

## **CABINET - 15 OCTOBER 2013**

### **East West Rail Local Contributions**

**Report by the Deputy Director of Environment & Economy**

#### **Purpose of the Report**

1. East West Rail is a major project to establish a strategic railway connecting Oxford with Central, Southern and Western England. The project is being promoted by the East West Rail Consortium – a group of local authorities and business partnerships with an interest in improving access to and from East Anglia, Milton Keynes South Midlands and the Oxfordshire knowledge economy growth areas. The Consortium is required to secure local contributions towards the scheme of £50m and this report details the proposed agreement and payment profile for Oxfordshire County Council to make a contribution of £11m.

#### **Overview**

2. East West Rail is an infrastructure project that has both national importance and strategic significance for the Oxfordshire economy. The step change in connectivity that the scheme provides between Oxford, Bicester and onward to Milton Keynes and Bedford makes it a priority for delivery within the City Deal proposal.
3. The improved service between Oxford and Bicester will be a major step forward in realising the ambition of at least 4 trains per hour between Didcot (Science Vale), Culham, Oxford, Water Eaton (Oxford Parkway) and Bicester: a level of service that forms a core component of the Oxford Science Transit proposal within the City Deal.
4. The strategic significance of the scheme is recognised by local authorities across Oxfordshire through its inclusion in the Local Investment Plan approved by the Spatial Planning & Infrastructure Partnership. The County Council, Oxford City and Cherwell District are members of the East West Rail Consortium, the local authority partnership which is championing of the scheme helped secure Government support for its delivery.
5. A Joint Delivery Board has been established to oversee the delivery of the project, with membership drawn from the East West Rail Consortium as well as the DfT and Network Rail. The Deputy Leader of the County Council is the Vice-Chairman of the Joint Delivery Board.

## **The Economic Case**

6. The economic business case for East West Rail was established in a report by Oxford Economics in 2011 that had been commissioned by the Consortium. This was an important factor for Government when deciding to invest in the proposal. The Economic Impact report set out how the scheme will deliver a £38m of annual GDP uplift, with the impact in Oxfordshire likely to be in the order of £15m GDP per annum. The project as a whole is predicted to create up to 12,000 new private sector jobs, helping rebalancing the local economy across the Consortium area.
7. For businesses and employers across Oxfordshire, East West Rail will create opportunities to widen access to labour markets and skills, as well as improving access to customers and markets. Together this will encourage businesses to make their investment in Oxfordshire.
8. In short, East West Rail:
  - Reinforces Oxfordshire position at the heart of the national rail network
  - Establishes new routes connecting Oxfordshire to regional economic growth centres – i.e. Milton Keynes, the Thames Valley and High Wycombe areas
  - Improves the transport system in Oxfordshire as a whole by providing a realistic alternative to the congested road network for a wide range of trips
9. The benefits of East-West Rail will be realised quickly. Work on Phase 1 has started and the service between London and the new station at Water Eaton (Oxford Parkway) is due to open in summer 2015, extending to Oxford in spring 2016. Phase 2, completing the connection to Milton Keynes and Bedford will be completed by December 2017.

## **The Financial Case – Securing a Local Contribution**

10. The Government's commitment to delivering East West was confirmed last year. At the same time the Government announced that the route would be electrified as part of the national electric spine. Government has committed the majority of the funding required to deliver an electrified East West Rail – estimated to be up to £500m.
11. However, Government support is conditional on local partners along the route that benefit from the investment raising 'a local contribution' totalling £50m. Based on the distribution of population along the route, partners within Oxfordshire need to identify a 'local contribution' of £20.1m. This contribution can be paid over a 15-year period – the anticipated period of the franchise for the service operating on the route. The local contributions from Consortium members are detailed at Annexe 1.

12. Local contributions can include such things as Section 106 contributions and projects that form 'Work in Kind' towards the project: this could include the capital investment in highway measures required to deliver an effective scheme. In Oxfordshire, this centres on the need to replace two at-grade level crossings in Bicester (at London Road and on the Eastern Perimeter Road) with a solution that allows road and rail movements to be separated. Schemes for both are being developed and outline proposals submitted to the Local Transport Board for consideration for major scheme funding.
13. The DfT's expectation is that where local authorities have committed in principle to contribute towards the overall 'local contribution' figure they enter into a legal agreement that commits them to delivering their contribution. The DfT's preferred approach is for there to be a single agreement between them and a lead local authority on behalf of all partners, nominated to be Buckinghamshire County Council, with 'back-to-back' agreements between Buckinghamshire County Council and local partners along the corridor.
14. Oxfordshire County Council's preferred approach is that its back-to-back agreement will only cover the funds it has committed to provide and on behalf of the LEP for whom it is the accountable body – it will not accept liability for guaranteeing the contributions of another party.
15. The proposed agreement with Buckinghamshire County Council is currently under negotiation.

## **Financial and Staff Implications**

16. At this stage Government is looking to the Joint Delivery Board to secure agreements that cover the overall local contribution required of £50m. Oxfordshire County Council has already committed around £2m from its capital programme towards the 'local contribution'. It is now proposed to make a rolling commitment towards the 'local contribution' that would result in the County Council's overall contribution adding up to £11.06m in total over 15 years.
17. Reference has already been made as to how 'works in kind' can count towards the overall 'local contribution'. The two schemes in Bicester being considered by the Local Transport Board are cases in point. Any funding secured by the County Council or indeed any other local partners from sources such as the Local Transport Board or Local Growth Fund that enable delivery of works required by East West Rail can be counted as 'works in kind' at any time over the next 15 years.
18. In addition the County Council will need to facilitate/enable works on the highway network and public rights of way network in support of East West Rail. These works too can be counted as 'works in kind'.
19. In that regard the commitment being made by the County Council at this stage reflects an upper limit. If partners are subsequently successful in securing funding from other sources that help deliver 'works in kind', those sums would

be 'netted off' and enable the funding required by the partners to be reduced, such that the overall contribution made by local partners in Oxfordshire, including Cherwell and Oxford City, remains at overall £20.1m.

20. It has been agreed by the Joint Delivery Board that the amounts agreed to be paid by bodies towards the local contribution will be subject to indexation using the Consumer Price Index over the life of the scheme.
21. The work required to support the delivery of East-West Rail can be provided within existing staffing resources, hence there are no staffing implications in respect of this scheme.

## **RECOMMENDATIONS**

22. **Cabinet is RECOMMENDED to approve:**
  - (a) **the principle of the agreement with Buckinghamshire County Council, with approval of the final agreement being delegated to the Deputy Leader in consultation the Head of Legal Services and the Chief Finance Officer;**
  - (b) **the local contribution for Oxfordshire County of £11.06m and proposed payment profile as detailed in Annex 2.**

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## ANNEX 1

### Allocated Consortium Partner Contributions

<b>Authority</b>	<b>Contribution (£ millions)</b>
<b>Buckinghamshire County Council</b>	<b>£10.16</b>
<b>Oxfordshire County Council</b>	<b>£11.06</b>
<b>Oxford City Council</b>	<b>£4.68</b>
<b>Cherwell District Council</b>	<b>£4.36</b>
<b>Aylesbury Vale District Council</b>	<b>£5.36</b>
<b>Milton Keynes Council</b>	<b>£7.65</b>
<b>Central Bedfordshire Council</b>	<b>£4.2</b>
<b>Bedford Borough Council</b>	<b>£2.6</b>

## ANNEX 2

### East West Rail Proposed OCC Payment Profile

Year	Payment Profile (from BCC to DfT)	Oxfordshire
2014	3,000,000	737,334
2015	3,000,000	737,334
2016	6,000,000	737,334
2017	6,000,000	737,334
2018	6,000,000	737,334
2019	5,000,000	737,334
2020	4,000,000	737,334
2021	4,000,000	737,334
2022	3,000,000	737,334
2023	3,000,000	737,334
2024	3,000,000	737,334
2025	1,000,000	737,334
2026	1,000,000	737,334
2027	1,000,000	737,334
2028	1,000,000	737,334
	<b>50,000,000</b>	<b>11,060,010</b>