

REPORT TO: Mersey Gateway Executive Board

DATE: 23 September 2010

REPORTING OFFICER: Strategic Director Environment and Economy

SUBJECT: The Council Submission to the Government's Spending Review

WARDS: All Wards

1.0 PURPOSE OF THE REPORT

1.1 The coalition government has suspended its funding agreement with the Council for Mersey Gateway pending the outcome of the Comprehensive Spending Review that is due to be announced on 20 October 2010. This development was reported orally to the Mersey Gateway Executive Board at the last meeting on 13 June and this report deals with the actions taken in response to the following Board decisions made at that meeting.

1. The Mersey Gateway Team continue to develop the case for Mersey Gateway having particular regard to current Government Guidance;
2. The Mersey Gateway Team enter into further dialogue with DfT on the funding arrangements for Mersey Gateway;
3. The Council restate the economic, business and financial case for Mersey Gateway to Government; and
4. The Chief Executive, in consultation with the Leader, be authorised to take all necessary actions to progress the Mersey Gateway Project.

2.0 RECOMMENDATION: That

- (1) The action taken to promote the case for the Government to part fund Mersey Gateway is noted: and
- (2) The Chief Executive, in consultation with the Leader, be authorised to take all necessary actions to progress the Mersey Gateway Project.

3.0 SUPPORTING INFORMATION

3.1 The decision to suspend Mersey Gateway was conveyed a letter to the Chief Executive dated 10 June 2010 from the Head of Regional and

Local Major Transport Projects at the Department for Transport. This notification also invited the Council to make its views known by 1 July 2010 regarding the availability of alternative funding which would allow the Secretary of State to continue with the consideration of the statutory Orders and Applications. In effect this question about alternative funding was seeking to determine if the project could be delivered without a funding contribution from Government because if such a funding contribution was seen as essential then the uncertainty over the availability of this funding would need to be resolved prior to any decision to confirm the statutory powers required to deliver the project.

3.2 The Chief Executive, in consultation with the Leader, responded to the DfT letter on 28th June. The points made in his letter were as follows:-

3.2.1 Halton Borough Council (the Council) and the MG project team recognise that addressing the UK's budget deficit is the new government's priority and are supportive of this. The decision to review all major transport schemes as part of the Comprehensive Spending Review is transparent for all concerned. Our team is confident that the MG has a compelling case which aligns well to our understanding of the new Government's policy, in particular:

- The scheme has excellent local and national economic benefits and will be an essential catalyst to the economic regeneration of the region;
- The scheme has substantial revenue generation from private users which will limit government support to approximately 30% of scheme costs, meaning high leverage on Government's money;
- The scheme could be considered as a pathfinder project to the delivery of future infrastructure with an emphasis on 'user pays' approaches.

3.3 The letter went on to stress that the current funding proposals for the scheme have been developed over a number of years in close collaboration between the Council and the Department for Transport and we believe those funding proposals are robust and offer the best value for money approach.

3.4 However recognising the pressures on the Regional Funding Allocation, in particular, the letter advised that we have considered whether there are alternative funding arrangements which would enable the Secretary of State to continue to make his decision on the Statutory Orders for the project. The MG funding structure currently assumes an £86m (nominal) RFA award for land purchase and remediation which is separate from the proposed PFI concession for construction and operation of the new crossing.

3.5 The loss of the RFA component of the funding would not in our view be the most optimal approach. It would impair the timetable for the project, leading to lost benefits estimated at £2m for every month of delay. And it

would result in the public sector borrowing for an element of the project which on value for money grounds are normally met by direct grants.

- 3.6 However we acknowledge that one of the features of Mersey Gateway, which distinguishes it from all other major transport projects currently being promoted in the UK, is the high proportion of third party funding. As such our review suggests that the scheme could progress without RFA funding, if there were no alternative. There are a number of private and public sector financing options for how that could be achieved. Accordingly we do not consider that a threat to the availability of RFA funding is a reason for the Secretary of State to delay confirming the Statutory Orders for the project.
- 3.7 The Department for Transport responded to our suggestion by advising that the funding uncertainty for Mersey Gateway also covered the availability of PFI Credits and consequently Ministers would not be able to confirm any PFI Credit support for the project until the results of the Spending Review are known. Ministers were then advised by their officials that it would not be appropriate for the statutory process to continue until the outcome of the Spending Review is known. We have now been notified formally that, following the exchange of correspondence between the Council and the Department on funding issues, the Secretary of State for Transport and the Secretary of State for Communities and Local Government have decided to defer their decisions on the various applications and orders for Mersey Gateway until the funding position is clearer following the Spending Review. Government officials have also written to interested parties (in particular statutory objectors and others who gave oral evidence at the public inquiry) to update them on the position.
- 3.8 It is therefore clear that the coalition government will not make decisions on both funding and planning approvals for Mersey Gateway until the Spending Review results are available. To ensure the project benefits from an appropriate assessment the Chief Executive, in consultation with the Leader, has submitted the case for funding to the Spending Review process. A copy of the submission is attached at annex 1. The information submitted is drawn from our studies undertaken in recent years and included in the information reported to the Public Inquiry last summer. The format of the submission does however address the specific questions set by HM Treasury in the framework for the Spending Review considerations. The submission was forwarded under a covering letter stressing the merits of Mersey Gateway and the extensive support given to the project across the community. A copy of the covering letter is at annex 2.
- 3.9 To alert Ministers across the Transport team to the merits of Mersey Gateway, the Leader has also written to Mike Penning, Parliamentary Under Secretary of State for Transport responsible for major roads, in response to an answer to a written question in parliament on 5 July. Penning said he would welcome representations from the private sector

and/or local authority sponsors on providing new road capacity via private funding. This letter has not yet received a response.

- 3.10 The case submitted, along with the expressions of support from our partners and businesses (see the report on Campaign 2010) for the government to confirm its funding support for Mersey Gateway is strong. The Transport budget is however under severe pressure with cuts up to 40 percent a possibility. The government is still seeking to maintain infrastructure investment that is vital for economic growth and is looking to achieve this by adopting more innovative ways embracing private finance contributions. Mersey Gateway presents the government with a case study for delivering much needed infrastructure through a public-private funding partnership.

4.0 POLICY IMPLICATIONS

- 4.1 The Mersey Gateway project is the cornerstone for the Council economic, social, transport and urban renewal policy and programmes.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 Children and Young People in Halton

There will be an indirect contribution to contribute to Key Objective E: To ensure that all children and young people in Halton have positive futures after school by embracing life-long learning, employment opportunities and enjoying a positive standard of living.

5.2 Employment, Learning and Skills in Halton

There will be an indirect contribution to Key Objective B: To develop a culture where learning is valued and to raise skill levels throughout the adult population and in the local workforce.

5.3 A Healthy Halton

There will be opportunities for biodiversity activities to contribute to Key Objective C: To promote a healthy living environment and lifestyles to protect the health of the public, sustain individual good health and well-being, and help prevent and efficiently manage illness.

5.4 A Safer Halton

There will be opportunities to contribute to Key Objective C: To create and sustain better neighbourhoods that are well designed, well built, well maintained, safe and valued by the people who live in them, reflecting the priorities of residents.

5.5 Halton's Urban Renewal

There will be opportunities to contribute to Key Objective E: To enhance, promote and celebrate the quality of the built and natural environment in Halton. Tackling the legacy of contamination and dereliction to further improve the Borough's image. In particular, in Area of Focus 12, examples of future planned activity include "Creating local nature reserves and wild spaces that support the Council's efforts to deliver urban renewal and a better quality of life in Halton". The Mersey Gateway nature reserve will be a main delivery mechanism for this Area of Focus.

6.0 RISK ANALYSIS

6.1 The case submitted to the Spending Review combined with the support received through the campaign launched over the summer presents the best case for securing the government's funding support for Mersey Gateway. There is a risk however that the outcome of the Spending Review to be announced on 20 October, may not deal conclusively with Mersey Gateway. The spending plans for each government department may be subject to more assessment prior to confirming priorities and any further assessment required for Mersey Gateway could embrace the coordination with the emergence of funding proposals for Local Enterprise Partnerships (LEPs) in the region. There is very little information on the funding of LEPs at this stage.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 Mersey Gateway provides an opportunity improve accessibility to services, education and employment for all.

8.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	Place of Inspection	Contact Officer
Project Records	Mersey Gateway Project Office	Matthew Fearnhead