



Thames Valley Berkshire Local Economic Partnership

Independent Assessment Summary Report: Reading Green Park Railway Station

Full Business Case Independent Assessment

WYG
Executive Park
Avalon Way
Anstey
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Appendices

Appendix A – Business Case Checklist

1 Executive Summary

- 1.1 This technical note provides an independent review of the Reading Green Park Station Business Case submission to the Thames Valley Berkshire Local Enterprise Partnership.

SCHEME SUMMARY

- 1.2 The Reading Green Park Station project provides a new passenger railway station between the existing Reading West and Mortimer stations south west of Reading. The station is specifically included within a range of transport plans including the Great Western Utilisation Strategy and Thames Valley Berkshire's Strategic Economic Plan.
- 1.3 The scheme consists of a two platform station, multi-modal interchange serving the existing Green Park Business Park, the future extension to Green Park and providing direct access to a rail parkway from the M4
- 1.4 The scheme has the support of the two local authorities involved as well as Network Rail and First Great Western.
- 1.5 The scheme proposals also include a new access to the Parkway Station, which will be created in two phases as well as adjoining parking facilities.

REVIEW FINDINGS

- 1.6 The review of the submitted Business Case identified the following:
- 1.7 A first draft of the Full Business Case was received on the 27th October 2014. The WYG review identified that major aspects of the guidance set out within WebTAG Unit A5.3 Rail Appraisal and the Transport Business Case guidance were not included and comments were sent to PBA for resubmission.
- 1.8 A revised draft Full Business Case was received on the 6th November 2014 for independent assessment. The revised Business Case is detailed and comprehensive and addresses all of the main areas to be expected within a major scheme Business Case submission and a checklist is provided within **Appendix A**.

- 1.9 The predicted overall Benefit to Cost Ratio (BCR) of the scheme is -0.60 for the High Demand Scenario or -1.61 for Low Demand. However, it must be considered that generated revenue is netted off the costs hence resulting in a negative BCR. This is common with rail schemes of this type, and as such the Business case indicates that the alternative metric to use is the Net Present Value. For the High Demand Scenario the NPV = £51.269m and for the Low Demand the NPV = £24.544m. The Business Case indicates that this represents High VfM. It should be noted that there is no definitive guidance for VfM based on NPV. However, we agree this level of NPV provides an acceptable economic return.
- 1.10 We note a QRA has not been supplied but we understand that *'the project risk register will be made available to the Steering Group for review with key related issues and actions flagged'*.
- 1.11 WebTAG Unit A5.3 Rail Appraisal has been used to inform the Final Business Case and it is considered that this has been carried out to a sufficient level for the appraisal of the scheme.

2 Process

LIASION

- 2.1 Telephone discussions and emails have taken place during August, September, October and November 2014 to discuss queries on the scheme assessment work with Reading Borough Council and their consultants PBA. It is recommended that the business case submitted to WYG is updated to reflect the comments provided, in particular those made post submission of the revised business case received 6/11/14.

OPTION ASSESSMENT REPORT (OAR) / APPRAISAL SPECIFICATION REPORT (ASR)

- 2.2 No stand alone OAR and ASR have been submitted as part of the assessment, with PBA indicating that this would be addressed within the FBC.
- 2.3 The FBC indicates that the only option considered is the existing bus service, which operates between Reading Station and Green Park. The FBC states that *these services are currently subsidised and commercial operators do not make any income from these, so there will be no loss of income to commercial operators, hence any loss to the private sector is not included in the analysis*. It is considered that this isn't actually an alternative and is in fact part of the Do Nothing Scenario. We would suggest that the options appraisal section of the FBC is updated and improved.
- 2.4 No ASR has been included for review but aspects concerning modelling have been included within the draft Full Business Case. Comments on the modeling approach are therefore provided in Section 4 below.

REVIEW

- 2.5 A first draft of the Full Business Case was received on the 27th October 2014. The WYG review identified that major aspects of the guidance set out within WebTAG Unit A5.3 Rail Appraisal and the Transport Business Case guidance were not included and comments were sent to PBA for resubmission.
- 2.6 A revised draft Full Business Case was received on the 6th November 2014 for independent assessment. The aspects which have been highlighted as a result of the review of the draft



FBC (including all appendices) are summarised in Section 3. Section 4 then provides a summary of the review findings.

3 Submitted Information

3.1 The Business Case independent assessment was carried out based upon the following reports and appendices submitted by Reading Borough Council and their consultant team PBA

- Green Park Station Business Case Submitted 29th October 2014/final draft submitted 6th November 2014.
- Drawings – Proposed Interchange phases 1,2,3 and Proposed Interchange Layout, illustrative general arrangement
- Appendix A – AMCB and TEE Tables
- Appendix B – Appraisal Summary Table
- Appendix C – Cost Estimates
- Appendix D – Network Rail Capability Analysis
- Appendix E – Programme

4 Review

OPTIONS ASSESSMENT

- 4.1 No stand alone OAR and ASR have been submitted as part of the assessment, with PBA indicating that this would be addressed within the FBC.
- 4.2 The FBC indicates that only option considered relate to the existing bus service (which operates between Reading Station and Green Park). The FBC states that *these services are currently subsidised and commercial operators do not make any income from these, so there will be no loss of income to commercial operators, hence any loss to the private sector is not included in the analysis*. It is considered that this isn't actually an alternative and is in fact part of the Do Nothing Scenario. We would suggest that the options appraisal section of the FBC is reviewed and enhanced.

BUSINESS CASE APPROACH TO MODELLING

- 4.3 Having reviewed the available information concerning modelling within the revised draft Full Business Case it was confirmed that WebTAG unit A5.3 Rail Appraisal has been used for assessment of the scheme.
- 4.4 Initial comments raised on the 1st draft business case and the response from PBA are summarised below
- i) The PVB for High Patronage (Appendix A) is incorrect, as the same figure is also included in Economic Efficiency: Consumer Users (Commuting). – both Patronage tables within Appendix A don't seem to correspond with that included within the main body of text. Response - *the TEE table only includes User Benefits, whereas the benefits in the main body of the report also include External Marginal Costs (or non-user benefits)*
 - ii) It was identified that no structured sensitivity testing has taken place using a core scenario. Response - *The two scenarios tested provide high and low growth in rail passenger numbers and are seen as adequate for the appraisal.'*
 - iii) Rail users have been highlighted as only commuters and not business users or other for assessment purposes. Response - *It is felt that the majority of users will be commuters, so assessment has been undertaken on this basis.'*

iv) A required spreadsheet calculating the Marginal External Costs hasn't been included, which is important in regards to rail projects. Response - submitted by PBA

4.5 Based on the additional information supplied, no further issues are raised on the methodology.

BUSINESS CASE

Format and Content

4.6 WebTAG Unit A5.3 Rail Appraisal has been used to inform the Final Business Case and it is considered that this has been carried out to a sufficient level for the appraisal of the scheme.

Value for Money

4.7 The predicted overall Benefit to Cost Ratio (BCR) of the scheme is -0.60 for the High Demand Scenario or -1.61 for Low Demand. However, it must be considered that generated revenue is netted off the costs hence resulting in a negative BCR. This is common with rail schemes of this type, and as such the Business case indicates that the alternative metric to use is the Net Present Value. For the High Demand Scenario the NPV = £51.269m and for the Low Demand the NPV = £24.544m. The Business Case indicates that this represents High VfM. It should be noted that there is no definitive guidance for VfM based on NPV. However, we agree this level of NPV provides an acceptable economic return. PBA have also indicated that *'new passengers have only been assumed on weekdays, therefore, any additional benefits accrued from newly generated trips or time savings as a result of switching to Green Park station from another station at weekends are excluded'*.

4.7.1 It is noted the assessment includes an assessment of pre-electrification operation and revenue and associated risks with availability of additional DMU's.

Appraisal Summary

4.8 A review of the appraisal summary contained within the Business Case submission is provided in **Table 1** below. Areas where the review disagrees or queries the proposed level of benefit or disbenefit associated with the scheme are detailed and explanatory notes provided.

Table 1 - Appraisal Summary

| Category | Sub-category | Business Case Assessment | Agree / Disagree with Assessment | Notes |
|--------------------|---|---|----------------------------------|--|
| Economy | Business users & transport providers | No Quantitative or Qualitative assessment has been undertaken. | Disagree | Suggest PBA should update this and include the NPV value. |
| | Reliability impact on Business users | No Quantitative or Qualitative assessment has been undertaken. | Disagree | See above. |
| | Regeneration | Beneficial | Agree | |
| | Wider Impacts | Beneficial | Agree | |
| Environmental | Noise | Neutral | Disagree | We would expect a slight noise increase due to changes in train braking and acceleration patterns. |
| | Air Quality | Neutral | Agree | |
| | Greenhouse gases | No Quantitative or Qualitative assessment has been undertaken. | Disagree | Suggest PBA should update this. |
| | Landscape | Neutral | Agree | |
| | Townscape | Neutral | Agree | |
| | Historic Environment | Neutral | Agree | |
| | Biodiversity | Negligible | Agree | |
| | Water Environment | Negligible | Agree | |
| Social | Commuting and Other users | Quantitative assessment included as well as a Qualitative assessment stated as beneficial | Agree | |
| | Reliability impact on Commuting and Other users | Beneficial | Agree | |
| | Physical activity | Beneficial | Agree | |
| | Journey quality | Moderate Beneficial | Agree | |
| | Accidents | Beneficial | Agree | |
| | Security | Slight Beneficial | Agree | |
| | Access to services | Beneficial | Agree | |
| | Affordability | Neutral | Agree | |
| | Severance | Neutral | Agree | |
| | Option and non-use values | Beneficial | Agree | |
| Public Accountants | Cost to Broad Transport Budget | Large Beneficial | Agree | |

| | | | | |
|--|-----------------------|----------------|-------|--|
| | Indirect Tax Revenues | Slight Adverse | Agree | |
|--|-----------------------|----------------|-------|--|

Risks

- 4.9 The Full Business Risk identifies 17 risks in regard to what could delay the proposal. There are no risks which are highlighted as 'High'. It is noted that the risk of the subsidy increasing as result of lower fare income is not raised in the risk register.
- 4.10 We note the Full Business Case states that the project risk register, which has not been included within the FBC '*will be made available to the Steering Group for review with key related issues and actions flagged.*'



Appendix A – Business Case Checklist

Project Number: A087383-08
 Scheme: Reading GreenPark Station
 Submitted by: Reading City Council

| Strategic Case | Addressed within Business Case | Notes | Economic Case | Addressed within Business Case | Notes | Financial Case | Addressed within Business Case | Notes | Commercial Case | Addressed within Business Case | Notes | Management Case | Addressed within Business Case | Notes |
|------------------------|--------------------------------|---|------------------------------|--------------------------------|---|-------------------------|--------------------------------|---|---|--------------------------------|--|----------------------------------|--------------------------------|---|
| Business Strategy | Y | | Options appraised | Y | | Costs | Y | | Output based specification | Y | | Evidence of similar projects | Y | Included within the Financial Case chapter. |
| Problem Identified | Y | | Assumptions | Y | | Budgets / Funding Cover | Y | | Procurement Strategy | Y | | Programme / Project dependencies | N | |
| Impact of not changing | Y | | Sensitivity and Risk Profile | N | Except that of the High and Low growth scenario assessment. | Accounting Implications | Y | Identified to be costs from Network Rail and First Great Western. | Sourcing Options | Y | | Governance | Y | |
| Drivers for change | Y | | Appraisal Summary Table | Y | | | | | Payment Mechanisms | Y | | Programme / Project Plan | Y | |
| Objectives | Y | | Value for Money Statement | Y | | | | | Pricing Framework and charging mechanisms | Y | | Assurances and approvals | Y | |
| Measures for success | N | | | | | | | | Risk allocation and transfer | Y | | Communication & Stakeholders | Y | |
| Scope | Y | | | | | | | | Contract length | Y | | Project Reporting | N | |
| Constraints | Y | | | | | | | | Human resource issues | Y | | Implementation | Y | |
| Inter-dependencies | Y | | | | | | | | Contract management | Y | Summarised within Table 7.2 and Appendix E | Key Issues | Y | Included within Section 7.3.4 and Appendix D. |
| Stakeholders | Y | | | | | | | | | | | Contract Management | Y | |
| Options | Y | Only other identified option was the existing bus route, this was also highlighted to be the Low Cost option for the analysis | | | | | | | | | | Risk Management | N | |
| | | | | | | | | | | | | Benefits realisation | N | |
| | | | | | | | | | | | | Monitoring and evaluation | Y | |
| | | | | | | | | | | | | Contingency | Y | |
| | | | | | | | | | | | | Options | Y | Only other identified option was the existing bus route, this was also highlighted to be the Low Cost option for the analysis |