

**REPORT TO: WEST OF ENGLAND JOINT COMMITTEE**

**DATE: 27<sup>th</sup> January 2023**

**REPORT TITLE: METROWEST 2**

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### **Purpose of Report**

To secure approval from Joint Committee on key decisions and associated funding (where applicable) related to the following project within the Combined Authority's Rail programme.

1. MetroWest 2

### **Recommendations**

**MetroWest 2** - Recommendation to approve the Full Business Case and the award of £13.811m from the Economic Development Fund for stage 1 of the project and the allocation of a further £31.855m for the remainder of the project in line with the current anticipated final cost.

### **Voting arrangements**

- Decision requires majority agreement of Committee Members in attendance, or their substitutes (one vote representing each Authority) and excluding the West of England Combined Authority Mayor.

### **Background / Issues for Consideration**

1 The MetroWest 2 scheme, which includes opening of 3 new stations at Ashley Down, North Filton and Henbury, is promoted by the Combined Authority with an additional £1.995m funding contribution from North Somerset Council.

1.1 The key outputs MetroWest 2 will deliver are as follows:

- Three new railway stations – Ashley Down, North Filton and Henbury.
- Extension of existing hourly Bristol Temple Meads to Filton Abbey Wood services to Henbury Station (Calling at Ashley Down and North Filton Stations)
- Half-hourly (increased from hourly) service from Bristol Temple Meads to Gloucester.

1.2 The following are the primary benefits of the scheme:

- Metro West Phase 2 is expected to return £2 to the economy for every £1 spent.
- 1.3 million people are expected to use the Phase 2 services each year, this will increase if MetroWest expansion continues and the connectivity of the new Phase 2 stations is further expanded.
- Phase 2 is expected to save people 7 million minutes in travel time each year.

- By 2030 Phase 2 is expected to be removing 3 million kilometres from the road network, based on the average petrol car today this is equivalent to over 500 tons of CO<sub>2</sub> each year.
  - The new stations will support over 8,500 thousand new homes.
  - In the West of South Gloucestershire the population is expected to increase by over 75%, this is concentrated around the Filton Airfield development, where two of the new stations in Phase 2 are located.
  - As well as housing North Filton Station will directly serve Bristol's new 17,000 seater YTL Arena, one of the largest multipurpose venues in the UK. Passenger demand from the arena is not included in our analysis and would represent additional revenue.
- 1.3 The anticipated final cost of the project was estimated at Outline Business Case (OBC) stage in June 2019 at £54.163m. The current project anticipated final cost (AFC), including the current approved development budget, stage 1 and stage 2, is £72.613m. This represents an overall AFC increase of £18.45m.
- 1.4 The main reasons for the AFC increase are associated with, but not limited to, the following factors:
- Market prices are greater than those previously estimated, which have been caused by, but not limited to, the following:
    - Increasing underlying inflation and material costs increases.
    - Re-design of Ashley Down Station to widen the station platforms by c. 0.5m, after adjacent landowner Sustrans agreed to transfer the land that was necessary to ensure the platforms would be fully accessible.
    - Re-design of Henbury Station car park and access to reflect emerging flood risk information shared by Environmental Agency (EA).
    - Re-design of Ashley Down and North Filton station footbridges to reflect feedback from BCC and SGC local planning authorities.
    - Budget provision made for YTL public realm and car park scope.
    - More onerous biodiversity offsetting requirements for Henbury Station
    - Increased provision for risk/contingency based on an updated project quantitative risk assessment.
- 1.5 The approval of the Full Business Case (FBC) is planned to be split into two stages because an opportunity has been identified to accelerate the construction of Ashley Down Station, which is further progressed in terms of design, compared to North Filton and Henbury and has planning approval. Accelerating the scheme allows the project to utilise a unique 16-day track blockade in June 2023 which will save the project £2m+ compared to a using typical closures of the railway to complete construction works. The proposed project staging, and associated cost forecasts, are summarised in the table below.

<b>Staging of funding</b>	<b>High-level scope</b>	<b>£M's</b>
Current development stage budget	Feasibility, optioneering, design development. Detailed design and planning approval for Ashley Down Station. SOC OBC and FBC development.	10.408
Stage 1 forecast spend	Construction and opening of Ashley Down Station, secure planning approval for North Filton and Henbury stations and tender detailed design and construction works.	£21.506
Stage 2 forecast spend	Detailed design, construction and opening of North Filton and Henbury stations	£40.7
<b>Total</b>		<b>£72.613</b>

- 1.6 It is expected that the Ashley Down Station will open for passenger use in summer 2024 and North Filton and Henbury Stations will open simultaneously in spring 2025/26.
- 1.7 The detailed design and construction of the new stations and associated rail infrastructure will be delivered by Network Rail (NR) and their supply chain. Bristol City Council are designing and constructing the public realm at Ashley Down station. YTL are designing and constructing the public realm and car park for North Filton station.
- 1.8 Key decisions** required over the coming months to support successful implementation of the project outputs/outcomes are as follows:
- Approval of the second stage FBC submission and award of full project funding (Programmed to be requested in January 2024).

### **Consultation**

- 2 This paper has been developed by the West of England Combined Authority in conjunction with South Gloucestershire Council, Bristol City Council and Network Rail. Other key stakeholders have been engaged through the West of England Strategic Rail Steering Board, West of England Combined Authority Directors and CEO's meetings and the regions Planning, Housing and Transport Board.

### **Other Options Considered**

- 3 Several options have been considered to resolve the current funding gap and discounted at this stage:
- 3.1 Delay the project – There are number of negative implications for pausing the project, which includes, but not limited to, the following:
- Pausing all works would impact the opening dates of the three stations.
  - Pausing the mobilisation of Ashley Down Station specifically would mean missing the planned 16-day track blockade in June 2023. This would mean delivering the main platform and track works in shorter, much less efficient closures of the railway, or delaying the project until an equivalent blockade could be secured. The estimate cost impact of this is £2m+.

- Savings identified during a 'delay period' would likely be outweighed by the loss of the Ashley Down Station track blockade and the ever-increasing impact of inflation of the project costs that would result from a programme extension.
  - Increasing misalignment between the North Filton station and Bristol Arena projected opening dates.
- 3.2 Significantly de-scope the project – De-scoping a station and/or the proposed new services has a significant detrimental effect on the benefits case for the project and Benefits-Cost Ratio. De-scoping Ashley Down Station would reduce the BCR to 1.8:1 and would immediately result in a £2.65m drop in the forecast Transforming Cities Fund spend by the end of 2022/23. Both North Filton and Henbury are situated directly adjacent to new housing developments which are inextricably linked with new rail station. Additional design and construction works would be required to reflect the impact of the proposed infrastructure not being installed, including a turnback facility at North Filton Station, if Henbury Station was de-scoped. Removing either North Filton or Henbury would also result in anticipated cost efficiencies from the schemes being packaged together, being lost.
- 3.3 Secure government funding – In 2021 a request for funding from Department for Transport's 'New Stations Fund' to support Ashley Down Station project was rejected. Department for Transport's Programme Director, Great Western & Wessex advised in November 2022 that current rail specific funding pots, including Restoring Your Railway (RYR) and New Stations Fund, were already committed or oversubscribed. Further, any changes to these funding pots would require sign-off by the Secretary of State.
- 3.4 Cancel the project - There are number of implications associated with cancelling the project, which include, but not limited to, the following:
- By Jan 2023 the CA will have invested £8.43m of costs without delivering any of the anticipated project benefits.
  - Loss of the extensive list of project benefits, including a crucial part of the CA strategic plans for decarbonisation and regional economic development and connectivity.
  - Revenue reversion would apply to the following funds:
    - Local Growth Fund - £3.2m
    - Transforming Cities Fund / IF - £4.13m
  - c.£2.23m of forecasted spend against Transforming Cities Fund will not be spent.
  - Reputational impact associated with the CA/ local authorities not delivering works that have been proposed/publicised for a number of years.
  - Enhanced Bristol Temple Meads – Gloucester half-hourly service would need to be funded by Charfield or another project if the proposed station is to be served by at least 1 train per hour.
  - Condition #36 of YTL's planning permission for Bristol Arena requires the submission and approval of a Rail Service Strategy. It requires delivery of that strategy prior to Arena opening. There are opening year and future (permanent) year scenarios but the opening year scenario is reliant on 3% modal share from rail. Effectively, North Filton station has to be constructed and opened to passenger traffic to enable the Bristol Arena opening.

## **Risk Management/Assessment**

- 4 If the project is cancelled, approximately £300,000 of further spend would be required to bring the project to a controlled stop. The Combined Authority are contractually committed to spending a further £3.887m of revenue subsidies agreed with GWR to support enhanced services being delivered under MetroWest 2 between Bristol Temple Meads and Gloucester.
- 4.1 A full risk register is in place for this project. The top 3 risks on Ashley Down Station project are material availability, potential delays to land transfer agreements between Network Rail, Bristol City Council and Sustrans and the potential for delays in the implementation of the required diversionary route of Concorde Way. All three risk items have the potential to delay site mobilisation and could impact the works completed in the blockade. The material availability risk will be significantly reduced if funding for Ashley Down Station is awarded in January 2023. Lead times on critical materials have been advised by suppliers. Heads of Terms for the respective land transfer agreements have been agreed by Sustrans before Christmas 2022. Diversionary route implementation works are currently under design and the suppliers responsible for the associated works have been instructed by Bristol City Council.

### Climate Change Implications

- 5 The Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision-making process. These schemes within the Rail Programme are important interventions as we move towards a decarbonised transport system and providing a viable alternative to the private car, and specifically:
- Maximising the opportunities to enhance service in a joined-up way that enables integration of transport services, and, a shift to more sustainable forms of transport.
  - Maximising the opportunities to minimise the carbon footprint of any construction project, through the whole life of the infrastructure.

### Finance Implications, including economic impact assessment where appropriate:

- 6 The existing total project funding allocation approved in 2017 (At Outline Business Case stage) is £54.163m. The funding was to be provided through the following funding sources:

<b>Funding Sources:</b>	<b>£M's</b>
Local Growth Fund (LGF)	£3.2
Economic Development Fund (EDF)	£36.5
Local authority public match revenue	£1.1
Investment Fund (IF) / Transforming Cities Fund (TCF)	£11.063
Section 106 (Public Match Capital)	£2.3
<b>Total</b>	<b>£54.163</b>

- 6.1 Funding to support the estimated cost of stage 1 of the project (including project spend to date) is to be drawn from the following funding sources.

<b>Funding Sources:</b>	<b>£M's</b>
Local Growth Fund (LGF) – FULLY SPENT	£3.2
Economic Development Fund (EDF)	£13.811
Local authority public match revenue – FULLY SPENT	£1.1
Investment Fund (IF) / Transforming Cities Fund (TCF)	£13.663
<b>Total</b>	<b>£31.913</b>

The following increases to funding allocations are to be realised to support stage 1 of the project.

<b>Funding Sources:</b>	<b>Current approved funding (£M's)</b>	<b>Required funding for stage 1 (£M's)</b>	<b>Additional funding required (£M's)</b>
Local Growth Fund (LGF)	£3.2	3.2	£0
Economic Development Fund (EDF)	£36.5	£13.811	£0
Local authority public match revenue	£1.1	£1.1	£0
Investment Fund (IF) / Transforming Cities Fund (TCF)	£11.063	£13.663	£2.6
Section 106 (Public Match Capital)	£2.3	£2.3	£0
Great Western Railways	£0	£0.139	£0.139
<b>Total</b>	<b>£54.163</b>	<b>£31.913</b>	<b>£2.739</b>

6.2 The following funding allocations are required to support the current total project anticipated final cost of £72.613m.

<b>Funding Sources:</b>	<b>£M's</b>
Local Growth Fund (LGF)	£3.2
Local contribution – North Somerset Council	£0.3
Economic Development Fund (EDF)	£45.666
Local authority public match revenue	£1.1
Investment Fund (IF) / Transforming Cities Fund (TCF)	£19.908
Section 106 (Public Match Capital)	£2.3
Great Western Railways	£0.139
<b>Total</b>	<b>£72.613</b>

6.3 The following increases to funding allocations are proposed to be realised to support the anticipated final cost of £72.613m.

<b>Funding Sources:</b>	<b>Current approved funding (£M's)</b>	<b>Proposed new funding allocation (£M's)</b>	<b>Additional funding required (£M's)</b>
Local Growth Fund (LGF)	£3.2	£3.2	£0
Economic Development Fund (EDF)	£36.5	£45.666	£9.166
Local authority public match revenue	£1.1	£1.1	£0
North Somerset Council – local authority contribution	£0.0	£0.3	£0.3m
Investment Fund (IF) / Transforming Cities Fund (TCF)	£11.063	£19.908	£8.845
Section 106 (Public Match Capital)	£2.3	£2.3	£0
Great Western Railways	£0	£0.139	£0.139
<b>Total</b>	<b>£54.163</b>	<b>£72.613</b>	<b>£18.45</b>

- 6.4 The Combined Authority will seek to replenish the additional local authority EDF funding commitments should alternative funding sources be identified.
- 6.5 North Somerset Council have committed to identifying a funding source for their additional £0.3m local authority funding contribution detailed in section 6.3. This is in addition to their £2m funding contribution which forms part of the total project EDF funding commitment.
- 6.6 Commitment to spend local authority EDF funding commitments are subject to local authority Full Council / Cabinet approvals.
- 6.7 A review, and implementation, of enhanced governance for this project will be implemented to ensure oversight of project delivery and budgets going forward on the basis of the additional funding allocations.
- 6.8 The first phase funding requests includes forecast operational costs associated with the project, which are estimated to be £3.887m. The operational costs include a revenue subsidy to be paid to Great Western Railways (GWR) covering the assumed difference between the increased revenue and costs of operating the Henbury line and Gloucester line services Henbury and introducing the half-hourly Bristol Temple Meads to Gloucester services.
- 6.9 The economic appraisal of the scheme forecasts a Benefit-Cost Ratio (BCR) of 2.0:1. A BCR of greater than 2.0 represents 'High' value for money. The BCR for phase 1 standalone is 1.7:1 (with wider benefits). This includes the introduction of the enhanced Bristol Temple Meads to Gloucester services.

### **Land/property Implications**

- 7 To enable the design of Ashley Down Station to be constructed, two parcels of land currently owned by Sustrans need to be transferred to Network Rail and Bristol City Council respectively. Heads of Terms for the respective land transfer agreements have been agreed by Sustrans and are now with respective legal teams to agree the formal land transfer documents.
- 7.1 Section 106 agreements are in place with Persimmon (Henbury Station) and YTL (North Filton). Under these agreements, the developers are obligated to provide temporary access for the railway construction works. These Section 106 agreements need to be updated in early 2023 to reflect changes to the station designs, including

the layout change at Henbury, and construction methodologies/access requirements. Both developers have confirmed their agreement to the principle of the proposed changes.

**Appendices:**

None.

**Background papers:**

None.

**West of England Combined Authority Contact:**

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