



Northumberland

County Council

CABINET

12 FEBRUARY 2019

Northumberland Line Develop Stage - Finance

Report of Paul Johnston Interim Executive Director of Place

Cabinet Member: Cllr Richard Wearmouth Portfolio Holder for Economic Development

Purpose of report

To provide Cabinet with:

- An update on progress in relation to the reintroduction of passenger services along the rail line between Ashington and Newcastle;
- Detail on the scope and cost of the next stage of the project and how this can be funded.

Recommendations

It is recommended that Cabinet:

- Notes the current progress on the project;
- Approves progress of the project to the next stage of development through the RNEP Process – i.e. *Stage 2: Develop Stage*;
- requests that Council approves the cost of the feasibility work of approximately £3.46 million (including the costs for Network Rail) and that it is funded from balances to be determined by the Section 151 Officer.
- note that any subsequent contribution from DfT as part of the RNEP process will be utilised to reduce the Council's contribution.

Link to Corporate Plan

This report is relevant to the “connecting” and “thriving” priorities included in the NCC Corporate Plan 2018-2021.

Key issues

The scheme continues to develop with a view to meeting the requirements of the Network Rail GRIP process, government’s Rail Network Enhancements Pipeline. An opportunity exists to bid for future funding through the Transforming Cities Fund.

The Strategic Outline Business Case will shortly be submitted to the Department for Transport with a view to entering the RNEP with a Decision to Develop.

There is a need to maintain momentum on the project in order to meet the timelines of the Transforming Cities Fund. The Council is in receipt of a detailed proposal to progress the scheme to the next stage of development.

Background

Progress to Date

1. The reintroduction of passenger services on the existing freight only line between Ashington and Newcastle has been an aspiration of the County Council for many years and accords with key local and regional policy in terms of promoting economic growth across South East Northumberland.
2. The scheme continues to develop with a view to:
 - Meeting the requirements of the **Network Rail GRIP** process;
 - Gaining entry onto the **Rail Network Enhancements Pipeline (RNEP)**, the government’s rolling programme of investment in the national rail network;
 - Defining a scheme which could be included as part of the North East’s **Transforming Cities Fund (TCF)** bid, due to be submitted to government some time in 2019.
3. Following the completion of the Network Rail GRIP 2 study, and publication of the Department for Transport’s (DfT) 2018 guidance on the Rail Network Enhancements Pipeline (RNEP), NCC commissioned consultants AECOM and their delivery partners to undertake a number of tasks to progress the scheme. These included:
 - Development of a governance structure and realistic programme for delivery of the scheme;
 - Completion of a Strategic Outline Business Case (SOBC) to align with the DfT’s RNEP programme and any other emerging funding opportunities. This

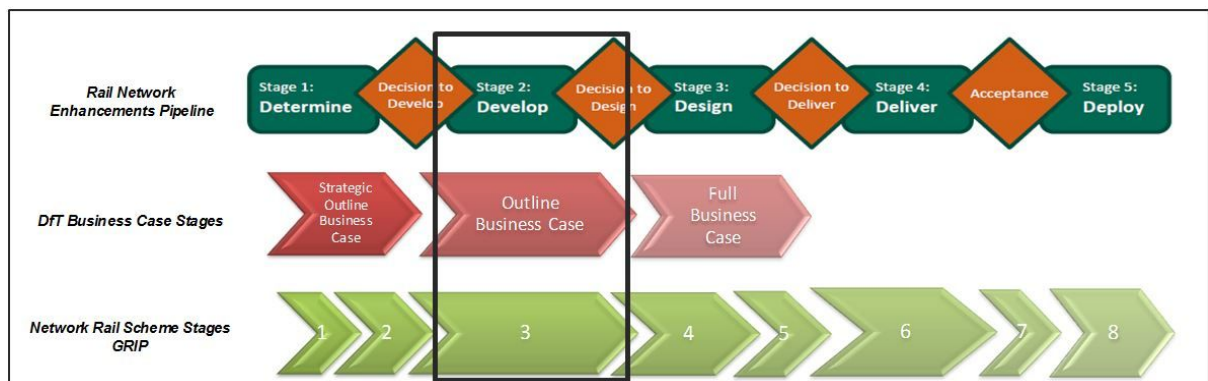
includes an update to the existing transport modelling and appraisal tool to accord with recent government guidance;

- Identification and development of a funding and delivery model for the scheme;
- Engagement with appropriate operators to understand future timetabling and rolling stock opportunities;
- Review and challenge of Network Rail GRIP 2 outputs to ensure the most appropriate scheme is being taken forward, resulting in a proposed phased development of the route to create a train service at a reduced initial cost;
- Engagement and support from Network Rail.

Required Next Steps

4. As these current works near completion (the emerging SOBC indicates a positive benefit: cost ratio) there is a need to maintain momentum with the development of the scheme and to plan for the next stage of development through the RNEP Process – i.e. *Stage 2: Develop Stage*. Any works carried out will also align with the requirements for the forthcoming Transforming Cities Fund (TCF) bid.
5. The project is proposed to be developed through the RNEP process, as illustrated in **Figure 1** below. Although the elements of the RNEP process do not necessarily align with the Network Rail GRIP process there are elements of GRIP with Network Rail in asset protection mode that form key Gateways for the project, e.g Option Selection Report, Approval in Principle, Authorised for Construction.

Figure 1: RNEP, DfT Business Case and NR GRIP Stages



6. NCC is now in receipt of a proposal from the consultant team for the works required to complete the RNEP *Stage 2: Develop* stage. The principal outputs of the Develop Stage should consider the following:
 - Enhancements will be part of Government’s enhancements portfolio - formal governance and change control
 - The need to maintain focus on the outcomes being sought

- Emphasis on establishing credible Economic and Financial Cases - demand forecasting / costing to a level equivalent to Network Rail's GRIP 3. i.e. selection of a preferred option
- The additional desire from Government for the project to "identify how best to deliver incremental benefits early"

7. To meet the requirements of the above a number of deliverables have been identified, as set out below. These will require input from multiple parties many of which will be led by the consultant team.

- Network Rail Commercial Engagement (BAPA) in relation to asset condition information;
- Engineering Design/Development to Option Selection Report (OSR) stage;
- Refinement of Ownership/Operating Strategy;
- Refinement of Procurement and Delivery Strategy/Market Testing;
- Establish Risk/Safety Management process;
- Timetable Study including Initial Performance/Capacity Modelling;
- Rail Industry engagement in relation to operating assumptions and operating costs;
- Refine Cost estimate based on emerging options;
- Refine Programme/Programme Management Plan;
- Update the Demand and Appraisal model (including Wider Economic Benefits);
- Business Case development to Outline Business Case (OBC) submission;
- Confirm Consents strategy, Transport Works Act, Planning, Level Crossing Orders;
- Land Referencing, Acquisition and Planning including Footpaths;
- Early Ecology Screening Work;
- Highways Impact Assessment including Road Safety Audit planning;
- Planning for Flood Risk Assessment and Environmental Impact Study;
- Confirmation of Level Crossing Scope;
- Early Topographical and Ground Investigation surveys to de-risk the Design phase;
- Key Stakeholder Management and Influencing;
- Plan including costs for completion of 'Design' Phase;

Programme

8. The proposed high level delivery programme for the Develop Stage is set out below:

- Procurement by 4th March 2019;
- Project Commencement - w/c 4th March 2019;
- Inception / Kick off workshop - w/c 11th March 2019;
- Ongoing technical workshops monthly – for duration of 8 months;
- Value Engineering workshop - w/c 14th October 2019;

- Completion of Option Selection and reporting - w/c 11th November 2019; and
- Submit Outline Business Case and proposal for Design (GRIP4) Stage - 29th November 2019.

9. Early commencement of this element of work is required due to:
- The need to inform the scope of environmental surveys, the seasonal nature of which means that any delay will add 12 months to the overall programme;
 - The need to continue to develop a scheme which will meet the timescales of the emerging Transforming Cities Fund.

Estimated Costs

10. The estimated fee for this element of the project is **£3,089,510** which is inclusive of approximately £450,000 contingency which will be held and controlled by NCC relating to some of the activities proposed and the level of uncertainty / unknowns in completing these tasks. For example the completion of many of the activities and deliverables relating to the Rail Infrastructure Options Study will be reliant on the access to and provision of data and information from others (Network Rail in many cases).
11. There will be an additional fee over and above this to cover Network Rail's costs, as asset owner, to engage throughout the process and sign off the final commission. This will be clarified at the outset of the Develop Stage although an indicative estimate is in the order of **£370,000**.
12. There is the opportunity to receive a funding contribution from the DfT as part of the RNEP development process. This will be discussed with the DfT in the coming weeks and would act as a contribution towards the above referenced costs. Although it is understood that this is a competitive process with no guarantee of DfT financial support at this stage.

Funding Proposal

13. Although there is a capital allocation set aside for this project, the money spent on feasibility work where potentially the final project is not delivered cannot be regarded as capital and it is therefore necessary to charge it to revenue. However, there currently is no provision within the revenue budget for this.
14. It is recommended that the feasibility work in the first instance is funded from balances to be determined by the Section 151 Officer. If at some time in the future the project commences the Council can charge all retrospective revenue expenditure in relation to the project to capital.

Implications

Policy	The Corporate Plan 2018-2021 states: <i>'We also believe that the existing rail line from Ashington through south east Northumberland to Newcastle Central Station is a dormant asset. We will seize the opportunity to open it up as a new economic corridor by reintroducing passenger services unlocking commercial investment along its length.'</i>
Finance and value for money	There is a capital allocation set aside for this project; however, the money spent on feasibility work where potentially the final project is not delivered cannot be regarded as capital and it is therefore necessary to charge it to revenue. However, there currently is no provision within the revenue budget for this. It is recommended that the feasibility work in the first instance is funded from balances to be determined by the Section 151 Officer. If at some time in the future the project commences the Council can charge all retrospective revenue expenditure in relation to the project to capital.
Legal	None at this stage.
Procurement	The Council's procurement team will be consulted on the procurement route which would be necessary to undertake the next phase of the project.
Human Resources	None at this stage.
Property	N/A
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/>	N/A
Risk Assessment	A continual review of emerging risks and opportunities is central to Network Rail's GRIP process.
Crime & Disorder	None at this stage.
Customer Consideration	None at this stage.

Carbon reduction	None at this stage.
Wards	The following wards will be directly impacted by the proposed scheme: Bedlington East, Newsham, Hirst, Newbiggin Central and East, Ashington Central, Haydon, Sleekburn, Stakeford, South Blyth, Hartley, Seghill with Seaton Delaval

Background papers:

Report sign off.

Authors must ensure that officers and members have agreed the content of the report:

	initials
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Relevant Executive Director	P Johnston
Chief Executive	
Portfolio Holder(s)	

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