

**Full Council**

**13 December 2023**

**HS2 Cancellation and Network North –  
Implications for Cheshire East**

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**Report of: Peter Skates, Executive Director of Place**

**Report Reference No: C/12/23-24**

**Ward(s) Affected: All Wards**

**Purpose of Report**

- 1 This report outlines the implications to Cheshire East from the recent cancellation of HS2 Phases 2a and 2b, and the proposals included in the published Network North document, which commits to invest £36bn in alternative transport schemes across the country and recommends that Council withdraws its continued support for HS2.
- 2 The report outlines the steps the Council has taken since the HS2 cancellation and Network North publication. It seeks Council approvals to negotiate with central government to seek an appropriate financial package to compensate for the Council's losses and recover the growth and levelling up benefits that HS2 phases 2a and 2b would have unlocked for the borough.

**Executive Summary**

- 3 The Council has long been a supporter of HS2. The proposed high speed rail line would have not only provided much needed capacity on the West Coast Main Line but been a catalyst for regeneration, growth and levelling up across the North, including for Crewe and Macclesfield in Cheshire East.

- 4 However, this support was predicated on two conditions:
  - (a) The delivery of a Crewe hub station, capable of serving up to 5-7 HS2 trains per hour, calling at the station, with direct high-speed services to London, Birmingham and Manchester.
  - (b) Securing appropriate mitigation and compensation against the negative impacts of the scheme across the Borough.
- 5 At the Conservative Party Conference on 04 October 2023, the Prime Minister announced that Government was cancelling the HS2 scheme north of Birmingham. This includes the cancellation of both phases 2a and 2b which would have passed through Cheshire East and enabled up to 5-7 HS2 trains per hour calling at Crewe station.
- 6 Cheshire East was set to be beneficiary of HS2 with up to 5/7 HS2 trains per hour proposed to call at Crewe station and an hourly HS2 service to London from Macclesfield. HS2 would have been a catalyst for growth and regeneration in these towns and the wider borough. For Crewe alone, HS2 was set to unlock:
  - (a) 4,400 new homes;
  - (b) 5,000 new jobs; and
  - (c) An additional £750M p.a of additional GVA to the local economy
- 7 The Prime Minister also announced that Government will reinvest every single penny, £36 billion in hundreds of new transport projects in the north and the midlands, across the country. He also announced that every region outside of London will receive the same or more government investment than they would have done under HS2, with quicker results.
- 8 Following the speech, on 04 October 2023, Government published the Network North: Transforming British Transport document, described as “a new, £36 billion plan to improve our country’s transport”.
- 9 The document set out proposals for how the HS2 funding would be instead spent on road, rail and bus projects and initiatives across the Country. This included £19.8 billion pound to be reinvested in projects across the North. Investments that could impact Cheshire East include:
  - (a) a brand new £2.5 billion fund to transform local transport in 14 rural counties, smaller cities and towns in every part of the North outside the big city regions: everywhere from Cumbria to North Yorkshire, Cheshire to Lincolnshire, and Hull to Lancashire.

- (b) over £700 million to fund a new wave of Bus Service Improvement Plans in the North.
  - (c) an additional £3.3 billion to tackle potholes as part of an unprecedented new nationwide road resurfacing scheme.
  - (d) £12 billion investment to deliver Northern Powerhouse Rail between Manchester and Liverpool which is expected to include significant infrastructure in the north of the borough,
- 10 The plan includes no specific mention of investment in Cheshire East or Crewe, or recognition of the direct and devastating impacts for the town and borough caused by the decision to cancel HS2. However, Government has since announced that the Network North published plan was illustrative.
- 11 The Council is seeking a fair and equitable deal to compensate for the losses to the Council and the opportunity cost to the borough of the decision to cancel HS2 phases 2a and 2b and replace these with Network North.

## RECOMMENDATIONS

The Council is recommended to:

1. Note the implications of the HS2 cancellation and introduction of Network North for Cheshire East.
2. Continue to support the principles of HS2 as a catalyst for growth across the North.
3. Authorise the Executive Director of Place, in consultation with the HS2 Member Reference Group, to negotiate with central government for an appropriate compensation and alternative investment package for Cheshire East to deliver transport improvements and unlock regeneration across the Borough.
4. Approve the amendments to the remit and membership of the HS2 Member Reference Group proposed in this report.

## Background

- 12 Cheshire East was directly impacted by two phases of the planned HS2 scheme.
- (a) Phase 2a was the section between Birmingham and Crewe and enabled direct HS2 trains between Crewe and London and an

hourly HS2 service from Macclesfield to London, via Stoke-on-Trent and Stafford. This section received Royal Assent in February 2021.

- (b) Phase 2b was the section between Crewe and Manchester and included the Crewe Northern Connection, a vital junction connecting HS2 to the West Coast Main Line north of Crewe, enabling up to 5-7 HS2 trains per hour to call at Crewe Station. The hybrid bill for this section was deposited in January 2022 and is currently sitting in Parliament.
- 13 HS2 would have provided a step-change in connectivity at Crewe and a catalyst for growth and regeneration for the towns of Crewe and Macclesfield, the borough and the wider sub-region.
  - 14 The Council has invested significant resource, over several years, in planning for the arrival of HS2 and to ensure that the full benefits of this once in a lifetime investment can be unlocked for Crewe, Macclesfield and the wider borough. The Council has incurred over £8M in direct capital costs in planning for HS2 and the Crewe hub.
  - 15 In addition, the Council and its communities has spent time and expense in responding to the scheme proposals through consultation responses, engagement with HS2 Ltd and most recently petitioning the Bill. The Council has incurred over £2M in supporting the HS2 proposals and the consultation and hybrid bill processes.
  - 16 The cancellation of HS2 north of Birmingham by the Prime Minister on 04 October 2023, and the publication of Network North to replace it, is a major setback to the Council, to Crewe and Macclesfield and to the wider communities and business that were set to benefit from HS2 services to Crewe and Macclesfield.
  - 17 HS2 will now only be constructed between London and Birmingham. At the point of writing, it is not known what this means for services at Crewe, Wilmslow or Macclesfield or how Government now proposes to address the capacity constraints on the West Coast Main Line.
  - 18 The Network North documents states that Government will be removing the safeguarding for HS2 Phase 2a within weeks and the HS2 Phase 2b safeguarding of the land not required to deliver Northern Powerhouse Rail will be delivered by the Summer of 2024.
  - 19 The Council does not support the removal of the safeguarding for Phase 2a and 2b, and the reported 'fire sale' of land, ahead of a commitment to an alternative solution to address the capacity constraints on the West Coast Main Line.

- 20 This would have serious consequences on the ability to deliver these vital and overdue improvements in the future. This will constrain the growth potential across the borough, the North West and the UK for generations to come.
- 21 The published Network North document does not provide an appropriate alternative to HS2 for the borough. It fails to mention Crewe or Cheshire East and provides no tangible investment in the area to provide any compensation for the devastating consequences resulting from the cancellation of HS2 and no viable alternative proposed.
- 22 The only mention of investment for Cheshire East in the Network North document is a share new £2.5 billion fund to transform local transport in 14 rural counties, smaller cities and towns in every part of the North outside the big city regions. There have been no further details of how this fund will be distributed across the 14 areas and over what period and this is unlikely to come close to compensating for the lost economic opportunity of HS2 to the borough.
- 23 A number of media reports since the announcement have stated that Crewe is the biggest loser from the cancellation of HS2 and its replacement with Network North. The plans to remove the safeguarding for Phase 2a and 2b are likely to mean this loss is irrecoverable for many years, if not decades.
- 24 The announcement undermines the Council's well-developed plans, programmes and projects that have been built around HS2 and the HS2 scheme and the Government's prior promises and commitments. These plans were designed to complement HS2 and the Crewe hub to unlock thousands of new homes and new jobs in Crewe alone.
- 25 Without fair compensation and commitment to deliver a package of alternative transport and regeneration projects across the borough, these plans are unlikely to be deliverable and much of the work will therefore be abortive.
- 26 Government has since announced that the Network North document is only illustrative, and it is understood that there is an opportunity to seek to negotiate a fair and equitable deal for Cheshire East.
- 27 The Council has written to Government Ministers to state its deep disappointment of the cancellation of HS2 and to seek to negotiate and secure an appropriate and adequate compensation and investment package for Cheshire East.
- 28 To enable any negotiations with Government to remain agile and responsive, the continuation of the HS2 Member Reference Group which was established to support the HS2 Phase 2b petition

negotiations, would be beneficial to provide officers with an opportunity to seek cross-party political support and feedback throughout the negotiation process with members reporting back to the individual political groups as required.

### HS2 Member Reference Group

- 29 The HS2 Member Reference Group was established following the Council's decision to petition against the HS2 Phase 2b hybrid bill in February 2022.
- 30 The HS2 Member Reference Group was comprised the following Members:
- (a) Cllr Sam Corcoran
  - (b) Cllr Craig Browne (Chair)
  - (c) Cllr Kate Hague
  - (d) Cllr Laura Crane
  - (e) Cllr Janet Clowes
  - (f) Cllr Rod Fletcher
- 31 The HS2 Member Reference Group acted as a sounding board in the preparation and progression of the Council's petition and through the negotiations that enabled the Council to eventually withdraw its petition.
- 32 It enabled the petition and negotiations to be undertaken at the required pace and agility that was necessary to seek an appropriate outcome for Cheshire East.
- 33 Any negotiations with Government with regards to HS2 compensation and Network North are likely to need to progress at a similar pace. Therefore

### **Consultation and Engagement**

- 34 Government did not consult or engage with the Council ahead of the decision to cancel HS2 or on the development of Network North. This is despite the Council writing an open letter to the Prime Minister requesting a discussion ahead of any decision made.
- 35 Consequently, there has been no opportunity for the Council to undertake any engagement.
- 36 The timeline any negotiations with Government, should they agree to them, is not known. Consequently, it is proposed to retain the HS2

Member Reference Group to provide an agile, dynamic and timely vehicle to seek political steers, support and endorsements during any negotiations with Government regarding HS2, Network North and any compensation and investment package.

- 37 Moving forward, the HS2 Member Reference Group would provide an agile and effective vehicle to engage with representatives from each political group within the Council to gain political input and steers throughout any negotiations moving forward to enable the Council to react at the pace that will be required.

### **Reasons for Recommendations**

- 38 The cancellation of HS2 north of Birmingham on 04 October 2023, is a devastating blow to Cheshire East and its ambitious regeneration plans for Crewe and Macclesfield.
- 39 HS2 was integral to the Council's Corporate Plan and its green vision to be a thriving and sustainable place. Many of the actions and priorities are built around maximising the opportunities of HS2 for the benefit of Cheshire East residents and businesses.
- 40 The Council has invested significant resources in preparing for HS2, making our key towns HS2 ready and to secure critical mitigations and interventions to minimise the negative impacts the scheme and its construction would have had on the borough.
- 41 The Council does not believe that Government's alternative proposals for transport investment, Network North, are adequate to mitigate and manage the devastating impacts the cancellation of HS2 will have on the north, particularly for Cheshire East.
- 42 There has not been any consultation with local areas by Government on these plans. Therefore, the current Network North proposals don't support the delivery of well-developed plans for areas, such as Crewe.
- 43 Government has since stated that the Network North proposals are illustrative. Therefore, the Council should pursue a better outcome for Cheshire East to recover some of the growth and regeneration opportunities that HS2 would have unlocked. Otherwise, the extensive and valuable work undertaken to date to support HS2 and the Crewe Hub, will be abortive.

### **Other Options Considered**

- 44 There are two options available to the Council in response to Government's announcement to cancel HS2 north of Birmingham and replace it with Network North. These are appraised in Table 1

- (a) Option 1: Do nothing. Here the Council would effectively be accepting the decision.
- (b) Option 2: Pursue a fair and equitable deal for Cheshire East.

**Table 1.**

<b>Option</b>	<b>Impact</b>	<b>Risk</b>
Do nothing	<p>The growth, regeneration and levelling up opportunities of HS2 for the Borough are not realised.</p> <p>The work undertaken by the Council that has been built around the Crewe hub proposals will be abortive and the Council will be required to expense the capital costs.</p>	<p>The Council may be perceived to be supporting the decision.</p> <p>Crewe and Macclesfield will lose out at the expense of other locations, outside of Cheshire East, who are benefitting from Network North.</p> <p>The viability of wider regeneration plans for Crewe and Macclesfield may be negatively impacted.</p> <p>The costs that the Council may be required to be expensed.</p>
Pursue a fair and equitable deal for Cheshire East.	<p>The Council will remain true to its longstanding position on HS2 as a catalyst for growth and regeneration across the Borough.</p> <p>The Council has the opportunity to secure appropriate</p>	The Council may not be successful in securing a fair and equitable deal for Cheshire East and the do-nothing risks may materialise.



	<p>compensation to reduce / mitigate the impacts of expensing the HS2 capital costs to date.</p> <p>The Council has the opportunity to secure a better outcome for the Borough and mitigate the social, economic and financial impacts of the cancellation of HS2 for the borough, its residents and businesses.</p>	
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## Implications and Comments

### *Monitoring Officer/Legal*

- 45 There are no direct legal implications of this report. However, the Council's legal team will be engaged throughout the negotiations and specialist external legal advice will be sought where necessary.

### *Section 151 Officer/Finance*

- 46 The Council has spent over £11M in preparing for HS2 and the Crewe Hub. This includes £8.6M in the capital programme, funded by prudential borrowing and £2.6M of direct revenue expenditure.
- 47 Without critical commitments to HS2 and the Crewe Hub, under local government accountancy regulations, the Council will be required to write of this expenditure. This would include expensing the £8.6M of capital costs through the Council's revenue account.
- 48 The abortive costs are material in relation the Councils forecast levels of reserves. The requirement to fund this expenditure from revenue could therefore trigger a s.114 notice as the Council could be placed in a position where there are insufficient funds, and inadequate reserves, to manage in-year expenditure.

- 49 Critical to the negotiations with Government is the need for appropriate and sufficient financial compensation and/or flexibilities to mitigate the direct financial impacts to the Council of the decision to cancel HS2.

### *Policy*

- 50 The Council's Corporate Plan Strategy was developed around Government's plans, commitments and promises of HS2 within Cheshire East.
- 51 HS2 was considered a key opportunity for Cheshire East within its Corporate Plan and as act as a catalyst for sustainable and inclusive growth across the whole borough.
- 52 HS2, and the work undertaken by the Council in response to it, directly supported the following 'A thriving and sustainable place' priorities:
- (a) A transport network that is safe and promotes active travel.
  - (b) Thriving urban and rural economies with opportunities for all.
  - (c) A great place for people to live, work and visit.
  - (d) To reduce the impact on our environment
- 53 The Prime Minister's announcement to cancel HS2 phases 2a and 2b means that Cheshire East will no longer receive HS2 services and therefore there will be no catalyst to support these Corporate Plan priorities.
- 54 With appropriate investment in alternative transport and regeneration interventions within Cheshire East via Network North these Corporate Plan priorities could still be supported and many of the benefits could still be realised. However, the current published plans for Network North fail to provide any investment in the borough.
- 55 The recommendations within this report seek a fair and equitable deal from Government to compensate and mitigate the impact of the decision on the borough.
- 56 If approved, the Council will be seeking to agree a package that support the same priorities in the Corporate Plan that HS2 would have supported.

### *Equality, Diversity and Inclusion*

- 57 The recommendations in this report have no immediate or direct equality, diversity, or inclusion implications.

### *Human Resources*

58 The recommendations in this report have no immediate human resources implications.

### *Risk Management*

59 The Council may not be successful in securing appropriate compensation to cover the financial costs incurred in preparing for HS2 and the capital costs may need to expense the capital costs spent to date which the Council could not afford to do. However, the other option is for the Council to do nothing and therefore remove the opportunity to seek appropriate compensation or financial flexibilities.

### *Rural Communities*

60 The recommendations in this report have no immediate implications to the Borough's rural communities.

### *Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)*

61 The recommendations in this report have no immediate implications on Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

### *Public Health*

62 *The recommendations in this report have no immediate public health implications.*

### *Climate Change*

63 The recommendations in this report have no direct or immediate implications for climate change. However, it is hoped that any compensation and alternative investment package the Council is able to secure would overall, help the Council to reduce its carbon footprint and achieve environmental sustainability by supporting journeys via more sustainable modes, reducing energy consumption and promoting healthy lifestyles.

<b>Access to Information</b>	
Contact Officer:	Hayley Kirkham HS2 Programme Director

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Appendices:	There are no appendices to this report
Background Papers:	Network North - <a href="http://www.gov.uk">Network North - GOV.UK (www.gov.uk)</a>  High Speed Rail (Crewe – Manchester) Bill Petition, Full Council Report, February 2022 - <a href="http://cheshireeast.gov.uk">Report Template v5.1 (cheshireeast.gov.uk)</a>