

## WMCA Board

<b>Date</b>	17 November 2023
<b>Report title</b>	Birmingham Eastside Metro Extension
<b>Portfolio Lead</b>	Transport - Councillor Mike Bird
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<b>Report has been considered by</b>	Executive Board - 8 November 2023

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

#### The WMCA Board is recommended to:

- (1) Note that sections of the Birmingham Eastside Metro Extension (BEE) have been successfully delivered in Lower Bull Street (Section 1), as well as certain elements between Lower Bull Street and Moor Street Queensway (section 2), which include utility diversions and the demolition of a number of buildings. Works are due to be completed in Digbeth (section 5) by the end of 2023.
- (2) Note the change to the delivery schedule for the BEE scheme, which pauses metro works whilst Curzon Street Station is built following a signed Memorandum of Understanding (MoU) between HS2 and DfT as previously reported to the Board. The BEE schedule could also be impacted by further potential changes to the HS2 programme arising from the recent decision by the Government to cancel the northern parts of the scheme, further detail of which is awaited.
- (3) Note that this pause in delivery and any potential further changes to the HS2 programme will have an impact on cost due to inflation as previously reported and prolongation of the delivery to the full scheme as a consequence of HS2 works.

- (4) Note that the Board remains committed to completing the full scheme and that work is ongoing with HS2 and Birmingham City Council to finalise designs for both the Curzon Street Station and any resultant changes to the base metro design. This work will need to be completed in order to produce the full scheme scope and costs including reimbursement from HS2 for the financial impact of delays. This will be the subject of a further report to Board next early next year.
- (5) Note that 3 options have been considered (section 3 of this report) to assess the opportunity to release some early connectivity benefits whilst the scheme is paused as referred to in previous board reports (March and June 2023).
- (6) Approve Option 3 to undertake an interim scheme terminating at a temporary stop alongside Moor Street Queensway at a current cost estimate, of £245m which includes all works completed to date as set out in section 5 of this report.
- (7) Note that the additional funding required of £17m to complete this interim scheme will be provided through the overprogramming of CRSTS and provided for within the additional headroom provided following the Network North announcements reported in a separate paper to the Board.
- (8) Approve work commencing to progress both development and construction of option 3 subject to an agreed design and construction methodology with Birmingham City Council as the Planning and Highway Authority, being contained within the £245m estimate and following a value for money assessment and a successful outcome through the single assurance framework.
- (9) Note that a comprehensive report will be brought to Board within the next 6 months, subject to all information available from delivery partners setting out costs, funding strategy and the programme to complete the BEE in full including remaining works to sections 2, 3, 4 and 5 of the scheme. This report will include a revised full business case including a value for money assessment that will require evaluation through the single assurance framework.

## **1. Purpose**

- 1.1 The purpose of this report is to provide the Board with an update on the schedule to the Birmingham Eastside Extension Metro (BEE) scheme in relation to the pausing of works associated with HS2 construction of Curzon Street Station and pending any further clarity to the HS2 design and programme following recent announcements from Government cancelling phase 2 north of Birmingham to Manchester.
- 1.2 The Board is also requested to approve a recommendation to undertake an interim scheme, subject to being within the available budget and confirming design and construction methodology with Birmingham City Council. This will provide a number of earlier benefits in terms of connectivity between bus, tram and rail at Moor Street Queensway and the generation of some farebox revenue in this interim period to support the wider funding model for metro in the West Midlands.

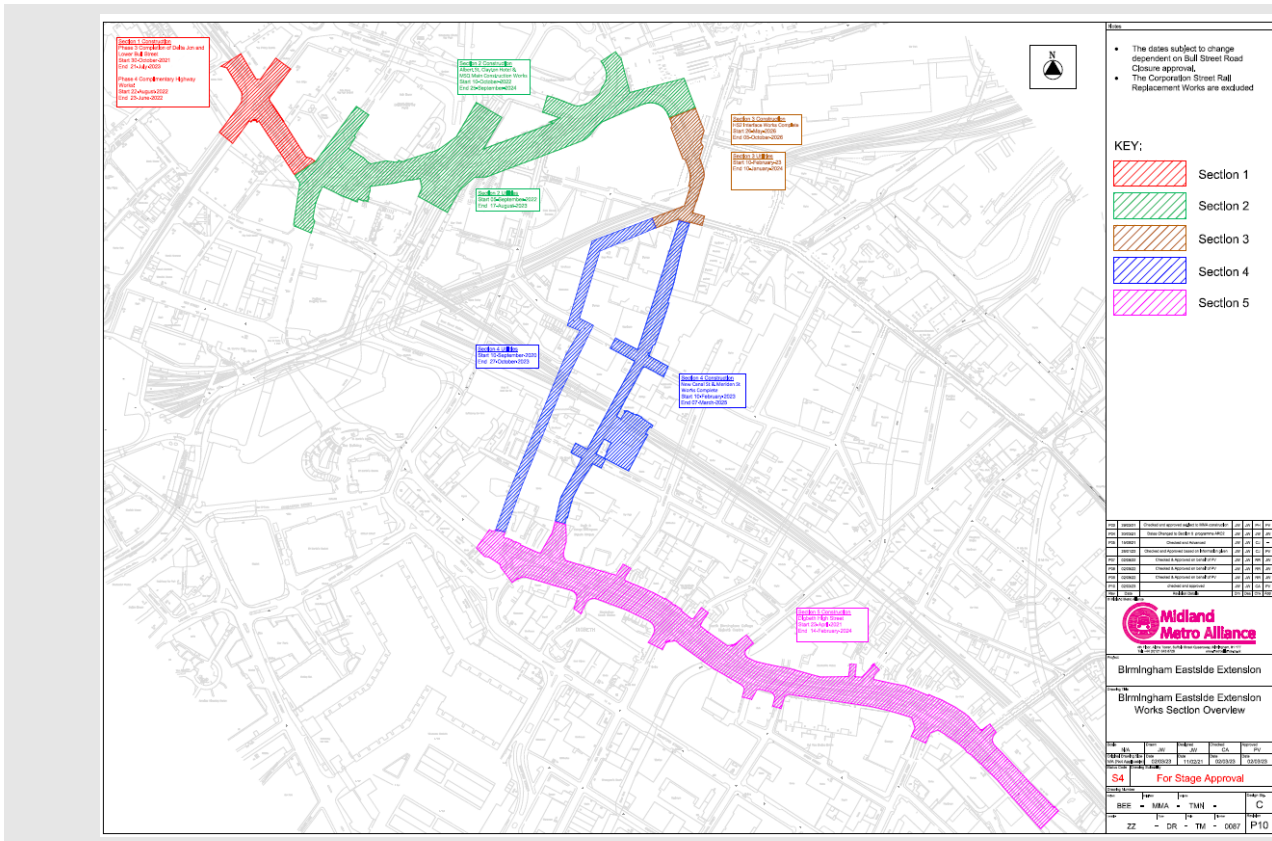
## 2. Scheme Overview

2.1 The BEE scheme will provide connectivity to the new HS2 station at Curzon Street and support the wider regeneration of the Eastside and Digbeth areas of the city. The scheme involves the construction of 1.7km of both on street and off-street twin-tracked tramway and includes a major urban realm scheme, designed and delivered focusing upon Digbeth High Street.

2.2 The scheme is being engineered and delivered in five distinct sections as follows:

- Section 1: Delta Junction – Dale End (Lower Bull Street);
- Section 2: Dale End – Park Street (Albert Street)/Moor Street Queensway);
- Section 3: Park Street – New Canal Street (Curzon Street Station);
- Section 4: New Canal Street – Meriden Street; and
- Section 5: Meriden Street – Digbeth High Street (Digbeth High Street).

A plan of these sections is shown below.



## 3. Background

3.1 The Board approved the full business case for BEE at its meeting in February 2020 and works to construct the extension commenced in June 2021.

- 3.2 The many benefits of this extension include greater public transport accessibility to HS2, Moor Street Station and extensive bus services in this part of the city. Alongside HS2, it also supports the wider regeneration in Digbeth evidenced by the amount of development either completed or under construction to date. The scheme, alongside a public realm scheme in Digbeth, is transforming the location encouraging economic growth and improved environmental outcomes, whilst connecting the wider combined authority area to new potential employment opportunities. It forms the first stage of a larger ambition to connect employment opportunities in the city centre and out at the NEC/Airport area via East Birmingham and North Solihull.
- 3.3 The tram provides a frequent, emission free mode of transport that supports the Birmingham Transport Plan and Clean Air Zone including reducing congestion and levels of nitrogen dioxide and particulate matter.
- 3.4 In reports brought to Board in March and June 2023, early warnings were given in relation to additional funding requirements for completion of the full BEE scheme due to inflationary pressures and a change in the delivery schedule following negotiations with HS2 and DfT to enable HS2 to complete the Curzon Street Station viaduct unfettered.
- 3.5 Under the current work programme for HS2, the site to complete tram construction is due to be handed back to Metro in early 2026 and HS2 works continue around the station.
- 3.6 Given this change the extension is not expected to become operational until 2027/2028. At this point Curzon Street Station would not be completed, therefore metro would operate through the station and the station metro stop would become operational when the HS2 station opens to public service.
- 3.7 Works to date on the BEE do not include any stops or overhead lines, operational equipment or signalling technology. Sections 3 and 4 of the scheme will not start until after HS2 hand back the area impacted by construction of the Curzon Street Station viaduct programme following hand back of the site contained by the HS2 station works in 2026.
- 3.8 The report to Board on the 17 March 2023 approved the release of funding to allow continuation of works to the Clayton Hotel pending a Target Cost 2 for the whole scheme. The intent was to undertake design and feasibility work for an interim scheme that would help provide a service and connectivity to this location and realise early revenues to support the funding model for the metro schemes. This was also included in the Board report in June 2023. As referred to above the TC2 for the full scheme cannot be completed at this time with uncertainty around the final HS2 station design which is requiring some re-design to the metro scheme.
- 3.9 In order to mitigate the impact of this delay on the delivery of passenger services and revenue streams a number of options have been considered by Transport for West Midlands as follows:

1. **Do nothing** – this would mean works completed to date would be redundant until such time as the scheme recommenced post HS2 construction. Inspection and maintenance of the assets in situ would be required regardless and with no revenues from fares would impact on operational budgets of the MML/TfWM. Connectivity in this area to emission free public transport and interchange between bus and heavy rail at Moor Street Station would not be improved in the interim period.
  2. Complete an **interim scheme to Moor Street Queensway (near to the Clayton Hotel)** including a temporary stop and turn back facility to enable tram services to terminate at this point and **complete all high-quality public realm** on this stretch. This would enable early revenue to be collected for passengers using this short spur to connect with and from buses and heavy rail at Moor Street Station and improved environment in accordance with the city's aspirations on public realm design. It however would mean high quality public realm would be introduced prior to developments mobilising in the area including Martineau Galleries which could enclose some areas and remove or damage the public realm during their construction period. This would not be a good use of public funds at this point.
  3. Complete an **interim scheme to Moor Street Queensway (near to the Clayton Hotel)** to include a temporary stop and turn back facility to enable tram services to terminate at this point as above, but **do not complete high quality public realm**. finishes would be to a safe standard level. This would avoid costs to the public purse of high-quality finishes, which would subsequently be removed by developments as these come forward. It is proposed that areas completed to a safe standard finish would be completed post these developments and ongoing conversations with developers and stakeholders to reschedule works. Connectivity would be provided, and fares collected would contribute to the ongoing maintenance of the assets and support the funding model for the metro extensions being constructed in the West Midlands region.
- 3.10 Further work to understand any public realm improvements that would not be abortive and are affordable within the funding envelope requested will be explored with Birmingham City Council via the refreshed arrangements detailed below in order to minimise disruption by doing things once rather than revisiting certain areas when the full scope is being delivered in the future.
  - 3.11 **It is recommended that the third option is agreed by the Board** to maximise the outcomes from this scheme at an interim level until such time as the full scheme is completed post HS2 returning the site for metro construction.
  - 3.12 To support the delivery of the interim scheme and work to develop and deliver the full scheme, the Executive Director of TfWM and senior officers within Birmingham City Council will refresh the current officer and member meetings in consultation with members to support the efficient coordination of technical workstreams and oversight of the programme of BEE to help drive delivery forward.
  - 3.13 It is important that stakeholders and communications are managed appropriately to reflect delivery and programme changes. As such, WMCA will lead this activity working with partners and other parties as required.

- 3.14 Sections 3 and 4 of the BEE scheme would not be progressed at this time. This would prevent any further need for maintenance of assets lying dormant in the ground during the stand down period, avoiding additional operational costs and the cost to the public purse. Work on these sections would recommence subject to confirming revised costs, budget and the timescales with HS2.
- 3.15 The cost of the existing and interim scheme as proposed in option 3 is contained within section 5 of this report and pending the outcomes of ongoing work with HS2 around any design changes and covered by the MoU with HS2 in relation to prolongation costs. Value engineering work to Curzon Street Station and any other subsequent changes following more recent announcements have not yet been finalised also noting ongoing dialogue between Birmingham City Council and HS2 in its capacity as Planning Authority This means that Transport for West Midlands do not have a final design, programme or target cost 2 to present to the Board at this time.
- 3.16 It is anticipated that this work will report back to the Board in 2024 as stated above and Transport for West Midlands alongside HS2 and Birmingham City Council will work together to achieve a final costed design and funding solutions for the tramway and associated public realm supported by the refreshed coordination and oversight meetings as mentioned.
- 3.17 It should be noted that the business case for the full scheme is also being updated and reassessed to take account of increased costs, changes to HS2 delivery following the cancellation of the northern section to Manchester, the opportunities provided through Midlands Rail Hub and the anticipated outputs from Birmingham City Council's Future City Plan. This is to ensure continued value for money for the scheme alongside associated benefits and outcomes.
- 3.18 The WMCA remains committed to completing the full BEE scheme. Funding solutions for both tramway and high-quality public realm works will be worked through collaboratively between Transport for West Midlands, Birmingham City Council working with key stakeholders. Such works will be treated as a prior call on CRSTS 2 as agreed in the 9 June 2023 Board report.

## **4. Strategic Aims and Objectives**

### **4.1 Scheme-Specific Objectives**

As set out in the full business case approved by the Board in February 2020, the WMCA has developed objectives specific to the BEE scheme, stemming from environmental, connectivity and efficiency priorities for the West Midlands. These are closely aligned with network-wide objectives but reflect the specific geography of the proposed extension and the communities it links.

4.2 The scheme-specific objectives, split into five broad categories, are outlined below:

#### *1. Improve Transport Efficiency*

- connect the HS2 station at Curzon Street and Birmingham Coach Station to the city centre;
- maximise interchange opportunities with the existing railway stations at Moor Street, New Street and Snow Hill and local bus services;
- reduce journey times between Eastside, Digbeth, the central business district and the wider West Midlands.

## 2. *Boost Business Efficiency*

- encourage economic agglomeration by boosting the connectivity of Eastside and Digbeth to firms and workers within the wider West Midlands.

## 3. *Support Economic Growth*

help facilitate the growth proposed in the Big City Plan and Curzon Street Masterplan by better integrating Eastside and Digbeth into the city centre (it should be noted that Birmingham City Council have recently published a draft Future City Plan that will replace the Big City Plan in due course); and

- provide improved transport links for businesses in Eastside and Digbeth to access important national and international markets.

## 4. *Tackle Deprivation and Maximise Opportunity*

- provide high-quality transport links to key population, education and employment centres to open up access to new jobs created within the Enterprise Zone for those elsewhere in the West Midlands.

## 5. *Promote Quality of Life and a High-Quality Environment*

- contribute towards tackling climate change by minimising carbon emissions per public transport passenger kilometre;
- contribute to improving local air quality minimising NO<sub>x</sub> and particulate emissions per public transport passenger kilometre;
- support the delivery of attractive communities in Eastside and Digbeth where people want to live and work;
- support the delivery of a transport network accessible to all;
- support the delivery of a transport network that facilitates walking and cycling; and
- support the delivery of a transport network that is safe and secure.

4.3 The case for intervention outlined above is consistent with the delivery of all objectives for Curzon Street, Eastside, and Digbeth, and the BEE offers the opportunity to satisfy all of West Midlands Metro's network-wide and scheme-specific aims.

## **5. Financial Implications**

5.1 The Full Business Case for the entire BEE scheme was approved at the February 2020 WMCA Board supported by a Target Cost 1 (TC1) approval of £227.2m funded by a combination of DfT grant, Investment Programme funding and borrowing supported by future farebox revenue. Since that approval the inclusion of additional scope of works relating to Digbeth High Street Urban Realm works funded by GBSLEP and cycle provision have increased the total funding to £227.9m.

5.2 As noted earlier in the report, construction work commenced in 2021 with £142.5m of funding being utilised as of 30 September 2023 to complete the works to date.

5.3 Subject to the approval of the recommendations contained within this report by Board, further work is required to understand the full cost of delivering Option 3, including cost assurance by Alliance auditors. Work to date has identified that the total cost should not exceed £245m. The table below details the current high-level position.

	Pre-Alliance Cost £	Alliance Cost to 30th September 2023 £	Cost 1st October 2023 to Completion £	Total Costs £
<b>MMA Programme</b>	-	2,458,245	1,018,852	<b>3,477,097</b>
<b>Alliance</b>	2,238,046	70,214,916	62,433,071	<b>134,886,033</b>
<b>Utilities</b>	-	23,465,166	23,628,061	<b>47,093,227</b>
<b>Owner's</b>	283,309	43,840,823	15,416,838	<b>59,540,971</b>
<b>Total</b>	<b>2,521,355</b>	<b>139,979,150</b>	<b>102,496,822</b>	<b>244,997,328</b>

- 5.4 The total cost to complete of £245.0m as per the above table includes operational completion of sections 1 & 2 which include a turnback outside Clayton Hotel. For section 5 this includes main construction works, urban landscaping and tramway infrastructure with tram systems, shelters and testing & commissioning expected to be completed when the full scheme is implemented.
- 5.5 Considering the current project funding and the BEE target cost (option 3), further opportunities for value engineering and delivery efficiencies to save costs have been identified and assessed in consultation with key stakeholders. Further discussions are required with stakeholders to confirm if the savings could be realised however there are potentially £5.7m opportunities, which could bring the project to a cost of £239.3m if fully realised.
- 5.6 The difference between the indicative top range cost of £245.0m for option 3 and previously available funding of £227.9m would give rise to a funding gap of £17.1m.
- 5.7 The recommendations within this report request the additional cost of the works is met from CRSTS by further extending the value CRSTS1 is overprogrammed by. This would require overall CRSTS resources to be rebalanced post March 2027, when WMCA receive the CRSTS2 allocation.
- 5.8 The principle of over programming the CRSTS1 allocation was accepted by WMCA Board in June 23 when cost pressures to the value of £160.2m were approved. The value was subsequently verified by the recent re-base exercise in October 2023. Should the recommendation within this report be approved, this would take the overall overprogrammed value to £177.3m. Furthermore, the Rail Package 1 Report to this WMCA Board also recommends the over-programming is extended by £15.43m which would increase the overall total to £192.7m.
- 5.9 Whilst formal confirmation of exact CRSTS2 allocations is yet to be confirmed, the risk associated with over programming is considered to be low following the recent announcements around CRSTS2 and additional Transport capital funding being made available to the region. Whilst the over programming arrangements will result in reduced levels of capital resources in future years, there remains a significant uncommitted resource from 2027 to assist in the delivery of regional plans.



- 5.10 The cancellation of HS2 northern leg requires a review of the assumptions underpinning the Metro affordability model to understand any impact on borrowing capacity. The model was particularly reliant on future revenues generated by the BEE scheme to fund the current borrowing capacity. This review is currently being undertaken and any issues identified with affordability will be reported to WMCA Board.
- 5.11 The cost to complete the full scope of work is not yet known and will be subject to a later report to Board as referred to in Section 3 – clearly this will be significantly above the original and revised project budget if option 3 is progressed.

## **6. Legal Implications**

- 6.1 The Midland Metro (Birmingham Eastside Extension) Order 2020 was made on the 12 February 2020 and came in force on the 4 March 2020 and this Order provides WMCA with the powers to acquire land both temporarily and permanently for the Metro Scheme (as well as the rights to construct, operate and maintain the Midland Metro). The land required for the interim scheme Option 3 to Moor Street Queensway (near the Clayton Hotel) are included in the costs and will be acquired should the scheme be approved by the Board. The Order provides deemed planning permission for BEE and the necessary Traffic Regulation Orders for certain roads as provided within the Order and are shown on the traffic regulation plan attached to the Order. It should be noted that consent from the Traffic Authority will still be required for the roads that are affected by traffic regulation but consent from BCC must not be unreasonably withheld.
- 6.2 It should be noted that the land acquisition powers can only be exercised by WMCA within 5 years from the date the Order came into force so if the timeline for acquisition of land elapses and land is required after 3 March 2025 then a further Transport and Works Act Order will be required for the compulsory purchase of land. It should also be noted that the works under 2020 Order can only be carried out within the limits of deviation so should any works be carried outside of the limits and/or if further land is required outside of the limits, then another Transport and Works Act Order may be required.
- 6.3 Therefore, for BEE sections 3 and 4 that will be deferred as a result of HS2 building the Curzon Street Station viaduct, WMCA will need to decide on either acquiring the land for these sections in advance of the March 2025 date or submitting a new Compulsory purchase order for the acquiring the land at a later date.
- 6.4 There are several agreements that were entered into with landowners that affect the route and these need to be adhered to for the scheme which includes the construction element. WMCA has entered into a few agreements with HS2 and some of the land required for the scheme is crown land where occupation or rights on land need to be agreed with HS2 prior to entry onto their land. It is recommended that the agreements that affect the route referred to in this report are checked prior to construction and legal support should be sought from the internal Solicitor in respect of the powers under the Order and/or the agreements that affect the land required.

## **7. Single Assurance Framework Implications**

- 7.1 It is intended for a Change Request to pursue option 3, as set out in this report, to be submitted for approval through the WMCA governance process.

7.2 The Final/Full (need to be consistent) Business Case for the BEE scheme as approved by the WMCA Board had an outturn cost of £227.2m and presented as a high value for money with a BCR of 3:00 based on particular demand assumptions made at that time. It is intended to return with a separate report to the WMCA Board setting out the impacts on the full scheme delivery once the impacts of delay and inflation are assessed and understood, and a reappraisal of the business case assumptions and funding allocations is complete.

## **8. Equalities Implications**

8.1 Equalities implications such as accessibility for disabled people have been considered as part of the Transport and Works Act Order and Business Case processes. With the improved public transport accessibility and wider regeneration benefits to the Digbeth area of Birmingham as a result of the Birmingham Eastside Metro Extension (BEE), there are also potential positive socio-economic impacts and for other with protected characteristics (other than disability) as defined by the Equality Act 2010. The WMCA's Health and Equity Impact Assessment is recommended to be completed to investigate these insights into potential positive socio-economic and equality impacts for the full scheme.

## **9. Inclusive Growth Implications**

9.1 The [Inclusive Growth Framework](#) is designed to support WMCA policies, programmes and investments to deliver a fairer, greener and healthier region. It has eight 'fundamentals' to ensure we achieve this goal in a way which enables people, places and our environment to thrive. Connecting our communities with good quality public transport is key to unlocking growth opportunities for people and places in the region. The Birmingham Eastside Metro Extension supports the delivery of the following fundamentals:

9.2 **Climate Resilience:** An Environmental Impact Assessment was undertaken as part of Transport and Works Act Order. The climate resilience of BEE was assessed and both infrastructure and operational resilience was identified and included the design and planned operational control of the extension.

9.3 **Inclusive Economy:** The procurement model used includes utilising local sub-contractors to deliver the scheme, contributing to local economic growth.

9.4 **Power and Participation:** Stakeholder and public engagement is ongoing throughout the development, delivery, and operation of the tramway. There is ongoing stakeholder and communications i.e. newsletter and media engagement to ensure residents businesses and stakeholders are kept informed and have the opportunity be heard.

9.5 **Affordable and Safe Places:** The socio-economic effects of BEE were assessed as part of the Transport and Works Act Order Environmental Impact Assessment to identify the impact on employment, economic activity and disruption on local business during construction and operation of the tramway. It was identified that beneficial cumulative effects socio-economic effects would arise from developments being brought forward at the same time such as Beorma Quarter in Digbeth.

- 9.6 Connected Communities – the key project objectives for BEE as set out In the approved Final Business Case include providing high quality transport links so that residents can access education and employment centres, which provides the connections to amenities.
- 9.7 Education and learning - the key project objectives for BEE as set out in the approved Final Business Case include providing high quality transport links to education and employment centres, providing the population with access to learning opportunities.
- 9.8 Equality - Key project objective for BEE include providing high quality transport links between key population, education and employment centres which provides the connected communities, education and learning. The full equality impact assessment undertaken identified practical actions required to reduce or remove any adverse/negative impacts such as ensure the platform design is in line with current accessibility standards and liaise with equality/disability groups to get input and feedback.

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

- 10.1 This report covers the BEE scheme in Birmingham city centre including the Eastside and Digbeth area.

## **11. Other Implications**

- 11.1 Further work will be undertaken together within the refreshed working arrangements at a technical officer level and political oversight to work with multiple stakeholders on the temporary works and the ongoing development of the full scheme alongside the Enterprise Zone commitments in this location.

## **12. Schedule of Background Papers**

- 12.1 Birmingham Eastside Extension Full Business Case
- 12.2 All previous reports as referenced in this report