

# PROJECT ASSESSMENT REVIEW (PAR) – Phase 2 Londonderry to Coleraine rail relay

## Terms of Reference

### BACKGROUND

1. The Coleraine to Londonderry railway line has been subject to a high degree of political scrutiny and debate. Historically this single track line (with one passing loop at Castlerock station) has been under invested in and the permanent way and signalling system are both very old.
2. The previous Minister made a commitment to invest in the line alongside investment in rail rolling stock (the New Trains 2 project). Translink, which includes NI Railways, produced an Economic Appraisal in 2010 which recommended a full renewal on the line and construction of one passing loop with a total cost of around £75m. This was approved but not provided for in budgets following the last Comprehensive Spending Review (CSR). On 10 October 2011, the current Minister (who took up post following last CSR) announced to the Assembly that he had obtained Executive agreement and secured the necessary funding to allow the Coleraine to Londonderry Track Renewals project to be started. A revised Economic Appraisal was produced and approved in October 2011 based on a phased approach. The three phase option was projected at that time as costing £78 million. The approved option had three very distinct phases:
  - a. Phase 1 to relay permanent way from Coleraine to Castlerock and from Eglinton to Londonderry including bridge works (end sections) but not signalling;
  - b. Phase 2 to fully re-signal the whole line and construct a passing loop (Bellarena). It was intended this would be completed by end 2015; and
  - c. Phase 3 is the full relay of track between Eglinton and Castlerock (middle section). A target date of 2021 was set.
3. The overall cost for this option was split: Phase 1 (£27m); Phase 2 (£20m) and Phase 3 (£31m). Completion of Phases 1 and 2 represent a specific NI Executive Programme for Government commitment currently. This refers to 'substantial progress' on the overall project by March 2015.

4. Phase 1 was completed on time and within budget and the line re-opened on 22 March 2013. There have been some follow up issues with contractor. Phase 1 will cost marginally less than the originally projected cost. Phase 2 of the Coleraine to Derry Track Renewals projects is progressing. The completion of this work may allow for increased frequency of services on the Coleraine to Londonderry line (potentially hourly). A revised timetable for train services in N Ireland was introduced a few years ago.

## **CURRENT ISSUE**

5. Phase 2 was initially procured by Translink on the basis of a combined Design and Construction contract. However, work on Phase 2 has been delayed resulting in the target completion date moving the end of 2015 to the end of 2016. The essential reason for the delay was that only one firm bid and its price was not considered value for money by the independent advisors to the Translink Project Board, employed to help manage the project. The advisors produced a report in June 2013 reviewing the one bid from Invenys Rail and concluded that the one bid was not value for money. The main problems highlighted with the bid were:
  - hourly rates for design staff directly employed by Invenys were considered too high;
  - durations for design staff estimated were considered excessive; and
  - on construction and compensation events the fee percentage chargeable at 46% was considered too high.
6. In July 2013, after taking account of the Project Board's advice, the Translink Board decided that the bid proposed by Invenys did not represent value for money and that a new procurement approach should be adopted. This decision was not discussed with the Minister beforehand. In a subsequent press release, while recognising the importance of securing value for money on projects, the Minister expressed disappointment at the delay to the completion of Phase 2 and asked Translink to make the project an absolute priority going forward. At the time and on the basis of information known about the project the cost of Phase 2 was estimated at around £27m by Translink. This figure was never made public but was quoted to the Department to justify the Translink decision to justify the delay in Phase 2. In other words it was seen as much higher than the original estimate of around £20m.

7. The revised procurement process adopted by Translink involves separate design and construction packages for signalling works and a parallel procurement for a combined design and construction of a passing loop and permanent way works. As part of this process therefore, design consultants for the Signalling project have been appointed and this has, according to Translink, produced a much more detailed understanding of the project scope than known previously. Departmental officials were formally informed at the Project Board on 24 June that this design work had allowed it to relook at projected costs for Phase 2. Total costs for Phase 2 have been formally re-assessed to £35m. This was raised early by Translink to avoid the communication problems that arose last year and to alert the Department to the increased financial requirement for the project.
8. The current Letter of Offer for Phase 2 – issued in October 2011 – is for £19.9m. This represents our current financial commitment. This letter of offer is in line with the revised Economic Appraisal produced at the time a three phase investment was announced. Given the increase in costs now projected a revised Economic Appraisal, which needs to be approved by DFP, will now be required. Translink would like the Department to increase its financial commitment to £35m before it commences a planned procurement. Any slippage will impact on that timetable. Affordability will also be a real issue.
9. Translink has provided an explanation of why the costs have escalated to such an extent against the originally approved estimate of £20m-£22m. We have also sought comparison with the estimated cost of the bid rejected last year, £27m. Chandler KBS, who remain the advisors on Phase 2, have produced a formal document and the Translink Project Manager has supplemented this, following queries from Department officials. Both documents can be supplied.

### **Main Issues currently**

10. If we concentrate on the increase from the original estimate of circa £20m-£22m compared to £35m and based on the analysis provided by Translink and its advisors we can distinguish some key factors:-
  - Civil works has increased by around £1.5m;

- Preliminaries by £5.2m;
- Signalling by £3.5m; and
- Contingency or Optimism bias by £1m.

11. We have summarised below the main Translink explanations as we understand it currently:

- The separation of design contracts from construction has meant that the project design is more complicated, incurring more fees and involves more procurements;
- The separation of the project between signalling and passing loop means more set up costs for contractors;
- Initial cost estimates underestimated the staff costs to be incurred because of the relatively scarce supply of staff specialising in Signalling work;
- The latest estimates recognise more explicitly travel and subsistence costs arising if only weekend and night work is possible as opposed to a blockade with the line closed for a period;
- The choice of Bellarena for the passing loop incurs more cost because of its location and the surrounding road system which requires more User Worked Crossing and a new build station at the site. This is a direct response to a revision of NI Railway's wider requirement on passing loop locations for the Belfast to Derry~Londonderry Line for hourly train services. NIR has revised its planning for train services on this line from predominantly a train service provided by 3-car sets to a train service provided in the main by 6-car sets;
- Inflation was not applied to design efficiencies, preliminaries or professional fees as these are only now priced at 2014/15 levels; and
- Current market intelligence indicates that the UK signalling market is extremely busy; there is a finite level of resources available whilst project requirements continue to increase putting pressure on these resources.

12. It is difficult to critically assess these explanations in detail as we rely largely on Translink expertise including that provided by advisors recruited by Translink. A detailed breakdown of the £35m estimate (or previous estimates) has not really been received by the Department.

13. The Project Assessment Review (PAR) has been commissioned by the Department, on behalf of the Minister, rather than the delivery body Translink or the SRO. The

senior sponsor for the Review is John McGrath, Deputy Secretary, DRD. It is proposed that the PAR will be led by an experienced and accredited Gateway team leader from the Cabinet Office Major Projects Authority (MPA). The review will be facilitated by CPD; CPD is the Centre of Expertise for Programme and Project Management, which is an OGC Gateway Authorised Hub and is responsible for delivery of the Gateway Review process in NI.

14. It is envisaged that the PAR will combine elements of Gate 2 and Gate 3. or in Network Railway methodology Guide to Railways Investment Projects (GRIP) terms GRIP stages 1-5. The review is not expected to consider the overall economic benefits or justification for the project.

### **Purpose of the Health Check**

15. The purpose of the Review is to establish the reason for the cost escalation, test the validity of the new figures and offer a view on the robustness of the costs and the effectiveness of the delivery arrangement going forward. The Review will address in particular the issues below.
  - (i) Whether the governance arrangements and structures in place for the project have been adequate and are robust going forward;
  - (ii) The robustness or otherwise of the methodology used to estimate costs of Phase 2 at the different stages in this project to date, including during the first procurement, making recommendations for improvement if needed.
  - (iii) Critically review the decision making process in respect of the Invensys bid taking account of the PFG commitment and value for money considerations, and indicate whether that decision was justified.
  - (iv) To critically review the robustness level around the £35m latest estimate and the explanations provided to explain the increase and assess the risks of further escalation.
  - (v) To review the procurement strategy in place currently and in particular the most appropriate way to engage with the market for a successful process. In addition confirm whether proper procedural requirements for tender evaluation and award of contracts are in place.
  - (vi) To review that the project plan to complete key milestones is specified and the project is still on target to deliver a 2016 timetable and to identify any key risks to this.

### **Personnel**

16. The PAR Team shall consist of:-

- A skilled and experienced Gateway team leader from the Cabinet Office MPA;
- 1 x external accredited Gateway reviewer from the Cabinet Office Contingent labour One (CL-ONE) contract who has experience in rail projects; and
- 1 x recommended assessor with experience of procurements and a knowledge of the NI public sector context.

### **Approach to the Review**

17. It is envisaged that the review will take no more than five days and will be conducted in Translink offices during the week commencing 15 September.
18. A Planning Meeting involving the Review Team and representatives from the Department is scheduled for 28 August 2014 and will be used to confirm the individuals and documentary evidence that the team will wish to see in the course of its work. The Review Team will base its findings on scrutiny of relevant documentation and interviews with Translink project staff and external parties as appropriate.
19. The Review Team will brief the Department on emerging findings at the end of each day of the review. In accordance with normal practice, the Review Team will provide the SRO with a draft copy of their Report on the last day of the Review for an accuracy check before the formal presentation of findings.

### **Access to Personnel & Papers**

20. The Review Team shall have full access to all Departmental and Translink (including its advisors) records and all papers it considers necessary in order to carry out the terms of the PAR.
21. The Review Team shall have full access to relevant personnel in Translink including senior management, advisors and Project Board members, in order to carry out the terms of reference of the PAR.
22. The Review Team shall invite external third parties which it deems appropriate for interview in order to carry out the terms of reference.

### **Timescales & Reporting**

23. The Review will take place between 15 September and 19 September 2014. The Review Team will brief nominated representatives of the Department(s) on its main findings on the last day of the Review and provide a draft of the PAR Report.
24. The final PAR Report will be submitted to the Department at the end of the review.