

Bath & North East Somerset Council		
MEETING/DECISION MAKER:	Cllr Mark Shelford Cabinet Member for Highways and Traffic Cllr Charles Gerrish Cabinet Member for Finance and Efficiency	
MEETING/DECISION DATE:	On or after 3 rd November 2018	EXECUTIVE FORWARD PLAN REFERENCE:
		E3083
TITLE:	Metrowest Phase1- Initial Promotion Agreement	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 Draft Initial Promotion Agreement version 3		

1 THE ISSUE

- 1.1 MetroWest Phase 1 is a Nationally Significant Infrastructure Project (NSIP) and therefore triggers a requirement for a Development Consent Order (DCO) for planning and land acquisition powers to build and operate the proposed development on the line to Portishead. The DCO process entails six stages. Stage 1 (Pre-application) is nearing completion, and the DCO application is programmed to be complete and ready for submission by late July 2018, subject to formal decision making by the WoE Joint Committee and authorisation to extend the current Initial Promotion Agreements.
- 1.2 In order for the Metrowest scheme to remain on programme, the working arrangements between the four Unitary Authorities and West of England Combined Authority needs updating from the current Initial Agreement version 2 to version3. All parties will enter into the updated agreement.

2 RECOMMENDATION

- 2.1 The Cabinet Members are asked to;
 - (1) Note the progress on the development of the project set out in this report.
 - (2) Agree to provide delegated authority to the Corporate Director in consultation with Monitoring Officer and Section 151 Officer to finalise, sign and seal Initial Promotion Agreement version3 (IPA3) in conjunction with the four other authorities.

3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 3.1 The costs of managing the BANES involvement in this project are incorporated within existing transport revenue budgets. There is currently no separate capital budget agreed within BANES' capital programme.

- 3.2 The work at this stage is wholly funded by existing contributions (3.6 below) and does not incur further commitment to expenditure for BANES at the current time.
- 3.3 To date (up to end March 2018) £11.8m has been spent on the project, excluding land acquisition. The following table sets out the sources of the current project budget.

Current Project Budget

Budget Source	Total
LGF (Prep Costs Award)	£8,846,000
LGF (Devolved Major Project)	£44,554,000
Contributions to date by four Councils*	£4,413,000
Total	£57,813,000

* The element relating to BANES = 14.5% of this, £639,690. This was contributed from the following budgets:

BANES Budget Source	Total
2015-16 MetroWest Capital Budget	£448,490
2014-15 Transport Improvement Budget	£145,510
2013-14 Transport Improvement Budget	£45,690
Total	£639,690

- 3.4 Cost estimates for the whole project have increased from £58m to £116m. This follows the GRIP stage 3 Option Selection Approval in Principle (AIP) design work completion.
- 3.5 In addition, North Somerset Council has allocated a further £6m and the West of England Combined Authority has allocated £6m to support a funding bid to the DfT for £46m, giving a total expected budget of £116m to deliver the project. Whilst the funding bid for the additional £46m was not successful, the Large Local Major Scheme fund is not the only funding mechanism available to the DfT. The project team have submitted an expression of interest to the Transforming City Fund and will continue discussions with the DfT. In light of the increased cost of the project, beyond the original GRIP 2 estimated cost set out in the Preliminary Business Case, North Somerset Council has agreed (subject to authorisation) to accept all the liability over and above the original £58m, in addition to its share of the liability (50% share) for the original £58m. This means the capital liability share for Bath & North East Somerset, Bristol City and South Gloucestershire remains unchanged.

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 Outline Business Case)	Net share of total liability for the Third Initial Stage
15% of original £58m	0% of additional £58m	15% of original £58m

- 3.6 The estimated spend for 2018/19 to end of the second quarter is £1.44m, to undertake the technical work, culminating in the submission of the DCO application and completion of Governance for Railways Investment Projects stage 4 (GRIP4) by Sept 2018. The £1.44m will need to be funded by £1.32m of LGF funding with £0.11m of match funding by the councils, this is included in the contributions to date and is held on account by North Somerset.
- 3.7 The submission of the DCO application will be a major milestone for the project. Following confirmation of the remaining £46m funding, authorisation will be sought for the remainder of the LGF funding for preparation costs leading up to the completion and submission of the Full Business Case.
- 3.8 The Promotion Agreement identifies liabilities for each of the Authorities where an independent decision is taken that incurs cost increase, including withdraw from the programme delivery.
- 3.9 Should the project not be delivered for whatever reason, there remains a risk of 'revenue reversion' costs being incurred by the authorities. However, the delivery of at least Stage A of the project (including the delivery of assets), would reduce the authorities exposure to revenue reversion costs. This position is similar to previous major projects that the authorities have promoted.
- 3.10 The funding for the project is mainly Grant funding which comes with spending conditions including timescale, if these condition are not met there remains a risk to that element of funding. This position is similar to previous grant funded projects that have been delivered.

4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

- 4.1 The IPA3 has been reviewed by legal departments of the five authorities. The agreement is attached to this report. The agreement does not place any obligation or liability on any of the authorities to construct the project and places no further liability on Bath & North East Somerset Council, Bristol City Council, South Gloucestershire Council than under current arrangements in IPA2 . Upon endorsement of the project Full Business Case in 2020 by the WoE Joint Committee and associated decisions to award construction contracts, IPA3 will be replaced with another agreement to cover the joint working arrangements for the construction and operational phase of the project. This final agreement is to be called the Joint Promotion Agreement. The Joint Promotion Agreement will also set out any revenue liabilities of the project, however as set out in para 5.8 the DfT Rail Executive has indicated that it is inclined to include the MW Phase 1 train service within the planned extension to the GWR franchise to March 2022.
- 4.2 An Equality Impact Assessment has been undertaken and is contained within the Preliminary Environmental Information Report, which is available from www.travelwest.info/projects/MetroWest.

5 THE REPORT

- 5.1 MetroWest is an integral part of the current Joint Local Transport Plan and will form the backbone for the development of future extensions to the suburban railway network in the new Plan. MetroWest also supports the planned growth in the Joint Spatial Plan providing key transport links to proposed housing and employment developments in Keynsham, Charfield, Yate, South Bristol and Henbury as well as the existing Temple Quarter Enterprise Zone and Enterprise Areas in Bath, Filton, Avonmouth/Sevenside, Weston-super-Mare and Emersons Green.
- 5.2 Network Rail's programme of renewals and enhancements up to the end of control period 5 and into early control period 6 (from now to late 2021) includes the renewal of Bristol East Junction (east of Temple Meads station) which is programmed to be completed by September 2021, subject to confirmation of funding by the DfT. The quantum of changes to train services planned for January 2019 is such that Network Rail are not currently able to confirm whether MetroWest Phase 1 and Phase 2 train services could operate without the delivery of the Bristol East Junction project. Therefore, both MetroWest Phase 1 and Phase 2 have to assume for the time being, that both projects are dependent upon the delivery of the Bristol East Junction project as a prerequisite.
- 5.3 MetroWest Phase 1 will see half hourly services in 2021 on the Severn Beach Line and local stations to Bath Spa with a possible extension to Westbury as part of Stage A. With an hourly service on a reopened line to Portishead with new stations at Pill and Portishead in 2021 as part of Stage B. MetroWest Phase 2 will see a reopened Henbury Line with new stations at Henbury, North Filton and Ashley Down and half hourly services to Yate with a possible extension to Gloucester.
- 5.4 MetroWest Phase 1 has previously been identified as a priority project through inclusion within the Local Growth Fund programme and an allocation of £53.4m from the West of England LEP and also supported by contributions by the five local authorities. The Governance for Railways Investment Projects 3 (GRIP3) Outline design undertaken in 2017 and other previous investigations found that this funding was not adequate. Therefore, in December 2017 the WoE Joint Committee submitted the project Outline Business Case as part of a Large Local Major Scheme funding bid to the Department for Transport (DfT), seeking £46m of additional funding and agreed to progress the project subject to a further gateway sign-off by the Joint Committee in July 2018
- 5.5 Unfortunately the 'Large Local Major Scheme' bid to the Department for Transport was not successful, however the letter said; "...colleagues in the Department are continuing to have detailed discussions with you and other stakeholders in the West of England about potential improvements to rail services, including the MetroWest programme, and how they might be funded." We now need to allow some time to take these discussions forward with the DfT and then provide an update to the Joint Committee in July 2018. While clarification on the funding is awaited, to remain on programme, it is necessary to progress working arrangements between the now five local authorities and update and extend the series of Initial Promotion Agreements. Initial Promotion Agreement (version1) was completed between the four WoE authorities on 13 March 2014 and extended in Initial Promotion Agreement (version2) on 13 February 2015 (IPA2).

- 5.6 MetroWest Phase 1 is a Nationally Significant Infrastructure Project (NSIP) and therefore triggers a requirement for a Development Consent Order (DCO) for planning and land acquisition powers to build and operate the proposed Portishead line. The DCO regime is a six stage process, taking at around 18 months from the point at which a DCO application is submitted. An integral part of the DCO process is a requirement to demonstrate funding certainty in the form of a Funding Statement as part of the DCO application.
- 5.7 The project is identified in the Joint Local Transport Plan 3 (JLTP3). Both MetroWest Phase 1 and Phase 2 are included in the base case for the WoE Joint Spatial Plan and the Joint Transport Study. This means the planned delivery of 105,000 new homes and creation of 82,500 new jobs up to 2036, assumes that both MetroWest Phase 1 and 2 have been delivered and are operational.
- 5.8 The estimated project (Stage A & B) capital out-turn cost is £116,462,715. Further detail about the estimated capital cost of the project is set out in the Outline Business Case which is available from:
www.travelwest.info/projects/MetroWest.
- 5.9 The arrangements for the procurement and operation of the passenger train service are being progressed via the DfT Rail Executive. The DfT Rail Executive is supportive of the project and has indicated that it is inclined to include the MW Phase 1 train service within the planned extension to the GWR franchise to March 2022. The Rail Executive has also said that it may extend MW Phase 1 train service to West Wiltshire (and also MW Phase 2 train service to Gloucester). The timescales for the Rail Executive's decision making have not yet been published but it is unlikely that it will make any significant decisions before the end of 2018.
- 5.10 The project is forecast to generate an operating surplus from year 6 onwards, prior to that some revenue support is required to cover train operator cost prior to project opening and during the first 6 years of operation. On the basis that the project generates a surplus from the end of year 6, we are pressing the Rail Executive to cover the operating costs in the early years and also on the basis that it would not be equitable to expect the WoE authorities to meet these costs while the Rail Executive provides enhancements to the local rail network in other authority areas, at nil cost to those authorities.
- 5.11 IPA2 currently sets out the joint working arrangements between the four original authorities, Bath & North East Somerset, Bristol City, North Somerset and South Gloucestershire Councils, including the share of capital liabilities. The current agreement includes progressing all technical work up to and including GRIP stage 4. GRIP stage 4 is due to be signed off in September 2018 when IPA2 is due to terminate. In order to remain on programme, it is necessary to update and extend the current agreement beyond GRIP 4 and also bring the West of England Combined Authority (WECA) into the agreement in light of its new transport powers and its authorisation of match funding contribution of up to £6m (subject to securing the remaining £46m).
- 5.12 Beyond the stage gate in July 2018 by the WoE Joint Committee, the next major technical stage gate is the completion and submission of the project Full Business Case. In order to complete the Full Business Case it is necessary to complete statutory processes including the DCO consenting process, complete the project detailed design and complete the construction procurement process and confirm the train operator arrangements.

- 5.13 In light of the increased cost of the project, beyond the original GRIP 2 estimated cost set out in the Preliminary Business Case, North Somerset Council has agreed (subject to authorisation) to accept all the liability over and above the original £58m, in addition to its share of the liability (50% share) for the original £58m. This means the capital liability share for Bath & North East Somerset, Bristol City and South Gloucestershire remains unchanged.

6 RATIONALE

- 6.1 While clarification on the funding is awaited, to remain on programme, it is necessary to progress working arrangements between the now five local authorities and update and extend the series of Initial Promotion Agreements.

7 OTHER OPTIONS CONSIDERED

- 7.1 The Outline Business Case sets out the options considered by the project. Prior to that the WoE Joint Transport Board considered three main options on 17th March 2017, these were:
- (1) Option 1 - Do nothing – cancel the entire scheme
 - (2) Option 2 - Continue to promote the scheme as currently proposed
 - (3) Option 3 - Deliver the scheme in stages
- 7.2 The WoE Joint Transport Board agreed to take a staged approach to the delivery of the project.

8 CONSULTATION

- 8.1 Consultation has been integral to the development of the project, further details on the history of the project consultation to date is available from www.travelwest.info/projects/MetroWest.
- 8.2 Informal Stage 1 consultation was undertaken in 2015 which highlighted very high levels of support for the project.
- 8.3 Formal Stage 2 DCO consultation was undertaken between late October 2017 and early December 17, over a 6 week period. A total of 653 people attended 6 staffed exhibition events held at local venues during the 6 week period. By the close of the consultation in early December a total of 976 questionnaire responses were received and 61 letters and emails were received. The level of support for the project is exceptionally high with 95% of consultees entirely or mainly supporting the project, despite the reduction to the train service frequency for the Portishead line to an hourly service as detailed in the Outline Business Case.
- 8.4 A Stage 2 DCO consultation report has been produced and is available from www.travelwest.info/projects/MetroWest. The report is a factual account of how the consultation was carried out and the consultee responses received. For the DCO application a very detailed account of all stages of project consultations and how they have influenced the development of the project will be produced, and will have all the consultation reports appended to it.
- 8.5 S151 and Monitoring Officers have had opportunity to review and feed into this report.

9 RISK MANAGEMENT

- 9.1 Risks at the project and programme level are managed through the WoE Rail Programme Board, which reports to the WoE Infrastructure Advisory Board and the WoE Joint Committee. While at this stage there remains potential for the project costs to increase as the project design and technical work progresses, this risk applies to all major transport projects up to completion of the design, consents / approvals and the tendering of the construction works. Furthermore, Network Rail understands the importance of controlling costs, within the context of a medium to long term relationship with the authorities. Network Rail are committed to working with us to deliver an affordable project.
- 9.2 Should the project not be delivered for whatever reason, there remains a risk of 'revenue reversion' costs being incurred by the authorities. However, the delivery of at least Stage A of the project (including the delivery of assets), would reduce the authorities exposure to revenue reversion costs. This position is similar to previous major projects that the authorities have promoted.
- 9.3 The funding for the project is mainly Grant funding which comes with spending conditions including timescale, if these condition are not met there remains a risk to that element of funding. This position is similar to previous grant funded projects that have been delivered.
- 9.4 There would be a compensatory risk for other partner authorities should an individual authority withdraw.

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Background papers	<i>Metro West Outline Business Case link:</i> https://travelwest.info/projects/metrowest/metrowest-phase-1 <i>Consultation link:</i> www.travelwest.info/projects/MetroWest <i>DCO Six Stage process link:</i> <i>Metro West Outline Business Case link:</i> https://infrastructure.planninginspectorate.gov.uk/application-process/the-process
Please contact the report author if you need to access this report in an alternative format	