

## WMCA Board

<b>Date</b>	13 October 2023
<b>Report title</b>	New Stations Package 1: Project Update
<b>Portfolio Lead</b>	Transport - Councillor Mike Bird
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<b>Report has been considered by</b>	N/A

### Recommendation(s) for action or decision:

#### The WMCA Board is recommended to:

- (1) Note the insolvency and administration proceedings of the principal contractor for the New Stations Package 1 project, Buckingham Group Contracting Limited.
- (2) Note the decision made at WMRP Board on 28th September 2023 to novate the Package 1 main works contract to Kier Integrated Services Limited.
- (3) Note the work underway to re-assess affordability and funding, and the options to be bought back for consideration to a future board.
- (4) Note in the interim period, only work associated with scheme costs that will remain in scope and within the existing budget will continue to be incurred until a resolution to the overall scheme affordability has been reported to and agreed by board.

#### 1. Purpose

- 1.1 To update the WMCA Board on the impact on the West Midlands Rail Programme (New Stations Package 1 Project), following Buckingham Group Contracting Limited (BGCL) being placed into administration on 4th September 2023, and the subsequent decision to novate BGCL's contract to Kier Integrated Services Limited.

## **2. Update**

- 2.1 The CRSTS rebase paper approved by WMCA Board on 15<sup>th</sup> September flagged an early warning in relation to New Stations Package 1 and indicated an update would be bought back to Board at a later date. Buckingham Group Contracting Limited (BGCL) was the principal contractor on the New Stations Package 1 project, to build new rail stations at Willenhall and Darlaston.
- 2.2 BGCL was placed into administration on 4th September 2023. The rail programme team assessed the options available, seeking the best solution for the West Midlands Combined Authority. The key options reviewed were:
1. Whether to novate the existing contract from BGCL to Kier Integrated Services Limited, or
  2. Terminate the contract and explore an alternative delivery route.
- 2.3 The risks and opportunities associated with both options were assessed, and novation was considered to be more cost effective and allow for earlier delivery. Novating the contract to Kier provides opportunities to minimise disruption to the programme, maintain the current integrated delivery strategy, and retain the same resources. It also protects WMCA from negotiations from the administrators on the BGCL account.
- 2.4 Terminating and re-procuring had the opportunity to provide greater surety of costs, but was assessed and considered likely to be a more expensive, slower, more piecemeal, and less integrated delivery solution. Re-procurement would have likely taken the form of proceeding with a design contract directly awarded to maintain progress, a separate land remediation contract, followed by a station construction contract. This would have allowed cost assessment at each stage of the works but was anticipated to prolong the programme and introduce uncertainty as cost would be dependent on the market appetite and conditions.
- 2.5 The options were presented to WMCA Executive Director of Transport in consultation with WMCA Statutory Officers who endorsed the novation of the contract from BGCL to Kier.
- 2.6 Although the novation is the more cost and programme efficient delivery method, there will be an impact on cost and schedule. The immediate project works to be undertaken by Kier remain within budget and the Deed of Novation has been drafted to provide flexibility for an affordable project.

## **3. Strategic Aims and Objectives**

- 3.1 The Package 1 scheme will support the delivery of the vision set out in the WMCA Aims and Objectives to “*connect our communities by delivering transport and unlocking housing and regeneration schemes*” and will “*build and develop transport infrastructure that is sustainable, active, low congestion and integrated with key projects like HS2*”.

#### **4. Financial Implications**

- 4.1 The Full Business Case for New Stations Package 1 was approved by WMCA Board on 15<sup>th</sup> January 2021 with a budget of £55.84m.
- 4.2 Following this approval, the position on Rail Package 1 experienced further challenges in relation to the fire strategy and in particular the approach to providing the secondary means of escape – a recognised challenge across the rail industry. The CRSTS report at WMCA Board on 9<sup>th</sup> June 2023 noted an application had been made to DfT to bring Rail Package 1 into the main programme to support those cost pressures. This was built into the CRSTS rebase proposal approved by Board on 15<sup>th</sup> September 2023. The CRSTS rebase has been submitted to DfT with WMCA now awaiting a decision.
- 4.3 As flagged in section 2, there will be an impact on the total project cost as a result of novation and consequent delays. The deed of novation contract includes options to bring the overall scheme back within budget. A revised programme is being worked up that will include financial costings and options presented to Board at a later stage. Until that point spend will be limited to those items that will definitely remain within the final agreed scope and current budget.

#### **5. Legal Implications**

- 5.1 WMCA has concluded the negotiation of a deed of novation, by which Kier Integrated Services Limited have assumed responsibility for the works in place of Buckingham, subject to the terms of the deed of novation.
- 5.2 In agreeing the novation, particular attention has been paid to auditing the account with the Administrators and limiting any further payments to the Administrators and Buckingham.
- 5.3 The deed of novation has been drafted to preserve the terms of the existing construction contract, save for any unavoidable changes caused by the administration. The deed of novation provides for the building contract to remain substantially unmodified.
- 5.4 Any required reduction in the Scope of the Works to bring the project within required affordability criteria would be compliant with the PCR 2015 regulations and the terms of the contract itself.

#### **6. Single Assurance Framework Implications**

- 6.1 The full business case was approved in January 2021, with funding secured from WMCA, Walsall Council and DfT via the Rail Network Enhancement Pipeline.
- 6.2 The business case economic model for Package 1 was recently re-baselined by our external consultants (Jacobs) following updates to the DfT's Transport Appraisal Guidance (TAG) parameters. These included revised economic forecasts, GDP factors and changes to the appraisal of non-user benefits.

6.3 Further to this update, a request for a revised indicative BCR calculation has been developed and the BCR remains very high at 3.0. The BCR will be validated following further cost refinement but are based on a recently re-baselined and DfT-approved economic model.

## **7. Equalities Implications**

7.1 Diversity Impact Assessments have been undertaken by the project which identify and address key equality issues and their mitigating measures. This project provides two stations designed to the current standards, with all areas fully accessible. Platforms are accessed by footbridges and lifts. Car parking will be designed to WMCA car park standards featuring the appropriate number of accessible parking spaces.

## **8. Inclusive Growth Implications**

8.1 The board considered in January 2021 the wider inclusive growth implications of the Package 1 scheme and noted that the proposed scheme will benefit areas of the West Midlands with particularly high levels of deprivation. Improving connectivity to education and employment opportunities in Walsall, Wolverhampton and Birmingham will therefore contribute to supporting the Combined Authority's growth aspirations.

## **9. Geographical Area of Report's Implications**

9.1 This report relates to two new stations in Walsall, at Willenhall and Darlaston.