

Waverley Railway Project: Progress and Funding Issues

The City of Edinburgh Council

18 March 2004

1 Purpose of report

- 1.1 The purpose of the report is to detail the progress of the Waverley Railway (Scotland) Bill ("the Bill"). The report also confirms the current position with regard to funding and seeks the Council's continued support for the project and a qualified commitment that, should there be a scheme funding shortfall in the future, consideration be given to funding its proportion of the scheme.

2 Summary

- 2.1 The proposed Waverley Railway Project is ranked seventh among the top ten Scottish transport projects as detailed by the Transport Minister in an announcement made on 21 March 2002. The project is included in the Council's long term Local Transport Strategy objectives and will greatly enhance the economic and transport links between the City and the Scottish Borders.
- 2.2 The benefits of the project to the city include; greatly improved access between the city and the borders, with the consequent availability of an enlarged labour pool to Edinburgh; a great reduction in road congestion on the southern approaches to the city; a stimulation of new reasonably priced housing in the Scottish Borders and Midlothian.
- 2.3 At its meeting of 15 November 2001, the Council agreed to the formation of, and participation in, a Joint committee to progress the re-opening of the Waverley Railway. The Joint Committee consists of two elected members from each of the three Councils – City of Edinburgh, Midlothian and the Scottish Borders Councils.
- 2.4 On 13 November 2003 the Council agreed to re-confirm its support of the Scottish Borders Council in the promotion of a Private Bill in the Scottish Parliament and passed a resolution pursuant to Section 82 of the Local Government (Scotland) Act 1973, as amended.

- 2.5 The Bill was introduced in the Scottish Parliament on 11 September 2003. Scottish Borders Council is the formal promoter of the Bill, supported by Midlothian and City of Edinburgh Councils. The report outlines the parliamentary process and reports the objections received to date.
- 2.6 The report also provides details of the current financial situation with regard to the Waverley Railway Project. It gives the capital cost of the project and details where the financial obligations may fall.
- 2.7 Scottish Borders and Midlothian Councils considered similar reports on 26 February and 2 March 2004 respectively.

3 Main report

Background

- 3.1 The project consists of a new railway from Tweedbank, south of Galashiels, connecting into Edinburgh's existing Crossrail project (see appendix A). Stations will be provided at Tweedbank, Galashiels, Gorebridge, Newtongrange, Eskbank and a new settlement at Shawfair. The Galashiels stop will incorporate a bus interchange. Park and ride facilities will be provided at Tweedbank. The railway will be served by an extension of the existing Dunblane and Bathgate services with a half-hourly frequency. The journey time of approximately 55 minutes from Galashiels to Edinburgh represents a considerable time saving over the car during peak periods.

Parliamentary Process

- 3.2 The Bill was introduced on 11 September 2003 and the objection period closed on 10 November 2003, by which time a total of 118 objections had been received.
- 3.3 Scottish Borders and Midlothian Councils' staff and a representative from the lead consultants, Turner Townsend, are currently engaged in objection resolution. This process allows the Councils to agree terms with objectors leading to the withdrawal of the objections. Settlement terms can cover such issues as agreeing not to acquire or use a piece of land, aligning the works in a particular way within the limits of the Bill, realigning them outside the limits of the Bill or providing particular environmental mitigation. There are many other possible examples, but the majority of these are unlikely to require amendment in the Bill. This process will continue for as long as is necessary to enable objections to be withdrawn.
- 3.4 The Parliamentary Committee has been established to consider the Bill and its membership is as follows:-

Tricia Marwick (SNP) - Convenor
Gordon Jackson QC (LAB) – Vice Convenor
Christine May (LAB)
Ted Brocklebank (CONS)
Mike Pringle (LD)

3.5 The remit of the Committee is to consider and report to the Parliament on the Waverley Railway (Scotland) Bill and the Bill Committee will meet until the Bill has received Royal Assent, falls, or is withdrawn.

3.6 At the Preliminary Stage, the Bill Committee has three functions:-

- a To consider and report on the general principles of the Bill;
- b To consider and report on whether the Bill should proceed as a Private Bill, ie:
Is the purpose of the Bill to obtain for the promoter particular powers or benefits in excess of or in conflict with the general law?
Do the accompanying documents to the Bill satisfy the technical criteria that are set down in the Standing Orders and are they adequate to allow proper scrutiny of the Bill?
- c To give preliminary consideration to the objections and reject any objection where the objector's interests are, in the opinion of the Committee, not clearly adversely affected by the Private Bill.

3.7 No date has yet been set for the Preliminary Stage, where MSPs will hear the Bill in principle, but it is anticipated to take place during April/May 2004, mainly in Galashiels but with some sessions in Midlothian.

4 Financial Implications

4.1 Capital and operational cost estimates have been prepared and refined in parallel with patronage and revenue estimates, economic assessments and assessment of development gain with a view to confirming the case for the scheme and the benefits to the region from re-establishing the line.

4.2 The Outline Business Case (OBC) was submitted to the Scottish Executive for consideration on 3 November 2003 as a bid for £110.6 million from the Integrated Transport Fund. An addendum to the business case was submitted at the beginning of February and some further sensitivity tests were submitted on 20 February 2004. An announcement is awaited from the Transport Minister pledging the Executive's share of the funding.

4.3 The total estimated cost of the scheme is £129.6 million at 2002 prices.

4.4 The base capital cost of the project is £112.64 million, with an additional £16.96 million to cover risk and contingency items. Over and above this, consultants have undertaken an 'optimism bias' analysis, the effects of which could make the final scheme cost £134.22 million.

4.5 The Waverley Partnership and their advisers continue to investigate ways of reducing the capital cost of the scheme.

4.6 To meet the estimated expenditure it is anticipated that the Scottish Executive will provide £110.6 million funding, which approximates to 85% of the total scheme cost.

4.7 The Strategic Rail Authority (SRA) has been asked to contribute £4 million and discussions are ongoing.

- 4.8 Scottish Enterprise Borders has offered £1 million towards the project.
- 4.9 Consequently a balance of £18.62 million remains to be funded if optimism bias is incorporated. The Scottish Executive has verbally indicated that it is willing to maintain its contribution at *circa* 85% of the total cost. If this is applied to the increase due to optimism bias, then the Scottish Executive may contribute a further £3.93 million, bringing its total funding to £114.5m. Discussions with the Scottish Executive on this matter are ongoing. A variety of local sources may be used to meet the remaining balance; namely contributions from developers within both Midlothian and the Scottish Borders. Any remaining deficit would require to be met by the three Councils that form the Waverley Partnership, on terms that would be subject to approval of the Council.
- 4.10 A table of possible funding is appended to this report in Appendix B.
- 4.11 Other sources of funding are being sought on an ongoing basis.
- 4.12 Scottish Borders Council has already made provision of £1m within their capital budget, split £250,000 each year in 2004/05 to 2007/08 for a number of potential contingencies that could arise during the detailed stage for the project.
- 4.13 At the present time no funding gap exists. However, numerous risks remain such as securing developer contributions in full, the effects of inflation and inherent risks associated with the development of any large infrastructure project. Consequently it should be recognised that an overall scheme shortfall may arise in the future that would need to be funded by the partner Councils. Due to the potential risks outlined above and existing unknowns, the scale of Edinburgh's financial contribution towards this scheme cannot be quantified at the present time and, as such, it would be premature to make a provision within the current capital budget at this juncture.
- 4.14 On the assumption that all private sector and S75 contributions have been maximised and that all other potential sources of funding have been explored and exhausted, it is recommended that the Council should give a qualified commitment that, should a scheme funding shortfall arise in the future, the Council would consider making some provision within future capital budgets, reflecting the contribution to the Edinburgh Economy and the city housing market. The Director of Finance would be involved in the financial evaluation of the scheme and this would be the subject of further Council reports at the appropriate time.
- 4.15 The City of Edinburgh Council is contributing to the project 'in kind' by providing some legal and technical advice from officers. This commitment would be required for a period of approximately 5 years, assuming the project receives Royal Assent.

Programme

- 4.16 Assuming a successful Preliminary Stage Hearing in April/May the Consideration Stage will follow in the autumn. During this stage the Committee will hear from objectors to the Bill in detail and also from the Promoter.

- 4.17 At the Final Stage of the Private Bill process the whole Scottish Parliament meets to consider the Bill. MSPs consider any further amendments and then decide whether or not the Bill should be passed. Any Member of the Scottish Parliament may propose an amendment. Provided the Bill is not subject to any legal challenge, it will be presented to the Queen for Royal Assent before the end of the year, thereafter becoming an Act of the Scottish Parliament.
- 4.18 In parallel with the above, work will continue on securing the necessary funding along with the appropriate procurement route.
- 4.19 Once statutory powers are obtained and funding secured, it is anticipated that construction would take approximately 3 years, allowing services to commence in 2008.

Waverley Railway Joint Committee (“the Joint Committee”)

- 4.20 The Joint Committee was established on 23 January 2002. Scottish Borders Council, Midlothian Council and City of Edinburgh Council are all represented on the Joint Committee. The membership is as follows:

Cllr Jim Dunsmuir	Midlothian Council	Chairman
Cllr Gordon Edgar	Scottish Borders Council	Vice-Chairman
Cllr Lawrence Marshall	City of Edinburgh Council	
Cllr Andrew Burns	City of Edinburgh Council	
Cllr Russell Imrie	Midlothian Council	
Cllr John Mitchell	Scottish Borders Council	

- 4.21 The current Constitution of the Joint Committee deals only with the period up to Royal Assent when it is hoped that it will become the Waverley Railway (Scotland) Act 2004/5. The constitution will require to be amended to enable discussions and decisions to take place at the Joint Committee in respect of issues such as procurement and other matters that will take place beyond the stage of Royal Assent. This will form the subject of a future report.

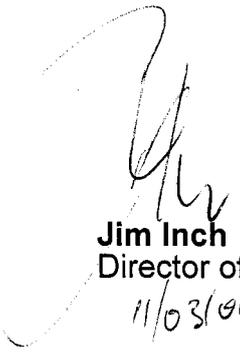
5 Conclusions

- 5.1 The proposed Waverley Railway scheme is ranked at number seven in the Scottish Executive's top ten list of transport schemes.
- 5.2 The Waverley Project will be beneficial to the City on both Transport and Economic grounds.
- 5.3 To provide continued support to the project as detailed in this report.
- 5.4 The scheme provides economic and social connectivity between Edinburgh, Midlothian and the Scottish Borders.

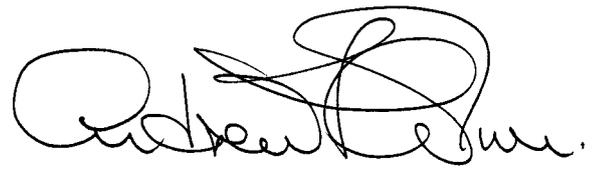
6 Recommendations

- 6.1 To note the progress of the project.
- 6.2 To reaffirm the Council's continued support for the project including the Council's commitment to provide technical and legal advice, utilising Council staff resources as a contribution 'in kind', funded from existing budgets.

- 6.3 To give a qualified commitment that, should a scheme funding shortfall arise in the future, the Council would consider a funding contribution from future capital budgets. This would be the subject of further Council reports at the appropriate time.
- 6.4 To note that the Waverley Railway will be the subject of future reports.



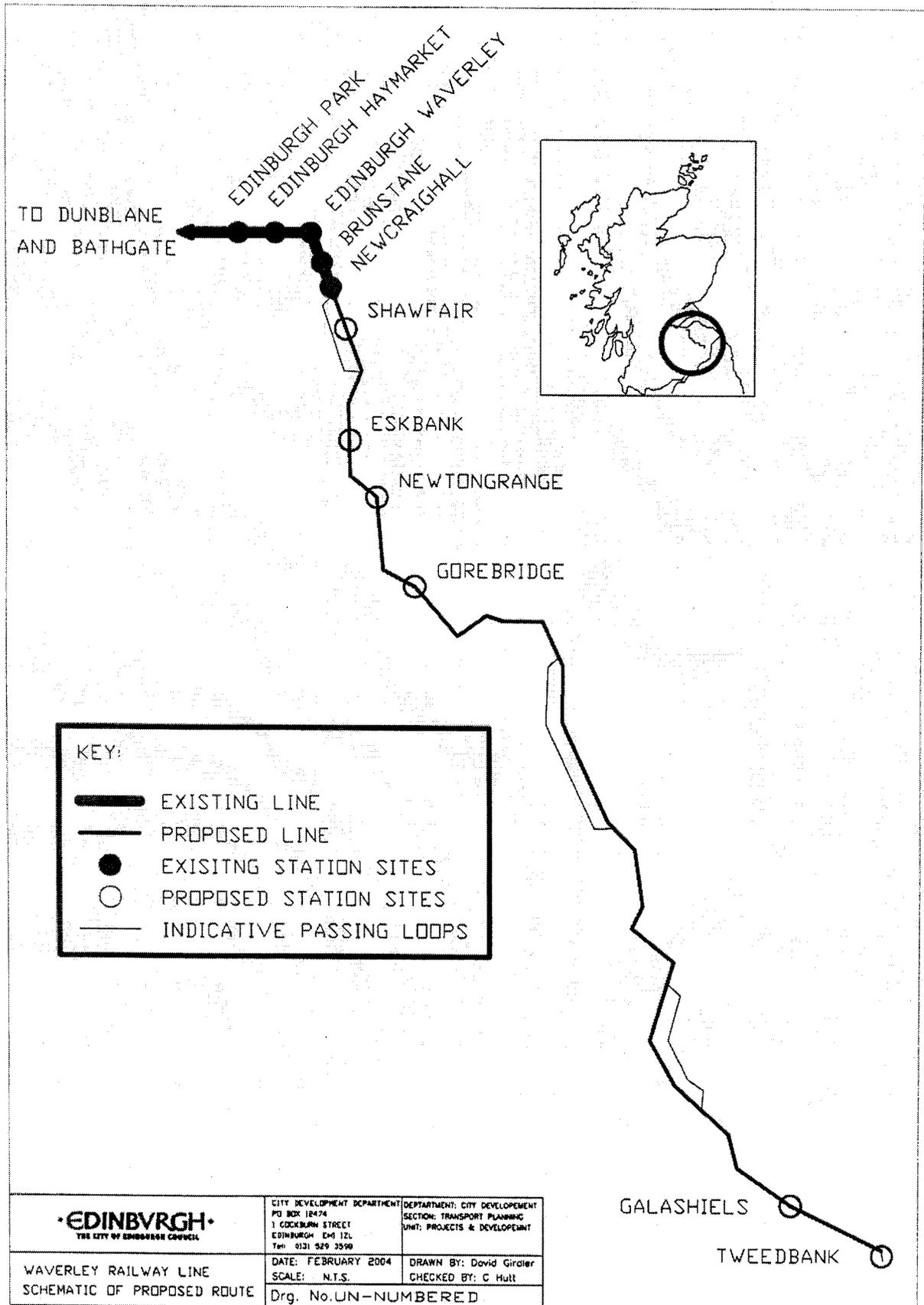
Jim Inch
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 11/03/04



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Appendices	Appendix A: Schematic Diagram of Proposed Route Appendix B: Table of Funding
Contact/tel	Cliff Hutt - 0131 469 3644 Colin MacKenzie - 0131 529 4369
Wards affected	All
Background Papers	None

APPENDIX A: Schematic Diagram of Proposed Route



APPENDIX B: Table of Funding

	Without Optimism Bias	With Optimism Bias
Capital Cost (2002 prices)	£129.6m	
Capital Cost with 4.1% Optimism Bias		£134.2m
Funding		
Scottish Executive (Integrated Transport Fund)	£110.6m	£114.5m
Strategic Rail Authority	£4.0m	£4.0m
Scottish Borders Enterprise	£1.0m	£1.0m
Shawfair developments contribution	£4.2m	£4.2m
S75 Scottish Borders Council (Tweedbank)	£7.4m	£7.4m
Gorebridge development contribution	£1.8m	£1.8m
Currie Road Development, Galashiels	£1.8m	£1.8m
Total	<u>£130.8m</u>	<u>£134.7m</u>
Balance	+£1.2m	+£0.5m