

CAMBRIDGE SCIENCE PARK STATION

To: **Cabinet**

Date: **6th March 2012**

From: **Executive Director: Economy, Transport and Environment**

Electoral division(s): **All Cambridge wards, Waterbeach, Cottenham, Histon and Impington, Fulbourn, Woodditton, Haddenham, Soham and Fordham Villages, Ely South and West, Ely North and East, Littleport, Sawston, Duxford, Melbourn**

Forward Plan ref: **2012/006** *Key decision:* **Yes**

Purpose: **To update Cabinet on progress with the Cambridge Science Park Station scheme and to seek approval for scheme development to continue to completion of Network Rail GRIP (Governance for Railway Investment Projects) Stages 3 and 4.**

Recommendation: **Cabinet is asked to:**

- a) Note and comment on the report**
- b) Note the correspondence between Councillor Clarke and Theresa Villiers MP, Minister of State for Transport**
- c) Note the high-level risk assessment associated with the delivery of Cambridge Science Park Station**
- d) Confirm that the scheme should now be developed to completion of Network Rail GRIP Stage 4.**

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1. PURPOSE

- 1.1 To update on progress in developing the Cambridge Science Park Station scheme, on discussions with the Department for Transport (DfT) and on programme, funding and risk.

2. BACKGROUND

- 2.1 A new station at Chesterton to serve the Cambridge Science Park was first proposed by the County Council in 1988. Funding has been sought from a variety of sources since that point, most recently from the previous Government's Transport Innovation Fund (TIF) and Regional Funding Allocation processes, both of which were abolished in 2010 by the new Government prior to funding being secured.
- 2.2 A Major Scheme Business Case (MSBC) for the scheme was submitted to Government in 2006 and was updated several times in the period to 2010 when TIF was abolished.
- 2.3 More recent work on the station proposals has suggested that the station should be deliverable as a commercial proposition, without public grant funding. The County Council has therefore been developing for some time with its partners, proposals to deliver the scheme through an innovative funding approach using its own resources to deliver the up-front capital, and then receiving repayments from Train Operating Companies (TOCs) that use the station. For this approach to be financially acceptable to the County Council, a clear mechanism by which the Council's investment will be repaid needs to be agreed with the DfT. This will be in the form of charges related to services that are specified to stop at the new station in Train Operating Companies franchise agreements.

3. BUSINESS AND COMMERCIAL CASE FOR CAMBRIDGE SCIENCE PARK STATION

- 3.1 Further Business Case data has been developed by the County Council with DfT officials and this was submitted to the DfT on 23rd December 2011 and on 11th January 2012. This demonstrates that the revenues from the station (from ticket sales and parking) would comfortably exceed the costs of building and running the station and therefore it should be possible to fund its construction on a commercial basis.
- 3.2 However, the key issue for projects of this nature is the willingness of the TOCs to fund such infrastructure given the relatively short rail franchises that have been granted in the past. Although the current Government's policy is for longer rail franchises, there are still risks to the TOCs. This is further complicated because three separate TOCs are likely to be serving the station. Therefore left to the market, the station may not be delivered for some time, notwithstanding the strong overall commercial case for it.
- 3.3 The County Council has therefore proposed to borrow the funding for the station to allow its early delivery, providing there is a business case to show that borrowing can be recouped and that the DfT agree a mechanism that can allow the repayment of that borrowing through the next round of rail franchise agreements.

- 3.4 The three franchises that would use the station are shown in Table 1, along with information on the franchise replacement programme.

Table 1: Rail franchises and services relevant to Cambridge Science Park station

Franchise	Franchise start date	Likely franchise length	Services
Thameslink	September 2013	6-8 years	Kings Lynn, Ely, Cambridge to London Kings Cross (and London St Pancras, London Bridge, Gatwick Airport from 2018)
Greater Anglia	July 2014	15 years +	Kings Lynn, Cambridge to London Liverpool Street Cambridge to Norwich
Cross Country	April 2016	15 years +	Stansted Airport to Birmingham New Street

- 3.5 On the basis of the business case prepared by the County Council, a repayment period of 13 or 14 years from station opening (to the end of the long-term Greater Anglia franchise) appears most likely, given:

- The timescales of the upcoming rail franchises
- The need for the County Council to repay its borrowing within a reasonable timeframe
- The need to allow the Train Operating Companies to financially benefit from stopping trains at the station.

Financial Assessment

- 3.6 The traditional route of funding of local major transport schemes would assign funding to local authorities on the basis of the value for money of a scheme as measured by a Benefit to Cost Ratio (BCR). For the Science Park station, the BCR is greater than 4, and is rated as 'very high'.

- 3.7 However, for the funding route that the County Council is pursuing, it is the commercial case for the station that is of critical importance. In this context, the key financial details for the station over a 13-year repayment period are as follow:

- The capital cost of the station is currently estimated to be around **£26.6M** (2011 prices; includes costs for all access works, and estimated costs for land purchase and remediation, Council staff time, and for professional advice. This also includes risk allowances and optimism bias).
- A further **£1.4M** is included for staff time and professional advice.
- Finance charges (assumed to be 4.5% p.a.) for a 13-year repayment period would be around **£9.6M**, giving a total scheme cost to be recouped of around **£37.6M**.
- In the same 13-year period, passenger and parking revenue (net of operating costs and abstraction of passengers from other stations) would be around **£81.4M**.

- 3.8 The original 2006 Business Case for the station did not include any revenue assumptions from the Cambridge to Norwich service. Timetabling work undertaken in 2009 indicated that this service would be able to call at Cambridge Science Park, but to keep the assessment simple, the financial analysis has not been rerun, as the commercial case and BCR for the station is very strong even without this additional income potential.
- 3.9 It is unlikely that the DfT will specify that the Stansted Airport to Birmingham New Street service will stop at Cambridge Science Park in the new Cross Country franchise from 2016. However, given the patronage forecasts, there is a high likelihood that it will stop (and so be subject to an access charge).
- 3.10 For the reasons noted in paragraphs 3.8 and 3.9, the patronage and revenue figures are considered to be conservative and therefore the financial case for the station is likely to be even higher than shown here.
- 3.11 In addition to the core assumptions on capital cost and repayment period, to allow a discussion to take place with the DfT on funding mechanisms and viability, a wide range of repayment terms and scheme cost permutations have also been assessed (7, 15, 22 and 25 years, £20m, £25m and £30m). In all scenarios tested, the net revenue from tickets and parking within the repayment term is greater than the total cost of the station including the borrowing requirement.
- 3.12 Positively, DfT have also raised the issue of how they might incentivise the County Council and Network Rail to achieve early and / or below cost estimate delivery of the interchange through the repayment mechanisms for the capital funding and this will be investigated to consider how it can either reduce the cost of scheme delivery or enhance revenues.

Department for Transport assessment

- 3.13 Following the technical work noted above, the Leader of the County Council wrote to Theresa Villiers MP, Minister of State for Transport, on 26th January 2012 setting out the current position with regard to the development of the scheme and the key financial elements of the proposal and asking for clarification that the station will be included in the forthcoming rail franchises.
- 3.14 The Minister replied on 10th February 2012 noting that providing costs and revenues are confirmed as maintaining a positive business case for the station, it would be included in the upcoming franchise agreements for the Greater Anglia and Thameslink franchises. Copies of these letters are attached as Appendices 1 and 2 to this report.

4. FURTHER SCHEME DEVELOPMENT AND PROGRAMME

- 4.1 A significant amount of work has been undertaken by officers and by a specialist rail team from the Council's consultants, Atkins, to develop the programme through to scheme delivery. Particular focus has been placed on:
- Business Case update, scheme finance and updating scheme costs (see above)
 - Development of a detailed project plan through to delivery and opening
 - Development of high level and more detailed risk registers

- Procurement and delivery methods
- Network Rail processes and alliance / partnership approach with them as joint scheme promoters
- Land and legal issues
- Planning process.

4.2 Current project planning indicates that two years (from January 2012) will be needed to go through design and planning processes to start of construction, with an assumption that risks that might delay this programme do not materialise. A 21-month construction and commissioning period would follow the design work. Table 2 shows the high-level programme for the scheme.

Table 2: Indicative high level programme for Cambridge Science Park Station

Date*	Task / Milestone
Jan 2012 – May 2012	Produce Network Rail GRIP (Governance for Railway Investment Projects ¹) Stage 3 Report and updated scheme cost.
Feb 2012	Minister of State ‘in principle’ assurance on scheme inclusion in upcoming rail franchises.
Summer 2012	Formal confirmation from Secretary of State that Chesterton will be included in the Thameslink and long term Greater Anglia franchises.
May 2012 – Dec 2013	Outline and detailed scheme design through Network Rail GRIP Stages 4 and 5.
Aug 2012 – May 2013	Consultation on scheme and preparation of planning application.
Oct 2012	Invitation to Tender for the Thameslink franchise issued by DfT.
May 2013	Submit planning application to County Council for determination by Joint Development Control Committee for the Cambridge Fringes.
Summer 2013	Invitation to Tender for the long term Greater Anglia franchise issued by DfT
Autumn 2013	Planning consent received.
Jan 2014 – Oct 2015	Construction on site. County Council delivers access, interchange, car and cycle parking. Network Rail delivers and commissions station platforms, building, footbridge and live rail works (GRIP Stages 6, 7 and 8).
Oct 2015	Station opens.

* This programme assumes that no delays occur in the statutory processes.

Scheme Development: Network Rail GRIP Stages 3 and 4

4.3 New rail infrastructure needs to pass through a number of formal design and development stages as proscribed by Network Rail. These are under a procedure termed Governance for Railway Investment Projects (GRIP) and a station project of this nature has to pass through all 8 GRIP stages of development. County officers and the team from Atkins rail division commenced work to develop the scheme to Network Rail GRIP Stage 3 early

¹ The 8 GRIP Stages are

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|------------------------------|----------------------|-----------------------------------|
| 1. Output definition | 2. Pre-feasibility | 3. Option selection |
| 4. Single option development | 5. Detailed design | 6. Construction test & commission |
| 7. Scheme hand back | 8. Project close out | |

in January. This work is programmed to take around 4 months, with the majority of expenditure planned to take place in 2011/12.

- 4.4 This work needs to be undertaken at as early a point as possible. It is after the completion of GRIP 3 that the final commitment of the DfT to specify Cambridge Science Park Station in the upcoming Thameslink and long-term Greater Anglia franchises would be made.
- 4.5 GRIP 4 work will run on directly from GRIP 3, and is currently programmed to be completed early in 2013. Network Rail has indicated that it will not wish to agree the costs of the rail elements of the scheme until the completion of GRIP 4. There should not be major cost differences between GRIP 3 and GRIP 4 but there is a risk associated with the timing of these activities, given the October date for the issue of the Invitation to Tender for the Thameslink franchise by the DfT as an immovable point in the programme.
- 4.5 At the end of GRIP 4, when all costs involved in the scheme will have been quantified in detail, Cabinet will be asked to make the final decision on whether to go ahead with the major capital scheme. A positive decision would then trigger the take-up of the agreed borrowing for delivery of Cambridge Science Park Station.

Detailed Design and Delivery: Network Rail GRIP Stages 5 to 8

- 4.6 At the end of GRIP Stage 4, a contract or contracts for the detailed scheme design and construction would be let by the County Council (and / or Network Rail, assuming the alliance / partnership approach outlined in paragraph 5.7 below is taken forward).
- 4.7 It is currently envisaged that the elements of the scheme involving works on the live railway will be managed by Network Rail, and that the access works for all modes, the car and cycle parking and the bus interchange works will be delivered by the County Council.

Planning Application Process

- 4.8 Advice from Network Rail and from County Officers is that the station will not be covered by Network Rail's permitted development rights. Planning consent will therefore be needed for the entire scheme. A planning application will be submitted to the County Council as planning authority, and would be determined by the Joint Development Control Committee for Cambridge Fringes.
- 4.9 It is likely that the scheme will require an Environmental Statement to be produced, and while the scoping opinion that would confirm this has not yet been requested, the programme assumes this will be the case.

Land

- 4.10 The station will be built on land in the ownership of Network Rail, and agreements to facilitate this will be needed.
- 4.11 It is likely that the scheme would result in the adoption as public highway of a short stretch of Cowley Road that is currently in the ownership of the City

Council. Positive discussions have commenced with regard to the acquisition of this land.

5. ALIGNMENT WITH CORPORATE PRIORITIES AND WAYS OF WORKING

Supporting and protecting people when they need it most

- 5.1 There are no significant implications for this priority.

Helping people to live independent and healthy lives in their communities

- 5.2 The interchange facilities at the station will allow for a greater range of transport linkages to be made by residents and visitors to the north Cambridge area. This will improve employment opportunities and thus promote independence and good health.

Developing our local economy for the benefit of all

- 5.3 The following paragraphs set out details of implications identified by officers:

While there are very strong transport and commercial cases for the scheme, the economic case is even more compelling. Further employment growth in the high tech cluster in north Cambridge will be stimulated by:

- The greatly enhanced access to London, Stansted and Gatwick Airports, European rail services, and the national rail network
- The positive perception from a business perspective of being less than an hour from London by rail
- The increase in size of the public transport catchment of the Science Park and surrounding business parks
- The improvement in journey times for rail trips which previously involved a bus or taxi trip from Cambridge station
- The cost and time of journeys on key rail links into the area (such as from Ely, March, Stevenage, Royston, Kings Lynn, Brandon, Thetford, Norwich and Peterborough) comparing very favourably with competing road links, allowing the opportunity for businesses and their employees to reduce the time and cost of transport
- The interchange with the Busway improving access to growth sites on the Cambridge – Northstowe – St Ives – Huntingdon – Alconbury Enterprise Zone corridor.

Ways of Working

Be a genuinely local council

- 5.4 Cambridge Science Park Station has very strong local support and support from District and County Councillors as well as local MPs. The ongoing development of the scheme will involve public and wider stakeholder consultation and involvement.

Making sure the right services are provided, in the right way

- 5.5 Cambridgeshire County Council would not typically fund and deliver rail infrastructure. However, Cambridge Science Park Station is a case where the

innovative approach to funding proposed by the Council and supported by the Department of Transport will unlock delivery, and bypass organisational and financial barriers in the rail industry.

Investing in prevention

- 5.6 The provision of additional rail capacity will help manage pressure on the road network in north Cambridge and the wider area, and reduce the financial and social costs of congestion on that network.

Working together

- 5.7 The scheme can only be delivered with the agreement of Network Rail. The preferred route to delivery is an alliance / partnership with them, with each organisation delivering the scheme elements that relate to its area of expertise. We will also continue to work in partnership with the City Council and South Cambridgeshire District Council as the scheme develops.

6. IMPLICATIONS

Resource and Performance Implications

- 6.1 The following paragraphs set out details of significant implications identified by officers:

Scheme cost, funding and repayment

- 6.2 Paragraph 3.7 of this report sets out the assessment of the capital cost of the station and the borrowing costs associated with the most likely repayment period.
- 6.3 Risks relating to cost of scheme delivery are discussed below.

Delivery mechanism

- 6.4 There are a number of options for delivery of the station. Network Rail has indicated that it would wish to be involved, but is content for the County Council to deliver the scheme.
- 6.5 Advice from the DfT and others indicates that Network Rail delivery of works on the live railway is likely to be the most cost effective and give best scope to minimise the risk of cost and time overruns. Discussions have commenced with Network Rail on how a partnership might operate. The initial assumption is that Network Rail would deliver the railway works, and the County Council would deliver the access and interchange works, and car and cycle parking.

Land

- 6.6 Paragraphs 4.10 and 4.11 of this report set out issues relating to the land needed to deliver the scheme.

Resources

- 6.7 Additional staff resource will to be needed in the Major Infrastructure Delivery service to develop and deliver Cambridge Science Park Station. Funding for

this resource is assumed to be part of the overall scheme cost, and would therefore be covered by the borrowing to deliver the scheme.

Sustainability

- 6.8 Cambridge Science Park Station will significantly enhance accessibility of the Science Park cluster by rail, and will also enhance the accessibility of the rail network through the Busway link to St Ives. It will provide for trips by public transport that avoid heavily congested road links including the A14, A10 and M11. It will reduce car trips across Cambridge city centre, reducing congestion and reducing emissions of nitrogen oxides and particulates in the city centre Air Quality Management Area.

Statutory, Legal and Risk Implications

- 6.9 The following paragraphs set out details of significant implications identified by officers:

Planning

- 6.10 The Planning process which will be required is discussed in paragraphs 4.8 and 4.9.

Legal

- 6.11 A number of legal agreements are likely to be needed to enable scheme delivery. Key among these are:
- One or more agreements between the County Council and the DfT setting out the position with regard to repayment of the capital costs of the scheme
 - Depending on the mechanism used to link repayments from the franchises to the capital costs, separate agreements between the relevant TOCs and the County Council may be needed
 - One or more agreements with Network Rail will be needed setting out the terms of the partnership / alliance arrangement to deliver the scheme.
- 6.12 While LGSS will provide legal support, specialist legal advice is likely to be needed in the areas noted above, and also in relation to land and potentially to commercial issues.

Risk Implications

- 6.13 Officers have developed a comprehensive risk register for the project. There are two key areas of risk that officers would draw Members' attention to at this stage:
- If the scheme is not included in the upcoming franchise specification, the costs to that point may have been abortive, and there could be reputational damage – the likelihood of this is small
 - The cost risks fall squarely on the County Council if expenditure on the scheme is more than the amount specified to be repaid in the franchise specifications and subsequent agreements.

Equality and Diversity Implications

6.14 The following bullet points set out details of significant implications identified by officers:

- The station will significantly increase the size of the public transport catchment of the Cambridge Science Park cluster, improving the accessibility of the employment sites in the area
- There are residential areas in relatively close proximity to the railway including travellers' sites on Fen Road. A Community Impact Assessment will be needed.

Engagement and Consultation

- 6.15 Public consultation on the scheme will take place later this year. Further consultation will be undertaken as part of the planning process.
- 6.16 The scheme has broad political support, including from Cambridge City Council, South Cambridgeshire District Council, Suffolk County Council and Norfolk County Council. Network Rail is supportive, and as noted above, is the critical partner without whom delivery of the scheme cannot take place.

7. RECOMMENDATIONS

7.1 Cabinet is asked to:

- a) Note and comment on the report.
- b) Note the correspondence between Councillor Clarke and Theresa Villiers MP, Minister of State for Transport.
- c) Note the high-level risk assessment associated with the delivery of Cambridge Science Park Station.
- d) Confirm that the scheme should now be developed to completion of Network Rail GRIP Stage 4.

Source Documents	Location
Cambridgeshire Local Transport Plan 2011-2026 http://www.cambridgeshire.gov.uk/transport/strategies/currenttransportplans/local+transport+plan.htm (see Policies and Strategy document, pages 4.43-4.45)	2 nd Floor, B-wing, Castle Court, Shire Hall