

## CABINET ITEM COVERING SHEET PROFORMA

**AGENDA ITEM**

**REPORT TO CABINET**

**30 AUGUST 2007**

**REPORT OF CORPORATE  
MANAGEMENT TEAM**

### **CABINET DECISION**

**Regeneration and Transport – Lead Cabinet Member – Councillor Cook**

#### **TEES VALLEY METRO**

1. Summary

This report presents an update on the progress against the Tees valley Metro initiative and seeks in principle approval to contributions to the scheme from Stockton-on-Tees Borough Council, subject to a further detailed report to Cabinet and Council.

For a considerable time, there have been proposals to develop a rapid transit (metro) system within the Tees Valley to support future regeneration aspirations, and this project was included within the recent City Region Business Case as a key future year investment project. This report details the background and emerging benefits, the Policy Context, sets out the next steps to take the scheme forward and considers the costs and funding issues.

Members are asked to note that a more detailed report on financial implications will be presented to Cabinet and Council when the project has developed sufficiently. At this point members are requested to agree to approval, in principle, to local contributions to the project in order that the next stage of the business case can be submitted to Department for Transport.

2. Recommendations

It is recommended that:

- I. Cabinet supports the Tees Valley Metro proposal.
- II. Cabinet agrees to the principle of contributions to the Tees Valley Metro project, in kind or financially, from Stockton-on-Tees Borough Council subject to further consideration of scheme details and other partner contributions as they emerge through the development of the scheme.
- III. That a further report be presented to Cabinet and Council for the specific approvals of any commitments required from Borough Council funds.

3. Reasons for the Recommendations/Decision(s)

An “in principle” commitment to fund a “local” contribution of 10% of the capital cost of the scheme is a fundamental part of the submission of a revised business case to the Department for Transport (DfT) and Network Rail in early 2008. All the Tees Valley

Authorities are considering agreeing to share in that 10% contribution, either in kind or financially, at this time.

#### 4. Members Interests

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;
- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

**Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.**

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For a considerable time, there have been proposals to develop a rapid transit (metro) system within the Tees Valley to support future regeneration aspirations, and this project was included within the recent City Region Business Case as a key future year investment project. This report details the background and emerging benefits, the Policy Context, sets out the next steps to take the scheme forward and considers the costs and funding issues.

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**RECOMMENDATIONS**

It is recommended that:

- I. Cabinet supports the Tees Valley Metro proposal.
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**DETAIL**

**Background and emerging Benefits**

TVR has been developing the Metro proposal since November 2004, and in October 2006 produced an outline business case that set out the preferred option for Metro at that time. This was based on an assumption that the new system would be required to be almost completely segregated from the existing heavy rail network. However, DfT and Network Rail are now looking at an arrangement whereby systems can “share” track with existing heavy rail passenger and freight services. This increases the opportunity for a viable Metro system as there are potential savings in adopting a track sharing strategy.

In response to this proposals have been developed by Tees Valley Regeneration (TVR) for a high quality, fast and reliable City Region rail-based solution to assist regeneration and help to avoid the transport problems that would otherwise arise as economic activity gathers pace.

The Tees Valley Metro will:-

- deliver a step change in sub-regional public transport across the Tees Valley, providing a high frequency, high quality service, and a 21<sup>st</sup> Century metropolitan public transport system
- bring strong benefits, including support for economic regeneration that will deliver a significant uplift in GVA of up to £400 million and;
- help the Tees Valley realise its potential as it opens up development potential along the corridor and in particular in proximity to its stations, with the potential for Local Authorities to lever Section 106 contributions from private sector developers.

The preferred option developed so far, and now being examined in more detail, is an innovative transit system for the Tees Valley, making more efficient use of the current rail and bus networks to better meet the travel needs over the next 20 years. It provides:

- A four trains per hour service between Darlington and Saltburn throughout the working day;
- New rolling stock with higher levels of passenger quality and comfort;
- Up to five new stations along the route, serving key employment sites, major regeneration areas and Durham Tees Valley Airport;
- Upgrades to all other stations along the route;
- Supporting heavy rail/metro service enhancements to Hartlepool and Nunthorpe (the latter possibly with park and ride to serve East Cleveland);
- Complementary links to the existing Community Rail Partnerships along the Esk Valley and Bishop Auckland lines; and
- Integrated express bus services where heavy rail/metro services are not economically viable in the short term.

The capital cost estimate for the core section of the route has been estimated at £141.9 million (2005 prices).

In parallel a significant amount of work has been undertaken to develop the Tees Valley Bus Network Improvements scheme (with a capital cost of some £40 million between 2008 and 2011), which aims to provide a “step change” in the provision of bus services across the Tees Valley. It is important that these proposals and the Metro proposals are complementary to provide a wholly integrated network.

The work done by TVR for the outline business case assessment showed that there was a strong economic benefit : cost ratio, even assuming a relatively modest transfer of ridership from the private car.

Across the Tees Valley other headline benefits of the proposals are as follows:

- I. Enhanced capacity on the ECML and Trans Pennine rail routes;
- II. Opportunities for additional passenger and freight train services, particularly Teesport (although additional paths over and above those available at present are not needed as part of the current Northern Gateway proposals);
- III. Potential to serve new markets along the Durham Coast whilst enhancing connections to Tyne and Wear;
- IV. Support sustainable development and contribute to reducing CO<sub>2</sub> emissions;
- V. Support for economic regeneration and delivers significant uplift in GVA (currently calculated at some £400 million);
- VI. Significant accessibility and social inclusion benefits.

Significant local benefits would accrue to each of the Tees Valley Authorities, both with the proposals being considered at present, and as part of any future network extensions, as described in turn below:

#### **In Darlington:**

New platforms at Bank Top adjacent to the Central Park development;

New station at Durham Tees Valley Airport;

Possible new station serving the football stadium or Morton Palms to support development opportunities;

Release of track capacity on the ECML to allow more trains to run from Darlington to York and Newcastle;

Continued rail service on the Bishop Auckland line; and,

Complements plans to remodel Bank Top station and offers the opportunity to develop car parking adjacent to the new Metro platforms.

Looking beyond the core scheme, Metro offers the potential for a future street-running extension into Darlington town centre.

#### **In Hartlepool:**

New services to Hartlepool Interchange (both bus and rail);

Enhanced heavy rail connections along the Durham Coast line, including Grand Central;

Supports development proposals within the town centre and at Victoria Harbour; and,

Creation of additional track capacity to allow more trains to run from Hartlepool to York and Middlesbrough.

Beyond the core scheme, Metro offers the potential for a future station serving Queen's Meadow.

### **In Middlesbrough:**

Fast and frequent connections to the ECML at Darlington, Grand Central at Eaglescliffe and Durham Tees Valley Airport;

Direct support for the Stockton Middlesbrough Initiative;

Possible new station at Teesside Leisure Park;

Support for the regeneration at Middlehaven and Middlesbrough Football Stadium, including a possible station; and

Possible extensions to Nunthorpe, including a park and ride site to serve East Cleveland and relieve peak hour congestion on key radial routes.

Looking beyond the core scheme, Metro offers the potential for a new station at James Cook Hospital with any extension to Nunthorpe, and a future street-running extension in Middlesbrough.

### **In Redcar and Cleveland:**

Fast and frequent connections to the ECML at Darlington, TransPennine Express at Middlesbrough and Grand Central at Eaglescliffe;

Support for the Northern Gateway at Teesport;

Possible new stations to serve residential areas such as The Ings;

Possible links to the Wilton site; and

Possible extensions to Nunthorpe, including a park and ride site to serve East Cleveland.

Beyond the core scheme, Metro offers the potential for future services to East Cleveland and a street-running extension to Guisborough.

### **In Stockton-on-Tees:**

Fast and frequent connections to the ECML at Darlington, TransPennine Express at Thornaby, Grand Central at Eaglescliffe and Durham Tees Valley Airport;

Direct support for the Stockton Middlesbrough Initiative; and,

Support for development opportunities at Eaglescliffe, Preston Farm, Thornaby and Teesside Retail Park, including possible new stations.

Looking beyond the core scheme, Metro offers the potential for future street-running extensions to Stockton town centre and Ingleby Barwick.

### **Policy Context**

The Government's 30 Year Strategy for Rail and High Level Output Specification, published in July 2007, makes reference to the need to look at more innovative and cost effective ways of providing rail-based solutions on suburban lines. Also Network Rail have stated that capacity is increasingly becoming an issue on the East Coast Main Line (ECML). The Tees Valley Metro strategy could be an effective pilot of such new proposals and assist to free up additional capacity on the ECML.

The recently issued Modifications to the Draft Regional Spatial Strategy (RSS) includes;

The “development of a rail-based metro system” as a “priority for further investigation” for the Tees Valley City Region and lists Metro in the Transport Investment Priorities. The need to improve connectivity within and between City Regions.

The development of the Tees Valley Metro scheme was highlighted in the Tees Valley City Region Business Case, submitted to Government in October 2006. The need for the scheme to support long term regeneration aspirations for the City Region was referenced in the supporting Investment Plan, which is shortly to be incorporated within a new Multi-Area Agreement with Government.

The Tees Valley Metro scheme is referenced within all of the Tees Valley Authorities’ Second LTP’s as a means of increasing social inclusion and enhancing accessibility to all services by public transport.

### **The Next Steps**

Discussions are being held with the Department for Transport (DfT) and Network Rail to explore innovative funding mechanisms. However, the DfT requires a “local” contribution to each major local transport scheme of at least 10% of the gross capital cost in order for the project to be considered by the DfT and the Regional Funding Allocation (RFA) process. Therefore, an “in principle” funding commitment from each of the Tees Valley Local Authorities to provide a local contribution covering a collective total 10%, or around £14 million, of the capital cost is required. Without this the Metro scheme cannot proceed to the next stage.

The definition of “local” contributions includes funding from European sources, the private sector, Local Transport Plan (LTP) funding already secured and other mechanisms outside a central Government grant. TVR and Officers will continue to work to maximise the value of the contribution from sources other than the Local Authorities.

A draft timescale for implementing the improvements has been developed. In order to avoid cost penalties the timetable is linked to the period of the current Northern Rail franchise, which ends in 2013. Therefore, any contributions from the Local Authorities (and other sources) are likely to be required between 2011 and 2013, and a confirmation on the exact contribution from each Authority will not be required until 2009/10.

### **Costs**

During the project development to date, two separate value engineering and risk management exercises have been undertaken in order to provide a robust estimate of the capital costs. A Quantified Risk Assessment (QRA) has also been undertaken, following HM Treasury guidelines.

The capital cost estimate for the core section of the route, taken from Darlington to Saltburn, including the QRA cost, was estimated at £141.9 million (2005 prices).

In working with Network Rail, the new option for using shared running along much of the route should further reduce costs. However, there may be some additional costs associated with additional elements of the scheme that are being examined in more detail in the next stage of work, that were not included in the £141.9 million scheme. Members should be aware that a detailed cost benefit evaluation remains to be undertaken, and that the proposed phasing of the implementation of the improvements will need to be addressed in terms of economic viability. However, the need to provide an integrated network across the whole of the Tees Valley is fundamental to the development of the scheme.



Due to increased frequency of service and higher staff costs the total forecast annual operating cost for the core system is £6.6 million, compared with the current estimate of £5.7 million. However, it is anticipated that trip numbers will increase and the new system will actually require less subsidy than the existing system. It is envisaged that the new system will require around £1.5 million less per year in Government subsidy payments.

The option for increased use of shared running currently being examined also assumes that the system remains part of the national rail network, which will not place additional operating cost risk on the Local Authorities.

## **Funding**

Crucially, TVR is working to secure a contribution from the DfT in respect of major transport schemes, and position Metro favourably for the review of the RFA process to be undertaken later in 2007. In order to ensure that the project can be part-funded in this way, it is now necessary to secure an "in principle" commitment to a local funding contribution, otherwise the scheme will not be taken further within the RFA review.

## **FINANCIAL AND LEGAL IMPLICATIONS**

### **Financial**

Dividing the local contribution equally between each of the Authorities gives a contribution of around £3 million per Authority. Although, this does not necessarily need to come directly from SBC resources.

### **Legal**

An agreement "in principle" does not commit the Council to any particular resource commitment at this time, it merely indicates that the Council is willing to contribute to a scheme, financially or in kind, should a viable project emerge.

## **RISK ASSESSMENT**

At this point the risks associated are low as financial commitment to any particular value are subject to a further report to members on a detailed business case, yet to be developed.

## **COMMUNITY STRATEGY IMPLICATIONS**

### **Environment**

The Metro provides a sustainable transport solution for the Tees Valley and will underpin the Councils commitments to modal shift, reducing congestion, reducing carbon emissions and increasing public transport usage.

### **Community Safety and Well Being**

There are minor implications around road safety and accidents although these are not considered to be likely to be significant.

### **Health**

Reducing congestion, carbon and particulate emissions and introducing modal shift from the car will have a positive impact upon health and general accessibility to facilities will improve.

## **Economic Regeneration**

The Metro's fundamental purpose is to support the regeneration plans for the Tees Valley and to provide the infrastructure to help realise those plans and increase the Tees Valley GVA.

## **Education and Lifelong Learning**

No direct implications, although general accessibility will improve.

## **Arts and Culture**

The Metro will provide better opportunities to visit a mix of facilities across the Tees Valley.

## **CONSULTATION INCLUDING WARD/COUNCILLORS**

The report is due to be considered by Stockton Renaissance at its' meeting of 4<sup>th</sup> September 2007.

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### Background Papers

JSU TV Metro briefing report.

### Ward(s) and Ward Councillors:

All.

### Property

None.