

CABINET
14 JULY 2026

COWLEY BRANCH LINE – ENTERPRISE ZONE FUNDING

Report by Director of Economy and Place

RECOMMENDATION

1. The Cabinet is **RECOMMENDED** to
 - a) **Approve potential funding to meet up to £14.5m of local costs for the delivery of the Cowley Branch Line through the use of retained business rates funding from the two Oxfordshire Enterprise Zones as set out in paragraph 44 and subject to the provisions of paragraph 41.**
 - b) **Note that the expectation is that this forward funding would be replaced by future S106 and Community Infrastructure Levy (CIL) contributions but neither the amounts nor timing are certain at this stage.**
 - c) **Note that any future shortfall in funding or additional borrowing costs beyond those set out in this paper would need a further decision on how to manage.**

Executive Summary

2. The Cowley Branch Line is a strategically significant infrastructure scheme supporting housing delivery, economic growth, connectivity and net zero objectives, and forms a core element of OxRail 2040.
3. Delivery requires a total local contribution of £35m towards the Minimum Viable Product and additional funding for complementary infrastructure. After taking account of other funding sources there is a residual local funding shortfall of £14.5m.
4. A range of funding options have been considered, and the preferred approach at this stage would be to commit to forward funding the shortfall using retained Enterprise Zone business rates, either through direct use of cash balances held or to support borrowing, or a combination of the two.
5. This forward funding would be repaid over time through future S106 and CIL receipts, enabling Enterprise Zone (EZ) funds to be reused for wider economic development priorities.

6. S106 and CIL forecasts are based on current assumptions and are not guaranteed, creating a risk that any shortfall would need to be managed through reprioritisation or alternative funding sources or ultimately through the non-repayment of EZ funds. However, given the long-term modelling of very positive balances for EZ with limited existing commitments by 2029/30, this would have limited impact on the overall ability of future council(s) to invest in economic development.
7. Cabinet is therefore asked to approve funding to meet costs up to £14.5m towards the delivery of the Cowley Branch Line through the use of retained business rates funding from the two Oxfordshire Enterprise Zones. to secure delivery of this priority scheme. This is in addition to the existing funding commitment of £10m between the City and County Councils.

The Cowley Branch Line

Background and Context

8. The Cowley Branch Line is a high-priority, high-profile infrastructure project, included within Oxfordshire County Council's Strategic Plan.
9. The project provides for the introduction of passenger services on the existing freight only Cowley Branch Line in Oxford, through enhancements to the main line infrastructure, and upgrades to the Cowley Branch Line.
10. The reopening of the Cowley Branch Line will drive economic growth in areas of social deprivation, facilitate new housing to accommodate population growth, support the technology sector by serving an internationally important science park, and achieve modal shift to sustainable travel. The train service proposition is that this would be achieved by an extension, through central Oxford to Cowley, of Chiltern's London Marylebone service, in turn creating the benefit of releasing capacity in the bay platforms at Oxford station to allow the planned future increase in East West Rail services to four per hour.
11. As well as serving residents local to the line, the line will also connect residents across Oxfordshire and beyond into key employment sites and as such also forms a key part of the OxRail Plan:2040 adopted by the Council on 18th November 2025.
12. The reintroduction of passenger services, together with the delivery of two new stations at Littlemore and Cowley in south-east Oxford, establishes a two-way railway with peak demand in both directions.
13. The line will connect all four of Oxford's designated economic growth areas and provides improved access to London, with future potential for direct services to Cambridge via East West Rail.

14. The scheme will deliver the following strategic outcomes:
- (a) Supports the levelling up of areas of deprivation within Oxford city
 - (b) Unlocks significant housing growth potential
 - (c) Generates agglomeration benefits through improved connectivity between four innovation clusters
 - (d) Contributes to local and national carbon net zero objectives by enabling modal shift from road to rail
 - (e) Provides journey times of approximately 10–12 minutes to central Oxford from Littlemore and the Leys
 - (f) Releases capacity at Oxford station to enable the operation of four East West Rail CS3 services per hour.

Enterprise Zone Retained Business Rates and Other Existing Funding

15. An update on existing planned use and further proposals for the use of retained Enterprise Zone Business Rates to support investment and priorities was approved by the Cabinet on 27th January 2026.
16. This included the approval of an allocation of up to £10m from the retained funding for Enterprise Zone 1 (Science Vale) to enable the delivery of priorities arising from the forthcoming OxRail strategy.
17. Of this £10m Enterprise Zone allocation, £5m has been ringfenced for the Cowley Branch Line. In addition to this the expectation is that up to £2.5m S106 funding would be used to support Cowley Branch Line. If that is not possible a contribution would be made from General Balances to bring the total funding up to £7.5m.

How is the Cowley Branch Line funded?

18. Funding for the Cowley Branch Line (CBL) is made up of two elements.
19. Firstly, the cost of delivering the branch line itself (the line, the stations and the supporting infrastructure such as signalling) falls to Network Rail who will be delivering this element as the minimum viable product (MVP). The full business case (FBC) submitted to government in 2025 identified the MVP cost at £155m.
20. When support for the CBL was confirmed in October 2025, government indicated that there would be an expectation that local funding sources (public and private) would contribute £35m of the MVP costs. This was higher than envisaged in the FBC which stated £20m of local funding.
21. Secondly, the other essential funding requirement relates to wider infrastructure and public realm which is required to make the CBL a success. This will ensure that there are appropriate interfaces outside of stations (for

example cycle racks, blue badge parking etc), but also that wider infrastructure is in place to maximise the local benefit of the scheme – for example, the bridge which will link Cowley station into the communities at Blackbird Leys.

22. Some of these elements of the scheme can follow from the opening of the line and therefore can be secured as part of wider development coming forward, through the future collection of developer contributions. However, a significant proportion are essential ‘day one’ projects in that they need to be in place on the day the line opens and therefore represent up-front costs. These costs fall outside of the MVP and need to be met via local funding sources.
23. For the CBL, these wider infrastructure and public realm costs are expected to be £25-£30m with £12.5m required as ‘day one’ costs.
24. The total ‘day one’ cost of delivering the CBL is therefore currently estimated at £167.5m.

Secured Funding:

25. Significant local funding has been secured to support delivery of the CBL, subject to final confirmation.
26. In relation to the MVP costs, local funding of £23m has been secured from local landowners.
27. In relation to ‘day one’ infrastructure and public realm funding, £10m of public sector funding has been secured. This is made up of £5m of Enterprise Zone funding (Cabinet, 21 October 2025) and £2.5m of S106 funding or General Balances provided by the County Council (agreed by Council on 10th February 2026) and £2.5m of Community Infrastructure Levy (CIL) funding provided by the City Council.
28. The table below shows the expected costs and secured funding to date. There is a shortfall estimated at £12m for the Minimum Viable Product and £2.5m for infrastructure and public realm costs.

Minimum Viable Product (MVP)	£m
Total cost	£155m
Funding:	
Government commitment	£120m
Local Funding required	£35m
Local Funding secured ¹	£23m
Shortfall	£12m

¹ As of 25 June 2026

Infrastructure and Public Realm costs	
Expected 'day 1' costs	£12.5m
Funding	
Secured (City and County CIL and EZ) Funding	£10m
Shortfall	£2.5m
Total Funding Shortfall	£14.5m

29. At this stage the estimated timing of these shortfalls is outlined below. However, this is subject to change as the scheme progresses.

	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Minimum Viable Product			2.0	10.0
Infrastructure & Public Realm Costs			1.0	1.5

Options to Meet the Funding Shortfall

30. The current timetable for the scheme is for a revised business case to be submitted to government later this year with a final investment decision expected from government in early 2027. To secure a positive final investment decision, the approach to providing the local funding element of the scheme will need to be definitively in place. Given the current shortfall in local funding, the following options have been considered.
31. It is estimated that by 2028/29, and based on the principles for the use of the retained EZ Business Rate funding agreed by Cabinet on 21st October 2025, there would be £5.0m retained cash available from EZ1. By 2028/29, if the forecasted income is received as predicted there will be £14.5m retained cash available. The range of potential retained cash from EZ2 is £6.4m on a pessimistic basis and £8.0m by 2028/29 on an optimistic basis after taking account of existing commitments.
32. The other option would be to utilise cash flow within the existing council capital programmes to forward fund the £14.5m capital contribution.
33. Any option that requires the use of prudential borrowing by the relevant council will increase the cost to above £14.5m because of the interest costs required to repay the borrowing.
34. Oxfordshire is currently undergoing the process of Local Government Reform. As set out below, if the recommendations of this report are adopted, the

current County Council will ensure that sufficient funds are held to allow future commitments to CBL funding to be met. It will be for the future council(s) to determine the most appropriate financing arrangements at the time the commitment is required. In that context the following options are expected to be available: **Option 1:** Forward fund the £14.5m capital contribution to be made by the council(s) using capital programme cash flow balances. These would be replaced with S106 and CIL funding as this is received. There would be a loss of treasury management interest on these cash balances estimated at £0.650m per annum so this would need to be managed as part of balancing the overall revenue budget for the relevant council. This option requires the forward funding to be fully replaced by S106 and CIL otherwise it would impact on the funding for the future capital programme. After a fixed period (say 10 years) a decision would be needed on any remaining balance that had not been repaid. This would either need to be managed through reprioritising other capital schemes or funded from other sources, including prudential borrowing if necessary, or could be met directly from retained EZ Business Rates (EZ BR) at that point.

35. **Option 2:** Forward fund the £14.5m capital contribution from the council(s) using retained EZ BR cash balances. The EZ funding would need to be transferred to the council(s) as and when the infrastructure costs are incurred. There would be a loss of interest that would otherwise accrue to retained EZ BR funding estimated at £0.650m per annum. As S106 and CIL is received by the council(s) that will replenish capital balances. These balances will then be available to support other economic development priorities in line with the EZ Memorandums of Understanding (as these could otherwise have been funded from the retained EZ funds). After a fixed period (say 10 years) a decision would be needed on any remaining balance that had not been repaid. This would either need to be managed through reprioritising other capital expenditure or funded from other sources, including prudential borrowing if necessary, or could be met directly from the EZ funds available at that point.
36. **Option 3:** The £14.5m capital contribution is funded through Prudential Borrowing by the council(s). This borrowing would be added to the Capital Financing Requirement (CFR) and will then be subject to the requirement to make annual revenue Minimum Revenue Provision (MRP) and Interest payments for 25 years (subject to the council(s) MRP policy). The MRP and interest payments each year are estimated at £0.932m. This annual cost would be met from the retained EZ Business Rates. As S106 and CIL is received it will be used to reduce the CFR which then reduces the MRP. After a fixed period (say 10 years) a decision would be needed on any remaining balance that had not been repaid. This would either need to be funded from other sources, including borrowing if necessary, or could be met directly from the EZ BRs at that point. The maximum cost of the prudential borrowing over 25 years would be £23.3m, However the expectation is that the borrowing would be repaid earlier than this so the actual cost would be lower
37. **Option 4:** A hybrid model. Part of the £14.5m is made up of prudential borrowing and part by a cash contribution from the retained EZ BR funding (or other capital sources) available from the outset or as it becomes available over time. As in Option 3 any prudential borrowing is subject to annual

revenue repayments that would need to be funded and could not be recovered afterwards.

38. In any of these options the opportunity cost of the interest foregone on cash balances as a result of utilising the EZ Business Rates funding for this purpose would reduce the amount of retained funding available for other priorities.

How would forward funding be repaid?

39. The intention is that any forward funding will be repaid from future S106 and CIL payments so that as much of the scheme is funded through land value capture as possible.
40. In relation to the £12m of funding required for the MVP, any forward funding will be replaced through future S106 payments coming forward on land in the vicinity of the Cowley Branch Line. By year 10 the expectation is that there should be sufficient S106 to replace £12m of the funding shortfall. However, there is no guarantee that S106 funds will be forthcoming and there is a risk that there will be a shortfall.
41. In relation to the £2.5m of funding required to support the 'day one' infrastructure and public realm costs, any forward funding will be replaced by a proportion of CIL payments coming forward on land in the vicinity of Cowley Branch Line. CIL funding is different from S106 in that it is not ringfenced for local infrastructure. How CIL is spent is currently determined by Oxford City Council. This responsibility would pass to the successor authority following Local Government Reform. To replace the forward funding required for CBL, the County Council will need the City Council to undertake arrangements to enable the repayment to be made over a period of up to ten years. and to ringfence an element of CIL schemes in the vicinity of the CBL to repay the forward funding up to that cap of £2.5m. Again, by year 10, the expectation is that there should be sufficient CIL to replace the £2.5m funding shortfall. The City Council will be considering a Cabinet paper in August or September 2026 to support this position and it is proposed that this element of the forward funding should be subject to approval of that proposal. However, there is no guarantee that CIL funds will be forthcoming to the full value of the requirement and there is a risk that there will be a shortfall.
42. The CIL and S106 funding cannot be used to replace any lost interest on cash balances arising from the forward funding.

When will funding be needed?

43. There is not yet a definitive programme on when the local funding element of the scheme will be required. The DfT have been asked to provide funding early in the delivery timeline. In that scenario the forward funding needed to be

provided by the council(s) in relation to the MVP costs would not be needed until 2029/30. Pending clarity on that position, the forward funding would need to be in place before this.

Commitment recommended

44. At this stage, Cabinet is not being asked for a decision on which financing option will be most appropriate. This will depend on the availability of retained EZ Business Rates at the time, availability of capital cash balances held by the future council(s) and wider financial analysis of the most advantageous approach at the time. Rather Cabinet is asked to agree to earmark sufficient future Enterprise Zone funding to ensure that as a minimum, funds are available to meet the borrowing costs of the effective 'back-stop' prudential borrowing option, if this is what a future council(s) determines is the most appropriate financing route.
45. The latest forecast taking into account the current cash balances, projected EZ business rates income and existing planned use up to 2028/29, is for an available cash balance of between £14.4m and £22.5m by that point. If borrowing is required to meet the £14.5m, then the annual cost will be £0.932m over 25 years. This would be reduced if the borrowing is repaid earlier. Therefore, through borrowing, the cashflow impact would be lower, but the overall commitment will be higher depending on when S106 or CIL contributions are received and can be used to reduce the level of borrowing needing to be repaid. If the cash financing option is taken, there would be a loss of interest received on the held balances. The repayment of borrowing over 25 years would extend beyond the lifetime of EZ1 which ends in 2037/38 and EZ2 which ends in 2040/41. The decision about how to fund the residual balance not repaid after an agreed period would need to consider that. However, there would be sufficient cash balances to cover any remaining commitment. Borrowing costs from 2029/30 onwards could be met from the net balance in business rates income each year. Based on projected income the net balance after taking account of existing commitments is estimated to be £5.4m for EZ1 and £2.2m for EZ2 by 2029/30 when borrowing would need to start to be repaid. These totals will increase if funding in the estimated pipeline materialises by that point. The pipeline for EZ2 is expected to develop over the medium term and the projected income is forecasted to increase significantly from 2029/30 onwards. This approach ensures that EZ funding is being effectively used to leverage the wider funding in the CBL scheme while retaining flexibility for wider economic investment in the medium term and flexibility for future councils to make the most appropriate financial decisions to finance the forward funding at the time.

Corporate Policies and Priorities

National and Regional Policies

46. The Cowley Branch Line supports numerous priorities, policies, and strategies, including:
- The Oxford-Cambridge Growth Corridor: The Cowley Branch Line helps to unlock major new housing growth and working space in a key science and technology cluster.
 - The Department for Transport (DfT) priorities: Alignment with the DfT's Strategic Priorities and Policies including the Strategic Vision for Rail and The Rail Network Enhancements Pipeline (RNEP).

Oxford City Council's Policies

47. Aligns with the vision and objectives in the Oxford City Local Plan (2016-2036), including:
- (a) Building on Oxford's economic strengths.
 - (b) Reducing inequalities across Oxford, particularly in employment, health and education.
 - (c) Ensuring that development is supported by the appropriate infrastructure and community facilities.
 - (d) Ensuring walking and cycling routes are complemented with well managed and attractive public transport routes, and that car use is minimised.
48. Development of the CBL also supports the outcomes of the Oxford Economic Strategy (2022-23).

Oxfordshire County Council's Policies and Strategies

49. OxRail 2040: A core priority scheme within the OxRail 2040 strategy, identified for early delivery to support the network's 'foundations for growth' phase.
50. The Local Transport Connectivity Plan (LTCP): Supports the Local Transport and Connectivity Plan (LTCP) specifically by helping deliver its core transport outcomes around modal shift, reduced car dependency, and improved accessibility.
51. The Strategic Plan: Supports the Council's Strategic Plan by acting as a flagship infrastructure investment that underpins sustainable economic growth, improves connectivity, and supports the levelling up of communities.

52. Corporate Priorities: Contributes to corporate priorities by enabling housing delivery and regeneration, strengthening access to employment and innovation areas, and supporting the transition to a low-carbon, net zero transport system.

Financial Implications

53. The financial implications are set out in the body of the report.

Comments checked by:

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Legal Implications

54. There are no direct legal implications arising from this report as Cabinet is not being asked to decide on a financing option at this time. This will happen when a definitive programme as to when the local funding element of the scheme is required. That decision will be made at that time in accordance with the Council's fiduciary duty to council tax payers, acting in good faith in relation to compliance with statutory duties and exercising statutory powers.
55. The Council has wide powers to make an in-principle decision on a future funding approach under its general power of competence set out at Section 1 of the Localism Act 2011.

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Staff Implications

56. There are no additional staff implications arising from this report. Delivery of the Cowley Branch Line programme is being managed within existing staff resources across Oxfordshire County Council and Oxford City Council.

Equality & Inclusion Implications

57. There are no additional equality and inclusion implications arising from this report. Relevant impacts have been identified and are being managed at programme level through existing assessments.

Sustainability Implications

58. There are no additional sustainability implications arising from this report. Relevant impacts are identified and managed at programme level, including through the Climate Impact Assessment process where required.

Risk Management

59. All costs for the CBL are indicative at this stage. Both the MVP costs and the infrastructure and public realm costs could increase so there is a risk further funding would need to be identified.
60. In relation to the MVP, the Government has been informed that the £35m local funding contribution will be a fixed sum and that any increased costs would need to be met by government as funder of last resort, however this has not yet been agreed.
61. The local contributions towards the MVP remain subject to agreement and could potentially increase the funding gap if these are lower than £23m. In that scenario there would be an increase in the amount that needs to be funded locally.
62. In relation to infrastructure and public realm costs, any increase would need to be addressed locally. In the event that costs increase, there would be a requirement to consider approaches to reducing costs through value engineering, delaying non - essential elements to a later date or agreeing further funding.
63. At this stage S106 contributions are not secured and therefore there is a risk is that either the expected funding is received over a longer timeframe than anticipated or might not be realised. Any shortfall in the anticipated S106 or CIL contributions that meant that the forward funding was not replaced would create a funding pressure that would need to be met from other sources or through reprioritisation of other capital expenditure by the relevant council(s).

Consultations

Public Consultations

64. A wide range of local residents and those who travel to the area were consulted through face-to-face engagements, both in public 'pop up' stalls and more focussed workshop sessions in 2024.
65. A widely publicised public drop in event saw many local residents give their views on the proposals, followed by a focus group session with representatives of local organisations in the Leys, Littlemore and Cowley.

66. In total, 170 people responded to either the in person or online engagement, and 93% said they either 'supported' or 'strongly supported' the Cowley Branch Line Proposals.

Robin Rogers, Director of Economy and Place

Background papers: None

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