

Cabinet

Date of Meeting: 11 June 2019

Report Title: Crewe Station Development

Portfolio Holder: Cllr Craig Browne, Deputy Leader

Senior Officer: Frank Jordan - Executive Director - Place

1. Report Summary

1.1. This reports seeks approval to:

- 1.1.1. Progress the work necessary to enable the delivery of the Crewe Hub Station and essential works in the surrounding area.
- 1.1.2. Continue to work in partnership with Government, Network Rail and strategic partners to procure and fund the necessary project development and implementation works to enable the delivery of the required projects to facilitate HS2 passenger services to operate from Crewe Station by 2027.
- 1.1.3. Develop the business case with Government and partners to secure a long term funding and financing deal to enable the delivery of the Scheme based on enhanced HS2 connectivity of 5/7 HS2 trains per hour.
- 1.1.4. Undertake all necessary and prudent preparatory works in advance of a final investment decision by Full Council in order to ensure the Council is positioned to deliver the Scheme only when all other parties have provided relevant commitments and assurances. It is intended that this decision will be sought at its meeting in February 2020.

2. Recommendations

2.1. That Cabinet:

- 2.1.1. Approve the continued project development works of Crewe Hub Station and the preparation and submission of a planning application

by Summer 2020 to enable delivery of the scheme within the required timeframes.

2.1.2. Authorise the Executive Director – Place, subject to the required funding approvals being in place, to:

2.1.2.1. Approve and enter into any future Development Services Agreements (or other agreements required between the Council and Network Rail) to authorise Network Rail to continue to manage the remaining project development work for the Crewe Hub Station in partnership with the Council to meet the timetable and requirements of the Governance for Railway Investment projects (GRIP) process;

2.1.2.2. Take all necessary actions to prepare and submit all necessary applications for planning permission, including jointly with Network Rail, and to implement any planning permission necessary to deliver the project;

2.1.2.3. Take all necessary actions to prepare and submit a listed building application and implementation of any listed building consent in relation to Crewe Hub Station;

2.1.2.4. Negotiate and seek to conclude terms to acquire land and rights (or extinguish the same) as are necessary to deliver the Crewe Hub Station scheme;

2.1.2.5. Make the Compulsory Purchase Order(s) to acquire the necessary land and interests to deliver the Crewe Hub Station and ancillary infrastructure;

2.1.2.6. Take all necessary actions to support the Local Enterprise Partnership to submit an Enterprise Zone or equivalent Tax Increment Financing application and supporting business case to Government, in consultation with the Section 151 Officer, to enable delivery the Crewe Hub Station.

2.1.3. Note that a Full Council investment decision to progress with the scheme and approve any resulting Capital Contribution from the Council will be sought recognising the ongoing financial risk with progressing this project.

3. Reasons for Recommendations

- 3.1. Crewe has suffered from increasing levels of deprivation and reduced opportunities for its residents compared to all other places within Cheshire East and the Cheshire and Warrington region. The opportunity to address this both in the town centre and the business areas around Crewe Railway Station are significant, particularly if HS2 serves the town.
- 3.2. In 2017 the Council prepared a Crewe HS2 Hub Masterplan Vision and Framework which outlined how Crewe performs today and how it could be regenerated by an enhanced HS2 offer of 5/7 HS2 trains per hour, with direct high speed services to London, Manchester and Birmingham.
- 3.3. In particular, this draft vision also demonstrated that the area immediately around Crewe railway station is likely to be the area that will see the more immediate and significant benefits.
- 3.4. Over the past two years the Council, in partnership with Government, Network Rail, HS2 Ltd, Transport for the North (TfN) and Cheshire and Warrington LEP (C&W LEP), has developed the vision into a policy framework, culminating in the ongoing work on an Area Action Plan. This work has shown that there is a strong transport, economic and regeneration case for more HS2 services at Crewe and significant investment in the station.
- 3.5. However, the Government's current position is to provide minimal investment in Crewe Station which would enable the arrival of HS2 to meet regulatory compliance for passengers. This would not however deliver the outcomes as outlined in the Vision for Crewe Station.
- 3.6. The Council is planning to prepare the required evidence base to support the preparation of a business case to be submitted to Government. This would provide a funding and financing proposition to Government that provides a model in which the vision for the Station can be achieved primarily through parking receipts and business rate uplifts.
- 3.7. The Council therefore needs to undertake further project development to complete this work and enable the Council to enter into meaningful discussions with Government to secure an appropriate funding model for the station and supporting multi-modal access arrangements. This would seek to influence the future provision and operation requirements of car parking related to the Hub Station.
- 3.8. This work would be undertaken in collaboration with strategic partners, and in line with Network Rail's procurement and delivery programme for HS2 Phase 2a and Crewe Station.

- 3.9. This would enable the delivery of the scheme to be delivered at the time when rail possessions and/or blockades would be secured for the HS2 construction programme. Utilising these possessions is critical to the viability of any further investments in the station to support economic growth and regeneration. Therefore, this project development work must continue to meet this timetable.
- 3.10. Approval is also being sought to enable the Council to progress with the scheme if a funding arrangement is agreed with Government. In particular this includes approvals to submit appropriate planning applications and to secure the land required for the Scheme.
- 3.11. It is to be noted that the current timetable will require a planning permission for the Station to be submitted by Summer 2020.

4. Other Options Considered

- 4.1. The Council could decide not to progress with the development and delivery of Crewe Hub Station Scheme. This would mean Government would make a minimal investment into the station environment and no investment into the surrounding areas and associated regeneration plans. Studies have shown that without investment into key station integration elements the surrounding regeneration ambitions and outcomes set out above would not be achievable.
- 4.2. The Council could support, and contribute towards an alternative and lower cost station investment. However, the completed feasibility and options development stages of the project development work test a number of different options and demonstrated that the solution to be progressed through the above recommendations provides the best value to the Council.

5. Background

Crewe Hub Commitments

- 5.1. Based on robust case making and strong, persistent campaigning by the Council, the Government has made substantial changes to the HS2 Crewe hub scheme over the past 5 years including;
- 5.1.1. Changing the line of route and securing 2 HS2 services per hour at Crewe by 2027. This is arguably the most significant change to the entire scheme since it was first launched;
- 5.1.2. Changes to Phase 2a tunnel portal design south of Crewe to avoid the need to disrupt and rebuild the A500;

- 5.1.3. Changes to Phase 2a hybrid bill to extend Platforms 5 and 6 to allow for splitting and joining of HS2 trains at Crewe and enabling HS2 classic compatible services to Macclesfield;
 - 5.1.4. DfT approval to allocate funding for a solution at Crewe Station that would provide the track, signalling and platform solution at Crewe to enable 5/7 HS2 trains per hour to call at Crewe in each direction and allow for growth in conventional services.
 - 5.1.5. DfT endorsement of the Northern Powerhouse Rail Business Case, including the Crewe northern junction/connection to seek an initial funding envelope to provide a commitment to the Crewe northern junction as part of HS2 Phase 2b.
- 5.2. In February 2019 HS2 Ltd deposited Additional Provisions (AP2) to the Phase 2a hybrid bill which included proposals to alter the scheme to incorporate the above changes. However, these would not deliver a hub station capable of serving 5/7 HS2 trains per hour without a revised track layout solution.
- 5.3. In May 2019, and through the HS2 Phase 2a Hybrid Bill AP2 petitioning process the Council secured a commitment from the Department for Transport confirmed the following:
- 5.3.1. The allocation of £9.5m of funding for Network Rail to develop an alternative rail infrastructure solution at Crewe that is capable of serving 5/7 HS2 trains per hour;
 - 5.3.2. That, subject to confirmation of affordability within available budgets, that it expects to make a decision in favour of this option in Summer 2020 and intends to reconfirm next steps on Crewe Hub around the time of the Spending Review
 - 5.3.3. That it will share the full consents strategy with the Council
- 5.4. Through the HS2 Phase 2a Hybrid Bill AP2 petitioning process the Council also secured an Assurance from HS2 confirming intentions to enable enhanced HS2 services at Crewe. This reads :
- 5.5. "If the Crewe Hub proposals are developed by Network Rail to include works to revise the existing railway layout at Crewe Station ("the Revised Works") then subject to:
- 5.5.1. the Revised Works providing the same operational railway functionality required for the Proposed Scheme as would be delivered by the timely construction of the works authorised

by the Bill to revise the existing railway layout at Crewe Station; and

5.5.2. the Revised Works being consented and funded;

5.6. then the Secretary of State would require the Nominated Undertaker not to exercise the powers conferred by the Bill, for the purposes of constructing a new platform on the Independent Lines”

The Council's Vision

5.7. Over the past 5 years the Council has set a strategic vision for Crewe built on a strong evidence base that demonstrates the economic benefits and regeneration that 5/7 HS2 trains per hour with services to the three main destinations, London, Manchester and Birmingham, together with an enhanced HS2 Hub Station in the town can unlock.

5.8. In the Crewe hub consultation response the Secretary of State noted Government's support to the Council's vision for a Crewe hub but acknowledged additional key infrastructure would be required including a new HS2/West Coast Main Line (WCML) north junction and new entrances. To deliver this Government would want a local contribution.

Crewe Hub Integrated Study

5.9. In June 2017 the Crewe Joint Sponsor Board, a Board chaired by Network Rail and comprising senior officers and Civil servants from the following organisations:

- Network Rail
- Cheshire East Council
- Cheshire & Warrington LEP
- Department for Transport
- Ministry for Housing, Communities and Local Government
- Transport for the North
- HS2 Ltd

Agreed that the above organisations should work collaboratively to develop proposals for the Crewe hub station that would support this vision.

5.10. An integrated study is being developed which to date has looked at all aspects of project development including design and transport strategies,

funding and financing and delivery with the aim of producing a single preferred station design, regeneration plan and a supporting business case.

- 5.11. The integrated study proposals are being developed to coordinate with Network Rail's Governance for Rail Investment Projects (GRIP) process to ensure that it could be delivered within the existing construction timetable for HS2 Phase 2a to utilise the same rail possession blockades and allow for HS2 passenger services from 2027.
- 5.12. The integrated study work has considered the hub station, located as part of the existing railway station, and also at the area immediately around the station where HS2 is likely to have the greatest impact.
- 5.13. There are three phases to the integrated study:
 - 5.13.1. Feasibility stage to develop three alternative concept designs for the hub station area and a concept HS2 hub station design
 - 5.13.2. Options stage to develop a single preferred model and a refined HS2 hub station design. In addition this stage developed a draft funding and financing strategy.
 - 5.13.3. Solutions stage will refine the HS2 hub station design and refine the funding and financing strategy.
- 5.14. This study has progressed in line with Network Rail's procurement programme for HS2 Phase 2a and Crewe hub works. This enables the delivery of the final single preferred station option within the main contracts of works and therefore utilise the same rail possessions and/or blockades. The need to fund and secure additional rail possessions is likely to make the project unviable and would not provide value for money. The project team are negotiating with Network Rail who are establishing a future construction alliance to ensure delivery of the Council's station enhancements.
- 5.15. The funding and financing strategy will outline how the Crewe Hub Station could be delivered and provide the evidence base to secure the required commitments needed from Government as well supporting the business case for the Council to make a capital contribution to the scheme and include this in the council's capital programme.
- 5.16. Continued progression of the project development and supporting planning applications in line with this timetable is needed to ensure that these possessions can continue to be utilised.
- 5.17. Planning applications will be needed for the delivery of the station and access investments that sit outside the operational railway and therefore

approval will be required in sufficient time ahead of the rail possessions and/or blockades. This includes road improvements and a multi-modal routes and facilities around the station.

- 5.18. The work undertaken to date has shown that the delivery of additional investment in the Crewe Railway Station can unlock significant regeneration and commercial opportunities and help to address the current deprivation and productivity challenges faced by the town.
- 5.19. This additional commercial growth will give rise to increased business rates across the area. The ability to locally capture the rates, which would ordinarily flow to central government, can provide a long term revenue source to support upfront investment. An Enterprise Zone, granted to a Local Enterprise Partnership or similar Tax Increment Financing mechanism would enable the growth in business rates to be locally retained for 25-30 years.
- 5.20. The Council and C&W LEP are developing proposals for a similar mechanism for the Crewe area on the basis of Crewe's current economic performance, which, if successful would support investment in the area including any local contribution towards Crewe Railway Station. If Government deliver the enhanced HS2 connectivity sought by the Council's vision then this would give rise to significant additional growth in business rates locally.

6. Area Action Plan

- 6.1. Cheshire East Council's Local Plan recognises that HS2 proposals had a potential transformative impact on Crewe and the local economy and provides for the impact to be accommodated by an Area Action Plan. This will support improvements to Crewe Railway Station and HS2 growth. Therefore the Council is proposing to prepare and adopt an Area Action Plan for the area around the HS2 Hub Station.
- 6.2. An Area Action Plan is a Development Plan Document for a defined area that sits alongside the Council's existing Local Plan. The Area Action Plan would provide an appropriate planning policy framework to support the HS2 related growth and regeneration around the station within the current Local Plan period.
- 6.3. The wider growth impacts of HS2 and the Crewe HS2 Hub Station across the wider borough will need to be addressed through a future review of the Borough wide Local Plan.

7. Implications of the Recommendations

7.1. Legal Implications

- 7.1.1. In resolving to make a Compulsory Purchase Order Scheme the Council would be proceeding under its powers under the Town and Country Planning Act 1990 for the compulsory purchase of land and the rights required.
- 7.1.2. The confirming authority will have no power to authorise compulsory acquisition of the relevant interests of the Crown without agreement.
- 7.1.3. A compulsory purchase order should only be made where there is a compelling case in the public interest which is covered in the body of the report with supporting documents and the land proposed to be acquired must be the minimum considered to be reasonably required to achieve the selected design option.
- 7.1.4. The acquiring authority should provide substantive information as to the sources of funding available for both acquiring the land and implementing the scheme for which the land is required.
- 7.1.5. The acquiring authority will also need to be able to show that the scheme is unlikely to be blocked by any physical or legal impediments to implementation including any need for planning permission or other consent or licence.
- 7.1.6. As the Council is working in partnership with Network Rail for the delivery of the interim enhanced HS2 Hub station it needs to enter into appropriate contractual arrangements with Network Rail. The Council is relying on Regulation 12 (7) of the Public Procurement Regulations 2015 which states that arrangements such as these sit outside the public procurement regime as the contract establishes or implements a co-operation between the participating contracting authorities with the aim of ensuring that the public services they have to perform are provided with a view to achieving objectives they have in common. Network Rail will rely on their framework contracts to procure contractors to deliver the works in accordance with the Utilities Regulations that Network Rail are subject to, therefore there will be an element of competition in tendering the works.
- 7.1.7. It is anticipated that ongoing legal advice will be needed as this scheme is further developed and delivered. The Council's legal team will be supplemented by specialist external legal advisors where required.

7.2. Finance Implications

- 7.2.1. The implications of the recommendations in relation to continuation of the project development work and planning application will draw down allocated funds within the Council's capital budget. The budget for this project is set out in the Council's Medium Term Financial Strategy with specific reference to Chapter 10 (Financial Summary Tables (Revenue)), page 147; and Chapter 11 (Capital Strategy), pages 189 and 191.
- 7.2.2. Following consideration by the Portfolio Holder for Finance and Communications the HS2 Crewe Hub addendum has released funds to cover the project development expenditure for 2019 at which point the Council will be expecting Government approval of the business case and funding and financing strategy.
- 7.2.3. The retrospective and ongoing costs will be capitalised as part of the project and recovered through the agreed funding and financing strategy.
- 7.2.4. At this stage there are still risks that Government could either not proceed with HS2 or Government does not support the business case or not reach an acceptable agreement with the Council. In this case the scheme would not be delivered as proposed and therefore a risk exists that there is no project to capitalise past and any future fees against. In this instance, in recognition the government imposed restrictions on Council capital financing and having to balance annual budgets, the Council would consider a number of options, including any or all of the following strategies, and relative to spending on particular aspects of the scheme to date:
- 7.2.4.1. Develop a revised and self-funded business case to deliver a reduced regeneration and transport access scheme for the area on which to capitalise the costs and deliver a much smaller proportion of economic benefits;
 - 7.2.4.2. Develop no alternative scheme and write-off costs to date but pursue a special dispensation from Government to enable these to be written off within the capital budget and not transferred to revenue and subsequently re-prioritise the Place Capital Programme; or
 - 7.2.4.3. Develop no alternative scheme and write-off costs directly to the revenue account. These costs to be met by significant reprioritising the Place Budget to identify necessary savings and investment opportunities to minimise exposure of Reserves at a future point in time

- 7.2.5. The cost of pursuing the CPO through to implementation is difficult to estimate and will depend upon the success of prior negotiations with landowners.
- 7.2.6. The actual costs incurred for land acquisition/ compensation will be determined through the negotiation and CPO processes and will be subject to processes defined within the Constitution.

7.3. Policy Implications

- 7.3.1. The Local Plan Strategy identifies the need for improvements to Crewe Railway Station to make it a national hub.
- 7.3.2. The Local Plan Strategy does not include any HS2 related growth and therefore does not provide a policy for the ambitions for the wider station area. The Local Plan does however reference that HS2 will have implications on the Local Plan and that there may be a need for an Area Action Plan for the area around the Crewe HS2 hub station.
- 7.3.3. An Area Action Plan is a Development Plan Document and will therefore form a change in planning policy for the area over which it is defined. Once adopted, this will supersede the policy framework for the area in the existing Local Plan Strategy but will not impact the policy framework for the remainder of the borough.

7.4. Equality Implications

- 7.4.1. All public sector acquiring authorities are bound by the Public Sector Equality Duty as set out in section 149 of the Equality Act 2010. In exercising their compulsory purchase and related powers (e.g. powers of entry) these acquiring authorities must have regard to the effect of any differential impacts on groups with protected characteristics.
- 7.4.2. In progressing the Orders and carrying out consultations the Council will take into account the needs of persons with protected characteristics as set out in equalities legislation.

7.5. Human Rights Implications

- 7.5.1. In deciding whether to proceed with compulsory purchase Members will need to consider the Human Rights Act 1998 and Article 1 of the First Protocol and Article 8 to the European Convention on Human Rights.

- 7.5.2. Article 1 protects the rights of everyone to the peaceful enjoyment of their possessions. No person can be deprived of their possessions except in the public interest and subject to national and international law.
- 7.5.3. Article 8 protects private and family life, the home and correspondence. No public authority can interfere with this interest except if it is in accordance with the law and is necessary in the interests of national security, public safety or the economic well-being of the country.
- 7.5.4. Members will need to balance whether the exercise of these powers are compatible with the European Convention on Human Rights. In weighing up the issues it is considered that there is a compelling case in the public interest for the acquisition of land which will bring benefits to the residents and businesses that could not be achieved by agreement and this outweighs the loss that will be suffered by existing landowners. The CPO will follow existing legislative procedures.
- 7.5.5. All parties have the right to object to the CPO and attend a public inquiry arranged by the Secretary of State. Parties not included in the CPO may be afforded that right if the inquiry inspector agrees. The decision of the Secretary of State can be challenged in the High Court, an independent tribunal. Those whose land is acquired will receive compensation based on the Land Compensation Code and should the quantum of compensation be in dispute the matter can be referred to the Upper Tribunal (Lands Chamber) for independent and impartial adjudication.
- 7.5.6. The Courts have held that this framework complies with the Convention on Human Rights. Accordingly, a decision to proceed with the recommendation on the basis that there is a compelling case in the public interest would be compatible with the Human Rights Act 1998.

7.6. Human Resources Implications

- 7.6.1. It shall be necessary to ensure that sufficient resource is allocated in Assets, Highways, Legal, Finance and Planning Services to support the delivery of the scheme. If additional temporary resources are required these will be met from the project budget.

7.7. Risk Management Implications

- 7.7.1. Project development work will be funded at risk until a business case and funding and financing package is agreed with Government. If these are not agreed the Council could be required to capitalise a proportion of the costs to date.
- 7.7.2. The Council is seeking an agreement of a Treasury compliant business case with Government by the end of 2019 with key commitments to the rail infrastructure solution within 2019. Completion of the evidence base and business case would enable the Council to enter into meaningful negotiations with Government to agree a business case deal.
- 7.7.3. There is a risk that the Government fail to deliver any of the key rail components of the Crewe Hub Station including:
 - 7.7.3.1. a rail infrastructure solution at Crewe that is capable of accommodating 5/7 stopping HS2 trains per hour; and
 - 7.7.3.2. a new HS2/WCML northern junction to be funded and delivered as part of HS2 Phase 2b
 - 7.7.3.3. direct high speed services to London, Manchester and Birmingham
- 7.7.4. The Council is working collaboratively with the Department for Transport, the Ministry of Housing, Communities and Local Government, Network Rail and HS2 Ltd to realise this vision and the Council continues to highlight the importance of these commitments to be made.
- 7.7.5. There is a risk that there is no agreed funding and financing package for the station and as a result a sub-optimal station is delivered.
- 7.7.6. The Council, in partnership with C&W LEP, is seeking to develop the case for an Enterprise Zone of Tax Increment Financing mechanism for Crewe, regardless of HS2. If this were successful, it would enable capital investment in and around Crewe Railway Station area and allow the project development costs incurred to date to be supported by new assets. Equally, some of the schemes identified through the work to date have merit and alternative funding mechanisms would be sought to deliver them as part of an investment programme for Crewe which again would enable project development costs to date to be capitalised against an asset.

- 7.7.7. The continuation of this work and completion of the compliant business case in line with Network Rail's HS2 programme will support the case for additional investment in the Crewe hub station.

7.8. Rural Communities Implications

- 7.8.1. The planning application will provide a comprehensive Environmental Assessment which will take into account the effect on the rural community. This assessment will include impacts such as noise, air quality, visual impact plus the schemes effects of Public Rights of Way and Non-motorised users i.e. pedestrians, cyclists and equestrians.

7.9. Implications for Children & Young People /Cared for Children

- 7.9.1. No specific implications have been identified at this stage. Opportunities to engage with local schools will be considered as the scheme progresses. The means by which young people can be encouraged to participate in the consultation process will be considered as part of a Consultation & Engagement Plan.

7.10. Public Health Implications

- 7.10.1. Issues associated with noise and air quality will be assessed as part of the programme of works associated with preparing an Environmental Assessment to accompany the planning application.
- 7.10.2. The development of an Area Action Plan will support the Council's Quality of Place ambitions. By delivering good quality developments supported by new public realm and enhanced green infrastructure it is expected that the scheme will deliver indirect public health benefits to local communities and visitors.

8. Ward Members Affected

- 8.1. All Wards, All Ward Members.

9. Consultation & Engagement

- 9.1. Stakeholder engagement has taken place with local Ward Members, Crewe Town Council and the local business community. A full public consultation on a draft Area Action Plan will be undertaken in accordance with statutory procedures.

10. Access to Information

- 10.1. The background papers relating to this report can be inspected by contacting the report writer.

11. Contact Information

- 11.1. Any questions relating to this report should be directed to the following officer:

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