



TEES VALLEY METRO

**COUNCILLOR CHARLES ROONEY, EXECUTIVE MEMBER
FOR TRANSPORT**

ACTING DIRECTOR OF ENVIRONMENT: ED CHICKEN

18th AUGUST 2009

PURPOSE OF THE REPORT

1. The purpose of this Report is to update the Executive on the progress of the Tees Valley Metro and to seek Executive approval to proceed with phase 1 of the project for Middlesbrough. This includes a new station at James Cook University Hospital together with platform and access improvements to Middlesbrough Station.

BACKGROUND AND EXTERNAL CONSULTATION

2. The Tees Valley Authorities and TVR have been working towards an improved Metro style enhanced rail service for a number of years. This initiative will support regeneration through the linking of key sites in the Tees Valley with enhanced facilities for the movement of passengers and goods. Key features of the service would be:
 - Four trains an hour on the Darlington to Saltburn and Hartlepool to Nunthorpe line;
 - New rolling stock, track and signalling improvements;
 - Up to five new stations serving key employment sites and regeneration areas i.e. James Cook Hospital and Durham Tees Valley airport; and
 - Upgrades for all other stations

3. Members gave approval in principle at Executive on 18 September 2007 to support the development of the Tees Valley Metro Project, including the provision of a 'local' contribution to the project, subject to more detailed development work and financial appraisal being undertaken.
4. This work has now been completed, and a robust, costed, implementation plan has been prepared which envisages the delivery of the Metro project in three phases. The first phase was included within the North East's revised Regional Funding Allocation (RFA) submission in June 2009, and was formally accepted by the Department for Transport (DfT) in July 2009.
5. There is now a need for the Executive to consider and approve the work required in the next stages of the project (including the submission of a detailed business case for one element of the project), and confirm the Council's commitment to provide a 'local' contribution to the total capital cost of the improvements (in conjunction with the other four Tees Valley Authorities).

SCOPE OF THE METRO PROJECT

6. The Metro project covers the existing Tees Valley rail network from Darlington to Saltburn, and between Hartlepool and Nunthorpe. The business case work carried out for the whole project estimated the capital cost of all of the works required to deliver a 4 train per hour service in both directions to be around £220 million, although it has become clear that the DfT are unlikely to fund this in a single phase.
7. The Tees Valley Authorities and the Joint Strategy Unit have therefore developed a phased implementation plan for the Metro network that takes account of the current and expected funding envelopes for major rail projects, the recent review of the North East Regional Funding Allocation (RFA) and the renewal of the existing Northern Rail franchise in 2013. This plan looks at the early delivery of discreet elements of the Metro project, primarily to maximise the advantage of a likely underspend in the early years of the RFA programme.
9. Phase 1 of Metro (costing £33.9 million) includes
 - New James Cook University Hospital station;
 - New Platforms at Darlington and Middlesbrough stations;
 - Relocation of stations at Durham Tees Valley Airport and Wilton;
 - Station improvements at Eaglescliffe, Thornaby and Hartlepool; and
 - Refurbished trains.
10. Phase 2 of Metro, (estimated cost £55 – £60 million) concentrating on the Darlington to Saltburn Line includes:
 - Track and signalling work;
 - New stations at Morton Palms, Teesside Park (both with park and ride) and Middlehaven;

- Refurbishment to other stations; and
 - New trains.
11. Phase 3 of Metro, concentrating on the Hartlepool to Nunthorpe Line, includes:
- Track and signalling work;
 - New stations at Queens Meadow, Nunthorpe Parkway (both with park and ride) and The Ings;
 - Refurbishment to other stations; and
 - New trains.
12. The cost of the Phase 3 element is estimated at £130 million, but this includes a signal renewal scheme that is programmed by Network Rail for 2017/18, the cost of which needs to be netted off this figure to give the 'additional' cost of the Metro scheme.
13. This phasing has been the subject of further discussions with Network Rail and the DfT to confirm its validity and practicality. Both have indicated that they are comfortable that the phasing represents a realistic approach to developing the project, allowing the benefits of each phase to be assessed once implemented.
14. The phasing was agreed by the Metro Project Board at its meeting in March 2009, when management of the project transferred from Tees Valley Regeneration to the Local Authorities.

OPTION APPRAISAL/RISK ASSESSMENT

15. Network Rail's "Guide to Railway Investment Projects" (GRIP) process has eight stages, with GRIP Stage 6 representing the implementation of a project. Many of the elements of the first phase of Metro have reached GRIP Stage 3, and so the next step within the project's development will be to move all elements within the first phase through GRIP Stage 4.
16. This should take a maximum of 12 months from the signing of the GRIP Stage 4 agreement with Network Rail, although there is scope for individual elements to be completed more quickly, and progressed towards detailed design and implementation. It is intended to commission the GRIP Stage 4 work in September 2009, and Members are asked to authorise Officers to work with Network Rail through this process.
17. As part of this process, there will need to be more localised consultation on the elements of the first phase, in particular where there will be new facilities at existing stations and the siting of new stations themselves. There will be more general consultation on the proposals in Autumn 2009 in order to gain political and public consensus across the Tees Valley.
18. There will also be a need to obtain planning consent for some elements of the first phase, notably the new stations, and so Members are asked to authorise Officers

to proceed to obtain the necessary planning permissions to deliver the new stations.

19. In parallel with the engineering work within GRIP Stage 4, the Joint Strategy Unit and Northern Rail will be leading on work to define the benefits of the first phase, in terms of improved rail performance, increased patronage, revised frequencies of service and enhanced accessibility. This work will be done in close liaison with Council Officers.
20. Finally, the Darlington Station component of the first phase, which is crucial to unlock frequency and timetable improvements across the whole network, will need to be supported by a major scheme business case, given that the cost of this element is in excess of the £5 million threshold. Members are therefore asked to agree that a business case is submitted in order to gain Programme Entry for the Darlington Station element of the project in Spring 2010.

PROJECT GOVERNANCE

21. Development of the project to date has been through a Project Board that consists of the five Tees Valley Local Authorities, the Joint Strategy Unit, One NorthEast and the North East Chamber of Commerce, with Government Office North East as observers.
22. It is proposed that this arrangement be rolled forward, but with the addition of representatives of Network Rail and Northern Rail on the Project Board, given their significant involvement in the delivery and ultimate operation of the project. The Board will nominate a Senior Responsible Owner through whom discussions with the DfT will be channelled.
23. Members are asked that the approval of this report gives the Head of Transport & Design Services the delegated authority to undertake the work as part of Tees Valley Metro project board (described in paragraphs 15 to 20) on behalf of the Council.

PROJECT RISKS

24. There are two main risks which occur in this phase of the project.
25. In the first instance, there is a possibility that the business case for the works at Darlington Station is rejected for Programme Entry and funding is withdrawn for this element. This outcome would not affect the other elements of the first phase of Metro, as their capital costs are under £5 million.
26. In this instance, the Council would still wish to pursue the improvement measures at Darlington, given their importance to realising the full benefits of the first phase of the project. This would be done by seeking to include the Darlington Station element with Network Rail's national programme of improvements for the 2014 – 2019 period.

27. Although not at all desirable, it would mean that none of the design and development work done to date, nor that to take place in the next six months, would be abortive.
28. In the second instance, there is a risk of cost escalation above the current, or updated, cost estimates, meaning that additional contributions are required from the Council, or some of the elements may not be delivered.
29. Within the GRIP work done to date, several workshops have been held, and a number of the key risks quantified. These are included within the estimated cost, and so are accounted for within the current funding envelope, to give further scope for cost escalation. Within the GRIP Stage 4 work, a further allowance will be made within the funding package for extraordinary cost escalation over and above the risks quantified at a further risk workshop.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

Financial

30. The total funding package for the first phase of the project made available through the RFA process is approximately £30 million and the latest Network Rail cost estimate for Phase 1 is £33.9m
31. Therefore, the anticipated 'local' contribution to the first phase of the Metro project will be some £800,000 per authority in 2011/12. This figure will be finalised and confirmed following completion of the GRIP Stage 4 work in Summer 2010, and Members will be asked to confirm a funding commitment at that time. Through approval of this report, Members are asked to endorse a continuing 'in principle' commitment to provide the anticipated level of resource as a 'local' contribution.
32. There is currently £1.5m expenditure included in the Council's Capital Plan for the period 2010/11 to 2012/13 for the whole Tees Valley Metro project. It should be noted that it is anticipated that the funding requirement will be met through the allocation of funds through the Local Transport Plan (LTP) process, the next round of which starts in 2011. Obviously this commitment will have an impact on the amount of other schemes that may be funded through the third LTP. Again, this will be confirmed at a later date.

Ward Implications

33. Although the Phase 1 works will be concentrated in the Wards around the Hospital and Middlesbrough Station, all residents who have access to rail travel should benefit from the project.

Legal Implications

34. There will be legal implications associated with the delivery of the project, through the planning process and through formal agreements between parties for delivery and funding. These will be worked through on a Tees Valley basis, with agreement from each authority.

RECOMMENDATIONS

36. It is recommended that the contents of this report are noted and that:

- a). Members authorise Officers to work with Network Rail to develop the first phase of the project through GRIP Stage 4, including consultation with stakeholders and the public;
- b). Members authorise Officers to proceed to obtain the necessary planning permissions to deliver the new stations contained within the first phase of the project;
- c). Members authorise Officers to work with the Joint Strategy Unit, Network Rail and Northern Rail in the project board and to confirm the anticipated benefits for the contents of the first phase;
- d). Members endorse the Council's 'in principle' commitment to provide its calculated share of the 'local' contribution to the first phase of the project; and
- e). Members agree to submit a business case in order to gain Programme Entry for the Darlington Station element of the project in Spring 2010.

REASONS

37. The reasons for these recommendations are:

- a) To ensure that the requirements of the DfT to confirm funding for some elements of the project are met;
- b) To deliver the first phase of a 21st century transit system for the Tees Valley, linking together the main centres and key economic assets within the City Region;
- c) To continue to grow patronage on the rail network in a sustainable way that complements the City Region's regeneration aspirations;
- d) The funding bid assumes no additional resource is required by the Local Authorities over and above funds already committed through the Local Transport Plan process; and
- e) To draw down funding from the RFA at the earliest possible opportunity.

BACKGROUND PAPERS

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