

NORTH SOMERSET COUNCIL DECISION

DECISION OF: THE DIRECTOR OF PLACE

IN CONSULTATION WITH: SECTION 151 OFFICER AND
HEAD OF STRATEGIC PROCUREMENT



DECISION NO: 22/23 DP 379

SUBJECT: METROWEST PHASE 1 FUNDING AGREEMENT WITH NETWORK RAIL

KEY DECISION: YES

REASON: It involves expenditure above £500,000 and affects communities in two or more wards

BACKGROUND:

MetroWest Phase 1 proposes to upgrade the existing local train service for the Severn Beach Line and the Bath Spa to Bristol Line (Phase 1A) and re-open the Portishead rail line with stations at Portishead and Pill (Phase 1B).

On 8th November 2022 the Council agreed to *“delegate authority for the Director of Place advised by the s151 officer and Head of Strategic Procurement to finalise, sign and enter into the Funding Agreement with Network Rail (see final agreement in the appendices) for the defined project scope up to Full Business Case approval at an estimated cost of £3.49m to be funded by the DfT via Network Rail.”*

Following further engagement with the s151 officer and the Head of Strategic Procurement, the Funding Agreement has been finalised and now needs to be authorised by the Director of Place.

MetroWest Phase 1 had to be paused earlier this year due to the estimated costs exceeding the project budget, due to project delays beyond the control of NSC and the Combined Authority. The project funding gap was resolved in July 2022, with additional funding contributions made by the Department for Transport (DfT), NSC and the Combined Authority. In addition to their increased funding the DfT confirmed in their letter of 19th July 2022 they will also take the delivery risk for the project and will fund project costs up to the submission of the Full Business Case.

DECISION:

To authorise entering into the Funding Agreement attached to this decision notice for the provision of scope and services feeding into the submission of the project's Full Business Case. Noting there will be a further decision-making gateway for the approval of the Full Business Case, before funding and contractual commitments are entered into for the main construction works.

REASONS:

In taking on the project delivery lead, the DfT will channel project funding for work feeding into the Full Business Case (FBC) via Network Rail. Network Rail will in turn contract NSC to deliver the elements within the NSC/WECA project scope. This approach where NSC hosts contracts for the benefit of both NSC and WECA is effectively a continuation of existing arrangements between NSC and WECA. The existing Initial Promotion Agreement ver3 and related Side Agreement between NSC and WECA covers the joint working arrangements between the two parties up to the approval of the FBC. In practice the NSC contracts are managed jointly by the NSC & WECA integrated project team.

To enable Network Rail to contract with NSC it is necessary for both parties to enter into a Funding Agreement. A Funding Agreement has been negotiated and a final version is attached in the appendices. NSC's responsibilities and liabilities under the Funding Agreement relate only to providing the services defined in the agreement which in summary are:

- ecology services / works
- detailed design for minor works to bridges
- detailed design for minor highway works
- land interfaces
- Development Consent Order (DCO) interfaces
- legal processes
- supporting project management and production of the FBC

Revised project governance arrangements are being discussed with the DfT. The governance arrangements will reflect the contractual flow down from the DfT to Network Rail as its delivery agent, with NSC being a sub-contractor to Network Rail. The governance arrangements will include change control protocols and wider contract management requirements. The revised governance arrangements will also recognise the wider supporting role of NSC and WECA in ensuring the project is ultimately delivered.

OPTIONS CONSIDERED:

There are no other practical options given the wider project context where the DfT are now taking the project delivery lead and are funding all project costs up to the submission of the Full Business Case. The proposed approach has been identified based on the following key reasons:

- Continuation of the existing proven contractual/ financial liability arrangements between NSC and CA
- The vast majority of pre-FBC scope is to be delivered by existing NSC suppliers
- Option reduces the number of new contractual agreements and necessitates the smallest overall number of contractual agreements between all parties
- Single and clear lines of contractual and financial management
- The strategy is supported by existing agreements between NSC and CA.

FINANCIAL IMPLICATIONS:

Costs

The estimated capital cost of the project is £152.01m. The final CAPEX cost of the project will be confirmed following the outcome of the Network Rail procurement, the appointment of the design and build main works contractor and the completion of the detailed design (GRIP5). The final cost will be reported via the FBC to all funders (NSC, WECA & DfT), in spring 2024.

The estimated cost of NSC & WECA scope is £3.49m up to FBC. The details of the scope and costs are set out in Schedule 2 of the attached agreement in the appendices.

Funding

As set out in their letter of 19th July 2022 (see appendix 1 of the report to Council of 8th November 2022), the DfT will meet all project costs up to the submission of the FBC, up to a maximum of £13.80m. The NSC & WECA project scope up to the FBC is estimated at £3.49m, with the remaining £10.31m comprising the estimated cost of Network Rail's scope up to FBC. The additional capital funding allocated by the DfT, NSC and WECA in July 2022 has resolved the project capital funding gap such that the total project capital budget is now £152.01m.

Asset implications

The planned costs of £13.8m arising from this stage of the process will be charged to the council's capital programme and then transferred into the asset register at the end of each financial year in accordance with proper accounting practice. It should be noted that £3.5m of these costs will be incurred directly by the council and £10.31m by Network Rail, who will provide sufficient evidence to enable the council to reflect these transactions within the finance system. A series of new codes will be established to separately identify this new spending from previous parts of the project, which will support improved financial monitoring and validation back to DfT, WECA and external auditors as needed.

LEGAL POWERS AND IMPLICATIONS

The Development Consent Order has a range of legal implications which are set out in detail in the report to Council at its meeting of 25th June 2019.

CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

The project team will be working with the contractors to ensuring efficient supply chains, maximising the use of both sustainable materials and renewables including primary sourcing of power.

The outcomes that can be secured from all parties working collaboratively towards a common goal of carbon reduction include:

- Reduced carbon, reduced cost of infrastructure;
- Promotion of innovation delivering wider society and community benefits;
- Contribute to tackling climate change;
- More sustainable solutions providing a blueprint for future projects;
- Identification of carbon offsetting to mitigate capital carbon created.

CONSULTATION

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 a DCO application document and is available from:

<https://infrastructure.planninginspectorate.gov.uk/projects/south-west/portisheadbranch-line-metrowest-phase-1/?ipcsection=docs>

RISK MANAGEMENT

The project risk profile for NSC and WECA has reduced substantially since the DfT confirmed in its letter of 19th July 2022 that it will take the project delivery risk in relation the capital investment. That being said, there remains a number of key project risks which need to be carefully managed through this next phase of work culminating with the submission of the FBC to the DfT. The key project risks are set out in section 8 of the report to Council of 8th November 2022.

A full risk register is in place for the project and is reported regularly to the MetroWest Phase 1 Board. Project risks are under continual review by the project team, sponsors and the S151 officers.

EQUALITY IMPLICATIONS

Have you undertaken an Equality Impact Assessment? Yes / No

Yes, an EIA has been completed for wider MetroWest Phase 1B project.

CORPORATE IMPLICATIONS

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.

APPENDICES

MetroWest Phase 1 Funding Agreement with Network Rail

BACKGROUND PAPERS

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

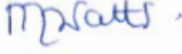
SIGNATORIES:

DECISION MAKER(S):

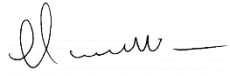
Signed:  Director of Place

Date: 20 December 2022

In consultation with:

Signed:  S151 Officer

Date: 20 December 2022

Signed: 
Head of Strategic Procurement

Date: 20 December 2022