

CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting:	21 st April 2015
Report of:	Executive Director of Economic Growth and Prosperity
Subject/Title:	Crewe High Growth City – London and Continental Railways Agreement
Portfolio Holder:	Cllr Don Stockton, Housing and Jobs

1.0 Report Summary

- 1.1 The Council has campaigned vigorously over the last 4 years to secure an HS2 Hub station at Crewe by 2026. This is the right solution for the region and the UK and will deliver transformational impacts for Crewe and Middlewich and has received the strong backing of key Government advisers Sir David Higgins and Lord Deighton.
- 1.2 Government is already working with local authorities to develop growth strategies for HS2 station locations and has backed this up with the exciting offer of support from a key regeneration agency of Government, London Continental Railways (LCR). Proposed Heads of Terms of any LCR Collaboration Agreement are shown in Annex A.
- 1.3 Even though the Crewe HS2 Hub Station isn't confirmed, the offer of support to the Council is a strong signal of intent. It is considered that having the insight and experience of LCR is extremely attractive and they would bring direct access to key Government Departments and Agencies.
- 1.4 As such, it is recommended that the Council should commence getting ready its HS2 regeneration plan for Crewe and Middlewich and should enter into a collaborative working arrangement with LCR to help achieve this.

2.0 Recommendations

- 2.1 Cabinet is recommended to
 1. approve the commencement of work on developing an HS2 regeneration plan for Crewe and Middlewich;
 2. if (a) is approved, that, based on the Heads of Terms and Memorandum of Understanding for Collaborative Working, as set out in Annex A, agree to enter into a collaborative working arrangement with LCR to support development and delivery of a HS2 regeneration plan for Crewe and Middlewich;
 3. endorse the release of £200,000 from the Council's budget allocation for Crewe HS2 High Growth City to commence the development of the HS2 regeneration plan for Crewe and Middlewich; and

4. note that, if Government formally commits to HS2 to Crewe, further funding support for this work is anticipated.

3.0 Reasons for Recommendations

- 3.1 Sir David Higgins, Chairman of HS2, has backed the Council's case for a North West Hub station at Crewe to capitalise on the town's 360° connectivity across the North West, North Wales and the West Midlands. Sir David Higgins also made a strong recommendation to accelerate delivery of the North West Hub to 2027, instead of 2033, so that the North begins to reap the benefits of HS2 as early as possible.
- 3.2 A new HS2 Hub station and the associated inward investment, regeneration and job creation would have a transformational effect on Crewe and Middlewich. It would bring a second rail revolution to the town with its heritage built on the Victorian railway.
- 3.3 The Government have proposed that LCR offer local authorities, where major HS2 station investment is planned, the opportunity to enter into collaborative working arrangements, and potentially a Joint Venture, to help with the planning and delivery of economic growth and regeneration.
- 3.4 This report highlights to Cabinet the need to progress our regeneration plans and the work undertaken to date on scoping an agreement with LCR and how we would hope to engage with them in this transformational work programme.

4.0 Wards Affected

- 4.1 All Wards.

5.0 Local Ward Members

- 5.1 All Ward Members.

6.0 Policy Implications

- 6.1 Entering into this type of arrangement with LCR has no direct policy implications.
- 6.2 The development of plans for the regeneration of Crewe and Middlewich is supportive of a wide range of Council policy areas. Even though the impacts of these plans would be transformational, 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.

7.0 Implications for Rural Communities

- 7.1 The regeneration and intensification of use of the significant areas of brownfield land within and around the railway corridors in Crewe and

Middlewich may reduce the pressures for development in the surrounding rural communities.

8.0 Financial Implications

- 8.1 The Council has earmarked reserves to support investment that can increase longer term financial independence and stability of the Council. Initiatives related to growth of the domestic and non-domestic tax bases, such as those in the High Growth City initiatives, are therefore an appropriate use of this reserve.
- 8.2 The Executive Director of Economic Growth & Prosperity will work with the Portfolio Holder for Finance and the Chief Operating Officer to monitor spending in accordance with the Reserves Strategy. The initial cost estimate, to be funded from the Investment (Sustainability) reserve, for the work detailed in this report is £200,000, which includes specialist consultancy support.
- 8.3 Growth in the Domestic and Non-Domestic tax bases will support funding for future Council services, particularly while government grants overall continue to reduce. As such this forms an intrinsic element of financial planning for the Council. The overall financial impact of significant development in the region will therefore be closely monitored and planned to support forecasting of future resources.
- 8.4 The £200,000 resource will complement the wider Stoke/Crewe Growth Plans that will be developed as a result of the Stoke City Council/Cheshire East Council Concordat which involves a further £250,000 resource commitment to the development of the wider Growth Plan.

9.0 Legal Implications

- 9.1 Under the Heads of Terms (HOT's) the Council and LCR will be collaborating for a period of between 12 – 18 months on HS2 regeneration associated activities. The HOT's are high level and are not legally binding. Moving forward governance arrangements will need to be established to make decisions in relation to expenditure within a binding collaboration agreement.
- 9.2 Collaboration agreements between contracting authorities are excluded from the Public Procurement Regime by virtue of Regulation 12 of the Public Contracts Regulations 2015 as long as that cooperation is governed solely by considerations relating to the public interest and the parties perform on the open market less than 20% of the activities concerned by the co operation. Assurance should be sought as to whether LCR meets this requirement.
- 9.3 The HOT's state that the parties wish in due course to establish a Joint Venture. The Council can rely on the general power of competence contained in section 1 of the Localism Act 2011 as authority to do this.
- 9.4 The fact that the Council has the power to enter into a joint venture with another private or public body does not allow it to circumvent any procurement rules and so the Council should be mindful of commissioning services from the LCR that could give rise to procurement requirements.

- 9.5 In addition to ensuring that the parties have the requisite power to establish a joint venture the Council needs to consider the range of structural options. A company limited by guarantee will require a shareholder's agreement detailing the possible funding and debt/equity split between the parties. The HOT's do contain high level governance principles on the basis of 50/50 ownership and responsibilities for administrative costs.
- 9.6 Regeneration activities include... "a funding strategy to deliver the regeneration and growth vision, including Tax Incremental Financing Proposals and other funding mechanisms". Further approvals and advice will be required if such an investment fund is to be resourced and implemented. Consideration would need to be given as to;
- (i) the appropriate structure for such a fund;
 - (ii) what powers the Council could rely on to participate in the fund;
 - (iii) whether there are any state aid considerations to be taken into account;
 - (iv) development of agreed investment and operational guidelines; and
 - (v) procurement of a suitably qualified and regulated Fund Manager;

10.0 Risk Management

- 10.1 The risk to the Council is that if the next and future Governments decide to either not proceed with HS2, or not include a station at Crewe, the value of this work would be undermined. Having said this, the sentiment towards HS2 and the Crewe Hub Station is strong and, regardless of HS2, this work may identify important projects to assist with the Council's ambitions to deliver regeneration and economic growth for both towns.
- 10.2 It is our understanding that a decision on HS2 and a Crewe Hub Station is expected towards the end of this year and, if the outcome is positive that the Government would then start to support this work with its own financial resources as it has done for the Phase 1 stations. This would reduce the pressure on the Council budgets going forward.

11.0 Background and Options

HS2 Phase 2 Consultation – January 2014

- 11.1 In January 2014, the Council submitted a response to the Government's consultation on the proposed route alignment for the section between the West Midlands and Manchester. The Council took a supportive stance on HS2 subject to the inclusion of a new Hub Station at Crewe and the highest standards of mitigation and compensation being applied.
- 11.2 The response built a compelling case for a Hub station at Crewe to capitalise on the town's unique connectivity to the entire North West, North Wales and the North Midlands. The response developed a strong strategic case to deliver the connection to Crewe, which would spread the benefits over a wider area.

HS2 Plus Report – March 2014

- 11.3 In March 2014, Sir David Higgins published a report (HS2 Plus) on maximising the benefits of HS2 and managing costs. In the report Sir David Higgins states that in his view the two main transport challenges we face as a country are the lack of capacity and poor connectivity within and in to the North.
- 11.4 One of the key proposals is to spread the benefits of HS2 further north sooner by accelerating delivery of Phase Two to a new transport hub at Crewe by 2027, six years earlier than planned. Higgins states that the hub at Crewe would bring together road and rail services for the region as a whole, allowing faster services sooner to Manchester, the rest of the North West and to Scotland. Higgins stated that an integrated transport hub at Crewe is the right strategic answer for the long term and it would also act as a real agent of change in the region.

Lord Deighton's HS2 Growth Task Force Report – Getting Ready – March 2014

- 11.5 The HS2 Growth Taskforce, chaired by Lord Deighton, was established to examine how to maximise economic growth and job opportunities from the Government's plans to build a high speed rail network. The taskforce published their final report in March 2014.
- 11.6 As well as highlighting the great opportunities from a Hub Station at Crewe, the report also set out how areas which included a station on the HS2 network should start early and plan for realising this growth both in terms of the place and its people. It made a strong recommendation that these areas develop growth strategies in consultation with Government and key agencies and stakeholders.

Rebalancing Britain Report – October 2014

- 11.7 In October 2014, Sir David Higgins published his second report – Rebalancing Britain. Higgins recommended that the proposed North West Hub should be at Crewe because that is the best way to serve not just the local region, but also provide services into the rest of the North West, North Wales and Merseyside.
- 11.8 He also reaffirmed the strong recommendation and the merits of the accelerated delivery of the North West Hub to 2027, instead of 2033, so that the North, and Scotland, begins to feel the benefit of HS2 as early as possible. Further to the hub recommendations, it was also recommended that the possibility of running classic compatible services to Stoke-on-Trent, Macclesfield and Stockport be investigated.

HS2 Phase 2 Fradley – Crewe Safeguarding Consultation

- 11.9 In November 2014, the Secretary of State announced a consultation on proposals to safeguard a section of the HS2 Phase Two route corridor between Fradley and Crewe. The aim of safeguarding is to ensure that new developments in this corridor do not affect the ability to build or operate HS2 or lead to excessive additional cost.

11.10 The Council's response welcomed the Government's proposal to safeguard this part of the HS2 Phase Two route. It will help owner-occupiers of homes, small businesses and farms along the proposed route to serve statutory blight notice as soon as possible, requiring Government to consider purchasing their property and this is supported by a continuation of the Exceptional Hardship Scheme.

11.11 Whilst the Council recognises that no final decisions have yet been taken on the precise alignment of Phase Two, it is encouraging that, based on work undertaken over the past year by Sir David Higgins and HS2, that the Secretary of State considers the existing evidence sufficiently persuasive in favour of a connection from Phase 1 to Crewe. It is hoped that the safeguarding process will enable Government to drive forward and deliver HS2 and the North West Hub by 2026.

The need to Get Ready

Government response:

11.12 The fact that the Council's plans for an HS2 Hub Station at Crewe have been backed by both Sir David Higgins and Lord Deighton is recognition of the strength of the case. What is equally assuring is the response from the Government and the Secretary of State for Transport, the Rt Honourable Patrick McLoughlin. The following key actions have already been taken:

- Appointing Network Rail to examine the station options for Crewe and identify a preferred solution.
- Consulting on safeguarding the HS2 line of route from Lichfield to Crewe.
- Announcing the intention to move ahead with a second HS2 Hybrid Bill early in the next parliament for early delivery of the line of route from Lichfield to Crewe. This is anticipated to be between October and December.

11.13 Further, growth strategies for the HS2 Phase 1 stations are being finalised by local authorities and LEPs following close working and funding support from key Government Departments and Agencies. This experience has enabled Government to define clear Departmental roles and responsibilities and working relationships with local authorities and LEPs.

11.14 One such development is the offer of collaborative support from London Continental Railways (LCR) to local authorities. LCR is a limited liability company wholly owned by the Department for Transport. The extent of the support on offer from LCR is set out in the Heads of Terms of a Collaboration Agreement, shown as Annex A. At this stage the arrangements would be flexible based on a collaborative approach but would have the potential to grow into a formal Joint Venture if this were deemed beneficial.

11.15 The advantages of this approach are the experience LCR bring from other major regeneration projects, particularly at major rail stations, such as at Kings Cross, London, as well as direct access into key Government Departments and Agencies. They have specialised in the management, development and

disposal of property assets within a railway context and, in particular, property assets associated with major infrastructure projects.

11.16 Even though there is not yet a formal decision to include the full HS2 Hub Station solution being sought at Crewe, the Council has been invited to attend the HS2 Local Places Working Group, which includes all local authorities with an HS2 station, so we can learn from the experiences of the Phase 1 stations. It is worth noting that several of the other station locations are entering into the collaborative arrangement with LCR.

Council response and next steps:

11.17 The Council has campaigned vigorously over the last 4 years to secure an HS2 Hub Station at Crewe by 2026. This is the right solution for the region and the UK and will deliver transformational impacts for Crewe and Middlewich. A significant degree of positive sentiment is now building up in support of the Council's proposals.

11.18 In response, the Council budget already includes a reserve provision of up to £2.5m to enable the necessary work to take place on regeneration plans for Crewe and Middlewich and a wider Growth Strategy.

11.19 Based on the position set out in this report, it is considered the right time for the Council to commence getting ready its regeneration and growth plans alongside Government and its relevant agencies.

11.20 The collaborative working arrangement with LCR is considered to offer an effective way to commence the development of an HS2 Crewe Hub Station regeneration plan. In addition to input from LCR, there will also need to be specialist consultancy support covering a wide range of disciplines to support this work.

11.21 The initial phase of work will explore the extent of the programme, timescales, and reporting arrangements. Given the transformational nature of this project for Crewe and Middlewich, the areas to be considered cover the station environs in Crewe, existing strategic investment sites and business areas, the town centres and rail corridors in both towns, brownfield land, and key housing allocation sites.

11.22 The Council also needs to support the station option work the DfT have commissioned from Network Rail. The regeneration plan needs to be fed into the identification of a preferred option.

11.23 This report sits alongside the report to consider a Concordat between Stoke-on-Trent City Council and Cheshire East Council. This broader Concordat sets out guiding principles for a High Growth Zone on which a compelling growth strategy could be developed across a much wider geography than Crewe and Middlewich and form the basis for future Government engagement and wider investment.

11.24 The relationship between the two pieces of work will be crucial to delivering the optimum position for Crewe and the Hub Station. This paper and the

relationship with LCR will focus specifically on developing regeneration proposals for Crewe and Middlewich. This work will feed into the wider Growth Zone strategy to be developed with Stoke-on-Trent City Council, and importantly ensure that Crewe and Middlewich have a dedicated approach to secure the optimum position for the area.

11.25 All work will be reported back through the relevant Portfolio Holders to Cabinet.

12.0 Access to Information

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

Name: Andrew Ross
Designation: Head of Strategic Infrastructure
Tel No: 01270 686335
Email: andrew.ross@cheshireeast.gov.uk