



**Glasgow City Region City Deal**

**Cabinet**

**Report by Director of Regional Economic Growth**

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**Item 4**  
**30<sup>th</sup> August 2022**

**PMO Evaluation:**

**North Lanarkshire Council – Outline Business Case – A8/M8 Corridor Access Improvements**

**Purpose of Report:**

To report to the Cabinet on the evaluation of North Lanarkshire Council's Outline Business Case for A8/M8 Corridor Access Improvements.

**Recommendations:**

The Cabinet is invited to:

- a) note the content of this report;
- b) note the PMO Appraisal and Project Risk Register are available on request from the Clerk;
- c) approve this Outline Business Case; and
- d) approve £715,000 for further project development and enabling works.

## **1. Purpose**

- 1.1. To report to the Cabinet on the evaluation of Outline Business Case (OBC) for A8/M8 Corridor Access Improvements.
- 1.2. 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 Glasgow City Region City Deal Assurance Framework 2019.
- 1.3. North Lanarkshire Council's Enterprise and Growth Committee approved the OBC and the submission of this business case to the Programme Management Office for appraisal in February 2022.

## **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 H.M. Treasury Green Book. EKOS Consulting Ltd, in the process of reviewing the GCR City Deal OBCs, 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.

## **3. Review of A8/M8 Corridor Access Improvements OBC**

- 3.1. The appraisal of this business case was carried out in line with the appraisal template, and the PMO considers that the OBC is consistent with the requirements of H.M. Treasury Green Book. While the PMO considers that the OBC is compliant with the requirements of Green Book, it remains that case that all legal and financial risks associated with the project remain with the Member Authority.
- 3.2. The PMO consider that the content of this OBC is consistent with the content of A8/M8 Corridor Access Improvements SBC previously approved by Cabinet on 18 August 2015 and the subsequent North Lanarkshire Council Programme Realignment paper approved by Cabinet on 9 April 2019.
- 3.3. The monitoring and evaluation of the A8/M8 Corridor Access Improvements OBC will continue to inform the overarching Programme Business Case.
- 3.4. The Executive Summary for the A8/M8 Corridor Access Improvements project is attached as Appendix 1.
- 3.5. A copy of the PMO's appraisal assessment of this business case is available from the Clerk.

## **4. Current Status of Project**

- 4.1. In advance of the approval of this OBC, this project reported at 'Green' status for Scope, Finance, Timeline and Benefit Realisation.

## **5. Scope**

- 5.1. The scope of the A8/M8 Corridor Access Improvements OBC is consistent with the content of the Programme Realignment Paper previously approved by Cabinet.
- 5.2. There have been two Change Controls submitted for Scope since the approval of the SBC:
  - 190412\_NLC\_0015 – rescoping to two sub-project elements within the A8/M8 Corridor Access Improvements project (North Lanarkshire Council's Programme Realignment approved by Cabinet on 9 April 2019);
  - 220624\_NLC\_0034 – change of the Preferred Solution for the Eurocentral Park and Ride sub-project, involving reprioritising proposed sustainable transport interventions in the Eurocentral area, to bring forward Strategic Active Travel Route infrastructure, connecting Eurocentral/Mossend and Newhouse to surrounding local communities and

local rail stations. This Change Control Request was submitted for 30 August CEG approval to support approval of A8/M8 Corridor Access Improvements OBC.

## 6. Timescale

- 6.1. North Lanarkshire Council is proposing to submit two FBCs following the approval of this OBC. The key milestone dates for each are as follows:

| Activity                   | Orchard Farm Roundabout | Eurocentral Active Travel |
|----------------------------|-------------------------|---------------------------|
| OBC Approval at Cabinet    | August 2022             | August 2022               |
| FBC Approval at Cabinet    | March 2023              | March 2024                |
| Construction Start on Site | April 2023              | April 2024                |
| Completion & Handover      | April 2024              | March 2025                |

- 6.2. There have been eight Change Controls submitted for Timescale since the approval of the SBC.

- 191011\_NLC\_0017 - Eurocentral Park & Ride - target OBC and FBC approval date revised to August 2020 (Q2 20/21 from Q4 19/20), and October 2021 (Q3 21/22 from Q1 21/22). Construction phase now commencing in January 2022 (Q4 21/22).
- 191218\_NLC\_0022 - Eurocentral Park & Ride - target OBC and FBC approval date revised to February 21 from August 2020 and to December 2021 from October 2021.
- 191218\_NLC\_0023 - Orchard Farm Roundabout - target OBC and FBC approval date revised to October 2021 and December 2021.
- 200917\_NLC\_0025 - Eurocentral Park & Ride – change to accommodate consideration of expanding the scope of Eurocentral Park & Ride to include a Low Carbon Hub (LCH). Target OBC submission date restated to October 2021 (previously February 2021) and the FBC submission date to October 2022 (previously October 2021). Commencement of the construction works anticipated to take place in November 2022 and completing in November 2023.
- 210618\_NLC\_0027 - Orchard Farm Roundabout - delayed submission of the OBC from October 2021 to February 2022, and the FBC from December 2021 to August 2022 due to the need for additional time for the developer of Mossend International Rail Freight Park (MIRP) to further develop their financial and commercial arrangements. Construction start September 2022 and completion to February 2023.
- 210622\_NLC\_0028 - Eurocentral Park & Ride/Low Carbon Hub – restatement of the OBC submission date to June 2022 (previously October 2021), and the FBC submission date to March 2023 (previously October 2022). Commencement of the construction works anticipated to take place in March 2023 and completing in February 2024.
- 211207\_NLC\_0032 - Orchard Farm Roundabout – change to the submission of the OBC from February 2022 to June 2022 to allow for key elements of the OBC to be confirmed, especially commercial and financials case and the associated funding agreement finalised.
- 220408\_NLC\_0033 - Orchard Farm Roundabout - change the submission of the OBC from June 2022 to August 2022, and FBC submission date from September 2022 to November 2022. Construction start – November 2022 (previously September 2022), construction end – April 2023 (previously February 2023).

## 7. Finance

7.1. The total cost of the project is £9,478,502. This will be funded from City Deal (including the NLC Member Authority contribution) and private sector funding as set out below:

- City Deal Grant - £ 5,571,512 (or 86% of CD funding)
- City Deal North Lanarkshire Council MA Contribution - £906,990 (or 14% of CD funding)
- Private Sector - £3,000,000.

7.2. A total of £484,000 was previously approved at SBC for OBC development. A further £715,000 is sought at OBC stage for further project development and enabling works. The remaining £5,279,502 of City Deal funds (Grant and NLC contribution) will be requested at FBC stage across the two sub-projects.

7.3. This funding request is within the overall project funding allocation that has been approved at Programme Realignment.

7.4. 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.

7.5. One Change Control has been submitted for Finance since the approval of the SBC.

- 190412\_NLC\_0015 - North Lanarkshire Programme Realignment - significant change to NLC Programme subproject scope, finance and associated programme alongside a shift in the submission of future OBC and FBCs. Movement of £6.1m from the A8/M8 Corridor Access Improvements SBC and £60.1m from the Gartcosh/Glenboig CGA SBC to the Pan Lanarkshire Orbital Transport Corridor SBC (subject to NLC presenting a fully Green Book compliant Outline Business Case). The City Deal funded element of the proposal will remain at £172.4m (£148.9 in City Deal Grant (86%) and £23.5m in NLC Contribution (14%). However, NLC will contribute a further £29.7m towards the Pan Lanarkshire Orbital project increasing the total investment across the three SBCs to £202.2m.

## 8. Benefits Realisation

8.1. The North Lanarkshire Council's OBC has identified and quantified the project outputs for this OBC and provided completed individual benefits trackers as required by the Assurance Framework.

8.2. **GVA:** The GVA that is projected to be delivered by the project and attributable to the City Deal investment by 2035 and over 25 years (2045) is set out in the table below:

| GVA  |             |
|--|-------------|
| Net additional GVA at GCR by 2035                  | £201.2m NPV |
| Net additional GVA at Scotland level over 25 years | £299.1m NPV |

8.3. **Benefit Cost Ratio (BCR):** The GCR City Deal Programme Management Toolkit states that the BCR should be calculated using the *Net Additional GVA at GCR over a 25 year period* against *total public sector costs* for the project the BCR is calculated as follows:

| Benefit Cost Ratio                              |             |
|---|-------------|
| Net Additional GVA at GCR over a 25-year period | £338.8m NPV |
| Total public sector costs over 25 years         | £6.2m NPV   |
| BCR   | 54.6 to 1   |

8.4. The BCR of 54.6 to 1 is for the benefits and costs that are attributed to the City Deal Investment. Therefore for every £1 of public money invested, £54.6 of economic benefit is secured for the City Region, demonstrating value for money. The Programme Business Case 2019 calculated an overall BCR for the City Deal Programme of 6.4 to 1.

8.5. The OBC recognises that the BCR for the project is high:

*“The Public Sector BCR is significantly high. This is driven by the relatively small public sector contribution leveraging value from the private sector in the form of accelerated and increased investment. The high BCR reflects the relatively low public sector funding requirement identified to address the critical infrastructure constraint of access from the strategic trunk road network. This infrastructure will enable market interest and subsequent follow-on private sector investment in strategic development sites to be realised. No other public sector investment has been identified or committed across the sites at this stage. Within BCR calculations, benefits realisation has therefore been attributed on the basis of the public sector intervention value presented within this OBC, with no double counting.”*

8.6. **Employment Benefits:** The projected number of jobs, both the short-term construction jobs through both the enabling infrastructure and follow on development, and the operational permanent jobs, that are attributed to the City Deal investment are set out in the table below:

| Construction Employment - short term   |                   |
|--|-------------------|
| Net additional enabling infrastructure jobs at GCR<br>Person Years of Employment (PYE) by 2035 | 40 PYE            |
| Net additional development / follow on jobs at GCR<br>Person Years of Employment by 2035       | 480 PYE           |
| Operational Employment – permanent jobs created.   |                   |
| Net additional Full Time Equivalents (FTEs) by 2035  | 500 FTEs<br>(GCR) |

8.7. **Private Sector Investment:** Details of the development sites where anticipated private follow-on investment is projected to deliver £52.7m (Net additional private sector investment) by 2035 is described within the OBC, alongside the arrangements that are in place to facilitate follow-on private sector investment. Delivery of this follow on investment will be monitored by the PMO quarterly benefits reporting.

8.8. **Community Benefits:** The OBC advises that the construction works for this project will be procured via the new joint venture company which is being created. The OBC states that procurement and the reporting of community benefits will be in line with City Deal policies and the Full Business Case will require to demonstrate this and clearly state the community benefits secured.

8.9. There have been no change controls submitted for Benefits Realisation since the approval of the SBC and Programme Realignment Paper.

## **9. Recommendations**

9.1. The Cabinet is invited to:

- a) note the content of this report;
- b) note the PMO Appraisal and Project Risk Register are available on request from the Clerk;
- c) approve this Outline Business Case; and
- d)** approve £715,000 for further project development and enabling works.