

Programme Management Group

11 July 2019

Business Case for approval – North Downs Line Level Crossing Works – Item 6f

Programme Management Group members are asked to:

AGREE that the LEP enters into a legal agreement with Great Western Railway to deliver the North Downs Line 3 trains per hour level crossing works and allocate £955,000 from the Local Growth Fund for this project. This allocation should be subject to a requirement to repay 50% of the grant if the additional services are not delivered.

1 Background

- 1.1 The LEP has established a process whereby promoters of schemes that have been provisionally allocated Local Growth Fund (LGF) should submit completed full business cases to the PMG for further consideration. For schemes seeking less than £3m LGF, PMG has delegated authority to approve the allocation of this funding directly to projects.
- 1.2 On 14th March 2019 PMG received a new expression of interest for the North Downs Line from Great Western Railway (GWR), to provide the remaining infrastructure necessary for 3 trains per hour to operate along the line. GWR is seeking LGF grant of £955,000 with £1,207,000 match funding from Network Rail, railway industry funding and Gatwick Airport. An independent assessment of the project was carried out against agreed criteria and the project was ranked as category A, meaning that it is a well written proposal that responds to the Enterprise M3 SMART objectives across all areas. PMG agreed that the project should proceed to due diligence, following the submission of a full business case for the scheme. It was considered that as this was a complex project, although the grant sought was just under the £1m threshold a business case should nevertheless be request, but that it would be proportionate to the level of funding sought. In line with the PMG's Terms of Reference, the full Business Case was submitted in May 2019 and has been subject to independent scrutiny carried out by AECOM and reviewed by LEP Officers.
- 1.3 The proposed scheme consists of a number of interventions at level crossings to improve safety and thus reduce the risk of collisions along the North Downs Line. This will enable GWR to operate three trains per hour.
- 1.4 Overcrowding is the status quo on the North Downs line in the peak, with the high usage and current service frequency no longer suitable for either existing or projected demand. It is also acting as a constraint on economic growth and this proposal offers an opportunity to unlock additional capacity on the North Downs Line supporting access to employment. The addition of a second direct and faster service between Gatwick Airport and Reading provides businesses in the Enterprise M3 Coast to Capital and Thames Valley LEP areas a better connection to the global economy through the international airport and is well aligned with the emerging priorities in the Transport for the South East Transport Strategy to enhance orbital connectivity.

2 North Downs Line Level Crossing Works – Proposal

- 2.1 The overall objective is to deliver the necessary interventions at identified level crossings on the North Downs Line that will enable the operation of a 3 trains per hour service. GWR has a franchise commitment to operate an additional direct service each hour between Reading and Gatwick Airport. This will provide 3 trains per hour on the North Downs Line, made up of 2 trains per hour between Reading and Gatwick and 1 train per hour Reading to Redhill.

- 2.2 GWR has bid to Network Rail to operate the additional service but Network Rail has to date been unable to approve the operation due to increased risk at various crossing points generated by the additional services and concerns about impact on performance of other services
- 2.3 There are a significant number of crossing points along the North Downs Line, and the risk of a collision between a train and another user at each crossing increases as the number of train services increases. The Office of Rail and Road has ruled that the additional services on the North Downs Line cannot be introduced if crossing risk increases. GWR has therefore worked with Network Rail to identify the improvement works required to crossings; design work has recently been completed and capital funding is now needed to deliver the improvements. The funding would contribute towards the delivery of Shere Heath, East Shalford and Darby Green level crossings, which are all in the Enterprise M3 LEP area.
- 2.4 With respect to the impact on performance, modelling undertaken during the autumn demonstrated that the additional services would not have a significant impact on performance within the South East route area. Performance modelling between Dorking and Reading is currently being carried out and should be completed in early August. This needs to demonstrate that performance on this section of the route will not be adversely affected by running 3 train per hour,
- 2.5 The LGF Prospectus for 2019-21 highlights clean growth at the heart of the stimulants for growth. Increasing service frequency on the North Downs line, supports modal shift onto rail by making this a more attractive option than private vehicle journeys. The work to enable the operation of the third train per hour will support a reduction in overcrowding. It will also support access for international trade via Gatwick and the opportunity to unlock further potential on the line in the future. Enhancement on the North Downs line not only delivers benefits for the skills and business sectors but is important for modal shift in leisure journeys.
- 2.6 Coupled with the clean growth opportunity area, this scheme closely aligns with our strategic priorities around Skills for a High Growth Economy and Communities and Sustainable Growth Corridors.
- 2.7 Not only does the provision of a more frequent service bring businesses closer to the global economy but it also brings employees closer to their place of work and widens the ability for local businesses to bring in the skills required for a high growth economy. Good quality connections to higher education is a key driver for young people in their decision-making on choosing a College such as the new Technology Tower at Guildford College and Farnborough College of Technology. The improvements on the North Downs line will enhance the public transport opportunity for higher education facilities to broaden their target audience. Investment in the North Downs Line strategic corridor is a way to attract residents from a wider catchment area in the South East to access education and employment, crucial to bridging the skills gap.
- 2.8 The increase in service frequency, as a result of the scheme, is anticipated to facilitate an additional **3,000 passenger journeys each day** on the North Downs Line. According to the 2015 ARUP study, that was submitted in support of the business case, it is estimated that the upgraded line would support the creation of **34,000 new jobs** and **homes for 63,000 more people** within a two kilometres radius of North Downs Line station by 2031.
- 2.9 The 2016 report by WSP Parsons Brinkerhoff states that the line upgrade would create **8,000 jobs** contributing to a **GVA £1.9bn**.
- 2.10 The Expression of Interest is available to PMG Members on request.

3 North Downs Line 3tph Level Crossing Works – Scrutiny and Review

- 3.1 AECOM reviewed the business case and raised comments and questions with the scheme promoter who responded to these, both in writing and through dialogue. Overall, they considered there were a number of areas where further evidence is required and they identified no critical issues and 3 amber issues. These are in the following areas:

- **Economic Benefits:** The business case is supported by reports produced by Arup and WSP Parsons Brinkerhoff evidencing the high-level economic impact of the upgrade. Whilst it is acknowledged that the LEP funded interventions would deliver localised benefits, the benefits of the additional service as a result of all the interventions would extend to other LEP areas. It was therefore difficult to identify the benefits that would directly be attributable to the EM3 LEP's investment and hence the on the local economy within the EM3 LEP area. This will in turn have an implication on disaggregating monitoring information.
- **Performance Modelling:** The introduction of the additional service is dependent on the outcome of the performance modelling by Network Rail. There is a risk that the outcome of this modelling may show that the operation of a 3rd train per hour may have detrimental impact on other services which would impact the delivery of the additional service. Whilst the level crossing works would deliver safety benefits, there is a risk that the economic benefits from the additional service would not be realised.
- **Value for Money:** An assessment of the business case of having an additional service has been undertaken by the Department for Transport (DfT), however the absence of the underpinning assumptions and modelling work made it difficult to assess the Value for Money of this scheme. AECOM therefore recommended that once GWR have obtained permission, the results of this assessment is shared with the LEP.
- **Cost Estimate:** A high level cost estimate has been provided for the interventions, however in the absence of a detailed cost breakdown, it was difficult for AECOM to assess the scheme costs in detail.

- 3.2 The key issue for PMG to consider is around our appetite for risk. When GWR sought authority for the additional train paths previously, Network Rail rejected the application on the basis of performance and level crossing risk. This scheme will directly address the level crossing safety and the modelling that is due to be completed shortly will establish whether performance risks have been addressed. Good progress has been made with the crossing design work. Shere Heath footbridge installation, which was the highest risk area, has been developed to the end of GRIP 4 (the rail industry's scheme development and design process) and cost estimates are imminent. The project team are confident that the funding allocated is sufficient for delivery.
- 3.3 As indicated above the work on performance modelling should be concluded in August. Without assurance around this funding should not be released, but it is considered that PMG could approve the funding subject to the performance modelling demonstrating there is no impact on performance from the enhanced service level.
- 3.4 If these two issues are adequately addressed, GWR will then need to reapply to operate the additional paths, following standard industry processes. No formal guarantee can be given at this stage that the services can be operated, as it may be considered that services elsewhere on the network should be given priority. Whilst there is optimism that the additional service would be approved, GWR are unable to bid and will not know the likely outcome until the safety and performance issues are addressed.
- 3.5 Hence there is a risk that we could invest £955,000 into the scheme but not get any benefits in terms of an enhanced level of service, if this could not be delivered. GWR and Network Rail accept this and acknowledge that it is not reasonable for the LEP to carry all of the risk associated with the investment. It has therefore been agreed in principle that that the LEP seek to reclaim 50% of the contribution should the additional services not commence at an agreed date, which would form part of the funding agreement..

4 Funding

- 4.1 The total cost of the proposed scheme is estimated to be £2,162,000. GWR are requesting a grant of £955,000 and have secured the remaining £1,207,000 (56%) through local contributions from Network Rail, Railway Industry Funding and Gatwick Airport Public Transport Levy.

- 4.2 Network Rail have undertaken feasibility work including cost estimates of the level crossing intervention works. The costs are also baselined against comparable interventions undertaken elsewhere on the rail network and a contingency allowance of 13% has been assumed. The proposed funding split is given below

| £m | <2019-20 | 2019-20 | 2020-21 | >2020-21 | Total |
|-------------------------------|----------------|------------------|----------------|----------|------------------|
| EM3 LEP Funding Sought | 0 | 502,000 | 453,000 | 0 | 955,000 |
| Partner Contributions | 410,000 | 797,000 | 0 | 0 | 1,207,000 |
| Total | 410,000 | 1,299,000 | 453,000 | 0 | 2,162,000 |

- 4.3 We considered to what extent the new service will provide increased income and have explored with GWR whether there is any potential for the LEP to benefit from this. However, the complexities of rail franchise funding, mean that the additional service was a franchise commitment, that GWR have been unable to deliver due to the infrastructure constraints. A high-level Cost Benefit Analysis of the introduction of the additional service has been carried out and that suggests that the 3rd train per hour does not generate an operating surplus but that the service does provide high-value for money from a socio-economic perspective.

5 Conclusion and Recommendations

- 5.1 This scheme will deliver safety improvements at level crossings on the North Downs Line that, subject to successful conclusion of performance modelling will enable the operation of a 3 trains per hour service on the North Downs Line, through the provision of an additional train between Reading and Gatwick Airport. This has the potential to deliver strong social and economic benefits in line with the LEPs priorities and is consistent with emerging transport strategy for Transport of the South East.
- 5.2 However, as explained in Section 3 there is a risk that even if the scheme is delivered the additional service will not be introduced. Whilst there is optimism that this will not be the case, we will not be able to know this for certain until the works have been delivered and expenditure incurred.
- 5.3 It is accepted that there will be sometimes be risks associated with funding and this alone should not a reason to not support a scheme. Nevertheless it is important that this risk is mitigated and not borne solely by the LEP. Whilst the recommendation is to support the scheme is suggested that this is subject to the performance monitoring work, that will shortly be concluded, demonstrating there are no outstanding performance issues associated with the introduction of a 3rd service on the North Downs Line. In addition it is proposed that the funding agreement we enter into with GWR, includes a clause that they will repay 50% of the grant allocation if the new rail service is not introduced by an agreed date.
- 5.4 Therefore, Programme Management Group members are asked to **AGREE** that the LEP enters into a legal agreement with Great Western Railway to deliver the North Downs Line 3 trains per hour level crossing works and allocate £955,000 from the Local Growth Fund for this project. This allocation should be subject to a requirement to repay 50% of the grant if the additional services are not delivered.

| Criteria | Assessment | Comments |
|---------------|------------|---|
| Strategic Fit | Excellent | The scheme meets many of the priorities contained in the SEP and emerging Local Industrial Strategy in relation to clean growth. The scheme also aligns with our strategic priorities around Skills for a High Growth Economy and Communities and Sustainable Growth Corridors. It also meets priorities around supporting sustainable transport. |

| | | |
|-------------------------------------|------------|---|
| Low Carbon | Good | The focus of the scheme will reduce congestion which will have a beneficial impact on carbon emissions. It is estimated that the additional services on the North Downs Line will deliver an increase of 3,000 journeys each day on the North Downs Line, delivering modal shift away from the private car. A positive impact on the local Air Quality Management Zones is also anticipated through the expected modal shift. |
| Digital | Acceptable | The project will deliver additional rail services with free customer wi-fi, increasing public access to the internet. |
| Impact of the Scheme | Good | <p>The scheme will increase the opportunities to use public transport in our area and have a positive impact on modal shift with associated health, air quality and congestion benefits.</p> <p>It will increase connectivity for business to market, for employees to job opportunities and enhance the public transport opportunity for higher education facilities.</p> |
| Percentage of Match Funding | Excellent | Match funding represents 56% of the total cost of the scheme which is significantly higher than most other transport related schemes the LEP has been asked to fund. |
| Past Performance of Scheme Promoter | Excellent | Network Rail has extensive experience of delivering infrastructure projects of this nature. |

Kevin Travers
Enterprise M3 Head of Transport
1 July 2019

Appendix 1 – Location plan for the North Downs Line 3 trains per hour level crossing works

Darby Green:



East Shalford:



Shere Heath:

