



## Northumberland County Council

CABINET

11TH FEBRUARY 2020

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The Northumberland Line - Rail Network Enhancements Pipeline Progress

**Report of: Rick O'Farrell Interim Executive Director: Regeneration, Commercial & Economy**

**Cabinet Member: Cllr Richard Wearmouth Portfolio Holder for Economic Development**

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### **Purpose of report**

To provide Cabinet with:

- An update on progress on the Northumberland Line project in the last 12 months including the development of the project from Strategic Outline Business Case to Outline Business Case;
- An update on emerging funding opportunities for the project including the Transforming Cities Fund, Beeching Reversal Fund and Rail Network Enhancements Pipeline (RNEP);
- An overview of the programme and costs associated with the next stages of the project and how this can be funded.

### **Recommendations**

It is recommended that Cabinet:

- Notes progress on the scheme since February 2019 and the completion of the Outline Business Case as part of the Rail Network Enhancements Pipeline (RNEP) Develop Stage;
- Approves progress of the project to the next stage of development through the RNEP process i.e. Stage 3: Design Stage at a cost of £9.923 million and to delegate authority to the Chief Executive to contractually commit expenditure up to this value;

- Approves the transfer of £8.5m from the Strategic Management Reserve to meet the cost of the RNEP Design Stage;
- Note that any further contribution from the DfT as part of the RNEP process will be utilised to offset the Council's contribution;
- Agree to receive a further update report following any potential funding announcements including the Transforming Cities Fund and Beeching Reversal Fund.

### **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 RNEP Develop Stage for the project is now complete and the scheme continues to demonstrate high value for money and has a significant level of public support;
- The overall cost for the project has reduced by 6.7% when compared to SOBC costs although Phase 1 costs have increased by 4.1%;
- Phase 1 of the project was included within the North East's Transforming Cities Fund submission. The outcome of this bid is due to be announced in the Spring of 2020;
- In order to maintain project momentum and meet funding deadlines, there is now a critical need to proceed to the RNEP Design Stage.

## **Background**

The project is the reintroduction of passenger rail services between Ashington and Newcastle. The overall purpose of the project is to stimulate economic regeneration in the areas surrounding the Northumberland Line by providing a reliable, rapid public transport connection from the larger towns along the old Blyth and Tyne railway route into Newcastle Central. The top level working objectives are:

- Public transport journey time from Ashington to Newcastle of less than, or as close as practicable to, 30 minutes;
- Existing freight paths to remain unaffected but with improvements in terms of efficiencies and journey time;
- Six new stations at Ashington, Bedlington Station, Blyth Bebside, Newsham, Seaton Delaval and Northumberland Park;
- Half hourly passenger service all day;
- Safeguarding for future expansion of the route and services.

In February 2019, Cabinet:

- Noted the current progress on the Northumberland Line project and the completion of the Strategic Outline Business Case (SOBC);
- Approved progress of the project to the next stage of development through the Rail Network Enhancements Pipeline (RNEP) Process – i.e. Stage 2: Develop Stage;
- Approved the cost and funding of the RNEP Develop Stage work of approximately £3.46 million; and
- Noted that any subsequent financial contribution from the Department for Transport (DfT) as part of the RNEP process will be utilised to reduce the Council's contribution.

## **Scheme Development Progress - Rail Network Enhancements Pipeline (RNEP)**

The Rail Network Enhancements Pipeline (RNEP) is the Government's new approach to how it enhances the railway. It has created a rolling programme of investment that focuses on outcomes that deliver real benefits for passengers, freight users and the economy.

In February 2019, Cabinet approved the funding required to complete the RNEP Develop stage. In the DfT's Autumn 2019 Schemes Update, the Northumberland Line project was formally accepted onto the RNEP with a Decision to Develop. This work is now complete with the outcomes presented in the **Option Selection Report** and **Outline Business Case** as follows.

### **Option Selection Report**

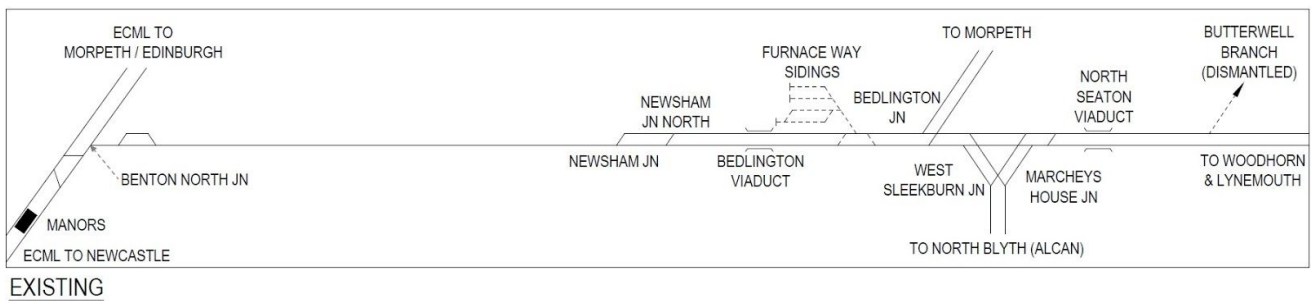
The project has progressed significantly in the last 12 months and the Option Selection Report (OSR), which further develops the project proposal, is now complete. For the OSR, an Asset Protection Agreement between Network Rail and the Council enabled the project team to obtain records data, meet with Network Rail Route Asset Managers and carry out inspections on the railway. The step-change in base data to work from has enabled a much greater understanding of the presence, type, condition and plans for the various assets along the line.

In addition, a public consultation exercise, environmental surveys and preliminary engagement with landowners along the route have provided a broader context for the development and selection of sub-options for stations and other route-wide interventions.

In parallel with enhanced data collection, the project team embarked upon a series of workshops to challenge previous decisions based on emerging information, and then develop and test each proposal against emerging requirements obtained through stakeholder engagement.

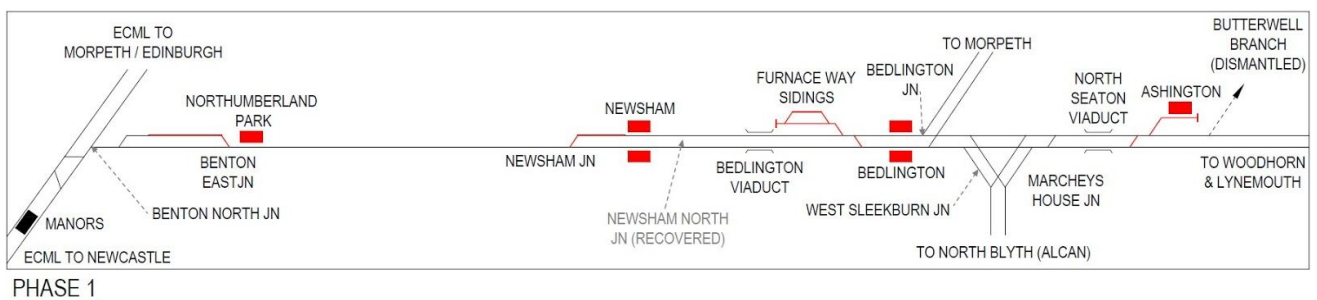
**Figures 1 to 3** below illustrate the existing situation and the current 2 phased strategy. Phase 2 remains primarily defined by works that may require a full Transport and Works Act Order (TWAO) and thus are unlikely to be deliverable within the timescales of the existing funding opportunity - the Transforming Cities Fund (TCF), and/or are lower priority features that would otherwise increase project costs beyond what the Phase 1 budget is likely to be able to bear.

**Figure 1 - Northumberland Line Existing Layout**



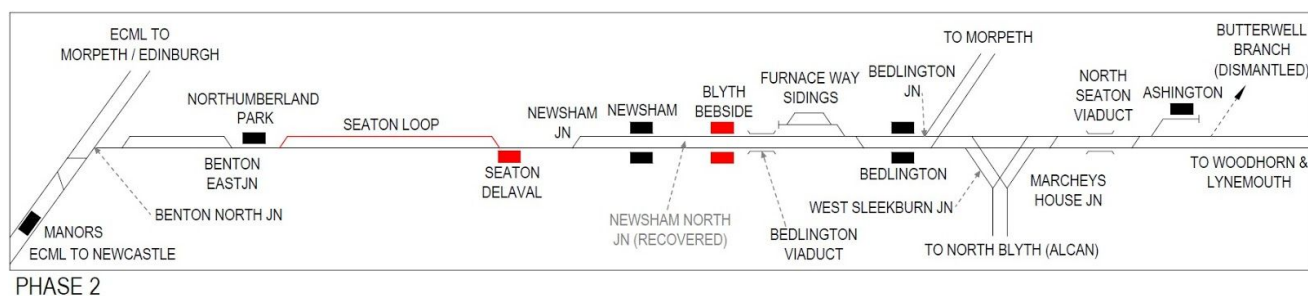
Phase 1 sees the introduction of 4 new stations at Northumberland Park, Newsham, Bedlington and Ashington, and double track extensions east of Benton North Junction and south of Newsham. A new turnback platform siding at Ashington, the reinstatement of Furnace Way sidings and significant signalling improvements and enhancements complete the major interventions of Phase 1.

**Figure 2 - Northumberland Line Proposed Phase 1 Layout**



Phase 2 provides two additional stations, at Seaton Delaval and Blyth Bebside which are subject to the TWAO and so could not be achieved within the timescales of TCF. A passing loop south of Seghill between Northumberland Park and Seaton Delaval stations completes the major interventions required at Phase 2.

**Figure 3 - Northumberland Line Proposed Phase 2 Layout**



The indicative station layouts emerging from the OSR are included in Appendix A.

### Outline Business Case

The Outline Business Case is now complete and the key messages emerging from this are set out below:

The **Strategic Case** demonstrates that there is a clear need for investment in the scheme to improve connectivity within and beyond South East Northumberland. The public are very supportive of the scheme, with 96% of respondents to the public consultation exercise expressing their support.

The **Economic Case** shows that the scheme will deliver **high value for money** and will bring wider economic benefits to the region. However, subsidy will be required to finance the scheme, although this declines over time.

For the **Financial Case**, the cost estimate has been updated and is summarised in Table 1 below. The comparison of total costs with those reported at SOBC stage shows a 4.1% increase in Phase 1, and this is dominated by the changes in Permanent Way costs. Additional Permanent Way cost increases come from the need to upgrade significantly more track than anticipated. Further Phase 1 cost increases come from stations and signalling, although these are partially offset by savings in level crossings and utility diversions.

**Table 1: Anticipated Final Scheme Cost**

	Phase 1	Phase 2	Total
<b>Anticipated Final Cost (excluding inflation and development spend to date) (Q3 2019)</b>	<b>£124,983,989</b>	<b>£36,933,588</b>	<b>£161,917,576</b>
SOBC Cost (Q4 2018)	£117,216,519	£52,197,805	£169,414,324
SOBC Cost (Q3 2019)	£120,029,715	£53,450,552	£173,480,268
Change OBC - SOBC (Q3 2019)	£4,954,273 (+4.1%)	-£16,516,965 (-30.9%)	-£11,562,691 (-6.7%)

The proposed operating structure has been further developed for the **Commercial Case** during the Develop stage of the project. The conventional delivery of rail passenger

services would see the new service added to the existing Northern franchise, with an expectation that Northumberland County Council would fund any revenue shortfall for the service for the initial years of operation from 2023/24, after which the service would pass into the franchise Train Service Requirement.

Other delivery mechanisms are also possible and recent Government advice now encourages consideration of these as an alternative to the franchised approach. As such, a Concession agreement has also been considered in the appraisal of the options. The Concession option ordinarily involves the Concession holder being paid a fee to run the service which is tightly specified by the awarding authority. The Concession holder would not be expected to take full commercial risk and passenger revenue would be for the benefit of the awarding authority. The Operator is incentivised to achieve and exceed a range of performance targets through a reward and penalty mechanism. This will be explored further through the next stage of the project to determine a preferred option.

The **Management Case** demonstrates Phase 1 of the scheme is considered deliverable within the Transforming Cities Funding window, with Early Contractor Involvement supporting the costs and programme that have been prepared.

### **Funding - Transforming Cities Fund**

In November 2019, the seven north east local authorities submitted a bid to government for a share of the Transforming Cities Fund which seeks to provide *“more sustainable connectivity, and more mobility, making sustainable transport the natural choice for people moving around our city region, banishing congestion and its polluting effects, and improving air quality and public health.”*

The Council’s TCF ask for the Northumberland Line was for the capital cost to deliver Phase 1 only. The timing of the TCF submission deadline dictated that the funding profile reflected the assumed scheme costs at SOBC stage as follows:

**Table 2: Transforming Cities Fund - Northumberland Line Phase 1 Funding Profile**

Transforming Cities Fund Ask	£99.5m
Local Match Funding	£17.7m
<b>Total</b>	<b>£117.2m</b>

### **Funding - Beeching Reversal Fund**

In November 2019, in a speech relating to spending packages for neglected towns in the UK, the Prime Minister set out plans to reverse the railway spending cuts that were recommended by Dr Richard Beeching in the 1960s through the establishment of the Beeching Reversal Fund. A grand total of approximately £500M will be reserved for the revitalisation of railways and railway stations such as the Northumberland Line.

Further details on this fund are awaited but this potentially provides an opportunity to avoid the programme constraints of the Transforming Cities Fund and, thus, deliver the scheme in a single phase. This would be extremely positive in terms of providing assurance of full

scheme delivery and provide potential efficiencies in terms of track access, design and contracting. However, many of the existing time constraints, such as the planning process, remain which would mean no guarantee of accelerated delivery.

### Way Forward - RNEP Design Stage

The work done to date has concluded the RNEP Develop stage which has now been passed to the Department for Transport for approval. The review and approval stage is likely to take in the order of 2 to 3 months. Awaiting approval of the Develop Stage prior to commencing the Design Stage would significantly impact on the ability of the project to meet delivery timescales.

In the interim, using underspend from the Develop Stage, a range of critical workstreams, including ecology surveys, have been progressed to maintain project momentum. However, there is now a critical need to commence the Design Stage.

As set out in the DfT’s RNEP guidance, the Design Stage requires the development of detailed cost estimates, detailed plans and work bank planning for the preferred scheme, and securing appropriate consents for its delivery. This will include securing required planning consents. Work will also be undertaken to prepare commercial arrangements for any service changes enabled by the Enhancement and to ensure that they can be realised successfully.

The Council is now in receipt of a proposal from the consultant team to complete the first part of the RNEP Design Stage. This includes design development up to Approval in Principle (AIP) plus a procurement process of a Contractor and is programmed to run between March 2020 and April 2021. The key work streams are as follows:

- The Outline Design of both phases of the scheme;
- Procurement of Principal Designer and Contractor for Phase 1;
- Achievement of Planning Consent;
- Updated Outline Business Case reflecting post procurement costs for the project and any scope changes arising from Outline Design and the Planning Process.

The cost estimate for the first part of the RNEP Design Stage is £9.923m and includes an allowance for contingency and third party costs such as Network Rail to maintain their asset protection role and consultancy support for the development of a potential Concession model.

The remaining cost to complete the RNEP Design Stage including Detailed Design and Approval for Construction is unknown at this point. However, after procurement of a Contractor, a cost estimate to deliver the whole scheme through the RNEP Stages 4 and 5 (Deliver and Deploy) will be established.

### Implications

<b>Policy</b>	The Corporate Plan 2018-2021 states:  <i>‘.....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</i>
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	<p><i>economic corridor by reintroducing passenger services unlocking commercial investment along its length.'</i></p>
<p><b>Finance and value for money</b></p>	<p><b>BCR</b></p> <p>At the end of the Outline Business Case stage, the project continues to demonstrate high value for money with an adjusted Benefit: Cost Ratio (BCR) of between 2.90 and 4.68 depending on the scenario modelled.</p> <p><b>AFC</b></p> <p>The Anticipated Final Cost (excluding inflation and development spend to date) (Q3 2019) is as follows:</p> <p>Phase 1 - £124,983,989  Phase 2 - £36,933,588  Total - £161,917,576</p> <p><b>Inflation</b></p> <p>As stated, the above figures exclude inflation as part of the reporting requirements of the Major Scheme Business Case process. Based on an average industry standards an annual construction inflation assumption of 3.83% per annum has been calculated, meaning an additional £6.2 million could be anticipated. Although it should be noted that the continuation or cancellation of the HS2 programme may have a significant impact on this figure.</p> <p><b>Medium Term Financial Plan Allocation</b></p> <p>There is a capital allocation of £27.218 million set aside in the Medium Term Financial Plan for this project. This is currently profiled as follows:</p> <ul style="list-style-type: none"> <li>- 2021/22 - £14.483m</li> <li>- 2022/23 - £12.735m</li> </ul> <p>On the announcement of the successful Transforming Cities Fund applicants and the RNEP Design Stage ask, a review of the MTFP will be undertaken and reprofiled as required.</p> <p><b>Development Costs to Date</b></p> <p>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. An earmarked reserve was created for £3.5 million to fund the SOBC development costs. This was over and above the £0.6m development costs spent between 2015/16 and 2018/19. This can now be offset by the receipt of £1.5 million of RNEP funding confirmed from the DfT.</p> <p><b>RNEP Design Stage Costs</b></p> <p>An allocation from the Strategic Management Reserve of £8.5 million is now required to commit to the RNEP Design Stage</p>



	<p>running between March 2020 and April 2021. This expenditure would also be at risk pending a final Transforming Cities Fund announcement which is anticipated in March 2020. There is currently no provision within the revenue budget for this.</p> <p>A further ask will be requested from the RNEP fund. This will be considered by the DfT in the coming months and, assuming receipt, can be used to offset the commitment for the Strategic Management Reserve.</p> <p>If, at some point in the future, the project commences the Council can review all retrospective revenue expenditure and assess what can be charged to the capital project, and what can be released to revenue.</p> <p><b>Revenue Shortfall</b></p> <p>Furthermore, NCC recognises the need to cover the revenue support for the scheme in the initial years of operation. The subsidy requirement is calculated as the difference between the operator's estimated net incremental revenue and the scheme/operator's operating costs.</p> <p>A precedent has been set elsewhere (eg: Burnley-Manchester) that this is solely for the initial 3 years of operation. This will be subject to negotiation with the DfT/TfN (if the Northern franchise is used) or with the Concession operator (if a concession option is adopted).</p> <p>The introduction of the service is likely to trigger the requirement for additional subsidy for the Northern Franchise. For the first three years of operation there will be significant demand ramp-up, which results in an initial subsidy requirement of between £2.5m and £3.5m in the first year of operation. As the demand ramps up to 100% the subsidy requirement reduces considerably to circa £1m by year 3, with revenue accounting for circa 80% of the scheme operating costs. By year 10 the annual subsidy requirement is expected to be less than £0.5m.</p>
<p><b>Legal</b></p>	<p>The Council has secured external legal support to assist with the development of an application for a non-works Order under the Transport and Works Act 1992. The scope of work includes:</p> <ul style="list-style-type: none"> <li>- further review of options assessment;</li> <li>- advice on engagement with local authorities;</li> <li>- advising on scope of TWA application and powers sought and relationship with associated TCPA applications and permitted development rights;</li> <li>- advising on public consultation including review of consultation materials and compliance with TWA rules</li> <li>- advising on stakeholder/affected landowner engagement;</li> <li>- advising on responses to public consultation;</li> <li>- assisting with negotiations with third parties with a view to entering into agreements/assurances;</li> </ul>

	<ul style="list-style-type: none"> <li>- advise on compulsory purchase and land use including scope of powers and compliance with policy tests;</li> <li>- advising on the preparation of other TWAO application documents, including land plans, funding statement;</li> <li>- preparing initial draft of TWA Order and Explanatory Memorandum;</li> <li>- Selection and appointment of Counsel and consultation with Counsel.</li> </ul>
<b>Procurement</b>	<p><b>Procurement</b></p> <p>The Council procured AECOM and their delivery partners for the Develop Phase of the Northumberland Line contracting through the SCAPE BECS framework. This has proven to be a successful arrangement enabling completion of the Develop stage to time and within budget and is now a tried and tested effective delivery model.</p> <p>Continuation on this basis provides the Council with various benefits including maintaining momentum for delivery against a very challenging programme that is bound by delivery timescales set by the proposed funding route through the Transforming Cities Fund (TCF). Other benefits of continuing through this procurement route include:</p> <ul style="list-style-type: none"> <li>• Ability to retain incumbent knowledge of the current team (AECOM and delivery partners) and associated established relationships and knowledge of stakeholders in the region.</li> <li>• Demonstrated effective delivery of the current (Develop) phase to budget and programme, with the ability to improve further by implementing some lessons learnt.</li> <li>• Established flow down of terms and condition to AECOM's delivery partners (supply chain) and established operating model that we can build upon going forward.</li> <li>• Established operating model with NCC's team for administration and management of the contract.</li> </ul> <p><b>Contracting</b></p> <p>Through the NEC suite of options available under BECS there are a range of alternatives for contracting that are generally used to balance scope risk against cost assurance for the client.</p> <p>NEC Option G is recommended which enables the team to develop discrete proposals for specific work streams with the option of either lump sum task orders or Time and Materials / Emerging Cost with a cap on each task order.</p>
<b>Human Resources</b>	An additional Band 8 post - Senior Programme Officer (Transport) has been added to the Economy and Regeneration Service staff structure to support the development of the project.
<b>Property</b>	N/A

<p><b>Equalities</b></p> <p>(Impact Assessment attached)</p> <p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>N/A <input type="checkbox"/></p>	<p>Critical Fundamental Principles which had a clear influence on the station designs included accessibility from local population centres via anticipated routes (walking/cycling/highway) as well as for Persons of Restricted Mobility (PRMs).</p> <p>It is assumed that the rail facilities at stations will be designed in line with the latest accessibility regulations and guidance.</p>
<p><b>Risk Assessment</b></p>	<p>In the development of the Option Selection Report to support the OBC, the project team has carried out both a Hazard Identification (“HAZID”) and Quantified Cost Risk Assessment (QCRA). These have been used to inform the risk allowance in the cost estimate but also the design investigations.</p> <p>The primary scheme risks of note are:</p> <ul style="list-style-type: none"> <li>● Risk that the project is unsuccessful in being awarded its requested allocation of the Transforming Cities Fund;</li> <li>● Risk that land acquisition becomes complex, time-consuming and more costly than expected;</li> <li>● Risk that procurement and sign-off of the remaining stages is delayed, putting pressure on the final delivery date;</li> <li>● Risk that the Non-works Transport and Works Act Order (TWAO) cannot be completed without undue pressure on the construction programme or delay to the Phase 1 delivery date;</li> <li>● Risk that capacity constraints at Newcastle Central prevent additional services from accessing the station. However, the project is working with the industry December 2021 Event Steering Group and initial results suggest capacity is available. Network Rail, Train Operating Companies (TOCS) and Freight Operating Companies (FOCs) are fully involved and supportive of the scheme.</li> </ul> <p>The primary technical risks of note relate to the current state of the viaducts along the line and underground conditions as a result of former mine workings</p> <p>The mitigation or resolution of these risks is primarily through further investigations and analysis in the next design stage.</p>
<p><b>Crime &amp; Disorder</b></p>	<p>In the development of the Option Selection Report to support the Outline Business Case due consideration has been given to designing out opportunities for anti social behaviour, track intrusion etc. at each proposed station location.</p>
<p><b>Customer Consideration</b></p>	<p>The introduction of a fixed link public transport service in the corridor will provide better journey time surety for journeys between the towns served in the corridor and the Regional Centre of Newcastle. At the moment, all transport options rely</p>

	<p>on the car or bus in the corridor and this is becoming increasingly unreliable in terms of journey times, particularly in the peak periods.</p> <p>The introduction of a new rail service in the corridor introduces some new security issues that need to be mitigated, principally focussed around the presence of stations and the operation of rail services in the evening. The core proposition is that the new stations to be introduced along the corridor will be unstaffed. It is therefore anticipated that CCTV and alarm points will be provided at all the new stations as a minimum requirement. It is also envisaged that all rail services will have a conductor on-board the train.</p> <p>The introduction of a new rail service in the study corridor provides a new and alternative transport option for different groups of people to access employment and services, particularly linking areas of South East Northumberland with Tyne &amp; Wear. It is assumed that the rail facilities at stations will be designed in line with the latest accessibility regulations and guidance.</p>
<b>Carbon reduction</b>	<p>The Franchise-based options are assumed to operate diesel-powered trains for the full 60 year scheme life which results in a net increase in non-traded CO2 emissions, as the additional emissions associated with additional train km outweighs the reduction in emissions from the reduced car-km. It should be noted, however, that this can be considered a pessimistic assumption given the current government policy to eradicate diesel-only operated trains by 2040 in the UK.</p> <p>Electric operated trains as part of any Concession model however presents an opportunity to achieve carbon reductions and this will be considered in more detail as part of the next stage of the project.</p>
<b>Health and Wellbeing</b>	<p>The scheme attracts some modal switch from car and from bus to rail. As a result, some previous car users will now start and end their journey using active modes – ie: walk or cycle. Some previous bus users might now have a longer walk to access the nearest rail station. It is recognised that increased physical activity has an important role to play in terms of generating health benefits.</p>
<b>Wards</b>	<p>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</p>

## **Background papers**

### **Report sign off**

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

	Full Name of Officer
Monitoring Officer/Legal	Liam Henry
Executive Director of Finance & S151 Officer	Chris Hand
Relevant Executive Director	Rick O'Farrell
Chief Executive	Daljit Lally
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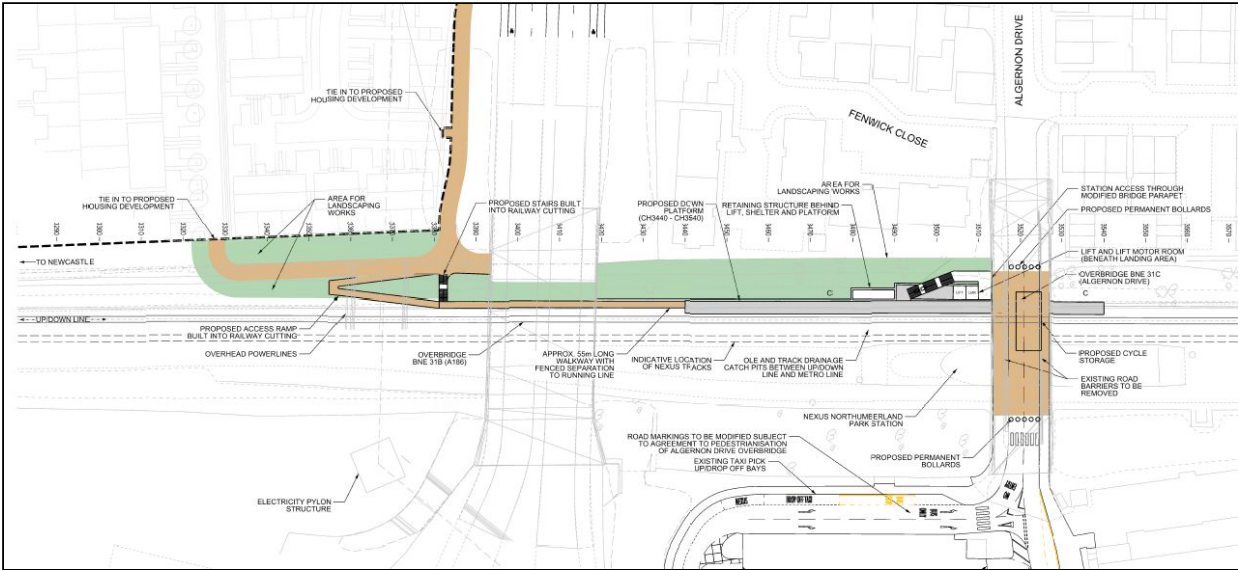
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# Appendix A - Proposed Station Layouts

## Figure A1 - Northumberland Park Proposed Station Layout



## Figure A2 - Seaton Delaval Proposed Station Layout

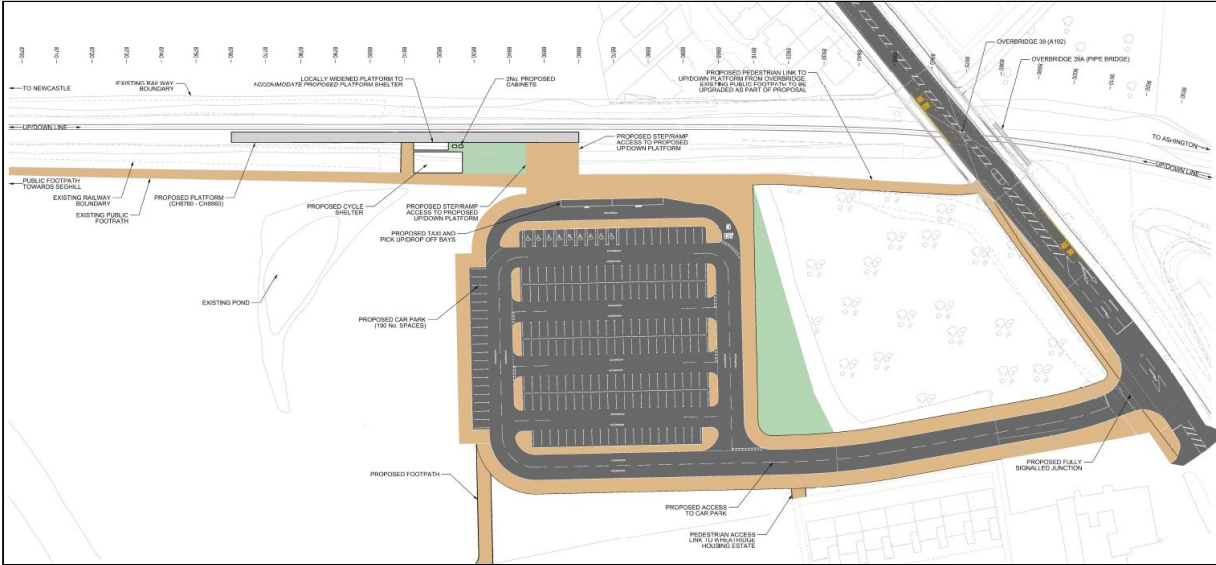


Figure A3 - Newsham Proposed Station Layout

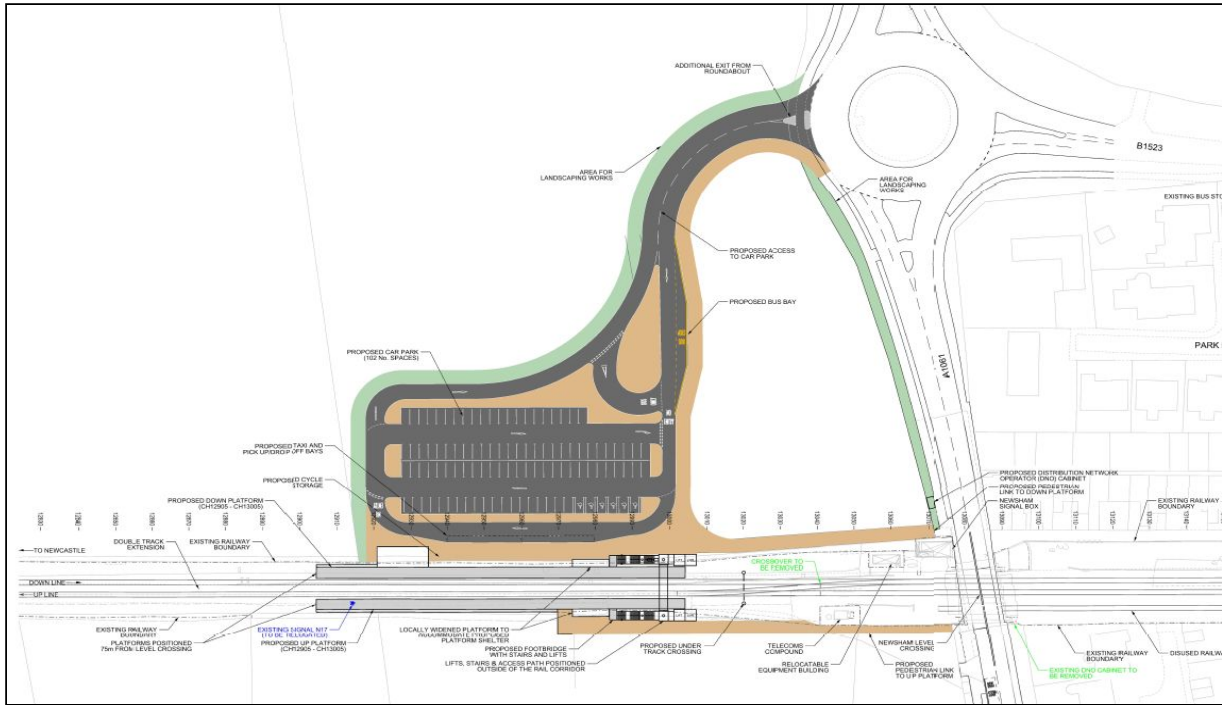


Figure A4 - Blyth Bebside Proposed Station Layout





Figure A5 - Bedlington Proposed Station Layout

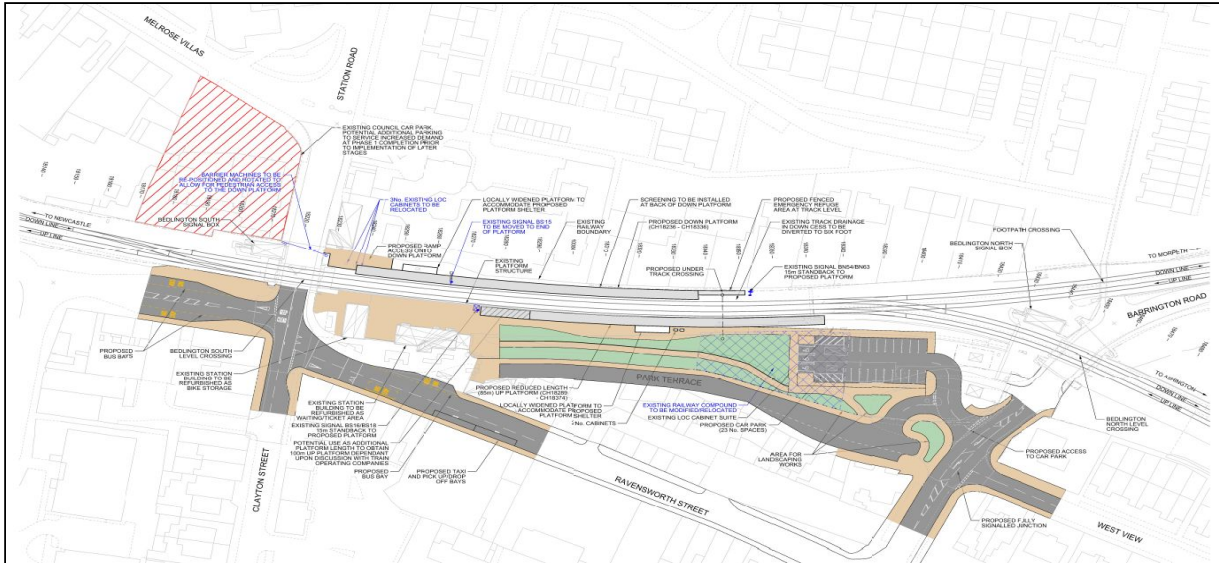


Figure A6 - Ashington Proposed Station Layout

