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| **Cheshire & Warrington Local Transport Body** |

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| **Date of Meeting:** | Friday 6 April 2018 |
| **Report of:** | Roy Newton |
| **Subject/Title:** | Government’s New Approach to Rail Enhancement Schemes |
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1. **Report Summary**

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| * 1. On 20 March 2018 the Department for Transport published “Rail Network Enhancements Pipeline A New Approach for Rail Enhancements” which sets out the new process for developing rail infrastructure improvement schemes. |

* 1. The key points of the new process are:
* The process applies to England and Wales for “Enhancements” i.e. investments in new or improved infrastructure
* It does not cover the Operations, Maintenance and Renewals activities carried out by Network Rail
* Government investment priorities:
* Keeping people and goods moving smoothly and safely
* Delivering the benefits from committed programmes and projects already underway
* Offering new and better journeys and opportunities for the future
* Changing the way the rail sector works for the better
* Government principles for investment:
* A robust business case
* A focus on the outcomes provided for railway users and the taxpayer
* The impact of the Enhancement on the existing network
* Railway demand
* The balance of the portfolio
* Opportunities for private investment
* Increasing contestability
* Five stages of activity each separated by a formal ‘investment decision’ gateway:
* These mirror the more standard approach to transport business case development and delivery but don’t directly align with Network Rail’s Guide to Rail Investment Process (GRIP), although some of the latter stages will be informed by GRIP-related activities
* Enhancements may enter the pipeline at any stage and decisions about Enhancements entering and progressing through the pipeline may be taken at any time.

1. **Recommendation**
   1. The Local Transport Body is asked to note the Government’s new approach to delivering rail enhancement schemes.
2. **Background**
   1. Government is taking a new approach to the way it enhances the railway. It is creating a rolling programme of investment that continues to focus on outcomes that deliver real benefits for passengers, freight users and the economy. This continuous approach to Enhancements builds on the progress already made and the process set out in the *Memorandum of Understanding between Department for Transport and Network Rail on Rail Enhancements*1 and moves the investment in Enhancements away from a rigid five year cycle.
   2. The approach applies to England and Wales for “Enhancements” i.e. investments in new or improved infrastructure that enable service improvements and/or other benefits. These investments will enhance the capability of the railway, typically adding increased or new capacity or providing technical improvements to the way the railway runs.
   3. The approach does not cover the Operations, Maintenance and Renewals activities carried out by Network Rail to keep the existing railway running. It also does not cover either the High Speed 1 network, or the planned core High Speed 2 (HS2) network.
3. **Strategic Context**
   1. In addition to investing to make the railway safer and more reliable the Government also wants the railway to offer new opportunities for citizens and businesses, and to unlock housing and economic growth. The recently published strategic vision sets out the Government’s wider plans for the railway and the desire to work with partners and other transport modes to identify the best new rail projects which can deliver those opportunities, and unlock growth.
   2. The Government’s intention is for more enhancements to be promoted, funded and/or financed by a range of parties, for example the Transforming Cities Fund, Local Enterprise Partnerships, Sub-national Transport Bodies, Local Authorities, Metropolitan Mayors, and the private sector.
   3. In line with the recommendations of the Bowe Review the Government is adopting a rolling programme of investment, with clear options and decision points, to ensure that projects are progressed in defined stages, subject to a review of their readiness to move forward to the next stage, and the benefits they are on course to deliver for users and the taxpayer.
4. **Priorities for Enhancements**
   1. To be included in the Rail Network Enhancements Pipeline schemes must provide outcomes that meet one or more of the 4 following priorities for investment and demonstrate clearly how they will continue to support them as they progress:

* Keeping people and goods moving smoothly and safely - Enhancements that deal with the challenges faced by the existing network and enable an acceptable level of reliability and performance for users e.g. providing capacity to ease crowding on routes or at stations;
* Delivering the benefits from committed programmes and projects already underway - Enhancements that will allow the railway to make the best used of, and get good VfM from, other funded schemes and other government priorities e.g. enhancing the power supply to allow for more services or improving junctions to allow for greater traffic;
* Offering more: new and better journeys and opportunities for the future - Enhancements that drive new industrial, economic or housing growth e.g. reopening old lines to support communities or creating new corridors for economic growth.
* Changing the way the rail sector works for the better - Enhancements that keep the railway modern and effective e.g. supporting new technologies such as digital signalling or track monitoring.

1. **Principles for Investment**
   1. In order to be considered for central government intervention and/or funding, the case for all Enhancement decisions will need to demonstrate the following:

* A robust business case
* Set out by the 5-part WebTAG compliant business cases and HM Treasury Green Book.
* A focus on the outcomes provided for railway users and the taxpayer
* Enhancements must be led by the needs that they are fulfilling rather than the methods by which they propose to fulfil them
* Enhancements need to set out the outcomes that they will provide at each stage, have thoroughly assessed a range of options and explained why the proposal is the best way to achieve them
* The impact of the Enhancement on the existing network
* Government will consider the impacts of disruption in making decisions. In doing so, considerations about the safety impact of the Enhancement for our railways will be paramount.
* Government will also be mindful of the implications for and impacts on the reliability of the network and the provision of services that delivery of the Enhancement might have.
* Railway demand
* Implications for and impacts on railway demand.
* Supported by robust methodology and will use the most appropriate models, including the government's Network Modelling Framework.
* Government will consider Enhancements that might help to meet existing demand, but also those that might help spread demand more evenly, or address areas of suppressed demand
* The balance of the portfolio
* All Enhancements will be considered in the context of the overall Enhancements portfolio rather than as purely standalone interventions.
* Enhancements that might deliver significant benefits may not be taken forward to the next stage because of the impact that they might have on the portfolio as a whole.
* Opportunities for private investment
* Identification and leveraging new funding sources in order to increase the overall investment and relieve some/all of the burden on the taxpayer.
* Increasing contestability
* Government will consider opportunities for alternative methods of delivery at each stage of the pipeline.
* Government keen to encourage new partners and facilitating market-led proposals for rail Enhancements

1. **Creating the Pipeline**
   1. The Rail Network Enhancements Pipeline is based around 5 stages of activity each separated by a formal ‘investment decision’ gateway. The decision taken at each gateway will be whether or not to proceed with the Enhancement to the next stage. These stages do not directly align with the GRIP stages used by NR. However, some of the latter stages will be informed by GRIP-related activities.
   2. The first three stages, “Determine”, “Develop” and “Design” are characterised by increasing levels of detail and understanding – consistent with business case development from SOBC to FBC:

* Decision to Develop – Strategic Outline Business Case level requirement – with a range of approaches possible at this point:
  + Clear description of the benefits for rail users – links back to 4 Priorities
  + Clear plan of action for next stage, including costs
  + Indicative cost estimate for enhancement
  + Consideration of other transport solutions and interventions
  + Consideration of rail demand
  + Potential for private investment
* Decision to Design – Outline Business Case level requirement:
  + Confirmation of the benefits and recommendations on how to achieve
  + Robust commercial strategy for implementation and financial impact
  + Clear plan of action for next stage, including costs
  + Updated cost estimate for enhancement – costs to now consider impact of whole life costs including ops, maintenance and renewals
  + Indicative delivery timeframe
  + Evidence of how Enhancement addresses and/or affects rail demand
  + If potential for private investment, evidence of engagement with investors and plan for delivery method.
* Decision to Deliver - Full Business Case level requirement:
  + Description of the service changes and improvements that will be enabled by the Enhancement.
  + Detailed delivery plan of the Enhancement including milestone dates and any major barriers
  + Final costs for the Enhancement with evidence of assurance and contingency. This will be the final budget for the Enhancement so will need to be accurate
  + Anticipated final benefits (based on detailed specification for the scheme) – using DfT WebTAG guidance
  + Confirmation of relevant planning permissions in place
  + Detailed assessment of anticipated disruption and mitigation actions
  + Detailed assessment of how the Enhancement will address and affect rail demand
  + If potential for private investment, confirmation of contracts with investors and infrastructure partner.
  1. The final two stages are “Deliver” and “Deploy.” By the time these latter stages are reached, all investment decisions have been taken and the focus is on building and operating the Enhancement and realising the benefits that are anticipated.

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| **Rail Network Enhancements Pipeline Stages** |

1. **Timings of Decisions**
   1. Enhancements may enter the pipeline at any stage. They will enter the pipeline at the most appropriate stage based on their level of development, provided that they have the appropriate government endorsed business case and have passed the decision point for that stage. This is particularly relevant for market-led proposals promoted by third parties, which, in accordance with the *Rail market-led proposals guidance* may be added to the Rail Network Enhancements Pipeline if they require the intervention of government to progress.
   2. Decisions about Enhancements entering and progressing through the pipeline may be taken at any time. Decision gateways may be reached by an Enhancement to the next stage once it has reached an appropriate level of maturity. This means that there is no “window” in which decisions are taken and there is no formal competition between Enhancements. Each Enhancement decision will be taken on its own merits within the context of the overall portfolio.