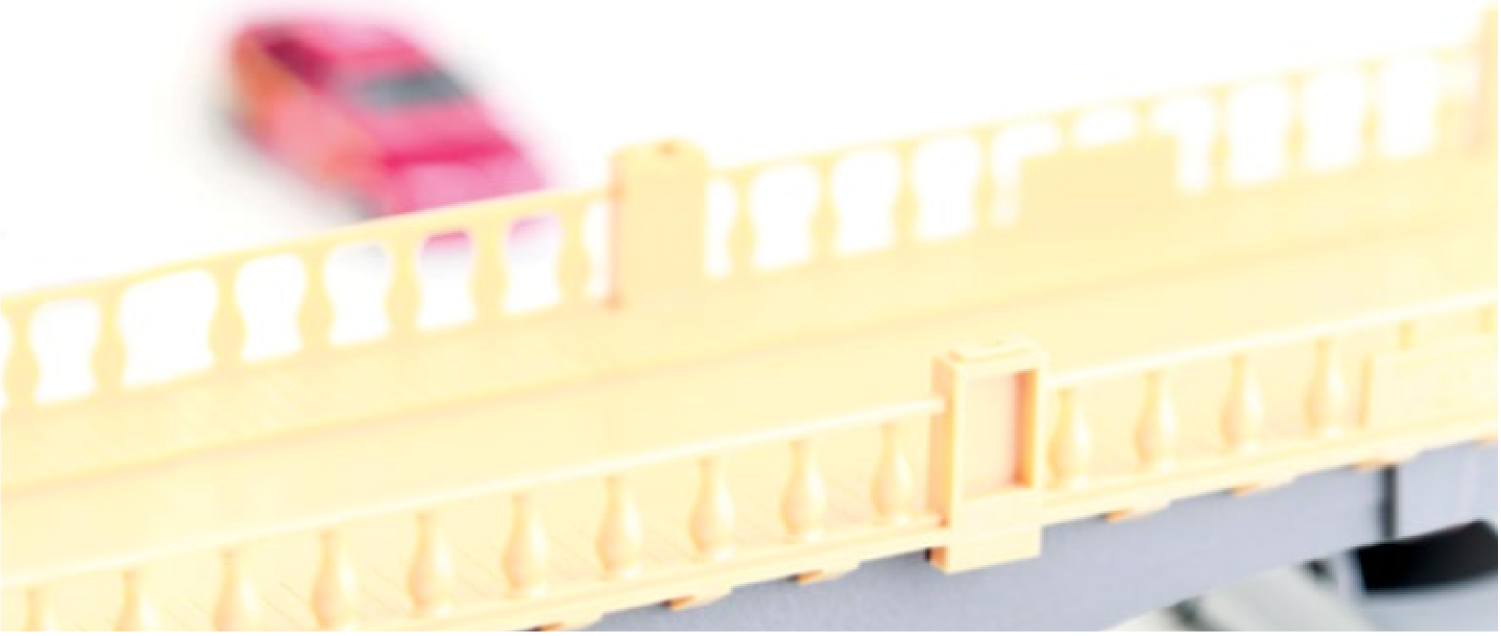
Key messages

Scotland's key transport infrastructure projects



Auditor General

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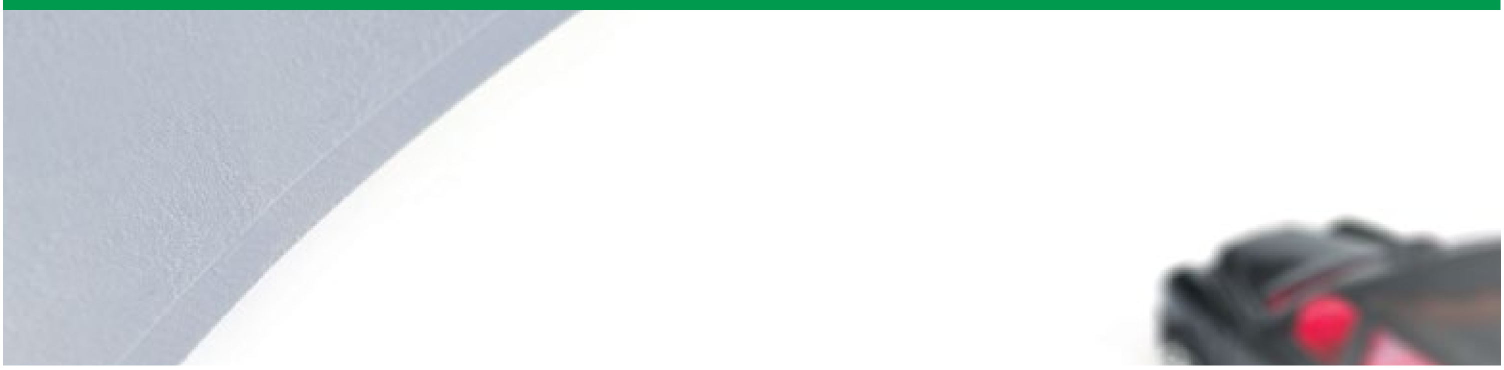
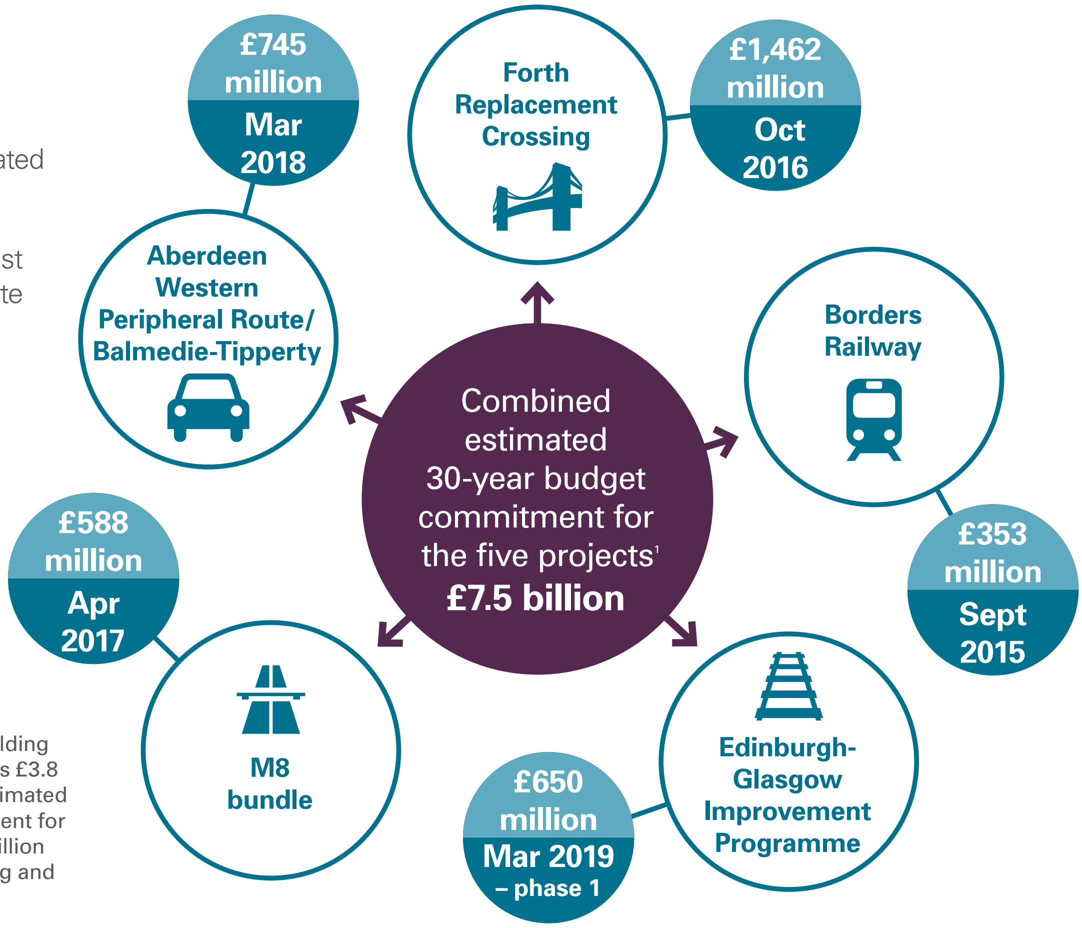


Key facts

Current estimated building cost

Current forecast completion date



Note:
1. The total estimated building cost for the five projects is £3.8 billion. The combined estimated 30-year budget commitment for the five projects of £7.5 billion reflects building, financing and operating costs.

What's this report about?

This report examines how well the Scottish Government and Transport Scotland are controlling, monitoring and publicly reporting five key transport infrastructure projects.

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All the projects are at different stages. Transport Scotland expects to deliver all five within their current budgets and to complete four on time. It has adjusted the scope of the Edinburgh-Glasgow Improvement Programme to reduce costs. Consequently, the timescale for its completion has increased by over two years. Transport Scotland is managing the risks to each project well but cannot eliminate them completely due to the projects' size and complexity.

- EGIP is currently forecast to be complete by March 2019, compared with an original date of December 2016.
- The current capital cost estimates for four projects appear reasonable if assumptions hold. The cost estimate for EGIP is more uncertain.
- All five projects are live and have inherent risks owing to their scale and complexity (see paragraphs 14-35 and 61-78 in the main report).

The five projects will cost a combined £3.8 billion to build but the estimated combined budget commitment over 30 years, reflecting building, financing and operating costs, is £7.5 billion. The Scottish Government considers this spending is affordable in the long term, but it has not fully demonstrated the reliability of its analysis in this area.

- Transport Scotland will pay for the Forth Replacement Crossing from its capital budget. It will pay for the other four projects mainly from annual revenue budgets.
- The Scottish Government estimates that the future cost of all revenue-financed investment will be within its control target of five per cent of the estimated future DEL budget. However, it did not provide enough information to allow us to confirm that this analysis was reliable (see paragraphs 11-13 and 89-96 in the main report).

Transport Scotland and the Scottish Government need to improve their public reporting of infrastructure projects. Except for the Forth Replacement Crossing, they have not informed the public or the Scottish Parliament of the combined estimated financial commitment arising from these projects. Reporting of the building cost estimates for three projects has also been incomplete or inconsistently presented.

- The estimated £5.1 billion long-term public spending commitment for the four revenue-financed projects has not previously been reported in public.
- The FRC and EGIP building cost estimates have been accurately reported in public. However, the full building cost estimates for the three other projects have been reported inconsistently (see paragraphs 97-103 in the main report).

Transport Scotland has good corporate governance structures for major investment projects. It has well-established governance in place for two projects, and it is revising it for the other three to take account of recent changes to them. This is appropriate but it now needs to develop aspects of its monitoring and reporting for these three projects as soon as possible.

- Transport Scotland is revising governance for Aberdeen Western Peripheral Route/ Balmedie to Tipperty, Borders Railway and EGIP projects because of recent changes to them (see paragraphs 36-38, 46-52 and 79-88 in the main report).

Good-quality business cases are vital for project scrutiny, decision-making and transparency. However, for the Borders Railway and EGIP projects, Transport Scotland did not ensure that business cases were complete and up to date at all stages. Consequently, at certain decision points, it had not fully demonstrated their viability, value for money and affordability. Since its inception in 2010, the Scottish Government's Infrastructure Investment Board has strengthened scrutiny of high-value projects. However, it was set up after the five projects started and was unable to scrutinise them at an early stage.

- Although Transport Scotland did not have up-to-date business cases for two projects at certain decision points, it provided ministers with briefings on the preferred options for both and is confident that they will provide value for money.
- The Infrastructure Investment Board was established in 2010 to oversee and promote effective governance for major investment projects and to assist scrutiny. It would be appropriate to refine and develop a detailed plan or schedule for its scrutiny work to help ensure this is fully integrated with individual major investment decisions (see paragraphs 36-45 and 53-60 in the main report).

Key recommendations

To improve its control and decision-making, Transport Scotland should:

- review and update by December 2013 its current business case development and assurance processes to ensure these align with wider processes for planning and decision-making for all projects, including rail investment
- establish by December 2013 a standard approach to presenting cost estimates and financial monitoring reports for high-value projects, costing more than £20 million.

To help develop its scrutiny of major projects, the Scottish Government should:

- refine and develop by December 2013 its plan for scrutinising, challenging and monitoring major investment projects. This plan should aim to promote closer integration of the major decision-making, scrutiny and assurance stages throughout the lifecycle of all projects.

To improve openness and public accountability, the Scottish Government should:

- consult with the Public Audit, Finance and Infrastructure and Capital Investment Committees on a threshold value for routine public reporting of all major infrastructure investment projects that ministers have approved for procurement. It should then set a threshold for public reporting
- improve the quality of information about major projects that it provides in its six-monthly updates to the Public Audit Committee, by December 2013
- provide improved information on individual capital investment projects to other parliamentary committees as appropriate.

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This report is available in PDF and RTF formats, along with a podcast summary at: **www.audit-scotland.gov.uk**

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