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To: Cabinet Members

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4 December 2015

Dear Councillor

CABINET - TUESDAY, 8TH DECEMBER, 2015

I am now able to enclose, for consideration at the Cabinet meeting next Tuesday, 8th December 2015, the following report which was unavailable when the agenda was printed:

Agenda Item 14

Cheshire East Council High Speed Rail 2 (HS2) Post-Spending Review Government Announcement (Pages 1 - 12)

Yours faithfully,

Paul Mountford

Democratic Services Officer

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CHESHIRE EAST COUNCIL

Cabinet

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| Date of Meeting: | 8 th December 2015 |
| Report of: | Executive Director of Growth and Prosperity |
| Subject/Title: | Cheshire East Council High Speed Rail 2 (HS2) Post-Spending Review Government Announcement |
| Portfolio Holder: | Cllr Don Stockton, Regeneration and Assets |

1. Report Summary

- 1.1 The transformational impacts of HS2 provide a once in a lifetime opportunity to deliver the Council's desire to see planned economic growth for the local communities of South Cheshire.
- 1.2 The Council has led a persuasive campaign over the last four years to ensure that this opportunity can be realised, which involved engagement with all parties of the Council. The announcement that HS2 will serve Crewe means that the residents of Cheshire East and its neighbouring local authorities are well placed to reap the benefits from this national infrastructure investment.
- 1.3 With a new HS2 Hub Station at Crewe included into the Government's plans, the area will become one of the best connected places in the UK and provide the vital link between the Northern Powerhouse and Midlands Engine and be a major component in the Government's plans to rebalance the UK economy.
- 1.4 Evidence from the recent work of the Independent Transport Commission suggests that the economic transformation could mirror the experiences of a number of other similar high speed rail investments across Europe in regions such as Lille.
- 1.5 The Council has updated its proposition for an HS2 Hub Station at Crewe, including a high level assessment of its economic impact. This has concluded that it can deliver over 120,000 new jobs, over 100,000 new homes and additional GVA of £10bn by 2040. This growth would spread across a new economic region, the Northern Gateway, which would include parts of Cheshire, Shropshire and Staffordshire and have the potential to turn some areas of deprivation into more prosperous communities.
- 1.6 The fundamental component of achieving this transformation is the delivery of the HS2 Hub Station in Crewe capable of serving a minimum of seven high speed trains per hour in both directions, with connections to London, Birmingham and Manchester. Following the Sir David Higgins report, Rebalancing Britain, the Council has been working with Department for Transport (DfT), Network Rail (NR) and London Continental Railways (LCR) to help determine the best location of the HS2 Hub Station at Crewe. An

announcement on the preferred solution is expected in Autumn 2016 and any proposal to take the Hub Station scheme forward will be subject to public consultation.

- 1.7 Following discussions with the Departments for Communities and Local Government (DCLG) and Business, Innovation and Skills (BIS) early progress has been made on the establishment of a Northern Gateway Partnership, including eight local authorities and two Local Enterprise Partnerships, which is considering the wider growth prospects. This has been recognised in the HS2 announcement with an initial £600k allocated to develop a Growth Strategy for the Northern Gateway with further funding anticipated as the Strategy progresses. The details of how the funding is to be allocated have yet to be set out by Government.
- 1.8 In addition to this wider partnership and to successfully deliver this scale of change envisaged within Crewe and South Cheshire, that a Regeneration Company, supported by a governance structure involving local and national stakeholders, is required to develop a plan for growth across this part of the Borough. Its main aim will be to create thriving and sustainable communities and strategic employment opportunities in a coordinated programme of regeneration and development, backed by new infrastructure investment. This will be achieved by putting community interests at its heart, commencing with a dialogue with Town and Parish Councils. This work will not impact on the current Local Plan process.
- 1.9 Delivering HS2 to Crewe early will result in major capacity improvements to the West Coast Main Line, which will form a vital component of any future UK wide rail strategy, including freight. Having said this, with the Government's decision to proceed with work on the HS2 Phases 2A (Lichfield to Crewe) and 2B (Crewe to Manchester and beyond) Line of Route, the Council stands by its commitment to secure the maximum level of environmental and community protection along every section of the line that affects Cheshire East residents and businesses.
- 1.10 For the section south of Crewe support will be provided throughout the Government's process of developing the Phase 2A Hybrid Bill and for areas to the north of Crewe during the next stage of Phase 2B public consultation and community engagement. Further, as part of the announcement, the Government have begun consultation on the property assistance measures along the Phase 2A route and a Council response will be developed having listened to the residents and businesses affected.(See section 10.7 for more details).
- 1.11 Following the announcements by Chancellor George Osborne and Secretary of State for Transport, Patrick McLoughlin, on HS2 and a proposed HS2 Hub Station in Crewe, this report seeks the support and approval by Cabinet on a Council response and work programme going forward.

2. Recommendations

2.1 Cabinet is recommended to:

1. Authorise the Regeneration and Assets Portfolio Holder in consultation the Leader of Cheshire East Council, Executive Director of Growth and Prosperity, Head of Legal Services and the Chief Operating Officer, to consider and approve any option appraisals and detailed business case to establish Regeneration Company to deliver an economic growth strategy for Crewe and South Cheshire and seek Council approval for its plans. Further to enter into all necessary governance arrangements. Such authority also to include entering into all necessary contractual arrangements including but not limited to operating agreements, buy back agreements, leases, licences and guarantees, and all TUPE provisions, together with undertaking any necessary staff engagement.
2. Approve the release of £0.5m of reserve funding from within the existing Council budgets established to deliver the HS2 work programme.
3. Authorise the Executive Director of Economic Growth and Prosperity, in consultation with the Regeneration and Assets Portfolio Holder, Leader of Cheshire East Council, to undertake a dialogue process with Town and Parish Councils and other key stakeholders to ensure the local communities have an open opportunity to participate in the potential that HS2 will bring to the area.
4. Authorise the Executive Director of Economic Growth and Prosperity, in consultation with the Regeneration and Assets Portfolio Holder, Leader of Cheshire East Council, to commission a Masterplan for the proposed Crewe Hub Station area working in consultation with DfT, DCLG, LCR and NR which, once established, the Regeneration Company will lead on behalf of the Council.
5. Note the Council and the Regeneration Company will seek to ensure that the decision on the preferred HS2 Hub Station for Crewe is secured in Autumn 2016, and that this aligns with the ambitions of the Growth Strategy for South Cheshire and the wider Northern Gateway.
6. Note that the impact of HS2 on the Borough and development of the Growth Strategy will require commitment and resources and engagement from across the Council's services and functions.
7. Authorise the Executive Director of Economic Growth and Prosperity in consultation with the Regeneration and Assets Portfolio Holder to respond to HS2 Ltd on the Property Compensation Consultation on Phase 2A, which runs until 25 February 2016. Note, all properties affected by the Phase 2A Line of Route have to submit a response form to HS2 Ltd by this date. The details of this consultation are available on the HS2 website (see section 10.7 of the report).
8. Note that Government have issued safeguarding directions along the Phase 2A route which, through the planning process, will require the Council to

consult HS2 Ltd prior to determining planning applications in the safeguarded area.

- 9 Authorise the Executive Director of Economic Growth and Prosperity, in consultation with the Regeneration and Assets Portfolio Holder, Leader of Cheshire East Council, to ensure that the negative impacts of the HS2 infrastructure on residents, businesses, farms, local highway networks and the environment are minimised and mitigated against to the greatest potential extent and to provide support to local residents and their representatives and local businesses in this respect and submit a response to the Property Compensation Consultation.
- 10 Note that the current proposals will not affect the delivery of the current Local Plan Strategy.
- 11 Authorise the Executive Director of Economic Growth and Prosperity, in consultation with the Regeneration and Assets Portfolio Holder, Leader of Cheshire East Council, to undertake all necessary and consequential action arising from the above recommendations including but not limited to entering into any necessary documentation.

3. Reason for recommendations

- 3.1 The Council's position on HS2 is to be supportive subject to the maximum levels of mitigation being secured for local residents and businesses and that an HS2 Hub Station is provided at Crewe capable of handling both classic compatible and dedicated high speed trains.
- 3.2 Given the scale and complexity of the work, it is considered that additional funding is required to ensure that a plan-led approach to economic growth is developed and the case for the HS2 Hub Station is made to Government.
- 3.3 The establishment of a specific Regeneration Company underpinned by a detailed Masterplan for Crewe and supported by a local consultation, will enable the Council to shape the type, scale and pace of development in Crewe, Middlewich and across the wider Borough in collaboration with Government and wider partners.

4. Wards affected

- 4.1 All

5. Local Ward Members

- 5.1 All

6. Policy Implications

- 6.1 A major national project such as HS2 has national policy objectives. Addressing the development impacts of a project of this scale will cover all the Council policy areas within the scope of the emerging Local Plan and would form the policy framework for considering the proposal.
- 6.2 The development of plans for the regeneration of Crewe and Middlewich is supportive of a wide range of Council policy areas. The impacts of these plans would be transformational for some of the most deprived areas within Cheshire East and the proposed work will be undertaken in line with the broad direction of the Council Corporate Policy agenda.
- 6.3 With the regeneration plans in place and a Government formal commitment to the HS2 Crewe Hub Station then the implications for a number of policy areas would need to be reviewed, in particular the Local Plan and associated Infrastructure Delivery Plan. Having said this, the current Local Plan process can proceed as none of the HS2 announcements on the Line of Route and the Hub Station will be approved in Statute until 2019.

7. Financial implications

- 7.1 The work required to support the establishment of the Crewe Hub Regeneration Company is estimated to need a Cheshire East Council contribution of £500,000. This funding is already in the Council's budget for addressing the growth implications linked to a positive decision on the delivery of HS2 to Crewe and the Hub Station to develop the plans for Crewe and South Cheshire.
- 7.2 The HS2 announcement has identified a further contribution of an initial £600,000 towards a Growth Strategy for the Northern Gateway.

8. Legal implications

- 8.1 Section 1 of the Localism Act 2011 (the "2011 Act") provides local authorities with the general power of competence to do "*anything which the individual may do*". This includes the power to establish a company limited by shares or guarantee. As set out in the main body of the discussions with DCLG and BIS have concluded that a Regeneration Company could successfully plan and deliver change of the scale envisaged by this project which will be explored further as the project progresses.
- 8.2 Regeneration Companies unite public and private sector partners to deliver sustainable regeneration and stimulate investment in towns and cities. They are independent companies established by the relevant local authority. The principal aim is to engage the private sector in a sustainable regeneration strategy, working within the context of a wider masterplan which takes full account of the issues and opportunities for the whole area.
- 8.3 Legal services will continue to work closely with the project team to provide detailed advice in relation to establishing the Regeneration Company and all

other legal matters including the Local Plan and associated Infrastructure Delivery Plan.

9. Risk Management

- 9.1 It is considered that working proactively and in collaboration with Government and others stakeholders, will increase the ability of the Council to maintain its influence as a key stakeholder and achieve the best possible final decisions for the Borough in terms of the Hub Station solution and associated economic growth.
- 9.2 The Masterplan for Crewe will be commissioned from leading consultants with significant experience and a focus on economic growth and regeneration. Working collaboratively with LCR and NR on a commission for Crewe Hub Station Masterplan will deliver a comprehensive and cohesive development strategy in a coordinated and streamlined process, manage interfaces and prevent duplication of work. An agreed brief will be prepared with input from all parties.
- 9.3 The current Local Plan Strategy now under examination has a timeline of 2010-2030. Accordingly the completion of this phase of HS2 comes very much at the end of the plan period. The Local Plan Strategy paves the way for HS2 and anticipates its eventual arrival, but does not plan for it directly. There is a risk that the present announcement will prompt calls for all of the jobs and housing figures in the plan to be re-evaluated. However at the Examination in October the Council presented a clear and cogent case that the implications for HS2 need to be dealt with separately, particularly once the full impact of the Hub Station is fully known. The Inspector's Further Interim Views are expected shortly.
- 9.4 The Local Plan Strategy does however signal that an Area Action Plan may need to be prepared for the parts of central Crewe affected by HS2. Consequently the recommendations to prepare a master plan completely align with the approach previously approved by Full Council in 2014.
- 9.5 Given the scale of the HS2 and the potential impacts of such a significant national infrastructure scheme, the Council engagement and support to residents and businesses throughout the project will protect its reputation whilst supportive of the scheme.

10. Background

- 10.1 The Secretary of State for Transport, the Rt Hon Patrick McLoughlin MP, announced the initial preferred line of route and station options in January 2013 and the first round of public consultation ran until the end of January 2014.
- 10.2 On 30 November 2015 the Secretary of State made the decision on the final preferred option for the Line of Route for Phase 2A, from Fradley to Crewe. At the same time safeguarding directions were issued to protect the route from conflicting development and a property consultation was launched to assist

those living along the Phase 2A route. This directly affects those properties within 300m either side of the proposed HS2 Line of Route.

- 10.3 The Secretary of State's decisions are outlined in the Command Paper; "High Speed Two: East and West The next steps to Crewe and beyond", which is available to view online:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/480712/hs2-east-and-west.pdf.

- 10.4 The Phase 2A route will connect with the end of Phase One just north of Lichfield and end just south of Crewe at the portal of the proposed tunnel under Crewe as envisaged in the 2013 consultation, with a junction onto the West Coast Main Line (WCML) to the south. The route also includes the Infrastructure Maintenance Depot for HS2 to the west of the existing Basford Hall freight yard. This has a significant impact on this strategic development site within the current Local Plan. The Council will ensure it is engaged within the dialogue between Government and the landowners and developers of this site.

- 10.5 The details of the proposed Line of Route of Phase 2A have been published on the HS2 website, including detailed engineering reports and plans:

<https://www.gov.uk/government/publications/west-midlands-to-crewe-summary-of-route-refinements>

<https://www.gov.uk/government/publications/west-midlands-to-crewe-route-engineering-report>

Property Compensation

- 10.6 The Council made strong representations to Government in its January 2014 consultation response and made a commitment to residents and businesses to seek the maximum achievable mitigation from the impacts of building and operating the HS2 line. The outcome of the 2014 consultation was an improved compensation scheme, which has been included as part of the Government announcement and a new consultation. (See the web link details below).

- 10.7 The Government are consulting on proposals which could make up the property assistance schemes for Phase 2A. These packages of measures, which are based on work from Phase One, include:

- Express purchase for qualifying owner-occupiers within the safeguarded area.
- Extended homeowner protection zone for qualifying owner-occupiers whose properties are removed from surface safeguarding unless resulting from a change in the route or a decision to construct the railway in deep tunnel.
- Rent back for renting properties back to their former owners.

- Need to sell scheme for qualifying owner-occupiers who have a compelling reason to sell; and within the 'rural support zone';
 - a voluntary purchase scheme.
 - a cash offer.
- Homeowner payment scheme for qualifying owner-occupiers of rural properties near the line of route.

10.8 The amount of assistance residents will receive will be dependent on the distance of their property from the Line of Route. The property consultation will run until 25 February 2016 and full details on the property consultation are available on the HS2 website:

<https://www.gov.uk/government/news/property-consultation-launched-as-hs2-route-from-west-midlands-to-crewe-confirmed>

10.9 Consideration will be given to both the Government's plans and residents and businesses concerns and, as necessary, a submission to the consultation response developed.

Safeguarding

10.10 The Government have also issued safeguarding directions on the Phase 2A route, this will ensure that new developments in this corridor do not affect the ability to build or operate HS2, or lead to excessive additional costs. The Council will be required to notify HS2 Ltd of any planning applications which may conflict with the route, which will allow HS2 Ltd to review the proposals and make representations to the Council.

10.11 As well as protecting land that may be required for the route, safeguarding triggers statutory blight under the Town and Country Planning Act 1990. It gives property owners who meet the statutory criteria the ability to serve a blight notice and request that the Government purchase their property. Further information on the safeguarding is available on the HS2 website:

<https://www.gov.uk/government/publications/hs2-government-response-to-the-phase-2a-safeguarding-consultation>

Timeline of work to date

10.12 In early 2013 the Council put forward a strong and compelling case for the HS2 line to be via Crewe, with a new HS2 Station. At this time it was considered that the preferred alignment would be from Birmingham to Manchester via the M6 corridor through Cheshire.

10.13 In July 2013 the Secretary of State announced the preferred Phase Two route and a public consultation exercise began. Significantly, the Government selected a route via Crewe as suggested by the Council, however the HS2 connectivity at Crewe Station was only by two classic compatible trains per hour. The majority of HS2 trains would bypass Crewe through tunnels.

- 10.14 At the end of January 2014 the Council submitted its consultation response to Government and HS2 Ltd, which set out the case for a full HS2 Hub Station to serve both dedicated and classic compatible trains. The proposals were considered and supported by all parties of the Council and the response and supporting documents were approved by Cabinet in January 2014. This information is still available on the Cheshire East website (www.cheshireeast.gov.uk/hs2).
- 10.15 During 2014 Sir David Higgins produced two reports after being appointed as Chairman of HS2 Ltd. In March 2014, "HS2 Plus", recommended a hub station at Crewe and that delivery of HS2 Phase Two to Crewe should be by 2027, six years earlier than the initial plans. In October 2014 Higgins' second report, "Rebalancing Britain", was published strongly recommending that a HS2 North West Hub Station is provided at Crewe and confirmed delivery of the Line of Route should be by 2027.
- 10.16 This was a major endorsement of the Council's concerted campaign to bring HS2 to Crewe early and to have a new HS2 Hub Station, which has now resonated with the Government's latest announcement.
- 10.17 In November 2014 HS2 Ltd began a safeguarding consultation on the section of Phase Two from Phase One at Fradley to Crewe. It was at this stage that it became apparent that the Phase Two hybrid bills may be split into two, 2A to Crewe and 2B to Manchester and Leeds.
- 10.18 During 2015 the Council have continued to work with NR, HS2 Ltd and DfT as well as alongside Government on the case for the Northern Gateway HS2 Hub Station at Crewe. We now believe that the Hub Station capable of handling 7 high speed trains per hour (both north- and south-bound) is a deliverable proposition. The Council will continue to work in partnership with NR, DfT, HS2 Ltd and Government to determine a preferred solution, which will secure the maximum benefits are realised.
- 10.19 In October 2015 the Northern Gateway Partnership was formed, with the Cheshire and Warrington LEP and Stoke and Staffordshire LEP signing a concordat agreement committing them, supported by the wider network of local authority partners, to work together to ensure plan-led sustainable targeted growth and optimise the benefits of HS2 investment.
- 10.20 Following the announcement on the HS2 Line of Route on 30 November 2015, the Council will now undertake a detailed analysis of the proposals and their potential impacts on the local road network and environment. The Council will work with local residents and businesses to ensure any negative impacts are mitigated against as much as possible and the appropriate compensation is secured.
- 10.21 The 30 November announcement confirmed that HS2 Ltd expect to deposit the Hybrid Bill for Phase 2A in 2017 and are aiming for Royal Assent in 2019.

The emerging proposition for Crewe

- 10.22 Since the last report to Cabinet Government separated HS2 Phase 2 into two programmes, Phase 2A and Phase 2B. Phase 2A is the route from the connection from Phase 1 at Lichfield to Crewe, and the programme for delivery of this section has been brought forward from 2033 to 2027, in line with the Council's proposals in its January 2014 consultation response. Phase 2B covers the route from Crewe to Manchester and from Birmingham to Leeds.
- 10.23 The Council is working with the railway industry, Government agencies and advisors to develop a compelling case for a new station at Crewe to maximise economic growth and regeneration to Crewe, Cheshire East and the wider Northern Gateway Partnership area. The proposition aims to address all the issues that arise at the existing station, from future rail passenger and freight growth and the delivery of HS2 and reflects the importance of Crewe on the national rail network as a link from the South to the North West, Scotland, Wales and Staffordshire.
- 10.24 Key to unlocking the growth potential of HS2 to Crewe for the Town itself, Cheshire East and its neighbouring boroughs and ultimately UK plc is the need for at least seven stopping High Speed Trains in each direction per hour at a new Crewe HS2 Hub Station providing direct connections to London, Manchester and Birmingham. This level of service would have a transformational impact in terms of connectivity to these major economic centres, unlike anywhere else on the HS2 route between Birmingham and Manchester.
- 10.25 Work is ongoing to determine the best location for the Hub Station, but the work that has been undertaken to date has given the Council confidence that the right Hub Station solution, together with improvements in local connectivity, plan-led development across the Northern Gateway is capable of delivering over 100,000 new homes and 120,000 jobs in Cheshire and North Staffordshire by 2040.
- 10.26 As part of the proposition the Council believe that a series of infrastructure improvements are crucial to ensure access to the Hub Station is quick and efficient. These will include road and rail improvements to the existing transport networks across Crewe, including a new transit link, and the wider South Cheshire geography, and will be worked up in more detail as the work progresses.
- 10.27 The Council also believe that the Basford Hall Sidings and Marshalling Yards need to be fully considered as part of the Hub Station solution and upgraded to provide a freight facility fit for future demands. This needs to be considered in parallel with the HS2 Infrastructure Maintenance Depot (IMD) at Basford West, and the final Station option.
- 10.28 All of this ongoing work has been recognised in the Government announcement. To enable the Council to deliver its economic growth strategy the establishment of a specific Regeneration Company is crucial to shape the

type, scale and pace of development in Crewe, Middlewich and across the wider Borough in collaboration with Government and wider partners.

- 10.29 In setting up the Regeneration Company the Council will consider experiences from elsewhere on HS2 Phase One where station locations have already started developed regeneration delivery vehicles. To enable the Regeneration Company to press ahead with its work on a Growth Strategy for Crewe and South Cheshire an initial budget of £500,000 is considered necessary.

The Northern Gateway

- 10.30 The Northern Gateway is a landmark partnership to deliver significant economic growth and regeneration across the region on the back of HS2 investment at Crewe.
- 10.31 The Northern Gateway Partnership is a ground-breaking collaboration of seven local authorities and the Cheshire and Warrington and Stoke-on-Trent and Staffordshire Local Enterprise Partnerships. It aims to unlock major new growth and investment opportunities to deliver over 100,000 new homes and 120,000 new jobs across the area by 2040.
- 10.32 The Northern Gateway spans Cheshire and the North of Staffordshire including the city of Stoke on Trent, Crewe and the A500 corridor. The partners working together to deliver a new joint Growth Strategy include the two LEPs, Cheshire East Council, Cheshire West and Chester Council, Newcastle-Under-Lyme Borough Council, Stafford Borough Council, Staffordshire County Council, Staffordshire Moorlands District Council and Stoke-on-Trent City Council. This could extend to include parts of Shropshire too.
- 10.33 The Northern Gateway partners are also committed to capitalising immediately on the Cheshire/Staffordshire region's unique position as the bridging link between the Midlands Engine and the Northern Powerhouse
- 10.34 At a Growth Summit of Leaders and Chief Executives of the partner authorities together with select Government officials held on 23 September 2015 Cheshire and Warrington LEP and Stoke-on-Trent and Staffordshire LEP Chairs signed a concordat committing the two organisations, supported by the wider network of Local Authority Partners, to working together to ensure planned sustainable targeted growth and optimise the benefits of HS2 investment via the Northern Gateway Partnership.
- 10.35 The Northern Gateway partnership was officially launched at MIPIM UK on 21 October 2015 by Susan Williams MP, Baroness Williams of Trafford.
- 10.36 The Council and the other Northern Gateway partners are currently working alongside Government to develop the joint Northern Gateway Growth Strategy which will identify the key areas of growth and regeneration across the Northern Gateway Development Zone and map out the development of strategic sites to deliver the 2040 growth ambitions.

10.37 This has been recognised in the Government announcement and a initial contribution of £600,000 has been identified from Government to support this work. It is expected that further funding towards the development of the strategy will follow as the Growth Strategy progresses.

11. Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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