

Cherwell District Council

Council

21 October 2013

East West Rail Local Contribution

Report of the Director of Development

Purpose of report

For Council to agree the level of local contribution to be made towards the construction of East West Rail.

1.0 Recommendations

The meeting is recommended:

- 1.1 To support the recommendation of Executive that this Council approves a local contribution of £4.353m towards the delivery of East West Rail.

2.0 Introduction

- 2.1 It has been a long held ambition of the local authorities along the former Oxford to Cambridge rail route to see this line re-opened for passenger traffic. The scheme to promote this is known as East West Rail (EWR). A consortium was formed, of which Cherwell was a founding member, committed to promoting and facilitating economic growth, prosperity and jobs, all of which would result as a consequence of re-opening the line.
- 2.2 It was recognised for practical reasons that the complete re-opening of the line would have to be undertaken in a number of stages and to that end a business case for the Western section of the route was produced in July 2010. This is considered to be the most straightforward section to deliver as the entire track bed is still in place and parts of the route are still in use, albeit reduced to single line working and low operating speeds. The Chiltern Railways Evergreen 3 project was also seen as complementary to EWR, indeed assisting with the delivery of the scheme.
- 2.3 The business case clearly showed that the proposed scheme delivered very strong appraisal and overall performance, generating very attractive Benefit Cost Ratios in excess of 4:1. This was later refined after further work to in excess of 6:1. This is exceptional for rail schemes and significantly exceeds the DfT's current "good" value for money Benefit Cost Ratio threshold of 2:1.

- 2.4 As a result of this the consortium produced a complete outline design and technical specification for the new and upgraded railway infrastructure, a prospectus which was distributed in November 2011 and further gained support for the project from a wide range of partners, including across Westminster.

3.0 Report Details

- 3.1 In the autumn statement of 2011, the Chancellor announced that the Government was committed to developing the new East West Rail link between Oxford, Bicester, Aylesbury, Milton Keynes and Bedford subject to two conditions: a satisfactory business case and a satisfactory local contribution to the cost of the project ultimately set at £50m.
- 3.2 The first condition had already been satisfied with the earlier completion of the Business case, and the second was addressed by way of a letter sent in April 2012 expressing a joint commitment in principle from the consortium members.
- 3.3 This commitment was critical to securing the announcement in July 2012 that the East West Rail project would be included within the High Level Output Specification (the Governments rail funding mechanism) for the five year period 2014-19. As part of this announcement the project was significantly upgraded to include electrification. This increased the costs substantially, but it was agreed that these additional costs would still be met by central Government. This meant that the project cost increased from around £270m to approximately £500m, but the contribution to be found locally of £50m remained unchanged. So this represented significantly better value than the original offer – a potential 18.5% contribution reduced to 10% whilst the potential economic development gains from electrification was also potentially increased.
- 3.4 The initial commitment was to use best efforts to secure a local contribution towards East West Rail of £30m and reasonable efforts to secure at least a further £20m. Although this was the initial approach, as time has gone by the amount required has “firmed up” at £50m. It would be possible to reduce the financial contribution with a contribution of ‘in-kind’ works. These could relate to physical works such as the design and construction of a bridge, but this is obviously more relevant to the County or Unitary Councils involved in the consortium.
- 3.5 Work has been undertaken to determine the required level of contribution from each member of the consortium, and it was felt for this to be most equitable that a calculation based upon population figures would be used. Outlined below therefore are the respective contributions sought from each Authority.

Authority	£Millions
Aylesbury Vale	5.36
Buckinghamshire County Council	10.16

Milton Keynes	7.65
Bedford Borough	2.6
Central Bedfordshire	4.2
Cherwell	4.35
Oxford City	4.63
Oxfordshire County Council	11.06

- 3.6 DfT would be looking for a single agreement with the Consortium rather than with individual authorities. Bucks County Council have offered to take the lead in holding that agreement with DfT. However, they would require back to back agreements with the other local authorities so that they would not bear the risk for the full sum if any authority defaulted from payment at any stage.
- 3.7 To that end Bucks County Council has drawn up a draft legal agreement along these lines, the wording of which will be agreed with all of the contributing local authorities. The aim would be to sign this in October 2013 at the same time as the Office of the Rail Regulator signs the agreement that will allow Network Rail to borrow the remainder of the amount required to fund the construction of the western section.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The EWR project will lead to the restoration of a strategic transport corridor of national significance. With it will come significantly improved access, which will link those centres of economic activity and remove a key barrier to realizing the ambition to secure the economic and growth potential for the Bicester area.
- 4.2 The Council's contribution will help to secure the £500m investment identified through the HLOS process as agreeing to pay the local contribution is a pre-condition for its release.

5.0 Consultation

- 5.1 The Leader of the Council is a member of the East West Rail Strategic Delivery Board and as such has been involved in this project as it has evolved.
- 5.2 The Executive Committee has considered this item and recommended that the Council support the proposed contribution

6.0 Alternative Options and Reasons for Rejection

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: To proceed with the Policy as recommended in this report, this is the preferred option and supported by the information in the report.

Option 2: Council could refuse to recommend making any level of contribution towards delivering EWR. This is not recommended as this could significantly increase the risk of the whole project not progressing.

Option 3: Council could agree to recommend a lesser amount. This is not recommended as the balance would have to be found by the other partners which could increase the risk of the project not progressing and would also damage the Council's position within the consortium.

7.0 Implications

Financial and Resource Implications

- 7.1 The financial implications are as set out above with Cherwell being asked to contribute £4.35m. It has been agreed that this can be paid over a 15 year period, and therefore it would be possible to profile expenditure equally over that period of time, however this amount will be indexed linked, and therefore if this profile is adopted, the amount paid will be greater, but it does allow for some flexibility should it be needed. If approved, this amount will be incorporated into the Capital Programme of the Council.

Comments checked by:

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Legal Implications

- 7.2 The Council has the power to make the recommended contribution under its general power of competence under section 1 of the Localism Act 2011. A draft consortium funding agreement has been received and is being considered.

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Risks

- 7.3 The risks associated with this are numerous and complex, but in particular they are:

A failure to contribute could put at risk the £500m central funding allocated to this project and ultimately its delivery. This would have the effect of seriously damaging the investment that will come off the back of a step change in the level of accessibility.

The Council would suffer considerable reputational damage not only with the business community, but also with its consortium partners and central government.

Comments checked by:
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8.0 Decision Information

Links to Corporate Plan and Policy Framework

This explicitly supports the Councils priority of being a District of Opportunity.

Lead Councillor

Councillor Barry Wood, Leader of the Council

Document Information

Appendix No	Title
None	
Background Papers	
East West Rail – Western Section Prospectus East West Rail GRIP4 Outline Business Case	
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