

# Authorise Injection of Funding into the Capital Programme to support the Station Development Programme and Authority to Spend

Date: 27<sup>th</sup> April 2022

Report of: Head of Station Development

Report to: Chief Officer Asset Management & Regeneration

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

## What is this report about?

### Including how it contributes to the city's and council's ambitions

- On the 18<sup>th</sup> March 2021, the existing Development Services Agreement (DSA) for the Leeds Existing Station Programme (LESP) was varied to enable Leeds City Council ("the Council") to further contribute to the development of the LESP Outline Business Case (OBC) and authority was given for the Council to enter into a Funding Agreement for Network Rail to contribute to the Council's Station Development Programme.
- Network Rail has committed to enter into a Funding Agreement with the Council to contribute to programme management office (PMO) costs for managing the delivery of the Leeds Integrated Station Masterplan (LISM) and management of the partnership governance.
- As a result this report is now seeking authority to inject the Network Rail contribution of £556,380 into the capital programme for allocation to the Station Development programme and authority to spend.

## Recommendations

- a) The Chief Officer Asset Management & Regeneration is recommended to authorise the injection of £556,380 to the capital programme for Station Development and authority to spend.

## Why is the proposal being put forward?

- 1 Leeds Railway Station is consistently the busiest transport hub in the north and in 2020 was the second busiest station outside London (Office of Road and Rail statistics).
- 2 Leeds Railway Station is an asset of national significance. Footfall has grown exponentially from 9 million passengers per annum in 2000 to 34 million passengers per annum in 2019

with growth forecasted to continue. Pedestrian modelling indicates that the station will reach capacity within the current decade. Intervention is required to ensure the station continues to operate safely and meets future growth.

- 3 LCC has entered into a partnership with Network Rail and other organisations for the development and delivery of LISM.
- 4 To date the scheme has been funded through a combination of partner contributions and grant allocations.
- 5 The Council entered into a DSA with Network Rail covering the period between Strategic Outline Business Case (SOBC) submission to the Department for Transport (DfT) and submission of the Outline Business Case to DfT. The Council funded the development of interim workstreams of LESP which has contributed to design development and warranted survey information to enhance understanding of the asset condition, lifecycle costs and constructability of proposed interventions.
- 6 The appointment of Network Rail Capital Delivery has provided cost assurance, delivery phasing, procurement and contract management of advisors to support delivery phases (including OBC and Governance for Railway Investment Projects 3/4 Products). This crucially has enabled LESP to maintain programme momentum while the SOBC decision was awaited from the DfT and HM Treasury.
- 7 The DSA included a commitment for Network Rail to enter into a Funding Agreement with the Council for the provision of PMO services. The scope of services is detailed within Schedule 2 of the Funding Agreement and summarised as follows:
  - Provide multi-disciplinary support for design development equivalent to a planning performance agreement
  - Implement Managing Successful Programmes principles
  - Support the management of interfacing elements of the Leeds Integrated Station portfolio
  - Support the strategic management of the programme and the development of business cases seeking necessary consents and approval
  - Manage workpackages as necessary
  - Embed lessons learned for future delivery
  - Manage stakeholder engagement initiatives and Partnership Communications Board Subgroup
  - Manage LISP partnership governance maintaining and developing the partnership and providing the guiding mind for LISP
- 8 This report is seeking authority to inject the Network Rail contribution of £556,380 into the capital programme for allocation to the Leeds Station Development programme and authority to spend in respect of PMO services both in house and commissioned which will include the following activities:
  - Partnership Communications Plan
  - Financial management
  - Programme Controls
  - Commissioning of Legal advice
  - Commissioning of Rail technical advice
  - Business case development

- Any other associated work which supports LISM and rail programmes of work.
- 9 This decision is categorised as a 'key decision' as defined in Article 13 of the Constitution as the value is above the financial threshold for a key decision set at £500k (covering expenditure or saving, receipt or loss of income). A key decision form was published on the list of forthcoming key decisions on 21<sup>st</sup> March 2022.
  - 10 On the 18<sup>th</sup> March 2021, the Chief Officer Asset Management & Regeneration approved a significant operational decision authorising a variation to the existing DSA for LESP and authority the Council to enter into a funding agreement with Network Rail. On the 30<sup>th</sup> March 2022, the Chief Officer Asset Management & Regeneration approved a delegated decision form for an administrative decision granting authority to enter into a funding agreement with Network Rail for the provision of a PMO.
  - 11 Executive Board approved a report at the 21<sup>st</sup> June 2017 meeting for the injection of the £173.5m LPTIP funding into the capital programme which included a £5m allocation for Station Development. On 20<sup>th</sup> April 2020 a significant operational decision was approved by the Director City Development granting authority to spend for the LPTIP funding to support the development of the Leeds Integrated Station Programme. This was subsequently used to fund the DSA.

### What impact will this proposal have?

#### Wards Affected:

Have ward members been consulted?

Yes

No

- 12 The Funding Agreement with Network Rail and injection of funding into the capital programme for Station Development will support the delivery of LISM and the wider partnership through supporting the development of planning policy documents, design development, programme management and communication activity. It offsets costs which otherwise the Council would have to meet from its capital programme.

### What consultation and engagement has taken place?

- 13 The Leader of the Council and Ward Members have been consulted on LISM, the proposals for development of Leeds station and the role of LCC as a key partner. They have not, however, been specifically consulted on this issue given the funding is a contribution towards existing service provision.
- 14 A briefing was held with the Executive Member for Infrastructure and Climate on 4<sup>th</sup> April 2022 which included the Network Rail contribution to LCC PMO costs and entering into a Funding Agreement to facilitate this.

### What are the resource implications?

- 15 Under the Funding Agreement, Network Rail has agreed to transfer a sum of £556,380 to the Council. This report seeks the injection of this funding into the capital programme and the funding will be ring fenced for Station Development for programme delivery costs initially across two financial years (i.e. 2022/23 and 2023/24) with the option to extend beyond.
- 16 The Station Development Team resources will continue to provide the programme management of LISM.

## What are the legal implications?

- 17 The Council will be entering into a Funding Agreement for the provision of programme management office services.
- 18 Under the terms of the Funding Agreement, the Council is obligated to undertake the following activities in accordance with Network Rail requirements:
  - Procurement and management of advisors, consultants and contractors using a competitive procurement process
  - Provide an annual status report outlining progress against programme and spend
  - Provide copies of invoices and receipts as required for audit purposes
  - Formal correspondence notifying Network Rail of completion of works enabling a certification of completion to be issued
  - Comply with Network Rail policies including fraud prevention, confidentiality, equality & diversity and freedom of information.
- 19 Under the terms of the Funding Agreement failure to comply with these obligations may result in repayment of all or part of the funding (plus interest and any costs associated with termination). To ensure that the Council has complied with these requirements an annual report will be provided to Network Rail in the form of a status report on how these obligations have been met.

## What are the key risks and how are they being managed?

- 20 Risk that Network Rail does not enter into the Funding Agreement and, as such, the Council is unable to secure the funding. This has been mitigated by Network Rail having gained formal approval to enter into the agreement and signed it.
- 21 Risk that Network Rail and LCC fail to enter into the Funding Agreement in a timely manner resulting in a delay in delivering elements of LISM. This has been mitigated by the Funding Agreement having been agreed and signed.
- 22 Risk that the Council fails to comply with contractual obligations resulting in repayment of part or all of the funding. This risk is being mitigated as the PMO has set up mechanisms for contractual compliance and will provide the requested information on an annual basis in the form of a status report as required by the Funding Agreement.

## Does this proposal support the council's 3 Key Pillars?

Inclusive Growth                       Health and Wellbeing                       Climate Emergency

- 23 The delivery of LISM supports the Council's 3 Key Pillars by:
  - Inclusive growth – providing 21st century infrastructure
  - Health and wellbeing – supporting the ambition to be the best city for health and wellbeing
  - Climate emergency – to make Leeds carbon neutral by 2030 by providing a sustainable alternative to private vehicle usage

## Options, timescales and measuring success

### a) What other options were considered?

- 24 Do nothing – this option assumes the Council will meet costs through its capital programme. A capital programme cost centre has been established to support this area of work and meet the cost of the Station Development Team. This is the Council's

contribution to the partnership and is limited. To rely on this alone would be insufficient to maintain the momentum of delivery currently being achieved with the Station redevelopment.

- 25 Seek contributions from partner organisations to support the costs incurred in delivering LISM. This is the preferred option and follows the approach already taken in seeking contributions from partner organisations such as the Service Level Agreement with HS2, HS2 Growth Strategy and LPTIP funding via WYCA, and now the PMO contribution from Network Rail
- 26 Transfer of PMO function to another partner organisation. This was discounted on the basis that the Council has an established PMO which has developed in maturity, knowledge efficiency and effectiveness since the formation of the LISM partnership. A transfer to another organisation would result in disruption at a critical time of programme delivery and none of the other partner organisations are in a position to resource this.

**b) How will success be measured?**

- 27 Success will be measured through ongoing timely and successful delivery of LISM including governance, delivery and programme management for example submission of Business Cases on time.

**c) What is the timetable for implementation?**

- 28 The Funding Agreement contains three references to conflicting dates which are 01/04/2021, 31/12/2021 and 30/06/2022. This is a legacy issue given the association of the Funding Agreement with delivery of the original DSA and also indicative timescales for implementation of the Funding Agreement. Using reasonable endeavours and in agreement with Network Rail the works set out in the agreement will be undertaken over a three-year period (i.e. April 2022 – 31 March 2025). This is on the basis that the OBC is presently awaiting DfT and HM Treasury approval with interim workstreams being progressed in the intervening period to inform design and cost development.

## **Appendices**

- 29 Funding Agreement

## **Background papers**

- 30 None