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# Independent Assessment Summary Report: Eastern Gateway

Scheme Ref: 2.42

A Final Report by Hatch Regeneris  
November 2019

# Thames Valley Berkshire Local Enterprise Partnership

## Independent Assessment Summary Report: Eastern Gateway

Scheme Ref: 2.42

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# Executive Summary

- i. This technical note provides an independent assessment of the Eastern Gateway scheme Business Case submission to the Thames Valley Berkshire Local Enterprise Partnership (TVB LEP).

## Scheme Summary

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- ii. The business case submission sets out the case for investment for the delivery of the Eastern Gateway in Wokingham. Eastern Gateway is Phase 2 of the South Wokingham Distributor Road (SWDR) Project. The Eastern Gateway provides a link from Phase 1 (Montague Park and William Heelas Way), over the Reading to Waterloo Rail Line and south to Waterloo Road, where it will eventually connect with Phase 3 (Spine Road) running west across toward Finchampstead Road.
- iii. The Eastern Gateway comprises:
- A bridge over the Reading to Waterloo Rail Line;
  - A new 4-arm roundabout junction with Waterloo Road, with provision for the future Spine Road; and
  - Closure of the Waterloo Road automatic half barrier level crossing.
- iv. The overall scheme cost is estimated to be just over £20 million, with £5 million sought from the TVB LEP Business Rates Retention Pilot Fund.

## Review Findings

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### Conclusions

- v. The Strategic Case demonstrates alignment with strategic priorities to support growth across the area. The need for infrastructure provision to unlock development within the South Wokingham Strategic Development Land (SDL) is clearly established.
- vi. The Economic Case provides a robust assessment of the costs and benefits associated with the scheme. With the inclusion of the uplift in land value from the unlocked development lands, the overall case for investment is considered to be 'High'.
- vii. The Financial Case demonstrates that the costs of the scheme are well-developed and appropriate levels of contingency and risk allowance are included.
- viii. The Commercial and Management Cases are considered to be relatively succinct but compliant with requirements. They provide sufficient evidence to demonstrate that the procurement approaches offer value for money and that there are robust measures in place to manage the delivery of the project.
- ix. It is our conclusion that there is sufficient evidence presented to support the overall case for investment in the scheme. It has good strategic alignment and will mitigate the necessary closure of the Waterloo Road level crossing. In addition, the scheme will directly 'unlock' the delivery of 630 homes within the South Wokingham SDL, whilst subsequently facilitating the wider development. The overall adjusted forecast of monetised costs and benefits indicates the scheme will deliver high value for money. The scheme is at an advanced stage of development, with limited risks for deliverability.

### **Recommendations**

- x. On the basis that it aligns well with strategic priorities, addresses a clear need for intervention, supports the direct delivery of development, is forecast to deliver high value for money, and is deliverable, we recommend this scheme for approval.

# 1. Introduction

- 1.1 This report provides an independent assessment of the Full Business Case (FBC) submitted by Wokingham Borough Council (WBC) for the delivery of the Eastern Gateway.
- 1.2 The report considers the evidence presented and whether it represents a robust case for the investment of Thames Valley Berkshire Local Enterprise Partnership (TVB LEP) growth deal funds.
- 1.3 The independent assessment has applied criteria from TVB LEP assurance framework and the requirements for transport scheme business cases set out within the Department for Transport's (DfT) Transport Analysis Guidance (TAG).

## Submitted Information

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- 1.4 The independent assessment process for the Eastern Gateway submission has been conducted on the following set of documentation submitted by WBC and their consultant team (WSP):
  - An Early Submission Full Business Case Report (3<sup>rd</sup> July 2019)
  - Full Business Case Report (24<sup>th</sup> October 2019)
- 1.5 The Early Submission FBC was completed in advance of the July BLT Board meeting but it was concluded that insufficient analysis had been completed at this time to enable the scheme to be considered at this meeting.
- 1.6 Whilst no formal Option Appraisal Report or Appraisal Specification Report were submitted for this project, a number of meetings have taken place with WBC, and their consultants, between June 2019 and September 2019 in which the appraisal specification has been discussed and agreed, alongside the broader requirements of the final business case submission and comment upon the acceptability of input assumptions and parameters.

## Report Structure

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- 1.7 This Independent Assessors Report responds to the formal submission of documentation, as well as the informal engagement process with WBC and their consultants, to provide a review of information provided, assess its suitability and robustness against TVB LEP's assurance requirements, and provide recommendations in relation to the approval of LEP funding for the proposed scheme.
- 1.8 The report is structured as follows:
  - **Section 2: Appraisal Specification** – presents a high-level review of the process undertaken to agree the proposed appraisal approach to be adopted
  - **Section 3: Full Business Case Submission** – presents an initial summary of scheme elements included in the business case submission, alongside the details presented within each of the five 'cases' (Strategic, Economic, Financial, Commercial, Management). It also sets out the recommendations to the LEP Local Transport Body relating to the suitability of the scheme for funding.

## 2. Appraisal Specification

### Overview

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- 2.1 No formal Appraisal Specification Report has been submitted for this project; however, the approach to the business case has been discussed, in detail, between WBC, their consultants, TVB LEP, and Hatch Regeneris, including at a meeting held on 1<sup>st</sup> August 2019.
- 2.2 The approach to the assessment has evolved between the Early Submission FBC in July and the subsequent development of the Final FBC, based on feedback provided by Hatch Regeneris. This is briefly outlined below.

### Initial Approach

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- 2.3 The Early Submission FBC submitted in July was based around Eastern Gateway forming part of a completed South Wokingham Distributor Road (SWDR). As such, the traffic modelling work supporting the business case incorporated the full SWDR to demonstrate the impacts and the development land “unlocked” by the full scheme.
- 2.4 Upon detailed discussions, it was agreed that, whilst the Spine Road and Western Gateway are committed schemes, have not currently been granted planning permission and is developer-led. There is, therefore, the potential (albeit highly unlikely) that the Eastern Gateway could be delivered, and the Spine Road and Western Gateway may not come forward, or at least not for a delayed period of time. Given this uncertainty, it was concluded that the Eastern Gateway scheme should be assessed as a standalone scheme and not as part of a wider SWDR package.

### Revised Approach

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- 2.5 The revised approach adopted within the Final FBC is to assess the impact of the Eastern Gateway as a standalone scheme. This means that it would provide a highway connection over the Reading to Waterloo Rail Line from William Heelas Way to Waterloo Road, but there would be no SWDR Spine Road providing a further connection across to Finchampstead Road. The traffic impacts of the scheme will be modelled on this basis, using the Wokingham Strategic Transport Model 4.
- 2.6 In addition, it was agreed that the standalone Eastern Gateway scheme will “unlock” some additional development opportunities to the south of the Reading to Waterloo Rail Line. The Final FBC will, therefore, demonstrate the dependency of these development sites upon the additional highway capacity provided by Eastern Gateway. The associated uplift in land value for “unlocking” these sites, as measured by MHCLG guidance, will be captured as an economic benefit of the scheme.
- 2.7 All other impacts for the scheme, in terms of the economy, environment, society, as well as Public Accounts, will be measured according to DfT TAG requirements for a highway scheme of this type.

### Assessor Review

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- 2.8 The revised approach, agreed at the meeting on 1<sup>st</sup> August 2019, is considered to be appropriate for the scheme, given the wider context of the delivery of the SWDR project.

## 3. Full Business Case

### Overview

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- 3.1 The full business case submission sets out the case for investment for the delivery of the Eastern Gateway in Wokingham. Eastern Gateway is Phase 2 of the South Wokingham Distributor Road (SWDR) Project.
- 3.2 The Eastern Gateway provides a link from Phase 1 (Montague Park and William Heelas Way), over the Reading to Waterloo Rail Line and south to Waterloo Road, where it will eventually connect with Phase 3 (Spine Road) running west across toward Finchampstead Road.
- 3.3 The Eastern Gateway comprises:
- A bridge over the Reading to Waterloo Rail Line;
  - A new 4-arm roundabout junction with Waterloo Road, with provision for the future Spine Road; and
  - Closure of the Waterloo Road automatic half barrier level crossing.
- 3.4 The Waterloo Road automatic half barrier level crossing currently provides north-south vehicular connectivity across the Reading to Waterloo Rail Line. Network Rail has indicated the imminent requirement to close this crossing due to concerns around safety with this type of half barrier crossing. Network Rail are also highly likely to object to any development to the south of the rail line that could increase traffic flows across the level crossing.

### Key Input Assumption and Parameters

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- 3.5 The overarching business case is based upon a range of key assumptions, as follows:
- Phases 3 (Spine Road) and 4 (Western Gateway) of the SWDR are not included as committed schemes within the assessment
  - The Eastern Gateway provides access to three parcels of South Wokingham's Strategic Development Land, referenced SB, SC and SF, that would otherwise not be developable without the road.
  - Total dependent development equates to 630 dwellings, which would be delivered between 2021 and 2026.
  - Annualisation factors:
    - 253 days per year
    - Model period factoring: AM Peak = 2.62, Inter-Peak = 6.00 PM Peak = 2.75
    - Overall: AM Peak = 662 hrs, Inter-peak = 1,518, PM Peak = 696 hrs
  - 60-year benefits appraisal period
  - Costs and benefits discounted to 2010 prices
  - 3% optimism bias applied
  - Land value estimates taken from Ministry of Housing, Communities and Local Government (MHCLG): 'Land Value Estimates for Policy Appraisal (May 2017)'
    - Agricultural land value (TVB LEP) = £22,500/ha
    - Residential land value (South East – Wokingham) = £5,325,000/ha



## Independent Assessor Comment

- 3.6 The assumptions set out in relation to Phases 3 and 4 of the SWDR were discussed, and agreed, in advance of the business case development and reporting process.
- 3.7 Sufficient evidence is presented within the business case to demonstrate that the need for the Eastern Gateway to 'unlock' the three parcels of SW SDL referenced SB, SC and SF (accounting for 630 dwellings) and that, without this provision, these developments would not proceed.
- 3.8 The annualisation factors, the appraisal period and the discount period are all acceptable.
- 3.9 The level of optimism bias is low but reflects the fact that the scheme has undergone detailed design and so cost estimates are considered to be highly accurate.
- 3.10 Use of the MHCLG land values is considered appropriate.

## Strategic Case

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- 3.11 The Strategic Case provides an overview of the areas and a scheme description, in particular highlighting the overall SWDR project, the Eastern Gateways part within it, and the phases of the SWDR, as well as the South Wokingham SDL.
- 3.12 It provides an assessment of **policies and strategies** for Thames Valley Berkshire LEP, as set out within the Strategic Economic Plan, as well as National Planning Policy Framework, and Wokingham's Core Strategy Development Plan and Local Transport Plan. The objective assessment of housing need for the area is also set out.
- 3.13 The **need for the SDWR** as a whole, but specifically the Eastern Gateway, in this location is set out, highlighting the dependency of the South Wokingham SDL upon these links. It also describes the on-going operation of the Waterloo Road automatic half barrier level crossing and Network Rail's concerns over safety. It highlights that, nationally, the Office for Rail and Road have challenged Network Rail to remove these types of crossing, through either upgrades or closure. Network Rail are resolved to close the Waterloo Road level crossing, which would significant impact upon accessibility from Wokingham to the south of the Reading to Waterloo Rail Line.
- 3.14 The wider aspirations for delivering housing growth through the provision of the SWDR, and Eastern Gateway, are clearly stated, including the fact that the Eastern Gateway has already received planning permission, demonstrating the principle and local of the scheme have been tested.
- 3.15 The scheme has seven **overarching scheme objectives**, summarised below:
  - Support the 2026 Local Plan housing delivery in the Borough
  - Facilitate the SW SDL housing development (2500 dwelling units in total)
  - Replace the existing Waterloo Road level crossing
  - Relieve traffic using residential roads as rat runs to the north (leading to the A329) such as Priest Avenue.
  - Encourage sustainable and active transport by providing extensive pedestrian and cyclist facilities
  - Minimise the impact of the increase in traffic generated by the SW SDL on nearby residential roads
  - Allow future residents of the SW SDL to travel to major and growing employment areas leading to the growth of the local economy

- 3.16 In relation to the **options considered**, reference is provided to the extension master planning process that has been undertaken for the Wokingham SDL and SWDR. An Options Appraisal Report was produced in 2014 for the SDWR as a whole considering alternative routes, with a technical recommendation made for Option B to be taken forward. This was given approval by the WBC Executive Board in Late 2014. Within the conceptual design process, different locations were considered for the railway crossing. The preferred alignment was identified as it crosses the rail line on a sag curve, providing a technically optimum solution. In May 2015 the WBC Executive approved plans for the Eastern Gateway to be progressed in advance of the full SWDR.
- 3.17 Two main **measures for success** for the Eastern Gateway scheme (being delivered in isolation from the rest of the Spine Road) are set out based around the facilitation of SW SDL housing development and enabling the closure of the Waterloo Road level crossing facility.
- 3.18 The **constraints** of the scheme are considered to be relatively limited as the scheme is well developed. Phase 1 (William Heelas Way) is complete and open to traffic. Agreements have been reached with Network Rail over shared value rights and the stopping up order for the level crossing has been signed by the Secretary of State. Planning consent was granted in April 2018. The land owner has agreed to provide their land for development and the scheme is included within the NEC 3 Scape Procure contract that has been awarded to Balfour Beatty.
- 3.19 The scheme remains **inter-dependant** with the remainder of the SWDR to deliver the maximum benefits, in terms of congestion relief and access to the SW SDL. There are currently three planning application submitted for development of the SW SDL and a planning application for the SWDR Spine Road is due to be submitted in late 2019.
- 3.20 An initial overview of the **transport modelling** approach, utilising the Wokingham Strategic Transport Model 4, is set out. It reiterates that, in all modelled scenarios, phases 3 and 4 of the SWDR are not included. It provides reference to the dependant development model tests, required by DfT TAG, to demonstrate the need for additional highway capacity to enable development within the SW SDL to progress. This concludes that land parcels SB, SC and SF are all dependant upon the Eastern Gateway being delivered. The impact of closing the Waterloo Road level crossing and introducing the Eastern Gateway upon underlying traffic movements is set out. This demonstrates some local re-routing (as would be anticipated with the closure of Waterloo Road level crossing) but limited strategic re-routing e.g. from the A329.
- 3.21 A list of the key **stakeholders** for the project are set out, with reference of support from Network Rail and SW SDL developers.
- 3.22 An overall **summary** of the scheme is provided, setting out the strategic alignment, the dependent development, and the deliverability of the scheme. It recognises the important inter-dependency with Phases 3 and 4 of the SWDR but that the Eastern Gateway is a vital link in itself, not least due to the requirement to close the Waterloo Road level crossing.

### Independent Assessor Comment

- 3.23 The Strategic Case provides a clear overview of the role of the Eastern Gateway within the wider SWDR and the SW SDL. It sets out the alignment of the scheme to national, regional and local policy objectives, specifically in relation to providing direct and indirect access to housing sites, and providing the transport capacity to enable, or support, their delivery.
- 3.24 The need for the scheme is established, specifically in relation to the requirement to close the Waterloo Road level crossing but also to unlock specific land parcels within the SW SDL, and facilitate longer term access to the full SDL, via the SWDR. The impacts of not

providing the scheme, relate to the imminent requirement for closure of the Waterloo Road level crossing and the impact this would have upon local access. The inability to open up the SW SDL would also significantly constrained housing delivery across the borough.

- 3.25 The **scheme objectives** are clearly set out and relate to the underlying need for the scheme.
- 3.26 A significant amount of **scheme optioneering** has clearly been undertaken as part of the wider SW SDL and SWDR master planning exercise. The alignment of the overall SWDR, and specifically the Eastern Gateway, has been subject to rigorous technical examination.
- 3.27 The **measures of success** focus specifically on two elements of the scheme objectives, as opposed to all seven. It is recognised that the selected two are clearly of greater significant to the scheme, but wider measures of success could also be considered.
- 3.28 There is clear demonstration within the Strategic Case that the scheme is well progressed and that, as such, a number of potential **constraints** have already been overcome, including agreements with Network Rail, land owners, and planning consent.
- 3.29 The **inter-dependency** with the wider SWDR and the SW SDL is clear, but the case for the Eastern Gateway as a standalone scheme is well-presented, and so the additional benefits that could be derived through the delivery of these other scheme elements are additive and not required to justify investment in this phase of works.
- 3.30 There is no specific **scope of works** presented, although a summary of the scheme elements is presented within an introductory section.
- 3.31 The description of the **modelling approach** provides evidence that the Eastern Gateway scheme has been appraised in isolation from the wider SWDR, as required. The specific dependency of SDL site is also demonstrated. The modelling outputs demonstrates that, as a standalone scheme, the Eastern Gateway primary role is to unlock this development, as opposed to providing wider network management benefits.
- 3.32 Evidence is provided of engagement with **key stakeholders** throughout the scheme development process and the resolution of differences.
- 3.33 Overall, the Strategic Case provides clear evidence that the scheme aligns with strategic priorities, that it delivers a specific need for the replacement of the imminent closure of the Waterloo Road level crossing, and that it specifically “unlocks” three parcels of land within the SW SDL.

## Economic Case

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- 3.34 The Economic Case sets out the **modelling approach** applied within assessment. It describes the Wokingham Strategic Transport Model 4 (WSTM4), based on VISUM 17, and reported within a local model validation report from May 2018. The parameters and assumptions applied within the modelling process are set out.
- 3.35 A discussion of **dependent development** related to the scheme is set out, highlighting the parcels of SW SDL that have been identified as dependent upon the Eastern Gateway, and presenting the associated level of housing development (630 dwellings).
- 3.36 The **scenarios appraised** are set out in accordance with the requirement for assessing transport user benefit and transport external costs. This includes:
- Do Minimum (Reference Case, including William Heelas Way and the 1,650 dwellings delivered in Montague Park)
  - Do Something 1 (with Eastern Gateway scheme and closure of Waterloo Road level crossing, but excluding SW SDL developments SB, SC, and SF)

- Do Something 2 (with Eastern Gateway scheme and closure of Waterloo Road level crossing, with SW SDL developments SB, SC, and SF equating to 630 dwellings)
- 3.37 All three scenarios exclude SWDR Phases 3 and 4 (Spine Road and Western Gateway)
- 3.38 The **monetised scheme benefits** are initially set out in terms of the **direct transport impact** through accident savings and transport user benefits. The associated present value of benefits (£6.7m) and costs (£13.8m) is presented, generating a Benefit Cost Ratio (BCR) of 0.48 to 1.
- 3.39 The impacts related to dependant development are then set out in relation to transport external costs, and the land value uplift and any loss in amenity value from unlocking SW SDL sites SB, SC, and SF. The **transport external costs** (the impact of additional development traffic upon general congestion) is estimated at -£18.0m. The assessment of **land value uplift** takes into account the current and future value of the land, along with issues of deadweight, leakage and displacement. The net uplift in land value from unlocking sites SB, SC and SF is estimate as £58.8m. The **loss of amenity value** from the loss of green space is estimated at -£4.7m. An adjust Benefit Cost Ratio incorporating dependant development value is calculated at 3.12 to 1.
- 3.40 An assessment of the **environmental impacts** is presented showing a summary of the scheme's potential impacts and conclusions for each of the following impact areas:
- Air quality;
  - Noise and Vibration;
  - Nature Conservation;
  - Cultural Heritage;
  - Drainage and Water Environment; and
  - Geology and Soils.
- 3.41 An assessment of the **social impacts** is presented showing a summary of the scheme's potential impacts and conclusions for each of the following impact areas:
- Accidents;
  - Physical Activity;
  - Security;
  - Severance;
  - Journey quality;
  - Option and non-use values;
  - Accessibility; and
  - Personal Affordability.
- 3.42 The **distributional impacts** of the scheme are considered in detail with the range of economic, environmental and social impacts considered for the following social groups:
- Income distribution;
  - Children;
  - Young Adults;
  - Older People;
  - Disabled;
  - Black and minority ethnic groups;
  - Those without access to a car; and
  - Carers.

- 3.43 **Sensitivity tests** are presented for high and low growth scenarios considering just the direct transport user benefits of the scheme upon existing road users. These indicate potential for significant variation in the level of benefits generated, with the 'low growth' scenario generating negative impacts.
- 3.44 An **Appraisal Summary Table** is attached that sets out the wider assessment of impacts against all economic, environmental, and social criteria.
- 3.45 A value for money statement outlines that the direct transport impacts of the scheme generate a **benefit cost ratio** of 0.47, representing low value for money. When the land value uplift, amenity value, and transport external cost are added in this increases it into the 'high' value for money category.

## Independent Assessor Comment

- 3.46 The Economic Case provides a good overview of the WSTM4 model and the underlying assumptions applied. This modelling tool is considered to be sufficiently robust to appraise the scheme.
- 3.47 The assessment of **dependent development** is considered to be robust and there is clear evidence that the Eastern gateway scheme will "unlock" the specified three SW SDL sites, accounting for 630 dwellings.
- 3.48 The **scenarios to be appraised** are consistent with the requirements of DfT TAG and reflect the agreed assessment of the Eastern Gateway in isolation from the subsequent Phase 3 and 4 (Spine road and Western Gateway) of the SWDR.
- 3.49 The assessment of **accident savings** resulting from the scheme measures is considered robust and the outputs from the COBALT model provided.
- 3.50 The approach to assessing both the **transport user benefits**, and the subsequent **transport external cost**, utilising TUBA, is considered robust. The transport user benefit outputs indicate the scheme will deliver overall travel time savings for existing road users but that some individuals will travel marginally longer distances and so incurring additional vehicle operating costs. The overall ratio of the scheme costs to direct transport user benefits indicates that this scheme does not represent value for money from investment solely as a transport link and that it is the development opportunities that it "unlocks" that will generate greater economic value.
- 3.51 The approach to estimating the **land value uplift** of the three SW SDL sites is considered sound. Due consideration is given to issues of additionality, with 25% 'displacement' adjustment (an assessment of the amount of development that may have been displaced from being delivered in the same timeframe elsewhere in the borough). 'Deadweight' (any small-scale development that could have taken place on the site without the scheme), and 'leakage' (the extent to which the economic benefits "leak out" of the target area into surrounding areas) were stated to be zero. Whilst some small-scale development could physically take place, it is likely to be extremely limited due to the presence of the Waterloo Road level crossing and for which Network Rail would object to any potential increase in traffic flows on grounds of safety.
- 3.52 The assessment of loss of **amenity value** is also considered to be sound and, alongside the net land value uplift and transport external costs, provides an overall economic impact of dependent development of £36.3m. This value is nearly six-fold the value of the direct transport benefits of the scheme and reiterate the importance of unlocking housing development in making the case for investment in the Eastern Gateway scheme.
- 3.53 The **environmental assessment** is based primarily around information provided within the Environmental Statement for the scheme, published in 2017 as part of the planning



application. It highlights a range of potential impacts affecting air quality and noise & vibration for some key receptors, but that any negative impacts will be small, and that in most cases mitigation measures can be introduced to reduce the impacts.

- 3.54 There are no direct impacts from the scheme upon designated conservation sites and whilst some bird and bat species could have reduced habitat during the construction phase of the scheme, this will all be re-introduced during the operational phase. Parts of the scheme lie within an Area of High Archaeological Potential, with the potential for some minor negative impacts. There are no designated heritage assets affected by the scheme. There are potential impacts upon sensitive drainage and water environment receptors, but mitigation measures should ensure the overall impact becomes negligible. There are anticipated to be significant visual affects on the landscape during construction and during the early years of operation, prior to the establishment of woodland and hedgerows. The longer-term impacts would be significantly reduced. The risk of soil contamination from the scheme is considered very low.
- 3.55 Overall, whilst the scheme will clearly have a range of impacts upon the local environment, particularly during the construction phase, the range of proposed mitigation measures should ensure that the impacts will be minimal over the longer term.
- 3.56 The assessment of **social impacts** identifies that the scheme should provide an overall net benefit in terms of general accident savings. Due to the closure of the Waterloo road level crossing, the accident safety benefits are likely to be significantly higher. The scheme is not anticipated to impact upon physical activity, security, option values, or accessibility, and the net impact upon severance (with the closure of Waterloo Road level crossing and opening of Eastern Gateway) is considered neutral. The scheme is anticipated to have marginal positive benefits on journey quality. Overall the assessment of these impacts is considered to be robust.
- 3.57 The three-stage assessment of **distributional impacts** is considered in-depth and robust. It indicates that the scheme should have no notable impacts upon any single user group in relation to noise, air quality, accidents, and severance. The assessment of user benefits suggests the scheme has no impact upon resident within the lowest quintile areas of income deprivation (most deprived), but that it has negative impacts for those within the 2<sup>nd</sup> lowest and 2<sup>nd</sup> highest quintiles. The benefits of the scheme are derived from residents within the middle and highest income quintiles. The scheme is also considered to have the greatest negative impact upon affordability for the 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> quintile groups.
- 3.58 The outputs from the **sensitivity testing** indicate that the level of background growth of traffic have a significant impact upon the direct transport user benefits generated from the scheme. Effectively, when the highway network is less congested, the closure of the Waterloo Road level crossing and opening of Eastern Gateway will create travel time disbenefits, due to the extra travel distance. When levels of congestion across the network increase, then the scheme starts to provide additional congestion relief benefits, and these then outweigh the negative diversionary impacts.
- 3.59 This means that, based on current (2019) traffic flows, the closure of the Waterloo Road level crossing and opening of Eastern Gateway is likely to have an overall negative impact upon existing travel time. But, as the underlying level of traffic increases, and there becomes more congestion on the network as a whole, the Eastern Gateway provide significant benefits to general traffic movements across the network.
- 3.60 The **Value for Money Statement** demonstrates that the Eastern Gateway can be considered to offer high value for money when the direct land unlocked for development is taken into consideration. The wider impacts from facilitating the future delivery of the wider SW SDL, with a further 1,850 homes, demonstrates further potential value from the investment.

## Financial Case

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- 3.61 The Financial Case provides in detail the estimated funding and cost profile and breakdown of the scheme.
- 3.62 A full **cost profile** covering the period between 2018/19 to 2021/22 is provided. The sub-total of costs equates to £16.1m, with additional allowance for cost inflation of £1.6m and quantified risk of £2.4m.
- 3.63 The scheme has been developed to detailed design level, with early contractor involvement and initial site investigations completed. The **cost estimates** are, therefore, considered to be robust.
- 3.64 The **quantified risk value** has been developed through a detailed quantified risk assessment, which is attached to the FBC submission.
- 3.65 The **total funding request** is for £20.402m and covers the period between 2016/17 to 2020/21. A breakdown of funding sources:
- Business Rates Retention Pilot = £5,000,000
  - Council Capital Programme = £20,159,264

## Independent Assessor Comment

- 3.66 The overall Financial Case provides sufficient information to give confidence in the broad estimate of the scheme costs, as well as a profile of spend.
- 3.67 Since the project is already subject to detailed design, has contractor involvement, and has undertaken initial site investigations, we consider the **cost estimates** should be robust.
- 3.68 **Inflation** has been adequately included and we consider the scale of the **risk budget** (at 15%) to be appropriate.
- 3.69 There is no reference to additional **on-going maintenance or renewal costs** that would be incurred as a result of the road, although the accompanying S151 Officer letter indicates that the Council undertakes to meet any ongoing revenue requirements.
- 3.70 Clear reference, and supporting evidence, is provided that WBC is committed to the project and the necessary capital Programme funds have been allocated.

## Commercial Case

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- 3.71 The Commercial Case provides evidence on the commercial viability and outlines the procurement strategy of the scheme.
- 3.72 Wokingham BC have a contract with Balfour Beatty (BB), via the SCAPE framework, to deliver a series of major highway scheme and formed a Highways Alliance partnership with WSP and VolkerHighways for highways and transportation services. Each have a contract with the Council based on the NEC3 Engineering and Construction Contract.
- 3.73 Alternative options to the SCAPE framework are presented with a discussion of the unique benefits of the SCAPE framework. A demonstration of why the adopted approach, utilising the SCAPE framework, will deliver the best value for money is set out.
- 3.74 The principles of the Wokingham Highway Alliance, alongside the **procurement approach**, to demonstrate how it deliver value for money.
- 3.75 An **outputs-based specification** is provided for the whole of the Eastern Gateway scheme.

- 3.76 The **payment and charging mechanisms** in place for the procured contractors are detailed. With regards to **risk allocation and transfer**, it is stated that risk is shared across signed New Engineering Contract 3 contracts in accordance with contractual terms. **Contract management** details are briefly outlined.

### Independent Assessor Comment

- 3.77 The Commercial Case is relatively detailed and provides sufficient evidence of the approaches to be adopted and how they offer best value.
- 3.78 The value in procuring through the existing SCAPE framework and Highway Alliance partnership is clearly outlined.
- 3.79 A clear **outputs-based specification** is provided.
- 3.80 **Payment mechanisms** are outlined and there is a high-level discussion of the principles of **risk allocation and transfer**.
- 3.81 An overview of **contract management** procedures that are in place to manage the SCAPE framework and Highways Alliance.

### Management Case

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- 3.82 The Management Case presents information on how the proposal will be delivered and managed.
- 3.83 A short description of Wokingham's **previous experience** delivering transport developments is provided.
- 3.84 It is stated the scheme is relatively free from **dependencies**, with the exception of LGF funding availability. It is also stated that land deals with the land owner to the south of the Reading Waterloo rail line, and Network Rail, have yet to be fully completed.
- 3.85 An overview of **governance** is provided, with an organogram setting out key project roles, with named individuals, and responsibility outlined.
- 3.86 An **assurance and approval plan** is set out but is limited in specific detail relating to WBC procedures.
- 3.87 An overview of **communications and stakeholder management** procedures is set out, highlighting key mechanisms for engagement and identifying key stakeholders for the project. Inputs provided to date by **stakeholders** is summarised.
- 3.88 A succinct summary of project reporting is included, along with a discussion of **risk management** and the development of a Risk Register.
- 3.89 A brief discussion of a **benefits realisation plan** and the **monitoring and evaluation** process is set out, with a separate plan attached.

### Independent Assessor Comment

- 3.90 The Management Case provides a useful overview of the procedures and plans in place to ensure the effective delivery of the project. There are some limitations, in terms of the depth of information presented, but overall it is considered broadly sufficient.
- 3.91 Evidence is provided of **previous projects** that have been delivered by the proposed team, albeit the extent to which these were delivered according to plan is not stated.
- 3.92 It is demonstrated that the project is well advanced, with all planning conditions discharged, and detailed design imminently completed. It is noted that the required land deals have yet



to be formalised, although they are anticipated imminently. This creates some uncertainty with the delivery of the project, although it is not considered to be significant.

- 3.93 A clear overview of **roles and responsibilities** within the organisation is set out, including governance by the Project Board.
- 3.94 The section on **assurance and approvals** focuses mainly upon LEP assurance requirements, with limited documentation of WBC approvals processes to ensure the successful delivery of the project, albeit it is recognised the Council has well-established internal processes for project delivery.
- 3.95 The information provided on communications and stakeholder management is considered sufficient. More information could be provided on the **project reporting** arrangements.
- 3.96 The **Benefits Realisation Plan** section does not contain specific details on how the applicant will ensure the identified scheme benefits will be realised. The attached **Monitoring and Evaluation Plan** provides sufficient evidence of how the impacts of the project will be evaluated.

## Summary and Conclusions

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### Summary

- 3.97 The review of the five cases has identified the following key points for consideration:

- The **Strategic Case** provides a clear articulation of the important role of the Eastern Gateway as part of the South Wokingham Distributor Road (SWDR) and for supporting the South Wokingham Strategic Development Land (SW SDL). The requirement for the scheme to directly ‘unlock’ three parcels of land within the SW SDL is established and, in doing so, it is clear that the scheme aligns well to a range of strategic growth priorities.

The scheme also facilitates the closure of the Waterloo Road automatic half-barrier level crossing, significantly reducing safety risks associated with this crossing, and fully endorsed and supported by Network Rail.

- The overall **Economic Case** for the scheme demonstrates that it will achieve ‘high’ value for money when taking into account the uplift in land value from the development unlocked by the scheme. The direct transport user benefits are of insufficient magnitude to justify the investment without the land value uplift.

It is recognised that the closure of the Waterloo Road level crossing, and diversion of existing traffic to Eastern Gateway, does generate some additional travel times for existing road users, but that the scheme will also provide general congestion relief across the Wokingham highway network in future years, as levels of underlying congestion increase.

A detailed assessment of environmental, social and distributional impacts has been undertaken, and whilst some negative impacts are identified, these can broadly be mitigated against.

- The overall **Financial Case** provides sufficient information to give confidence in the broad estimate of the scheme costs, as well as a profile of spend. The project is considered well developed, with detailed design nearly complete, contractor involvement, and site investigation works, increasing the certainty in the costs. The Council’s S151 Officer has confirmed match funding availability from WBC.

- The **Commercial and Management Cases** are relatively high-level but, in general, are considered to provide sufficient information to demonstrate that the scheme is being procured in an effective manner and will be subject to clear governance, assurance and management procedures. The scheme is well advanced with significant design and preparation work undertaken that provides greater surety around delivery.

## Conclusions

- 3.98 The Strategic Case demonstrates alignment with strategic priorities to support growth across the area. The need for infrastructure provision to unlock development within the South Wokingham SDL is clearly established.
- 3.99 The Economic Case provides a robust assessment of the costs and benefits associated with the scheme. With the inclusion of the uplift in land value from the unlocked development lands, the overall case for investment is considered to be 'High'.
- 3.100 The Financial Case demonstrates that the costs of the scheme are well-developed and appropriate levels of contingency and risk allowance are included.
- 3.101 The Commercial and Management Cases are considered to be relatively succinct but compliant with requirements. They provide sufficient evidence to demonstrate that the procurement approaches offer value for money and that there are robust measures in place to manage the delivery of the project.
- 3.102 It is our conclusion that there is sufficient evidence presented to support the overall case for investment in the scheme. It has good strategic alignment and will mitigate the necessary closure of the Waterloo Road level crossing. In addition, the scheme will directly 'unlock' the delivery of 630 homes within the South Wokingham SDL, whilst subsequently facilitating the wider development. The overall adjusted forecast of monetised costs and benefits indicates the scheme will deliver high value for money. The scheme is at an advanced stage of development, with limited risks for deliverability. On this basis, we recommend the scheme for approval.



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