



Committee of Public Accounts

House of Commons London SW1A 0AA

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Tom Scholar
Permanent Secretary
HM Treasury
1 Horse Guards Road
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14 December 2016

Dear Permanent Secretary

Following the committee's hearing on 17th October where we questioned you about funding for the Garden Bridge, we asked you to provide us with an analysis of the Garden Bridge business case. The committee office subsequently received an analysis from a Treasury official by email on 17th November. It is not clear from the note, which was not on headed paper or page numbered, if this was something you had signed off.

Having considered what was sent to me this only confirms the concerns raised at our hearing in October:

- It stated the need for a pedestrian link between Temple Station and the Southbank. This seems an extravagant solution to deal with a 'missing' walkway and given the suggestion that the bridge would be closed for up to 12 nights a year for private events does not seem to be one that addresses the issue. Suggested journey time savings and health benefits also seem entirely tenuous.
- You comment on the boost to tourism. What analysis is there behind this assumption?
- The conclusion in the document states that ministers believed there was "...a reasonable prospect of it delivering value for money". This was though dependent on two points, estimates on land values and overseas investment and the effective delivery of the project "...as there were some significant deliverability risks". These are significant risks and I fail to understand how such an optimistic conclusion could be reached on delivering value for money. Given a ministerial direction was sought to grant funding this was obviously a view shared by DfT, that funding for the project is inherently risky.

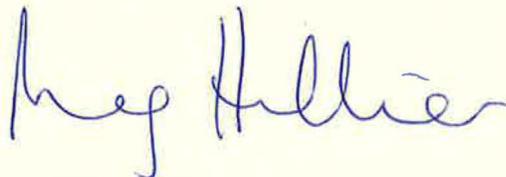
I remain concerned about the risk to taxpayers' money and the commitments that were made to underwrite the project if it is cancelled.

Could you please provide the committee with what it asked for – namely an analysis of the business case rather than a statement of facts and a commentary.

What you have provided does not meet the rigorous standards I would expect the Treasury to apply to its work.

I look forward to your response.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Meg Hillier', written in a cursive style.

Meg Hillier MP
Chair of the Committee of Public Accounts

Appendix: Text received from HM Treasury

Analysis of the Garden Bridge business case

The strategic outline business case was submitted to the Department for Transport (DfT) in July 2014. It was prepared by Transport for London (TfL) on behalf of the Garden Bridge Trust and followed the five case model, as outlined in The Green Book.

The strategic case identified a number of problems with existing arrangements, for example a 'missing' pedestrian link between Temple Station and the South Bank, which this project would address. It also identified a number of further opportunities that fitted with the wider policy context, such as the DCMS policy of helping the UK tourism industry to grow, and the DfT ambition to encourage walking as an alternative to other modes of transport. The Garden Bridge also supported the Mayor's Transport Strategy.

The economic case estimated that the Garden Bridge would generate benefits in a number of ways. For example, increased tourism revenues, increased construction sector exports, health benefits, journey time savings and increases in property values and rents. If all of these benefits were included then the project had a BCR of 5.8. However, there was considerable uncertainty over the robustness of some of these benefits, such as whether increase in business rents and property values represented additional value to the UK economy and how much is displacement from other areas. A wide range of possible BCRs was therefore included, to reflect this uncertainty.

The financial case estimated the total cost of the scheme at £144 million in 2014 prices, or £158 million after including inflation. The bulk of this was the cost of construction.

The commercial case noted that the scheme had 3 distinct phases to it: the development phase, the construction phase and the operational phase. A procurement strategy was produced for the Trust by Arup, which set out a number of recommended approaches to the procurement process, but this had not been approved by the Board at the time of the SOBC.

The management case set out the governance arrangements for the Garden Bridge. It noted the Garden Bridge Trust had responsibility for promoting and delivering

the Bridge, while TfL had a role as a project 'enabler', by being involved in the creation of the Garden Bridge Trust and providing interim support whilst the Trust established itself. The intention was for TfL's supporting role to reduce as the Trust's capabilities developed. The Trust had developed a project plan with indicative key milestones.

The analysis contained in the business case was deemed sufficient to advise Ministers on. The view of DfT Ministers, based on the business case, was that although this was a highly unusual project with a very wide range of possible BCRs, there was a reasonable prospect of it delivering value for money, although this was dependent on two points. Firstly, the level of confidence in estimates of the impact on land values and overseas investment, and secondly the effective delivery of the project, as there were some significant deliverability risks. Ministers took the view that many of these uncertainties were always likely to be present at this stage in the project's development and were expected to be addressed as the scheme progressed. They concluded that the best way forward was for the GLA transport grant to be increased by £30m in 2014/15, with TfL then managing the flow of this funding to the Trust to enable the development and delivery of the bridge. HM Treasury Ministers agreed with this approach.