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Dear Ben

DfT and MHCLG joint response to HS2 station places growth strategies and requests: next steps

In July and November 2017, we wrote to you setting out how we would work with you on your growth strategy ambitions. We outlined the framework we will use for assessing your proposals and, where possible, how we could incorporate them into the Phase 2b hybrid Bill in 2019. We also outlined that we wished to explore with you other areas in which we might help in developing your strategies.

We are now writing to provide our initial response to your growth strategy proposals. This letter provides you with feedback on the strategy, and proposals to drive wider growth and regeneration. It also picks up in more detail those proposals that may be considered for incorporation into the basic “hybrid Bill” station functionality and any outstanding requirements needed to progress these. We also set out the next steps.

Response to your growth strategy

Thank you for sharing your growth strategy, which sets out a clear vision for the city region. It captures the key priorities, reflecting issues of local and national importance. It recognises that HS2 can be a catalyst for addressing some deep-rooted challenges for Leeds and the wider city region, including productivity and skills, and areas of deprivation. It has good strategic fit with your wider economic and transport plans.

The strategy focuses on local connectivity, including developing an integrated HS2-classic station and development of the South Bank area of the city. Many of your connectivity proposals concern walking routes and entrances that permit permeability

through the station site. We are working with you to accommodate these where possible into the HS2 design.

Changes to the local highway network, in part associated with the intention to dedicate Neville Street to future public transport options, require more work and may have implications for the local development of the motorway network. You will therefore need to develop a plan that addresses the impacts on the surrounding road network, for example through a city centre transport plan.

Plans to develop a common concourse with the Network Rail station are facilitated by the latest designs of the HS2 station (particularly the height of the HS2 platforms). Further work is required around how these plans can be developed with long-term plans for the development of the Network Rail station, and we expect that these will be developed in due course as part of the plans TfN will develop for NPR.

Your plan for the Station and South Bank is rightly ambitious, but will be expensive to deliver. Going forward, it will be important that MHCLG and DfT work with you to identify key projects which we can support you to make the case for and identify an appropriate funding route.

We are also keen to maximise commercial development around your HS2 station, and will work with you to identify those opportunities in a way that compliments the public sector investment into the HS2 station and associated functionality.

Appendix 1 provides a fuller set of views and next steps.

Categorisation of your proposals

In January 2018, HS2 Ltd provided us with an initial assessment of your known growth strategy proposals. It is important to recognise that the HS2 Ltd design is still evolving as the hybrid Bill is prepared. The DfT preliminary categorisation of each of your proposals is set out in Appendix 2. This is subject to further legal consideration of hybrid Bill powers, and also, as set out in this letter, we wish to discuss this categorisation with you. The draft assessment is based on the following principles:

- *Category A*: Requests that could be incorporated as part of basic station functionality at this time, at no additional cost to the HS2 programme budget. These requests will remain subject to feedback from HS2 Ltd as design work progresses, regarding the impact of these changes on the programme cost estimate and schedule.
- *Category B*: Requests that could be incorporated as part of the hybrid Bill station design, but which would require additional funding and assurances outside of the HS2 programme budget, and/or where we may require additional information from you.
- *Category C*: Requests that are not likely to be feasible to deliver as part of the HS2 programme. For these requests, we are happy to work with you to identify other options that meet your local objectives.

- **Category D:** Requests that will be considered outside of the HS2 hybrid Bill process. For these requests, MHCLG will liaise with you to progress them. Some of these requests are covered by Appendix 1.

Station designs will continue to develop as part of the Phase 2b hybrid Bill development, and this may have implications for our preliminary categorisation of your proposals. For example, we may require additional funding and assurances outside of the HS2 programme budget, and/or additional information from you, if a Category A proposal becomes Category B. If a proposal becomes Category C, we will work with you to identify alternative routes for delivery.

Next Steps

We will now work with you to prepare a joint implementation plan which will highlight the priority activities over the next 12-24 months, both locally and within Government, to start to turn the strategy into reality.

Category A: Where appropriate, DfT will instruct HS2 Ltd to include your Category A requests as part of their ongoing work leading to the Working Draft Environmental Statement (WDES) consultation in the autumn. The WDES may explicitly include these elements of your proposals, or set out how further work may reflect them. Neither approach precludes further requests being incorporated into the hybrid Bill design before deposit.

Category B: For these requests, the DfT expects you to provide:

- A clear workable scope (physical and operational) for the plans you propose;
- A business case for your plans, that addresses any issues we raise;
- A proposal for your funding commitment, that you would be prepared to sign off in your organisation(s) in due course. This could include both development and implementation of the facilities you wish to promote. In some cases it may be appropriate to consider passive provision as well as active provision if that reduces your exposure to financial risk.

Please address these points before 23 April, so we can inform DfT's internal governance (BICC). It would be helpful for drafts to be shared with us informally over the next 8 weeks, as there will not be much time after 23 April before BICC. In most cases, these requirements have already been set out through earlier dialogue, and work should be under way; we are always happy to discuss any individual issues related to business cases and funding commitments. Supporting economic analysis should be developed in line with Green Book principles. Please refer to Appendix 3, which sets out the high-level requirements for economic analysis of local transport and regeneration schemes.

Category C: We will meet you to discuss the aspirations reflected in Category C requests at your convenience.

Category D: Our initial views on how the Category D requests may be developed is in Appendix 1, and some feedback on Category D transport proposals is in Appendix 2.

Decisions on what to incorporate in the hybrid Bill will be made in early Summer 2018. Any substantive changes to station designs must have been identified by that time if

they are to be incorporated in the Bill on deposit. We would seek to formalise any arrangements well ahead of deposit of the hybrid Bill.

We appreciate your work to develop local growth strategies, and the challenges this presents alongside the timely development of the HS2 hybrid Bill. Please let us know if you require any further information from DfT or HS2 Ltd. We are keen to discuss the contents of this letter with you, including clarifying any aspects that are not clear, or any aspects you wish to challenge

Kind regards

Two handwritten signatures in black ink. The first signature on the left is 'SR' followed by a long, flowing line. The second signature on the right is 'C Maxwell' with a horizontal line underneath.

SIMON RIDLEY

Director General, Decentralisation and Growth, Ministry of Housing, Communities and Local Government

CLIVE MAXWELL

Director General, High Speed & Major Rail Projects, Department for Transport

Cc: Paul Griffiths (HS2 Ltd), Stephen Clark (DfT), Mark Bayley (DfT), Julie Logue (MHCLG)

Appendix 1: Growth Strategy feedback and next steps in progressing your proposals for wider growth and regeneration.

Thank you for submitting your HS2 Growth Strategy consultation documents, covering Leeds City Region. This has been jointly reviewed by the Ministry of Housing, Communities and Local Government (MHCLG), the Department for Transport (DfT) in consultation with Homes England, and BEIS (Business, Energy and Industrial Strategy).

Overall, the strategy sets out a clear strategic vision for the city region and it has captured key priorities reflecting issues that are of both local and national importance. It recognises that HS2 can be a catalyst for addressing some deep-rooted challenges for Leeds and wider city region, including low productivity and skills, and areas of stubborn deprivation. It has good strategic fit with your wider economic and transport plans. The detail surrounding the outputs from the growth strategy is more defined for the South Bank area and the station. This is less so for the rest of Leeds and the City Region. The strategy could benefit from a more defined set of interventions and outcomes for the other pillars in the strategy.

Focussing on the priority areas of the strategy, for the Classic Station and the South Bank, you have the South Bank Infrastructure Delivery Strategy and Leeds Integrated Station Masterplan (LISM) which is rightly ambitious but will be expensive to deliver. You have demonstrated a good understanding of integrated programme management. However, to ensure delivery of these strategies/plans they will need to be translated into a set of agreed priorities. Going forward it will be important MHCLG works with you to identify key projects which we can support you to make the case for and also help you identify an appropriate funding route.

We are developing a collective government view on your approach to land acquisition and assembly and the use of land value capture mechanisms to see how it might be possible to support this ambition. As you are aware, this will feed into the work you are undertaking to develop your SOBCs for LISM and the Growth Strategy. We recognise there are significant opportunities created by the transformational regeneration you have planned in and around Leeds Station and South Bank. We hope this approach, if we gain collective agreement, will support both HMG's and your own commercial and housing objectives.

Although we understand the economic and financial work you have undertaken is not yet complete on first examination the evidence base appears sound. However we would welcome further review of the final documents to make a fuller assessment on the work you have undertaken.

We recognise the importance of the Housing Infrastructure Funding (HIF) forward funding bids in providing the necessary infrastructure to create the permeability you seek for Leeds City Centre and the South Bank to open up opportunities in wider City Region. Decisions on forward funding are expected to be made soon, and when those decisions have been made we will pick up with you what the next steps will be.

The approach you have taken to Connectivity is broadly in line with DfT strategic objectives around sustainable transport and innovation which you have factored into the detailed “Inclusive Growth Corridors” work. We understand WYCA are planning to develop a proposition for the Transforming Cities Fund (TCF) based on one or more of the Local Corridors identified. The Strategic Connectivity objectives are primarily economic and social, so it would be good to see Environmental and Air quality issues also reflected.

You have a good understanding of the challenges set out in the Skills and Supply Chain strategy. The overarching ideas and aims look sensible and follow on logically from their description of the challenges and this aligns well with your evidence base. Going forward you need to be more specific about your interventions, timings and costs. You could benefit from undertaking further work to develop your supply chain approach where more analysis needs to be undertaken to support your aims, we are supporting you in taking this forward.

We have agreed a set of next steps with you, which include

- Supporting you, through the Leeds Station Board, in developing a Strategic Outline Business Case (SOBC) to support the Leeds Integrated Master Plan and also for the Growth Strategy.
- Developing a cross government view on the opportunities around the station and South Bank to support you in developing your approach to land assembly, acquisition and value capture, as part of your work to develop SOBC for the integrated station and for the Growth Strategy.
- We have agreed to arrange further dialogue with both MHCLG and DfT economists to talk about next steps in the economic, funding and finance work after the consultation on the growth strategy documents closes.
- Implementation meetings are being organised between your work stream leads and BEIS, MHCLG and DfT colleagues to progress implementation plans for the Skills & Supply Chain, Connectivity (TCF discussions with DfT locally) and South Bank strategies.

Appendix 2: Preliminary response to growth strategy requests

Proposal	Proposed category	Comments
Commitment to promoting economic growth in development of the station.	A	<ul style="list-style-type: none"> ○ Economic growth is already considered and will be promoted by the Government and HS2 Ltd
Commitment to working collaboratively by sharing and communicating HS2 design ideas	A	<ul style="list-style-type: none"> ○ The DfT agrees with this approach, and is content that current arrangements are sufficient.
Use of “animation” around station viaduct during construction to mitigate impacts.	A	<ul style="list-style-type: none"> ○ We recognise that the use of “animation” can improve the image of construction. ○ It is likely that some form of “animation” will be used during construction. ○ Further discussion between LCC and HS2 Ltd during the construction period is required.
Early commitment to construction sequence that retains city functionality.	A	<ul style="list-style-type: none"> ○ This will be considered as part of the WDES. ○ HS2 Ltd will maintain as much city functionality as practically possible
3D design with multiple entrances and routes through station.	A	<ul style="list-style-type: none"> ○ The emerging HS2 design already provided for this. ○ Further clarity on exact requirements is needed
Vertical station access/egress, and retailing around these routes.	A	<ul style="list-style-type: none"> ○ The DfT agrees to this in principle, and station entrances are being developed ○ HS2 Ltd will assess this once the station design is complete
Development and design that supports LCC’s cultural plans.	A	<ul style="list-style-type: none"> ○ HS2 Ltd and DfT agree to this in principle as part of a commitment to place making. ○ Local contribution may be required for proposals above that of core design.
Access strategy that adopts social model for inclusive design	A	<ul style="list-style-type: none"> ○ There is a pre-standing commitments to this proposal

		<ul style="list-style-type: none"> ○ This is reflected in standard HS2 design base and expressed in the Benefits Framework.
Advance some temporary and permanent works to maintain connectivity during construction.	A / B	<ul style="list-style-type: none"> ○ This will be assessed as part of the environmental statement. ○ Further clarity on works that fall into category A and category B will be provided in due course.
Entrance at Meadow Road to provide access into the integrated station concourse.	B	<ul style="list-style-type: none"> ○ HS2 Ltd will provide what is required for station functionality ○ LCC need to make a case for additional entrances above what is required for station functionality. ○ We expect a local funding for any additional cost. ○ DfT regional engagers can advise on funding options
Development of under croft and Neville Street public realm.	B	<ul style="list-style-type: none"> ○ Changes to the local highway network, in part associated with the intention to dedicate Neville Street to future public transport options, require more work, and may have implications for the local development of the motorway network. ○ LCC therefore need to develop a plan that addresses the impacts on the sounding road network, and fund any infrastructure requirements. ○ DfT regional engagers can advise on funding options
Development of a framework for development of space underneath viaduct	B	<ul style="list-style-type: none"> ○ HS2 Ltd will provide what is required for a functional station ○ We recognise LCCs ambition for activation of the viaduct under croft, and will work with LCC as the design develops ○ For proposals that increase costs above that of the core design, a local contribution will be required. ○ DfT regional engagers can advise on funding options.

<p>Commitment to develop an interchange solution including pick up and drop off points that works not just for HS2 station (a) but for combined Leeds station (b) as a whole.</p>	<p>a) B b) D</p>	<ul style="list-style-type: none"> ○ An interchange is being delivered in principle through permeability. ○ It is not for HS2 Ltd to provide infrastructure for the NR station that is not required for HS2 station functionality. ○ LCC will need to work with NR to develop plans for the NR station. HS2 Ltd will work with NR to ensure there is integration with their plans. ○ For enhancements of HS2 core infrastructure, a local contribution will be required. ○ DfT regional engagers can advise on funding options.
<p>Commitment to provide passive provision for a potential mass transit link within the footprint of HS2 by working closely with WYCA.</p>	<p>B</p>	<ul style="list-style-type: none"> ○ HS2 need further clarity on the nature of this proposal ○ LCC will need to provide a local contribution to provision that is above what is required for station functionality
<p>Commitment to develop a roof strategy that reflects an integrated station and provide more natural light across the station.</p>	<p>D</p>	<ul style="list-style-type: none"> ○ The NR roof is out of scope for HS2 Ltd, although we recognise that any proposals will need to integrate with HS2 design. ○ LCC will need to engage with NR and set out its case for redevelopment of the NR roof.
<p>To commit to any land value generated from adjacent development/ retail from within the LISM boundary (regardless of location) to be hypothecated to fund improvements to the conventional and HS2 integrated station.</p> <p>Working north to south, where technically possible, with release of surplus land, to minimise blight impacts on the South Bank and help realise timely / optimal development.</p>	<p>D</p>	<ul style="list-style-type: none"> ○ It is not in HS2 Ltd scope to make this commitment. ○ HS2 Ltd will need to perform constructability assessments before this proposal can be progressed further.
<p>Commitment to HS2 construction phasing being as per LISM</p>	<p>C</p>	<ul style="list-style-type: none"> ○ HS2 Ltd cannot commit to the final construction phasing at this stage.

		<ul style="list-style-type: none"> ○ HS2 Ltd will consider LISM during the development of phasing, although final phasing is subject to engineering constraints.
<p>Commitment to delivering ASD (as per the principles contained within LISM) – this is required to:</p> <ul style="list-style-type: none"> • Maximise generation of value that will be captured to reinvest in rail transport infrastructure. <ul style="list-style-type: none"> • Minimise and mitigate the visual impacts. • Provide the greatest and deepest catalyst for regeneration in the South Bank. • Significantly contribute to the City Centre as a destination and to place-making. 	D	<ul style="list-style-type: none"> ○ HS2 is committed to not precluding further ASD
Commitment to align HS2 station LLAU with South Bank Leeds / LISM land strategy	C	<ul style="list-style-type: none"> ○ HS2 Ltd cannot make this commitment as further clarity from LCC is required
Commitment to establish a co-ordinated relocations strategy with advance acquisition of key employment sites and relocation of these jobs to suitable sites in the South Bank or other suitable city locations	D	<ul style="list-style-type: none"> ○ Further clarity for Ask required, due to implications of Royal Assent powers. HS2 Commercial Engagement already working with stakeholders and local authorities to maximise options for commercial stakeholders, along same principles
Commitment to promote sustainable modes of travel including walking, cycling and makes public transport easier and improve taxi access.	D	<ul style="list-style-type: none"> ○ DfT will promote sustainable transport, although specific transport asks will need be considered
Accelerate development funding from HS2 to deliver more detailed design for HS2 than what may traditionally be provided to support the Hybrid Bill process. This will support development of phases 1 to 4 which can be delivered ahead of the proposed detailed design for the HS2 station post Hybrid Bill confirmation.	D	<ul style="list-style-type: none"> ○ Further clarity is required from LCC – what exactly do you require? ○ HS2 Ltd will deliver the station design in line with the development of the hybrid Bill. ○ Acceleration of the station design would increase costs that cannot be met by HS2 Ltds budget

<p>Invest in the conventional station development (capacity that is required pre-2033 to provide capacity for HS2 arrival.)</p>	<p>D</p>	<ul style="list-style-type: none"> ○ LCC should engage with NR as they develop their plans for investment in the NR station. ○ A case will need to be made for infrastructure investment above that of what NR proposes
<p>Commitment to advance temporary and permanent works, including the diversion of existing, and creation of new, access routes, bridges, etc. to maintain pedestrian, cycling, public transport and vehicular connectivity north-south and east-west whilst HS2 is being constructed to align with the broader South Bank, Leeds plans.</p>	<p>D</p>	<ul style="list-style-type: none"> ○ LCC should engage with MHCLG. ○ DfT will engage with LCC on transport related proposals
<p>Commitment to providing a strong, accessible and active elevated north-south connection between the three principal HS2 Station access points (at Neville Street, Arbour and the Southern entrance at Meadow Road) and the existing NR Station augmented with views along the river, retail / F&B opportunities, green space, etc., that is fully accessible to the general public and not hindered or interrupted by ticket barriers, etc.</p>	<p>D</p>	<ul style="list-style-type: none"> ○ HS2 cannot not 'commit' to provision as stated, and would instead need to identify if it is integral to the station ○ HS2 will explore this proposal as the station develops

Appendix 3: Economic Appraisal of Local Growth and Regeneration Schemes

This note sets out the high-level requirements for economic analysis being undertaken by local places in support of their requests for changes to be included as part of the Hybrid Bill for HS2 Phase 2b.

Central Government Guidance on Economic Appraisal

The [Green Book](#) is the approved guidance, by HM Treasury, for public sector bodies on how to appraise proposals before committing funds to a policy, programme or project. It is a requirement that central government – funded schemes are appraised in line with Green Book principles on maximising welfare/benefit to society (i.e. it adopts a national, as opposed to a local, perspective).

There is also supplementary guidance on specific topics and issues – for example, application of ‘optimism bias’. Departments also produce guidance specific to an area of policy (e.g. transport, housing, energy). In the context of local growth and regeneration schemes, reference should be made to DfT and MHCLG appraisal guides:

- **Transport schemes:** DfT has [WebTAG guidance](#) on the modelling and appraisal of transport-related schemes.
- **‘Dependent development’ schemes:** In the case where a development scheme is dependent on a transport project, the scheme should follow WebTAG guidance on [dependent development](#) (WebTAG unit 2.2: Section 3).
- **‘Non-dependent development’ schemes:** MHCLG [appraisal guide](#) on the Land Value Uplift methodology provides guidance on how to appraise specific investment in developments (including housing, commercial development and land-based interventions) that are not transport schemes.

Key elements of economic appraisal

- **Options generation:** Identify a range of options to meet the rationale and objectives of the proposal.
- **Development of a suitable base case:** Identify a clear baseline against which options are assessed. The costs and benefits of each option should be assessed relative to a counterfactual/do nothing scenario.
- **Identification of costs and benefits:** Identify the key costs and benefits associated with each option, and who they accrue to (e.g. individuals, businesses).
- **Estimation of costs and benefits:** Estimate the relevant costs and benefits where possible and where proportionate to do so. Transfers (e.g. taxes), sunk costs and non-UK impacts should be excluded from the economic appraisal. Calculations should be clearly set out (e.g. in an Annex), along with data sources and caveats.
- **Techniques (Inflation and Discounting):** Costs (and benefits) should be presented in ‘real terms’ (deflated to the same base year) to remove the effects of inflation from the assessment of value for money. An appropriate discount rate should then be applied over the life cycle of the investment.
- **Accounting for risk and uncertainty:** Optimism bias is an allowance for the potential underestimation of costs (given the tendency to underestimate costs

and overestimate benefits). An appropriate level of optimism bias should be considered and applied. Sensitivity analysis should be used to test key assumptions and uncertainties.

- **Assessment of value for money:** The Net Present Value (sum of the discounted benefits minus the sum of the discounted costs) and the benefit-cost ratio are a measure of the potential Value for Money of the options.

Common pitfalls in the appraisal of development schemes

- **Economic appraisal:** Gross value added (GVA) is no longer recognised by the MHCLG guidance. Options should be appraised on the basis of Land Value Uplift.
- **Accounting for displacement:** The level of economic activity that is displaced needs to be taken into account. The MHCLG guidance (p.42) provides a criteria for assessing this level of displacement.
- **Employment effects:** The economic case assumes 100% displacement of employment, unless there is evidence of a supply side effect. Hence GVA should not be included in an options appraisal/ economic case. Job figures can be presented in the strategic case.
- **Accounting for risk:** Cost estimates should include optimism bias (OB). Green Book [supplementary guidance](#) sets out how OB can be calculated for a transport project.
- **Sensitivity analysis:** This should be used to test a range of uncertainties surrounding the 'initial' benefit-cost-ratio (BCR), outlined in the MHCLG guidance (p.17).
- **Urban realm impacts:** Given the various approaches that try to monetise the benefits of urban realm improvements, the Department should be consulted if these are seen to be significant.

DFT contacts

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