

North Somerset Council

Report to the Council

Date of Meeting: 9th January 2024

Subject of Report: MetroWest Phase 1 - Request delegated authority to finalise and submit the Full Business Case

Town or Parish: All

Officer/Member presenting: Cllr Mike Bell, Leader of the Council and Executive Member for Major Infrastructure Projects

Key Decision: No

Reason:

Not an Executive Decision

Recommendations

The Council is asked to:

1. Delegate authority for the Leader Cllr Bell (Executive Member for Major Infrastructure Projects) to finalise and submit the project Full Business Case to the Department for Transport, on the following basis:
 - a) the submission of the Full Business Case will not commit the Council to allocate any additional funding and will not increase the Council's financial commitments beyond what has previously been authorised by Council.
 - b) the total capital funding is £152.01m and is tabled in the finance section 5.7 to 5.9
 - c) the Department for Transport will continue to act as the project sponsor and will own all the capital delivery risk, for any future cost escalation. Any increase in the final estimated capital outturn cost of £152.01 million leading up to the submission of the Full Business Case will be dealt with as a request to the Department for Transport for funding as part of the submission.
 - d) the Department for Transport will fund the operational costs including mobilisation costs, for the Portishead Line passenger train service, operating costs for Portishead and Pill stations, and will hold all financial liabilities relating to the operation of the train service,
 - e) following approval of the Full Business Case by the Department for Transport (anticipated by late May 2024), the Department for Transport will instruct Network Rail to deliver the project. Network Rail will deliver all the railway scope of works and the re-alignment of Quays Avenue in Portishead. Network Rail will in turn contract North Somerset Council & the West of England

Combined Authority to deliver minor scope including works to highway bridges, minor highway works, land assembly and use of Development Consent Order powers, minor ecology works and project management resources, and

- f) following approval of the Full Business Case by the Department for Transport a further report will be brought back to Council (in summer 2024) seeking authorisation to release the unspent capital funding tabled in the finance section 5.7 to 5.9, to Network Rail (or the Department for Transport). The report will also seek authorisation to enter into a funding agreement with Network Rail for the scope set out in e) above and to award contracts for the delivery of the scope set out in e).

2. Delegate authority for the Leader Cllr Bell (Executive Member for Major Infrastructure Projects) to enter into an addendum to the existing Funding Agreement between Network Rail and North Somerset Council (where NSC is a sub-contractor to NR), for the delivery of scope during the transitional period after submission of the Full Business Case and up to the award of construction contracts (the period from March to August 2024). The estimated cost of the NSC scope is £0.827 million for the five-month period, for which NSC will be reimbursed by NR for all costs incurred.

1. Summary of Report

- 1.1. MetroWest Phase 1 (the project) proposes to re-open the Portishead rail line with stations at Portishead and Pill (Phase 1B). The project has already implemented the upgrade to the existing local train service for the Severn Beach Line and the Westbury to Bristol Line (Phase 1A).
- 1.2. The project is a Department for Transport (DfT) sponsored project under the 'Restoring your Railway' Programme, where Network Rail is the DfT's delivery agent. Subject to the approval of the Full Business Case, the construction and implementation of the project will be funded by the funding partners; the DfT, North Somerset Council (NSC), and the West of England Combined Authority (WECA).
- 1.3. The current phase of the project up to the submission of the Full Business Case in late February 2024 is being funded by the DfT. North Somerset Council is delivering the NSC/WECA project scope as a sub-contractor to Network Rail. The NSC/WECA project scope in summary comprises; ecology enabling works, the design of minor highways/bridges works, land assembly, production of the Full Business Case and project management resources.
- 1.4. The project Development Consent Order (DCO) was granted by the Secretary of State for Transport on 14th November 2022. The DCO provides planning consent, powers for the compulsory acquisition of land where necessary and ancillary powers.
- 1.5. This report sets out the basis on which the Full Business Case is to be finalised and submitted to the DfT.

2. Policy

- 2.1. The project is identified in the Joint Local Transport Plan 4, and North Somerset's Core Strategy as a priority for early delivery. Re-opening the Portishead line was also included in the 2007 Replacement Local Plan and successive Local Plans over

a number of decades. MetroWest contributes to the package of infrastructure to support the delivery of housing land in North Somerset through urban intensification, job creation and sustainable growth. As part of a wider package of public transport advancements across North Somerset and the region, the project will promote alternatives to car use and improve the resilience of the existing and future highway network.

2.2. The delivery of the project aligns with the vision and priorities set out in the North Somerset Council Corporate Plan 2020 - 2024. The project underpins 'An open, fair and green North Somerset Council', through the delivery of a mode of transport that will be accessible to all including young and elderly people (many of whom have limited access to transport), with step free access to station platforms enhancing transport equality. This is reflected in the Council's priorities to achieve:

- A thriving and sustainable place
- A council which empowers and cares about people
- An open and enabling organisation

3. Background

3.1. The key driver for the re-opening of the Portishead Line is to transform rail access and connectivity for Portishead and the surrounding area, whilst resolving the current highway congestion on the A369 highway. The A369 is the only transport corridor between Portishead and Bristol. The A369 has major bottlenecks at both ends of the corridor because of the one of the busiest sections of the M5 dissecting the corridor at the Junction 19, east of Portishead and at the other end of the corridor there is systemic congestion into and through Bristol City Centre. These bottlenecks cause major disruption to the local community and business through poor highway journey times, poor journey time reliability and severe lack of highway network resilience.

3.2. The following are the primary benefits of the scheme:

- Significantly reduced travel time into Bristol from Portishead to 23mins compared to bus (60min+) & car (50min) significantly improving people's access to employment and services.
- Over 50,000 people brought within direct catchment of a rail station (Portishead & Pill) for the first time in over 60 years,
- 1.2m additional rail journeys and £7m revenue within 15 years of opening.
- Benefits to the regional economy in Gross Value Added (GVA) of £43m per annum
- Delivers the removal of 13 million car-km annually by 2041.

3.3. The project objectives are focused on providing long term benefits for local communities and business. The project objectives are as follows:

Principal Objectives	Supporting Objectives
To support economic growth	To contribute to reducing traffic congestion
To deliver a more resilient transport offer	To contribute to enhancing the capacity of the local rail network
To improve accessibility to the rail network	To contribute to reducing the overall

To make a positive contribution to social well-being	environmental impact of the transport network
--	---

- 3.4. The project detailed design is at an advanced stage and work on the preparation of the Full Business Case is progressing and is on programme to be completed and submitted to the DfT by 29th February 2024.
- 3.5. The Full Business Case has to accord with the DfT's Transport Analysis Guidance (TAG), and the Treasury Green Book;
<https://www.gov.uk/government/publications/transport-business-case/transport-business-case-guidance>
- 3.6. The guidance requires the business case to be set out under five cases as follows:
- Strategic Case
 - Economic Case
 - Management Case
 - Commercial Case
 - Finance Case

4. Consultation

- 4.1. Extensive public consultation has been undertaken over several years on the project proposals. The response to the consultations was very high with almost 2,000 separate responses received over both stages and the level of support for the scheme is also very high with 95% of community respondents fully or mainly in support of the proposals. Further information on the project consultation is set out in the DCO Consultation Report which is available from:
<https://metrowestphase1.files.wordpress.com/2020/01/5.1-consultation-report.pdf>

5. Financial Implications

Submission of the Full Business Case

- 5.1. The final estimated capital cost of the scheme is due to be confirmed by Network Rail on 12th February 2024, following receipt of updated cost assessments / market prices.
- 5.2. The Full Business Case is being prepared and finalised on the following basis:
- a) the submission of the Full Business Case will not commit the Council to allocate any additional funding and will not increase the Council's financial commitments beyond what has previously been authorised by Council.
 - b) the total capital funding previously approved by Council for the overall scheme is £152.01m.
 - c) the Department for Transport will continue to act as the project sponsor and will own all the capital delivery risk, for any future cost escalation. Any increase in the final estimated capital outturn cost of £152.01 million leading up to the submission of the Full Business Case will be dealt with as a request to the Department for Transport for funding as part of the submission.
 - d) the Department for Transport will fund the operational costs including mobilisation costs, for the Portishead Line passenger train service, operational

costs for Portishead and Pill stations and will hold all financial liabilities relating to the operation of the train service,

- e) following approval of the Full Business Case by the Department for Transport (anticipated by late May 2024), the Department for Transport will instruct Network Rail to deliver the project. Network Rail will deliver all the railway scope of works and the re-alignment of Quays Avenue in Portishead. Network Rail will in turn contract North Somerset Council & the West of England Combined Authority to deliver minor scope including works to highway bridges, minor highway works, land assembly and use of Development Consent Order powers, minor ecology works and project management resources, and
- f) following approval of the Full Business Case by the Department for Transport a further report will be brought back to Council (in summer 2024) seeking authorisation to release the unspent capital funding tabled in the finance section 5.7 to 5.9, to Network Rail (or the Department for Transport). The report will also seek authorisation to enter into a funding agreement with Network Rail for the scope set out in e) above and to award contracts for the delivery of the scope set out in e).

- 5.3. Delegated authority is sought for the Executive Member for Major Infrastructure Projects to finalise and submit the project Full Business Case to the Department for Transport, as per recommendation 1.

Transitional Costs

- 5.4. In July 2022 the DfT allocated £13.8 million for the project detailed design and work feeding into the submission of the Full Business Case. The DfT have a funding agreement with Network Rail for the £13.8 million. In turn Network Rail sub-contracted NSC to deliver specific items of scope, which in summary comprises ecology enabling works, the design of minor highways/bridges works, land assembly, production of the Full Business Case and project management resources, totalling up to £3.5 million. NSC are reimbursed by Network Rail on a quarterly basis for all costs incurred. These contractual arrangements have been formalised through a funding agreement between NSC and Network Rail.
- 5.5. In order to achieve a construction start date of August 2024, it is necessary for key activities to be progressed by Network Rail and NSC / WECA during the transitional phase from March to August 2024. The estimated cost of the transitional phase is £4.304 million, comprising approximately £3.477 million of Network Rail costs and £0.827 million of NSC / WECA costs. A request has been made to the DfT to fund the £4.304 million transitional costs and a decision is anticipated by January 2024.
- 5.6. Delegated authority is sought for the Executive Member for Major Infrastructure Projects to enter into an addendum to the existing Funding Agreement between Network Rail and North Somerset Council (where NSC is a sub-contractor to NR), for the delivery of scope during the transitional period after submission of the Full Business Case and up to the award of construction contracts (the period from March to August 2024). The estimated cost of the NSC scope is £0.827 million for the five-month period, for which NSC will be reimbursed by NR for all costs incurred, as per recommendation 2.

The Capital Budget

- 5.7. The total capital budget for all elements of the project will be **£152.01million** and these costs will be funded using the sources as set out in the detailed table below:

Funding Source – detailed analysis	Funding £million
West of England Local Growth Fund	£18.87
West of England Economic Development Fund	£49.53
Other Local Authority Contributions	£4.41
NSC contribution (capital receipts)	£5.86
WECA Investment Fund (IF)	£5.56
WECA Transforming Cities Fund (TCF)	£0.30
DfT RYR contribution	£31.90
Sub Total – original project funding	£116.43
NSC contribution (borrowing)	£10.00
DfT RYR contribution	£15.58
WECA - Transforming Cities	£5.90
WECA - Investment Fund	£4.10
Sub Total - Additions July 2022	£35.58
TOTAL FUNDING	£152.01

- 5.8. As set out in section 5.2 f) above. Following approval of the Full Business Case by the DfT a further report will be brought back to Council (in summer 2024) seeking authorisation to release the unspent funds. The report will also seek authorisation to enter into a funding agreement with Network Rail for the scope set out in section 5.2 e) above and to award contracts for the delivery of the scope set out in section 5.2e).

Summary Funding Source	Total Project Funding £'m	Used to finance NSC Spend to 31/3/2023 £'m	Will be used; NSC Forecast Spend 2023/24 £'m	Will be used; Network Rail Forecast Spend 2023/24 £'m	Balance of Funding Remaining for 2024/25 Onwards £'m
Summary					
NSC Contributions	£34.73	£20.62	£0.00	£.00	£14.11
DfT Funding	£47.48	£0.61	£2.88	£10.31	£33.68
Other Local Authority Contributions	£4.41	£4.14	£0.00	£0.00	£0.27
WECA Funding	£15.86	£5.24	£0.00	£0.00	£10.62
West of England Economic Develop Fund	£49.53	£0.00	£0.00	£0.00	£49.53
	£152.01	£30.61	£2.88	£10.31	£108.21

- 5.9 Following approval of the Full Business Case by the DfT the funding contributions from the DfT and WECA will be transferred directly to Network Rail, who will have overall responsibility to deliver the project. The report to Council in summer 2024 will seek authorisation to transfer the balance of monies held by North Somerset Council as well as the Council's own funding contributions which as shown in the above table are; £14.11m + £0.27m + £49.53 EDF = £63.91m. The councils Capital Programme will then be updated to £63.91m to reflect NSC's balance of funding.

The Operational Budget

- 5.10 Engagement with the DfT has been positive regarding the operation of the proposed Portishead Line passenger train service. Subject to the approval of the Full Business Case, the DfT have indicated they will fund the operational costs including mobilisation costs, for the Portishead Line passenger train service, operational cost for Portishead and Pill stations and will hold all financial liabilities relating to the operation of the train service.

6. Legal Powers and Implications

- 6.1. The DCO has a range of legal implications which are set out in the report to Council at its meeting of 25th June 2019.
<https://apps.n-somerset.gov.uk/Meetings/document/report/NSCPM-38-603>

7. Climate Change and Environmental Implications

- 7.1. MetroWest Phase 1 required an Environmental Statement to support the DCO process. Climate change and environmental implications have been assessed in the Environmental Statement. The Environmental Statement is a key DCO application document and is available from:
<https://metrowestphase1.org/dco-application/>

8. Risk Management

- 8.1. The project risk profile for NSC and WECA has reduced substantially since the DfT took over the project sponsorship in late 2022. That being said, there remains a number of key project risks which need to be carefully managed leading up to the approval of the Full Business Case by the DfT.
- 8.2. The NSC/WECA team manage risks jointly with Network Rail. A full risk register is in place for the project and is reported regularly to the MetroWest Phase 1 Board. The Quantified Cost Risk Assessment (QCRA) has been updated and the results of the risk modelling are due imminently. Project risks are under continual review by the project team, sponsors and the S151 officers.
- 8.3. The following risks are relevant to this decision:

Risk	Inherent risk score	Residual likelihood	Residual impact	Residual risk score	Comments
Capital Cost Project Affordability - there is a risk that market prices will be higher than expected and the DfT are unwilling	HIGH	3	5	HIGH	1. The NSC/WECA team are fully engaged with the Network Rail team and its main works contractor (Volkerfitzpatrick) on all technical aspects of the project

to meet any funding gap, resulting in the project not proceeding, causing a revenue reversion impact of up to £30m shared equally between NSC & WECA. Note this risk includes the risk that the current level of inflation drives up market prices.					<p>detailed design to ensure all opportunities for scope reduction / avoidance and efficiencies are maximised.</p> <ol style="list-style-type: none"> NSC & WECA officers are fully engaged with the DfT officials at the technical project level through to the director / CEO level. There is a very compelling case for strategic investment to deliver the project. The NSC/WECA team are leading production of the FBC.
Capital Cost Delivery Risk for any future cost escalation – there is a risk that the DfT do not confirm they accept the full delivery risk for the project.	HIGH	3	5	HIGH	<ol style="list-style-type: none"> NSC & WECA officers are fully engaged with the DfT officials at the technical project level through to the director / CEO level. The feedback from the DfT to date on this has been positive and NSC & WECA have requested the DfT to confirm its position.
Capital Cost Transitional Funding – there is a risk the DfT do not confirm they will meet the £4.304 million transitional costs from March to August 2024.	MEDIUM	3	3	MEDIUM	<ol style="list-style-type: none"> NSC & WECA officers are fully engaged with the DfT officials at the technical project level through to the director / CEO level. If the DfT decide to only fund the bare minimum project management costs (less than £4.304 million), the project could still proceed but the August 2024 construction start date would not be achievable. This would result a delay of up to 5 months to the start and completion of construction and 5 months of additional construction inflation.
Operational Cost Affordability & Delivery Risk – there is a risk the DfT do not confirm they will meet the costs for operating the Portishead Line passenger train service and acceptance of all its financial liabilities.	MEDIUM	3	3	MEDIUM	<ol style="list-style-type: none"> NSC & WECA officers are fully engaged with the DfT officials at the technical project level through to the director / CEO level. The forecast passenger demand and fare-box revenue, indicates the passenger train service will breakeven within 3 years.
Full Business Case approval – there is a risk that the FBC is not approved by the DfT on the grounds of a technicality or that approval takes longer than expected.	MEDIUM	3	3	MEDIUM	<ol style="list-style-type: none"> NSC & WECA officers are being supported by Aecom for the FBC, who have achieved FBC approval for other major rail projects. NSC & WECA officers are fully engaged with the DfT officials at the technical project level through to the director / CEO level.

9. Equality Implications

9.1. An Equality Impact Assessment has been undertaken for the DCO and is available from here:

<https://metrowestphase1.files.wordpress.com/2020/01/6.25-es-volume-4-appendix-series-14-socio-economics.pdf>

10. Corporate Implications

- 10.1. The improvement of the transport network is a key priority in the Corporate Plan. The project will play a significant role in Supporting Economic Prosperity (Aim 5) and Protecting and Improving the Environment (Aim 3). There are no specific cross-service implications.

11. Options Considered

- 11.1. The Environmental Statement Chapter 3 Scheme Development and Alternatives and the Habitats Regulation Assessment considered the mode options, route alignment options and service frequency options for the addressing the major problems of the Portishead to Bristol transport corridor. These documents were scrutinised during the DCO examination and the DCO was subsequently consented by the Secretary of State for Transport DCO The documents are available from:

<https://metrowestphase1.org/dco-as-made-nov-2022/>

Author

James Willcock, MetroWest Phase 1 Programme Manager

Appendices

None

Background Papers

Report to Council 8th November 2022 MetroWest Phase 1 Update – governance and funding agreements

<https://n-somerset.moderngov.co.uk/ieListDocuments.aspx?CId=169&MId=988&Ver=4>

Report to Council 12th July 2022 MetroWest Phase 1 Update

<https://n-somerset.moderngov.co.uk/documents/s3663/06%20MetroWest%20Phase%201%20Report%20to%20the%20Council%2012th%20July%202022%20-%202021-06-22%20FINAL.pdf>

Report to Council 19th July 2021 MetroWest Phase 1 Delivery Update

<https://n-somerset.moderngov.co.uk/ieListDocuments.aspx?CId=169&MId=678&Ver=4>

Draft Full Business Case