

**Forward Plan reference number: FP/204/11/21**

<b>Report title: Beaulieu Park Railway Station – Commissioning of Network Rail GRIP Stage 5</b>	
<b>Report to:</b> Cabinet	
<b>Report author:</b> Councillor Lesley Wagland, Cabinet Member for Economic Renewal, Infrastructure and Planning.	
<b>Date:</b> 21 December 2022	<b>For:</b> Decision
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<b>County Divisions affected:</b> Chelmer	

## 1. Everyone’s Essex

- 1.1 Essex County Council (ECC) is in the process of working with Network Rail (NR) on the design and feasibility of the Beaulieu Park Railway Station in accordance with a Memorandum of Understanding entered into in 2015. This report asks for the authority to enter into an agreement with Network Rail to undertake the detailed design stage for the proceeding option. This next phase of work is known as ‘GRIP (Governance in Rail Investment Projects) stage 5’.
- 1.2 This proposal fits with a number of the strategic aims in Everyone’s Essex. A new station at Beaulieu Park will support a strong, inclusive and sustainable economy; 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.

## 2 Recommendations

- 2.1 Authorise the Director, Highways and Transportation, in consultation with the section 151 officer to enter into the Development Services Agreement (DSA) with Network Rail for GRIP stage 5 to enable the Beaulieu Park Railway Station Project to progress through GRIP Stage 5 for the sum of £9,407,267 if the final total project cost estimate issued at the conclusion of GRIP Stage 4 is less than £157.07m.

## 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. 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 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 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 were funded from contributions secured under Section 106 agreements with developers. Going forward, the project 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 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.
- 3.6 Under the memorandum, ECC has the responsibility of entering into Development Services Agreements (DSA) with Network Rail to progress each GRIP Stage and develop designs for the Station and is responsible for paying NR once they invoice us. 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.
- 3.7 For the project to progress any further, ECC will have to enter into a DSA to progress the project to GRIP Stage 5 'Detailed Design'. Entering into this DSA will allow Network Rail to carry out development of the developed single option from stage 4 and to create the detailed design element.

- 3.8 The Key Objectives for DSA GRIP Stage 5 of the project is to complete the detailed design element of the station. This will allow progression onto GRIP stages 6 – 8 whereby the station is constructed, commissioned and 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. Once DSA GRIP Stage 5 has been successfully completed then the project will move on to the next stage. Stage 6-8 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 5 – Detailed Design	2023
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 four 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 focus area. 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, climate resilient developments, including our new garden communities, by delivering sustainable, healthy neighbourhoods for the future. Delivery of the shared outcomes 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 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 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 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 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 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.
- 3.18 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 MP's.
- 3.19 The Station has been a long-standing feature of planning policy for the expansion of northeast Chelmsford. Chelmsford City Council's northeast Chelmsford Area Action Plan gives clear policy support.

### **3.20 GRIP 4 Outcomes**

- 3.20.1 The Network Rail Anticipated Final Cost (AFC) at the end of GRIP Stage 3 was £171m. This represented £13.93m over the available budget. An independent review of the GRIP Stage 3 report, by Jacobs, indicated that there was a very high level of confidence that through the application of more applicable bench marking figures and reduction in scope of auxiliary areas (such as the multi-storey car park), would be successful in bringing the cost within the funding envelope available.
- 3.20.2 The first task undertaken within GRIP Stage 4 was the value engineering review of the scheme. This has given a current estimated Network Rail AFC of £155.4m. This will be formally issued in late 2021/early 2022.
- 3.20.3 GRIP Stage 4 has also removed the need to undertake a Transport and Works Act Order (TWAO). CCC and CZ, who are the current landowners/interested parties have agreed in principle heads of terms and this is currently being progressed via the legal process. The removal of the TWAO will provide significant programme benefits, which in turn will reduce scheme costs and mitigate and remove the majority of key risks.
- 3.20.4 We are awaiting the final cost estimate at the conclusion of GRIP stage 4 and we will not proceed to GRIP stage 5 unless the cost is less than the total funding allocation of £157.07m.

### **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 clawback by CCC or developers if the project is aborted.
  - 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.
  - 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.
- 3.21.2 The current project budget is £157.070m with a current project cost estimate from Network Rail through the GRIP Stage 4 value engineering exercise of £155.4m. This includes a contingency allocation of £22m which equates to around 14% of the cost estimate.

3.21.3 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 Risk Exposure and Position

3.22.1 As part of a report taken to Cabinet in March 2021 (attached as a background paper), 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.

3.22.2 Risks that remain and have not materially changed from the approved March 2021 Cabinet report

- *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 action 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.

3.22.3 Risks that remain but have improved since the approved March 2021 Cabinet report

- *Homes England could stop providing further funding if certain things happen* – So far, we have been claiming back cost in arrears from Homes England for the past 8 months with no issues.
- *There are certain costs that ECC is obliged to underwrite. These relate to underwriting any operating deficit incurred with respect to the station.* – This risk is now considered lower as anecdotally patronage numbers for public transport across the board have begun to recover as people are returning to places of work, especially London. 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 approx. £500k in the first year of opening only. It appears that passenger numbers have already improved beyond this point
- *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 small number of aspects have been agreed in principle between both parties.

### 3.22.4 Risks that have significantly improved since the approved March 2021 Cabinet report:

- *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 as well as involving other development partners to accelerate and exceed delivery targets.
- *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 almost been mitigated as land matters are nearly complete with all parties in agreement and legal representatives progressing the final documents and agreements although this risk continues with respect to the land assembly for the bypass.
- *The Scheme budget is £157.070m, but the latest estimates indicated £171m* – This risk can now be reduced in severity as the GRIP Stage 4 value engineering exercise decreased the scheme estimate to £155.4m, although we are awaiting a final cost estimate at the conclusion of GRIP stage 4.

### 3.22.5 Risks that can now be removed and have been fully mitigated since the approved March 2021 Cabinet report:

- *The Government's project speed initiative applies to this scheme. It could introduce additional financial risk* – 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
- *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. But ECC and CCC have now signed an agreement, thereby removing issues arising from there not being an agreement have been resolved. The agreement is not a panacea though..

## 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 will go on to design the station to full construction details in preparation of 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 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.

## **6 Issues for consideration**

### **6.1 Financial implications**

6.1.1 The latest forecast for Beaulieu Park Railway Station is £157.07m and alongside Chelmsford North East Bypass of £99.001m forms part of the Chelmsford HIF scheme which totals £256.071m. The cost profile and funding are set out below and adjustments to the capital programme are being made as part of 2022/23 budget setting to reflect this.

	Prior year actuals	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£000	£000	£000	£000	£000	£000	£000
Beaulieu Park Station	5,201	3,018	9,000	49,851	60,000	30,000	157,070
Chelmsford North East Bypass	4,031	4,118	4,479	13,763	47,474	25,137	99,001
<b>Total Expenditure</b>	<b>9,232</b>	<b>7,136</b>	<b>13,479</b>	<b>63,614</b>	<b>107,474</b>	<b>55,137</b>	<b>256,071</b>
HIF Grant	2,937	7,136	13,479	63,614	107,474	23,222	217,861
Chelmsford City Council						1,500	1,500
SELEP LGF	51	-	-	-	-	11,949	12,000
S106	4,327	-	-	-	-	18,466	22,793
ECC resources	1,917	-	-	-	-	-	1,917
<b>Total Funding</b>	<b>9,232</b>	<b>7,136</b>	<b>13,479</b>	<b>63,614</b>	<b>107,474</b>	<b>55,137</b>	<b>256,071</b>

## 6.1.2 Financial Risks

- The indicative cost estimate of £9.408m for GRIP Stage 5 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 capital programme allocation and MTRS.
- Costs will be managed through the DSA stage process. However, there is a risk that there is unfunded cost escalation and as ECC is liable for all cost escalation, ECC will need to bear the financial liability associated with funding that increase in cost. Following the value engineering exercise, this risk has been mitigated significantly, but it would be prudent to still consider this a risk, no matter how unlikely.

6.1.3 As of 16 November 2021, £7.177m has been spent on the Beaulieu Park Station and £2.057m of the HIF grant has been drawn down.

6.1.4 The indicative GRIP stage 5 cost estimate of £9.408m, includes a contingency allowance of £0.528m (6% of pre-fee costs), which is considered by the project team and the project teams rail technical adviser (Jacobs) to be sufficient at this stage in the project.

6.1.5 Entering into GRIP stage 5 is subject to a finalised revised cost estimate, due at the end of GRIP stage 4, being within the existing funding allocation.

## 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 5 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 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 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.
- 6.2.5 The risks relating to the HIF grant 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 Impact Assessment

## **9 List of Background papers**

- 9.1 Memorandum of Understanding 7 December 2015
- 9.2 Draft DSA GRIP Stage 5 Agreement
- 9.3 Beaulieu Park Station and Chelmsford NE Bypass HIF Cabinet Report – March 2021