

**Forward Plan reference number: FP/840/10/20**

<b>Report title: Beaulieu Railway Station Project: Commissioning of Network Rail GRIP Stage 4 – single option development including design.</b>	
<b>Report to:</b> Cabinet	
<b>Report author:</b> Councillor David Finch, Leader of the Council	
<b>Date:</b> 19 January 2021	<b>For:</b> Decision
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<b>County Divisions affected:</b> Chelmer	

## **1. Purpose of Report**

- 1.1. Essex County Council (ECC) is in the process of working with Network Rail (Network Rail) on the design and feasibility of the Beaulieu Park Station in accordance with a Memorandum of Understanding entered into in 2015. This report asks for authority to enter into an agreement with Network rail to develop a single option. This next phase of work is known as 'GRIP (Governance in Rail Investment Projects) stage 4'.

## **2. Recommendations**

- 2.1 Agree that ECC enters into the Development Services Agreement (DSA) with Network Rail for GRIP stage 4 to enable the Beaulieu Park Station Project to progress through GRIP Stage 4 for the sum of £5.903m.
- 2.2 Agree that the Director, Highways and Transportation may:
- 2.2.1 Undertake value engineering on the project to reduce the total scheme costs by £14m to bring it within budget provided it does not expose ECC to cost escalation funding risk; or
- 2.2.2 Cancel the GRIP 4 agreement at the least possible cost to the Council if we cannot reach agreement with Homes England on the HIF funding agreement.

## **3. Summary of issue total scheme**

- 3.1. Beaulieu Park Station is a proposed new railway station located to the north east of Chelmsford serving the new mixed-use development of Beaulieu Park and other developments to the north and east of Chelmsford and developments in the south of Braintree District. The new station includes proposals for approximately 1,470 car parking spaces, cycle parking (storage for 500 cycles) and provides the provisions for a bus interchange to service north Chelmsford

and the wider Essex area. The latest programme gives a completion and operational date of 2025. ECC, Chelmsford City Council (CCC), Network Rail and Countryside Zest (CZ) (the Partnership) are working together to secure the delivery of the Station. The project will follow the Network Rail processes and procedures, with Network Rail project managing the scheme and their consultant/contractor tendered frameworks providing the resources to deliver the overall project.

- 3.2. The early stages of the project are being funded from contributions secured under Section 106 agreements with developers. Subject to contract, final costings and a risk appraisal, the project will be completed through grant funding provisionally awarded to ECC from the Housing Investment Fund (HIF) administered by Homes England and Local Growth Fund (LGF) administered by the South East Local Enterprise Partnership (SELEP). ECC has agreed to provide the interface between Project Delivery and the various project partners. A Memorandum of Understanding (MOU) was signed by all parties on 7 December 2015 to provide a framework within which the Partnership will work together to deliver the Station.
- 3.3 Under the memorandum, ECC has the responsibility of entering into Development Services Agreements (DSA) with Network Rail to progress and develop designs for the Station and is responsible for passing through the sums from Chelmsford City Council and potentially Homes England later in the stage, due for the DSA to Network Rail.
- 3.4 If the project is to progress any further ECC will have to enter a DSA to progress the project to what is known as 'Governance for Railway Investment Projects (GRIP) Stage 4 (Single Option Development)'. Entering into this DSA will allow Network Rail to carry out development of the chosen single option selected in stage 3 and to create the outline design. Once that is complete the project will go forward with an application for an order under the Transport and Works Act 1992 to the Secretary of State for Transport. This application will be completed by Network Rail. This order will, if granted give all necessary approvals for the station, track changes and auxiliary services to be built.
- 3.5 Planning permission for the Beaulieu Park development in north east Chelmsford was granted in 2013. A key element of the Section 106 Agreement was the delivery of a new station on the Great Eastern Mainline (GEML). The triggers for the Section 106 payments for the Station are based around Network Rail's Project Management Methodology (known as GRIP stages) based on fixed payment dates and are not dependent on housing completions or other conditions. An amendment to the S106 has been agreed which allows further funding to be released to pay for GRIP Stage 4 (refer to financial implications section for further details as to how this will work). In the event that this scheme does not progress to completion, any remaining Section 106 Funds can be used for an alternative transport scheme for the development.
- 3.6 The Station will form a key part of the wider offer of the Beaulieu Park development, making it attractive to both residential and business occupiers. Construction of the Station has been identified as a priority within the East

Anglian Rail Prospectus prepared by local MPs and Essex, Suffolk, Norfolk and Cambridgeshire County Councils.

- 3.7 The Key Objectives for DSA GRIP Stage 4 of the Project is to secure all statutory permissions to progress the project and complete outline design of the station, all works on the railway and all auxiliary components parts.
- 3.8. The Network Rail GRIP Stage process is broken down into 8 stages. Once DSA GRIP Stage 4 has been successfully completed then the project will move on to the next stage. Stage 5-8 will be covered by an Implementation Agreement. Further appropriate ECC governance will be prepared for these future stages as necessary to give appropriate authority before the project proceeds. The table below provides the current expected programme of delivery:

<b>Milestone Description</b>	<b>Target Completion Date</b>
GRIP Stage 4 – Single Option Development	2022
GRIP Stage 5 – Detailed Design	2023
GRIP Stage 6 – Construction and Commission	2025
GRIP Stage 7- Scheme Handback	2025/26
GRIP Stage 8 – Project Closeout	2025/26

- 3.9 The project budget of £157m is being funded from three separate sources:

- S106 from Countryside Zest, the developer of Beaulieu Park - £22m.

£4.312m has so far been spent from this source to get the project to the end of GRIP Stage 3. This funding source has been secured through a S106 agreement and is not subject to clawback by CCC/ developers if the project is aborted.

- HIF from Homes England - £123m.

Spend from this source will be available as soon as ECC enters into contract with Homes England. Terms have not yet been agreed and there will be a further decision before it can be accepted. The terms will include a contractual end date by when this funding can be claimed (confirmed as March 2025) and the project team will be looking to prioritise spend of this grant over other sources which do not have the same restrictions on spend dates. Work to secure funding will be undertaken in parallel as GRIP Stage 4 is progressed to allow seamless ongoing progression of the project. Contracts with Homes England for HIF must be in place by June 2021 which is the date for the submission of the Transport and Works Act Order (TWAo). DfT rules state that this can only be submitted if the project has in place all necessary finances to complete the project. It will be the contract with Homes England that provides the assurances that the project is fully financed.

There are a number of issues that ECC and the wider project team are managing that require resolution before the agreement with Homes

England can be signed. These are being progressed but there is no guarantee that the contract negotiations will be successful. If ECC is unable to enter into contract with Homes England GRIP4 and the wider Beaulieu Railway Station project will be unable to progress and will be cancelled, which will have an effect on other projects funded through the HIF bid. The Beaulieu Park project through the HIF bid is linked with the Chelmsford North East Bypass, which is the subject of a separate decision. Failure to secure HIF will likely mean cancellation of the bypass and writing off all historic expenditure. Entering into contract with Homes England will be subject to a separate report. In the instance of the Beaulieu Park Station project not progressing work would start with Countryside Zest to put in place revised transport arrangements to allow the planned homes to the North East of Chelmsford to be built out. The remaining section 106 money would be used to deliver any new transport initiative.

- LGF from SELEP - £12M.

This money will be spent after all HIF money has been claimed and expended as agreed with SELEP at their Accountability Board in February 2019. This funding source has been secured and agreement is in place to spend the allocation beyond the Growth Deal period, which expires in March 2021.

- 3.10. The overall total cost for the project was reviewed as part of GRIP Stage 3. This reassessed the cost of the station and track works (including risk and inflation) at £171m. This is currently £14m more than the funding available for the project. One of the first tasks of the project team in GRIP stage 4 will be to undertake the necessary value engineering to bring the costs of the project back in line with the available budget. An independent review of the GRIP Stage 3 report, by Jacobs, indicates that there is a very high level of confidence that through the application of more applicable bench marking figures and the reduction in scope of auxiliary areas such as the car park this will be successful. Formal value engineering will start at the commencement of GRIP Stage 4 and the target is to be completed by the end of March. This allows for a duration of two months. Standard GRIP 4 work will be progressed concurrently. The project team will also review whether to approach parties that will receive benefit from the current scope of works for additional funding. This could include, but not limited to, Network Rail paying for upgrades to the line or the train operating company paying for the car park. ECC will also consider removing entirely from scope aspects of the project that are not attached to the conditions for funding. The car park is again an example of one such area for review. ECC have asked Jacobs to review what the optimal space provision is for the carpark to avoid over provision. There is no obligation for ECC (and the partners) to proceed with the Project should the costs be in excess of what is available.
- 3.11 The current project budget is £157m with a project cost estimate from Network Rail through the GRIP Stage 3 report of £171m. This includes a contingency allocation of £22m which equates to around 13% of the cost estimate. As part of the value engineering the project team aim to keep a similar percentage of

contingency within the budget. On the basis that the project cost estimate is reduced to £157m and contingency down to around £20m.

- 3.12. Sufficient S106 funding is available to commission GRIP Stage 4; the ongoing risk of funding - entry into the HIF contract, will continue to be managed in accordance with paragraph 3.10 above. HIF funding will need to be secured via a signed Grant Determination Agreement before the necessary application for a Transport and Works Act Order can be made and secure its statutory permissions. Network Rail requires that projects must be fully funded at this point.
- 3.13 Each DSA will set out the agreement between ECC and Network Rail under which Network Rail will work with ECC in relation to the Beaulieu Station project and under which Essex will pay for such services.
- 3.14 The Project Steering Group was established by the MOU. This group provides overall strategic oversight and guidance to the Project and consists of representatives of each of the parties (ECC, Network Rail, CCC, SELEP, Homes England and Countryside Zest). The Project Team are responsible for the delivery of the Project and report into the Project Steering Group.
- 3.15 Essex County Council has reflected the outcomes sought within The Future of Essex in its new Essex Organisational Strategy. The aims of the strategy:
- Enable inclusive economic growth
  - Help people get the best start and age well
  - Help create great places to grow up, live and work
  - Transform the council to achieve more with less
- 3.16 The proposed new station at Beaulieu Park contributes to all of these outcomes and it is particularly strongly aligned with the delivery of the shared outcomes to develop our county sustainably, connect us to each other and the world and share prosperity with everyone.
- 3.17. An effective transport system is integral to peoples' daily lives; it underpins business and commerce; provides access to work, education and training, essential services and leisure activities; and enables people to make the most of opportunities as they arise.
- 3.18. Specifically, the new Beaulieu Park station enables inclusive economic growth within Chelmsford, identified as a major economic engine within the Essex Organisational Strategy and supports the following strategic priorities;
- Enable Essex to attract and grow large firms in high growth industries. The scheme supports trade, by better connecting key economic centres, especially along major transport corridors, and helping people to travel by public transport, bike and on foot
  - Help secure sustainable development and protect the environment. The scheme ensures that growth can be sustainable and accommodated in a way that enhances Essex.

- Facilitate growing communities and new homes, the project enhances transport access to new housing, employment, education and training, and essential services including healthcare, retail and leisure facilities to enable participation in everyday life

3.19. The proposal supports the delivery of the Essex Local Transport Plan vision for a transport system that supports sustainable economic growth and helps deliver the best quality of life for the residents of Essex by providing connectivity for Essex communities and international gateways to support sustainable economic growth and regeneration.

3.20 Beaulieu Park's new station will be the first new station on the Great Eastern main line (GEML) for over 100 years. Beaulieu Station will be more than a train station, it will be a transport hub including bus interchange, taxi rank and cycle storage. Ensuring Beaulieu station is accessible to all has been a central tenet, there will be step free access from street level to each of the three platforms, there will be a bus interchange and drop off points which will be accessible. Subject to value engineering there will be 370 spaces in the surface car park, including 70 for blue badge holders, and a further 1100 spaces in a multi-storey carpark. ECC are doing a further review on the optimal level of carparking to be supplied to avoid providing in excess of what is required. There will be storage facilities for a total of 500 bikes. In the first year of opening it is expected to welcome more than two million passengers.

3.21 The wider development to the north east of Chelmsford has been identified as a key driver of economic growth in the Chelmsford area and the delivery of the Local Development Framework and the Chelmsford's Local Plan which was adopted in May 2020. This shows 3,600 new homes, a 40,000m<sup>2</sup> business park area and in excess of 4,100 jobs, more than 900 of which are anticipated to be a direct response to the construction of the station. The new station will also accelerate the pace of development and job creation. The station will increase capital investment by £129.9m result in a higher level of construction employment (estimated at 1,285 person-years of work), increase construction GVA by £29.6m per annum, increase permanent direct job growth by 435 and indirectly by 125 (due to the increase pace of development), provide a higher level of economic output totalling £50.4m per annum, increase business rates (£30.6m pa) and overall increase in the pace of the number of dwellings constructed (Source: Nathaniel Lichfield & Partners Beaulieu Station Economic Impact Assessment Report (2017)). The figures quoted above were included in the bid for HIF funding.

3.22 Construction of the Station will drive economic growth in Essex, widening access to employment and improving the competitiveness of the Essex economy, driving sustainable economic growth for Essex communities and businesses.

3.23. Encouraging mode shift to rail will ensure that the people in Essex experience a high quality and sustainable environment, and improved access to rail travel will ensure that the people in Essex can live independently and exercise control over their lives.

- 3.24. ECC will work with local partners and the rail industry to ensure that the preferred option delivers value for money and benefits the people of Essex. The creation of passing loops at the station will mean that trains will be able to pass each other at the station to improve reliability of the whole GEML. This project is the only GEML project that has identified funding and as such is being strongly promoted by local MP's.
- 3.25. The Station has been a long-standing feature of planning policy for the expansion of North East Chelmsford. CCC's North East Chelmsford Area Action Plan gives clear policy support.
- 3.26. The Station has also been identified as a SELEP priority within the SELEP Strategic Economic Plan, and, as such, secured an indicative £12m funding contribution from the SELEP Growth Deal via the Local Growth Fund in July 2014, reaffirming an earlier allocation of funding to the Project by the South East Local Transport Board in October 2013.

#### **4. Options**

- 4.1. The location for the station has been confirmed through the Chelmsford CC Local Plan and planning for the Beaulieu Park development. It will provide significant benefits as identified through this report to Chelmsford and the surrounding area. GRIP Stage 2 reviewed the feasibility of a new station on the GEML; the findings support the station at this location. GRIP Stage 3 reviewed the options and layouts identified under GRIP Stage 2 and selected the preferred option. GRIP Stage 4 will fully design this option and secure the statutory consents for construction of the station.
- 4.2. As described previously the development of the scheme is broken down into distinct stages. No stage can proceed without successful completion of the preceding stage. This process means that no stage can commence without a clear understanding of what commitment is required in that stage of the Project. This will give early warning of any possible increase in costs and means that ECC will not be committing to the delivery of the Project before costs have been established. There is no obligation for ECC (and the partners) to proceed with the next stage until the DSA has been signed.

#### **5. Links to Essex Vision**

- 5.1 As outlined in section 3 above this report links to the following aim in the Essex Vision:
- Develop our County sustainably
- 5.2 This links to the following strategic aims in the Organisational Plan:
- Enable inclusive economic growth

- Help create great places to grow up, live and work
- Transform the council to achieve more with less

## 6. Issues for consideration

### 6.1 Financial Implications

6.1.1. The current estimated project budget for Beaulieu Park Station is £157.070m and alongside Chelmsford North East Bypass (£93.377m) forms part of the Chelmsford HIF scheme which totals £253.457m The current total cost and funding profile is shown below.

	Prior Years Actuals	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Beaulieu Park Station	3,255	2,100	3,205	14,893	49,879	54,520	28,321	897	157,070
Chelmsford North East bypass	2,131	3,747	8,726	32,158	46,615	-	-	-	93,377
<b>Total Expenditure</b>	<b>5,386</b>	<b>5,847</b>	<b>11,931</b>	<b>47,051</b>	<b>96,494</b>	<b>54,520</b>	<b>28,321</b>	<b>897</b>	<b>253,457</b>
HIF Grant	0	8,857	11,931	47,051	96,494	52,613	-	-	216,946
S106 Contributions	2,358	-	-	-	-	-	19,642	-	22,000
SELEP LGF	0	-	-	-	-	1907	8679	897	11,483
ECC Resources	3,027	(3,010)	-	-	-	-	-	-	17
<b>Total Funding</b>	<b>5,386</b>	<b>5,847</b>	<b>11,931</b>	<b>47,051</b>	<b>96,494</b>	<b>54,520</b>	<b>28,321</b>	<b>897</b>	<b>253,457</b>

6.1.2. The above profile of expenditure differs from what is currently in the capital programme. The following table sets out the capital programme budget and profile for this scheme, and the adjustments that need to take place to reflect the revised profile identified above. The adjustments will be processed as part of the 2020/21 Quarter 3 Financial position cabinet report. Beaulieu park station is expected to be completed over a longer timeframe than the existing capital programme (post 2023/24) and therefore the above table includes the longer term position.

	2021/22	2022/23	2023/24	Total Capital Programme
	£000	£000	£000	£000
<b>Existing Capital Programme</b>				
Beaulieu Park Station	2,100	2,864	15,234	20,198
<b>Total</b>	<b>2,100</b>	<b>2,864</b>	<b>15,234</b>	<b>20,198</b>
<b>Proposed Capital Programme</b>				
Beaulieu Park Station	2,100	3,205	14,893	20,198
<b>Total</b>	<b>2,100</b>	<b>3,205</b>	<b>14,893</b>	<b>20,198</b>
<b>Adjustments required</b>				
Beaulieu Park Station	0	341	(341)	0
<b>Total</b>	<b>0</b>	<b>341</b>	<b>(341)</b>	<b>0</b>

6.1.3. The cost estimate for GRIP stage 4 within the overall scheme is currently £5.903m, the profile of which is shown below including a 10% contingency allocation. This is an indicative estimate for GRIP 4 provided by Network Rail. Network rail are currently reviewing the estimate and aiming to reduce costs where possible. The final cost will be known once network rails internal governance process is complete:

The above cost is to be funded through S106 contributions. However, whilst the S106 agreement is in place with the developer, the S106



agreement needs to be varied to allow for funds to be bought forward to deliver GRIP stage 4. Chelmsford City Council are currently in the process of agreeing a variation with the developer. Should the variation not be agreed, ECC will need to forward fund the costs associated with Grip stage 4 until those s106 receipts are received. If the project is terminated prior to receipt of s106 funds there is a risk the costs incurred to date will create an unfunded revenue pressure for the Council. It is considered unlikely that this risk will crystallise.

6.1.4. Work is underway to secure the HIF funding totalling £216.946m. Negotiations are taking place to ensure ECC can enter into a formal contract with Homes England. The contract needs to be completed within the GRIP 4 stage process to ensure the project can be fully funded and will be the subject of a separate decision. There is confidence that this will be achieved.

#### 6.1.5. Financial Risks

- The indicative cost estimate of £5.903m increases following Network Rail's internal governance processes resulting in potential cost escalation and the requirement to value engineer to ensure the budget remains within the current £157m. Value engineering will not take place until GRIP 4.
- That the S106 is not varied in time to allow for S106 receipts to be received by ECC to fund GRIP 4. If this risk materialises ECC may have to look for alternative funding, or forward fund until ECC are in contract with HE and can drawdown HIF funding.
- ECC is currently working to secure the HIF through signing the contract with Homes England. However, there is a risk that an agreement is not reached and HIF is withdrawn.
- Costs will be managed through the DSA stage process, and value engineering is underway. However there is a risk that there is unfunded cost escalation and as ECC is liable for all cost escalation will need to bear the financial liability associated with funding that increase in cost.

## 6.2 Legal implications

6.2.1. The DSA is a Network Rail standard draft agreement which sets out the obligations of both ECC and NR as to the GRIP Stage 4 services. The document is standard form and Network Rail have said that they will not entertain any amendments to the standard wording. That said, the agreement will include a number of detailed specific provisions which must meet ECC requirements to minimise risks to the Council.

6.2.2. Under the terms of the DSA, Network Rail and ECC must work together.

6.2.3 Network Rail are a contracting authority for the purposes of the Public Contracts Regulations 2015 and they are bound to procure any services required for the design using the Public Contracts Regulations.

- 6.2.4 It is understood that Network Rail are to be the promotor of the application for the order under the Transport and Works Act 1992, but if ECC is to be the promotor then approval from full Council will be required under the provisions of the Local Government Act 1972.
- 6.2.5 The amount of money involved in this scheme and the complexity of the agreements means that the Council is likely to have to bear a number of risks relating to the loss of funding or cost overruns and potentially risks relating to the operating costs of the station. This decision does not commit the Council to the construction of the station and before that happens the Council will need to undertake a risk appraisal so that the risks can be reported accurately to the Cabinet.
- 6.2.6 The risks relating to the HIF grant agreement will be set out in more detail in the report relating to the acceptance of that funding.

## **7. Equality and Diversity implications**

- 7.1 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful
  - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 7.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 7.3 The equality impact assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

## **8. List of appendices**

- 8.1. Equality Impact Assessment

## **9. List of Background papers**

- 9.1. Section 106 Agreement dated 7 March 2014 relating to the Beaulieu Park development.
- 9.2. Memorandum of Understanding 7 December 2015
- 9.3. Draft DSA GRIP Stage 4 agreement.