

**Forward Plan reference number:** FP/434/06/22

<b>Report title:</b> Beaulieu Park Railway Station – Commissioning of Network Rail GRIP Stages 6 to 8	
<b>Report to:</b> Cabinet	
<b>Report author:</b> Councillor Lesley Wagland, Cabinet Member for Economic Renewal, Infrastructure and Planning	
<b>Date:</b> 19 July 2022	<b>For:</b> Decision
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<b>County Divisions affected:</b> Chelmer	

## 1. Everyone's Essex

- 1.1 This report asks the Cabinet to commit to the final stages of the delivery of the proposed Beaulieu Park railway station. A new station at Beaulieu Park will support the strong, inclusive and sustainable economy of Everyone's Essex. It will support a high-quality environment by encouraging people to use public transport; and it will support health, wellbeing, and independence for all by improving connectivity.
- 1.2 Delivery of the new railway station will achieve shared outcomes to develop our county sustainably, connect us to each other and the world and share prosperity with everyone. The new railway station has a large number of links to other modes of sustainable transport such as buses and taxis whilst allowing access for pedestrians and cyclists. It also creates access to an effective transport system which allows people to travel for business or pleasure, which in turn helps the economy of greater Essex.
- 1.3 Beaulieu Park Station is also linked to the wider development to the northeast of Chelmsford. This 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.

## 2 Recommendations

- 2.1 Subject to paragraph 2.2, authorise the Director, Highways and Transportation, in consultation with the section 151 officer and the Director, Legal and Assurance to enter into the Implementation Agreement (IA) with Network Rail for GRIP (Governance in Rail Investment Projects) stages 6 to 8.
- 2.2 The authorisation in paragraph 2.2 does not apply until the final GRIP Stage 4 total project Anticipated Final Cost (AFC) has been ascertained and is equal to or less than £157.07m.

2.3 Note the risks set out in this report.

### **3 Background and Proposal**

- 3.1 Beaulieu Park Railway 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 700 car parking spaces, cycle 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. Essex County Council (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 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.
- 3.3 Planning permission for the Beaulieu Park development in northeast Chelmsford was granted in 2013. A key element of the section 106 agreement was the delivery of a new station on the Great Eastern Main Line (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.
- 3.4 The early stages of the project, GRIP Stages 1 to 3, were funded from contributions secured under Section 106 agreements with developers. Since GRIP Stage 4, the project has, and will, be completed through grant funding awarded to ECC from the Housing Investment Fund (HIF) administered by Homes England, Local Growth Fund (LGF) administered by the South East Local Enterprise Partnership (SELEP) and the remaining S106 contributions from developers. 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.
- 3.5 The Project Steering Group was established in 2016 following on from the signing of 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, Greater Anglia, Department for Transport and Countryside Zest). The Network Rail Project

Team (with ECC input) are responsible for the delivery of the Project and report into the Project Steering Group.

- 3.6 Under the memorandum it is expected that ECC will enter into the necessary agreements with Network Rail to progress each GRIP Stage and develop designs for the Station and is responsible for paying Network Rail (NR) once they invoice us. Each agreement 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.
- 3.7 For the project to progress any further, ECC will have to enter into an Implementation Agreement (IA) to progress the project to GRIP Stage 6 'Construction and Commission', GRIP Stage 7 'Scheme Hand Back' and GRIP Stage 8 'Project Closeout'. If this is in budget, then it is expected that this will be signed by October 2022. Entering into this IA will result in Network Rail carrying out all construction activities required to build the new station, in accordance with the GRIP Stage 5 Detailed Design, which has currently not yet been completed. This will be followed by the full commissioning of the new infrastructure and finally close down the project and the opening of the station. Under the terms of the agreement ECC is broadly responsible for reimbursing Network Rail for the cost it incurs in delivering the project including any money payable to third parties, such as train operating companies.
- 3.8 The Key Objectives for IA for GRIP Stages 6 to 8 of the project are to complete the station construction, commissioning, and for the newly completed station to be handed back to the Train Operating Company (TOC) and closed out.
- 3.9 The Network Rail GRIP Stage process is broken down into eight stages. The table below provides the current expected programme of delivery:

<b>Milestone Description</b>	<b>Target Completion Date</b>
GRIP Stage 6 – Construction and Commission	2025
GRIP Stage 7 – Scheme Hand back	2025
GRIP Stage 8 – Project Closeout	2025

- 3.10 Essex County Council has reflected the themes - Renewal, Equality, Ambition – through Everyone's Essex – Our plan for levelling up the county. There are 4 main focus areas as part of this, they are:
  - The economy
  - The environment
  - Children and families
  - Promoting health, care, and wellbeing for all parts of the population who need support
- 3.11 The proposed new station at Beaulieu Park contributes to all of these outcomes and it is particularly strongly aligned with the Transport and Built Environment commitment within the Environment area of focus. The commitment is that ECC will deliver a step change in sustainable travel across the county, by growing passenger transport and active travel, and will ensure we support the move towards net zero through climate resilient developments, including our new

garden communities, delivering sustainable, healthy neighbourhoods for the future. Beaulieu Park supports ECC to develop our county sustainably, connect us to each other and the world and share prosperity with everyone.

- 3.12 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.
- 3.13 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.
- 3.14 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. There will be approximately 700 car parking spaces with an ongoing review of how many Electric Vehicle (EV) charging points to install. 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.
- 3.15 The wider development to the northeast 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 City Council'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 resulting 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 increased pace of development), provide a higher level of economic output totalling £50.4m per annum, increase business rates (£30.6m pa) and increase the pace of the number of dwellings constructed (Source: Nathaniel Lichfield and Partners Beaulieu Station Economic Impact Assessment Report (2017)). The figures quoted above were included in the bid for HIF funding.
- 3.16 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.
- 3.17 Encouraging modal 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.

- 3.18 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 MPs.
- 3.19 The Station has been a long-standing feature of planning policy for the expansion of northeast Chelmsford. CCC's northeast Chelmsford Area Action Plan gives clear policy support.

### **3.20 GRIP 4 Outcomes and current GRIP 5 position**

- 3.20.1 We understand that the final 'Network Rail Anticipated Final Cost (AFC)' at the end of GRIP Stage 4 is likely to be in the region of £156.892m. This is based on good information, but it has not been finalised as it is going through Network Rail's internal checks and quality assurance procedure, which is still ongoing. But this value represents a viable cost and is within the funding envelope available. When issued, this AFC will be the basis of the IA and the construction contract, there will not be any further AFC's and one will not be created at the end of GRIP 5.
- 3.20.2 The GRIP Stage 5 detailed design continues to progress well. This is due to be completed around November/December 2022.
- 3.20.3 It has been confirmed by NR that the GRIP 5 design has reduced some design risks and there are some further value engineering designs and opportunities which have been confirmed, but these still need to be investigated further. By the end of GRIP 5 these should be actually quantified. There are also some further cost savings identified that may be realised when the contractor is on site. These will be confirmed when construction has commenced.
- 3.20.4 J. Murphy & Sons have been appointed to deliver the station, if the IA is signed by ECC. They were selected via Network Rail's delivery framework. ECC had no influence or involvement in this procurement exercise.

### **3.21 Current Cost Estimates**

- 3.21.1 The project budget of £157.070m is being funded from three separate sources:
- S106 from Countryside Zest, the developer of Beaulieu Park - £20.569m. There is a maximum total of £22m available if required. This funding source has been secured through a S106 agreement and is not subject to timescale clawback by CCC or developers if the project is

aborted. There has been some expenditure from this funding stream for GRIP Stages 1 to 3.

- Housing Infrastructure Funding (HIF) from Homes England of £124.501m. Spend from this source is available as ECC have entered into contract with Homes England. The terms 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. Expenditure from this funding stream commenced at the start of GRIP Stage 4.
- Local Growth Funding (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 expired in March 2021.

3.21.2 The current project budget is £157.070m with a current project cost estimate from Network Rail of £156.892m. This includes a contingency allocation of £16.4m which equates to around 12% of the total project budget.

3.21.3 The Anticipated Final Cost (AFC) is the value which Network Rail's appointed contactor, J. Murphy & Sons, will be contracted to work towards. They will be appointed under an NEC Option E – Cost Reimbursable Contract and finances will be monitored closely through 4-weekly reviews and will be scrutinised at these intervals throughout delivery. The 4-weekly reviews will track the actual and forecast spend in relation to the AFC. This will identify risks which have materialised and inflationary rises above current estimates, which will allow this to be raised and mitigations can be discussed and agreed if able. The risk and inflation contingency values form part of the total £156.892m AFC, details of these can be found in section 6.1 and in Appendix 9.2

3.21.4 If costs escalate to such a degree that any construction cost savings, risk monies and inflation monies are exhausted and there will be further expenditure required more than the available budget envelope of £157.07m, then ECC will remain liable to pay for the remaining costs for the completion of construction of the new railway station and, potentially, for any initial operating losses.

3.21.5 This latest cost estimate has included the latest inflation indices of Q1 2022 at the time of compiling (Mar 2022) and has been derived from the Building Cost Information Service (BCIS). BCIS produces a wide range of indices measuring price and cost movement across the building, infrastructure, and facilities management industries. It is the most widespread estimating tool for inflation in the construction industry, both in the private and public sector with regards to construction projects. Network Rail's appointed contractor for the Beaulieu Park Railway Station, J. Murphy & Sons, currently employs the BCIS throughout all of its main business units ranging from Rail, Water, Power to General Building.

BCIS also produces forecasts of the key indices – the indices are generally for five years and are produced quarterly.

The forecast indices are:

***Building Costs published in the BCIS Online service: -***

BCIS General Building Cost Index  
BCIS General Building Cost (excluding M&E) Index  
BCIS Labour Cost Index  
BCIS Materials Cost Index

***Infrastructure costs & prices published in the Infrastructure Information Service:***

BCIS General Civil Engineering Cost Index  
BCIS Rail Cost Index  
BCIS Water and Sewerage Cost Index  
BCIS Road Cost Index  
BCIS Civil Engineering Tender Price Index  
BCIS Civil Engineering Market Conditions Factor  
BCIS Road Tender Price Index

With respect to Retail Price Index (RPI), BCIS forecast of Office of National Statistics (ONS) index published in the BCIS Online Service, the BCIS Building Running Costs Online service and Infrastructure Information Service. The specific index for this item is the General Index of Retail Prices (All Items).

RPI (being the oldest measure of inflation) covers all items relating to inflation and is therefore not specific enough to that of only construction. Please refer to the BCIS guide in Appendix 8.2

- 3.21.6 The Station has also been identified as a priority for the South East Local Enterprise Partnership (SELEP) within the SELEP Strategic Economic Plan, and, as such, secured £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.

### **3.22 ECC's powers and rights**

- 3.22.1 Once ECC enter into the Implementation Agreement (IA), it will start an irreversible process which will commit ECC to the construction of the new railway station. There is no break clause, and a termination process could be more expensive than actually completing the scheme and could also bring ECC into disrepute
- 3.22.2 ECC own certain risks for the construction of the scheme, which allow the Council to have the ability to influence and mitigate if they materialised.
- 3.22.3 However, ECC has no leverage on Network Rail or the Contractor for their owned risks or for any claims which may be made against Network Rail by a rail operator using the Great Eastern Main Line. Whilst there is a good working relationship between the parties, it cannot be guaranteed that ECC could influence or assist where possible to mitigate and lower the impact of any

materialised risks. ECC will need to bear most of the actual construction costs, whatever they turn out to be and some risks are difficult to manage effectively, particularly at a time of cost and supply chain uncertainty.

3.22.4 There is no 'plan B'; during construction if a significant issue arises. The contractor will continue with the scheme and ECC has no right to terminate the contract for this reason. But the contractor has a contractual duty to deliver this scheme in the fairest and most cost-effective method possible.

3.22.5 Whilst working relationships are currently good, the Council has a stark choice. Either ECC enters into the IA with Network Rail conditions, or the station does not progress to construction leaving this long-held ambition unfulfilled and Homes England would cease to make any further payments of the funding for the station awarded to the authority.

### 3.23 Risk Exposure and Position

3.23.1 As part of a report taken to Cabinet in March 2021 (Beaulieu Park Railway Station and Chelmsford North East Bypass HIF Contract) and a report taken to Cabinet in December 2021 (Commissioning of Network Rail GRIP Stage 5), there was an extensive breakdown of all risks associated with the joint Beaulieu Park Railway Station and Chelmsford North East Bypass HIF Contract. For the purposes of this report, only the Beaulieu Park Railway Station will be focussed upon. The following points will clarify the position of each key risk, *Italics* will be the risk and standard text will be the latest status.

3.23.2 Risks that remain and have not materially changed from the approved March and December 2021 Cabinet reports

- *A right for Homes England to stop paying funding and recover all payments made. This would be a £217m risk but it only arises in very limited circumstances, for example if there is corruption or Homes England is brought into disrepute by ECC.* – Risk still remains, but the chance of ECC and/or Homes England being brought into disrepute or corruption allegations occurring is low
- *Where a default occurs the GDA sets out various remedial actions which can be taken, but should this remedial action fail, the GDA will terminate, and Homes England may withhold and/or cancel any HIF funding.* – Risk still remains, but chance of a default occurring from an organisation as large and as well managed as ECC is low.

3.23.3 Risks that remain but have improved since the approved March and December 2021 Cabinet reports

- *Homes England could stop providing further funding if certain things happen.* The project teams working on this and on the Chelmsford North East Bypass will need to continually manage their projects to minimise the chance of this occurring.
- *There are certain costs that ECC is obliged to underwrite. These relate to underwriting any operating deficit incurred with respect to operation of the station.* – This risk is now considered lower as patronage numbers for public transport across the board have begun to recover as people



are returning to places of work, especially London. According to the ORR passenger rail use statistics Q1 2022, rail usage for the Greater Anglia area is 58.4% of Apr 2019 to Mar 2020 figures and this partly included a period when people were advised to work from home. At worst case, according to the modelling displayed within the HIF Cabinet Report March 2021, with a 60% passenger reduction due to Covid-19, the value for the station deficit would be for an indicative value of £500,000 in the first year of opening only. This value is subject to multiple influencing factors such as inflation, passenger numbers, the rail sector staffing issues etc. But it appears that passenger numbers have already improved beyond this point. Whilst overall this risk has reduced due to the latest ORR statistics, there is still an inherent risk with inflation affecting the operation costs and an overall reduction of passengers due to a reduction in commuting as a result of fewer people being in work or more people working from home more often.

- *ECC and DfT are to enter into a side agreement about how operational costs are measured to assess deficits etc.* – This side agreement is still being negotiated, but a number of aspects have been agreed in principle between both parties.

#### 3.23.4 Risks that have significantly improved since the approved March and December 2021 Cabinet reports

- *If there is slippage in planning or delivery of housing, Homes England can reduce or withhold further funding* – This risk has significantly reduced as CZ has made good on their delivery promises by building the required Homes England and CCC numbers to hit targets as well as involving other development partners to accelerate and exceed delivery targets.
- *The Scheme budget is £157.070m, but the latest GRIP stage 3 estimates indicated £171m AFC. The GRIP Stage 4 value engineering exercise decreased the scheme estimate to £155.4m.* -Whilst this risk remains, the value engineering and opportunities process continues to bear savings and will continue to throughout construction. This will help with Inflation increases by offsetting cost rises. The latest estimated cost is £156.892m, which does not give much margin for error.
- *Terms of agreements have not been signed by CCC with regards to the GDA and how this affects their local plan* – At the time of the March 2021 Cabinet report, the agreement was not complete. This agreement has now been signed although it is not a panacea and risks remain.

#### 3.23.5 Risks that can now be removed and have been fully mitigated since the approved March and December 2021 Cabinet reports

- *The Government's project speed initiative applies to this scheme. It could introduce additional financial risk* – In respect of the station, project speed has removed the need for a TWAO, and a change of processes will allow completion of the station construction works much earlier than anticipated. These two coupled together will significantly reduce costs by the nature of not being on site for longer than required as well as removing expensive processes. The use of project speed has borne cost

savings in this regard. This is satisfactory proof that Network Rail understand the process and the additional financial risk associated with the implementation of this as well as a clear understanding going forward has now been fully mitigated

- *ECC must comply with a number of conditions before it draws down further tranches of funding, especially with respect to land matters* – The risk with respect to the station has been mitigated as land matters are complete with all parties in agreement and legal representatives progressing the final documents and agreements. It should be noted this risk continues with respect to the land assembly for the bypass.

#### 3.23.6 New risks which were not previously set out to councillors in a public report:

- This report asks the Council to agree to sign up to an IA for delivery of a station at a time when the final design (and therefore the final projected cost) is not available. There is therefore a risk that the costs will increase beyond those currently anticipated. Whilst the Council can seek to influence those, work will have started on site, and we will have passed the point of no return before the design is finalised. Subject to some exceptions, we need to pay all costs incurred by Network Rail relating to the project, as well as a 5% allowance. Regardless of how carefully planning has been undertaken, there is a risk of cost overruns, particularly given the inflation being experienced at the moment, particularly in the construction field. Whilst there are 'reserves' in the budget, there remains a risk that costs will consume those reserves in which case the council will need to find the additional money from its own resources.
- By entering into the IA, the Council will be accepting construction costs risks. The IA provides for Network Rail to seek further and additional funding from the Council for additional expenditure incurred that arise from its works on the railway network.
- The Council will be required to meet inflationary costs in construction. ECC have contingency funding to mitigate this risk however this funding is estimated and would not be sufficient if inflation were to increase significantly.
- The Council will need to meet the cost of claims against Network Rail made by rail passenger or freight operators if they suffer a loss as a result of the construction or opening of the station or if the station does not cover its operating costs.
- Some of these risks have previously been identified but
  - The inflation/risk environment has changed significantly since the last time these risks were considered.
  - This is the Council's final opportunity to decide whether or not it wishes to accept these risks in the current climate
  - The risks relating to the contract have not previously been fully explored as the contract was not then available.
  - The overall budget is now very close to the anticipated cost, giving less of a buffer against cost increases.

3.24 If the Council is not comfortable with these risks then the following options could be explored:

- Reduce the scope of the station, though this would entail further delays
- Look for the Department for Transport to help protect against cost increases
- Ask Greater Anglia to confirm that it will meet the costs of operating the station if there is a deficit, though given the way in which it is operating the franchise at present that may not be possible.
- Look for greater certainty in costs, although we are advised that there is not much opportunity for this as no one can predict inflation/supply chain issues.

## **4 Links to our Strategic Ambitions**

4.1 This report links to the following aims in the Essex Vision

- Develop our County sustainably
- Connect us to each other and the world
- Share prosperity with everyone

4.2 Approving the recommendations in this report will have the following impact on the Council's ambition to be net carbon neutral by 2030:

- It will reduce overall emissions for private vehicles by promoting the use of train travel.
- It will remove unnecessary journeys into Chelmsford City Centre, thereby reducing emissions.
- The new station will have a large bus interchange, taxi stop area and a large number of cycle racks to promote the use of sustainable modes to travel to the train station.
- There will be a large number of EV charging points which will promote cleaner vehicles if other sustainable modes are not an option.

4.3 This report links to the following strategic priorities in the emerging Organisational Strategy 'Everyone's Essex':

- A strong, inclusive, and sustainable economy
- A high-quality environment
- Health wellbeing and independence for all ages
- A good place for children and families to grow

## **5 Options**

5.1 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 fully designed this option. GRIP 5 has and will go on to design the station to full construction details in preparation for GRIP Stage 6, Construction.

- 5.2 As described previously the development of the scheme is broken down into distinct stages. No stage can proceed without successful or significant 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 may 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 IA has agreed been signed.

## 6 Issues for consideration

### 6.1 Financial implications

- 6.1.1 Beaulieu Park Railway Station is one of two projects that forms part of the Chelmsford HIF scheme with a total budget of £256.071m, the other is Chelmsford North East Bypass. The breakdown of the budgets and funding is shown in the below table.

- 6.1.2 The total capital budget for Beaulieu Park Railway Station is £157.07m funded by £124.501m HIF funding, £20.569m S106 Contributions and £12m of Local Growth Funding from SELEP. The indicative GRIP stage 4 Anticipated Final Cost of £156.892m includes the cost estimate for GRIP stages 6 to 8 of £138.22m and is therefore assumed to be within the current capital programme budget of £157.07m.

	Prior Year Actuals £000	2022/23 Budget £000	2023/24 Aspirational £000	2024/25 Aspirational £000	2025/26 Aspirational £000	Total £000
Beaulieu Park Station	9693	7,526	49,851	60,000	30,000	157,070
Chelmsford North East Bypass	7313	10,368	47,474	33,846	-	99,001
<b>Total Expenditure</b>	<b>17,006</b>	<b>17,894</b>	<b>97,325</b>	<b>93,846</b>	<b>30,000</b>	<b>256,071</b>
HIF Grant	10,711	17,894	97,325	91,931		217,861
Chelmsford City Council	-			1,500		1,500
SELEP LGF	51			415	11,534	12,000
S106 Contributions	4,327				18,466	22,793
ECC resources	1,917					1,917
<b>Total Funding</b>	<b>17,006</b>	<b>17,894</b>	<b>97,325</b>	<b>93,846</b>	<b>30,000</b>	<b>256,071</b>

- 6.1.3 ECC are awaiting final written confirmation of the GRIP stage 4 AFC from Network Rail, which will provide further assurance on the total cost of the project and clarity over the expenditure profile. The AFC is not yet finalised as it is going through Network Rail's quality assurance process and could be subject to change.

- 6.1.4 Within the current AFC there is a contingency allocation of £16.4m. This represents approximately 12% of the total project budget for Beaulieu Park Station. This has reduced from an original £22m but is deemed reasonable by

the project team as risks have been removed as the design has developed through the GRIP 5 Detailed Design process.

Further to this, there is a separate allocation for inflationary risk totalling £6.549m to account for any inflationary increases that occur on top of the BCIS inflation assumptions (as of March 2022) that have already been included in the AFC. This represents approximately 4% of the total AFC.

Whilst contingency and risk allocations have been made to account for any cost escalation risk, ECC is liable to cover all cost escalation therefore anything above and beyond this is the responsibility of ECC to fund.

6.1.5 The indicative AFC of £156.892m assumes that £4.645m of Network Rail Overhead line equipment costs are funded by NR. These works sit outside of the scheme and contract and therefore are a separate line item in the appended AFC. ECC will not be liable for any cost escalation associated with these works.

6.1.6 The most significant financial risks to ECC associated with entering into the implementation agreement with Network Rail for GRIP stages 6 to 8 are:

- There is a risk that the costs will increase beyond the current budgetary envelop of £157.07m, resulting in unfunded cost escalation. The contract with Homes England alongside the IA with Network Rail stipulates that any capital cost overruns are the responsibility of ECC. This should be flagged as a significant risk given the inflationary pressures being experienced and the impact that this could have on construction price received as part of tender returns, alongside the fact that ECC will be entering into the IA before the detailed design is finalised. Once the IA is signed, ECC will have passed the point of no return. ECC need to pay all costs incurred by Network Rail relating to the project.

The AFC includes a contingency allocation and a separate allocation for inflation risk as mentioned above to help mitigate the risk and impact on ECC, but this may not be sufficient to cover any future escalation.

- In addition to cost escalation, the Council will need to meet the cost of claims against Network Rail made by rail passenger or freight operators if they suffer a loss as a result of the construction or opening of the station or if the station does not cover its operating costs.
- GRIP stages 6 to 8 are not completed within the current programme schedule leading to capital spend materialising post March 2025 potentially impacting the ability for ECC to meet the requirements to drawdown all HIF funding by March 2025, resulting in a funding gap. Project speed has been implemented to mitigate against this risk and allow the overlapping of GRIP stages, however the risk still remains.

The current budget envelope and cost profile:

- May not be sufficient to cover the current macro-economic impacts of covid and the war in Ukraine on the project cost. Inflation has been factored in at a relevant percentage point relating to the estimate line of either activity, materials, staff etc and an additional inflationary risk allocation of £6.549m allocated, but it is not yet known whether this will be sufficient to cover any additional costs associated with inflation.
- Assumes that value engineering exercises undertaken in GRIP stage 4 that brought about savings of £13.930m are delivered in full. There is a risk that some of these savings may not materialise as expected and therefore may increase the total cost of the project above the budgetary envelop.

Wider financial risks associated with the scheme:

- The contract between ECC and Homes England includes a clause requiring ECC to fund the operation of station until the service breaks even. This clause may create a new revenue financial liability for ECC. Currently modelling on the stations operating costs suggest that the station will breakeven in year 1 and subsequently ECC will not be required to fund a deficit, there are inherent limitations and uncertainties to this modelling that make it not possible to confidently quantify the financial impact. Furthermore, it does not take into consideration changes due to factors such as, but not limited to; inflationary pressures, passenger behaviours and therefore fare revenue, staffing strikes.
- Beaulieu Park Railway station alongside Chelmsford North East Bypass form part of the Chelmsford HIF scheme contract. The two schemes are intrinsically linked. There is a risk that any programme delays or cost escalation on one scheme could have a direct impact on the delivery and therefore cost of the other.
- The benefits associated with the project in section 3.15, suggest that additional business rates will be achieved, there is no certainty that this will be incremental to the existing tax base. Furthermore, any receipts may be offset by additional demand for services.

Financial Mitigations

There is an agreement between CCC and ECC which includes a £5m indemnity to cover any financial losses incurred by ECC as a result of the actions or inactions of CCC in respect of obligations specified in the agreement which obliges CCC to use reasonable endeavours to facilitate planning approvals required to progress housing outputs and other obligations such as those relating to the Recovery and Recycling strategy.

## 6.2 Legal implications

- 6.2.1 The IA is a Network Rail standard draft agreement which sets out the obligations of both ECC and NR as to the GRIP Stages 6 to 8 services. The document is standard form and Network Rail have said that they will not entertain any amendments to the standard wording which involves ECC carrying the risk for a number of issues. 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 IA, 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 works and services using the Public Contracts Regulations.
- 6.2.4 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.
- 6.2.5 The risks relating to the HIF grant and the contract with Network Rail are significant and are set out elsewhere in this report.

## **7 Equality and Diversity Considerations**

- 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 Comprehensive Impact Assessment

## 8.2 BCIS Guide

# **9 List of Background papers**

## 9.1 Memorandum of Understanding 7 December 2015