

WMCA Board

Date	17 November 2023
Report title	Update on HS2 Announcements and Network North Funding
Portfolio Lead	Transport - Councillor Mike Bird
Accountable Chief Executive	Laura Shoaf, West Midlands Combined Authority email: laura.shoaf@wmca.org.uk
Accountable Employee	Anne Shaw, Executive Director Transport for West Midlands email: anne.shaw@tfwm.org.uk
Report has been considered by	WMCA Executive Board - 8 November 2023

Recommendation(s) for action or decision:

The WMCA Board is recommended to:

- (1) Note the recent central Government announcements in relation to the cancellation of parts of HS2 as a national project and the reallocation of funding as specified in the Network North document published following the Prime Minister's speech at the Conservative Party Conference in October 2023.
- (2) Note that programmes and projects utilising this funding will follow the existing governance routes and will come back to the WMCA Board for decisions over £20m and the Investment Board for decisions below that amount.
- (3) Note that an assessment of the economic impacts for the region associated with these changes is being commissioned to help inform any future investment programmes and refresh of existing business cases that were predicated on the arrival of the full HS2 scheme and which will be subject to a future report to the Board.

1. Purpose

- 1.1 The purpose of this report is to update the Combined Authority board on the recent announcements relating to HS2 from Central Government; the reallocation of funding to the North and Midlands authorities; and the work being undertaken to assess the impacts on the region's economic outcomes as a consequence of these changes.

2. Background

- 2.1 Work on HS2 from London to Birmingham with an interchange station in Solihull is progressing with extensive works on the ground as part of Phase 1. Phase 1b to Crewe and northwards to Manchester were also the subject of parliamentary process to obtain the relevant statutory authority to proceed. Some land acquisitions along Phase 1 and Phase 2 have been made in order to bring this forward.
- 2.2 The Government have however undertaken a review of the delivery of HS2 and on the 4th of October, within the Prime Minister's speech during the Conservative party conference, it was announced that parts of the scheme were to be cancelled.
- 2.3 These changes to the scope of HS2 means that Phase 1 will be completed between London (Old Oak Common) to Birmingham and with a rescoped Euston station which will require a private consortium to invest in its completion. Phase 1b to Crewe would be removed and the HS2 line would reconnect to the existing West Coast Mainline at Handsacre to provide rail connectivity North.
- 2.4 The reinvestment of funding released from the cancellation of parts of HS2 would bring forward a number of regional schemes across the North and Midlands which would provide for regional and locally important connectivity to continue to support economic growth.
- 2.5 With these changes it is important to understand the economic impacts of the removed schemes and those that have been added. To better understand the changes that this will have on economic performance, the WMCA is commissioning a review and this is likely to be the subject of a further report to the board. This will need to consider how this funding is to be reinvested on new schemes that are regionally and locally significant to deliver against the WMCA economic, social and environmental outcomes contained within its agreed policy framework.
- 2.6 Within the Prime Minister's statement, it highlights that every penny of the £19.8bn committed in the northern leg of HS2 will be reinvested in the North and £9.6bn committed in the Midlands will be invested in the Midlands. A saving from the rescoped Euston station of £6.5bn will be reinvested across the Country. This funding is to be reallocated to other significant and important projects in the Midlands and North of the Country as part of a new £36bn plan to improve the country's transport. These changes were covered in the [Network North](#) document published on the same day and which indicated how this funding will be allocated and provides indicative timelines for delivery.

Allocation of funding

- 2.7 This funding is to be shared across City Regional Sustainable Transport Settlements (CRSTS), Bus Service Improvement Plans (BSIP's), local highway maintenance, the Major Road Network, Large Local Majors Programme (MRN/LLM) and the newly created Local Integrated Transport Settlements (LITS) for places not in combined authority areas. In addition to this, funding will be allocated to the Midlands Rail Hub for both scheme development and delivery.

CRSTS

- 2.8 On the 4th of October the Department of Transport (DfT) also published the [changes to CRSTS allocations](#) providing information with regards to the uplift of CRSTS 2.
- 2.9 In the Prime Minister's statement, it was stated that £100m would be made available within CRSTS 1 to the WMCA to support the delivery of existing metro extensions including the full scheme for Wednesbury to Brierley Hill High Street with some being available for Birmingham Eastside Extension as well as funding for Arden Cross located around the HS2 station in Solihull.
- 2.10 This funding is in addition to the £1.05bn of capital funding allocated for CRSTS 1 for the period 2022/23 -2026/27 and previously reported to the board. The indicative amount for CRSTS 2 for the period of 2027/28 to 2031/32 is a total of capital and revenue increased from a baseline figure of £1.566bn to £2.648bn. An additional allocation of just over £1bn has therefore been provided additionally as a direct reinvestment of HS2 funds. £250m of revenue will be made available during CRSTS1 period to support network stability to enhance the outcomes of CRSTS investment in public transport.
- 2.11 The allocations to CRSTS2 will help alleviate some of the budget pressures previously identified to the board and provide significant additional investment funds for new projects in the CRSTS2 period. The allocation of funds will follow the established processes through STOG and the WMCA Board used for CRSTS 1 as well as continuing to work within the WMCA's government approved Single Assurance Framework to provide a value for money assessment.

Bus Service Improvement Plans (BSIP)

- 2.12 Network North announced over £1bn of additional funding for BSIPS in the North and the Midlands. DfT have indicated that £770m will be allocated to the North and the remainder to transport authorities in the Midlands.
- 2.13 Indicative funding allocations for 2024/25 have now been published with WMCA being allocated £16.6m of revenue funding. We are awaiting the formal grant letter to ascertain and terms and conditions, but it is anticipated that this can be used to continue to transform bus services and maintain current levels of service on the bus network for this period in line with existing guidance.

- 2.14 It is anticipated that the remaining 4 years of this funding as yet to be allocated will provide revenue and capital funding for bus services but is anticipated to be lower than that announced for 2024/25. Whilst it is anticipated that this will support ongoing bus services it remains to be seen if this will be sufficient to maintain current levels of service or implement the transformation of the bus network anticipated in the WMCA's vision for bus and the core strategy of the LTP.

Local Highways Maintenance


- 2.15 Network North also announced £8.3bn of additional capital funding for local highway maintenance activities such as resurfacing of local road networks. £2.2bn will be provided to the Midlands and some of this funding will be allocated in this current financial year and over the following 10 years from 2023/24 to 2033/34. The allocation for each area is expected to be published by DfT shortly but at the time of writing this report this has not been forthcoming.
- 2.16 It is anticipated that this will be calculated outside of the CRSTS budgets and allocated to CRSTS additionally as is currently the arrangement in CRSTS1 for local authorities except for Birmingham City Council which has a separate PFI arrangement.

Major Road Network/Large Local Majors (MRN/LLM)

- 2.17 The announcement included funding uplifts for MRN/LLM schemes already in the programme, which have not yet reached Final Business Case stage. A £250 million uplift was announced for the Midlands. An 'MRN2' programme was also announced with £650 million earmarked for the Midlands. Guidance will be issued by DfT on eligibility and process for MRN2 in the spring of 2024. Existing MRN schemes will be informed of the process for the uplift in due course.

Midlands Rail Hub

- 2.18 In addition to this, the Midlands Rail Hub (MRH) is to be fully funded with £1.75bn to complete the full business case and for delivery, with WMRE taking a greater role in MRH governance on behalf of WMCA. Midlands Rail Hub comprises three key elements: MRH West, Central and East.

Midlands Rail Hub West	Midlands Rail Hub Central (assuming West infrastructure)	Midlands Rail Hub East (assuming West/Central infrastructure)
Snow Hill platform 4 Moor Street platform 5 Bordesley West Chord Kings Norton-Barnt Green Stoke Works junction Malvern Wells turnback facility Ledbury – Shelwick partial double-tracking	Moor Street platforms A & B (east side) Bordesley viaduct widening Bordesley East Chord	Water Orton remodelling Nuneaton to Wigston signalling headways Freight loops between Nuneaton and Leicester
		

- 2.19 An Outline Business Case (OBC) for MRH West / Central, which provides the rail network capacity into central Birmingham for additional services to Bristol / Cardiff, plus a Kings Norton bay platform for Camp Hill services, has been approved by DfT. A **second MRH West phase** will be required for an additional train to Worcester / Hereford, but is dependent on the currently unfunded re-signalling of the Worcester area.
- 2.20 Work on the OBC for **MRH East** (to Leicester) is still underway, but this **will now need to be revised** to additionally include infrastructure enhancements between Birmingham and Derby/Nottingham following the cancellation of HS2 East.
- 2.21 This will provide improved local and regional capacity by rail and will offset some of the lost benefits from HS2.

3. Financial Implications

- 3.1 There are a number of direct and indirect financial impacts as a result of this announcement outlined in this report. There are a number of new direct transport funding streams that will flow to WMCA. Full details and associated terms and conditions are yet to be received on these and will be subject to WMCA's standard review processes and Single Assurance Framework as necessary.
- 3.2 As noted earlier in the report the economic impacts of the decisions require review of both current and future investment decisions to ensure that these represent value for money and also to understand whether there is any potential impact on any non transport funds. This will all need to be taken into consideration as WMCA continues to negotiate its Deeper Devolution Deal and single settlement to ensure that there is alignment between the use of all funds to achieve outcomes for the region.

4. Legal Implications

- 4.1 The CA has the power to receive/pay transport related grants pursuant to Part 2 of The West Midlands Combined Authority (Functions and Amendment) Order 2017.

- 4.2 The report highlights a number of new direct transport funding streams that will be paid to WMCA. Whilst it is recognised that full details and associated terms and conditions are yet to be received, it will be necessary to ensure that upon receipt they are subject to the WMCA's review, assurance and governance processes.
- 4.3 The economic impacts of the decisions will also require review of both current and future investment decisions to ensure that these represent value for money.
- 4.4 Where the funding is used to deliver goods, works and/or services, those appointments should be procured in accordance with the CA's contract procedure rules and, if applicable, the Public Contracts Regulations 2015
- 4.5 Where funding is used as a grant scheme a full subsidy analyses should be undertaken.
- 4.6 Further legal advice should be sought as these projects progress.

5. Impact on Delivery of Strategic Transport Plan

- 5.1 The LTP must set out policies to promote a safe, integrated, efficient and economic transport system. Despite the cancellation of the wider HS2 network, the West Midlands Local Connectivity Package, being delivered, will plug-in the two HS2 stations to the local transport network including rail and metro networks, SPRINT rapid bus transit services and Birmingham and Solihull's core bus networks. This will be supported by improvements in walking and cycling infrastructure providing good regional access to HS2 services, and the economic development underway in the vicinity of the stations. The delivery of Midlands Rail Hub will support improved connectivity to key destinations in the East Midlands and southwest whilst also unlocking opportunities to improve local rail services within the metropolitan area. This includes the Sutton Park line proposals and a number of new stations and supports the LTP's vision for travel of a 45-minute region.
- 5.2 The uplift in funding to CRSTS, BSIP and local highways maintenance funding will enable delivery of a range of improvements which support the LTP's objectives of improving accessibility, reducing overall levels of traffic and electrifying the transport system. The uplift to CRSTS will allow more sustainable transport improvements to be delivered across the region, building on the delivery of CRSTS1. The development of the LTP Area Strategies currently underway will help to inform the development of the regional CRSTS2 programme. Bus services are crucial to inclusive growth and levelling up and make up 4 out of 5 of all public transport journeys in the region. Bus services provide an essential mobility service to access employment, education, leisure and other key facilities as well as providing integration with other transport particularly for the 27% of households without access for a car. Highways maintenance is a key issue for many travellers, with many motorists currently dissatisfied with the condition and upkeep of the roads. Improvements to the standard of the highway network do not just help drivers though, as a broad range of users across bus, walking, cycling, wheeling, and freight also benefit from a well maintained and managed network.

6. Equalities Implications

- 6.1 There are no specific equalities implications for this report

7. Inclusive Growth Implications

- 7.1 WMCA defines Inclusive Growth as *“a more deliberate and socially purposeful model of growth, measured not only by how fast or aggressive it is; but also, by how well it is created and shared across the whole population and place, and by the social and environmental outcomes it realises for our people.”* The [Inclusive Growth Framework](#) is designed to ensure that this vision is applied to WMCA policies, programmes and investments as a mechanism to deliver a fairer, greener and healthier region. It has eight ‘fundamentals’ to ensure we achieve this goal in a way which enables people, places and our environment to thrive.
- 7.2 Public transport is a key component of the Connected Communities Fundamental. Ensuring that residents are well connected to amenities, employment and leisure activities is vital. As part of the commissioning of an assessment of economic impacts for the region associated with the changes outlined in the report, the Inclusive Growth Framework will be applied to ensure that opportunities for an inclusive growth approach are taken forward.

8. Geographical Area of Report’s Implications

- 8.1 This report covers the whole geographical area

9. Other Implications

- 9.1 There are no other implications arising from this report.

10. Schedule of Background Papers

[Network North](#)