

Cabinet

16 August 2011

**Name of Cabinet Member:**

Cabinet Member (City Development) Councillor Bigham

**Director Approving Submission of the report:**

Director of City Services and Development

**Ward(s) affected:**

**Longford, St. Michaels – Stations**

**Cheylesmore, Holbrooks, Foleshill, Radford, Sherbourne, Whoberley, Earlsdon, Wainbody  
– Rail Line (Appendix 1)**

**Title:**

*NUCKLE (Phase 1) – Submission of Best and Final Bid to DfT*

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**Is this a key decision?**

Yes

*The NUCKLE scheme is likely to have a significant impact on residents and/or businesses in more than two electoral wards and, if successful is likely to involve expenditure of in excess of £500k in more than one financial year*

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**Executive Summary:**

To inform Cabinet of progress on NUCKLE Phase 1, the scheme to upgrade the Coventry to Nuneaton rail route and introduce improved passenger services, and to recommend that a joint 'Best and Final' bid by Coventry City Council, Warwickshire County Council and Centro for Major Scheme Funding be made to the Department for Transport.

**Recommendations:**

**Cabinet is asked to approve the following recommendations:**

- (1) To delegate authority to Director of City services and Development and the Cabinet Member for City Development to submit a joint 'Best and Final Bid' Major Scheme Funding bid by Coventry City Council, Warwickshire County Council and Centro to the Department for Transport (DfT) for funding to deliver the NUCKLE Phase 1 scheme.
- (2) Agree that a £16k contribution towards construction of the scheme is added to the capital programme. £8k 2012/13 and £8k in 2013/14.
- (3) Authorise Officers to prepare legal agreements to manage the risk fund (Section 5.1.2) subject to a legal risk sharing agreement being put in place between partners.
- (4) Report back the outcome of the bid to Cabinet, and if necessary report to Council dependant on the decision from DfT.

**List of Appendices included:**

Appendix 1 – Detailed scheme description and benefits

**Other useful background papers:**

Department for Transport update document – ‘Investment in Local Major Transport Schemes: Update’

<http://www2.dft.gov.uk/adobepdf/165237/706167/transportschemesupdate.pdf>.

**Has it been or will it be considered by Scrutiny?**

No

**Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?**

No

**Will this report go to Council?**

No

**Report title:**

**1. Context (or background)**

- 1.1 At its meeting in March 2010 Cabinet approved the submission of a joint Major Scheme Funding bid for Coventry City Council, Warwickshire County Council and Centro to the Department for Transport (DfT) for funding to deliver the NUCKLE (Phase 1) scheme. A bid was submitted in March 2010 and the DfT announced on the 4 February 2011 that NUCKLE (Phase 1) had progressed to the next stage of the restricted Major Scheme Funding process – the ‘Development Pool’.
- 1.2 The DfT has now invited the promoters of schemes in the ‘Development Pool’ to submit a ‘Best and Final Bid’ by 9 September 2011. Ministers will then make the final funding decision by the end of December 2011 on whether the Scheme will receive DfT funding. Centro and Warwickshire County Council remain joint Partners with Coventry City Council in promoting and funding the Scheme; with Coventry City Council continuing to lead on behalf of the partnership utilising funding from all 3 parties. Therefore, it is recommended that Cabinet approves the submission of a joint ‘Best and Final offer’ Major Scheme Funding bid by Coventry City Council, Warwickshire County Council and Centro to the Department for Transport for funding to deliver NUCKLE (Phase 1).
- 1.3 A detailed description of the Scheme, its benefits and a map showing the route and proposed stations can be found in **Appendix 1**.

**2. Options considered and recommended proposal**

- 2.1 The latest business case concludes that there remains a strong case for the Scheme which has an estimated Benefit Cost Ratio (BCR) in excess of 2.82:1. This represents ‘high’ value for money and in very broad terms this means that for every £1.00 spent on the Scheme there will be at least £2.82 of benefits. The BCR may need to change in the final Best and Final Bid submission, subject to negotiation with DfT.

The change in the BCR, to that previously reported, is due to the change in major scheme funding guidance introduced by the coalition government (October 2010), which has altered the qualifying criteria for modelling data used to generate the BCR – please refer to ‘Investment in Local Major Transport Schemes: Update’ detailed in useful background papers above.

2.2 During 2010/11 further design work has been undertaken and completed. The estimated cost for the various infrastructure options is shown below in **Table 1**.

**Table 1: Estimated cost (2013/14 Outturn prices) for the NUCKLE Phase 1 infrastructure**

<b>Location</b>	<b>Description</b>	<b>Cost £</b>
Coventry Station Bay Platforms/Approaches	Single faced 6-car bay platform at Coventry Station plus track alterations to enable access & new freight loop	10,541k
Coventry - Arena Station	6 Car platform station making use of existing railway under bridge, plus turnback to support event services	5,687k
Bedworth	Extension of existing 2 car platform to a 3 Car platform	1,141k
Bermuda Park	3 car platform station with DDA compliant step free access by using existing railway under bridge.	3,187k
Site & Project Management Costs		680k
<b>Total Construction Cost</b>		<b>21,236k*</b>
Development Costs		2,210k
<b>Total Scheme Cost (construction plus development)</b>		<b>23,446k</b>

\* Total Risk Allowance included in the above costs is £3,169k

- 2.3 The £21,236k construction cost (2013/14 outturn prices) of NUCKLE (Phase 1) means that securing a contribution of £10,482k from the DfT's Major Scheme funding process remains the only viable way of funding the gap between the Partner's contributions and the costs of the Scheme.
- 2.4 During 2010 the Coalition Government restructured and simplified the Major Scheme funding process. This included moving from a three stage approval process to a two stage process - admission to a 'Development Pool' and 'Final Scheme Approval'. NUCKLE (Phase 1) achieved Development Pool status in January 2011 and now a 'Best and Final bid' (BAFB) is required before a decision is made by the DfT on Final Scheme Approval.
- 2.5 A BAFB needs to be made to the DfT by 9 September 2011, subject to the approval of Cabinet as recommended in this report. Ministers will then make the final funding decision on whether the Scheme will receive DfT funding by the end of December 2011.
- 2.6 One further change that has been made to the Major Scheme Funding process is that Bidders are now **not** entitled to reclaim any of their development costs from the DfT. Under the previous process the Partners could have claimed for up to 50% of development costs following 'Programme Entry'.

### 3. Results of consultation undertaken

- 3.1 Quarterly meetings with DfT continue, since the revised guidance was published we held meetings (March & July 2011) to develop the modelling approach for the scheme.
- 3.2 Meetings have also been attended by both Coventry and Warwickshire Elected Members to discuss the scheme with the Rt. Hon Theresa Villiers, Minister of State for Transport (October 2010) and with Rt. Hon Phillip Hammond, Secretary of State for Transport (December 2010). The scheme has also been debated in the Houses of Parliament on several occasions.
- 3.3 The design for all four sites has been progressed through the Network Rail GRIP design process; this involves input from Network Rail, train operating companies and other rail industry bodies. Input has also from non rail industry stakeholders has also continued with input from Centro, Warwickshire County Council, Network Rail, the Ricoh Arena management company (ACL), British Transport Police and West Midlands Police at regular intervals.
- 3.4 The scheme is funded, in part, by European Regional Development Fund (ERDF) this has required consultation with ERDF team at Advantage West Midlands, to ensure compliance with ERDF rules.
- 3.5 NUCKLE is managed as a programme following government guidelines for programme management (such as PRINCE 2 and Managing Successful Programmes). Additionally Council Officers and partners have a communications strategy that is enhanced by Network Rail Network Change. This is Network Rail's consultation process for changes to infrastructure and will be used to consult all the affected Train Operating Companies. As part of the modelling appraisal work, within the business case we must demonstrate evidence of consultation with key stakeholders (including any Non Government Organisation consulted and responses).

### 4. Timetable for implementing this decision

- 4.1 The development work undertaken to date has indicated that the Scheme could be open by 2013. The major milestones are shown below in **Table 2**.

**Table 2: Scheme Milestones**

Best and Final Bid submission to DfT	September 2011
Funding Approval (subject to obtaining statutory approvals such as planning permission)	December 2011
Planning Application submitted for Bermuda Park station	Winter 2011
Contractor Procurement Commences	January 2012
Planning Permission granted for Bermuda Park station	Spring 2012
Detailed Scheme Design Commences	Summer 2012
Detailed Design complete	Winter 2012
Construction start	Winter 2012
Completion and scheme opens	Winter 2013

4.2 The programme in **Table 2** is subject to DfT rolling stock and financial constraints which may lead to an extended programme.

## 5. Comments from Director of Finance and Legal Services

### 5.1 Financial implications

Subject to a successful bid to the DfT, the cost of the scheme can be funded from within existing resources and approvals given by the 3 partners. The City Council has already approved and contributed a total of £715k funding towards the development costs of the Scheme. This will represent 32% of the total £2,210k development costs incurred by the Partners by the end of 2011/12.

5.1.1 Should the Scheme be granted Final Approval in December 2011 then a further £16k, will also have to be resourced by the City Council, £8k\* in 2012/13 and £8k\* in 2013/14 to fund part of the construction costs. These additional values can be managed within the overall capital programme resources for these years. A full cost profile of the Scheme is shown below in Table 3.

**Table 3: NUCKLE Phase 1 Cost Profile – By Financial Year**

	2009/10 £	2010/11 £	2011/12 £	2012/13 £	2013/14 £	Total £
Development funding required	578k	912k	720k	0	0	2,210k
Construction funding required	0	0	0	9,572k	11,664k	21,236k
<b>Total Funding Required (Costs)</b>						<b>23,446k</b>
Coventry City Council	520k	145k	50k	8k*	8k*	731k
Centro	18k	727k	0	3,450k	1,550k	5,745k
Warwickshire County Council contribution (Revenue)	40k	40k	0	0	0	80k
Warwickshire County Council contribution (Capital)	0	0	670k	700k	1,350k	2,720k
Major Scheme Funding contribution requested from the DfT	0	0	0	3,488k	6,994k	10,482k
Network Rail contribution	0	0	0	164k	0	164k
European Regional Development Funding (ERDF)	0	0	0	1,762k	1,762k	3,524k
<b>Total Funding</b>						<b>23,446k</b>

5.1.2 Securing Final Scheme Approval will mean that the Partners will receive a fixed contribution from the DfT on condition that all statutory procedures are completed. The fixed contribution means that no further funding would be available from the DfT. Any increases in scope and cost to the Scheme, subsequent to the approval by the DfT, would have to be paid for by the Partners in equal shares. The bid includes a risk fund to deal with issues arising during construction of the scheme and the proposed funding package

fully funds this risk allowance. However, it should be noted that if the final cost of the Scheme exceeds the estimated construction cost (which includes the risk allowance) the Partners would need to fund the excess costs in equal shares. Please refer to section 6.2 for further details of risk management

- 5.1.3 The DfT have emphasised that BAFBs that minimise the contribution required from the DfT are more likely to be looked upon favourably by the DfT as it will enable more schemes to receive funding. Therefore, a greater local contribution from the Partners or contributions from developers towards the scheme may increase the chances of securing Major Scheme funding.
- 5.1.4 To ensure that the 'Best and Final Bid' made by the Partners is competitive, an additional £16k contribution towards the contribution of the scheme from Council resources is requested. This would enable the Local contribution to be increased and not increase the bid to the DfT. Warwickshire County Council and Centro are already contributing a total of £8,545k.
- 5.1.5 Any future City Council contribution would be dependent on successfully securing the majority of the funding for the Scheme from the DfT's Major Scheme process. The possibility of securing developer (Section 106) contributions towards the Scheme will also continue to be explored.
- 5.1.6 Once the Scheme has been constructed it is anticipated that there will not be any ongoing funding issues for the City Council. Whilst there is likely to be a requirement for revenue subsidy to support the increase in train service frequencies, it is proposed that Centro would fund this.

## 5.2 Legal implications

The Council has an obligation under the planning agreement attached to the planning consent under section 106 of the Town and Country Planning Act 1990 for the development of the Ricoh arena to construct a railway station for the arena development.

- 2 Basic Asset Protection Agreement (APA), with Network Rail, for the design of the scheme have been signed and the detail design (GRIP 4) have been completed in accordance with Network Rail's requirements to progress the development of the station.
- Consultants have been commissioned by the Council to undertake the Planning Application work, for submission to Coventry City Council and Warwickshire County Council as planning authorities for Coventry Arena and Bermuda Park new stations respectively. This work is being funded as part of the development costs.
- The contracts for services and works will be procured in accordance with the Rules for Contract and the Public Contracts Regulations 2006
- Any land transaction will be in accordance with the Local Government Act 1972
- The City Council will act as the lead on this project and legal agreements will be entered into with Warwickshire and Centro to commit their financial and other contributions to the project

## 6. Other implications

None

**6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?**

*A prosperous Coventry with a good choice of jobs and business opportunities for all the city's residents.*

This scheme improves the links through the designated regional investment priority zone, bringing people, from the north of the zone, to the city centre and the heart of the Friargate development (which has the potential to bring up to 15,000 jobs to the city).

*Making places and services easily accessible for Coventry people*

The Coventry to Nuneaton corridor suffers from traffic congestion. The population density and level of activity in the corridor is growing and will create increasing demand for transport. There are large scale redevelopments planned in Coventry city centre and redevelopment around the Ricoh Arena continues. This scheme will provide a credible public transport option, now and in the future, for travel along the corridor and enable robust green travel plans to be implemented.

*Improving Coventry's environment and tackling climate change*

The scheme would provide a credible public transport service that would make modal shift to rail travel a reality; therefore reducing the number of people using the congested highway, and reducing the CO<sup>2</sup> emissions; therefore improving the impact on the environment.

**6.2 How is risk being managed?**

In terms of managing risk, this aspect is accorded a high priority within the Scheme development process. An initial risk workshop was held and facilitated by an independent risk consultant and ongoing management of risks is undertaken by a second independent professional with wide experience in delivering rail schemes. The risk register is maintained and considered in detail by the Scheme Management Board at its monthly meetings. A full Quantitative Risk Analysis (QRA) has been carried out through workshops (including the designers and Network Rail) and accepted simulation models have been used to determine a risk value for the Scheme of £3,169k.

The risk allowance may not be utilised it is there as a contingency and is fully funded within the total scheme cost, as detailed in **Table 1**. If the value of the risk realised during construction is above the risk value, determined by the QRA, the three Partners will share the saving equally; if the value of the risk is above £3,169k, the additional funding must be resourced equally by the three Partners.

**6.3 What is the impact on the organisation?**

None, Centro will meet the obligation of the ongoing subsidy of revenue costs for the scheme

**6.4 Equalities / EIA**

A significant part of the BAFB appraisal assesses the impact of equality. This will be demonstrated through the submission to DfT.



## **6.5 Implications for (or impact on) the environment**

A significant part of the BAFB appraisal assesses the impact on the environment, this will be demonstrated through the submission to DfT.

## **6.6 Implications for partner organisations?**

The scheme is jointly promoted by CCC, Warwickshire County Council and Centro. Network Rail, as an important stakeholder, is involved in the progression of the scheme. Centro will meet the obligation of the ongoing subsidy of revenue costs for the scheme.

If the scheme is not delivered the region will lose one of its priority schemes.

Both Warwickshire County Council and Centro have contributed significant monies, to develop the scheme, refer to **Table 3**.

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## Appendices

### Appendix 1 – The scheme and benefits in detail

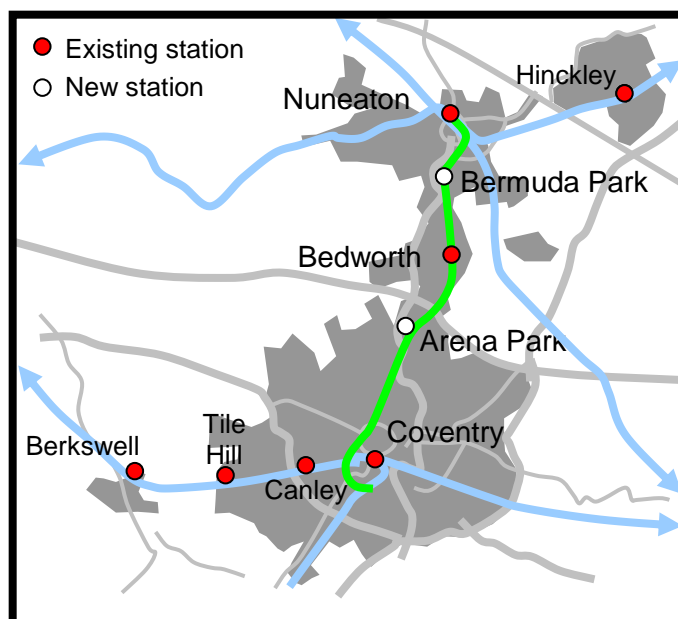
## A1. The Scheme

A1.1 The NUCKLE Phase 1 scheme consists of:

- (i) Longer trains and an increase in frequency to the rail service between Nuneaton and Coventry from 1 train per hour to two trains per hour;
- (ii) A new bay platform at Coventry station;
- (iii) A new station at Coventry Arena;
- (iv) Extending the existing 2-Car length platforms at Bedworth station to accommodate longer trains; and
- (v) A new station at Bermuda Park.

A1.2 A plan showing the Coventry to Nuneaton rail route and the proposed new stations is shown below in Figure 1.

**Figure 1:** Map showing the Coventry to Nuneaton rail route and the proposed new stations

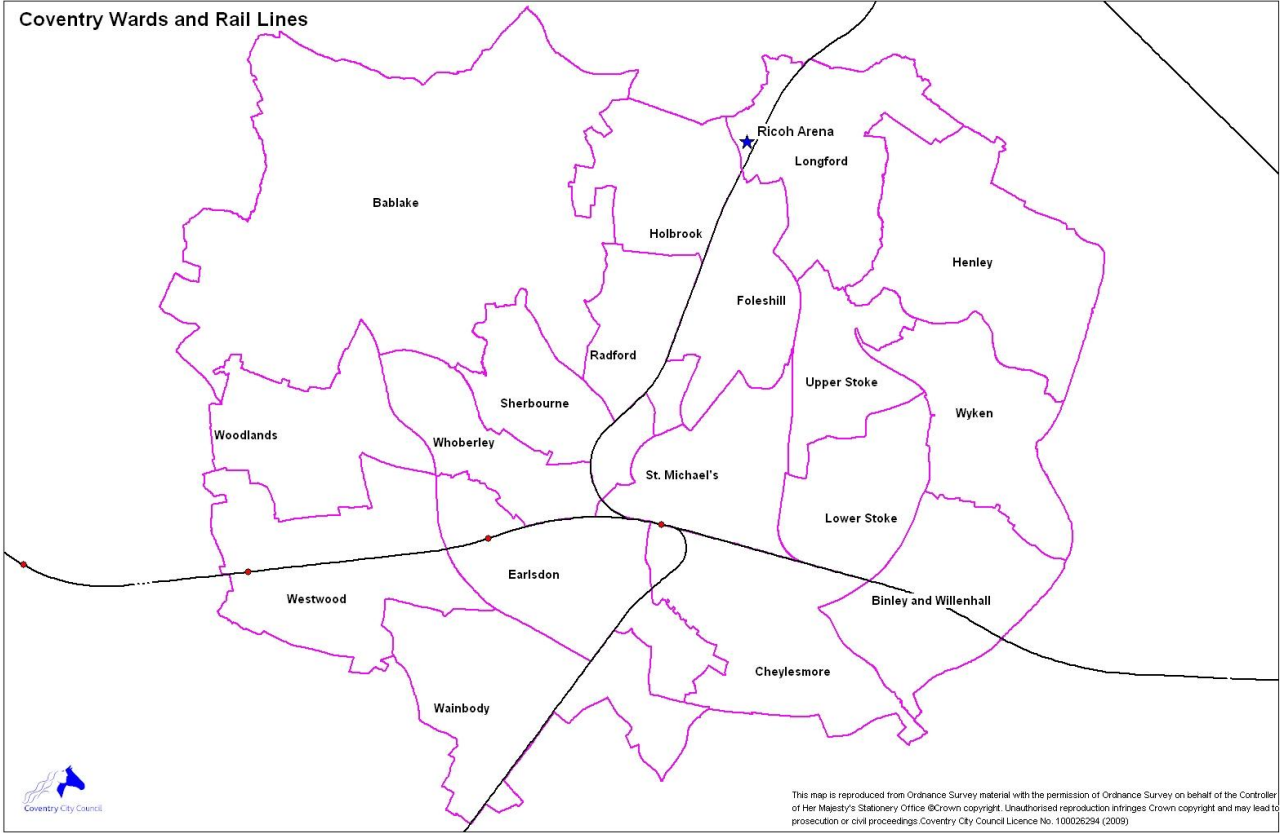


A1.3 In the longer term, the Partners aspire to extend the Coventry – Nuneaton service northwards from Nuneaton towards the East Midlands and southwards from Coventry to a new station at Kenilworth and then on to Leamington Spa and the Thames Valley. These are planned as future phases of NUCKLE.

## **A2. The Benefits**

- A2.1 The corridor between Coventry and Nuneaton has been identified as a major growth area and there are a number of potential locations along the route that could receive significant additional housing.
- A2.2 The density of the population and the level of activity in the corridor is set to grow substantially and will create increasing demand for transport. The route already suffers from traffic congestion and future developments will increase car use and congestion unless there is a good quality public transport alternative.
- A2.3 The NUCKLE Phase 1 scheme aims to improve accessibility between where people live and the opportunities for work, leisure and services. It also aims to reduce congestion, make journey times more reliable and aid economic regeneration along the corridor between Nuneaton and Coventry. Census data shows that everyday around 12,000 people commute from Nuneaton and Bedworth into Coventry.
- A2.4 The NUCKLE Phase 1 scheme has other economic benefits for the Nuneaton to Coventry corridor. In particular:-
- (i) Improved connectivity to other surrounding towns. Improved connectivity helps to enlarge labour markets and supply chains which can help to reduce business production costs; and
  - (ii) Reduced travel-time to London by rail. Connection to London is a significant contributor to the relative productivity of local economies. NUCKLE Phase 1 could help increase overall levels of economic productivity in a corridor which currently has fairly poor levels of relative productivity.
- A2.5 Coventry City Council plans to redevelop the area adjacent to Coventry station, The Friargate development, which will potentially be the location of 15,000 new jobs, will be located next to the new bay platform at Coventry station. There are further regeneration proposals planned throughout the rest of the city centre. All these developments will significantly increase the demand of travel to and from the City Centre.
- A2.8 Coventry City Council has always promoted the provision of a station at Arena Park/The Ricoh Arena to serve the travel needs of the Ricoh Arena, the Arena Park shopping Centre and the wider 'north Coventry' area. The new station would increase the accessibility of the area to the national rail network and would provide the same travel opportunities as Bermuda Park. This would be a significant improvement as the Ricoh Arena is proving successful at attracting conferences, business meetings and major events, as well as hosting the home matches of Coventry City Football Club. Further new developments are planned in the area.

### A3. Map showing Coventry ward boundaries and stations



### A4. Detailed plan showing scheme route

