

**REPORT TO: JOINT COMMITTEE**

**DATE: 30<sup>th</sup> November 2018**

**REPORT TITLE: METROWEST PHASE 1 (1A &1B) GATEWAY DECISION**

**DIRECTORS: CORPORATE STRATEGIC PROJECT ADVISER (NORTH SOMERSET); DIRECTOR OF INFRASTRUCTURE (WECA)**

**AUTHORS: LOUISE FRADD AND DAVID CARTER PROJECT SPONSORS**

## **1. Purpose of Report**

- 1 The purpose of this report is to:
  - 1.1 provide an update on funding and seek approval for a further draw down of the LGF to enable Phase 1A work to continue;
  - 1.2 provide a proposed governance structure for approval;
  - 1.3 provide an update on technical progress and its implications for scheme partners;
  - 1.4 provide a timetable for the submission of the Development Consent Order (DCO) and Phase 1A and Phase1B works; and
  - 1.5 address the issues raised within the letter from Chris Grayling on 2<sup>nd</sup> October 2018.

## **Background / Issues for Consideration**

2. The Joint Committee at its meeting on 28<sup>th</sup> September 2018 agreed:

**‘the deferment of the Gateway Decision on the progression of Phase 1(b) element of the MetroWest programme until the next meeting in November 2018, to provide further opportunity to explore alternative funding sources’**

This report provides an update on the position to date.

- 2.1. Since the meeting on 28<sup>th</sup> September 2018, a copy of a letter sent to Liam Fox MP on 2<sup>nd</sup> October 2018 from Chris Grayling the Secretary of State for Transport, has been received in relation to MetroWest Phase 1, within which he 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
  - 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’

He also stated that this 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’

2.2. The above has provided a clear steer in terms of what the Secretary of State for Transport is expecting to receive in order to provide financial support for MetroWest Phase 1. This report will outline how the reassurance required is to be addressed.

### **MetroWest Phase 1 Key Deliverables**

2.3. MetroWest Phase 1 has been identified as a priority by the West of England Authorities because of its importance in delivering key targets against both national and regional policies and priorities including:

- 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.’

2.4. The scheme was identified as a key project within the existing Joint Local Transport Plan and is identified as a committed scheme to support the projected housing growth of 105,500 new homes within the Joint Spatial plan.

2.5. MetroWest Phase 1 will provide major benefits for residents, employees/employers and visitors to the region, some of these 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

2.6. The project therefore 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 3.61(anything above 2 is considered high), this may improve further with the incorporation of the Westbury link.

### **Light Rail and Tram/Train Study**

2.7. Chris Grayling in his letter dated 2<sup>nd</sup> October 2018 states that he wants to be reassured that consideration has been given to light rail and tram/train options. Officers from North Somerset and WECA have been liaising with Network Rail and Department for Transport to secure the information required. The Network Rail Sheffield Tram /Train Team are being appointed to undertake this study which should be completed by February 2019.

### **MetroWest Phase 1 Timescales Development Consent Order**

2.8. The Development Consent Order (DCO) is a key component for Phase 1B (Portishead to Bristol) only, it does not impact Phase 1A as this will be undertaken through existing permitted development orders, whilst phase 2 will be implemented through planning powers. Formal consultation on the DCO proposals was undertaken in late 2017, this

included consulting with the four Unitary Authorities and the Local Planning Authorities within the limits of the red line boundary.

2.9. The Planning Act (2008) specifies that any new rail link with more than 2km of new track outside the current operational network is deemed a Nationally Significant Infrastructure Project (NSIP) requiring a Development Consent Order. The disused section between Portishead and Pill is 5km and not part of the operational railway and therefore triggers the requirement for a DCO to both build and operate this section.

2.10. There are a few outstanding issues that need to be addressed in order that the DCO application can be submitted, these are mainly linked to the Environmental Statement as follows:

- Information is still awaited from Network Rail which will enable key sections of the report to be completed (risk assessments and crossing reports). It is anticipated that this work will be completed by December 2018.
- Habitats Regulation Assessment and Imperative Reasons of Overriding Public Interest (IROPI)- due to a recent European Court Judgement in April 2018 (associated with another case) the scheme will now have to go through an IROPI process. Prior to this test case IROPI had never been used so it is effectively a new process and places an additional burden on the project. It is anticipated that this work will be complete by December 2018 to enable final engagement with statutory bodies.
- Flood Risk Assessment- The Environment Agency has requested late changes to the hydraulic modelling which had not been raised previously again leading to additional work. It is anticipated that this work will also be completed by December 2018.

2.11. Once the DCO application documents are complete the following authorisations and approvals are required before it can be submitted.

- Formal authorisation to submit by West of England Joint Committee
- Formal authorisation by North Somerset Council as the DCO applicant to submit and associated authorisations linked to the DCO legislation
- Formal authorisation by Network Rail to issue North Somerset Council with a letter of no objection
- Agreement between Network Rail and North Somerset Council on the commercial terms for the Promotion Agreement and authorisation to enter it

2.12. The proposed date for submission of the DCO is April 2019, but it is important to note that this is dependent upon other parties providing the information required and entering the formal agreements identified above.

2.13. In addition the initial Promotion Agreement between the four Unitary Authorities and WECA will need to be updated and extended to cover work from Governance for Railway Investment Projects (GRIP) 4 in March to the completion of the Full Business Case and reflect the proposed changed Governance arrangements set out below.

### **Phase 1A Delivery Milestones (Severn Beach to Bathampton)**

2.14. Two delivery programmes have been produced for Phase 1A as clarity has not been received in writing from Network Rail in terms of Bristol East Junction (BEJ) and whether Phase 1A train services are dependent upon the delivery of the junction enhanced renewal. The works to Bristol East Junction are currently programmed to be complete by September 2021 (this is dependent upon funding from DfT being approved).

- 2.15. Currently the delivery programme for Phase 1A without Bristol East Junction is December 2021, this will require separate commercial agreements, a full business case and delivery programme with Network Rail. If the Bristol East Junction is required then the date slips to May 2022, due to the additional signaling interactions between the projects.

#### **Phase 1A Delivery Milestones (Severn Beach to Westbury)**

- 2.16. We expect the programme to remain the same for Phase 1A if it is extended to Westbury rather than Bathampton. However, this is dependent upon Network Rail completing the pre-GRIP feasibility work, which is expected to be complete in November 2018 (this was originally programmed for completion in August). This work is required to inform the scope of GRIP 1-5 which will take approximately 12 months and will allow this element to catch up with the rest of the project

#### **Phase 1B Delivery Milestones**

- 2.17. The programme for phase 1B will be reviewed at the point of the DCO submission but is currently anticipated to be complete by late 2022 given the recent issues experienced in completing the technical work and the continuing funding uncertainty. Please refer to Appendix 1 for a breakdown of the programmes for the schemes above
- 2.18. It should be noted that the Filton Four track project, which is required to deliver both MetroWest Phases 1 and 2 is currently under construction and is expected to be operational in the next few months and represents a major milestone in the delivery of the MetroWest programme.

### **Governance Arrangements**

#### **Current Arrangements**

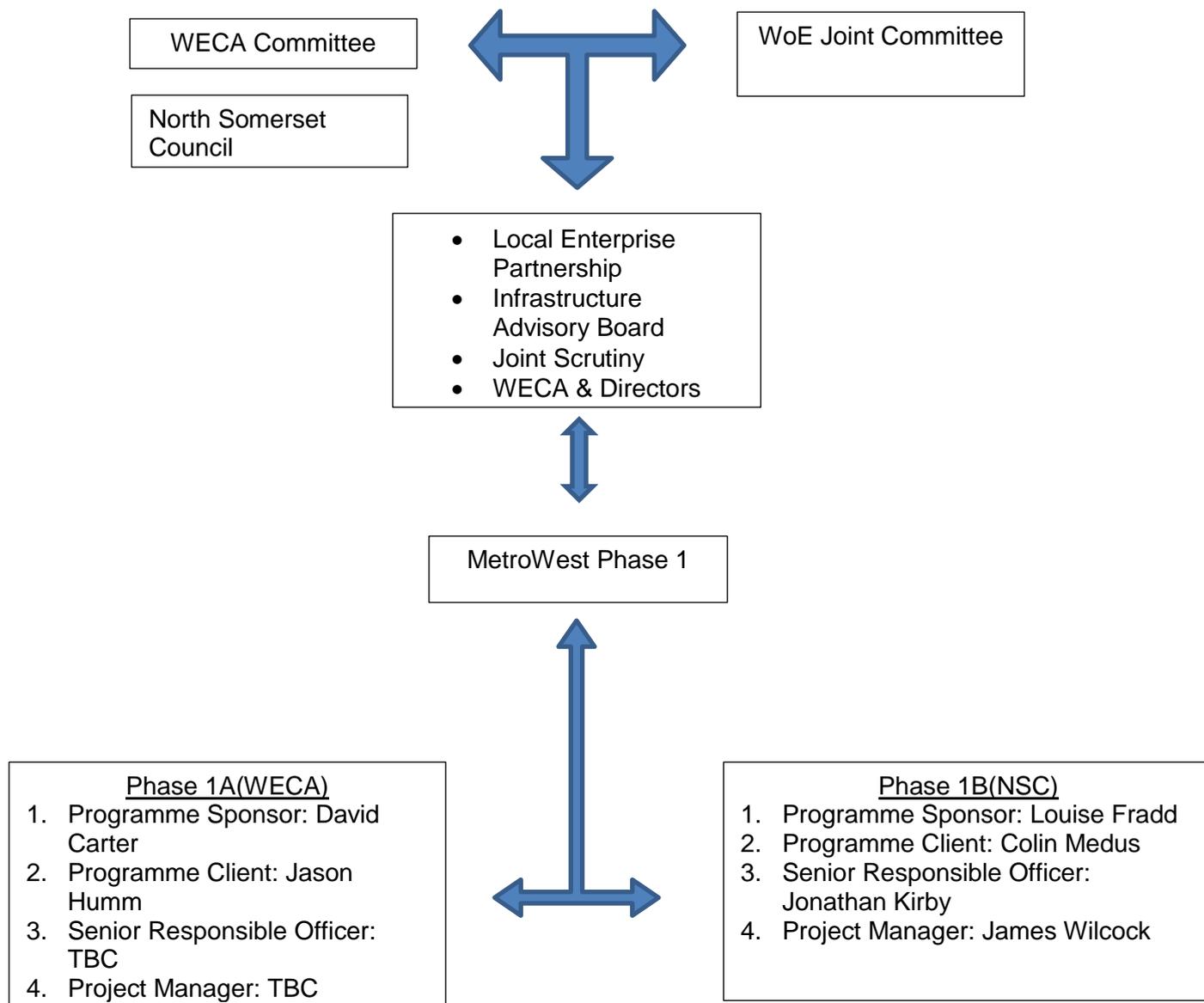
- 2.19. North Somerset Council manage the MetroWest Phase 1 on behalf of the West of England authorities. A project team was established in 2013. North Somerset contract with Network Rail who appoint additional contractor support as required. For GRIP 3 and 4 Arup were appointed as the key contractor for bringing the rail project elements together. The Highway, Environmental Assessment and land assembly elements have been led by North Somerset with specialist consultant support secured as required. Legal advice is contracted through Womble Bond Dickinson. Regular project team meetings take place which all four Unitary Authorities and WECA attend. Reports are produced for the Director's meetings and LEP Board and the Joint Committee. Legal and Financial checks are made as part of this reporting process by all Section 151 and Monitoring Officers of the Unitary Authorities and WECA.

#### **Proposed Arrangements**

- 2.20. A key issue to arise has been the overall governance, particularly given the formation of WECA in 2017. It is therefore proposed that a joint project governance arrangement is put in place with WECA, which could be replicated with MetroWest Phase 2, if considered appropriate, in conjunction with South Gloucestershire Council. The proposed governance arrangement is outlined below and is structured in such a way that Phase 1A and 1B can potentially be separately project managed with WECA taking overall project management control of Phase 1A and North Somerset Council maintaining the Project Management of Phase 1B.

## Proposed Governance Arrangement for MetroWest Phase 1A and 1B

### MetroWest Phase 1 (A&B) Governance Chart



2.21. The above project governance framework shows the Phase 1A and Phase 1B packages, as part of the overall MetroWest Phase 1 Project. The delivery and timeframe for these packages, is facilitated through this governance framework, as it would allow WECA to take the lead on Phase 1A and NSC on Phase 1B, without significant disruption, delay and cost through impacts on the delivery team, design/professional services and existing contractual arrangements in place.

2.22. The project team meetings will continue as per the current programme and report any emerging risks or issues and escalating them to the SRO and Programme Sponsors to ensure that representations are made at the appropriate level.

### 3. Consultation:

3.1. Consultation has been carried out with the Chief Executives and lead statutory officers.

### 4. Risk Management/Assessment:

4.1. The MetroWest project team maintains a full reviewed risk register for the project which is regularly reviewed as part of the programme governance arrangements.

### 5. Public Sector Equality Duties:

5.1. There are no specific public-sector equalities issues arising from this report although these are an integral part of the considerations for the project as it progresses through the delivery process.

## Public Sector Equality Duties

6 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.

6.1 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.

6.2 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.

## Finance Implications, including economic impact assessment where appropriate

7. As previously stated the BCR for MetroWest Phase 1 is 3.61, this is currently being revised to include the Westbury extension; the outcome of this will be available in December 2018.

Project costs, funding committed and anticipated spend to DCO submission is shown in the table below:

	<b>Preliminary (DCO Submission)</b>	<b>Delivery</b>	<b>Funding</b>
LGF Development	£10.5m		£10.5m
LGF implementation		£16.8m	£16.8m
EDF(1)		£26.1m	£26.1m
NSC	£2.3m		£2.3m
B&NES	£0.6m		£0.6m
BCC	£1.3m		£1.3m
SGC	£0.2m		£0.2m
WECA		£5.86m	£5.86m
NSC Additional Contribution*	£1.4m	£4.46m	£5.86m

Remaining Funding Requirement*		£46.9m	£46.9m
<b>Total Scheme Cost</b>	<b>£16.3m</b>	<b>£100.1m</b>	<b>£116.4m</b>

\*NSC approval pending December 2018 for additional £1.4m

Chris Grayling, in his letter of 2<sup>nd</sup> October, stressed that local funding options had to be truly exhausted.

In light of this we are exploring the possibility of leveraging in further resources from the West of England Economic Development Fund (EDF). This fund, which is currently capped at £500m, is based on generating a forecasted level of business rates growth within the region. Current estimates suggest that overall growth could be higher than originally anticipated. Further work is required to fully understand the scope of extending the EDF funding available for distribution.

We will also explore the possibility of utilising Revolving Infrastructure Fund (RIF) headroom. This funding was allocated to schemes on the assumption that an element of repayment would be made back into the overall pot available. Currently, unallocated balances amount to circa £5m with the potential of more payback to follow.

WECA will fully engage and work with all West of England Section 151 Officers to ensure that the option of allocating further funding towards the MetroWest rail gap is robust, transparent and equitable across the region.

#### 7.1 Additional Draw Down of Funding for 18/19 DCO submission.

7.2 North Somerset Council are seeking Executive approval to allocate a further £1.4m funding from their own resources to complete the DCO process to submission

7.3 In order to maintain progress on Phase 1A, LGF funding is required to ensure that the key milestones are maintained. It is therefore requested that a further allocation is made from the approved LGF Development funding for the project of £0.5m for 18/19. This funding is required for Phase 1A to enable:

- GRIP 4 option development design
- Westbury extension:
  - economic appraisal,
  - pre-GRIP feasibility
  - GRIP 1-4 design

This draw down will be in line with the proposed governance arrangements as outlined in paragraph 2.20.

7.4 The key financial risks are:

1. Revenue reversion risk through failing to deliver an asset to capitalise against
2. Capital cost risk from project overruns
3. Patronage revenue risk in the first three years of the new train service operations

7.5 These risks above are currently apportioned to the four West of England UA's through an Initial Promotion Agreement (IPA).

7.6 Risk 1, the risk of revenue reversion, in relation to all costs incurred up to the submission of the DCO remains with the four West of England UA's as per the current IPA. A further review of the revenue reversion risks for both submitting the DCO and proceeding with the other technical aspects of the project will be required. This will take account of the land and

---

property assets already acquired to date.

- 7.7 It is proposed that, in principle, the risk from project overrun, (risk 2) will be split 50/50 between WECA and North Somerset Council (this is subject to WECA and North Somerset approval).
- 7.8 Patronage revenue risk, (risk 3), is dependent on negotiations with DfT and will need to be agreed later once the commercial arrangements are understood. However, at present this risk remains with WECA and the four Authorities.
- 7.9 While the project remains a single scheme, the surplus revenue forecast on the Portishead line will be available to subsidise the Severn Beach and Bath lines as detailed in Appendix 2.

### **Legal Implications**

- 8 The proposed governance structure will enable the Joint Committee to monitor progress of the MetroWest project.  
Advice given by: Shahzia Daya, Director of Legal

### **RECOMMENDATION:**

Joint Committee to approve:

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

### **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](mailto:democratic.services@westofengland-ca.gov.uk)

**Appendices**  
**Appendix 1**  
**Indicative Revised Summary Programme Phase 1A**

<b>Milestone</b>	<b>Phase 1 A - Bathampton Option <u>without</u> needing Bristol East Junction Enhanced Renewal</b>	<b>Phase 1A – Bathampton Option <u>with</u> needing Bristol East Junction Enhanced Renewal</b>
WoE Joint Committee 30 <sup>th</sup> November meeting	30 <sup>th</sup> November 2018	30 <sup>th</sup> November 2018
WoE Joint Committee 1 <sup>st</sup> February meeting	1 <sup>st</sup> February 2019	1 <sup>st</sup> February 2019
Completion of GRIP4	March 2019*	March 2019*
Enter into Implementation Agreement with NR	April 2019*	April 2019*
Invitation to Tender for GRIP 5 -8 (Part A and Part B) Issued	May 2019*	May 2019*
Award of GRIP 5 (Part A) Contract	December 2019*	December 2019*
Completion of GRIP 5 Detailed Design inc Final Cost	July 2020*	December 2020*
Approval of Full Business Case	September 2020*	December 2020*
Award of GRIP 6-8 (Part B) Construction Contract	October 2020*	January 2021*
Start of Construction Works	December 2020*	April 2021*
Completion of Construction Works	September 2021*	December 2021*
Commissioning & Testing Complete	November 2021*	March 2022*
Start of train services	December 2021* #	March / May 2022*
<b>Delivery Route</b>	Taken forward with separate commercial, procurement, contractual processes and separate Business Case from Phase 1B	Taken forward through a single delivery route with Phase 1B
<b>Estimated Capital Cost</b>	£5.8M	£5.4M

\* Date is subject to review and validation by Network Rail, and therefore is indicative only  
# Bristol East Junction is currently programmed by Network Rail to open in September 2021, however it has not yet completed GRIP4 Single Option Development and consequently this date is subject to confirmation.

**Appendix 2  
MetroWest Phase 1**

**Scheme Economic Performance & Operational Revenue Position**

	<b>Phase 1 A only (Bathampton Option)</b>	<b>Phase 1 B only</b>
Benefit to Cost Ratio	BCR 4.85	BCR 2.15
Overall revenue position for first three years including mobilisation costs (Central Case)	<b>-£3,780,051</b>  <b>Subsidy</b>	<b>£1,631,955</b>  <b>Revenue Surplus</b>
Revenue breakeven point	<b>Year 13</b>	<b>Year 1</b>