

6 December 2022		ITEM: 6
Planning, Transport, Regeneration Overview and Scrutiny Committee		
Stanford-le-Hope Interchange Update Report		
Wards and communities affected: All	Key Decision: N/A	
Report of: Keith Rumsey, Interim Programme Director		
Accountable Assistant Director: Kevin Munnely, Assistant Director, Regeneration and Place Delivery		
Accountable Director: Mark Bradbury, Director of Place.		
This report is Public		

Executive Summary

This report is provided at the Chair's request to provide Members with information on progress in delivering the Stanford-Le-Hope Railway Station and Transport Hub project. The report sets the key issues that impacting on the delivery of the scheme, provides an update on the current procurement of the main contractor and funding and budget situation.

As part of the Thurrock Council's draft Improvement and Recovery Plan 2022, this project along with others that make up the Council Capital Programme will be subject to a review as part of the objective to achieve long term financial sustainability. This review will examine the current project costings, funding and the selected procurement and project management options.

1. Recommendation(s)

1.1 That the Planning, Transport and Regeneration Overview and Scrutiny Committee notes and comments on the information provided relating to development & delivery of the Stanford-le-Hope Interchange project.

2. Introduction and Background

2.1 For the Members benefits the main aims of the Project are set out below:

- Develop an interchange that will connect bus, rail, cycle, taxi, and pedestrian modes of transport at Stanford le Hope station.
- Expand capacity at Stanford le Hope Station.

- Implement a package of works that meets the requirements of travel plans for London Gateway and unlocks the next phase of development at London Gateway.
 - Provide improvements to public transport infrastructure and service reliability to new housing developments and to the major employment growth sites at London Gateway/Coryton.
 - Help curb traffic growth and minimise growth in transport emissions in the area through this new transport interchange.
- 2.2 There are several stakeholders involved in the project including UK Power Networks, SELEP, Train Operating Company -c2c, Network Rail and the DP World.
- 2.3 The Stanford Le Hope Interchange scheme has been subject to significant design changes since it was originally promoted and costed using a design and build contract. This followed an assessment of the original design which identified significant project complications and financial risks. This was linked initially to a technical design solution that sought to deliver the infrastructure requirements of the scheme on a relatively small land area of land, in order not to build over the adjacent Mucking Creek and keep the station building away from neighbouring residential properties. Costs also increased as a result of significant changes being made to the design of the station following completion of site investigations (floodplain), consideration of environmental constraints and the practicalities of construction. During this period the original station buildings were demolished and temporary structures for ticketing and staff accommodation were put in place.
- 2.4 Following concerns over the proposed design and the associated costs a project review terminated the design and build contract and an alternative procurement approach was adopted. The total projects cost incurred up to this change of delivery strategy (31/03/2020) stage were £6,534,411.
- 2.5 The revised delivery strategy involved the Council undertaking the management of the design phase, using a team of external consultants with MACE providing the direct project management of the project. To manage the delivery of this complex scheme the new delivery strategy proposed to split the project into two stages: Phase 1 the delivery of a replacement train station and; Phase 2 covering the wider facilities including parking on the footprint to the north of London Road.
- Station building - with passenger toilets, widened platform, level access to building and station platforms, real time customer information systems (Phase 1).
 - Multi-modal interchange – 2 car passenger drop off positions with landing island, 2 taxi rank positions with landing island and shelter, 84 secure cycle parking spaces, 2 drop off positions and 1 pickup position

for a bus with waiting facilities, protected pedestrian walking routes and desire lines (Phase 2).

- 2.6 To expedite delivery of the station, land was acquired to the north of the station site (former Daybreak Windows site). This was intended to assist with the development of a more strategic approach to area-wide regeneration including the opportunity for future improvements to sustainable movement and access. This land would also assist the construction of the new station facilities whilst maintaining operability of the station.
- 2.7 Planning approval was granted in July 2021 for the Phase 1 revised design, followed by the commencement of a fixed price tender process between September 2021 and March 2022. The costs associated with the scheme have increased as the design process has evolved alongside inflationary pressures. As a result the provisional assessment of the revised budget has increased and additional funding was sought from the Council in July 2021. The current cost estimate of £29.09m is the working budget for both phases of the Project. The estimate will be subject to confirmation of future costs through tender processes and final completion audits of the Project. Project expenditure to date is set out in Table 2 of this report.

3. Progress to Date

- 3.1 Work to execute the station construction contract has been hindered by the issues around soaring inflation, national procurement lead in times, the allocation of liabilities and risks between the parties to satisfy the fixed price contract and rail possession availability.

Phase 1 Station Upgrade - progress since the last update to PTR OS

- 3.2 Contract award for Phase 1 of the Project (the new station) to the successful contractor - Volker Fitzpatrick Limited - was made in early March 2022. Whilst this was subject to further clarifications, to ensure mobilisation as quickly as possible a Letter of Intent was issued pending formal contract execution.
- 3.3 The planned Contract with Volker Fitzpatrick Limited is an NEC4 Engineering and Construction Contract June 2017 main Option A. This is a fixed priced contract with an activity schedule where the risk of carrying out the work at the agreed prices is largely borne by the contractor. Execution of the contract has been delayed due to continued concerns regarding cost inflation, national supply chain for manufactured goods issues, scope change risk with Network Rail and c2c as design approvers and rail possession availability impacting the contractors risk liability.
- 3.4 Volker Fitzpatrick Limited have proposed alternative or changed terms and conditions to execute the contract, which Thurrock Council have had to reject as they are outside the procurement rules. In September 2022, Thurrock Council and Volker Fitzpatrick Limited developed a proposal that could allow the parties to execute the contract and manage the risks step by step and

incrementally within the existing contract terms and conditions. It was planned to execute the contract by 31 October 2022, subject to further clarifications of detail and agreement on matters such as the treatment of inflation, possession availability, prolongation and increased costs.

- 3.5 The parties have not been able to agree terms and conditions on the detailed elements and Thurrock Council are currently considering the next steps, with alternative procurement strategies being considered and developed concurrently.
- 3.6 The chosen form of contract places significant risk with the contractor and this has been the main issue preventing Volker Fitzpatrick Limited signing the contract. Ensuring both parties are satisfied with the level of risk they may be taking on is a delicate balance. However, with the current inflationary pressures and rising costs, the complexities of the rail environment combined with Thurrock Council being unable to change terms and conditions has led to the extended negotiations and a 7 month delay to the overall programme. A revised programme for the delivery of Phase 1 will be drafted following the outcome of this procurement process and any alternative procurement option selected.

Phase 2 Multi-Modal Hub - progress since last update to the PTR OS

- 3.7 Phase 2 is at the concept design stage and the current main activity is challenging, revising and updating client and stakeholder requirements. A design remit is being developed and the previous technical solution options being reviewed for their merits and disadvantages. A dedicated Technical Project Manager has been appointed via MACE to deliver the early critical activities. The upcoming workstreams are to develop a detailed design brief supported by the lessons learned and based on the schemes already developed. Following this a small number of options will be prepared for stakeholder review and discussion, progressing towards a single option solution to be design developed further to Pre-Planning review and on towards a full Planning Consent. It is proposed to integrate the design for Phase 2 and deliver it together with Phase1.

Budget

- 3.8 The current cost estimate of £29.09m is the working budget for both phases of the Project. The estimate will be subject to confirmation of future costs through tender processes and final completion audits of the Project. The funding sources are set out below.

Table 1. Funding Source	Sum
SELEP LGF Grant	£7,500,000
DP World	£550,000

NSIP (Network Rail)	£3,050,000
c2c	£737,000
S106	£1,533,000
Thurrock Borough Council	£15,720,000
Total Budget	£29,090,000

- 3.9 The expenditure breakdown in Table 2 below has sought to identify project spend related to the design and build contract, prior to the contract being terminated before 31/03/2020. An additional item identified as a standalone item is the Days Window site, purchased to facilitate the delivery of the full interchange outputs. Scope to return a capital receipt from either commercial or residential options from this site will be explored through the interchange design options.

Table 2. Breakdown of Expenditure to Date	£ Amount
Project Costs till 31/03/2020	£6,613,022
Days Window Site	£4,288,336
Subtotal	£10,901,358
AECOM Phase 1& 2 Design Fees	£778,730
Asset Protection Agreement and Rail Fees and external legal costs.	£838,485
Mace External Project Management Support	£666,571
Forecasted liabilities	£274,037
Total Cost to date + Liabilities	£13,459,181
Phase 1 & 2 remaining budget	£15,630,819
Total	£29,090,000

- 3.10 The remaining budget to deliver the design costs for Phase 2 and the complete build costs for both Phases is £15,630,819. A number of significant risks to project delivery remain, including concluding the appointment of a main contractor to deliver Phase 1, either through the existing procurement or an alternative route. Whilst considerable design work has already been undertaken on Phase 2, this element is still outstanding and until this is completed we will not know the final costs for this phase. With inflationary cost pressures continuing to be an issue this places further uncertainty as to the total project costs and the delivery programme which will need to be resolved.

- 3.11 As part of the Thurrock Council’s draft Improvement and Recovery Plan 2022, this project along with others that make up the Council Capital Programme will be subject to a review as part of the objective to achieve long term financial sustainability. This review will examine the current project costings, funding and the selected procurement and project management option.

4 Programme

- 4.1 The extended contract negotiations have impacted on the programmes for Phases 1 and 2. Also until costs and programme are confirmed for Phase 1 the remaining budget available for Phase 2 is subject to modification. Therefore this impacts the scope and programme for Phase 1 and a robust programme for this phase will need to be revised in the light of the above review. However, to continue to secure the SELEP funding commitment the Council is required to complete the design for Phase 2 and complete a revised Business Case for the whole of the Project for consideration by the SELEP Accountability Board at their June 2023 meeting. To achieve this timeline a project programme has been put in place to deliver the Phase 2 design work and the required Business Case, which is set out in Table 3. It is proposed that subject to the outcome of the current contract negotiations a revised a delivery programme will be developed for Phase1 to run concurrently with the Phase 2 design works.

Table 3 Key Phase 2 project milestones

Milestone	Planned Date
Appoint Designer	December 2022
Exiting Options Appraised	Feb 2023
Scheme Development Complete	March 23
Single Option selection	April 2023
Submit Planning Permission	May/June 2023
Submit Business case for review	May 2023

RAG Risk Rating

- 4.2 The Project Risk log has been updated below:

Risk	RAG rating (September 2022)	Change since last Board meeting	Current RAG rating (November 2022)	Progress & Actions
<p>Phase 1 Contract – continued delays to contract negotiations impact on delivery of the entire project.</p>	Red		Red	<p>Negotiations with the successful contractor have been progressing since March 2022. The type of contract proposed places significant risk with the contractor and is the main issue preventing signing the contract. The current inflationary pressures and rising costs, national procurement issues combined with Thurrock Council being unable to change the terms and conditions has led to extended negotiations and 7 months delay. Concurrently the Project Team have developed alternative procurement strategies</p>
<p>Phase 2 Transport Hub – Increasing cost risks to Phase 1 reduce the amount of funding available for Phase 2. Without a firm scope cost cannot be confirmed.</p>	Red		Red	<p>Project team have appointed a Technical Project Manager supported by Thurrock Council's Principal Design Officer to deliver the critical outputs.</p>
<p>SELEP funding is subject to an updated assured Business Case being submitted to the June 2023 (assumed to be first meeting of 2023/24 – dates still to be confirmed) SELEP Board meeting. The deadline for submission agreed by the Board in September 2022 removed 6+months of development time from Phase 2. The detail required for the updated Business Case may not be achieved in developing design to concept stage where costs are at a</p>	Amber		Red	<p>With the loss of 6+ months of design and development time for Phase 2 each activity and output are now critical. There is a significant risk that the level of detail required for a full Business Case including confirmation of the full funding package will not be available. Additional resource in place to mitigate.</p> <p>Thurrock Council plan to review programme timelines and report back on progress an extension of time to the SELEP Accountability Board in March 2023 when scope and schedule will be developed and mature.</p>

<p>+/- 30% confidence level. An element of detailed design may be required to provide the level of detail required for the Business Case.</p>				
<p>Project Budget/Cost – Remaining budget may not be sufficient. Since budget was last reviewed and increased - major inflationary pressures have existed impacting construction costs. This is combined with national procurement issues affecting time and cost of manufactured elements which form a large part of the new modular railway station.</p>	Red		Red	<p>Subject to the completion of the outstanding design work further funding may be required to deliver the full project benefits. Alternative/additional funding sources are being investigated.</p>

Table 1: RAG Risk Assessment

5. Reasons for Recommendation

- 5.1 To respond to the Chair's request for information on the Stanford-le-Hope Interchange project.

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

- 6.1 Consultation was undertaken as part of planning process and further stakeholder engagement is continuing. This includes meetings with the residents of Chantry Crescent and local Councillors.

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

- 7.1 The Stanford-le-Hope scheme supports the Place corporate priority, in particular:
- roads, houses and public spaces that connect people and places

8. Implications

8.1 Financial

Implications verified by: **Mark Terry**
Finance

The SELEP Accountability Board approved an LGF allocation of £7.5m of the estimated £29.09m project cost in February 2017. The allocation has been applied to the project and have been used in supporting design development, ground investigation, site de-risking, planning process and demolition works. SELEP have required an updated Business Case is produced to reflect full design costings and delivery programme. This will need to be done for the SELEP funding to be continued to be allocated to this project. If the project was to be stopped or put on hold, the £7.5m from SELEP is at risk of needing to be repaid. If this was to happen, those costs previously funded from the SELEP grant would need to be converted to Thurrock Council borrowing. This may have an impact on increasing the Council's current capital financing requirement and increase associated costs.

8.2 Legal

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

There are no new legal implications arising in this report.

8.3 Diversity and Equality

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

There are no direct implications arising specifically from this update report. Station improvements will adhere to any accessibility requirements.

8.4 Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

- Not applicable.

9. 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):

- None

10. Appendices to the report

- None

Report Author:

Kevin Munnelly/Keith Rumsey