

WEST OF ENGLAND JOINT COMMITTEE
14 JUNE 2019

REPORT SUMMARY SHEET

METROWEST – UPDATE & FUNDING DECISION

Purpose

To provide an update on the progress of MetroWest Phase 1a and 1b and seek the next required committee approvals.

Summary

The report updates the committee on the progress of MetroWest Phase 1a and 1b, including detail on

- a. Governance
- b. Funding gap
- c. Further allocation of funds
- d. Next steps – including Development Consent Order submission

The reports also seeks to establish approvals in relation to:

- e. Revised Initial Promotion Agreement (IPA) between North Somerset Council (NSC) and WECA.
- f. Submission of the Development Consent Order (DCO) for Phase 1b.
- g. Draw down of Local Growth Fund (LGF) to develop the Full Business Case (FBC).

Recommendations

Members of the Joint Committee are asked:

1. To note the progress of the MetroWest Phase 1a and 1b programme, and in particular, the letter of 5 April 2019 from the Secretary of State (SoS) for Transport, Chris Grayling, providing for £31.9m to meet the scheme funding gap. This funding will be subject to successful achievement of the Department's Rail Network Enhancements Pipeline (RNEP) process.
2. To authorise WECA to enter into an Initial Promotion Agreement (IPA) (version 3) with North Somerset Council (NSC) to enact the governance decisions made within the West of England Joint Committee resolution of November 2018.
3. To approve (subject to Outline Business Case) project draw down of a further £4.491m for 2019/20 and £7.159m for 2020/21, totalling £11.6m of the Local Growth Fund allocated to complete the technical work, and the Development Consent Order (DCO) process to Full Business Case.
4. Reflecting the position of WECA as joint promoter of the scheme, to agree to submit the DCO application, with an understanding of the associated share of project risks and liabilities.

Contact officer: David Carter

Position: Director of Infrastructure

Email: David.Carter@westofengland-ca.gov.uk

REPORT TO: WEST OF ENGLAND JOINT COMMITTEE

DATE: 14 June 2019

REPORT TITLE: METROWEST – UPDATE & FUNDING DECISION

DIRECTOR: DAVID CARTER – DIRECTOR OF INFRASTRUCTURE

AUTHOR: KATHRYN VOWLES – HEAD OF CAPITAL DELIVERY

Purpose of Report

- 1 To update the committee on the progress of MetroWest Phase 1a and 1b, to include:
 - a. Governance
 - b. Funding Gap
 - c. Further Allocation of Funds
 - d. Next Steps – including Development Consent Order (DCO) submission
- 2 To establish approvals in relation to:
 - a. Revised Initial Promotion Agreement (IPA) between North Somerset Council (NSC) and WECA.
 - b. Submission of the DCO for Phase 1b.
 - c. Draw down of Local Growth Fund (LGF) to develop the Full Business Case (FBC).

Recommendations

- The committee to note the progress of the MetroWest Phase 1a and 1b programme, and in particular, the letter of 5 April 2019 from the Secretary of State (SoS) for Transport, Chris Grayling, providing for £31.9m to meet the scheme funding gap. This funding will be subject to successful achievement of the Department's Rail Network Enhancements Pipeline (RNEP) process.
- To authorise WECA to enter into an Initial Promotion Agreement (IPA) (version3) with North Somerset Council (NSC), to enact the governance decisions made within the West of England Joint Committee resolution of November 2018.
- To approve (subject to OBC) project draw down of a further £4.491m for 2019/20 and £7.159m for 2020/21, totalling £11.6m of the Local Growth Fund allocated to complete the technical work, and the DCO process to FBC.
- Reflecting the position of WECA as joint promoter of the scheme, to agree to submit the DCO application, with an understanding of the associated share of project risks and liabilities.

Background / Issues for Consideration

- 3 This paper is in relation to MetroWest Phase 1a and 1b. A summary of the scope of the MetroWest programme, and key deliverables from Phase 1, is attached as Appendix One for background information.
- 4 Project progress following the last report can be summarised as:

- a. Phase 1a - Network Rail (NR) have been commissioned to undertake the necessary development work to extend Phase 1a to Westbury, which will avoid the requirement for a turnback at Bathampton. Workshops have been completed to review the scope and options for upgrade. Options are being reviewed, and residual risks discussed with the Office of Rail Regulation. NR will be providing updated scheme costs for 1a at the end of June 2019, based on revised options for the line to Westbury. A decision will be made early 2020 to confirm the extension to Westbury, at which point we can commission the detailed design.
- b. Phase 1b – The primary focus for the team has been the delivery of the DCO ready for submission at the end of July 2019. The Planning Act (2008) requires any new rail link including over 2km of new track outside the current operating railway is deemed a Nationally Significant Infrastructure Project (NSIP) requiring a DCO. The disused section between Portishead and Pill is 5km, and not part of the current operating railway, therefore requiring a DCO. As with Phase 1a, Network Rail are establishing revised costs for issue at the end of June 2019. During the DCO process, July 2019 for 18 months, NR will be commissioned to complete the detailed design for the scheme, to incorporate amendments that may arise during the DCO process.

5 The Joint Committee Meeting of 30 November 2018 resolved to approve the following in relation to MetroWest Phase 1a and 1b:

- a. The proposed **governance structure** that encompasses both Phase 1a and Phase 1b.
- b. The Section 151 Officers undertake further exploratory work to determine how the **funding gap** may be addressed.
- c. The approval of a **further allocation** of £500k from the Local Growth Fund for 2018/19 to enable continued development of Phase 1a.

The following sections set update on the progress since the 30 November, and the decisions associated with the next stages of project development.

6 Governance Structure

- a. The November committee report established joint project promotion (WECA and NSC) for MetroWest Phase 1a and 1b, with WECA taking ultimate project management responsibility for Phase 1a and NSC, Phase 1b.
- b. To support this governance structure, the Initial Promotion Agreement has been updated to reflect the change in responsibilities and associated liabilities. A summary of the change in liability is summarised as Appendix Two.
- c. **Recommendation: To authorise WECA to enter into an Initial Promotion Agreement (IPA) (version3) with North Somerset Council (NSC), to enact the governance decisions made within the West of England Joint Committee resolution of November 2018.**

7 Funding Gap

- a. As at November 2018, the project had a remaining £46.9m funding gap and a letter had been received from the SoS for Transport, Chris Grayling, on 28 September 2018 referencing that gap.
- b. The letter emphasised the following:
 - Ensuring delivery of a local, rail based transport system for the Bristol area remains one of my priorities
 - I urge WECA and North Somerset to press on with the DCO for the Portishead line (Phase 1b)
 - I have not ruled out further government support
 - I need to see the outcome of the Bristol Area Feasibility Study
 - Consideration to be given to light rail and tram/train options
 - Only consider support if it includes a solution to Portishead
- c. The SoS also stated that consideration of further funding would be subject to the following conditions:
 - Any government contribution will be capped and any increases will be the responsibility of the local authorities
 - Assurance is provided that local funding options have been truly exhausted
 - There is agreement to any ongoing subsidy risk among the contributing partners
- d. Work was undertaken, supported by DfT, to review the Tram Train option for the route. This was not deemed applicable in the context of the Phase 1b scheme, but could be considered for future MetroWest programmes.
- e. Work was undertaken to establish a further £15m of funding through a NSC local contribution. This was agreed at the NSC council meeting of 12 February 2019.
- f. An update was sent to the SoS on 6 March 2019, detailing our response to the issues raised. Following further discussion with both DfT and the SoS, a follow up letter was sent to Nigel Ashton and Tim Bowles on 5 April 2019 from the Chris Grayling. In summary, the following was noted:
 - i. 'I welcome your efforts to identify local funding options and the further £15m contribution you think is possible through the Economic Development Fund mechanism, reducing the funding gap from £46.9m to £31.9m. I also note that consideration has been given to light rail and tram / train options and that the MetroWest scheme will be future proofed to facilitate these'
 - ii. 'I am content to provide the further £31.9m required. However, this is on the basis that the £15m of local funding can be secured as you set out and that MetroWest passes successfully through the Department's Rail Network Enhancements Pipeline (RNEP) process.'
- g. The letter went on to confirm the following requirements:
 - i. that the MetroWest scheme will be future proofed to facilitate future light rail or tram/train options,
 - ii. full transparency of cost data,
 - iii. any government contribution will be capped and any cost increases will be the responsibility of the local authorities; and

- iv. there is agreement as to the allocation of the ongoing subsidy requirement among the contributing partners, as regards both Portishead and the wider package of MetroWest service improvements.
- h. This commitment from the SoS, subject to the conditions detailed above, provides the funding to enable the project to go ahead.
- i. Regarding costs, it is important to note:
 - i. Capital costs will be confirmed at the end of June when revised costs are received from NR.
 - ii. Associated revenue cost risk is subject to further negotiation. Under DfT rules, promoters of rail enhancement projects must meet the cost of revenue support during the first three years of operation.

8 Further Allocation

- a. In order to progress the project to FBC, and to run the DCO process concurrently, further funding needs to be allocated. Detailed design activity will be undertaken by NR, for both 1a and 1b. It is proposed that £11.6m is required to complete this work. The output will be the completion of the DCO process, a detailed design and complete procurement process for construction.
- b. This cost is within an overall capital out-turn cost of £116.4m. It is important to note that the capital out-turn cost will be confirmed at two future points:
 - i. End June 2019 when GRIP 4 costs are confirmed.
 - ii. Mid 2021 at the end of the DCO process, detailed design and procurement, (GRIP 5 within the NR stage gates), when FBC is complete.
- c. This drawn down is subject to the OBC which is currently under review. This will confirm that the project remains value for money and achieving a BCR over 2.
- d. Any future funding draw down, from the WECA Investment Fund, for example, will be subject to:
 - i. a successful DCO process – which will feed into the FBC; and
 - ii. an FBC demonstrating value for money (late 2021).
- e. **Recommendation: To approve (subject to OBC) project draw down of a further £4.491m for 2019/20 and £7.159m for 2020/21, totalling £11.6m of the Local Growth Fund allocated to complete the technical work, and the DCO process to FBC.**

9 Next Steps – DCO Submission

- a. The next significant project milestone will be the submission of the DCO to the Planning Inspectorate current programmes for the end of July 2019.
- b. The DCO scheme consists of 14km of former and existing railway between Portishead and Parsons Street in Bristol, together with associated highways works, principally in Portishead. The spine of the land required for the DCO scheme consists of the Bristol to Portishead Branch Line Railway that was first constructed in the 1860s. The land is owned by NSC from Portishead to the Old Portbury Station, with NR owning the track bed from Portbury to

Parsons Street. From Portbury Dock Junction to Parson Street the railway is operational as a freight only line serving Royal Portbury Dock.

- c. The Planning Inspectorate process is as follows:
 - i. Submission – End July
 - ii. Planning Inspectorate decide if the application should be accepted for examination – 4 weeks
 - iii. Pre- Examination Notification Requirements - TBC
 - iv. Examination– 6 months from Preliminary Meeting
 - v. Panel Report – 3 months
 - vi. SoS Decision – 3 months
 - vii. Post Decision Challenge Period – TBC
- d. It is anticipated that the whole process will take approximately 18 months.
- e. All DCO stages must be completed before the main construction works can commence. The DCO will be applied for by NSC on behalf of NSC and WECA.
- f. The principal powers sought in the DCO are:
 - i. powers to construct, maintain and operate the proposed railway and to implement the associated works such as diversion of Quays Avenue, other highway and public right of way works and provision of ecological mitigation works;
 - ii. works to the highway network including works within the street, temporary stopping up suspension of use of the streets, permanent closure of Quays Avenue and associated works for diversion of Quays Avenue;
 - iii. closure of user worked level crossings currently on the disused railway used for access across the railway;
 - iv. the closure of a public footpath crossing the railway in Bristol City Council's administrative area, known as Barons Close or Ashton Containers crossing.
 - v. Compulsory acquisition of land including acquisition of freehold, new rights, extinguishment of existing private rights, acquisition of subsoil or air space and the temporary use of land for the construction and maintenance of the development. This includes the acquisition of a small area public open space to the south of Trinity School in Portishead, which is to be used to create new public rights of way and also for landscaping associated with the new pedestrian and cycle bridge over the Railway to replace an existing path that crosses the railway trackbed at ground level.

Other miscellaneous powers such as the removal of trees, power to prevent statutory nuisances leading to injunctive relief for those affected, procedures for the approval of the requirements (back into planning conditions) when applied to by the project for approval by the local planning authority and the entering into of agreements with NR.

Powers are also sought to dis-apply the existing byelaws of the North Somerset Levels Internal Drainage Board to allow the construction, maintenance and operation of the railway in a way that would otherwise be contravention of the Internal Drainage Board's byelaws

and the provisions of the Party Walls etc. Act as they may apply in the vicinity of Pill Station and viaduct.

The powers sought will be for NSC, acting as DCO Joint Scheme promoter with WECA. Powers to operate and maintain the new railway will be transferred to NR, together with the land required for the operation and maintenance of the new railway. NSC will be responsible for compensation for land acquisition and the costs of impacts on statutory utilities' apparatus.

- g. Whilst management of the DCO process will be the key focus of activity for MetroWest Phase 1, a number of activities will be delivered in parallel:
- i. Phase 1a – Activity to confirm extension of service to Westbury and associated costs. We anticipate this will represent a saving on the Bathampton turnback option. Project detailed design and procurement to FBC. In addition, we are reviewing options to accelerate 1a services, and the implications for business case approval so we can secure operational services as soon as practically possible, subject to appropriate business case approval.
 - ii. Phase 1b – Ongoing design and procurement activity to support delivery as soon as the DCO is agreed. In addition, a package of enabling activity, not directly related to the DCO, will be completed in advance.
 - iii. Project and Programme Management – WECA will be working with NSC, and NR, to drive effective project and programme management, including cost and programme reporting to ensure we are driving down cost and delivering the project on time and as efficiently as possible.
- h. Recommendation: Reflecting the position of WECA as joint promoter of the scheme, to agree to submit the DCO application, with an understanding of the associated share of project risks and liabilities.**

Consultation

- 10 This paper has been developed for the West of England Joint Committee in consultation with NSC.

Risk Management/Assessment

- 11 Risks at project and programme level are managed via the West of England Strategic Rail Programme Board, reporting to the West of England Joint Committee. Further detail on risk allocation is set out in Appendix Two. The key project risks are summarised in the table below:

Risk	RAG rating	Mitigation	Mitigated RAG rating	Financial impact of risk if mitigations are not delivered (not cumulative)
1. Repayment of Grant should scheme not progress	R	Delivery of part 1A of the scheme, associated, applicable costs and assets purchased would be offset	A	£11m (repayment of full grant)
2. Revenue Reversion Risk should scheme not progress	R	Risk is mitigated by the purchase of assets, submission DCO and the delivery of Scheme 1A. Work is taking place with finance officers to reduce the risk of full revenue reversion.	A	£14.777m (revenue reversion total based upon spend to date assuming no asset creation)
3. Time delays to the programme, as result of; a longer DCO examination or timeliness of decision making to proceed	R	Revised governance process in place and joint promotion working between NSC and WECA, as reflected by IPA3 agreement.	A	Up to £10.000m (under review and in part built into £22m contingency)
4. Development of the scheme design results in additional infrastructure outside DCO red line boundary	R	Continued technical engagement with Network Rail and review of specific pressure points on the red line boundary.	A	Up to £5.000m
5. Train service revenue support costs for the first three years, are not affordable to the councils, causing delay to programme.	R	Continue development of the operational proposal and engagement / negotiation with the incumbent train operator and the DfT.	A	Up to £3.400m

Public Sector Equality Duties

- 12 The public-sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.
- 13 The Act explains that having due regard for advancing equality involves:
- Removing or minimizing disadvantages suffered by people due to their protected characteristics.
 - Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
 - Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
- 14 The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.
- 15 Due to the significance of this project an Equality Impact Assessment has been undertaken and is an important reference for all project decision making.

Finance Implications, including economic impact assessment where appropriate

- 16 A summary of the project costs are provided above. The estimated out-turn cost of the project is £116.4m, which is now fully funded, subject to business case and DfT assessment process. The out-turn capital cost will be confirmed at the end of June when revised costs are provided by NR.

There remains a risk of revenue reversion should the project not be delivered. Delivering part of the project (1A), along with a completed DCO, will partially mitigate this risk. It is not possible to quantify the exact sums at this stage, and would depend on the proportion of the project delivered. The project budget sources are set out in the table below:

Item	Total Funding Secured to date	Spend to date up to 2018-19
LGF (Prep Costs Award 2015)	£8,846,000	£8,846,000
LGF (Prep Costs Award 2018)	£1,700,000	£1,700,000
LGF (Prep Costs Award 2018)	£500,000	£50,000
LGF (Devolved Major Project)	£16,274,430	£0
Total LGF	£27,320,430	£10,596,000
EDF (Swapped with LGF)	£26,079,000	£0
Contributions to date by four Councils	£4,413,000	£3,635,000
NSC additional contribution Dec 17	£5,860,000	£1,786,399
WECA Investment Fund Dec 17	£5,860,000	£0
NSC additional contribution	£15,000,000	£0
DfT Contribution via CP6 Enhancements budget	£31,900,000	
Total	£116,532,430	£16,017,399

Legal Implications

- 17 The legal implications of the IPA and DCO have been managed as follows:
- Advice on the IPA has been provided to WECA by the legal team at South Gloucestershire Council
 - Extensive advice on the application of the DCO has been provided to NSC and WECA by Womble Bond Dickenson

The DCO has a range of significant legal implications to enable the project to be delivered, as summarised above.

Appendices:

Appendix One – Scope & Key Deliverables

Appendix Two – Liability & Risk Management

Background papers: MetroWest Gateway Decision Paper – Phase 1a and 1b 30 November 2018. <https://westofengland-ca.moderngov.co.uk/documents/s700/12%20-%20JC%2030th%20Nov%2020%20MetroWest%20Final%20-1.pdf>

West of England Combined Authority Contact:

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: democratic.services@westofengland-ca.gov.uk

Appendix One – Scope & Key Deliverables

MetroWest Programme Scope

MetroWest Phase 1 and 2 are priorities for the Combined Authority and other West of England Authorities. They are important in delivering against national and regional policies and priorities, including the following nationally:

- A Strategic Vision for Rail: Moving Britain Ahead – ‘...identifying the places where rail is the right answer for local transport needs...’
- Industrial Strategy – ‘...drive productivity by improving connections within City Regions’ Housing White Paper – ‘...employees should be able to move easily to where jobs are without being forced into long commutes.’
- Regionally MetroWest is a key project within the Joint Local Transport Plan and is identified as a committed scheme to support the protected housing growth of 105,500 new homes within the Joint Spatial Plan.

The MetroWest programme currently comprises:

- Phase 1a - Severn Beach to Bath Spa (with an extension to Westbury) upgraded to half hourly passenger service
- Phase 1b - Portishead line reopened with hourly passenger service
- Phase 2 - Yate to Bristol upgraded to a half hourly service, and the potential to extend to Gloucester. Henbury to Bristol reintroduced as an hourly service
- Portway Park & Ride Station

Key Deliverables – MetroWest Phase 1

MetroWest Phase 1 will provide significant benefits for residents, employees / employers and visitors to the region. Some of these benefits are outlined below:

- GVA growth post scheme opening: £31.86m
- Additional jobs post opening: 514
- Provides improved connectivity to Bristol Temple Quarter Enterprise Zones(EZ)17,000 jobs and Bath Riverside EZ 9,000 jobs
- Car-km network reductions of 4,000 in morning peak and 2,000 in evening peak
- 50,000 additional people will have direct access to the rail network
- 180,000 will have enhanced services to existing stations
- Passenger trips will be 958,980 in 2021 rising to 1,295,103 in 2036
- New stations will be DDA compliant
- Reduced travel times; Portishead to Bristol by bus / car is 50+minutes by train 23 minutes, Avonmouth to Bristol by bus / car up to 65 minutes by train 28-32 minutes

The project benefits a wide stakeholder group across the whole of the region and beyond which reflects the positive response to consultation events undertaken to date. The above is also reflected in the high scoring for the Benefit Cost Ratio (BCR) which for phase 1 is 3.1(anything above 2 is considered high), this may improve further with the incorporation of the Westbury link.

Appendix Two – Liability and Risk Management

The tables below describe the capital liability change associated with the revised IPA (3). Revenue reversion risk associated with the scheme to date remains as per the total liability share as set out in IPA (2).

Third Initial Promotion Agreement (2) 13 February 2015 Relating to MetroWest -agreement between North Somerset District Council, South Gloucestershire District Council, Bristol City Council, Bath & North East Somerset Council

	Liability agreed in the Second Initial Stage based on a scheme estimated out-turn cost of £58m	Liability for the additional £58m taken on by NSDC, for the revised estimated capital cost of £116m (as set out in the OBC)	Net share of total liability for the Third Initial Stage
B&NES	15% of £58m	0% of additional £58m	15% of £58m
BCC	30% of £58m	0% of additional £58m	30% of £58m
NSDC	50% of £58m	100% of additional £58m	50% of £58m + 100% of a further £58m
SGC	5% of £58m	0% of additional £58m	5% of £58m
WECA	0% of £58m	0% of additional £58m	0%
Total	100%	100%	100%

Third Initial Promotion Agreement (3) Relating to MetroWest Agreement between North Somerset District Council and West of England Combined Authority

	Capital liability agreed in the Second Initial Stage based on a scheme estimated out-turn cost of £58m	Capital liability agreed for the Third Initial Stage based on a scheme estimated out-turn cost of £116m, as endorsed by Joint Committee 30 Nov 18
WECA	50% of £58m	50% of £116m
NSDC	50% of £58m	50% of £116m
Total	100%	100%

Risk Management – All project and programme risks will be managed via the West of England Strategic Rail Programme Board, reporting to the West of England Joint Committee. Proactive risk and change management will be used to address cost risk and to ensure the Joint Committee are kept up to date on progress of all capital programmes. Any cost overruns will be managed in line with the liability agreed in November 2018, and will utilise the most appropriate funds available as agreed by WECA Committee.