

## WMCA Board

<b>Date</b>	15 January 2021
<b>Report title</b>	New Stations Package 2 - Full Business Case
<b>Portfolio Lead</b>	Transport - Councillor Ian Ward
<b>Accountable Chief Executive</b>	Laura Shoaf, Managing Director, Transport for West Midlands email: laura.shoaf@tfwm.org.uk tel: (0121) 214 7444
<b>Accountable Employee</b>	Malcolm Holmes, Director of Rail email: malcolm.holmes@tfwm.org.uk tel: (0121) 214 7058
<b>Report has been considered by</b>	Transport for West Midlands Decision Making Meeting - 23 November 2020 Investment Panel - 30 November 2020 Strategic Transport Officers Group - 7 December 2020 Investment Board - 14 December 2020 Strategic Leadership Team - 16 December 2020 Programme Board - 4 January 2021 Transport Delivery Committee - 11 January 2021

### **Recommendation(s) for action or decision:**

#### **WMCA Board is recommended to:**

- (1) Authorise the Full Business Case for new stations Package 2 (Camp Hill line stations).
- (2) Agree a total project budget of £61.4m based on the Estimate at Completion for the scheme at Full Business Case stage, subject to WMCA securing the funding for the project as detailed within the report.
- (3) Authorise the release of £9m from the WMCA Investment Programme subject to Department for Transport approval of the RNEP funding.

- (4) Note that the WMCA intend to be the accountable body for the entirety of the funding package.
- (5) Note that the costs included within the Full Business Case are the current best estimates prior to the completion of single option development (GRIP 4).
- (6) Note that further economic analysis is ongoing to understand the impact of the latest Covid-19 growth scenarios on demand and benefits and that to date the scheme has consistently returned positive BCRs.
- (7) Note the aim of securing funding in Quarter 1 2021 to enable the project to proceed as per stated timescales.
- (8) Jointly delegate to the WMCA Monitoring Officer and the WMCA Director of Finance the authorisation of the award of contracts to the successful tenderer for the design and build stage are entered into, subject to:
  - i. The project being within the £61.4m recommended budget;
  - ii. Adequate funding being secured to allow for the delivery of the new stations, as outlined within this report;
  - iii. All funding agreements being signed and sealed to the satisfaction of the WMCA Finance Director and the Monitoring Officer;
  - iv. The operating costs of the stations being fully quantified and affordable.
- (9) Approve delegation/s to the WMCA Monitoring Officer and WMCA Director of Finance to enter into the various funding agreements and contracts which would be reasonably required to enable delivery of the new stations, including (if necessary) the issuing of a Letter of Intent to ensure the project schedule is maintained whilst funding agreements are being finalised subject to the risks of doing so being acceptable to the WMCA Section 151 Officer and the Monitoring Officer.

## 1. Purpose

- 1.1 The purpose of this paper is to seek approval from the WMCA Board for the Full Business Case for new stations Package 2 (Camp Hill stations). To maintain project programme and deliver the three stations with the associated train services for entry into service in Q4 2023, it is essential that the FBC is approved by WMCA Board in January 2021.
- 1.2 The project has had £7.35m approved and committed to date. This paper seeks a further £9m from the WMCA Infrastructure Programme which is subject to receipt of the balance of funding. The WMCA will be the Accountable Body for the entirety of the Funding package as outlined in the Financial Implications section of this paper.

## 2. Background

- 2.1 West Midlands Rail Executive (WMRE) and Transport for West Midlands (TfWM) are developing a package of three new railway stations at Moseley, Kings Heath and Hazelwell in Birmingham City Council (BCC). These would be served by two trains an hour between Birmingham New Street and Kings Norton.
- 2.2 These stations are located on the Camp Hill line. Since the closure of the three original stations in 1941, the areas around the stations have seen a large growth in population and regeneration activity, resulting in a strong business case to reopen the stations. Each of these stations will be fully accessible and include unstaffed ticketing and help facilities. Moseley and Hazelwell Stations will also include pick up / drop off areas and cycle parking to enable the stations to be accessed from a range of transport modes.

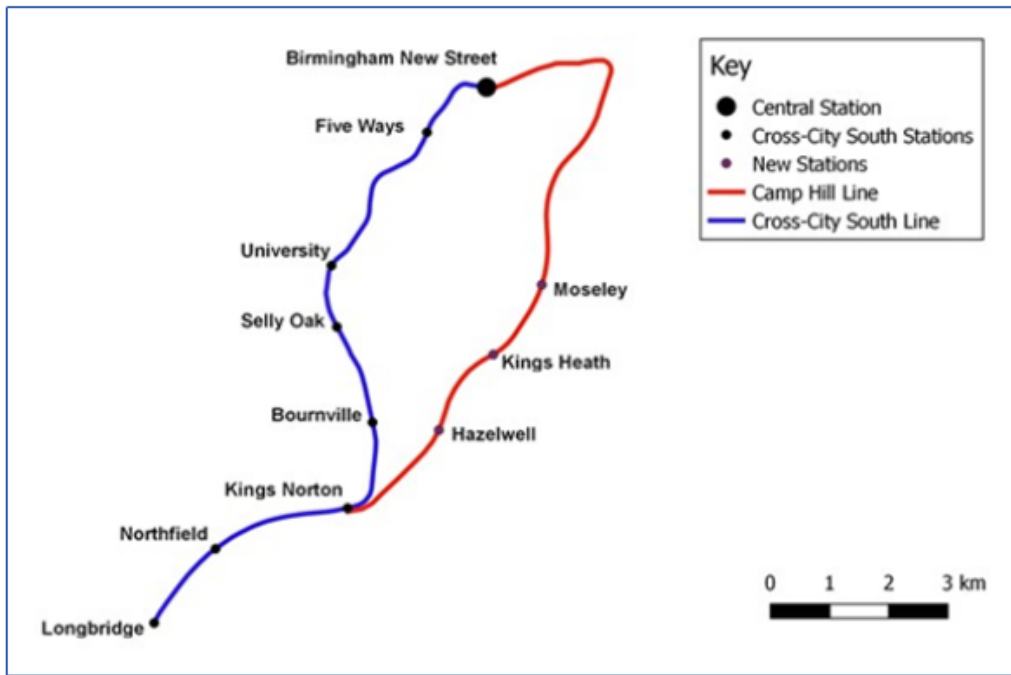
## 3. Benefits

- 3.1 The project will deliver economic benefits by substantially improving access to commercial, employment, and education opportunities in central Birmingham, as well as improving connectivity along this corridor. We also anticipate significant environmental benefits, with more than a quarter of expected passengers transferring away from car use for journeys to Birmingham City Centre.
- 3.2 The new rail timetables will deliver time savings as follows:

From	To	Current public transport journey time (Peak time)	Current public transport journey time (off peak)	Indicative Rail Journey Time	Potential Time Saving
Hazelwell	Birmingham New Street	45 mins	30 mins	14 mins	16 – 31 mins
Kings Heath	Birmingham New Street	35 mins	20 mins	11 mins	9 – 24 mins
Moseley	Birmingham New Street	29 mins	15 mins	8 mins	7 – 21 mins

- 3.3 In addition, the construction of these stations will directly create c.130 jobs during construction and 16 jobs longer term plus induced jobs.
- 3.4 The impact of Covid-19 on rail patronage and capacity means that there is now an opportunity to introduce new services, increasing connectivity using largely existing infrastructure. The proposed service strategy is for two new services an hour between Birmingham New Street and Kings Norton, calling at all stations, shown in the map below.

Future investments envisaged as part of the 'Midlands Hub' strategy would unlock further long term capacity.



- 3.5 We also expect that these rail services will encourage reduction in the level of private car use, which will contribute specifically to the aims of the Birmingham Clean Air Zone (CAZ). Current vs. proposed public transport time savings show particular time benefits for journeys to Birmingham.
- 3.6 The benefits of the scheme are considered in further detail in sections 6 – 8 below, including consideration of how this scheme supports wider strategic priorities for the region.

#### Value for Money – BCR

- The original modelling produced a Benefit Cost Ratio of 2.4, representing high value for money;
- Since then there have been changes around the timetable assumptions and the impact of Covid-19 on passenger demand;
- We are currently modelling a range of scenarios for the scheme based on latest input data. The strategic case for the scheme remains strong.
- The economic appraisal links the user and non-user benefits with the scheme costs and assesses the value for money over an appraisal period of 60 years. The appraisal has been undertaken in accordance with TAG Rail Appraisal guidance.

#### 4. Programme

Confirmation of funding	February 2021
Award of Detailed Design & Build contract	November 2021
Construction complete	August 2023

The new stations will open in November 2023.

### Progress since OBC

**GRIP4 (Single Option Design):** Outline design for Moseley, Kings Heath and Hazelwell stations have been developed and accepted by Network Rail and West Midlands Trains. The endorsed Approval in Principle documentation is currently being received.

**Timetabling:** Securing funding from DfT is contingent on advice from Network Rail confirming their acceptance of the timetable solution for operating the Camp Hill services. We are continuing to work with industry partners to address concerns.

**Planning Applications:** King's Heath was unanimously approved on 6th January 2020, Hazelwell was unanimously approved on 30th January 2020, and Moseley was unanimously approved on 24th September 2020.

**Programme:** The project schedule has been re-baselined to take into account the impact of the timetable study, findings from Early Contractor Involvement and additional works required to maintain the existing Victorian era railway infrastructure and due to the availability of disruptive possessions in the West Midlands rail network.

**Land Acquisition:** WMCA has reached agreement over the purchase of land for Hazelwell Station, with completion expected in March 2021. Commercial negotiations are ongoing with the owners of the land at Kings Heath (Speedwell Properties Ltd / Solihull School) and Moseley (Network Rail).

**Cost Estimate:** the (AfC) estimate has been updated from £52.18m to £61.40m to reflect the GRIP4 design developments and to take into account lessons learned from the procurement of University station which experienced increased construction costs. This includes contingency and provision for construction inflation due to HS2 and Covid-19. Further details can be found in Section G2 of the FBC.

**Value Engineering and scope:** We have undertaken a significant amount of value engineering to confirm that the right scope for the stations was being delivered to achieve the project objectives and to ensure value for money.

## 5. Financial Implications

5.1 The budget requested for the scheme can be broadly analysed as follows:

Package 2 EAC Cost Breakdown	£m
Detailed Design and Construction	34.2
Project/Programme Management Support	7.5
Other Costs	7.1
Contingency and Inflation	12.6
<b>TOTAL</b>	<b>61.4</b>

- 5.2 As part of the process to verify cost estimates, WMCA have undertaken value engineering, and benchmarking exercises in collaboration with Network Rail. The output of this benchmarking exercise suggested that, when market and site specific factors were taken into account (such as ground remediation), the cost estimate for the Package 2 stations is within a reasonable range of the comparators.
- 5.3 WMCA continue to engage with Network Rail to identify opportunities for value engineering and to consider if these can be implemented without significant programme prolongation.
- 5.4 The funding package for the scheme is being assembled and is summarised below:

<b>Funding Body</b>	<b>Total £m</b>
WMCA funding: <ul style="list-style-type: none"> <li>Secured at SOBC / OBC stage</li> <li>Requested at FBC stage subject to DfT funding being provided (funding from WMCA Infrastructure Programme)</li> </ul>	7.35 9.00
Department for Transport (Requested from (RNEP))	19.35
Birmingham City Council Clean Air Zone (CAZ)	5.22
Additional future funding to be secured (see below)	20.48
<b>TOTAL</b>	<b>61.40</b>

- 5.5 The £9.00m funding request from WMCA is subject to approval of the DfT funding detailed above and is provisionally contained within the £801 million affordable limit which has applied to the Investment Programme since agreement by WMCA Board in November 2019.
- 5.6 The £19.35m funding request to the DfT is underway and is expected to be progressed at DfT Programme Board on 7 January 2021. This represents the balance of the £59m request to fund both Rail Packages 1 and 2 both of which are the subject of reports to this Committee.
- 5.7 In the event that the RNEP funding announcement results in a reduced value of funding or the announcement timing is not compatible with the delivery schedule, it is possible WMCA will need to call down some of the £9m earmarked within the Investment Programme affordable limit to maintain the schedule. Specifically, there are critical, seasonal works which if not undertaken in line with the programme, will have a significant impact in terms of cost and delay. Should this be the case, the request will be progressed through the Investment Programme assurance arrangements and approved in line with the delegations that apply.

- 5.8 The value of the two rail packages combined versus the funding considered available from DfT and other stakeholders, leaves a residual sum of £20.48m to be funded. WMCA continue to consult with Government on options for realising this funding and the recent spending review is considered to present WMCA with options for ultimately closing this gap. Should the lead-times for obtaining funding not be compatible with the delivery schedule, a revised approach towards delivery may need to be considered, with the programme delivered over a longer time-scale or alternative scope. In the event of a material deviation, WMCA Board would be requested to approve this option separately.
- 5.9 In terms of operating costs, the scheme theoretically requires an initial operating subsidy of £0.9m by 2022 - 2024 to cover driver training and operating costs, however, this subsidy requirement is fully covered in the following years of the franchise (delivering £0.35m net revenue by 2025). The scheme is forecast to deliver a positive net income (and cumulative net income) in 2026.

## 6. Management of risk

- 6.1 The main risks by value that inform the contingency assessment are presented in the Financial Appendix. Key strategic risks include:
- **Funding:** It will be necessary to seek funding from Government beyond that identified in the RNEP. This is discussed above and in the financial annex.
  - **Condition of existing infrastructure:** Risk that existing infrastructure is not compliant with modern requirements requiring the project to fund additional works in order to fully integrate new stations or to correct existing non-compliances. This is controlled / mitigated by ongoing discussions with Network Rail, detailed site surveys to identify non-compliances, production of robust outline and detailed designs which are agreed with Network Rail.
  - **Operational concerns:** Timetable. Current reductions in passenger services from 6tph to 4 tph due to Covid on the Cross City line mean that paths exist to enable two trains an hour to operate on the Camp Hill line. Investment in new rolling stock means that there will be an increase in passenger capacity on the Cross City Line even at a reduced frequency. However restoring 6tph on the Cross City Line would require further investment in the future.
  - **Market capacity:** There is a risk that the heated construction market that is being witnessed in the West Midlands due to large projects such as HS2 and Commonwealth Games infrastructure will drive up contractors' costs and capacity to deliver. The proposed procurement route (see section 4) is designed to mitigate against this.

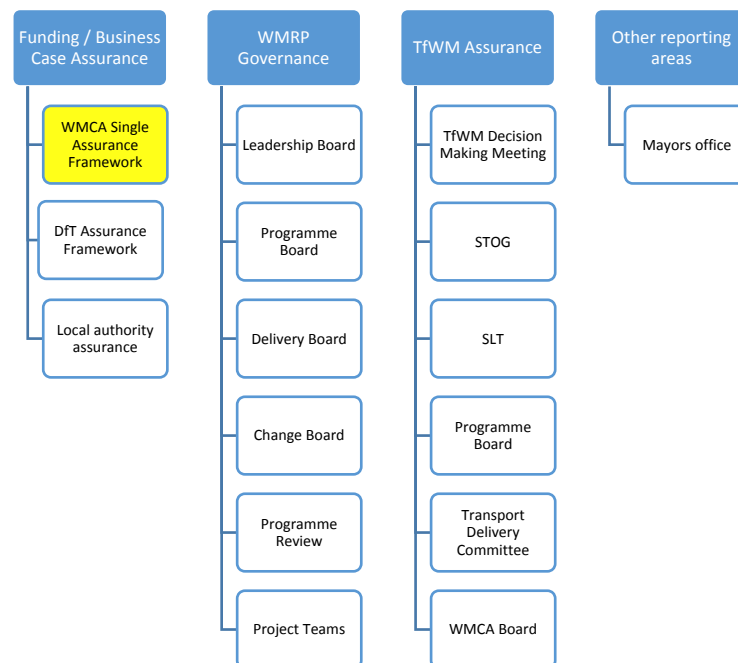
### Risk review process

- 6.2 Risks are reviewed a monthly basis by the project team with support from the Risk Manager and assured by the Associate, Risk Management on a monthly basis for quality purposes.

- 6.3 The date whereby mitigation or risk response needs to be in place is unique to each risk and tracked with ARM. The risk around Covid-19 on resource/supplier availability is an emerging area. Once lessons are learned from the University/Perry Barr/Package 1 schemes they will be fed in.
- 6.4 All risks are assessed for both direct and indirect costs i.e. project overrun in addition to time impacts.

### Project Governance and management

- 6.5 The chart below illustrates the various funding and governance arrangements for the project, with this paper forming part of the WMCA Single Assurance Framework (highlighted in yellow).



The project will be resourced in GRIP 5 – 8 as follows:

- Senior Project Manager 50% - increase from 33%
  - Project Manager 100% – No change
  - Assistant Project Manager 100% - increase from 50%
  - Design Manager / Engineering Manager 50% - no change
  - Commercial Manager 100% - increase from 50%
  - Construction Manager 100% - increase from 50%
- 6.6 In addition to the project team described in the comments box, the sponsor team provide the necessary management support in relation to business case development, financial approvals, stakeholder management and liaison with other industry parties such as Network Rail and West Midlands Trains as well as externally to Birmingham City Council, local ward councillors and politicians and interest / community groups. These resources are accounted for in the financial case.



## **Stakeholder communications**

- 6.7 The current Stakeholder Communications and Engagement Plan was prepared to support GRIP 4. The next update is scheduled for early in GRIP 5, following the appointment of a contractor. Regular monthly meetings will actively manage and monitor the workstream to ensure continued engagement, information sharing and mitigations of future risks. This work will follow the approval of the timetable and funding and the period of purdah so is likely to commence in Q2 2021.
- 6.8 The wellbeing of our people (stakeholders, project team etc.) is of paramount importance, the project has therefore taken a Covid-19 resilient approach to communications and engagement in line with government recommendations. Covid-19 has seen communications and engagement move primarily into the digital realm, a strategy mirrored across a large number of our delivery partners and stakeholder audiences.
- 6.9 There will be no face to face public engagement until it is safe to do so – we are currently working towards a next ‘meet the project team’ engagement in Quarter 2 of 2021 but this remains subject to Covid-19.

## **7. Legal Implications**

- 7.1 Part 3 of the West Midlands Combined Authority Order 2016 conferred powers to the Authority relating to public transport functions for the constituent authorities to the Combined Authority. TfWM is the executive body of the WMCA responsible for carrying out its transport related functions and to implement policies and strategies. TfWM is the body responsible for co-ordinating and promoting the use of public transport.
- 7.2 Section 113A(1)(a) of the Local Democracy, Economic Development and Construction Act 2009 gives the Authority a power of competence appropriate for the purposes of carrying-out any of its functions. This includes enhancements to the transport network and delivery of new transport infrastructure.
- 7.3 The delivery of the new stations at Moseley, Kings Heath and Hazelwell requires a number of legal issues being addressed. These include the ownership of land, the procurement and delivery of the scheme and connectivity with the local highway network. These are being managed as part of the project process.
- 7.4 It is not anticipated that the station development will require a CPO. However, some preliminary CPO tasks have been undertaken to ensure that this remains a viable option should it be required.

## **Procurement**

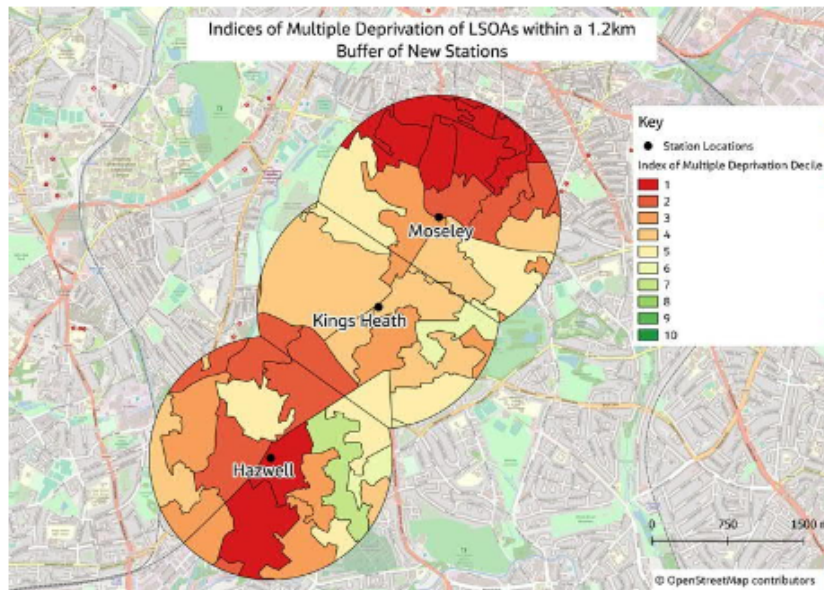
- 7.5 The preferred procurement route for this package will follow that of Package 1. This will see a single contractor appointed for all three stations delivering both the Design and Build elements of the contract. This will be achieved by undergoing a Restricted OJEU Procedure with Negotiation. This process will commence in early 2021.
- 7.6 Legal will support the Procurement process and this will be provided for by a combination of internal and external resources. The procurement contract will not be let until the required funding commitment has been confirmed.

## 8. Equalities Implications

- 8.1 Diversity Impact Assessments have been undertaken by the project which identify and address key equality issues and their mitigating measures. This project provides three stations designed to the very latest standards, with all areas fully accessible. Platforms are accessed by footbridges and lifts. Whilst there are no car parks provided at the stations, two of the stations (Hazelwell and Moseley) feature pick up and set down facilities. The project will continue to engage with local disability groups regarding the station designs.

## 9. Inclusive Growth Implications

- **Economic Growth** – the new stations and train services to Moseley, Kings Heath and Hazelwell will support local economic growth and provide better access for businesses to the labour market, playing a key role in the regeneration of the surrounding areas.
- **Transport** – the new stations and train services to Moseley, Kings Heath and Hazelwell will provide connectivity to the local and national rail network, offering access to jobs and other opportunities in central Birmingham and beyond, and driving mode shift from the existing road network.
- **Accessibility** – a key aspect of this scheme is providing the area with other transport choices and reducing congestion on commuter routes to support a more sustainable and accessible Birmingham for businesses, residents and visitors. The new stations will be built to the latest design standards and will be fully accessible to all passengers.
- **Fiscal Impact** – the scheme will generate an estimated 440k journeys per annum from Moseley, 314k from Kings Heath and 358k from Hazelwell per annum with net additional rail demand of 1 million journeys per annum. Future station OPEX costs will be included in subsequent commercial agreements between West Midlands Trains and the Department for Transport. The OPEX costs of the station forecourts are subject to ongoing discussions between the WMCA and Birmingham City Council. The scheme has a BCR of 2.4 representing High Value for Money.
- **Environmental impact** – during operation it is estimated that 27% of new rail users will transfer from car use for their journeys, which will contribute to the reduction of emissions from traffic on the wider strategic network. As the primary traffic generator for rail is Birmingham City Centre it is likely that the scheme will contribute to the Clean Air Zone objectives by reducing NO<sub>2</sub> emissions. Train services will be operated by the very latest diesel trains featuring low emission engines. A study is being carried out with Network Rail to ensure that these proposed services do not exacerbate the existing air quality issues at Birmingham New Street station. The station sites will be landscaped to be sympathetic to the local environment.



Indices of Multiple Deprivation (IMD) within a 1.2km station catchment area.

Colour coded map, where the most deprived decile is shown in red and the least deprived decile is shown in green.

The areas served by the proposed stations have neighbourhoods in significantly deprived areas of the West Midlands

## 10. Geographical Area of Report's Implications

- 10.1 The areas around the proposed stations are densely populated with a high propensity to access professional employment in the city centre, yet these areas are currently served by frequent but slow and unpunctual bus routes using congested roads. This results in poor journey times and connectivity, reliance on private transport adding to congestion, limiting economic growth as well as worsening air quality.
- 10.2 All stations will support further employment and academic opportunities by improving connectivity to education and employment centres, including Birmingham City Centre. The catchment areas of Hazelwell and Kings Heath stations include the King Edwards Camp Hill Schools, with approximately 1,700 students attending from across the West Midlands.
- 10.3 Hazelwell Station will serve a population totalling 21,500 – slightly above average when compared to the average for existing stations in south Birmingham (19,700). The station catchment encompasses a hub of local businesses situated along the Pershore Road. Although the western portion of the Hazelwell station catchment is served by the existing Bournville Station, residents located in the heavily populated eastern side of the catchment lack rail access, with some areas currently a 40+ minute walk from the nearest railway station. The location of the proposed Hazelwell station would reduce this walk to within 20 minutes.
- 10.4 Kings Heath Station will serve a region of 18,500 people within a 1.2km radius of the proposed station location. The station will serve the high street which supports many local businesses and shops. Kings Heath presents a well below average percentage of residents that are economically active (44.7%), when compared with a local average of 60%.

- 10.5 Moseley station will serve a larger than average population within a 1.2km radius of 30,000. In addition, the station will be located close to the area's high street, housing an abundance of local businesses. The working population of Moseley exceeds the entire population of most existing West Midland stations (Census, 2011) and the population of Moseley's catchment area is comparable to dense city centre stations, such as Five Ways (28,000) and Birmingham New Street (26,000). There is also a higher than average proportion of the population with no qualifications.

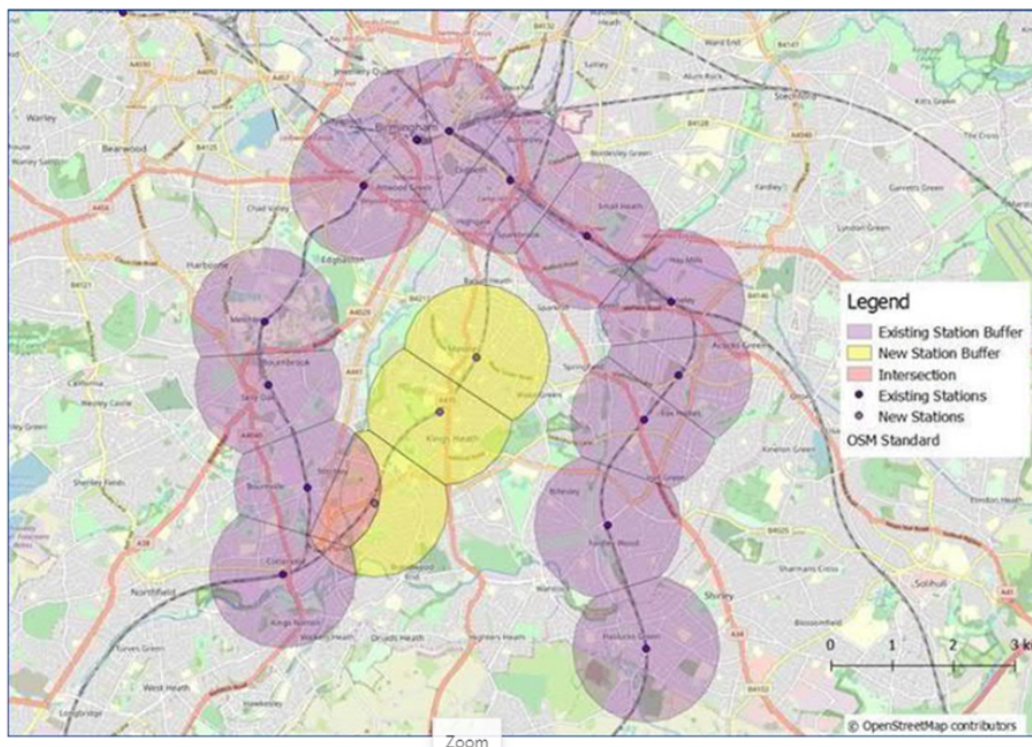


Figure 1: Camp Hill line station catchment areas compared to existing station catchment areas

## 11. Other Implications

### The Scheme

The Station schemes will comprise:

- Two platforms accommodating six car trains
- Pedestrian footbridge, stairs and lifts for full accessibility between platforms (at Moseley access between platforms will be above the tunnel, and at Hazelwell access between platforms will be via the Cartland Road overbridge)
- Ticket machines at each passenger entrance and customer information systems
- Passenger help-points on each platform
- Small forecourt at the station entrance
- Pick-up/drop-off area (Hazelwell and Moseley only)
- Secure cycle parking

- 11.1 The works will be procured by the West Midlands Combined Authority (WMCA). A suite of legal agreements will be entered into between WMCA and Network Rail to allow development to progress, to provide asset protection for the existing railway, to provide for the handover to the relevant stakeholder when completed and to address property rights and ongoing responsibilities going forward. WMCA will be managing the delivery of the development and managing the construction contract.

## **Outputs**

In addition to those benefits described above:

- Service patronage will be in the order of 1.1m to 1.5m by 2027.
- The time saving and value of savings to public transport times will be 241,000 hours per annum and £2.3m per annum.
- Carbon Reduction will be £9k per annum by 2025.

## **12. Schedule of Background Papers**

FBC for new stations Package 2 (Camp Hill line stations) is available upon request.

Private financial appendix.