

Item No. 4

GM LOCAL ENTERPRISE PARTNERSHIP BOARD

SUBJECT: HS2 Growth Strategy Grant Approval

DATE: 19 September 2016

FROM: Pat Bartoli

1. Introduction and Background

- 1.1 At Budget 2016, Government announced it would allocate £3.75m of funding to take forward work on the HS2 Growth Strategies for Manchester Piccadilly, Manchester Airport and Leeds stations (£1.25m per station) as part of the Government's response to the National Infrastructure Commission (NIC) March report "High Speed North".
- 1.2 This paper summarises Greater Manchester's outline specification of work which we propose to take forward with the £1.25m of funding earmarked for Manchester Airport, and the £1.25m earmarked for Piccadilly Station. The funding allocation will be paid to Greater Manchester Combined Authority (as the accountable body for the Greater Manchester Local Enterprise Partnership) under S31 of the Local Government Act 2003. An initial tranche of funding has been awarded to the CA of £625,000 per station based on the outline specification, which was requested by DCLG /DfT prior to the phase 1a submission.
- 1.3 A further funding payment will be made by February 2017, to support the development of phase 2 of the strategy. The timetable for the submission of proposals is set out below:

Phase 1: (August 16 to January 17):

- Phase "1a": September submission to inform Government's HS2 Phase 2 route and stations announcement in the autumn
- Phase "1b": Phase 1 report to Government outlining the HS2 Growth Strategy and supporting business case

Phase 2 (March 17 to September 17):

- Final Growth Strategy submission by Autumn Statement 2017, alongside Transport for the North's single integrated strategy for NPR
- Regeneration and Connectivity Plan

- Implementation Plan for the Growth Strategy

2. Recommendations

2.1 The GM LEP is requested to:

- (i) Note the content of the outline submission, as summarised in this report; and
- (ii) Agree the proposed use of the LEP funding allocation to develop detailed growth strategies for both Piccadilly and Manchester Airport Stations, including the resourcing of appropriate external expertise, in accordance with the arrangements set out in this report.

3. Context

3.1 GM has already undertaken a significant amount of work, funded locally, to begin the development of an HS2 Growth Strategy for both Manchester Airport and Manchester Piccadilly. This work is summarised in GM's response to Government's HS2 Phase 2 consultation in 2014, but has subsequently been updated to reflect the evolving situation. This means we are well equipped to further develop our evidence base, taking into account the shift in the policy landscape through the devolution and Northern Powerhouse agendas. In particular, this work will need to dovetail with the work underway by Transport for the North on Northern Powerhouse Rail (NPR).

3.2 The issues facing Manchester Piccadilly and Manchester Airport stations are different, and our detailed work programme will reflect this, however we will be seeking to co-design and co-commission work for the two stations wherever the opportunity exists in order to deliver best value for money from the total £2.5m of HS2 Growth Strategy development funding. The output of these work programmes will be two complementary growth strategies.

3.3 The HS2 Growth Strategy for each station will comprise:

- 1) A public-facing document which sets out the local vision, the strategic case for intervention, the programme of investment required and in broad terms the benefits/outcomes that investment will deliver.
- 2) A supporting business case to Government, in line with the 5-case model
- 3) A Regeneration and Connectivity Plan, which will include:

- Evidence-based assessment of the development and regeneration potential of the area; and
- The required local infrastructure to achieve this potential.

4) An Implementation Plan, which will include:

- How the HS2 Growth Strategy will be delivered in the short-medium (up to 5 years) and longer (5 years plus)
- A prioritised programme of projects and their milestones; indicators for tracking delivery; and the role and remit of local governance and delivery structures

3.4 Based on our own experience, we believe the key building blocks for preparing the HS2 Growth Strategy are:

- a) Establishing the vision, strategic fit and growth potential at the local and national levels;
- b) Identifying local constraints to growth, the infrastructure and soft interventions required to realise that growth, and the costs of doing so (capital and revenue);
- c) Modelling existing sources of local and central government funding, and identifying new revenue sources (including value-capture mechanisms);
- d) Developing a preferred option for a delivery vehicle, local financing structures and the approach to managing risk; and
- e) Setting out local offers and the case for any additional government support.

3.5 The outputs of this work will provide the content for the HS2 Growth Strategy document and its four component parts (Vision; Regeneration and Connectivity; Governance and Local Delivery Body; and Funding and Finance Mechanisms). To deliver this work requires a multi-disciplinary work programme that combines local internal expertise with specialist external support. A major lesson from GM's work in 2014 and from the Phase 1 Growth Strategies is the significant interdependencies between the various workstreams required to produce an HS2 Growth Strategy. This means strong local programme management is critical. To develop our Strategy, we will provide dedicated staff, effectively forming a local programme office, which will ensure the work undertaken internally and externally is delivered seamlessly. This will also ensure that we are able to achieve both synergies and efficiencies in the work undertaken on Manchester Airport and Manchester Piccadilly. We have already begun to mobilise, with local staff identified and fortnightly meetings are underway.

4. Key Workstreams

4.1 Our work programme will comprise the following:

1) Policy context and scenario definition: this will shape all other workstreams. GM and Government will need to agree:

- the counterfactual/baseline (“Do Minimum”) and the investment scenarios (“Do Something”), taking into account both HS2 and NPR
- the time horizon and geographic scope of the Strategy
- the evidence base and policy context, locally and nationally
- objectives of the strategy and the strategic fit with, and contribution to, national and policy objectives

2) Scoping of hard and soft infrastructure requirements:

- Identifying the type, scale and phasing of infrastructure required under each scenario, including:
 - Transport: the station, local interchange and wider connectivity (i.e. beyond the masterplan area)
 - Regeneration and wider development: including public realm and site enabling works
 - Skills and employability
 - Business support and the supply chain
- Clarifying the delivery body/organisation responsible for each of these

3) Costing of hard and soft infrastructure requirements

- Whole-life cost assessment (including acquisition, construction, operations and maintenance)
- Establishing approach to contingency and optimism bias
- Establishing cost inflation assumptions

4) Development viability and appraisal:

- Independent market assessment of the quantum, type, value and timing of development delivered under each scenario
- Testing of investor appetite where appropriate
- Links to the economic assessment (land value uplift) and potential additional revenue sources (value-capture mechanisms)

5) Funding, financing, delivery structures and financial case:

- Modelling the quantum and timing of existing funding sources (locally and nationally) to identify the size and timing of the funding gap
- Modelling new funding sources/revenue (locally, regionally and nationally) which could potentially plug the funding gap, including value-capture mechanisms where there are windfall gains, for example, through land value capture
- Testing of different borrowing/financing structures
- Development of preferred financing and delivery vehicle option(s)

6) Economic analysis, modelling and economic case: assessing the net impact at the local and national levels on:

- Housing and jobs (important for the local narrative and strategic case)
- Skills and labour force participation
- Social impacts e.g. benefits to deprived communities
- Productivity and GVA (local and net national impacts)
- Land values (local and net national impacts), in line with the latest DCLG appraisal guide, validated through the independent market assessment (workstream 4)

7) Benefits realisation strategy:

- Identifying success-measures that can be tracked and monitored in the short and long-term

8) Bringing this together into the HS2 Growth Strategy document and its supporting documents, which are:

- A supporting business case;
- A Regeneration and Connectivity Plan; and
- An Implementation Plan.

4.2 External support will need to be commissioned to support this work programme. This will include scoping the infrastructure required, development viability and appraisal, and economic analysis and modeling. The first two elements will be commissioned by Manchester City Council on behalf of the CA, and the latter by TfGM. However, all aspects will be managed through the Growth Strategy Group comprising both organisations, which will also include other stakeholders, and will have other interfaces and interactions with other projects such as Northern Powerhouse Rail, for example. A

stakeholder management plan will be developed to oversee this, by the Growth Strategy Group.

5. Conclusion

- 5.1 The development of growth strategies for both Piccadilly and Manchester Airport will underpin the transformational redevelopment of these stations, as strategic interchange facilities between HS2, Northern Powerhouse Rail, local transport and intercontinental air connections, and will be fundamental components in achieving shared objectives for the delivery of a Northern Powerhouse. We therefore welcome Government's commitment to support these objectives.
- 5.2 Further progress updates will be provided to the LEP, in line with the development of the strategies.
- 5.3 Recommendations can be found at the front of the report.