

11 October 2023		ITEM: 14
Decision: 110673		
Cabinet		
Grays Underpass Update Report		
Wards and communities affected: Grays Riverside, Grays Thurrock	Key Decision: Key	
Report of: Councillor B Maney, Cabinet Member for Regeneration and Highways		
Accountable Assistant Director: Kevin Munnely, Assistant Director Regeneration and Place Delivery.		
Accountable Director: Mark Bradbury, Director of Place		
This report is Public		

Executive Summary

The forecasted project costs for the selected Underpass Design have increased significantly since the original budget of £27.4m was approved by Cabinet in 2017. Cabinet approved a further increase in the forecasted budget to £37.3m in 2021. The current budget forecast is £46m, based on the latest costings from Network Rail (GRIP 4) design. Forecasted cost estimates have consistently increased as the detailed design for the Underpass have been developed and greater certainty around the implementation impacts on the operational railway. This has resulted in a significantly longer build programme and more expensive technical solutions required to deal with utility diversions, track possessions and changes required for planning. The main increases on the 2021 forecast relate to a revised construction programme of works, changed construction methodology and works sequencing. Additional costs have been incurred in developing a revised rail access strategy, accommodating design changes proposed as part of the planning process and taking account of the inflationary impact of 15.4% due to revised pricing base dates.

The project review process has highlighted that in addition to the spiralling forecasted costs there have been significant issues with the management of the programme, with reference to design process management, planning and utility diversion planning. The findings of the review process are that the Underpass scheme in its current form is not in a technical state to move forward, and it does not continue to represent value for money. In addition, it is considered that the Council is holding too much of the financial risk on this project given current funding imbalance and benefits arising. The recommendation of the review process is that the Underpass design should not be pursued and that the current planning application for the Underpass be withdrawn.

However, the Review did acknowledge that the existing level crossing continues to represent a clear safety risk and whilst there have been no fatalities or serious injuries the number of 'near misses' has increased significantly. The review recommends that an alternative design and delivery approach is examined based on the development of the Station Quarter concept. This would seek to deliver the new pedestrian crossing over the railway, potentially as part of a new station and mixed-use residential development. It is proposed that Cabinet approve the adoption of this approach and instruct officers to examine the potential for the establishment of a strategic partnership with Network Rail and others, including the drafting of operational principles covering possible design options, partnership arrangements for delivery and roles and responsibilities. A further report on development options, including funding options will be brought back to Cabinet for consideration before the SELEP (Southeast Local Enterprise Partnership) Accountability Board meeting in February 2024.

Recommendation (s)

CABINET

1.1 Agree to cease further development work on the Underpass scheme and withdraw the planning application.

1.2 Delegate to the Director of Place, in consultation with the Portfolio Holder for Regeneration, Strategic Planning and External Relationships and Commissioners authority to implement the development strategy set out in Paragraphs 4.1- 4.3 and to assess operational principles covering a potential Station Quarter development partnership with Network Rail and other strategic partners.

2. Introduction and Background

2.1 The Grays South project forms part of the Grays South Regeneration Area (GSRA) scheme which consists of a number of interventions designed to support the economic and social vitality of Grays Town Centre. The main aims of the Underpass project are to: Improve public safety through replacing the existing level crossing with a fully compliant and unimpeded route under the railway line; improve connectivity; and create a series of public squares designed to provide active urban spaces suited to a wide range of events.

2.2 Members will be aware of the safety concerns related to the level crossing in Grays and of the way in which the gate closures create a barrier to movement between the town centre and the southern side of the level crossing towards the riverfront. In response to these issues, in July 2013 Cabinet agreed to work up a scheme to replace the level crossing with a high-quality pedestrian underpass.

2.3 Historically the Council has taken a leading role in delivery and has entered a series of contracts with Network Rail to progress the design work. The Council is also the largest funding partner to the scheme (£26.3M), followed by the

SELEP LGF grant (£10.8m) and Network Rail contributing a relatively small amount (£700k). There have been a number of design iterations which have resulted in a review of costings in November 2021 which saw total costs increase from £28.7m to £37.9m. A planning application for the Underpass scheme was submitted in May 2022 and this has been held in abeyance subject to the outcome of the review process.

3. Issues, Options and Analysis of Options

Thurrock Improvement and Recovery Plan

- 3.1 The Improvement and Recovery Plan (IRP) was formulated out of the initial review report produced by the Essex Commissioners. As part of the Improvement and Recovery Plan, the Council was required to review all of their major capital projects, including those that make up the Regeneration programme. This was with a view to ensuring delivery capacity and financial control and to ensure that robust governance arrangements were in place going forward. This was to enable Thurrock Council to clarify what aspects of the IRP it is going to enable or facilitate, and which major projects the Council will continue to deliver directly, recognising the financial constraints it is operating under and the need to facilitate more and directly deliver less.
- 3.2 In the light of the Improvement and Recovery Plan, it is important to assess whether the Underpass Scheme in its current form is still the right one to pursue or if the current design proposal could be either scaled back or delivered in a different form to achieve the same outputs, outcomes and benefits, whilst reducing further financial exposure to Thurrock Council. Key to this engagement have been discussions with SELEP, Network Rail and c2c on the current design, delivery, and funding options.
- 3.3 To support this reassessment a number of reviews have been completed and the findings arising from these reviews have informed the recommendations for this Cabinet report.

Inner Circle Strategic Review

- 3.4 This review by Inner Circle Consulting reassessed the current strategic regeneration priorities in Grays Town Centre. Strategic stakeholders were interviewed for their input in reassessing the strategic priorities. These stakeholders included Network Rail; c2c; New River Retail; Morrisons Supermarket; South Essex College; Thurrock Adult Community College (TACC); the Association of South Essex Local Authorities (ASELA); Grays Business Partnership; and key community and civic stakeholders.
- 3.5 The IC review concluded that many of projects that make up the current Grays regeneration programme were not supportive of future growth forecasts. The review findings concluded that projects, especially the Underpass project,

were conceived in a different economic climate and assessed against a different appetite for risk, which is not sustainable going forward. The IC Review found that the Underpass project lacked strategic rigour and was not aligned with the development plans of strategic partners, Network Rail and New River Retail. The review concluded that in its current form the Underpass solution was not the right project to pursue as it did not represent value for money or deliver the quantum of regeneration benefits required for an investment of this scale.

- 3.6 The IC review recommendation is that the design process for Underpass scheme should not be pursued and the current planning application should be withdrawn. As part of a wider reassessment of options the IC review recommends examining options for an alternative strategy focused around a more ambitious Station Quarter concept. This would involve examining a potential strategic partnership with Network Rail and others focused on the delivery of the new crossing as part of a wider regeneration redevelopment. Utilizing both Council and Network Rail controlled land the focus would be a new bridge crossing potentially as part of a new rail station and delivered as part of a mixed-use scheme. The design would require less third-party lands, be less technical challenging and costs and risks could be shared equitably between stakeholders.

Internal Gateway Readiness Review

- 3.7 An internal gateway readiness review has been completed; this type of review is routinely carried out at key decision points in a project's lifecycle to provide assurance that it can progress successfully to the next stage when assessed against: Time; Cost; Benefits; and Quality. The gate readiness review of the Underpass project was carried in March 2023 and was assessed with a RED RAG Rating. The review found that the initial budget forecasting for the Underpass scheme was based on preliminary design work and whilst project contingency was included, these were inadequate given the level of change required to accommodate the detailed design.
- 3.8 A key problem with the project was the interface between the rail facing (Network Rail) works and the non-rail (Council) works relating to utility design and planning. Poor internal project management controls led to extensive design changes, required for planning, not being relayed to the Network Rail team responsible for the technical design and build programming. Prolonged delays in getting into contract with Network Rail on the GRIP Stages 3 and 4 works, resulted in technical work having to be redone as Network Rail had in the interim changed term contractors and this additional work was required by the new term contractors for cost and design assurance. The review found that there was a poor understanding on how to deal with the complex utility diversions required both rail side and outside of the rail corridor. Significant funds (£7.5m) had been allocated to this project element and design work had not been progressed to the point where the design and costs could be

rationalised. Equally the land acquisition strategy and costs (£7.4m) supporting the scheme had ballooned as more land was required to accommodate an increasing ambitious public realm approach. It is acknowledged that there should have been more rigorous gateway challenges of these design elements to manage the forecasted budget increases.

- 3.9 The readiness review findings were that the project should not proceed to the next stage, as the review identified major flaws with the project scope, design, and buildability. To address the significant technical and operation difficulties identified with the Underpass design, the readiness review recommended considering design solutions that span over the railway and approach roads as opposed to technically challenging and costly Underpass solution.

Network Rail Design & Cost Review

- 3.10 The forecasted project costs for the selected Underpass Design have increased significantly since the original budget of £27.4m was approved by Cabinet in 2017. This forecasted budget was based on concept designs, and these were reassessed following receipt of a detailed cost plan from Network Rail in 2021 that reflected further design work and a better understanding of the proposed construction methodology. As a result, the forecasted costs of the infrastructure elements of the scheme increased significantly, as did the build programme.
- 3.11 In July 2021 Cabinet was advised that the Network Rail cost plan forecasted a cost estimate between £22.2 and £25.2m for the infrastructure elements of the project (i.e., the elements proposed to be delivered via a contract with Network Rail). Additionally, land assembly and public realm costs, required to be delivered separately by the Council, brought the forecasted total project costs to between £34.9m and £37.9m, with option C 'The Plaza' as the option being taken forward.
- 3.12 The findings of the recent GRIP4 design and costings commissioned from Network Rail have highlighted further forecasted cost increases in the construction and associated costs. The GRIP 4 report has provided a revised cost range for the construction costs which increases from £18m to £26m.

Table 1. GRIP 4 Forecasted Infrastructure Cost Range

Revised Cost Range				
Group Element	NR Baseline ES3 2Q21	ES3 Inflated to 1Q23	Revised NR Cost Range	
			Low	High
POINT TOTAL (Excluding Utilities)	10,966,195	12,650,254	16,100,000	16,100,000
Utilities Cost	-	-	1,300,000	1,300,000
Risk Total	3,003,475	3,464,713	1,300,000	3,300,000
POINT + RISK TOTAL	13,969,670	16,114,967	18,700,000	20,700,000
Total Inflation	1,073,490	-	2,000,000	2,200,000
Project Cost (Less COWD)	15,043,160	16,114,967	20,700,000	22,800,000
COWD	3,049,084	3,198,942	3,200,000	3,200,000
Cost Range (Including COWD)	18,092,244	19,313,909	23,900,000	26,000,000

- 3.12 The current budget forecast is £46m, based on the latest costings from Network Rail (GRIP 4) for the infrastructure element. Forecasted cost estimates have consistently increased as the detailed design for the Underpass has been developed and there has been greater certainty around the implementation impacts on the operational railway. This has resulted in a significantly longer build programme and more expensive technical solutions required to deal with utility diversions and track possessions. The main increases on the 2021 forecast relates to a revised construction programme of works, changed construction methodology and works sequencing. Additional costs have been incurred in developing a revised rail access strategy, accommodating design changes proposed as part of the planning process and taking account of the inflationary impact of 15.4% due to revised pricing base dates.
- 3.13 A Full Business Case (FBC) for the project was produced in 2019 to secure the allocation of the SELEP Local Growth Fund grant allocation of £10.8m. With forecasted costs at £27.4m, the benefit-cost-ratio (BCR) for the project was assessed at this time as 2.4:1. A revised value for money assessment was undertaken in March 2022 based on the increased forecasted costs of £37.9m. This value for money assessment calculated the BCR for the total remaining project costs at 2:1. As a general rule to secure SELEP LGF funding schemes are expected to generate a BCR of at least 2:1. There is a real danger that with forecasted cost now projected to be at £46.1m that any further value for money assessment would generate a BCR below the threshold figure and the scheme would become marginal and challenging to continue to justify proceeding with the scheme at this stage in its design development.
- 3.14 The SELEP Accountability Board have placed the Underpass LGF grant on hold pending the outcome of the current review process. The Accountability Board are aware of the technical and cost issues and are keen to support the project through the review process. However, the Accountability Board will need to consider any alternative design option being developed that significantly change the nature of the project outcomes or any revision could

be treated as a new project. In the event of a new Business Case or updated Business Case being required it is considered that this could not be completed, assessed, and considered by the Board prior to the February 2024 Board meeting. That being the case and with the current uncertainties around the LEP's future, it proposed that if the alternative delivery option is approved by Cabinet a report will need to be brought to the February 2024 SELEP Accountability Board meeting that includes an explanation as to how the project will be managed going forward in respect of the LGF spend and its compliance with the SELEP Assurance Framework.

Review Recommendations

- 3.15 The project review process has highlighted that there are significant issues with the current scheme design in terms of budget, escalating costs, land acquisition and buildability of the Underpass. The recommendation of the review process is that the Underpass scheme in its current form should not be pursued. One option available is to recommend to the Cabinet to cancel the Underpass scheme in its entirety, return the £10.8m LDF grant to SELEP and reallocate the funding and/or reduce borrowing. However, removing the scheme's current allocation within the Capital Programme could be viewed by stakeholders, particularly SELEP, as a lack of commitment to the strategic project and adversely impact on SELEP's and Network Rail's consideration of alternative options.
- 3.16 The strategic review did continue to identify addressing the severance issues caused by the current level crossing as strategic priority. Moreover, the Network Rail operations team have continuously raised the issue of the safety of the current level crossing arrangements. There is significant risk that a failure to agree a feasible and affordable design could result in Network Rail Operations taking a unilateral decision to close the level crossing without providing an appropriate alternative means of pedestrian crossing.

4. Alternative Design Approach - Station Quarter

- 4.1 The review process has highlighted the technical and cost issues that have been encountered with the Underpass design. Given these issues it is not considered practical to pursue this design option and the review process has highlight an alternative route forward. Through stakeholder engagement, undertaken as part of strategic review, contact has been made with the Network Rail Strategic Property team, who have expressed a strong interest in exploring the development of Station Quarter concept. This would see a crossing solution being delivered potentially as part of an integrated design for a new Rail station and a wider mixed use residential scheme.
- 4.2 To progress this design solution for the Station Quarter will require clear leadership by the Council, acting as a catalyst major stakeholder, with significant leverage through land ownership and stewardship obligations. This will require revisiting the art of the possible in design terms and move up a level or two in terms of ambition – scaling up the potential station redevelopment and

integrating the rail crossing, looking at a more managed and less land hungry solution. Key to this approach will be establishing strategic partnership with Network Rail and others and agreeing a set of operational principle covering possible partnership arrangements for delivery and roles and responsibilities.

- 4.3 Given the lack of staff with the requisite experience it is proposed that this work is commissioned from an external development consultancy, using an appropriate Procurement Framework. The initial output of this stage of the design development will be an outline design and delivery option with a high-level appraisal and recommendations as to the partnership delivery structure for driving the scheme forward. It is anticipated that this phase of work could take up to 6 months to complete and would include engagement with stakeholders to crystallise appetite, scale, barriers, contribution, potential delivery options in terms of structure.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 This report will be considered by a special meeting of the Planning, Transport & Regeneration Overview and Scrutiny Committee before the September Cabinet meeting.
- 5.2 The recommendation is to withdraw the current planning application for the Underpass and provide a written explanation to consultees of the decision following the Cabinet consideration of the report. It is also proposed to contact landowners, businesses and residents who have been contacted for land referencing purposes as part of the land acquisition strategy, to similarly advise them of the proposed change of approach.

6. Impact on corporate policies, priorities, performance, and community impact

- 6.1 The adopted Thurrock Local Plan identifies Grays as a Growth Hub where economic regeneration and housing growth are to be focussed. The Grays Town Centre Framework Refresh was approved by Cabinet in November 2017 and out a vision for Grays town centre along with objectives aimed at regenerating the town centre economy. The new local will be one of the Council's key strategy documents and the new town centre strategy will be an integral part of this strategy.

7. Implications

7.1 Financial

Implications verified by: **Mark Terry**
Senior Accountant

Cabinet approved the Grays Station programme November 2021, the total budget of £37.3m, this was an updated design and increased budget from the

cabinet approval in 2017 of £27.4m. This was primarily an increase due to a redesign of the programme. The funding of the programme is set out in the table below.

To date approximately £6.007m has been defrayed on design costs and site acquisitions and there are £353k in outstanding contractual commitments.

Funding Structure & Current Spend

Budget	TC Funds through S106, Capital Contributions	26,359,726.00
	SELEP	10,840,274.00
	Network Rail	700,000.00
		<u>37,900,000.00</u>
Spend	2016/17	23,939.00
	2017/18	99,877.00
	2018/19	268,944.00
	2019/20	3,659,317.00
	2020/21	831,404.00
	2021/22	650,882.00
	2022/23	472,641.00
		<u>6,007,004.00</u>
	<i>Note: 19/20 spend includes costs relating to CO3 land purchases</i>	

The current budget is underpinned by a Local Growth Fund (LGF) allocation of £10.8m from SELEP. In line with CIPFA rules the LGF Grant has been applied first to cover project costs. The SELEP Accountability Board at their April 2023 meeting placed the scheme on hold subject to the outcome of the internal Thurrock reviews.

The review has concluded that this current design should not go ahead. The council will need to agree with SELEP alternative use if the funding or risk clawback of the £10.8m LGF funding.

The spend of £6.007m will need to be treated as revenue should no revised scheme go ahead.

It is proposed that the costs for the initial phase of the Station Quarter design review will be funded from allocated Regeneration budgets, and this will be subject to the current expenditure control in place.

Any future capital contribution on a redesigned programme will require Thurrock Council funding through prudential borrowing. The borrowing will

incur an annual charge to revenue (Minimum Revenue Provision (MRP)) representing the repayment of the loan over the life of the asset, and interest payable on the amount borrowed and using the current average rate of 4.5%. This will be calculated once the costs of any redesign are known. Consent for any proposed funding changes, which have capital borrowing implications will also need to be secured from both DLUHC and the Treasury (HMT).

7.2 Legal

Implications verified by: **Kevin Molloy**
Principal Lawyer / Manager- Contracts & Procurement Team

None for the purposes of this report provided the grant monies referred to are returned as outlined.

7.3 Diversity and Equality

Implications verified by: **Roxanne Scanlon**
Community Engagement and Project Monitoring Officer

There are no diversity implications arising from this report. Any future design proposal will consider accessibility needs.

7.4 Other implications (where significant) – i.e., Staff, Health Inequalities, Sustainability, Crime and Disorder, and Impact on Looked After Children

None

8. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

9. Appendices to the report

None

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