

Richard Tyndall
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Your contact is: Cris Butler, Strategic Transportation Programme Manager

Dear Richard

Re: South Reading MRT (Phases 1 & 2) - Value for Money Statement

This letter is provided in support of the Major Scheme Business Case produced by Reading Borough Council for the South Reading Mass Rapid Transit (Phases 1 & 2) scheme.

Value for Money Categorisation

The evidence provided within the Full Business Case report for the South Reading MRT (Phases 1 & 2) scheme proves that the monetised benefits which can be deemed to be having an effect on the public accounts can provide a **High VfM** category.

Present Value of Benefits and Costs

A value for money assessment has been undertaken for the scheme. The Net Present Value (benefits - costs) is forecast to be **£14.096m** over the 60-year assessment period, demonstrating that the scheme is financially positive and provides High Value for Money based on DfT criteria. The scheme provides a **Benefit Cost Ratio (BCR) of 3.55**, reflecting its high value for money.

Non-monetised, Environmental, Social and Distributional Impacts

Further social and environmental benefits have been derived from qualitative assessment, and whilst these will not provide a monetised benefit for use in this appraisal, the impacts are considered when deriving the Value for Money presented by the scheme:

- The impact to Noise is considered to be **neutral**;
- The impact to Local air quality is considered to be **neutral**;
- The impact to Landscape is considered to be **neutral**;
- The impact to Townscape is considered to be **neutral**;
- The impact to the Historic Environment is considered to be **neutral**;

- The impact on Biodiversity is considered to be **neutral**;
- The impact on the Water Environment is considered to be **neutral**;
- The impact on Severance is considered **neutral**;
- The impact on Personal Security is considered **neutral**; and
- The impact on Accessibility is considered to be **beneficial**.

Key Risks, Sensitivities and Uncertainties

A number of assumptions were used in the preparation of the economic forecast for the South Reading MRT (Phases 1 & 2) scheme. To demonstrate the level of robustness of the economic case to variations in these assumptions, sensitivity tests were undertaken to understand the implications of changes to the assumptions including high and low passenger growth scenarios and increased scheme costs. The results of the sensitivity tests provide alternative BCRs ranging from 2.4 to 4.34, therefore still representing a **High VfM**.

Key risks for the scheme include changes to the scheme funding and scheme cost over time, and construction delays due to unforeseen challenges. The Business Case includes a Risk Management Plan which details the organisation for identifying, controlling and mitigating for risk throughout the lifecycle of the project.

Certification of the Senior Responsible Officer

I certify the Value for Money Statement provided within this letter to be a true reflection of the work undertaken in preparing the Business Case for the South Reading MRT (Phases 1 & 2) scheme.

Yours sincerely

Cris Butler
Strategic Transportation Programme Manager