

AGENDA ITEM 9

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

30 NOVEMBER 2018

REPORT OF THE INVESTMENT DIRECTOR

PORTFOLIO: TRANSPORT

MIDDLESBROUGH STATION REDEVELOPMENT

SUMMARY

At its March 2018 meeting Cabinet agreed a £2.5 million contribution to this project.

The purpose of this Report is to:

- Provide an update on the proposed improvements at Middlesbrough Station;
- Inform Cabinet of the joint proposal by the Combined Authority and Middlesbrough Council (“MBC”) to work together to bring forward the delivery of the masterplan for Middlesbrough station, addressing the need for additional capacity and to regenerate and improve the station for the benefit of rail users; and
- Seek approval to authorise an additional Combined Authority contribution to the Project to up to £20 million of Combined Authority investment as set out in this report.

The Project is being developed in conjunction with the Department for Transport (“DfT”), Transport for the North (“TfN”) and Network Rail (“NR”). The component parts of the project are:

- Remediation of the station undercroft to bring it back into use, including the creation of new business workspace (which will also allow the permanent re-opening of the southern entrance, building upon the current interim solution);
- Enhancements to the existing station buildings to provide new and improved facilities for passengers; and
- Improvements to the capacity of the station to allow for growth in the number of rail services to/from Middlesbrough station that serve destinations within Tees Valley and further afield.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Notes the progress with the delivery of the Middlesbrough Station Improvement Project, through the work being carried out in partnership between the Combined

Authority and MBC in conjunction with DfT, TfN and NR, to bring the undercroft remediation, station and facilities enhancement and station platform capacity components of the project forward;

- ii. Subject to compliance with the Tees Valley Assurance Framework, approves in principle the investment of an additional up to £20 million of Combined Authority funding into the project as set out in this report; and
- iii. Authorises the Interim Managing Director and Investment Director to:
 - a. continue to work in conjunction with all stakeholders to identify potential temporary measures which can be funded from this allocation and put in place to accommodate additional train services, until a permanent solution to the development and delivery of additional station platform capacity can be agreed;
 - b. work in conjunction with MBC, DfT, TfN and NR to develop a Strategic Outline Business Case (“SOBC”) (RNEP Stage 1) for the station platform, track and signalling capacity component of the Project and (subject to Government endorsement and a positive investment decision) to progress to the develop stage (RNEP Stage 2) to develop an Outline Business Case (“OBC”) to identify the preferred option for delivering the additional capacity;
 - c. bring a further report back to Cabinet when the OBC is completed and the preferred option for delivering the additional capacity, total cost, funding proposal and timescale is known; and
 - d. continue to work in conjunction with MBC and NR to develop proposals for the remediation of the station undercroft to bring it back into use, including the creation of new business workspace (which will also allow the permanent re-opening of the southern entrance building upon the current interim solution) and also to develop the approach to identifying the preferred options for delivering further phases of station facility improvements.

DETAIL

Background

1. The March 2018 Cabinet Report provided a broad overview of the Middlesbrough Station masterplan (the “Masterplan”) and the programme of projects it covers. The key projects identified were:
 - Improvements to the fabric of the station to improve the passenger experience, including interim measures to re-open the southern entrance and remediation of the under-croft of the station; and
 - A review of the capacity needs of the station to ensure current and planned future rail services could be accommodated.
2. Subject to due diligence, Cabinet has already approved £2.5 million of Combined Authority funding, as follows:
 - Customer facing improvements to the station (£2 million from Combined Authority)

Total estimated project cost of £4.5 million, with additional contributions of £2 million from NR and £0.5 million from MBC.

- Rail capacity (£250,000 from Combined Authority)
£50,000 contribution to capacity study.
Total estimated project cost of £400,000 for subsequent GRIP3 study, with additional contribution of £200,000 from NR.
- Contingency (£250,000 from Combined Authority)
To mitigate the identified project risks.

3. The Masterplan also identifies the need to improve the public realm around the station and the link to the town centre. This is to be developed in parallel to the projects set out above but will be led and funded by MBC.

Capacity Issues - the Need for Further Investment in the Station

4. The additional development of Middlesbrough Station is needed due to planned increases in the number of rail services which will be passing through the station in the near future. By 2021, franchise commitments by the Train Operating Companies (“TOCs”) will see:
 - longer trains to and from Manchester Airport, providing additional seats for passengers;
 - An increased number of services between Middlesbrough and Whitby, serving rural communities along the route;
 - New Northern Connect Services between Newcastle and Middlesbrough; and
 - The introduction of direct services to and from London Kings Cross.
5. It is not possible for all the current and committed rail services to be accommodated within the current station (which comprises two platforms) which means that **additional platform capacity is needed**. A capacity analysis undertaken by NR has identified that a third platform for the station will be required to fully facilitate the extra services that have been specified and committed to by DfT and the TOCs. Developing extra capacity to host these strategic rail services is a national issue and we will work closely with MBC, DfT, TfN and NR to develop the proposal for an extra platform. TfN are supportive of the project.
6. Work is also required to **improve the station facilities** for passengers. In 2016/17 the station had an annual rail usage of 1.36 million passengers - this figure is from the Office of Rail and Road statistics and is based on sales of tickets in stated financial year(s) which end or originate at Middlesbrough. This is likely to underestimate usage as it does not take into account those passengers changing trains at Middlesbrough station to reach other destinations. With the increase in rail services, the number of passengers using the station is set to grow and therefore the fabric of the station and its facilities need to be improved to meet this rise in demand. This component of the project is being developed jointly by the Combined Authority, MBC and NR.

Update on Remediation and Passenger Facility Improvements

7. The proposals for further improvements to the fabric of the station build upon the £3 million of investment by NR that has already gone into maintaining the roof, and additional money spent on an interim solution to re-open the southern entrance which has previously been closed due to its structural fragility.

8. As a result of the joint working commitment between the Combined Authority, MBC and NR, including the funding commitments identified above, progress is being made with proposals to remediate the undercroft including:
 - the creation of new business workspace;
 - finding a long-term solution to enable the southern entrance to be fully re-opened; and
 - identifying the preferred options for delivering further phases of station facility improvements.
9. A Client Scheme Requirements Document has been produced by the Combined Authority and MBC in consultation with NR and this establishes the component parts of the work to enable NR to develop proposals for improvements to the station fabric and passenger experience. An output specification document establishing in more detail what is required for the various elements of the project is also being produced and a workshop with NR and key stakeholders will be held in November. A proposal for the first phase of these improvements (the remediation of the undercroft and creation of new business workspace) is still on course for definition in this financial year for delivery in the period 2019/20 and this is expected to add significant vibrancy to the station. Work will continue with NR to specify further phases of work to improve the station's passenger offer.

Platform Capacity

10. A significant proportion of trains are already leaving late from Middlesbrough station, due to the platform capacity being insufficient to accommodate existing committed services. These late departures have a wider impact on the network across the north of England and TfN has identified the need to address capacity issues at Middlesbrough as one of its key priorities for network improvements.
11. Although the existing services are already causing capacity issues, there are also planned increases in the number of rail services which will be passing through Middlesbrough in the near future and this will further compound the issues. The Masterplan identifies that by 2021, the following franchise commitments are expected to be operational at Middlesbrough Station:
 - Services to / from Manchester Airport – from Autumn 2018 these services will be formed from new rolling stock which provides additional seats for passengers but consequently are longer and require more time at the station to prepare the train for its return journey;
 - Services to / from Whitby – from December 2019 an increase in the number of services;
 - Services to / from Newcastle – from December 2019 an additional 1 train per hour; and
 - New Services to / from London Kings Cross – from December 2020 with 7 trains per day heading south and 6 returning north.
12. While the additional trains to Newcastle, Hartlepool and Whitby (all scheduled to be introduced in 2019) can theoretically be accommodated within the timetable, there is clearly additional pressure caused by delayed services, which again would impact across the wider Tees Valley network.
13. As a result of this additional pressure, without increased platform capacity the introduction of the direct London trains specified for 2020 by the DfT as part of the franchising process would have a significant effect on the current timetable, as the London franchise would have access rights to the station that supersede those of other rail operators.

14. Unless a solution can be found to this capacity problem at Middlesbrough station, there are potentially significant adverse implications (in terms of delays and cancellations) for rail services across Tees Valley including those towns and villages on the lines to:
- The mainline hub at Darlington (and beyond to Bishop Auckland) – which connects places including Thornaby, Eaglescliffe, Allens West, Dinsdale and North Road;
 - Hartlepool (and beyond to Newcastle) - which connects places including Thornaby, Stockton, Billingham and Seaton Carew;
 - Saltburn – which connects places including South Bank, Redcar British Steel, Redcar Central, Redcar East, Longbeck and Marske;
 - Whitby – which connects places including James Cook University Hospital, Marton, Gypsy Lane and Nunthorpe; and
 - Manchester Airport – which connects places including Thornaby, Yarm and key northern destinations such as York, Leeds and Manchester.
15. To accommodate the additional services arriving in 2019 and 2020 it may be necessary to pursue temporary measures to manage the situation until the necessary works can be completed. These are being explored with NR, the Train Operating Companies and other stakeholders and may include measures such as extending services that terminate at Middlesbrough and/or introducing a limited direct London service initially. Although the current franchise holders are supportive of exploring these interim options, there would be both capital and revenue implications associated with them, and the shorter the time period they are required for, the lower these would be. It is not anticipated that any revenue implications would fall to be funded from this project.

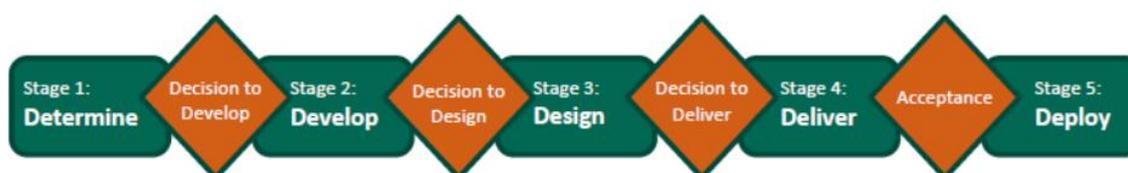
Need for Additional Funding

16. In order to ensure that the Combined Authority can meet its SEP ambition to develop Middlesbrough Station as a second rail gateway for the Tees Valley, a permanent solution is needed for the capacity problems that have been identified. Identification of a preferred option for intervention will be key to establishing a bid for funding to DfT.
17. From early discussions it is anticipated that the preferred option (which will be identified in the SOBC) may need to comprise improvements both to operational railway infrastructure improvements (e.g. track and signalling) as well as the construction of a platform with appropriate passenger facilities.
18. It is anticipated that there will be a significant financial contribution from NR/DfT to these works, and the project will need to follow DfT's new project development process for rail enhancements (see paragraphs 21 – 23). This means that at each stage of the process NR/DfT approval will be needed and a funding commitment obtained to progress to the next stage.
19. The provision of a significant funding contribution from the Combined Authority is considered important to assist with the approval of the project for DfT funding (in competition with other national rail priorities), and therefore likely to accelerate delivery of the agreed capacity solution. In particular, it has been suggested that if the Combined Authority were to fund the RNEP Stage 2 costs (the development and detailed design phase of the project) subject to DfT approval of the SOBC, this may enable the project to move forward more quickly as DfT funding will not then be needed for this work. However, it is important to liaise with TfN/DfT to fully

understand the implications of this approach and ensure that this will not preclude DfT funding being sought for subsequent stages of the project.

Project Development Process

- Both the Masterplan and subsequent NR Capacity Analysis Study recognised the issues and identified a clear need urgently to increase the capacity of the station and the necessity for a third platform. As a result, TfN agreed to undertake a joint piece of work with DfT to commence the bidding process required to access DfT investment: the production of an SOBC in accordance with stage 1 of Department for Enhancements (RNEP).



- The Proposal will be developed in accordance with DfT's Rail Network Enhancements Pipeline – A New Approach for Rail Enhancements (RNEP), as set out in the diagram above. This is DfT's new mechanism for bringing forward enhancement projects and releasing funding and is based upon five stages: Stage 1 is currently underway with funding from DfT and TfN and it is now expected that the Strategic Outline Business Case ("SOBC") will be published in March 2019. Following this we would need to secure a positive investment decision from DfT to take the project forward to stage 2 (to produce an OBC), identify the preferred solution for additional station platform capacity and the subsequent stages through to stage 5 (deployment).
- Consideration is also being given to supporting the implementation of temporary platform capacity measures until a longer term solution to the station capacity issues can be developed and delivered.

Strategic Fit and Benefits

- Upgrading Middlesbrough Station and developing it as a second rail gateway for the Tees Valley is listed as a priority in our Strategic Economic Plan, the Investment Plan and in the draft Strategic Transport Plan. The increased number of rail services will benefit the whole of Tees Valley by significantly improving connectivity between places across our region where people live and work. Middlesbrough has significant net inward migration each day for employment, education and retail/leisure. The improvements to train services will benefit the wider population of the area and the development of key sectors with a strong presence in the centre of Middlesbrough, such as digital, higher education and professional services, all critical to the SEP aspirations.

Funding

- Previously, Cabinet had approved £2.5 million of funding towards improvements to Middlesbrough Station, subject to due diligence. Approval of the proposal set out in this report will now commit up to another £20 million of funding overall to bring forward the redevelopment set out in this report.
- Further high-level details about the total estimated project costs will be available when the SOBC report on the potential solutions for the additional station platform

capacity is available in March 2019. This will be further refined and clarified during the production of the OBC and the identification of a preferred option.

26. The output specification document for the remediation and passenger facility improvement work should also be produced and agreed with NR by December 2018. This will allow a more detailed project programme and budget to be prepared for this component of the project.

FINANCIAL IMPLICATIONS

27. Financial support to the project of up to a further £20m. No other financial implications.

LEGAL IMPLICATIONS

28. There are no specific legal issues arising from the provision by the Combined Authority of funding for the project as set out above. Funding will be covered by the Combined Authority's normal funding agreement requirements. The contractual model for delivery of the project itself remains to be discussed at the next stage of the project, as set out above.
29. This funding will be subject to appropriate due diligence through the Tees Valley Assurance Framework.

RISK ASSESSMENT

30. The specific key project risks will be identified in the output specification for the remediation and passenger facility improvements and in the SOBC for the station platform capacity component. This will subsequently be refined and reassessed as the project progresses through the RNEP stages.
31. At this stage the main anticipated project risk is financial - that the funding is insufficient to carry out the work planned for all elements of the Project. The risk of this occurring will be managed through the submission to DfT for funding, the project governance arrangements and the letting and management of the relevant contracts for works and services. A contingency allocation of £2 million has been included within the £20 million funding to mitigate this risk.
32. The approach being put forward, with the Combined Authority providing grant funding for elements of the project, also mitigates against the risk of relying upon funding from DfT for the delivery of the overall scheme in competition with other national rail priorities. The approach mitigates risk both in terms of the time that would be needed to go through the bidding process and the subsequent delays to delivery, and also in relation to the chances of success.
33. Ultimately, by following a solely DfT funded route, there is a risk of not delivering the Project quickly, or indeed not being able to secure the funding to deliver the project at all. This would have a negative impact at one of the region's key stations, in terms of:
 - Continued impacts across the Tees Valley and further afield resulting from trying to accommodate growth in passenger numbers and rail services within existing capacity, causing unacceptable delays and cancellations to services;
 - The station not being able to meet the requirements and maximise the benefits of increased rail service volumes, including the new direct to London service; and

- The station and rail services not being able to support the wider development of Middlesbrough Town Centre, as a key location for activity and investment in the region.

CONSULTATION

34. MBC has already consulted on the master plan for the Station, and will continue to undertake consultations on the Project as it progresses and as appropriate.

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BACKGROUND PAPERS

- Report to the Tees Valley Combined Authority Cabinet: 28th March 2018
Agenda Item 8 – Middlesbrough Station Redevelopment
- Rail Network Enhancements Pipeline – A New Approach for Rail Enhancements
Published by Department for Transport – March 2018
- Rail market-led proposals – guidance
Published by Department for Transport – March 2018