

Appendix 4: Crewe Hub Funding and Financing Principles

Background

Cheshire East Council (the Council) and Cheshire and Warrington Local Enterprise Partnership (the LEP) have led a strong campaign to see Crewe and Cheshire East benefit from Government's proposed investment in high speed rail (HS2). As a result of the strong regeneration, economic and transport case championed by the Council and the LEP, Government changed the proposed route of the western leg of Phase 2 of the scheme to Manchester with it now serving Crewe railway station with services commencing from 2027, 6 years earlier than the remainder of Phase 2.

The arrival of HS2 to Crewe together with an enhanced HS2 service solution of 5/7 HS2 trains per hour and investment in Crewe Railway station can be a catalyst to unlock significant regeneration, transport, economic, environmental and social benefits to Crewe and the wider borough.

Over the past 5 years, the Council has developed a long term vision for the town which seeks to maximise the regeneration potential for the area to capitalise on the once in a lifetime opportunity that HS2 affords to the town and the wider area and the key moves that are required to enable it which are identified in the Crewe HS2 Hub Framework and Masterplan Scenario Report.

In the Department for Transport's response to the Crewe Hub Consultation (March 2018) the then Secretary of State for Transport, confirmed the Government's support for the Crewe Hub vision but also stated that delivering it would require local and national government working together, and a local funding contribution .

The Crewe Hub Regeneration and Investment Package aims to maximise the opportunity that HS2's arrival affords, through transformational investment in Crewe station necessary to provide an attractive environment for passengers, permeability across the rail corridor, and act as a gateway to a revitalised Crewe and seeking to capture a proportion of the long term revenues that arise as a result of this investment in order to fund the investment itself.

Crewe Hub objectives

There are four primary objectives of the Crewe Hub scheme:

1. To ensure that the station has adequate capacity for 2043 with 5/7 HS2 trains per hour, each way
2. To enhance the passenger experience at Crewe Station
3. To unlock the growth and regeneration potential of the sub-region
4. To integrate the station with the town and the surrounding transport network

The scheme

The project development work led by the Council has identified the following critical components of the initial Crewe hub scheme necessary to support the above objectives and enable the delivery of the vision.

1. Station Upgrades:
 - a. Relocation of the main station entrance to Weston Road including a new multi-modal transport interchange;
 - b. Delivery of a new central transfer deck and roof canopy section extending across all platforms from the new Weston Road entrance;
 - c. Enhancements to Nantwich Road entrance including the provision of new dedicated cycle and pedestrian decks to better link to the town centre
2. Consolidation of station car parking through the delivery of new multi-storey car parks to meet car parking demand
3. Enabling and public realm works to facilitate new Crewe hub commercial district
4. Local highway and junction improvements including a new Southern Link Road Bridge
5. Regeneration of the station area to support the Crewe Hub Area Action Plan

Value created by the scheme

Through the above interventions, financial value will be created in a number of forms. A fair and balanced funding package would seek to capture these forms such that the investment is ultimately funded from the value it creates. The mechanisms and flexibilities required to enable this could be permitted via a new agreement between local and central government.

Value created for the Railway

The proposed upgrades to Crewe station will support future passenger demand, with vital investment related to the station configuration (to enable it to support the new HS2 service), transfer deck (to improve permeability across the rail corridor), station roof, eastern entrance, as well as in the immediate surrounding infrastructure.

The two primary forms of financial value that will be created for the Railway are:

1. Incremental farebox revenues

The proposed station upgrades will resolve existing limitations, improve passenger flows and capacity, and provide solutions to meet future growth demands at the station. It will reduce conflicts outside the station and internally will make the station and platforms safe, secure and accessible. A much improved passenger environment will offer enhanced amenities and wayfinding in and around the station.

In combination with the new commercial district to the east of the station, these improvements are anticipated to generate significant additional passenger demand which in turn will generate additional farebox revenues for the railway.

2. Asset liability savings

Parts of Crewe station date back to the 19th century. Indeed, Network Rail's annual Long Term Charge (LTC) to cover the efficient maintenance, repair and renewal of Crewe station was £1.4m in FY19 – the highest of all franchised stations in the UK. The substantial upgrades envisioned within the Crewe Station Investment Package is expected to result in significant future savings to the cost of maintaining, repairing and renewing existing platform canopies, station buildings, footbridges and facilities.

These future increases in revenues, or cost savings, are relevant as they represent potential sources of funding for the station investment itself.

Value created from station car parking

A consolidated and enhanced provision of station car parking will generate net operating revenues which, if surplus to that required to recoup the upfront costs of constructing the multi-storey car parks themselves, could be redirected towards funding other components of the scheme's investment package.

Value created within the Masterplan/commercial district

The emerging Crewe Area Action Plan demonstrates the commercial potential of the area around the Crewe hub station; unlocked by the station upgrades and wider scheme interventions. A significant amount of this is expected to be commercial in nature (office, retail or hotel) and will therefore be associated with increased economic output via more jobs and higher productivity. This will likely result in increased local taxation (business rates) and general taxation (to the Exchequer).

The regeneration of the area that will come about with the place-making investment, the new development this catalyses, together with the much improved connectivity resulting from the arrival of HS2, will likely result in a significant uplift in commercial and residential values. This should translate into developer gains, and higher property taxes such as business rates.

Value created at satellite sites within the Crewe Growth Corridor

The new development occurring in the masterplan refers to the new commercial hub within the immediate area surrounding Crewe station. However, the investment in the Crewe Hub Regeneration and Investment Package will have far reaching positive impacts on connectivity and amenity throughout a wider geography and notably within a proposed growth corridor.

Four 'satellite sites' in the Cheshire East and Cheshire West & Chester local authority areas have been identified by CBRE as potential high value manufacturing campuses and where development would be stimulated by the Crewe hub scheme. These include Basford East, Winsford Industrial Estate, New Farm and Midpoint 18. While these sites require additional enabling costs and some development could occur without wider intervention, their potential size and value are catalysed by the Crewe Hub investment, which will in turn lift commercial and residential values at the different sites. This would translate into developer gains, and higher property taxes such as business rates.

The uplift in business rate revenues represent potential sources of funding for all of the interventions including the station itself.

Capturing the value created

There are various mechanisms that could be implemented and allow for the Council to capture a proportion of the value created as a result of the interventions delivered. This in turn would provide new revenue sources that would ultimately fund any local contribution towards the scheme.

Net car parking revenues

The rationalisation and consolidation of car parking around Crewe station through the delivery of new multi-storey car parks and the implementation of a local parking strategy could generate net car parking revenues. If control of station car parking at Crewe were to be removed from the West Coast Franchise and transferred to the Council this could provide a positive net income that could be used as a funding source to help to fund any local contribution towards the other interventions.

Retained business rates

Tax incremental financing (TIF) / business rates retention provides a way of allowing local authorities to fund key regeneration and economic growth projects. In a TIF arrangement, the local authority borrows money against the increase in locally-collected business rates/taxes anticipated by the new development being created as a result of the initial interventions delivered.

Allowing the LEP to retain 100% of the growth in business rates above a baseline for the commercial district area, as well within the four identified satellite sites in the growth corridor, would provide a new revenue stream for a defined number of years which could be captured to contribute towards the cost of the Crewe Hub scheme investments.

Community Infrastructure Levy

The Council could capture direct developer contributions from the new development coming forward via a land value capture regime, such as Community Infrastructure Levy (CIL). However, this regime would need to be balanced around viability issues of sites around the station.

Key commitments required

The ability for the Council to capture a proportion of the value created through net car parking revenues and business rate retention is dependent on securing the following commitments, agreements and decisions.

Net car parking revenues

The ability to capture this revenue stream requires an agreement from the Department for Transport and the West Coast Franchise operator (Avanti West Coast) to remove car parking at Crewe station (located on Weston Road and Pedley Street) from the West Coast Franchise at an agreed date with Cheshire East Council. In return the Council would construct and operate new and enhanced multi-storey car parking facilities to meet existing and future HS2 passenger demand and retain 100% of future car parking receipts within these facilities.

Retained business rates

In order for the growth in business rates across the commercial district and satellite sites to be captured locally a new Tax Increment Financing (TIF) mechanism between the LEP and Government will need to be agreed. In return for retaining 100% of the growth in business rate revenues over a defined boundary and for a fixed period the LEP and its local authority partners would actively invest in infrastructure and development in the area, including a local contribution towards the Crewe hub scheme, by borrowing against future business rate income. The Cheshire Science Corridor Enterprise Zone is a form of TIF mechanism.