

**Forward Plan reference number:** FB/AB/186

<b>Report title:</b> Grays South Local Growth Fund decision	
<b>Report to Accountability Board</b>	
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<b>Date:</b> 15 <sup>th</sup> February 2019	<b>For:</b> Decision
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<b>SELEP Partner Authority affected:</b> Thurrock	

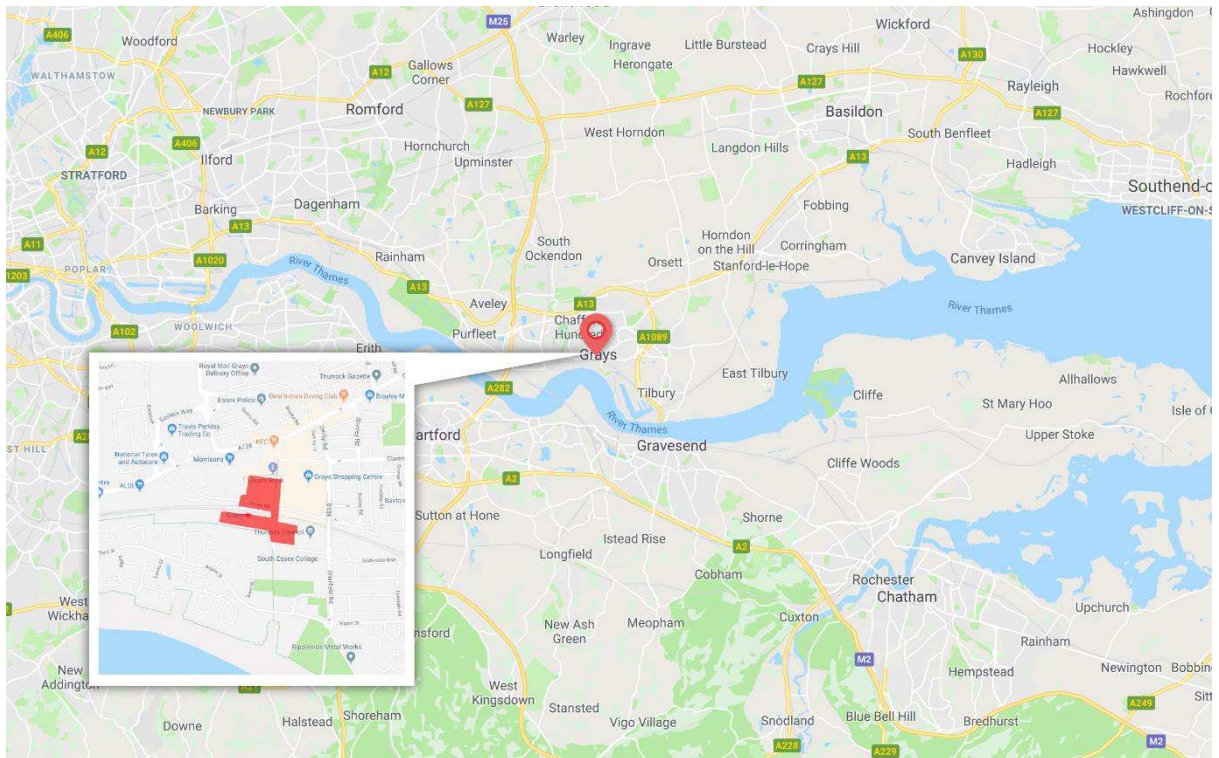
## 1. Purpose of Report

- 1.1 The purpose of this report is for the Accountability Board (the Board) to consider an initial award of £3.7m Local Growth Fund to the Grays South project (the Project) , which has been through the Independent Technical Evaluator (ITE) review process based on an Outline Business Case.
- 1.2 A full Business Case will be brought forward in 2019/20 when further Project development work has been completed and has secured design approval in principle from Network Rail to confirm the project total cost. Through this full Business Case the Project will look to secure the remaining £7.1m LGF allocation.

## 2. Recommendations

- 2.1. The Board is asked to
- 2.1.1. **Note** that the Project is at an early stage of development
- 2.1.2. **Approve** the award of £3.7m LGF to the capital development costs of the Project
- 2.1.3. **Note** the intention to bring forward a Full Business Case in 2019/20 to secure the remaining £7.1m LGF allocation to the Project.
- 2.1.4. **Note** that all LGF payments are subject to SELEP's receipt of sufficient funding from Central Government, as detailed in the LGF Capital Programme Report, considered under Agenda Item 15.

## 3. Background



- 3.1. The Grays South Regeneration Area is part of the wider Grays Development Framework Refresh, and seeks to address challenges that are holding back the growth and regeneration of Grays' Town Centre.
- 3.2. It comprises two phases:
  - 3.2.1. Phase 1: Extension to Civic Offices
  - 3.2.2. Phase 2a: Creation of an underpass to replace the level crossing and creation of public squares
  - 3.2.3. Phase 2b: Creation of new, modern retail units and with residential use above, on land created by Phase 2a
- 3.3. The Project under consideration for LGF is Phase 2a. In addition to the delivery of an underpass and public realm works, the project will also include land acquisition and the demolition of existing properties.
- 3.4. The Project will be designed and constructed in partnership with Network Rail.
- 3.5. The highways relocations and property demolitions required for the underpass and public squares will create the space required for the retail development plots to be delivered through Phase 2b.
- 3.6. The total cost of these elements is £27.4m, of which £10.8m in funding from the LGF is being sought via a two phased approach.

## 4. Project Justification

- 4.1. The overall object of the Project is to address the gradual decline of Grays town centre since the opening of lakeside shopping centre in 1990. Despite this decline, the town centre continues to provide essential civic / educational functions for residents of Grays and wider Thurrock. The Retail and Leisure Study carried out in 2018 recommended that other town centre usage should build on these functions as they have the potential to support additional shops and retail services.
- 4.2. In response to these challenges, the Council led a wide ranging consultation and engagement programme to define a role for Grays going forward and develop a clear vision for the town's offer to local people. This public consultation, conducted in 2013, received almost 1,500 responses.
- 4.3. This consultation helped to develop a vision for the town. The vision, seeks to build on Grays' existing strengths and supplement those with a greater convenience retail function, increased day time population and the development of an evening economy.
- 4.4. Through the combination of studies and further public consultation, Thurrock: Your Place Your Voice completed in 2018, the Council has identified two key challenges that are holding back the growth and regeneration of Grays' Town Centre:
  - 4.4.1. The appearance and perception of the town has been identified as a significant barrier to securing the investment necessary to deliver new homes and jobs;
  - 4.4.2. The railway line, which bisects the town, is a barrier to pedestrian movements between Grays South and the town centre to the north. The closure of the level crossing for trains services acts as a physical barrier which severs the north and south of the High Street, resulting in low pedestrian flow along the southern part of the High Street.

The frequency of closures to the level crossing is expected to increase going forward as a result of additional commercial freight trains, which will worsen the situation.
- 4.5. The Project has therefore been developed to address these two issues.

## **5. Project Details & LGF Investment**

- 5.1. The Project will:
- 5.2. Create an 8m wide pedestrian underpass to replace the existing pedestrian level crossing. This will address safety concerns shared by Network Rail and Thurrock Council, and tackle the significant severance that the crossing creates within the town centre; and

## Grays South LGF funding decision

- 5.3. Creation of new public squares at both ends of the underpass to create new public realm that provides a high quality arrival point and meeting place within the town centre, links to the existing College and High Street. These public squares will also provide the opportunity to host events within the town centre, thereby adding to its vibrancy and vitality and supporting local businesses.
- 5.4. The delivery of Project, including the underpass, its associated infrastructure and the public squares will help to:
- Address safety concerns identified by Network Rail;
  - Integrate public and private transport to create a genuine multi-modal hub for pedestrians and cyclists together with bus and taxi passengers – including Disability Discrimination Act (DDA) compliant access to the station platforms;
  - Redevelop plots around the public squares to create premises more conducive to attracting retail, cafés and restaurants with residential and office accommodation in upper floors – this has the potential to deliver up to 400 new homes;
  - Create public squares that can better support community events; and
  - Support the Council's refurbishment and development of the Civic Offices in Grays where it is proposed an extension to the main office will be built. This will help to maintain the Council's presence in Grays and enhance footfall for the town centre, as the extension will permit the consolidation of Council staff from other premises located throughout the borough and will also permit the co-location of other public services.
- 5.5. The Project seeks to achieve the following objectives:
- 5.5.1. To close Grays Level Crossing for pedestrian access and replace with a pedestrian underpass by January 2023;
- 5.5.2. To create an equalities act compliant, unimpeded route across the railway line from one side of Grays high street to the other by 2023;
- 5.5.3. To deliver and create a high quality public realm at Grays by 2024;
- 5.5.4. To improve connectivity between different modes of transport around Grays station by 2024; and
- 5.5.5. To enable delivery of 84 homes and 1,279 sqm of retail floorspace to complete the Urban Realm at Grays by 2025
- 5.6. Whilst it is intended that the LGF will be spent before 31<sup>st</sup> March 2021, the completion of the Project itself and the realisation of Project benefits will extend beyond the Growth Deal.
- 5.7. The timescales for delivering the Project will be driven by Network Rail's progress through the GRIP Stages It is expected that the Project will take five years to be delivered, with construction works expected to start in three years.

- 5.8. Design work has not yet commenced for the public squares at either end of the underpass. The early stage of the Project's development does create a high level of uncertainty and risk. As such, the Project risks, set out in Table 1 below include a 30% risk contingency cost.

## **6. Project Cost and Funding**

- 6.1. The total Project cost is £27.4m. In addition to the £10.84m LGF award to the Project, funding contributions have also been identified from Thurrock Council (£9.0m), S106 funding contributions (£1.2m), Network Rail (£800,000) and through Development Receipts (£5.597m). The breakdown of the cost is set out in Tables 1 and 2.
- 6.2. All Thurrock Council contributions are fully secured and can be drawdown as required.
- 6.3. Network Rail's funds are time limited and must be spent prior to the end of March 2019. The funding contribution from Network Rail is also dependant on the receipt of LGF. If the LGF is not secured then the Network Rail contributions will be reallocated elsewhere.
- 6.4. The funding in relation to the development receipts is a risk effectively borne by Thurrock Council. In the event that these development receipts are not produced in time to support the Project, Thurrock Council will provide the additional funding required through their own funds.
- 6.5. An initial £3.7m LGF is being sought through this decision report to support the capital costs of the Project's further development, in advance of a Full Business Case being submitted for the remaining £7.140m. As such, there is a risk should the Board not support the Full Business Case, then the £7.140m LGF would not be made available to support the delivery of the Project. Thurrock Council would be required to repay LGF abortive costs if these could no longer be accounted for as capital expenditure.
- 6.6. The breakdown of costs, set out in Table 1, includes contingency costs, as advised by Network Rail.

***Table 1 High level breakdown of project costs***

<b>Item</b>	<b>Cost</b>
Underpass and access steps and ramps	£12,295,499
Public Squares	£2,520,745
Relocation of Crown Road	£4,841,000
Lifts from rail station platforms	£2,391,932
Land acquisition (assuming CPO)	£5,387,805

<b>Total</b>	<b>£27,436,981</b>
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**Table 2 Project Funding Sources (£m)**

	2018/19	2019/20	2020/21	2021/22	2022/23	Total
LGF	0.000	3.700	7.140			10.840
Thurrock Council	0.000	1.000		6.000	2.000	9.000
S106 Funds	0.400	0.400	0.400	0.000	0.000	1.200
Network Rail	0.800	0.000	0.000	0.000	0.000	0.800
Development Receipts	0			0.900	4.700	5.600
<b>Total</b>	<b>1.200</b>	<b>5.100</b>	<b>7.540</b>	<b>6.900</b>	<b>6.700</b>	<b>27.440</b>

## 7. Outcome of ITE Review

- 7.1. The ITE review confirms that the Project Business Case demonstrated high value for money with an initial Benefit Cost Ratio (BCR) of 2.5:1 and an adjusted BCR of 2.6:1 once the wider economic impacts have been considered.
- 7.2. The Economic Appraisal included in the Business Case contains a mixture of recognised appraisal spreadsheet tools and bespoke analysis. The appraisal included the following items:
  - 7.2.1. Safety benefits - calculated as a result of closing the level crossing;
  - 7.2.2. Active mode appraisal (a now standard DfT assessment methodology tool used in economic appraisal to capture scheme benefits associated with walking and cycling);
  - 7.2.3. Public realm benefits (TfL Ambience Benefits calculator tool, used by TfL and typically scheme promoters within London and the London region);
  - 7.2.4. Commercial and residential development impacts (using the MHCLG ready reckoner to capture residential land value uplift);
  - 7.2.5. Mode shift / reduction in vehicle operating costs (using output from DfT Active Mode Appraisal tool); and
  - 7.2.6. Journey time impacts (bespoke analysis)
- 7.3. The ITE review does note that the costs for the Project have only been provided at a high level. The costs have been based on Network Rail estimates, but have not been itemised. In addition, the maintenance and renewal costs have been excluded from the Business Case. As such, it is

expected that a more detailed itemised cost breakdown will be provided with the full Business Case.

- 7.4. The ITE confirms that even in the unlikely event that the costs increased by 50% the BCR would only just fall below the 2:1 requirement. If there is an escalation to the costs of delivering the Project, then a S151 officer letter of commitment has been provided to confirm that any cost overruns will be funded by the scheme promoter.
- 7.5. Furthermore, the programme for delivering the Project is also currently at a high level.
- 7.6. No design work, cost estimates or delivery programme have been prepared for the public realm works. This creates a level of uncertainty to the scope, cost and deliverability of that component of the scheme. However, this design work is now ongoing and it is expected that the Full Business Case will provide further detail on the costs, programme and the Project's critical paths.
- 7.7. In light of the further development work which is required for the Project, the certainty of the economic appraisal is considered to be medium, though a shift into a different VfM category is considered to be unlikely, as indicated though sensitivity test analysis.

## **8. Project Compliance with SELEP Assurance Framework**

- 8.1. Table 3 below considers the assessment of the Business Case against the requirements of the SELEP Assurance Framework. The assessment confirms the compliance of the Project with SELEP's Assurance Framework.

***Table 3 Assessment of the Project against the requirements of the SELEP Assurance Framework***

<b>Requirement of the Assurance Framework to approve the project</b>	<b>Compliance (RAG Rating)</b>	<b>Evidence in the Business Case</b>
A clear rationale for the interventions linked with the strategic objectives identified in the Strategic Economic Plan		The Business Case sets out how the project aligns with the delivery of the Strategic Economic Plan
Clearly defined outputs and anticipated outcomes, with clear		The Economic Case for the Project clearly sets out the

Requirement of the Assurance Framework to approve the project	Compliance (RAG Rating)	Evidence in the Business Case
additionality, ensuring that factors such as displacement and deadweight have been taken into account		outputs and outcomes to be delivered through the project. Consideration has been given to displacement and deadweight within the assessment.
Considers deliverability and risks appropriately, along with appropriate mitigating action (the costs of which must be clearly understood)		A risk register has been prepared for the Project but a Quantified Risk Assessment has not yet been completed to consider the cost should the project risks materialise.
A Benefit Cost Ratio of at least 2:1 or comply with one of the two Value for Money exemptions		The Project Business Case demonstrates an initial BCR value of 2.5:1 and an adjusted BCR of 2.6:1.

## 9. Financial Implications (Accountable Body comments)

- 9.1. All funding allocations that have been agreed by the Board are dependent on the Accountable Body receiving sufficient funding from HM Government. Funding allocations for 2018/19 have been confirmed however funding for future years is indicative. It should be noted that Government has made future funding allocations contingent on full compliance with the updated National Assurance Framework. Allocations for 2019/20 are also contingent on the Annual Performance Review of SELEPs LGF programme by Government, the outcome of which is expected in March 2019.
- 9.2. There is a high level of forecast slippage within the overall programme which totals £43.3m in 2018/19; this presents a programme delivery risk due to the increased proportion of projects now due to be delivered in the final years of the programme; and it presents a reputational risk for SELEP regarding securing future funding from Government where demonstrable delivery of the LGF Programme is not aligned to the funding profile. This risk, however, is offset in part by the recognition that the profile of the LGF allocations did not consider the required spend profile when determined by HM Government.
- 9.3. There are SLAs in place with the sponsoring authority which makes clear that future years funding can only be made available when HM Government has transferred LGF to the Accountable Body. It also clarifies that LGF can only be used for Capital purposes and therefore, should the Board not agree the



award of the remaining LGF to deliver the Project, then the LGF spent may become an abortive revenue cost and the LGF will need to be repaid.

## **10. Legal Implications (Accountable Body comments)**

- 10.1. There are no legal implications arising out of the decision set out within this report.

## **11. Equality and Diversity implication**

- 11.1. Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when a public sector body makes decisions it must have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

- 12.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.

- 12.3 In the course of the development of the project business case, the delivery of the Project and the ongoing commitment to equality and diversity, the promoting local authority will ensure that any equality implications are considered as part of their decision making process and where it is possible to identify mitigating factors where an impact against any of the protected characteristics has been identified.

## **12. List of Appendices**

- 12.1. Appendix 1 - Report of the Independent Technical Evaluator (made available under Agenda Item 6).

## **13. List of Background Papers**

- 13.1. Grays South Project Business Case

**(Any request for any background papers listed here should be made to the person named at the front of the report who will be able to help with any enquiries)**

<b>Role</b>	<b>Date</b>
<b>Accountable Body sign off</b>	
Stephanie Mitchener	07/02/19

## Grays South LGF funding decision

(On behalf of Margaret Lee, S151 Officer, Essex County Council)	
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