



South East Local Enterprise Partnership
(SELEP)

INDEPENDENT TECHNICAL EVALUATOR REVIEW

South Grays





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WSP
WSP House
70 Chancery Lane
London
WC2A 1AF
Phone: +44 20 7314 5000
Fax: +44 20 7314 5111
WSP.com

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Signature			
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Signature			

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1 INTRODUCTION

- 1.1.1. WSP was commissioned by the South East Local Enterprise Partnership (SELEP) to provide Independent Technical Evaluator (ITE) services for the Grays South project for which an Outline Business Case (OBC) has been prepared by the promoter Thurrock Council.
- 1.1.2. The ITE assessment is based on adherence of scheme business cases to the guidance set out in the HM Treasury Green Book, and related departmental guidance, such as the Department for Transport's WebTAG (Web-based Transport Analysis Guidance), the Homes and Communities Agency's Additionality Guide and the DCLG Appraisal Guide.

1.2 GRAYS SOUTH PROJECT

- 1.2.1. The Grays South project (the Project) has been provisionally allocated £10.8m Local Growth Funding, with a total project cost of £27.4m.
- 1.2.2. The Project aims to create a new quarter within the town centre based around a boulevard underpass linking two new public squares.
- 1.2.3. The quarter will reconnect the two sides of the high street and create a high quality arrival point and meeting place at the heart of Grays. The specific £10.8m funding ask from the LEP is in relation to the:
 - Creation of an 8m wide pedestrian underpass to replace the existing pedestrian level crossing, thereby addressing Network Rail's, the Office of Road and Rail and the Council's safety concerns and the significant severance the crossing creates between key administrative and educational functions in Grays South and the town centre, and
 - Creation of new public squares at both ends of the underpass to create a new public realm that provides a high quality arrival point and meeting place within the town centre and links to the existing College and High Street.
- 1.2.4. This latest OBC submission is seeking to request £3.7m of funds, relating to expenditure in 2019/20, with the remainder (£7.1m) to be drawn down in late 2019 when a design approval in principle has been agreed with Network Rail with confirmed costings.

2 THE EVALUATION

- 2.1.1. This summary provides an update to an earlier assessment undertaken in October 2018. That assessment reviewed an earlier version of the OBC (October, 2018). The 2018 OBC has itself been updated (December, 2018) with additional information and alternative analysis in response to some of the perceived weaknesses outlined within the earlier review and assessment.
- 2.1.2. As agreed in the Stage gate review following the 2018 submission of the OBC, the SELEP 'Non-transport assessment template' has been used to assess the business case during this assessment, as it was deemed this scheme was a non-typical transport scheme. As such, many of the items deemed non-compliant with the 'Transport assessment template' from the previous review are not applicable / relevant within the "Non-transport" review (for example how costs are used within the economic case, which reflect differences which can arise between HM Treasury Green Book and DfT WebTAG methodologies).

2.2 GENERAL CONSIDERATIONS

- 2.2.1. The OBC generally is considered much stronger in this updated version. Primarily the need for the scheme is now extremely clear; evidence is provided in the form of a letter from Network Rail to confirm that the level crossing and footbridge will be closed, and that could occur any time (following expiration of a time-limited intent to close letter issued to Thurrock Council in January 2016). This is a compelling case for the intervention as the site of the closure is Grays High Street, which would be completely severed by the level crossing closure. In an assessment scenario sense, it is clear that the 'Do Minimum' situation (which is imminent) will be significantly worse than the current situation (one which already suffers from a declining retail offer, poor economic performance, poor quality urban realm, etc). The closure of the level cross would exacerbate these problems and create new ones, such as increased journey times for pedestrian and cyclists wishing to cross from one side of the railway track to the other, reduce accessibility to the rail station itself, both of which are felt more strongly by the mobility impaired. The impacts on businesses and shoppers in the area would be felt more acutely.
- 2.2.2. Overall, this story was not spelt-out as strongly in the previous iteration (though it was alluded to) and the evidence supporting it was not provided. This iteration of the OBC is therefore much stronger and more compelling with this new information included.
- 2.2.3. Generally, the economic analysis is also stronger (using more standard / commonplace analytical methodologies – see economic case below), and the quantum of economic benefit more realistic, with less emphasis on the indirect benefits attributable to land value uplift (attributable to future phases of the scheme, which are yet un-costed).
- 2.2.4. It should be noted that only the underpass part of the scheme is at a sufficient stage of development / design to describe and provide costs for, the public realm improvements are not described in any level of detail (though they have been considered, as specific urban realm interventions are contained within the TfL ambience tool, used to capture urban realm benefits). There are therefore no designs, costs or programme of works for the urban realm improvements, which is considered a weakness, as parts of the scheme therefore considered to be under-developed for a scheme at Outline Business Case stage, seeking approval for Programme Entry. However, given the reduced funding request, an initial £3.7m at this stage for the 2019/20, this could be provided at a later date when designs and associated costs are available.

2.3 STRATEGIC CASE

- 2.3.1. The key problems identified (both now and in the future) include:
 - Problem 1 – poor rail safety associated with the level crossing
 - Problem 2 – connectivity / reduced severance
 - Problem 3 – poor public realm
 - Problem 4 – the retail offer is in decline
 - Problem 5 – housing demand in the area continues to outstrip supply and more houses are required to meet future demand.
- 2.3.2. It is clear the scheme will directly address (improve) the first 3 problems now or in the Do Minimum (imminent) future situation, but the housing demand could be addressed in later phases of the scheme Phase 2b - (as no housing forms part of the current phase).

- 2.3.3. Whilst various socio-economic problems within Grays are identified, not all of these problems are evidenced and quantified (such as the poor urban realm, which could have been demonstrated through pedestrian quality audits, via the use of PERS software) and then directly linked to the scheme / or the lack of adequate current or future infrastructure. Others are alluded to indirectly and found elsewhere in the analysis.
- 2.3.4. The objectives are still not SMART (Specific, Measurable, Achievable, Realistic, Time-limited), which is a missed opportunity and weakness (as it is a Green Book requirement), and one which could easily have been addressed. If all the problems had been quantified, they would naturally be measurable, and the link to how the infrastructure could reduce these impacts could more easily have been demonstrated. This would not be difficult to develop, especially as the monitoring and evaluation section is quite detailed.
- 2.3.5. The previous review had reservations about the dependency, and justification / evidence and of parts the scheme (housing) and some of the economic benefits that were later captured as a result of the scheme (land value uplift & construction benefits). This was partly due to the requirement to follow DfT methods more closely (as a transport scheme). It was noted that there was often no obvious link or dependency between many of the objectives of '*this scheme / project*' and the wider project, other than the desire for them to be linked.
- 2.3.6. This is considered to be resolved in this iteration by describing such impacts (in a strategic narrative, and noting their potential future existence, but qualifying this by stating they are not part of the current phase of the scheme. The construction impacts are no longer captured in the cost benefit analysis (within the economic case).
- 2.3.7. The promoter however has also provided an indication of the physical dependency - that part of the future development would be contained within the development compound of this scheme, and the demolition of existing land uses would offer the potential to unlock part of that site for redevelopment.

OPTION ALTERNATIVES

- 2.3.8. The option assessment within the OBC is still relatively basic and has only really considered options for the replacement of the level crossing, not the urban realm proposals, which form a crucial part of the scheme. But this is a direct result of the urban realm proposals being less well developed than the more urgent part of the scheme, the level crossing replacement alternatives.
- 2.3.9. It is still considered to be a weakness of the OBC that none of the alternative options presented have been costed or economically appraised, as this does not allow decision-makers to make informed decisions on alternatives to the preferred scheme option without being given comparable levels of information for each option.
- 2.3.10. The scheme options assessed for the level crossing component do appear to be logical and outcomes do seem intuitive.

DEPENDENCIES

- 2.3.11. Given the "scheme" assessed here is Phase 2a, the underpass and public realm, it would have been logical to describe the "wider scheme" (phases 1 and 2b) and the dependence / interrelationship of those phases in dependencies section of the OBC. These dependencies are described elsewhere in the OBC, but not in the dependency section. This is a structural / drafting observation rather than a content gap.

STAKEHOLDER SUPPORT

- 2.3.12. There is very strong stakeholder support for the scheme (72.87% for the underpass).

2.4 ECONOMIC CASE

- 2.4.1. As noted above, the economic appraisal undertaken in the latest iteration of the OBC is considered superior to earlier versions because it uses more standard, commonplace appraisal methodologies, and the level of benefits generated are more in line with expected outcomes.

COSTS

- 2.4.2. The lack of a schedule of costs is still considered to be an omission from the costing process as this reduces the transparency of the cost build-up and increases the level of risk that costs could ultimately increase as the project progresses.

- 2.4.3. It is the view of the promoter that the Network Rail provided costs are robust, but they have not been itemised / disaggregated in the way that are expected say by the DfT appraisal. It is noted where costs are broken down into individual items (such as including contingency), the values are within an expected / acceptable range (ie 30% of scheme costs).
- 2.4.4. Costs associated with maintenance and renewal are still excluded from the total scheme costs at this stage, which would slightly reduce the benefit cost ratio if included. Maintenance and renewal costs typically account for a much smaller proportion of whole life costs than the construction costs.
- 2.4.5. Additional no construction inflation is applied to the 2016 generated scheme costs.
- 2.4.6. The level of certainty that can be attributed to the costing and subsequent economic appraisal is would *usually* be considered to be low, but given the use of sensitivity testing (of a 50% increase in scheme costs), they are considered medium here (see later reference to sensitivity tests).
- 2.4.7. Costs will be able to be updated once Network Rail has refreshed the scheme designs. Additionally, the costs associated with the urban design parts of the scheme will be more reliably costed when the designs for those elements are further advanced.
- 2.4.8. As costs will always be updated with tendered prices at Full Business Case submission stage, this is one item where a decision to proceed with the investment can be deferred. However, given the promoter, via the assurances by the Section 151 Officer, will underwrite any scheme cost increases, this is a risk borne by the promoter and not SELEP. As cost increases would ultimately reduce any Benefit Cost Ratio (BCR) and subsequent Value for Money (VfM) assessment category, then there is a further risk to the promoter that the scheme, should it proceed through the OBC stage gateway, may not ultimately receive funding by passing the FBC stage gateway - if the BCR and VfM drops to a category not deemed sufficient by the SELEP assurance framework (ie a BCR less than 2). Any further scheme development costs are therefore also potentially at risk, a risk borne by the promoter.
- 2.4.9. What is perhaps unique here is the request for £3.7m of costs to cover expenditure in 2019/20, effectively a request for an interim funding release prior to FBC. This element would be at risk to SELEP if the payment was made. It would be prudent for the promoter to confirm to the SELEP what specifically the funding would pay for in this 2019/20 expenditure would cover.
- 2.4.10. Optimism has been applied at 13.5%, though only to the public sector costs, not to the entire cost estimate, which is non-standard.

BENEFITS

- 2.4.11. There revised OBC contains a mixture of recognised appraisal spreadsheet tools and bespoke analysis. The appraisal included the following items:
 - Safety benefits - calculated as a result of closing the level crossing.
 - Active mode appraisal (a now standard DfT assessment methodology tool used in economic appraisal to capture scheme benefits associated with walking and cycling). This replaces the use of the WHO tool used in the previous OBC iteration (which generates more conservative results).
 - Public realm benefits (TfL Ambience Benefits calculator tool, used by TfL and typically scheme promoters within London and the London region)
 - Commercial and residential development impacts (using the MHCLG ready reckoner to capture residential land value uplift)
 - Mode shift / reduction in vehicle operating costs (using output from DfT Active Mode Appraisal tool)
 - Journey time impacts (bespoke analysis)

Accident Reduction

- 2.4.12. The accident analysis appears logical and assumptions used appear reasonable. There is no change to the previous iteration.

Active Mode Benefits

- 2.4.13. As noted above, this DfT method of appraisal to estimate the health and other user benefits of transport schemes replaces the previous WHO HEAT tool, which had been used in this iteration of the OBC. This produces a more conservative benefit stream than the previous method and is therefore more conservative and robust.

- 2.4.14. The assumptions and data (DfT Data book) used in calculation are logical, and also clearly displayed and explained in the text.

Urban Realm Impacts

- 2.4.15. The ambience / urban realm impacts assessment use the TfL business case team tool to assess pedestrian quality impacts. This is the same method as the previous OBC iteration.
- 2.4.16. All the assumptions contained within OBC iteration 1 appeared reasonable, as all such improvements to the public realm *could* be implemented. However, given that the public realm part of the scheme has not been designed yet, it is difficult to assign a high level of certainty to all these infrastructure improvements making it into the final design.
- 2.4.17. It was noted in the previous review that the TfL tool for capturing these benefits is not part of the DfT appraisal tool suite, and as such may be classed as an '*indicative impact*' (form of analysis) in the DfT VfM framework, as such it would usually be included within level 3 impacts, which cannot be included within the BCR, but can be included within the VfM scoring. It was however noted that there is much use of quality assessments within rail economic appraisal, therefore a strong case could be made for its inclusion in Level 1 which would be permitted for inclusion within an initial BCR.
- 2.4.18. However as the DfT TAG methodology is no longer applied to this 'non-transport scheme' that criticism can be discarded.

Mode shift / Reduction in vehicle operating costs

- 2.4.19. For each of the impacts assessed relating to a change in car use, the promoter has used the estimated annual change in car kilometres generated by the AMAT to estimate the vehicle operating costs associated with this change. These have been estimated using values from the DfT WebTAG Databook.
- 2.4.20. The assumptions, techniques and data used are all logical / appropriate.

Journey time impacts

- 2.4.21. These impacts are assessed using a bespoke analysis of the change in journey time associated with increased distance travelled (for pedestrians) after the closure of the level crossing and footbridge.
- 2.4.22. The assumptions and data used are all logical / appropriate.

Land Value Uplift

- 2.4.23. The magnitude of land value uplifts were questioned in the previous iteration of the OBC, especially as the dependency between the scheme and the residential development were not sufficiently evidenced.
- 2.4.24. This version of the assessment does show the housing cannot be delivered without the demolition of existing commercial property, and the intensification of development provides the opportunity (and location) for residential development to come forward.
- 2.4.25. The residential development is now said to form part of later phases of the scheme (2b), and the new quantum of economic benefit is much less (£2.3m instead of £11m previously).
- 2.4.26. The MHCLG ready reckoner tool is used to capture these scheme benefits. The assumptions appear reasonable (including use of the "high" multiplier) due to Thurrock 5 Year Housing Land Supply statement (which indicates only 2.7 years of housing supply).
- 2.4.27. The revised assessment and evidence are now considered to be more appropriate.

Construction Impacts

- 2.4.28. Construction impacts are no longer monetised and included within the cost benefit analysis which is in line with current guidance. The analysis is therefore more robust.

Benefit Cost Ratio and Value for Money Assessment

- 2.4.29. The stated initial BCR in the OBC is 2.5. The stated adjusted BCR is 2.6. This would put the scheme in the **High** VfM Category (i.e. above 2.0). These values are much more conservative than those generated in the previous cost benefit analysis, reported on in the last iteration of the OBC (where the value for money category was **Very High** (ie above 4.0)).
- 2.4.30. This is considered to be a reasonable BCR and VfM category using technical judgement / experience of the scale of impacts identified on other schemes.

- 2.4.31. It is noted still that there is still some uncertainty within the results associated with the weaknesses of the cost build up process (ie the exclusion of construction inflation since 2016 and maintenance and renewal costs).
- 2.4.32. However, the increase of scheme costs by 50% (sensitivity test 4) results in the value for money score dropping to BCR of 1.9 (medium VfM). It is not considered the maintenance and renewal costs, nor the application of inflation between 2016 and 2019 would result in such a large change, therefore the BCR and VfM category are considered to include sufficient buffer to offset the uncertainty in the cost build up.

2.5 FINANCIAL CASE

- 2.5.1. The main cost and risk considerations are summarised above.
- 2.5.2. It is noted that an £800,000 Network Rail contribution towards scheme costs is time limited and therefore may be at risk. It is unclear why the stated Network Rail contribution has fallen from £4m to £800,000.
- 2.5.3. It is unclear how the £5.6m of funding captured through development receipts has been calculated given the level of immaturity of any future development project, but as this is being underwritten by the promoter there is limited risk to SELEP. It is noted that if this sum doesn't materialise, this would further reduce the BCR as public sector costs would increase.

2.6 COMMERCIAL CASE

- 2.6.1. No information is provided on the contracting strategy (i.e. traditional, design and build, etc). This is therefore an omission.
- 2.6.2. A basic procurement strategy is outlined, but it does not include a programme (nor is it included within the overall project programme) and there is no evidence there has been any engagement with the market.
- 2.6.3. Network Rail are identified as having significant experience of delivering rail safety schemes, such as a rail underpass, and they will use their own GRIP process to procure the rail works. This is very strong. It is also positive that the project manager has technical experience with rail and rail infrastructure projects
- 2.6.4. There is no mention of risk allocation and transfer within the commercial case.

2.7 MANAGEMENT CASE

- 2.7.1. A very basic programme is provided related to the Network Rail Grip process. The Gantt chart has not been produced by any recognisable software (MS Project, Primavera), with no detail provided on specific tasks, their dependency, and therefore a critical path cannot be produced. It is noted that a detailed programme with a critical path cannot be produced until "Network Rail issue a revised programme which is normal practice at this early GRIP Stage".
- 2.7.2. As the wider development activities (residential and commercial development) do not form part of the scheme, these are not included within the programme.
- 2.7.3. Previously, it was noted that key risks were identified within the OBC and noted that these have not been allocated owners. This has been addressed within this iteration.
- 2.7.4. As only a very basic Gantt chart is included with no dependencies, a critical path has not been identified.
- 2.7.5. Programme management therefore considered to be inadequate at this stage, though it is noted that will be addressed shortly.

3 OUTCOME & RECOMMENDATIONS

- 3.1.1. Overall, the OBC generally is considered much stronger in this iteration. This is primarily because the need for the scheme is now clearer and evidence to confirm the closure of the level crossing and footbridge is provided in the form of a letter from Network Rail, with this closure being imminent. This is a compelling case for the intervention as the site of the closure is Grays High Street, which would be completely severed by the level crossing closure.
- 3.1.2. In an imminent Do Minimum scenario (without the level crossing and footbridge), various socio-economic indicators would decline further associated with a declining retail offer, poor economic performance, poor quality urban realm, etc. The closure of the level crossing would exacerbate these problems and create new ones, such as increased journey times for pedestrian and cyclists wishing to cross from one side of the railway track to the other, reduce accessibility to the rail station itself, both of which are felt more strongly by the mobility impaired. The impacts on businesses and shoppers in the area would be felt more acutely.
- 3.1.3. The economic analysis undertaken in this iteration of the OBC is also considered to be stronger (using more standard / commonplace analytical methodologies), and the quantum of economic benefits are more conservative (in some cases) and considered to be more realistic and robust, with less emphasis on the indirect benefits attributable to land value uplift.
- 3.1.4. Some deficiencies do remain including:
- A suitable schedule of costs has not been provided to enable full scrutiny and validation of the scheme cost estimate. No costs have been identified for the development of the project (such as the design and planning costs), and similarly no costs have been provided associated with maintenance and renewal of the underpass. Each of these gaps contribute to higher levels of uncertainty in the scheme cost estimates provided. However, sensitivity testing associated with increased scheme costs of 50% indicate the BCR may fall to 1.9 (just shy of the SELEP BCR threshold of acceptance). It is however not considered that the omission of the items above would not generate scheme cost increases of 50%. Also given that cost increases will be borne by the promoter, this is not considered to be a risk to SELEP.
 - 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 the requirement for the additional detail and costing could be provided in the current financial year, especially as the funding ask has been reduced to £3.7m in 2019/20. This perhaps offers the opportunity to revisit the OBC cost benefit analysis on completion of the design and analysis.
 - No detailed project programme or delivery plan is provided, which creates additional uncertainty about the deliverability of the project by the end of the Growth Deal.
- 3.1.5. The certainty of the economic appraisal is considered to be **medium**, though as noted above the shift into a different VfM category is considered to be unlikely, as indicated through sensitivity test analysis.
- 3.1.6. It is acknowledged that the programmes and level of design for these different components / phases of the scheme (underpass / urban realm improvements / housing development) are not yet aligned, but this reflects the relative urgency of completion associated with the level crossing and pedestrian footbridge closure.
- 3.1.7. Following this review, the recommendation is for the scheme to proceed through the OBC approval gateway, but on the basis that the cost benefit analysis is revisited after an updated cost review by Network Rail, and completion of the urban realm design works.



WSP House
70 Chancery Lane
London
WC2A 1AF

wsp.com