

CHESHIRE EAST COUNCIL

REPORT TO: Cabinet

Date of Meeting: 6th February 2012
Report of: Strategic Director – Places
Subject/Title: Crewe Rail Exchange Project – SCPF Tranche 2 Funding
Portfolio Holder: Cllr Jamie Macrae & Cllr Rod Menlove

1.0 Report Summary

- 1.1 This report highlights the success of the Council in securing Station Commercial Project Facility (SCPF) Tranche 2 Funding through the Department for Transport (DfT) and Network Rail (NR) for Crewe Rail Exchange (CRE).
- 1.2 The report identifies the progress to date, the details of which are described in section 10.3 and shown on the attached Plan 1 and seeks the necessary approvals required to ensure the delivery of this key council initiative.
- 1.3 The CRE project will significantly enhance the role of Crewe Station as a major transport interchange on the national rail network and is a key infrastructure priority for the Council. This project will deliver a critical first step towards the council's ultimate plans for Crewe Station and act as a catalyst for economic regeneration and improved transport in the area, a key driver of the Council's "All Change for Crewe" programme

2.0 Decision Requested

- 2.1 To approve the CRE project shown on Plan 1 as a first phase of the Council's ambitions for Crewe Station.
- 2.2 To approve the Council's role in leading the development and delivery of the project shown on Plan 1 based on the milestones in section 10.4 and funding profile in section 7.4, including the financial implications of accepting the grant funding and procuring a contractor to deliver the works.
- 2.3 To approve entering into a 99 year lease at a peppercorn rent and nil premium with NR for the Council land shown on Plan 2 and Plan 3 and described in section 10.5, which lease will entitle NR to under let this Council land so as to include it in the West Coast Main Line franchising process upon completion of the CRE project.
- 2.4 To approve that the Council negotiates and enters into the necessary legal agreements with NR, in particular the design phase Basic Asset Protection Agreement and the implementation phase Asset Protection Agreement and makes the necessary highway orders to ensure the delivery of the project.

- 2.5 To approve that the Strategic Director Places and Organisational Capacity and Deputy Chief Executive be given the delegated authority to make necessary decisions on approved matters to enable the delivery of the project.

3.0 Reasons for Recommendations

- 3.1 The CRE project provides a crucial first step towards the council's ultimate plans for Crewe Station and moving forward with its economic growth plans set out in "All Change for Crewe". In order to secure the £6,177,388 funding the Council must comply with a number of conditions specified by the SCPF Awards Panel, which are set out in the attached letter from NR dated 8 November 2011. These require the Council to:

- Lead the delivery of the project with support of a NR Project Sponsor
- Provide the land required to NR through a 99 years Lease at a peppercorn rent and nil premium.
- The land being included in the station lease upon project completion.

The other conditions have been met.

4.0 Wards Affected

- 4.1 The existing Crewe Station lies within Crewe South and the CRE project site lies within the Crewe East. The enhanced facilities will benefit Wards from across large areas of the Borough.

5.0 Local Ward Members

- 5.1 Crewe East: Cllr Margaret Martin, Cllr David Newton, Cllr Chris Thorley.
Crewe South: Cllr Dorothy Flude, Cllr Steve Hogben.

6.0 Policy Implications including - Climate change - Health

- 6.1 The completion of CRE will encourage greater use of public transport by providing improved pedestrian access around the station, enhanced taxi and 'kiss and ride' facilities and increased station car parking.

The increased patronage anticipated with the improvements at Crewe Station will contribute towards reduced carbon from transport use benefiting climate change

The completion of CRE is also a fundamental part of delivering the council's 'All Change for Crewe' strategy, which aims to increase prosperity in the Crewe area, a component which will help to improve the health of the local population.

7.0 Financial Implications (Authorised by the Borough Treasurer)

- 7.1 The £6.2m is the funding that has been made available by NR to deliver the project. Included within this is a risk/contingency of £0.9m, which is being held by NR and will be managed through its Change Control process.

- 7.2 The council will only be contractually committed to the construction of CRE when the conditions in the Award letter have been satisfied in writing by NR. At this point the Council will be able to draw down the full funding.
- 7.3 A summary scheme cost estimate is provided below:

Scheme Cost Estimate	£4,522,781
Risk Contingency (20%)	£904,556
CEC Fees	£500,000
NR Sponsor fee estimate (advised by NR)	£250,000
TOTAL	£6,177,338

It should be noted that the Council's costs associated with developing and delivering the project are covered within the funding.

- 7.4 The funding is programmed to be spent by March 2014, which is the end of NR Control Process 4 (CP4). The funding profile of expenditure anticipated through the delivery of the project is shown in attachment 'Spend Profile Scheme Cost Estimate'. NR will release the funds to the Council in accordance with this cost profile.
- 7.5 The project will also appear in the 2011/12 Third Quarter Financial Review Report to Council for approval.
- 7.6 The approval for £6,177,388.00 by the SCPF Awards Panel is subject to the land required from the council being leased to NR for 99 years but at a peppercorn rent and nil premium, the level of which will be determined in consultation with NR.

8.0 Legal Implications (Authorised by the Borough Solicitor)

- 8.1 The Council has powers under the local Government Act 1972 to dispose of land provided that the disposal is for the best consideration reasonably obtainable unless the Secretary of state consents to the disposal. A 99 year lease is a disposal. However, the Council can dispose of any land for less than the best consideration that can be obtained without the need for a specific consent in reliance on the Local Government Act 1972 general disposal consent (England) 2003 if:

- (a) It considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of any one or more of the following objects of the whole or any part of its area, or all or any persons resident or present in its area:
- a. The promotion or improvement of economic well-being;
 - b. The promotion or improvement of social well-being;
 - c. The promotion or improvement of environmental well-being;
- (b) The difference between the unrestricted value of the land to be disposed of and the consideration for the disposal does not exceed £2m; and
- (c) All other conditions and requirements of the consent are satisfied.

The land has been valued at less than £2m. The Council needs to be satisfied that the intended disposal fits within its well-being powers.

- 8.2 When disposing of land at an undervalue the Council must remain aware of the need to fulfil its fiduciary duty in a way which is accountable to local people.
- 8.3 In many cases the transfer of an asset at an undervalue can give rise to State Aid issues. Officers have sought specialist advice on State Aid and that advice is that particularly as the European Commission has previously concluded in different circumstances that Network Rail is effectively a public service (and not for profit) monopoly in respect of activities covered by its licence (including railway stations) so could not distort the European market as there is no market to distort there is a strong argument that this is not State aid. Apparently the DfT takes the same view.
- 8.4 Officers will need to consider the appropriate and best method to secure stopping up of the highway land required for the development to proceed and to verify that the Council will have ownership of this land after stopping up. The basis by which this land was acquired and the purposes for which it is held will need to be investigated to see whether Critehel Downs rules apply and/ or there is a need to re-appropriate the land for planning or other purposes.
- 8.5 In considering the terms to be proposed for the Lease consideration will be given to landlord and tenant security of tenure and the potential for exclusion of rights of renewal of the Lease in specific circumstances.

9.0 Risk Management

- 9.1 This section highlights all the identified key risks associated with the delivery of the project. In order that risks are managed and any necessary mitigation taken, the Council has established with NR a clear Project Management structure, which is already in operation and will see the project through to its completion and sign off.
- 9.2 The demolition of the Royal Main buildings (Council owned) and the Space Building (NR owned) and current assumptions that the demolition will not require rail possessions and can be delivered within Rules of the Route.
- 9.3 The project funding is fixed with the risk contingency held by NR. If costs increase the council will have to seek additional funding through NR's Change Control process. No guarantee has been given by NR that additional funding would be available through this process and so the Council has to accept responsibility for risk associated with delivery of the CRE project. It should be noted that In the bid submission a risk contingency of approximately £0.9M was identified in the overall £6.2M scheme. This was considered to be reasonable to cover level of risk to the authority. It is this £0.9m that is held by NR Programme Sponsor and manage through the Change Control process.
- 9.4 The scheme costs and risks will be refined through the detailed design process and tendering process that will include both the Demolition and Car Park, including associated facilities. The location of statutory undertaker's equipment is a risk to the current design and cost estimates. The delivery of the Commercial Building is to be tendered under a separate contract.

- 9.5 There is a reputational risk to the authority if, for whatever reason, the project weren't delivered either in part or in full.
- 9.6 The project delivery needs to integrate with the use and any proposed regeneration of what remains of the former Royal Mail site. This is currently being occupied by a business on a temporary basis, providing a rental return to the council.
- 9.7 Further, the project required the timely and successful delivery of legal agreements and highway orders.

10.0 Background and Options

- 10.1 The redevelopment of this site would ensure a critical first phase of the regeneration of Crewe Station. The project represents a significant opportunity to enhance the station for users and train operations and also add to the viability for business and employment growth, a key ambition in "All Change for Crewe".
- 10.2 CRE project was one of 51 Tranche 2 bids totalling £153m with only around £70m available to be awarded nationally. The CRE funding award of £6.2m must be seen as a significant success. The award letter from Network Rail is attached and sets out the conditions attached to the award.
- 10.3 The project received planning approval on the 6 Jan based on the Attached Plan 1. This includes the following facilities:

- An at-grade car park with capacity for 240 spaces and 11 disabled spaces, which will be lit and integrated into the station security systems
- Facilities for taxis and drop-off and pick-up, together with an appropriate communication system for taxis linked to Station Top
- A weatherproof enclosure to accommodate taxi and pick-up/drop-off passengers, including information and ticketing facilities.
- Enlarged access into the car park from Weston Road, including minor widening to Weston Road in the immediate vicinity of the access
- Access into and out of the station via a covered staircase down to the existing subway.
- Refurbishment of the existing subway
- Cycle parking facilities close to the top of the new stairs
- Provision of facilities for delivery vehicles
- Ticketing facilities including barriers and payment machines
- Landscaping including perimeter fencing
- Provision of land for a new commercial plot and station access adjacent to Nantwich Road

The project aims to deliver a high quality scheme both in its appearance and for users. The public realm will be adopting similar materials and design standards as applied to the recent town centre square projects.

NR has included the project into its Invitation to Tender documentation for the West Coast Mail Line Refranchise. This has gone to the short listed bidders.

The Council will negotiate with NR, DfT Rail and the short listed bidders to seek a significant additional investment both at the project site in terms of providing a landmark building on the site and within the existing station in terms of passenger and business facilities. This would build on the significant impetus provided by this project.

10.4 The project's current programme key dates are:

- Planning permission – January 2012 - COMPLETE
- Issue of Tender for CRE Works - March / April 2012
- Award of Tender for CRE Works – July / Aug 2012
- Commencement of Construction - Oct 2012
- Completion of Construction Phase – June / July 2013
- Project Close-Out with NR – Oct 2013

Detailed programming and planning will be further developed to be able to demonstrate to Council members and NR that this programme is achievable.

10.5 To meet the conditions set out in the SCPF award letter and enable delivery of the project in accordance with the programme key dates the Council needs to:

- Enter into a lease agreement, containing appropriate land use provisions, with NR affecting part of the former Royal Mail site, required to enable the Council to achieve its ambition for Crewe Station. Plan 2 defines the area of the former Post Office site to be incorporated into the lease.
- Secure a highway stopping up order for the loop access road and adjoining verge outside the former Royal Mail and NR Postmaster's House. Plan 3 highlights the area of highway to be stopped up and included into the lease.
- Implement temporary traffic orders to accommodate the displaced taxi facility currently using the loop access road, which needs to be displaced during the demolition and construction of the project.
- Enter into the necessary Asset Protection agreements with NR, which includes the Basic Asset Protection Agreement that will be required to the end of outline design and an Asset Protection Agreement that will be used during implementation.

Any other actions requiring a decision that may arise during the development and delivery of this project will be referred for approval to the Strategic Director Places and Organisational Capacity and Deputy Chief Executive

10.6 The intention is to let a single contract for the demolition and construction of the project. The Council will work alongside the NR Sponsor and lead the preparation and issuing of the tender documentation and secure the procurement of works through the selection of a contractor applying OJEU rules. If it is proven that the project is best managed through more than one contract then separate tenders will be prepared and contractors appointed. As part of the project delivery the Council will be required to adhere to NR Gateway Procedures and the project team will work alongside the NR Project Sponsor to guide and ensure adherence to NR procedures.

10.7 If the decisions attached to this report are approved, officers will begin work on the necessary legal and property agreements to ensure the delivery of the project.

11.0 Access to Information

Attachments

- Awards letter from NR
- Spend Profile Scheme Cost Estimate
- Plan 1 – Project layout
- Plan 2 – Area of Council land to be included in the lease to NR
- Plan 3 - Area of highway to be stopped up and included in the lease to NR

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