

By: Neil Baker – Cabinet Member for Highways and Transport  
Simon Jones - Corporate Director Growth, Environment and Transport

To: Scrutiny Committee, 1 November 2023

Subject: Thanet Parkway Railway Station Project

Status: Unclassified

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## Summary:

This paper provides a summary of the Thanet Parkway scheme. The scheme comprises a new station, highway junction, car park and level crossing improvements (essential for the safe operation of the new station) at Cliffsend and Sevenscore delivered by Network Rail and funded by Kent County Council (KCC), the South East Local Enterprise Partnership (SELEP), Thanet District Council (TDC) and the Department for Transport (DfT).

Authority to spend and progress with the delivery of the Thanet Parkway scheme was given by the Cabinet on 27<sup>th</sup> January 2020 (Decision No. 19/0085). This decision provided authority to spend up to a total KCC contribution of £17.81m.

Thanet Parkway station opened to passengers on 31<sup>st</sup> July 2023. Final snagging items and landscaping work are still to be completed. The final account has not yet been agreed with Network Rail.

This report has been prepared in response to a request to provide:

- Clarification of the spend relating to the project, including best value aspects;
- Impact on KCC's budget of increased costs, including use of contingency;
- Clarification on measures for success of the station and key milestones; and
- Challenges, experiences, and lessons learned from the project.

## Recommendation

The Scrutiny Committee is asked to **note** the content of this report.

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## 1. Introduction

- 1.1. Poor accessibility in East Kent is a critical barrier that has limited the potential of the area to attract inward investment, undermining the potential for regeneration and catchment for employment opportunities for local residents. Thanet Parkway station addresses these issues by capitalising on the High Speed 1 services and the Journey Time Improvement (JTI) scheme, which together will bring Thanet to around one hour's journey time of London, thereby improving the perception of East Kent as a place for investment, especially at nearby business parks such as Discovery Park. Local businesses, including the owners of Discovery Park, have been firm supporters

of the project for many years. The project was also strongly supported by KMEB partners when bidding for the Getting Building Fund

- 1.2. Thanet Parkway station opened to passengers on 31<sup>st</sup> July 2023. The scheme comprises a new station, highway junction and car park, as well as level crossing improvements (essential for the safe operation of the new station) at Cliffsend and Sevenscore. The scheme was delivered by Network Rail as the owner, operator and infrastructure manager of the railway network and funded by Kent County Council (KCC), the South East Local Enterprise Partnership (SELEP), Thanet District Council (TDC) and the Department for Transport (DfT).
- 1.3. The delivery of Thanet Parkway is a key strategic transport priority for Kent County Council, with the ambition to deliver the station first stated in Growth without Gridlock (December 2010). The scheme further features in the third Local Transport Plan (2011-2016), the Rail Action Plan for Kent (April 2011), Local Transport Plan 4: Delivering Growth without Gridlock (2016 – 2031) (LTP4) and most recently the Kent Rail Strategy (2021). The Government's Levelling Up Fund Prospectus (March 2021) cites Thanet Parkway as an exemplar project to *"utilise improved transport accessibility to spark regeneration, boosting job creation and house building"*.
- 1.4. Authority to spend and progress with the delivery of the Thanet Parkway scheme was given by the Cabinet on 27<sup>th</sup> January 2020 (Decision No. 19/00085). This decision provided authority to spend up to a total KCC contribution of £17.81m. Prior to this decision KCC had already committed to a spend of £2.65m (Decision No. 14/00056) to develop the scheme which was identified and allocated within KCC's Medium Term Financial Plan. A further £4.3m was then allocated in KCC's 2019-22 Capital Investment Plan as agreed at County Council Budget meeting on 14<sup>th</sup> February 2019. This totalled £6.95m of allocated capital before the 27<sup>th</sup> January 2020 decision by Cabinet for KCC to spend up to £17.81m, an increased commitment of £10.86m.
- 1.5. The Cabinet Decision on 27<sup>th</sup> January 2020 to commit KCC capital funds to deliver the Thanet Parkway railway station also secured £14m of Local Growth Fund (LGF) through the South East Local Enterprise Partnership (SELEP) plus contributions from Thanet District Council (£2m) and £700k from the East Kent Spatial Development Company (although this was later rescinded). Further external funding was secured from the Government's Getting Building Fund (GBF) (£12.874m) and New Stations Fund (NSF) (£3.4m). The conditions of all of these Government funds, including LGF, is that any cost increases are covered by the scheme promoter, in this case, by KCC.
- 1.6. The scheme received planning consent on 16<sup>th</sup> September 2020 (KCC/TH/19/1696). Archaeological excavation of the site and pre-construction activities commenced soon after with construction of the access road starting in March 2021. Construction of the station and car park began at the end of May 2021 with substantial completion achieved by autumn 2022. The station was due to open in May 2023, however, the Cliffsend and Sevenscore level crossings upgrades were delayed. The level crossings were commissioned for use by Network Rail on 23<sup>rd</sup> July 2023, prior to the station opening for passengers on 31<sup>st</sup> July 2023.

- 1.7. Since opening, excluding the opening day on 31<sup>st</sup> July, the station patronage has averaged 200 passenger trips per day (this is already half the number of daily trips forecast in the business case by the end of year one) with total passenger numbers already reaching 10,000. Weekend passenger numbers have outstripped the business case forecast.
- 1.8. This report provides a summary of the Thanet Parkway scheme and has been prepared in response to a request to provide:
  - Clarification of the spend relating to the project, including best value aspects;
  - Impact on KCC's budget of increased costs;
  - Clarification on measures for success of the station and key milestones; and
  - Challenges, experiences and lessons learned from the project.

## **2. Clarification of the spend relating to the project, including best value aspects**

- 2.1. Expenditure on the project to the end of the 2022/23 financial year was £39,352,407. The majority of this was from external funding with KCC spending £7,078,408 on the project to the end of the 2022/23 financial year as shown later in Table 1 in Section 3.
- 2.2. The Thanet Parkway scheme has both direct costs paid by KCC (for example the access road junction with the A299 that KCC directly procured) and costs paid to Network Rail for the delivery of the station, car park and level crossing works.
- 2.3. KCC entered into an Implementation Agreement to instruct Network Rail to deliver the station, car park and level crossing works. An Implementation Agreement (IA) is a necessary requirement for all rail infrastructure projects delivered by Network Rail but promoted by third parties. The IA is an emerging cost agreement, meaning that all "reasonably and properly" incurred costs relating to the project will be charged to the client (KCC). Although the IA contained a Final Anticipated Cost (AFC), this is only an estimate based on the design stage of the scheme at the time of agreeing the IA as the final cost will be the sum total of all "reasonably and properly" incurred costs by the project's completion and close out.
- 2.4. Best Value Aspects
  - 2.4.1. All spend associated with the Thanet Parkway scheme has aligned with policy procedures set out in KCC's 'Spending the Council's Money'. Network Rail, as the main delivery partner of the scheme, has been responsible for the procurement of the main construction contracts associated with the station, car park and level crossings. The overall project cost is driven by the scope included within the construction contracts for the railway elements (station, car park and level crossings) which is dictated by Network Rail and Southeastern.
  - 2.4.2. Unlike with standard highway projects where KCC are the asset Authority, Network Rail is the owner and infrastructure manager of the rail network in England and is therefore, the only company that can provide the approvals required by Kent County Council to deliver the parkway station.

- 2.4.3. As such, the costs for the construction are chiefly driven by the requirements of the rail infrastructure owner and the Train Operating Company (Southeastern). These requirements are defined by Network Rail and Southeastern's safety standards, the Office of Rail and Road (ORR) and the Department for Transport (DfT) to ensure the station is compliant with legal requirements. Network Rail and Southeastern also have a number of other policies and standards which must be met, without which the Train Operating Company will not sign up to running the station.
- 2.4.4. Due to the immediate need to reduce costs of the station from the outset, value engineering took place during the design process to reduced overall costs. Examples of value engineering include removal of the station overbridge (instead utilising the existing underpass), moving the station boundary to reduce land take to a single landowner, moving the highway access to the station and the exclusion of an all-movements junction with the A299. The design focused on providing basic facilities and no additional benefits.

## 2.5. Future Costs

- 2.5.1. There remain substantial costs associated with this scheme that are yet to be spent which KCC will need to fund (unless further external funding sources are secured). Future direct KCC spend includes further archaeological evaluation work required by planning, junction retention costs, CCTV costs, Land Compensation Act costs, and other costs associated with additional signage and improvements to the car park. The forecast also includes additional costs being charged by Network Rail.

## 3. **Impact on KCC's budget of increased costs**

- 3.1. At the time of the Cabinet Decision (19/00085), the project cost estimate was £34.51m, based on the outline design cost estimate for the station, car park and level crossings provided by Network Rail. This cost was based on Network Rail's 80% probability level, meaning that there was a 20% chance that the scheme cost would increase due to the level of uncertainty of pricing a scheme at that early stage of design. The Cabinet Decision provided approval to proceed with the scheme and committed to a KCC contribution of up to £17.81m.
- 3.2. KCC proactively sought external funding sources to limit the KCC obligation towards the capital cost of the scheme. These contributions total £32.265m and are as follows:
- £14m Local Growth Fund (LGF) through the South East Local Enterprise Partnership (SELEP)
  - £2m Thanet District Council (TDC)
  - £11.999m Getting Building Fund (GBF) from the Department for Levelling Up, Housing and Communities
  - £3.4m New Stations Fund 3 (NSF3) from the Department for Transport (DfT)
  - £875k GBF additional allocation.
- 3.3. The project cost and funding contribution timeline is detailed in Table 1. Table 1 shows the fluctuating KCC funding requirement over the course of the project as

costs have increased and new funding sources became available, increased, or were rescinded, but demonstrates this remains below the £17.81m as agreed within the Cabinet Decision. KCC continues to look for opportunities for further external funding to reduce KCC's contribution and explore options to manage our capital programme and the other funds within it.

- 3.4. The varying project costs have been reflected in changes to the budget book figures and funding identification throughout the life of the project. Following the Cabinet Decision (No. 19/00085), £17.81m prudential borrowing was added to the budget book. Following the KCC Leader decision to accept £11.999m of Getting Building Fund (GBF), the 2021-24 budget book included a reduction in prudential borrowing of £11.999m and an increase in grant funding of £11.999m to reflect this decision. £5.813m remained as prudential borrowing.
- 3.5. The 2022-25 budget book shows a forecast spend of £37.212m, funded from £5.813m prudential borrowing, £11.999m GBF, £3.4m New Station Fund, £14m Local Growth Fund (LGF) and £2m from Thanet District Council. This does not reflect the forecasted cost of the project but instead totals the funding achieved and the £5.813m of identified prudential borrowing.
- 3.6. In March 2023, an additional £1.186m was rephased to the Thanet Parkway scheme. This totals £6.999m of identified funding.
- 3.7. Table 1 (below) shows the actual spend to date by KCC is £7,078,408 up to the end of the 22/23 financial year. Table 1 also shows the spend from each respective funding source.

**Table 1:** Expenditure by funding source

Funding Source	Expenditure						Total
	Prior spend	18/19	19/20	20/21	21/22	22/23	
Local Growth Fund (LGF)					£ 14,000,000		£ 14,000,000
<b>Kent County Council (KCC)</b>	<b>£ 940,000</b>	<b>£ 518,719</b>	<b>£ 383,567</b>		<b>£ 3,691,127</b>	<b>£ 1,544,995</b>	<b>£7,078,408</b>
Thanet District Council (TDC)						£ 2,000,000	£2,000,000
New Stations Fund 3 (NSF3)						£ 3,400,000	£3,400,000
Getting Building Fund (GBF)				£ 3,162,699	£ 8,836,301	£ 875,000	£12,874,000
<b>Total</b>	<b>£ 940,000</b>	<b>£ 518,719</b>	<b>£ 383,567</b>	<b>£ 3,162,699</b>	<b>£ 26,527,428</b>	<b>£ 7,819,995</b>	<b>£39,352,408</b>

### 3.8 Use of contingency

- 3.8.1 The Network Rail contingency identified in the initial project budget was utilised during the ground works. The load bearing capacity of the car park did not meet design requirements, so a capping layer had to be installed. Further to this the archaeological excavation was more extensive than anticipated. The ground strength of the embankment also did not meet design requirements for the platforms meaning that the piling design had to change, all with associated materials and labour costs.

3.8.2 Other elements of the overall scheme were also subject to cost increases beyond the contingency originally allowed, notably the archaeology (a planning requirement) and the cost of the land (including purchase, licences to access the land for archaeological excavation and licences for compounds north and south of the embankment needed for construction. There have also been ancillary costs such as legal fees for the review of the contracts with Network Rail and transfer of land etc.

#### 4. Clarification on measures for success of the station and key milestones

4.1. The measures for success and key milestones were outlined in the project business case. Whilst, due to Covid and level crossing equipment availability, the programme slipped, all adjusted milestones were achieved. Table 2 provides a summary of the milestone achievement dates. These milestones are aligned with the standard Network Rail project milestones using the Governance in Railway Investment Projects (GRIP) stage process.

**Table 2 - Project Milestones**

Key Milestone	Date complete
<b>Station</b>	
GRIP 2 Sign off – Options appraisal and Concept design	08/11/14
GRIP 3 Sign off – Single option selection and Feasibility design	17/08/17
GRIP 4 Sign off – Single option development and Outline design	12/02/21
GRIP 5 Sign off – Detailed design	25/07/22
Entry into service	31/07/23
GRIP 6 Sign off – Implementation and (completion of) Construction	31/08/23
GRIP 7 Sign off – Project Handover	22/11/23
GRIP 8 Sign off – Project Close out	31/10/24
<b>Level Crossings</b>	
GRIP 3 Sign off	13/09/21
GRIP 4 Sign off	30/12/22
GRIP 5 Sign off	31/06/23
CC1 Commissioning date	23/07/23
GRIP 6 Sign off	31/08/23
GRIP 7 Sign off	08/12/23 ( <i>forecast – on target</i> )
GRIP 8 Sign off	11/09/25 ( <i>forecast – on target</i> )

4.2. Table 3 summarises the key measures for success and how these will be measured in the coming year.

**Table 3: Summary of success measures from 2019 LGF Business Case**

Success measure	Description	Progress
Accelerate the pace of housing delivery in Thanet	1,600 – 3,200 additional homes delivered between opening year and year 30	To be measured at end of 23/24 financial year when data is next published by Thanet District Council.
Positively contribute to economic growth by	Measured by data from 2011, 2021 and 2031 census showing	To be measured in 2031.

attracting higher skilled workers to the area.	change in educational attainment of the population.  <i>Note: Or equivalent data available in 2031 if there is no census conducted.</i>	
Stimulate the creation of additional jobs by encouraging business location and expansion decisions based on the existence of the new station and journey times to London of around 1 hour.	Measured by data from the Kent Invicta Chamber of Commerce, Locate in Kent and the district Local Planning authorities.  400 - 800 additional jobs from opening year to year 30. Reduced unemployment figures.	To be measured at end of 23/24 financial year
Generate over 50,000 new rail journeys from first full operational year (2022).	Measured by new ticket sales from the new station compared with ticket sales from the existing stations in the area	10,000 passenger journeys achieved. Southeastern have estimated a current 30% abstraction rate, meaning new trips have already exceeded 7,000 in the first six weeks of operation
Increase week day usage of the new station year on year from 412 in 2022, to 456 in 2026.	Measured by rail ticket receipts	Weekday patronage has met 50% of business case target in August with week on week increases. Weekend trips have already outstripped business case forecasts.
Provide rail access from Thanet to London with a journey time of around one hour.	Measured by checking new timetable (with Parkway station) compared with existing timetable (without parkway station) against published performance figures.	Journey times of 70 minutes achieved without detriment to nearby stations.
Provide commuters with alternative access to the area for journeys that might otherwise be made on the local and strategic highway network from opening year and increasing by 2031.	Measured by the utilisation of the 300 parking spaces, including 8 electric vehicle parking spaces and 40 cycle parking spaces, achieving 54% capacity use in 2021 increasing to 75% in 2031 which will be measured by car park ticket numbers.  <i>Note: 2021 was forecast as opening year, so dates for success measurement have been adjusted to 2024 FY and 2034 FY respectively.</i>	Car park occupancy will be measured following the installation of ANPR cameras. Current spot counts of the station estimate between 50-70 vehicles per day using the station. This is a utilisation rate of 17-24% and is expecting to increase as the summer holiday period ends. Approximately 75% of journeys to the station are made by sustainable or active means.

## 5. Challenges, experiences and lessons learned from the project

- 5.1. Working with multiple third parties to deliver a scheme such as a new station is complex. KCC has, as required with all projects, fed into a lessons learned log regarding the scheme. A summary of the key experiences and financial lessons learned is included below in Table 4.

**Table 4:** Financial lessons learned – key lessons learned extracted from scheme lessons learned log

Experience	Recommendation
<p>KCC is the client in terms of commissioning Network Rail to deliver the new station, but KCC is not the ultimate operator or owner.</p> <p>Network Rail will own the station and lease to the Train Operating Company (TOC). If the TOC specify changes to the scope, KCC must allow the changes to be made, meaning that the client (and financial backer) only has limited control of the scope changes.</p>	<p>Greater input to the design specification is required by the Train Operating Company (TOC) and the end user, even if that means a consultancy fee arrangement for input when there is uncertainty at the start of a project in who will be the asset operator.</p> <p>More input into the planning application process where there is a balance to be had between operational requirements and planning considerations such as landscaping.</p>
<p>The Implementation Agreement with Network Rail was an output-based instruction whereas the contract between Network Rail and their main station contractor was specific in what was priced.</p> <p>KCC was not permitted to see the contract specification and may have been able to flag some omissions in Network Rail's specification should this have been permitted. Examples include an insufficient sum for landscaping and the lack of a requirement to reinstate the kerb line on the temporary junction. This has had financial implications to the project.</p>	<p>KCC will require sight and direct involvement in all procurement processes for future projects. This must include direct oversight of the scope priced by Network Rail's contractors.</p> <p>Network Rail and other stakeholders should also be more directly involved in the early stages of the project, for instance during the planning process to ensure the scope is developed more effectively.</p>
<p>Emerging cost contract conditions meaning that KCC is liable to all cost increases for the scheme, despite the scope changes being requested by third parties.</p>	<p>KCC will share lessons learned with the industry and other Local Authorities looking to deliver similar rail projects. This will allow for better scrutiny of proposed contracts between Network Rail and Local Authorities.</p>
<p>Due to the project not being fully funded, there was an overriding requirement to reduce costs at an early stage.</p>	<p>When working within the railway environment all required feasibility work should be done at an early stage to reduce overall risks and reduce potential abortive costs.</p>
<p>Value engineering and fixation on the budget rather than delivering a quality asset meant that the scope had to increase in the later phase and unnecessary resource was spent on redesign.</p>	<p>Increased stakeholder engagement earlier in the project on essential requirements, and greater input from this into political decision making from the start.</p>

5.2. Given the changed status of the KCC budget since the conception of Thanet Parkway, it is recommended that if KCC is to work with Network Rail to jointly deliver further projects, a limit of financial liability may need to be incorporated into the contract. However, it is noted that if KCC wish to continue to bring in external grant funding, it is likely that we will need to continue to be accountable for risks associated with external funds, such as covering project overspend costs.

- 5.3. It is worth noting that several rail projects in Kent delivered by Network Rail but promoted by KCC, were all delivered through an emerging cost agreement between Network Rail and KCC. This included the Journey Time Improvements (essential to enable Thanet Parkway timetabling plus deliver economic benefits to East Kent), Sandwich station platform lengthening (essential for the Open Golf) and the Ashford International signalling project (essential to maintaining Ashford's capability as an international station). These projects brought c£30m of external investment into Kent.
- 5.4. In addition to the above, a joint lessons learned discussion was held between Network Rail, Southeastern and KCC in October 2023 to evaluate the performance of the station. KCC used this meeting to provide our feedback relating to cost management and contractual processes within Network Rail.
- 5.5. Whilst there have been significant challenges associated with the scheme, it should not take away from the achievement of the first new station in Thanet for ninety years.

## 6. Conclusion

- 6.1. Thanet Parkway station opened to passengers on 31<sup>st</sup> July 2023. Since opening, excluding opening day, the station patronage has averaged 200 passenger trips per day (this is already half the number of daily trips forecast in the business case by the end of year one) with total passenger numbers already reaching 10,000. Weekend passenger numbers have outstripped the business case forecast.
- 6.2. Authority to spend and progress with the delivery of the Thanet Parkway scheme was given by the Cabinet on 27<sup>th</sup> January 2020 (Decision No. 19/00085). This decision provided authority to spend up to a total KCC contribution of £17.81m. Prior to this decision KCC had already committed to a spend of £2.65m (Decision No. 14/00056) and therefore, the 2020 decision represented an additional commitment of £15.16m.
- 6.3. Whilst there have been significant challenges associated with the scheme, it should not take away from the achievement of a new station. All key objectives are being achieved and the station patronage has already exceeded 10,000 passengers.

## 7. Recommendation

- 7.1. The Scrutiny Committee is asked to **note** the contents of this report.

## 8. Appendix

- 8.1. Exempt Appendix A – Financial Information

## Contact Details

### Report Author

Joseph Ratcliffe

Transport Strategy Manager

[joseph.ratcliffe@kent.gov.uk](mailto:joseph.ratcliffe@kent.gov.uk)

**Relevant Director**

Simon Jones

Corporate Director, Growth Environment and Transport

[simon.jones@kent.gov.uk](mailto:simon.jones@kent.gov.uk)