Committee report

SPT

Rail Update

Committee	Strategy and Programmes

Date of meeting 11 November 2016   **Date of report** 13 October 2016

Report by Assistant Chief Executive (Operations)

1. Object of report

The object of this report is to:

- Update the Committee on rail issues in the SPT area, including:
    - Edinburgh-Glasgow Improvement Programme (EGIP);
    - New rolling stock;
    - Community Rail;
    - The Regional Transport Integration Group (RTIG).
    - The proposed new station at Robroyston; and
    - Timetabling issues.
- Recommend approval of support to establish the RAIL74 Community Rail Partnership.

2. Background

2.1   Members will recall[1] earlier updates on rail issues, most recently the report to the Committee on SPT's responses to the Office of Rail and Road (ORR) initial consultation on the 2018 Periodic Review of Network Rail, and the consultation by the Department for Transport on the future of the InterCity West Coast franchise.

2.2   Members will also be aware that operational performance information on rail is reported to the Operations Committee. It should be noted that the closure of Glasgow Queen Street High Level station between 20 March and 7 August 2016 for major engineering works resulted in a major revision and re-routing of services. It should also be noted that there has been considerable press coverage as regards the delivery of ScotRail franchise commitments with a particular focus on rail passengers being adversely impacted by planned disruptions and the overall day-to-day performance of the rail network. ScotRail have recently published a Performance Improvement Plan outlining their plans to address such issues[2].

---

[1] See http://www.spt.co.uk/documents/sp240616_agenda.pdf
[2]
https://www.scotrail.co.uk/sites/default/files/assets/download_ct/performanceimprovementplanoctober2016.pdf for more information.

3. Update

3.1   Edinburgh Glasgow Improvements Project

As part of a phased programme of work towards the future electrification of lines in Scotland, improvement work continues to be carried out between Glasgow and Edinburgh via Falkirk High & Shotts and across central Scotland. These include evening line closures and weekend disruption which are currently underway with a completion date of March 2017. Further information on these disruptions are available from ScotRail at www.scotrail.co.uk. It should be noted that here are no planned disruptions between 8 December 2016 and 8 January 2017 to accommodate the festive period.

3.2   For information, Transport Scotland also published a report entitled 'Commercial Assurance Review of the Rail Major Projects Portfolio' on 26 October 2016 – the executive summary of which is attached at Appendix 1 – the key headline from that report being that the total forecast cost of the Portfolio has increased by £379m, from £1.131bn to £1.510bn.

3.3   Rolling Stock

As part of commitments made for the delivery of the franchise, there are various improvements to rolling stock underway including improvements to Class 156 and 158 DMUs are underway which will be available for "Great Scenic Rail Journeys"[3] services from 2018, including enhanced frequencies south of Kilmarnock. Refurbishment of HST stock for longer distance Scotrail Express services is also currently being undertaken for service entry in 2018 whilst new Caledonian Sleeper rolling stock is under construction and due for delivery in the first half of 2018.

3.4   Community Rail Partnership (CRP) – RAIL74 proposal

3.4.1   As part of the approval process for the establishment of a CRP, SPT has (along with British Transport Police and Network Rail) received an application from a group called RAIL74 for their formal establishment as a CRP, prior to final approval by ScotRail and Transport Scotland. They propose that the RAIL74 CRP covers the section of line between Rutherglen and Hamilton within South Lanarkshire.

3.4.2   Officers have reviewed the RAIL74 CRP application and have concluded that its establishment, in respect of its stated goals as well as its aspirations for the communities along the line, are both innovative and, at the same time, realistic in terms of raising the profile of rail services within these communities.

3.4.3   The aspiration to raise awareness, and by so doing to grow commuter, occasional and leisure patronage, matches SPT and South Lanarkshire Council aspirations for greater usage of the public transport network as well as utilising walking and cycling networks to and from local stations.

3.4.4   It is anticipated that the line covered by the RAIL74 CRP will become more important as Community Growth Areas along its route develop, and the goals stated for the CRP of seeking to embed the railway as an integral part of its communities along its entire length is very much to be welcomed.

---

[3]   See more information on ScotRail "Great Scenic Rail Journeys"" at https://www.scotrail.co.uk/scotland-by-rail/great-scenic-rail-journeys

3.4.5　In light of the above, it is therefore recommended that SPT support this application.

3.5　Regional Transport Integration Group (RTIG)

Members will recall that SPT chair the West of Scotland Rail Forum (WoSRF), membership of which includes ScotRail, Network Rail and Transport Scotland. The WoSRF has proved very successful in providing the opportunity for regular dialogue between rail industry partners in our region. It is now proposed that twice a year, the WoSRF meetings are expanded to include the wider transport industry – for example, bus operators – to discuss strategic integration issues. It is proposed that this new grouping be known as the Regional Transport Integration Group. The first meeting is planned for December 2016 and officers will provide an update to the next Committee on progress made at the RTIG.

3.6　Robroyston – new station and park and ride

3.6.1　Following approval by the Partnership in May 2014, a Client Group and Delivery Group were established, led by SPT, with representatives of Glasgow City Council (GCC) and the developer, Stewart Milne Group (SMG). Network Rail was commissioned to deliver the initial design phase of the station and GCC developed the preliminary design of the roads and car parks. The combined project was co-funded by SPT and Glasgow City Council and has provided the preliminary design for the construction of the station, pedestrian and road access requirements and preliminary design for the park and ride, together with estimated costs for the construction of the station and the associated infrastructure.

3.6.2　This outline design provides for a new station located approximately 200m west of the existing over-bridge at Millerston and new car parks and drop off areas on each side of the track, together with approximately 250 car parking spaces and land identified for additional parking to meet future demand.

3.6.3　Following completion of this preliminary design phase a business case was developed and provided in support of an application to the Scottish Stations Fund seeking financial support to deliver the final design and construction of the new station. This was successful and the sum of £7.129m was approved, subject to the remaining cost being met by the promoters.

3.6.4　To assist with funding, it is anticipated that, subject to Partnership approval as part of the 2017-18 Capital Programme, SPT would contribute up to £1.25m towards the P&R element of the project.

3.6.5　Glasgow City Council has now developed a funding package, including allowance for SPT's contribution that will enable final design and construction of the station and car parks to be completed. The package also takes into consideration agreement with the developer on the mechanism and funding to deliver the necessary roads infrastructure to service the station.

3.6.6　Discussions are on-going between industry partners to determine the appropriate delivery mechanism which will manage and mitigate any risks identified as the project progresses.

3.7 Timetable changes – December 2016

3.7.1 Dalmarnock and Bridgeton will benefit from additional calls on Mondays to Saturdays. This will result in a more evenly spaced service pattern for both stations.

3.7.2 After assessment of the impact of the August timetable changes an additional Monday to Friday morning peak service will run from Helensburgh Central (approx. 08:07) to High Street (Queen Street LL around 08:51). Similarly, the 22:40 Edinburgh Waverley to Hyndland will call at all stations (currently skips calls between Airdrie and Queen St). This will result in all stations being served and ensure that no passengers will be "stranded" waiting on a connection.

3.7.3 On Sunday mornings a new service will run from Ardrossan Harbour at 09:35 to Glasgow (arriving 10:17) connecting from the Arran ferry.

4. Conclusions

At a strategic level, SPT continues to actively engage with rail industry partners, including through the West of Scotland Rail Forum and through the new Regional Transport Integration Group. The current focus of engagement is in relation to the issues highlighted in this report.

5. Committee action

The Committee is recommended to:

- Note the updates in this report; and
- Approve support for the establishment of the RAIL74 CRP as detailed in sections 3.3-3.7.

6. Consequences

Policy consequences	*In line with the Regional Transport Strategy.*
Legal consequences	*None*
Financial consequences	*None*
Personnel consequences	*None*
Equalities consequences	*The rail network in west central Scotland contributes to wider social equality.*
Risk consequences	*None*

Name	**Eric Stewart**		**Name**	**Gordon Maclennan**
Title	**Assistant Chief Executive (Operations)**		**Title**	**Chief Executive**

For further information, please contact *Charles Hoskins, Senior Director on 0141 333 3285* or *Bruce Kiloh, Head of Policy and Planning on 0141 333 3740.*

Review of Rail Major Projects
Executive Summary

Background

▲ In October 2013, the Office for Rail and Road (ORR) published its Final Determination for Control Period 5, setting the outputs Network Rail (NR) is required to deliver in the five years from April 2014.

  ▲ The Final Determination identified Rail Major Projects that NR would deliver and their anticipated cost.

  ▲ In line with the UK rail industry structure, NR is held to account for delivering projects as promised by the ORR, rather than by Transport Scotland (TS).

▲ The reclassification of NR as a public sector body on 1 September 2014 brought NR assets and liabilities onto the Government's balance sheet, increasing its exposure to cost overspends.

▲ As a result of the reclassification, TS used the quarterly reviews of the Rail Major Projects Portfolio (the Portfolio) with NR and the ORR to provide regular updates and greater detail on project progress.

▲ A Memorandum of Understanding and a borrowing limit of £3.3b was agreed between UK and Scottish Governments. This is intended to protect the integrity of the devolution agreement and ensure there is no risk transfer across the separately funded programmes.

▲ In response to cost increases reported by NR in March 2016, TS took further action for enhanced reporting across the Portfolio.

▲ Following a further cost increase within the Edinburgh to Glasgow Improvement Programme (EGIP) in May 2016, TS commissioned EY to perform a programme commercial assurance review (the EGIP Review).

▲ The EGIP Review originally intended to produce an independent view of the cost and schedule to complete for the programme.

▲ After an initial assessment it was agreed that, due to an unclear information and execution environment, there was insufficient certainty around the schedule and cost data to build an independent assessment.

▲ TS tasked EY to perform a review of the control environment for EGIP. This led to a number of shortcomings being identified in the following functional areas relative to EY's experience of leading practice for projects of a similar size and complexity:

  ▲ Schedule baseline and forecast

  ▲ Cost baseline and forecast

  ▲ Change control, cost contingency and schedule float management

  ▲ Risk management and performance reporting

  ▲ Programme assurance

▲ Following the EGIP Review, TS requested that EY consolidate its key findings and use this as the basis for a commercial assurance review of the Portfolio, covering:

  ▲ Aberdeen to Inverness Improvement Project (A2I)

  ▲ Edinburgh to Glasgow Improvement Programme (EGIP)

  ▲ Highland Mainline Improvement Project (HML)

  ▲ Shotts Electrification

  ▲ Stirling, Dunblane, Alloa Electrification (SDA)

▲ This report presents the findings of the Portfolio review.

Review of Rail Major Projects
Executive Summary

Purpose

▲ This work is a commercial assurance review, focused on assessing the level of control exercised by NR for each project across the Portfolio.

▲ It is intended to provide an independent assessment of whether the elements fundamental to successful project delivery are in place and operating effectively.

▲ This review is not intended to assure the successful delivery of a project or provide an in-depth performance evaluation of the Portfolio. It is designed to assess the following:

  ▲ The level of control across the Portfolio

  ▲ For any major shortcomings in control, what improvement opportunities are available

▲ For the avoidance of doubt, our review has not tested whether the scope which NR has decided is necessary to meet the specified programme outputs is in itself appropriate or sufficient.

▲ It is important also to note this review has been performed in the context of a number of improvement initiatives within the rail industry, e.g. the Hendy Review, Bowe Review, and Shaw Report. We also understand that NR is implementing an Enhancements Improvement Programme.

▲ As noted above, the focus of this review is on the level of controls exercised by NR on each project at the time of the review; however, the recommendations of this report should be considered within the context of these broader UK findings.

Approach

▲ We have reviewed the level of control each project has against:

  ▲ The lessons learned from the EGIP review

  ▲ The governance expectations set by TS

  ▲ Selected principles of good practice associated with the Association of Project Management

▲ We have categorised our observations and recommendations according to three themes:

  ▲ Project – within the individual projects and project delivery teams

  ▲ Portfolio – management of the Rail Major Projects portfolio

  ▲ Strategic – industry or system wide

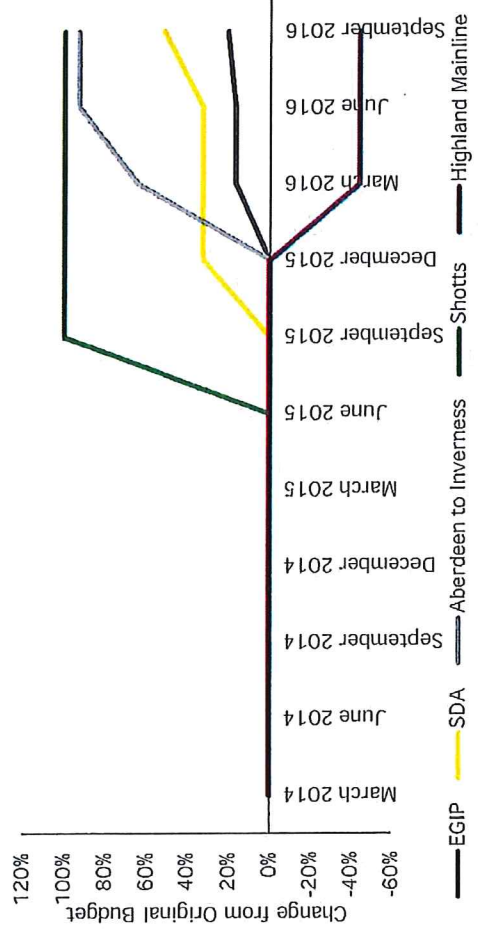▲ Unless otherwise stated our review has been of documentation for 2016/17 P4 – the week commencing 18 July 2016.

Review of Rail Major Projects
Executive Summary - Project Cost Changes

There has been an increase in the forecast cost of the Portfolio from the original funding of £1,131m to £1,510m, as at P4 2016, an increase of £379m (*Note: Current forecast AFCs are stated in outturn prices*). The graphs show that:
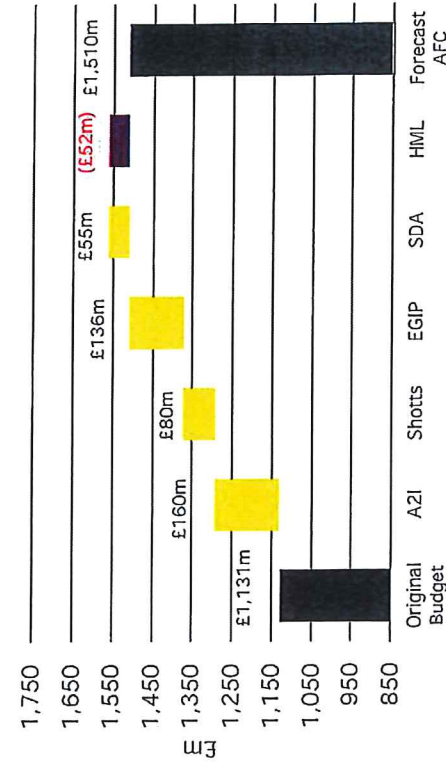
▲ There have been significant forecast cost increases in all projects other than HML, for which the forecast cost decrease was a result of a change to the franchise rolling stock plans, proposed by Abellio in response to TS specifying improved rolling stock and timetable on this line through the ScotRail franchise competition.

▲ The other four projects reported forecast cost escalations at a similar time, between Q3 and Q4 2015. This was when, other than for EGIP, the projects were in GRIP stages 1 to 3. We understand that at no stage has TS requested a formal change in scope for these projects, so the changes in costs being considered are based on the same scope.

▲ Costs have increased very sharply in short periods of time.

These factors highlight the unreliability of initial cost estimates and the implications this can have for TS as a funder. In addition to the above points, it should be noted that three of the five projects are not yet in the execution phase and therefore a degree of uncertainty exists around the cost estimates on these projects.

Portfolio Cost Movement

Project Forecast Cost Change Over Time

Review of Rail Major Projects
Executive Summary - Key Project & Portfolio Observations

# Theme	Observations	Examples
1 Cost Estimation	▶ NR's cost estimates in the development phase (i.e. prior to GRIP 3 with Approval in Principle) have been unreliable. Whilst each project's individual circumstances have contributed to the cost increases, systemic causes have also been observed. ▶ There is no consistent approach to NR project cost reporting. Costs are presented on a range of cost bases (Quarter 4 2012 prices, outturn prices, etc.) often without an explanation of what has been used.	▶ SDA/Shotts: Significant underestimate of the cost of electrification (a UK wide issue across all of NR's electrification projects). ▶ EGIP/SDA/Shotts/A2I: Compliance issues - failure to design to meet regulatory requirements. ▶ A2I: NR's initial development and cost estimates based on an incomplete knowledge of its assets, leading to optimistic estimates of civil works required.
2 Governance	▶ There is an inconsistent framework environment governing the relationship between NR, TS and the ORR across the projects. ▶ Under the current UK rail industry model, ORR, rather than TS, holds NR to account for delivering the projects as promised. The reclassification of NR has changed TS's liability and exposure to the projects and EY believes a tighter level of control over change and contingency is now appropriate for TS.	▶ The current Framework Governance Document is written for the EGIP project, and there is inconsistent governance guidance for other projects (*Note: A Portfolio Board has been established to address this issue and TS are currently drafting a Term of Reference between TS and NR*).
3 NR Project Controls	▶ EY observed that there is no dedicated project controls system used by NR to control, analyse, forecast and report cost and for integration of progress, schedule and risk information. ▶ Use of uncontrolled spreadsheets has been observed across the Portfolio.	▶ All projects: Systems such as ARM, @Risk, Primavera P6 and Oracle are used by NR. ▶ A2I: The contingency reported as part of the Highland Enhancements Programme report could not be explained by the project team and differed from that on the cost monitoring spreadsheet supplied to TS.

Review of Rail Major Projects
Executive Summary - Key Project & Portfolio Observations

#	Theme	Observations	Examples
4	NR Schedule Integrity	▶ NR project schedules are not robust and lack sufficient detail to give a comprehensive schedule for the Portfolio.	▶ All projects: Failure of schedule integrity tests across the Portfolio.
5	Performance Reporting	▶ There is a lack of transparency in reporting potential cost increases from NR to TS. EY observed instances where NR had been aware of expected cost increases but had not reported these to TS promptly. ▶ Existing reporting across the projects has not provided TS with sufficient information to give confidence over the projects' status and performance. ▶ Errors and incomplete sentences in reports suggest that they have not been prepared with due care and attention.	▶ A2I: NR only made TS aware of the increase from £170m to £281m (2012/13 prices) on the regulated milestone date of 31 March 2016. Prior to this, ORR Review Reports had confirmed, based on information reported by NR, that the project remained on target and on budget.

Review of Rail Major Projects
Executive Summary - Key Strategic Observations

#	Theme	Observations	Examples
1	Commercial Leverage	▲ TS lacks effective commercial leverage to penalise or reward NR to drive project performance.	▲ EGIP: The pain/gain mechanism in place is currently failing to drive positive performance. The upstream pain/gain mechanism between TS and NR is effectively redundant due to the reclassification.
2	Delegation of Authority (DoA)	▲ The current DoA arrangement does not afford TS control beyond instances where the projects exceed the funding headroom or regulated milestone dates. Given the changed liability associated with reclassification, a tighter level of control over change and contingency is appropriate for TS.	▲ The Framework Governance Document for EGIP does not comprehensively outline a DoA.
3	ORR Regulation	▲ TS recognises its role as the client is reliant on effective regulation given the existing legislation and the direct accountability of NR to the UK rather than Scottish Government. Under the current UK rail industry framework NR is subject to regulation by the ORR. Other than regulatory penalties or other measures imposed by the ORR, NR has scope for underperformance without material or timely consequence given the limitations of the ORR's enforcement powers, particularly post NR reclassification.	▲ Shotts: The ORR provided an ECAM determination in February 2014 of £80m, however, by June 2015 NR reported internally that the AFC would increase to £160m. ▲ The ORR's determination process primarily reviews NR's costs against benchmarks or similar projects that have been completed to ensure they are reasonable, it does not independently calculate the price of the work required.
4	Control Periods & Cost	▲ EY observed alignment of project planning and delivery of enhancement projects to Control Periods, rather than to the full project lifecycle. Delivery date and funding focus on Control Periods rather than operational needs is a recognised issue in the delivery of projects; however, the investment framework project status does allow for programmes that span multiple Control Periods and was, for example, applied to EGIP.	▲ A2I: NR has identified the most efficient way of delivering CP5 journey requirements is by accelerating planned CP6 enhancements in the CP5 period. This results in a misalignment between scope and funding across the two Control Periods.
5	TS Enhanced Risk Environment	▲ Given the reclassification of NR, TS is now exposed to more risk – as evidenced in this review.	▲ Reclassification and our emerging findings across the Portfolio.

Review of Rail Major Projects
Executive Summary - Key Strategic Observations

#	Theme	Observations	Examples
6	Control Periods & Operations	▲ Control Periods are not aligned to the passenger franchising process and this can lead to abortive spend. ▲ Enhancements delivery dates are aligned to Control Periods rather than operational milestones.	▲ A2I/HML/Shotts/SDA: March 2019 is a consistent delivery date across all projects, however, this date has no operational importance, rather it is simply the end of a Control Period.
7	Role of ECAM	▲ The ECAM process is used to review early project estimates. This means that NR is protected against poor early cost estimates. ▲ EY observes that the ECAM determination is treated as the first recognised project baseline.	▲ SDA: A revised ECAM submission is possible for SDA, however, ORR recognises that this would remove an incentivisation target for NR. ▲ A2I: The NR team made their ECAM submission on 17 August 2016 and appear to be treating the ECAM process as the start of their baseline.
8	Portfolio Approach	▲ Under the current portfolio funding approach, TS does not have a high level of visibility and oversight on how funding and portfolio savings are managed by NR.	▲ TS has no control over movements of budget between Rail Major Projects by NR. It is anticipated this will be considered within the remit of the newly established Portfolio Board.
9	Industry-wide Holistic Approach	▲ A more holistic approach between TS, NR and Train Operating Companies (TOCs) could reap benefits and value for money solutions across the network. Better coordinated, industry-wide planning has the potential to deliver the same outputs more efficiently.	▲ HML anticipated cost saving has been delivered through an saving resulting from Abellio ScotRail's operational decision, driven by TS's franchise specification, to use High Speed Trains on the route, thereby significantly reducing the infrastructure interventions required to deliver the project's output specification. ▲ The ScotRail Alliance was set up to encourage better alignment between Abellio ScotRail and NR. It was proposed in response to TS's franchise competition which indicated that TS was supportive of alliancing as a vehicle for greater industry collaboration and gave credit for committed cost savings accruing from alliancing.

Review of Rail Major Projects
Executive Summary - Recommendations

#	Theme	Recommendation	Rec. Leader	Enabling Parties	Suggested Timeframe
1	Project	Implement a project controls improvement initiative focused on cost, risk and schedule. This should encompass controls, analysis, forecasting and reporting. *(Note: This recommendation has already been directed to NR by TS. We understand that NR is seeking to address these issues on a company-wide basis through its Enhancements Improvement Programme (EIP). TS should require time-defined commitments from NR in respect of the implementation of EIP in Scotland and how it will be applied to each of the projects.)*	NR	NR / Alliance	0-3 Months
2	Project	Elevate project team focus on visible, dynamic forecasting, with emphasis on early identification, substantiation and visible challenge of cost and schedule to complete.	NR	NR / Alliance	0-3 Months
3	Portfolio	Update the Rail Major Projects governance framework to be Portfolio-wide, and include review and definition of: ▲ TS expectations for the design, development and delivery of the Rail Major Projects Portfolio+ ▲ Roles, responsibilities and accountabilities through each GRIP phase ▲ Delegations of authority ▲ Protocols *(Note: This recommendation has already been actioned by TS with the introduction of the Portfolio Board)*	TS	NR / ORR	0-3 Months
4	Portfolio	Create a separate performance management framework, including consideration of: ▲ Information requirements / consistent performance reporting ▲ Potential incentives & penalties	TS	ORR	3-6 Months
5	Portfolio	Review the process for defining and approving commercial strategy for future projects and scopes of work.	TS	NR	3-6 Months
6	Portfolio	Engage ongoing independent integrated assurance to support improvement initiatives and maintain quality standards.	TS	TS	3-6 Months

Review of Rail Major Projects
Executive Summary - Recommendations

#	Theme	Recommendation	Rec. Leader	Enabling Parties	Suggested Timeframe
7	Strategic	Update TS's approach to delivering Rail Major Projects to align with new financial and operational responsibilities following NR reclassification (Note: This recommendation has already been actioned by TS through the development of Terms of Reference between TS and NR for the next Control Period).	TS	NR, ORR	6-12 Months
8	Strategic	Review the early development process and project estimation and its appropriateness for TS.	TS	NR, ORR	6-12 Months
9	Strategic	Review the process for funding for major projects to take account of TS's role following NR reclassification.	TS	ORR, SFT	6-12 Months
10	Strategic	Review the benefits and risk of aligning project delivery timescales to operational outputs within the Control Period planning framework for Scotland.	All*	All*	6-12 Months
11	Strategic	Investigate options for improving industry-wide coordination to scope, design, develop and deliver projects more efficiently.	All*	All*	6-12 Months

* Including Transport Scotland, Network Rail, Office of Rail and Road, Train Operating Companies, Scottish Futures Trust and the Scottish Government.