

COUNCIL
14 JULY 2016**REPORTS OF CABINET****(a) MATTERS WHICH REQUIRE A DECISION BY COUNCIL**

Worcestershire Parkway Regional Interchange**Recommendation**

- 1. The Cabinet recommends that Council approves the addition to the Capital Programme set out in the Exempt Finance Report enclosed as an Appendix to this report and that the capital cash limits are updated accordingly.**
2. Further to the report to Council in January 2015, members will be aware that the Council is committed to the delivery of a Parkway Railway Station in the triangle of land formed by the intersection of the Worcester-Paddington (Cotswolds) and Birmingham-Bristol railway lines and the B4084 near Norton.
3. Since the scheme was approved in principle by Cabinet, it has been progressing through Network Rail's Governance for Railways Investment Process (GRIP). There are 8 stages to the GRIP process, all of which must be completed. So far the scheme has reached and received approval for GRIP stage 4 (Single Option Development), other than final sign-off for signalling design. Work will commence on GRIP stage 5 (Detailed Design) once a Principal Contractor has been appointed.
4. A full detailed Planning Application was submitted to the Council's Planning and Regulatory Committee on 25 August 2015 and was approved subject to the satisfactory completion of relevant Conditions, the majority of which will be met by the Principal Contractor as part of the Detailed Design process.
5. As set out in the Exempt Finance Report (see Appendix enclosed separately for Council members **only**), the anticipated final cost of the scheme is higher than the estimate reported to Cabinet in December 2014 predominantly due to higher land and utility costs and increasing the construction cost estimate to reflect current construction market prices and a proportionately higher contingency sum. The financial details at present remain commercially confidential as the Council is currently in commercial negotiations with potential contractors.

6. As further set out in the Exempt Finance Report, the project is to be financed by funds allocated by the Worcestershire Local Transport Board, borrowing possibly from the Public Works Loan Board and a virement from capital resources. The cost of repaying the borrowing is financed by the Council taking a share of the Train Operating Companies' fare revenue and car park income generated over the 25 year borrowing repayment period. This is to be recovered as a fixed Finance Charge levied on the Train Operating Companies with the terms enshrined in a Funding Agreement between the Council and the Train Operating Companies. Because of the limited length of Train Operating Company Franchises the Funding Agreement will be the subject of a Direct Agreement between the Council and the Department for Transport which guarantees the Funding Agreement stays in force with successive franchisees for the 25 year borrowing period. The Direct Agreement will also require the Department of Transport to continue to specify the level of train services to the station that generate the increased fare revenue.

7. The Train Operating Companies will carry the fares income and car park revenue risk and will therefore be incentivised to grow patronage at the station. The combination of the Finance Charge and Car Park Service Charge income will be sufficient to repay the borrowing (other than that required for the proposed virement) over a 25 year period and to cover the Council's long-term maintenance and renewal obligations for the parts of the station and related highway infrastructure it retains ownership of. The Finance Charge will be determined at the outset of the Agreement and fixed for the 25 year borrowing repayment period.

8. A key finance principle is therefore that the cost of building and operating Worcestershire Parkway does not require additional revenue funding from the Council during the 25 year borrowing period or beyond. Cabinet has approved the finance required to deliver the scheme and is recommending that Council agree that the Capital Programme be adjusted accordingly.

9. The Cabinet has delegated the decision on the award of a Design and Build contract, and any enabling work contracts that are necessary for the delivery of the scheme, to the Director of Economy and Infrastructure in consultation with the Cabinet Member with Responsibility for Economy, Skills and Infrastructure. It has also delegated the negotiation of all final terms and conditions necessary to complete the scheme to the Director of Economy and Infrastructure, in consultation with the Director of Commercial and Change where appropriate, and authorisation to the Director of Commercial and Change to dispose of land including assets at an undervalue where considered appropriate to do so and in accordance with s.123 Local Government Act 1972.

10. Since the last Cabinet report in December 2014, the overall programme has been extended, primarily due to land acquisition and procurement matters and the target date for completion has therefore been moved from May 2017 to March 2018 with work starting on site in early 2017.

Capital Programme

Recommendation

11. The Cabinet recommends that:

(a) Council approves:

- (i) an increase of £0.9 million for the Pothole Action Fund and £0.8 million for Highways Maintenance schemes following receipt of increased capital grant income; and
- (ii) an increase of £0.7 million school improvements funded by Section 106 funding receipts;

as detailed in paragraphs 12 to 14, and that the Capital Programme cash limits are updated accordingly;

- (b) subject to the satisfactory receipt of future expected Section 106 funding, Council approves an increase of £0.7 million for school improvements as detailed in paragraph 15, and that the Capital Programme cash limits are updated accordingly.

Grants

12. The County Council has received confirmation of two additional amounts of capital grant funding from the Department for Transport:

- £0.9 million Pothole Action Fund

This is new money to be spent over and above the Council's existing planned highway maintenance expenditure and will be targeted to permanently fix potholes on the roads or to stopping them from forming in the first place

- £0.8 million Highways Maintenance Incentive Element

This is an increase to the existing approved Local Transport Capital Block Integrated Transport and Highway Maintenance Funding of £16.2 million.

Section 106 Funding – Received

13. The Council has also been allocated Section 106 funding from planning notifications in relation to housing developments across parts of the county.

14. The following capital schemes listed below have been identified by schools as their priorities to address basic need issues at their schools and meet the relevant funding criteria for Section 106 funding:

- £0.5 million – Lickey Hills Primary School

The Section 106 agreement is specific in that the replacement of the temporary building on this school site was to be addressed. The school proposed to achieve this by relocating the library contained therein into the main school, create additional pupil toilet facilities, create a dedicated wet room & changing area for its Early Years Foundation Stage, and provide two small group teaching spaces

- £0.2 million – Stourport High School

This Academy has advised that it has recently been awarded Condition Improvement Fund (CIF) funding towards its plans to demolish and rebuild a new purpose built Sixth Form Centre. The total cost is estimated at £3.4 million and will provide better long-term sixth form provision in the Stourport catchment area.

Section 106 Funding - Proposed

15. The following capital schemes have also been proposed by schools but are subject to the future receipt of Section 106 funding when construction of housing proceeds:

- £0.3 million – Great Witley CE Primary School

This recently converted Academy has highlighted several issues with existing accommodation that include extending an undersized classroom, creating a small group teaching space and creating a new library

- £0.4 million – Swan Lane First School

The phased proposal is to provide a fully functional production kitchen that will provide hot meals for the students, create a small group teaching space, and provision of a 40 space Nursery. The total project cost is estimated at approximately £0.7 million with the school looking to fund the balance from other sources.

Supporting Information

- Exempt Appendix – Parkway Finance Report (This Appendix is NOT FOR PUBLICATION as supporting information as it discloses information in relation to the financial or business affairs of any particular person (including the local authority holding that information) and has been circulated separately to Council members only) and the public interest is best served by remaining confidential at this stage.

[Note that Council will be recommended to move into private exempt session should members wish to refer to the commercially sensitive information contained in the Exempt Appendix]

Contact Points

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Background Papers

In the opinion of the proper officer (in this case the Head of Legal and Democratic Services) the following are the background papers relating to the subject matter of this report:

Agenda and background papers relating to the meetings of the Cabinet held on 19 May 2016 and 16 June 2016.