THE DONCASTER (CITY GATEWAY — RAILWAY SQUARE AND PHASE 1) COMPULSORY PURCHASE ORDER 2023

PROOF OF EVIDENCE OF MATTHEW LAMBERT

FOR AND ON BEHALF OF CITY OF DONCASTER COUNCIL

PINS REF: APP/PCU/CPOP/F4410/3324357

STATEMENT OF TRUTH

The evidence which I have prepared and provide for this Public Inquiry reference APP/PCU/CPOP/F4410/3324357 in this proof of evidence is true and has been prepared and is given in accordance with the guidance of my professional institution and I confirm that the opinions expressed are my true and professional opinions

Date: 27 March 2024

Signature: 

1. INTRODUCTION: MATTHEW LAMBERT

1.1 I am Matthew Lambert, a Principle Economic Consultant at Mott MacDonald and Technical Lead of Economics within Mott MacDonald's Cities Studio team.

1.2 My qualifications are BA (hons) in Politics and History from the University of Chester and an MSc in Political Communication from the University of Glasgow. I am a member of the Institute of Economic Development and a fully qualified Better Business Case Practitioner.

1.3 I have 9 years of experience in producing business cases and undertaking economic appraisals of a wide range of projects across multiple sectors. Amongst my experience is successful bids for 11 English local authorities to the Government's Future High Street Fund, securing a total of £115.9m for a range of regeneration projects. I have also supported 12 Towns Fund funding bids securing £183.3m in total, in addition to securing a total of £107.6m in central government funding across six bidders to the first round of the Government's flagship Levelling Up Fund. In addition, my work has secured more than £500m of UK Government funding for five major capital projects in India, and approximately $1 bn (US) for a major water treatment project in Bangladesh.

1.4 As the lead economist on the Doncaster Towns Fund Full Business Case (the "Full Business Case") (**CD/9**) on behalf of Mott MacDonald, I led the economic appraisal of this project and authored the section of the economic case which set out how the appraisal was undertaken.

2. INVOLVEMENT WITH THE SCHEME

2.1 My role was to lead the economic appraisal, as part of the Economic Case for the Full Business Case for the extension of the Railway Square (the "Railway Square Extension") and the delivery of the Gateway Phase 1 mixed-use and public realm development (the "Gateway Office Development") (together the "Scheme") on behalf of the City of Doncaster Council ("Council"). I led on the economic appraisal of the Scheme and authored the section of the economic case within the Full Business Case (**CD/9**), which sets out how the appraisal was undertaken.

3. SCOPE OF EVIDENCE

3.1 My evidence will cover the benefit and contribution to the well-being of the area.

3.2 This evidence needs to be read alongside the evidence of Neil Firth, Scott Cardwell.

4. BENEFITS AND CONTRIBUTION TO WELL-BEING OF THE AREA

4.1 The Scheme will deliver significant improvement to the social, economic and environmental well-being of the City Centre and the City of Doncaster as a whole.

4.2 In developing the Full Business Case for the Scheme (**CD/9**), I assessed the economic business case, which is part of the Full Business Case (**CD/9**), and the quantifiable benefits of the Scheme. The quantifiable benefits and analysis of this assessment are set out in paragraphs 4.3 to 4.11 below.

4.3 Economic benefits included in the appraisal:

4.3.1 The economic appraisal of the Scheme is based on the specific outputs of the Scheme itself and the wider impact these outputs will have on the local area. These benefits are closely tied to the Scheme's theory of change and are specific to this Scheme. The economic benefits included in this appraisal are:

(a) Direct Land Value Uplift from the Gateway Office Development.

(b) Amenity gain from the new and enhanced public realm from the Railway Square Extension.

(c) Wider area Land Value Uplift resulting from the Scheme increasing commercial and residential land values within the wider area.

(d) Active Modes benefits from increased walking and cycling induced in Doncaster as a result of this Scheme. This is primarily driven by the Railway Square Extension, but increased footfall will also be supported by the development of the City Gateway Development.

(e) The welfare value of additional employment at the Gateway Office Development.

(f) Crime reduction benefits from increased activity and passive surveillance in the area as a result of this Scheme.

4.3.2 The methodologies used to calculate each of these benefits are set out below.

4.4 Land Value Uplift

4.4.1 Land Value Uplift ("LVU") monetises the social value of land use change that will result from the Scheme. The methodology used to calculate LVU was taken from the Department for Communities and Local Government ("DCLG")[1] Appraisal Guide 2016 (**POE/ML/1**). LVU compares the difference in value between the site in its current form (the "Existing Use Value") and the site in its proposed future form (the "Future Use Value"); the difference between these two values is the LVU.

4.4.2 The Existing Use Value was calculated using Valuation Office Agency ("VOA") land value benchmarks for Doncaster, from VOA's Land Values for Policy Appraisal (**POE/ML/2**), applying the industrial land value as a proxy for brownfield land, in line with MHCLG guidance (**POE/ML/1**). The Existing Use Value of this site is £732,118 in nominal terms. The Land Values from the VOA document (**POE/ML/2**) have been adjusted using HM Treasury GDP Deflators to 2022 prices (**POE/ML/3**).

4.4.3 The Future Use Value was calculated using a revenue-based approach in which the total proposed floorspace of 4,904 sqm was multiplied by the average rental value per sqm in Doncaster of £44.67, which is the average rateable value per sqm in the area of Doncaster where the Gateway Office Development building will be located. This data is from the VOA and collected from Datscha – (**POE/ML/4**), a database of commercial properties in the UK. This value was then capitalised using a standard yield of 4.5% to

[1] The DCLG is now the Department for Levelling Up, Housing and Communities (DLUHC)

produce the Future Use Value. Savills reports 4.5% to be the average yield for office space outside of London in 2022[2] – (**POE/ML/5**). Applying a standard assumption that the value of land equates to approximately one-third of a building's value[3]- (**POE/ML/6**), the total Future Use Value of the Gateway Office Development site is £1,537,370 in nominal terms.

4.4.4 The difference between the two values is the direct LVU impact of bringing forward the City Gateway Development. The total nominal LVU of the City Gateway building is therefore £805,252.

4.4.5 The direct LVU impact of the City Gateway building is worth £751,711 in present value terms over a 30-year appraisal period.

4.5 Amenity gain

4.5.1 Amenity values reflect the monetised value of new or safeguarded public space included within a scheme. The amenity value of the public realm space identified within this Scheme was calculated by multiplying the total amenity space proposed for the Scheme by the value of public amenity space provided in the Department for Communities and Local Government ("DCLG")[4] Appraisal Guide 2016)(**POE/ML/1**). Amenity analysis places a monetary value on public realm space that is based on the social value people place on access to such space.

4.5.2 As shown in Figure 1.1, this project includes a total of 4,036 sqm of new public realm space divided between the two elements of the Scheme. The Department for Communities and Local Government ("DCLG")[5] Appraisal Guide 2016 (**POE/ML/1**) sets the value of this space at £109,138 per hectare (ha) in 2016 prices. Adjusted to 2022 prices using the latest GDP deflator from HM Treasury (**POE/ML/3**), this value increases to £125,547 per ha in 2022 prices. Across the

[2] https://www.savills.co.uk/research_articles/229130/324193-0
[3] https://www.savills.co.uk/research_articles/229130/188996-0
[4] The DCLG is now the Department for Levelling Up, Housing and Communities (DLUHC)
[5] The DCLG is now the Department for Levelling Up, Housing and Communities (DLUHC)

two elements of this scheme, the total nominal amenity gain is £50,670 per annum.

4.5.3 The impact of this amenity gain for the Railway Square Extension element of the Scheme is worth £826,804 in present value terms over a 30-year appraisal period.

4.6 Wider LVU

4.6.1 The Scheme is anticipated to have a transformative impact on the public's view of the town and increase footfall in the area, as more visitors are attracted to the area. The impact of this will be to increase land values of residential and commercial premises in the area surrounding the Scheme's location.

4.6.2 The methodologies for capturing these impacts vary between commercial and residential premises.

4.7 Wider commercial LVU

4.7.1 The impact of the Scheme on wider commercial land values was captured using Transport for London's ("TfL's") Valuing Urban Realm Toolkit ("VURT") (**POE/ML/7**). VURT assesses the impact of a scheme on four key metrics, these are:

(a) Lighting.

(b) Personal security.

(c) Quality of environment.

(d) Maintenance.

4.7.2 A score between -3 and +3 are given against each of the above criteria for the current and future scenarios using a Pedestrian Environment Review System ("PERS") assessment (**POE/ML/8**). For each point gained in this PERS analysis between the current and future layouts of the site, an uplift of 1.22% is applied to the rateable values in the local area.

4.7.3 The impact of the wider commercial LVU for the Scheme is worth £1,629,130 in present value terms over a 30-year appraisal period.

4.8 Wider residential LVU

4.8.1 The impact of the Scheme on wider residential land values has been assessed using a methodology developed by the property firm CBRE, which found a 1.5% per annum uplift in residential land values within 750m of a major regeneration project. In order to be cautious, this benefit was applied for only 10 years of the 30-year appraisal, and a graduated uplift was applied to avoid the risk of overstating the benefits of the Scheme on local residential land values. There are 3,051 homes within 750m of the Scheme's location by applying a limited annual uplift to the average prices for these homes, the total nominal value of this benefit is £7,796,739.

4.8.2 The impact of the wider residential LVU for the Scheme is £5,531,760 in present value terms over a 30-year appraisal period.

4.9 Active mode appraisal

4.9.1 The active mode appraisal captures the benefits of increased cycling and walking that are likely to result from the Scheme. The regeneration of the Railway Square Extension, in particular, is likely to increase active mode usage within Doncaster City Centre. This will deliver an uplift in the various benefits of active mode travel, such as health benefits, ambiance benefits, and a reduction in accidents. The benefits of greater active mode travel have been captured using the Department for Transport's Active Mode Appraisal Toolkit ("AMAT") (**POE/ML/9**), as set out in WebTAG Unit A5-1.

4.9.2 Data on footfall was collected from Datscha, a system that utilises mobile phone data to identify individuals walking along a given street. Footfall data was collected for the area around the intervention site (**POE/ML/10**).

4.9.3 The uplift in walking and cycling in Doncaster City Centre resulting from the Scheme has been assumed to be 30%. This is based on

findings from similar interventions which enhanced the public realm that were delivered in Sheffield, Coventry and Stoke-on-Trent, among other places, that reported an uplift in footfall along major thoroughfares of between 25% and 35% following the delivery of a similar active mode intervention. These findings were reported in The Living Street's (2018) report, The Pedestrian Pound: The business case for better streets and places[6] (**POE/ML/11**).

4.9.4 As no data is available on the current level of cycling in this area, an assumption of 20 average trips was made for the baseline, with an assumption of 50 average cycling trips, once this scheme is delivered.. This is based on benchmarks to similar schemes whereby an uplift in cycling equivalent to this has been reported or modelled. The outputs of AMAT were adjusted to 2022 prices using the most recent HM Treasury GDP deflators (**POE/ML/3**).

4.9.5 The active mode benefits of the Scheme are valued at £7,432,872 in present value terms over the 30-year appraisal period.

4.10 Employment impacts

4.10.1 The impact of the delivery of the Scheme on employment was modelled using Mott MacDonald's proprietary Transparent Economic Assessment Model ("TEAM") (**POE/ML/12**) to quantify the impact of the Scheme on employment and output, measured in Gross Value Added (GVA). This aligns to the guidance on place-based impacts set out in the HM Treasury Green Book 2020 revision (**POE/ML/13**). The floorspace of the Gateway Office Development building was entered into TEAM to assess the gross quantum of employment that could be accommodated at the site. To this, several assumptions were applied to account for additionality, these are:

(a) Deadweight[7] — 25% — It was assumed that, due to the market failures set out in the strategic case of the Full

[6] The Living Street, 2018, *The Pedestrian Pound: The business case for better streets and places*, Available at: https://www.livingstreets.org.uk/media/3890/pedestrian-pound-2018.pdf

[7] Deadweight is the proportion of the gross economic impact which would be expected to occur without the specific intervention being appraised.

Business Case for the Scheme - CD/9 that prevents the delivery of the Scheme by the private sector, it is highly unlikely that these benefits could be delivered without this intervention from the Council and the Towns Fund. In order to be cautious, a figure of 25% was applied to account for deadweight.

(b) Displacement[8] — 25% — Due to the market failures discussed above and in the strategic case, it was considered unlikely that the public-sector-led development of this site would displace investment from elsewhere in Doncaster.

4.10.2 Leakage[9] and substitution were not assessed to be relevant to this analysis, as it assesses wider societal benefits rather than the benefits to residents of Doncaster alone. It is considered unlikely that this project would lead to any substitution impacts[10].

4.10.3 A cautious multiplier of 1.1 was applied to capture the economic benefits of indirect and induced impacts of this additional employment, driven by supply chain spending and spending by those employed at this site in the local area, each of which can support additional jobs in the local area.

4.10.4 In accordance with the HM Treasury Green Book 2020 revision (**POE/ML/13**), the impact of job creation from the Scheme was monetised using an appropriate methodology. The economy-wide GVA per worker figure for Yorkshire and the Humber, sourced from the Office for National Statistics ("ONS") sub-regional productivity statistics, adjusted to 2022 prices, was applied to each job. From this the welfare benefit, estimated by the Department for Transport ("DfT") to be the equivalent of 40% of GVA, was taken and included in the appraisal.

4.10.5 The welfare impact of the employment created by the Scheme is worth £32,354,811 in present value terms. In order to be cautious,

[8] Displacement is the extent to which any economic activity is displaced from one area to another by an investment.
[9] Leakage is a consideration of the extent to which impacts fall outside of the target area of the scheme.
[10] Substitution is effectively displacement within a given firm or organisation.

this benefit was only counted for ten years, with a variable occupancy rate applied to account for the impacts of the market on this property over time, which may decline as the property ages.

4.11 Crime reduction

4.11.1 The increase in activity in the area around the Scheme is anticipated to support passive surveillance and a reduction in crime and anti-social behaviour within the wider area around the Scheme. Greater activity in these areas will increase the number of people in the area and reduce the opportunity for crime and anti-social behaviour to occur without detection, ultimately reducing the occurrence of crime in this area.

4.11.2 Data from UK Crime Stats (an independent data platform providing data from the Home Office and Office for National Statistics, which was endorsed by DLUHC and recommended for use in the Future High Street Fund) (**POE/ML/14**) on the number of crimes reported in this area was used to quantify the total number of relevant crimes committed within a quarter of a mile radius from the Scheme in the year to September 2022. UK Crime Stats reports crime data from the police, mapped to the location in which the offence took place and provides details on the nature of the offence reported. The value of each crime reported and handled by the police was provided in the New Economy database and a displacement factor of 75% was applied to this total value. This methodology was endorsed by DLUHC.

4.11.3 The value of this benefit is worth £81,771 in present value terms.

4.12 Scheme costs

4.12.1 The Scheme cost estimates were undertaken and provided by the Council and are set out below. These costs exclude optimism bias.

4.12.2 Scheme costs — excluding optimism bias

Scheme element	Towns Fund	Council	Total
City Gateway building	£20,090,000	£1,000,000	£21,090,000
Railway Square	£4,149,000	£1,800,000	£5,949,000
Total	**£24,239,000**	**£2,800,000**	**£27,039,000**

Source: City of Doncaster Council, Q1 2022 cost estimates (**POE/ML/15**).

4.12.3 Optimism bias is a factor applied to the project costs, solely within the economic appraisal of a project, to account for the widely-recognised tendency for scheme promoters to overstate the benefits or understate the costs of a project. The level of optimism bias to apply in an appraisal is dependent on the complexity of the scheme, the level of development of the scheme, and amount of risk and contingency included within the scheme costs. Optimism bias does not change the actual costs of the scheme, as it is only included within the economic appraisal and not within the actual project costs.

4.12.4 Optimism bias of 15% was applied to the scheme costs. This is based on the guidance from the HM Treasury Green Book Supplementary Guidance on Optimism Bias (**POE/ML/16**) and reflects the levels of risk and contingency included within the cost estimates for the Scheme. The HM Treasury Guidance (**POE/ML/16**) instructs that optimism bias should be applied to the cost estimates for the purposes of the economic appraisal to reflect the amount of confidence in the costs being accurate and the amount of risk and contingency included within the costs themselves. As there is a high level of certainty in the accuracy of the costs and the costs include sizable allocations for risk and contingency, a relatively low figure of 15% has been applied for optimism bias. This also reflects that this project is at Full Business

Case stage, the most advanced stage of project development within the five-case model.

4.12.5 Project costs — including optimism bias at 15%

Scheme	Towns Fund	Council	Total
City Gateway building	£23,103,500	£1,150,000	£24,253,500
Railway Square	£4,771,350	£2,070,000	£6,841,350
Total	**£27,874,850**	**£3,220,000**	**£31,094,850**

Source: Economic costs summary, Mott MacDonald (**POE/ML/17**)

4.12.6 The spending profile over the Scheme's delivery period is set out below; this was derived from the Scheme programme that is managed by the Council, as promoters of the Scheme.

4.13 Present value costs

4.13.1 The above costs have been discounted in accordance with HMT Green Book (**POE/ML/13**) guidance in order to produce the present value costs of the project that will be used in the appraisal to assess the Value for Money ("VfM") offered by the Scheme in the form a Benefit:Cost Ratio ("BCR") and Net Present Social Value ("NPSV").

4.13.2 Present value costs have been adjusted using a discount rate of 3.5% per annum for this appraisal as set out in HMT Green Book (**POE/ML/13**). Discounting to a single present value allows for the direct comparison of costs and benefits that occur at different times. Discounting adjusts for social time preference to account for the high value society places on present consumption compared with consumption in the future. All costs and benefits used within this and all HMT Green Book (**POE/ML/13**) compliant appraisals are discounted to present values in this instance, all costs and benefits

have been discounted to 2022 prices. It is the present value cost that is used to calculate the BCR and NPSV of this project.

4.13.3 The present value cost of this project is shown below.

4.13.4 Present value costs

Project costs	**Total nominal[11] cost**	**Present value cost (2022 prices)**
Town Deal	£27,874,850	£25,360,162
City of Doncaster Council	£3,220,000	£2,929,512
Total	**£31,094,850**	**£28,289,674**

Source: Economic costs summary, Mott MacDonald (**POE/ML/17**)

4.14 Value for Money

4.14.1 The Value for Money assessment is based on the costs and benefits set out above, the findings of this analysis is summarised in the form of a BCR and NPSV, both of which are set out below. This scheme produces a BCR of 1.72 which is rated 'medium' by the standard UK Government's Value for Money framework[12] (**POE/ML/18**). The benefits of the Scheme more than exceed its cost. Although this BCR is not rated 'high' under the UK Government's Value for Money framework (**POE/ML/18**), the Scheme does produce a positive BCR which could be further improved through further development and the inclusion of wider, non-quantified benefits.

4.14.2 Value for Money - Combined benefits of the Scheme (Gateway Office Development and Railway Square Extension projects)

[11] **Nominal values** do not account for the social time preference and instead presents the costs as the total value of the cost or benefit.
[12] Department for Transport, 2015, Value for Money Framework, p.25.

Benefit	Total present value
Direct Land Value Uplift	£751,711
Amenity gain	£826,804
Wider LVU — commercial	£1,629,130
Wider LVU — residential	£5,531,760
Active mode benefits	£7,432,872
Employment impacts	£32,354,811
Crime reduction	£81,771
Total benefits	£48,608,860
Costs	£28,289,674
BCR	**1.72**
NPSV	**£20,319,185**

Source: Economic costs summary, Mott MacDonald (**POE/ML/17**)

4.15 Relevance of the analysis

4.15.1 The appraisal was undertaken at the time of the submission of the Full Business Case (**CD/9**) in 2022. Despite this, the analysis presented above remains relevant and accurate as the benefits of the Scheme are driven by the outputs to be delivered, which remain unchanged since the submission of the Full Business Case (**CD/9**). Each of the benefits set out above will still be delivered as a result of the Scheme and there is no reason to believe that the scale of these benefits would differ significantly from what is set out above. Any changes to the values of the benefits would be negligible and would have no substantive impact on the Value for Money of the scheme.

4.15.2 As inflation is removed from the economic analysis in accordance with HMT Green Book appraisal guidance (**POE/ML/13**), the effects of cost changes due to inflation in the period since the Full Business Case was submitted would have no impact on this analysis. Whilst there is no reason to believe that the costs of the Scheme would increase significantly, if the costs were to increase for a reason other than inflation (which is excluded from the economic appraisal), this increase would have to be significant in scale to impact the Value for Money of the project to a point where it falls below acceptable levels. For instance:

(a) The scheme produces a BCR of 1.72

(b) For the Scheme's BCR to reduce to 1.5, the upper bound of the VfM category of "low" in the DfT's Value for Money Framework[13] (**POE/ML/18**), the costs would have to increase by 15% above inflation.

(c) For the Scheme's BCR to reduce to 1, the upper bound of the "poor" category within the DfT's framework, the costs would have to increase by 72% above inflation.

4.15.3 It must be noted that cost increases of the scale set out above are highly unlikely and we have seen no indication that cost increases of this scale have been recorded or anticipated in any project of this type. It is also important to note that the costs used within the economic analysis include an allocation for optimism bias of 15%, meaning that the actual scheme costs can increase to 15% beyond their current levels and above inflation without impacting the BCR.

4.15.4 Ultimately, the analysis undertaken on the Scheme is still relevant as the outputs of the Scheme are unchanged since the Full Business Case (**CD/9**) was submitted, meaning that the benefits will be delivered as anticipated and the costs have not increased and are highly unlikely to increase in a way that would impact the value for money of this project.

[13] Department for Transport, 2015, Value for Money Framework, p.25.

5. CONCLUSION

5.1 In my professional opinion, and on behalf of the Council, I am satisfied that if the Scheme is delivered as proposed, the benefits set out in the Value for Money assessment will be achieved and the Scheme will secure the value for money set out in the analysis. The economic benefits captured within the economic appraisal for the Scheme are directly linked to the specific outputs of the Scheme. Accordingly, as the outputs of the Scheme (the City Gateway building and the Railway Square Extension Phase 1) are the same as when the appraisal was undertaken, the benefits set out above will be delivered as set out in the appraisal. The Scheme generates a significant quantum of economic benefits that exceed the cost of the Scheme. The Benefit-Cost Ratio of 1.72 is both realistic and robust, having been produced using appropriate methodologies that are endorsed by DLUHC and other UK Government departments, including HM Treasury. The appraisal is fully compliant with HM Treasury's Green Book and reflects best practice within the field of economic appraisals. As a significant amount of caution was factored into the appraisal, primarily through the assumptions that were used for deadweight and displacement of impacts, it is likely that the actual benefits of the Scheme may exceed the benefits captured within the appraisal. In my professional opinion, the economic appraisal of the Scheme is robust, accurate and reflects the value of the Scheme to the economy of Doncaster and the wellbeing of its residents and workforce.