenants confirm issues relating to public transport connectivity continue to limit development and occupancy at this key employment site.

The Economic Case

Market failure is preventing the private sector from providing the infrastructure required to address issues limiting occupancy and operating efficiency at Maxim Business Park. The proposed infrastructure will remove these barriers and also ensure the employment site can be developed to its full capacity.

Value for Money

An Economic Impact Model consistent with HM Treasury Green Book Appraisal Guidance has been prepared to show the net additional impact of the Project. The Eurocentral Infrastructure, using conservative assumptions and a moderate growth scenario, delivers strong employment, GVA and value for money return indicators.

This OBC will deliver 451 net additional Full-Time Equivalent (FTE) jobs and provide £26.3million net additional GVA per annum by 2029. Cost per job values are 18% lower than benchmark levels. In 2029 the GVA ratio per public sector cost is £2.81 per £1 invested. This is discounted to £1.51 per £1 invested to take account price inflation to 2029¹. The new jobs will have on average 16% higher productivity levels compared to the North Lanarkshire average.² A Traffic Report for the Holytown Link Road shows the project will return a Benefit to Cost ratio of 2.20.

Project contribution to City Deal Economic Case

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 a major employment site in a relatively disadvantaged area which has stalled due to market failure.

The Commercial Case

No bodies other than North Lanarkshire Council would be responsible for the delivery of the Eurocentral Infrastructure projects which are primarily road infrastructure projects with no commercial elements. The commercial risks and challenges associated with delivery are therefore limited.

The Sustainability Case

Noise, air quality and biodiversity assessments carried out to evaluate the environmental effects of the link road demonstrate there will be no significant adverse impacts during construction and operational phases. An EIA Screening response from NLC also states there is unlikely to be any substantive environmental trans-boundary issues as environmental effects are likely to be localised. Environmental enhancements include high quality landscaped areas adjacent to the link road to compensate for the removal of a mature landscape bund which was produced as part of the initial Eurocentral development.

The link road will contribute to sustainable transport principles and lower carbon travel by removing unnecessary journeys east of Holytown. The link road combined with the Park & Ride/Share scheme will also lead to an improved bus service at Eurocentral/ Maxim which will encourage a shift to more sustainable travel patterns in North Lanarkshire.

The Financial Case

Funding for the Eurocentral Infrastructure was ratified by the GCR Cabinet in August 2015 as part of the wider A8/M8 Corridor Access Improvements project. The sum approved (£12.6million) is inclusive of allowances for inflation, optimism bias and contingency which provide mitigation against programme risk.

¹ Note a discount rate of 3.5% per annum has been applied. However, growth rates to GVA levels have not been estimated to avoid overstating the benefits.

² Based on business support and business administration sector jobs (source: Scottish Government North Lanarkshire Council Labour Market Statistics)

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 OBC 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 along with various infographics are provided to demonstrate full conformity with the GCV City Deal Business Case Guidance and provide clarity throughout this document.

The North Lanarkshire Council City Deal Team formally request from the GCR Cabinet approval for a further £4m from this OBC to progress with further detailed design, site remediation and land acquisition, enabling the Project to proceed to a future FBC.

APPENDIX 2: Project Risk Register

Eurocentral Infrastructure OBC Risk Register (Developed 20th April 2017)

- Senior Responsible Officer: Brian Lafferty, Head of Business (Housing Property & Projects)
- Project Sponsor: Kate Bryson, Regeneration Programme Manager (NLC City Deal Lead Officer)

Risk Ref	Status	Risk Category	Challenge	Impact	Inherent impact	Inherent probability	Inherent Risk Score	Inherent Risk Score	Owner	Controls Action	Resid. Impact	Resid. Probability	Resid. Risk Score	Resid. Rank	Date Checked	Movement in period
EI1	Open	Schedule/ Timescales	Land Acquisition	Terms not secured with land owners impact on project viability, programme or costs	4	4	16	High	SRO PS Business Manager (Estates)	3 landowners identified Early negotiation Enter into Legal Agreements	3	3	9	Mod	20 th Apr 2017	<input type="checkbox"/>
EI2	Open	Environmental	Ground Conditions	Unknown or significant ground conditions impact on project viability, programme or costs	4	3	12	High	SRO PS Road Design Manager	Ground Investigation prioritised early in Programme.	3	3	9	Mod	20 th Apr 2017	<input type="checkbox"/>
EI 3	Open	Schedule/ Timescales	Managing Stakeholders (SHs)	SH needs & expectations not managed effectively impacting timescales & reputation	3	4	12	High	SRO PS	Ongoing SH. engagement SE/NLC Quarterly meetings.	3	3	9	Mod	20 th Apr 2017	<input type="checkbox"/>
EI4	Open	People/Societal	Managing Community concerns regards the development of the OBC sub projects	Community opposition impacting on development planning, programme, costs or Council /GCR reputation	4	5	20	High	Assist. Chief Exec. Housing & Enterprise SRO PS	Engage community at key stages of project management Pre-Application Notice Consultation & Community Report	4	4	16	High	20 th Apr 2017	<input type="checkbox"/>
EI5	Open	Reputational	Public Relations	Lack of awareness, confusion or negative publicity to the project, City Deal or NLC involvement impacting on reputation	3	4	12	High	SRO PS	GCR & NLC City Deal website OBC Comms Planner Engagement controls as per Risk 4	3	3	9	Mod	20 th Apr 2017	<input type="checkbox"/>

Risk Ref	Status	Risk Category	Challenge	Impact	Inherent impact	Inherent probability	Inherent	Inherent Risk Score	Owner	Controls Action	Resid. Impact	Resid. Probability	Resid. Risk Score	Resid. Rank	Date Checked	Movement in period
EI6	Open	Environmental	Natural Environment	Project conflicts with natural environment impacting on project viability, programme or costs	4	4	16	High	SRO PS	Design/ project development Early environmental screening undertaken Planning consent & conditions met	2	2	4	Mod	20 th Apr 2017	<input type="checkbox"/>
EI7	Open	Schedule/ Timescales	Investment Conflicts	Project may conflict with wider infrastructure investment or development proposals	3	5	15	High	SRO PS	Transport SAF identified OBC sub-projects as "stand alone". Localised modelling undertaken. OBC investment complementary to future development @ Eurocentral/Maxim. Identified within LDP as "Strategic Economic Investment location".	3	2	6	Mod	20 th Apr 2017	<input type="checkbox"/>
EI8	Open	Schedule/ Timescales	Project Development and Delivery Constraints	Significant restrictions such as the M8 Upgrade may not make it possible to complete the works within the planned period.	3	5	15	High	SRO PS	Restrictions factored into subproject programming. Early site Investigation and stakeholder consultation to establish any constraints	3	2	6	Mod	20 th Apr 2017	<input type="checkbox"/>
EI9	Open	Schedule/ Timescales	Business Case approval	Failure to obtain relevant OBC and FBC approval impacting on delivery programme	5	3	15	High	SRO PS	In-house team developed strong understanding of PMO/business case evaluation criteria	5	1	5	High	20 th Apr 2017	<input type="checkbox"/>

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EI 10	Open	Schedule/ Timescales	Statutory Stakeholder input	Stakeholder lead in times not compatible with construction phases impacting on timescales	3	4	12	High	SRO PS Roads Design Manager	Establish lead in times with all utilities & Factor into programme Liaise with stakeholders and external parties	3	2	6	Mod	20 th Apr 2017	<input type="checkbox"/>
EI 11	Open	Regulatory/ Legal	Securing Consents	Risk that relevant consents cannot be secured in order to deliver the OBC sub projects	5	4	20	High	SRO PS	Regular consultation with Development Planning & Roads authority & other consenting authorities. In-house design team utilised to remove RCC stage.	5	3	15	High	20 th Apr 2017	<input type="checkbox"/>
EI 12	Open	Financial	Increased Costs	Tender costs exceed funding budget	4	4	16	High	SRO PS	30-50 % optimism bias applied to project costs for which tenders are still to be returned. Robust cost planning to be applied Design refinement Budget reviews & pre tender cost estimates	3	3	9	Mod	20 th Apr 2017	<input type="checkbox"/>

Risk Ref	Status	Risk Category	Challenge	Impact	Inherent impact	Inherent probability	Inherent	Inherent Risk Score	Owner	Controls Action	Resid. Impact	Resid. Probability	Resid. Risk Score	Resid. Rank	Date Checked	Movement in period
EI 13	Open	Schedule/ Timescales	Availability of contractors and external consultancy support	Failure to appoint appropriate external consultancy and contractors	3	3	9	Mod	SRO PS Category Manager	Use of procurement frameworks Scale of OBC works likely to attract competitive market response. Sourcing Methodologies developed. Use of CD portal on PCS PIN notice to provide suppliers with advance notification	3	2	6	Mod	20 th Apr 2017	<input type="checkbox"/>
EI 14	Open	Financial	Significant project cost over run	Costs for delivering project significantly exceed the FBC approval levels	3	3	9	Mod	SRO PS Road Design Manager	Contract management & robust budget monitoring with corrective action as appropriate Contingency sum to be included in delivery budgets Pre-tender cost estimates applied.	3	2	6	Mod	20 th Apr 2017	<input type="checkbox"/>

Risk Ref	Status	Risk Category	Challenge	Impact	Inherent impact	Inherent probability	Inherent	Inherent Risk Score	Owner	Controls Action	Resid. Impact	Resid. Probability	Resid. Risk Score	Resid. Rank	Date Checked	Movement in period
EI15	Open	Economic (Financial)	Stalled take-up of existing office space within Eurocentral/Maxim	Reduced or delayed the net additional economic benefits derived from the project	4	4	16	High		<p>NLC partnership work with SE Muse & Maxim to support future development & take-up of existing unoccupied space.</p> <p>Re-focused Inward Investment Enquiries.</p> <p>Ongoing monitoring of take-up development levels.</p>	4	3	12	High	20 th Apr 2017	<input type="checkbox"/>