

4 March 2014		ITEM: 7
Planning, Transport and Regeneration Overview and Scrutiny Committee		
Grays South and Rail Station Regeneration		
Report of: Matthew Essex, Head of Regeneration		
Wards and communities affected: Grays Riverside	Key Decision: Key	
Accountable Head of Service: Matthew Essex, Head of Regeneration		
Accountable Director: Steve Cox, Assistant Chief Executive		
This report is Public		
Purpose of Report: To report progress on the Grays South project, outline the anticipated delivery route for the project and seek views and comments from the committee on the approach to developing the project.		

EXECUTIVE SUMMARY

In July 2013 Cabinet acknowledged the importance of enhancing the area around Grays Rail Station as an arrival and meeting point and reducing the barrier effect of the rail lines to support the delivery of the Council's vision for Grays. Cabinet supported continued discussion with Network Rail and others to secure the implementation of measures to upgrade the rail station and rail crossing based on plans included at Appendix A of this report.

Since July good progress has been made. With the basic concept fixed by the approvals given by Cabinet, a number of coordinated activities have taken place to develop the project further including:

- a) Engagement with key stakeholders including Network Rail, C2C and the Grays Town Partnership to establish the level of support for the proposals;
- b) Detailed discussions with Network Rail to establish an approach to delivery;
- c) Completion of a development capacity study, to understand the scale of potential development which could be generated by the sites created around the new public realm;
- d) Completion of development valuations, to understand the potential development costs and returns for development plots identified in the plans at appendix A; and
- e) Completion of a Level Access Study, to address Network Rail's requirement for the underpass to provide level access between rail platforms.

These activities have established that there is a feasible scheme that, with the support of Network Rail, could be viable and deliverable within the next four years. This report summarises the next steps towards delivery of the project as:

- a) Establishing a formal partnership with Network Rail and the rail service operator to outline roles and responsibilities in securing the delivery of the project;
- b) Procuring a coordinated professional team (potentially through Network Rail) to develop the proposals further, satisfy Network Rail's assurance requirements and develop a detailed cost estimate;
- c) Entering into direct discussions with affected land owners and occupiers to develop an acquisitions strategy and detailed cost estimate; and
- d) Continue to develop the funding strategy for the project based upon the delivery strategy which is outlined within this report.

1. RECOMMENDATIONS:

1.1 That the Planning, Transport and Regeneration Overview and Scrutiny Committee provide views and comments on the approach to developing the project set out in section 3 of this report

1.2 That the Planning, Transport and Regeneration Overview and Scrutiny Committee provide views and comments on the process for the next steps for project development set out in section 4 of this report.

2. INTRODUCTION AND BACKGROUND:

2.1 In June 2013 the Planning, Transport and Regeneration Overview and Scrutiny Committee endorsed a draft vision for the regeneration of Grays and the extensive public consultations that had taken place to inform the vision.

2.2 In July 2013 Cabinet agreed the vision and a number of key, early projects that were considered central to delivering that vision. Enhancing and improving Grays rail station and the surrounding area, improving safety and removing the barrier effect of the level crossing was recognised as a vital element of the regeneration of the town centre, particularly in light of the development of South Essex College's new Thurrock Campus (due to open in September 2014) and the potential for the separation caused by the level crossing to be exacerbated by the increase in commercial freight traffic generated by the opening of London Gateway.

2.3 Accordingly, the report outlined proposals to introduce a broad (8m wide) 'boulevard underpass' beneath the railway line to replace the existing level crossing. The underpass would be accessed via high quality, landscaped public squares at either end integrated with a redeveloped rail station to provide a significantly enhanced arrival point into the town centre linking directly to the College, High Street and all points beyond. New development sites created around the new public squares would provide high quality frontages designed to include street cafes whilst allowing sufficient space for street entertainment, markets and events. The plans considered and approved by Cabinet in July 2013 are included at Appendix A.

2.4 Cabinet acknowledged the work completed up to July 2013 and supported continued discussions with Network Rail and others to secure the implementation of measures to upgrade the rail station and rail crossing as detailed within the report.

3. PROGRESS ON DEVELOPING THE APPROACH:

3.1 With the general scheme largely settled through the approvals given in July 2013 the main focus of activity since has been to broker discussions with Network Rail and establish a general approach to securing the delivery of the project and then testing the assumptions made within that approach. A critical influence on the development of the approach has been the need to meet Network Rail's over-riding programme requirements. Network Rail has identified the Grays level crossing as one of the most hazardous and frequently abused within the region. Their concerns are amplified by the anticipated increase in users generated through the opening of the new College and the expectation that the crossing will be closed more frequently through increased freight movements to/from London Gateway.

3.2 Network Rail's response to the risk presented by crossing is to replace it with an upgraded pedestrian bridge. Funds have already been allocated to this proposal which need to be spent by 2019. However, recognising the potential of the Grays South project to provide a solution which also replaces the existing station, Network Rail is content to work with the Council but remain keen to see rapid progress. As a result, Network Rail require the Council to have established a clear route forward to deliver the scheme by January 2015 with an expectation that that strategy will be implemented by 2019. If the Council cannot suitably satisfy Network Rail that progress is being made or that the Grays South scheme is ultimately deliverable it is clear that they will resort to the bridge option.

3.3 With two thirds of the project area owned by either Network Rail or Thurrock Council, the primary discussion has been between these parties on how best to use their relative capabilities and expertise to secure the delivery of the project. Through these discussions a basic delivery strategy has been developed as follows:

- I. Thurrock Council and Network Rail jointly commit their land to the delivery of the project;
- II. Thurrock Council and Network Rail seek to develop an acquisitions strategy for any required properties (including leasehold interests) not already in Network Rail or Thurrock Council control, including consideration of partnering arrangements with existing land-owners where possible, using Compulsory Purchase powers as a last resort where necessary;
- III. Network Rail and Thurrock Council jointly fund the development of the underpass, public squares and new rail station through direct funding and grants (including the SELEP Local Growth Fund);
- IV. Network Rail leads on the delivery of the underpass, public squares and new rail station; and

- V. Once the project is complete, Thurrock Council disposes of the development plots created around the project area using the proceeds to support the costs of any borrowing incurred in taking the project forward.

3.4 Clearly this strategy is dependent upon a number of assumptions. Various strands of work have sought to test the key assumptions in respect of development potential, property values, funding and underpass design. The main elements of this work are briefly reviewed below.

Defining Development Potential

3.5 For the Council to consider potentially borrowing funds (either through the Public Works Loan Board or through a third party route such as Growing Places Fund) it will need to satisfy itself that there is the potential for the ultimate development to repay the debt. To understand the development potential of the plots which will be created Bell Phillips Architects were appointed to undertake a high level capacity study. The study considered three layout options (see Appendix B) and a range of different configurations for the rail station and different mixes of residential, retail, and commercial office floorspace. These can be summarised as options up to:

- a) 96 residential units;
- b) 1,925 sq.m of retail floor space;
- c) 3,390 sq.m commercial (office) floor space; and
- d) Rail station remaining the same size or increasing in size and either remaining in its current location or relocating to front the High Street or to the north side of the rail line and fronting High Street.

3.6 These high level options would be subject to further review were the project to progress but were considered to offer the most likely mix of accommodation laid out in the optimum arrangement to support the overall objectives of the project. There is the potential to consider further enhancements to these options, in particular a higher density approach to housing development, at a later stage.

Establishing the Value of Development

3.7 The initial work undertaken by Ramboll gave a cost estimate for constructing the underpass of £5.35 million and up to £2.55 million for constructing the access ramps and squares (£7.9m in total). This is clearly a significant sum and there is no likelihood that these costs would be met through the proceeds generated by the ultimate development (see paragraph 3.13 on project funding below). However, consideration has been given to the proceeds arising from the ultimate development being used to support the costs of acquiring the properties required to deliver the project.

3.8 Savills were appointed to test this assumption, give an initial estimate of the costs of acquiring the various property interests (freehold and leasehold) and assess the value of the plots generated through the development. Their work

has identified 22 interests (not including those of Network Rail and Thurrock Council) that would need to be acquired. Their assessment of the open market value of these interests is £3.28m. Savills advise that in the event the Council needs to resort to Compulsory Purchase the various compensation claims etc could increase total acquisition costs to £6.49m.

- 3.9 These figures should be treated with caution at this stage as they have been completed largely on a desktop basis with little direct discussion with the affected owners/occupiers. However, recognising that the Council could reasonably expect to acquire a significant proportion of the properties without the use of Compulsory Purchase, they are considered encouraging.
- 3.10 Alongside the land valuation, Savills have assessed the land value generated by the various development options generated by Bell Phillips together with variations and enhancements which they felt would increase the potential return. Grays remains a difficult market with residential values significantly below the greater South East average. However, Savills' work has generated a number of development scenarios (principally those focussing on residential uses) which would see a positive return although none have the potential to repay the Council's potential outlay in full. The most positive outcome arises from an option promoting residential units above retail uses at ground floor which generates a return of £1m. However, this figure includes provision for the costs of providing a new station building (£500k) and other elements which could reasonably be expected to be met by Network Rail and others which, if taken out of the model, would increase the Council's return.
- 3.11 Like the work on land values, the findings of this valuation study should be treated with caution as the scheme is at an early stage of development and therefore relies on a range of assumptions about site constraints and the property market. However, whilst there is currently no option which directly demonstrates that the Council can recoup the investment needed to assemble the land, the ability to enhance the positive returns currently generated through reviewing the development proposals and continuing negotiations with Network Rail and others suggest that the situation can be sufficiently improved to the point where a relatively modest funding gap remained which could either be met by the Council or through grant funding.

Developing the Funding Strategy

- 3.12 As is noted above, the approach to funding the project is split into two distinct elements; funding for land acquisitions and funding for the works. The approach to funding the land acquisitions is dealt with above and will remain under review as the project progresses. The approach to funding the works has been the primary area of discussion between the Council and Network Rail as both potentially have a part to play.
- 3.13 Ramboll's study set a headline cost estimate for the underpass and associated public squares of £7.9m. Whilst the Council is keen to secure the redevelopment of the area to support the wider regeneration of Grays, Network Rail's primary motivation for supporting the project is to remove the

level crossing and the current high risk which they believe it presents – particularly in light of the greatly increased pedestrian traffic expected when the College opens later this year. Allied to this, Network Rail and the rail service operator both recognise the potential to upgrade the station building and facilities to meet current standards (i.e. level access). Network Rail has indicated that, were these wider requirements to be met, they would be able to secure funds towards the costs of the works. Whilst nothing has been confirmed as yet, the initial indication is that their support could be between £2-3m.

- 3.14 Outside of the project specific work, the Council is working closely with colleagues across the South East Local Enterprise Partnership on the development and submission of the Strategic Economic Plan (SEP); the document through which Central Government will distribute the Local Growth Fund monies. The Council's work in Grays – including Grays South – has been included within the SEP as a high priority. The final draft of the SEP is due to be submitted in March 2014 and it is expected that the outcome, i.e. how much funding will be provided, will become clear in July 2014.
- 3.15 Feedback from Government on the first draft of the SEP has made it clear that for the Council to secure any funds it will need to commit its own land and funds towards delivery together with securing match funding from third parties. Accordingly, provision has been made in the Council's Capital Programme to support the costs of the project through prudential borrowing.

Design development

- 3.16 As noted above, Network Rail has indicated that they may be able to provide funding to support the project if it is able to support wider enhancements of the station and its operation – particularly in respect of level access between platforms. Officers have engaged with Network Rail and the current rail service operator (C2C) to develop the design that will improve the relationship and accessibility between the underpass, the public squares and the rail station and provide increased connectivity.
- 3.17 Further presentations of the proposals to the Grays Town Partnership since July 2013 show strong support for a scheme that enhances access across the rail line and connectivity between the town centre and its catchment area south of the rail line.

4. NEXT STEPS:

- 4.1 Should Cabinet be minded to agree the recommendations in this report, the next steps would be to establish a formal relationship with Network Rail and potentially the rail service operator, continue to develop the scheme design to satisfy Network Rail's assurance requirements, enter into discussions with affected land owners/occupiers and continue to develop the funding strategy. All of these tasks are essential to continue to develop the project and meet Network Rail's overriding requirement that the Council is able to provide certainty over the delivery of the underpass by January 2015. However, none

of these actions will commit the Council to implementing the scheme, acquiring any property or expending any significant funds at this time. It is anticipated that, depending on the outcome of these workstreams, further reports will seek specific approvals to move to delivery/implementation. The four workstreams are briefly reviewed below.

Establishing a formal partnership with Network Rail and the rail service operator.

4.2 Whilst the outline delivery strategy is largely agreed, further clarity is required over specific roles and responsibilities and there remain a large number of details to discuss and agree between the parties involved. It is anticipated that Thurrock Council and Network Rail, potentially together with the rail service operator (currently C2C but subject to a procurement exercise) will enter into a memorandum of understanding (or similar) to formalise their relationship and commitment to delivering the scheme. Among other things this agreement will cover:

- Broad parameters of the proposals;
- Delivery strategy including phasing;
- Roles and responsibilities in securing delivery;
- Timescales for actions;
- Funding commitments;
- Project management arrangements;
- Decision making arrangements; and
- Dispute resolution/termination.

Procuring a coordinated professional team (potentially through Network Rail) to develop the proposals further

4.3 Whilst Ramboll have provided some relatively detailed drawings showing the general arrangement of the proposed underpass, public squares and rail station they do not provide much by way of engineering detail and are some way short of what would be required to effectively prove the design in engineering terms. In order to meet Network Rail's assurance requirements and develop a detailed cost estimate further design work will be required. In discussions with Network Rail it has been suggested that they lead on this element of the work liaising closely with the Council at all times.

4.4 Network Rail are already talking to Ramboll, who are an approved firm on Network Rail's consultant framework, and it is anticipated that this work will commence shortly. Whilst approval is sought for this procurement it is possible that the Council will simply make a supporting payment to Network Rail to help meet the costs of them appointing Ramboll (or similar) directly.

Entering into direct discussions with affected land owners and occupiers

4.5 The work undertaken by Savills on the Council's behalf has been only high level to date and it will be necessary to undertake much more detailed discussions to determine the validity of the assumptions made but also to establish the intentions and aspirations of the affected landowners and

occupiers and develop a more detailed acquisitions strategy. Among other things this strategy will need to consider:

- The timing and phasing of acquisitions to support the development of the underpass and public squares;
- The relative values of the freehold and leasehold interests based upon the nature of occupation and use of the buildings;
- The likelihood of being able to complete acquisitions through private treaty;
- The likelihood of needing to resort to Compulsory Purchase;
- The potential to secure the relocation of businesses into alternative premises;
- The scale and nature of third party rights required to secure the delivery of the scheme; and ultimately
- The likely values of the necessary acquisitions.

Funding Strategy

4.6 As covered within Section Three above, there is not presently a complete funding strategy which supports all of the costs associated with the delivery of the project. Work will continue to investigate ways to optimise the likely return from the development plots, explore the potential for grant and third party funding and explore the potential for match funding from the Council, Network Rail and the rail service operator.

5. REASONS FOR RECOMMENDATION:

5.1 The development of an underpass and enhancements to the public realm around the rail station and to the new college are key elements of the Council's priorities for regeneration of Grays town Centre. The project is complex and requires a robust approach with key stakeholders to ensure that it is properly implemented. The delivery strategy outlined in paragraph 3.2 is considered to be the Council's best route through which to secure delivery of the scheme and early approval will enable officers to engage fully with key stakeholders and landowners and occupiers impacted by the proposals.

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

6.1 The project was supported by Cabinet in July 2013 and has been subject to consultation with key stakeholders including the Grays Town Partnership as set out in paragraphs 3.9 to 3.12 of this report.

7. IMPACT ON CORPORATE POLICIES, PRIORITIES, PERFORMANCE AND COMMUNITY IMPACT

7.1 The Council's Adopted Community Regeneration Strategy and LDF Core Strategy identify Grays as one of five Growth Hubs in the Borough where regeneration activity is to be focussed. A vision for the town and early projects were approved by Cabinet in July 2013, including the regeneration of Grays South and Rail Station.

8. IMPLICATIONS

8.1 Financial

Implications verified by: **Mike Hursthouse, Deputy Head of Corporate Finance**
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None. This report considers processes for developing the project; financial implications will arise as a consequence of decisions about implementation which will be the subject of a report to Cabinet.

The cost of constructing the underpass and the associated public squares will be in excess of £8million. This is expected to be funded from several sources including the South East Local Enterprise Partnership Strategic Economic Plan and Growth Deal, and Network Rail. Funding arrangements will need to be confirmed and will be the subject of future reports to cabinet. Provision for the costs of developing the project and for land acquisition have been included in the Council's Capital Programme

8.2 Legal

Implications verified by: **Daniel Ansong**
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danielansong@bdtlegal.org.uk

This report considers processes for developing the project; legal implications will arise as a consequence of decisions about implementation which will be the subject of reports to Cabinet.

The recommendations in the Cabinet report fall within the broad powers of the Council in the Local Government Act 2000 to do anything that they consider is likely to achieve the promotion or improvement of the economic, social and environmental wellbeing of their area.

Formation of the delivery partnership and arrangements for joint delivery, funding, procurement and returns will need to be properly addressed in an agreement between the parties.

The project will require a range of statutory processes including land assembly and appropriations of unregistered land and open spaces, planning and highway consents.

8.3 **Diversity and Equality**

Implications verified by: **Natalie Warren**
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None. This report considers processes for developing the project; diversity and equality implications will arise as a consequence of decisions about implementation which will be the subject of reports to Cabinet

The project has been the subject of stakeholder engagement summarised in the report. Further engagement activity will take place as the designs are developed. The need to ensure the design meets equalities act accessibility expectations have contributed to the scale of the access ramps and the land area required.

8.4 **Other implications (where significant) – i.e. Section 17, Risk Assessment, Health Impact Assessment, Sustainability, IT, Environmental**

None at present, relevant issues will be identified as design and the approach to delivery are developed.

BACKGROUND PAPERS USED IN PREPARING THIS REPORT (include their location and identify whether any are exempt or protected by copyright):

- 10th July 2013 Cabinet report 'Grays town centre Regeneration Vision'

APPENDICES TO THIS REPORT:

- Appendix A: Extracts from Ramboll module 3 study: Plans for an underpass and public square
- Appendix B: Extracts from BP Architects Development Capacity Study

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