

REQUEST FOR MAYORAL DECISION – MD1496**Title: Growing Places Fund – West Anglia route improvements, Stratford to Angel Road (STAR)****Executive Summary:**

This paper seeks Mayoral approval for £29.03m Growing Places Fund (GPF) capital expenditure to provide a third rail line from Angel Road and Northumberland Park to Tottenham Hale. This is in addition to the £1.67m approved under MD1383 for scheme development costs, taking the total GPF investment in this project to £30.7m. This investment is an extension of the Network Rail funded project to deliver a third rail line from Stratford to Tottenham Hale. The complete improvement works will contribute to the unlocking of major developments at Meridian Water and Northumberland Park, by delivering a 4 train per hour service from Stratford to Angel Road on the West Anglia Route. It is proposed that GPF funding (excl. development costs) will be transferred to TfL for administration of this project.

Decision:

That the Mayor approves the GLA's:

- 1) capital expenditure of £29.03m Growing Places Fund (GPF) funding allocated to the Stratford to Angel Road (STAR) project. (This is in addition to the £1.67m expenditure approved under MD1383 for GRIP 3A development costs, taking the total approved GPF expenditure on this project to £30.7m - capital);
- 2) expenditure of up to £961,513 (Capital) in the 2015/16 financial year to fund the next stage of (Network Rail) scheme development costs (Of this £961,513, £291,513 is a reallocation of unspent funding previously approved under MD1383 for GRIP 3A development costs and the remainder forming part of the above £29.03m noted at decision 1 above);
- 3) transfer by instalments of the remaining STAR GPF project funds from the GLA to TfL, for administration of the project. The amount transferred will be a minimum of £28,360,000 up to a maximum of £29,321,513, dependent on the amount of development costs incurred by the GLA on the next stage (in accordance with decision 2 above); and
- 4) receipt and use of the £6,000,000 funding contribution from the Department for Transport for the STAR scheme and the subsequent transfer of this £6,000,000 funding from the GLA to TfL, for administration of the project.

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:**Date:**

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1 The Upper Lee Valley comprises some of the most deprived neighbourhoods in London, with high deprivation, low skills and associated high levels of worklessness and low life expectancy. Despite being an area of significant development potential, growth and private sector investment in the Upper Lee Valley has been constrained, in part due to the low frequency of trains at key stations along the West Anglia route. The Stratford to Angel Road (STAR) scheme seeks to address this barrier to growth.
- 1.2 In June 2013, the LEP agreed to allocate £25m of GPF funding to the STAR scheme for rail upgrade works to improve the frequency of rail services from Angel Road and Northumberland Park to Stratford (via Tottenham Hale). This GPF funding allocation was specifically in relation to upgrade works between Angel Road and Tottenham Hale, but announced as part of a wider scheme of Network Rail funded works from Stratford to Tottenham Hale. The complete scheme comprises the addition of a third track and associated infrastructure from Stratford to Angel Road, which will enable a four trains per hour service and contribute to the unlocking of major developments at Meridian Water and Northumberland Park. The GPF application also included an allocation of £3m from TfL's Growth Fund for works from Angel Road to Tottenham Hale, taking the total funding for this part of the project to £28m at that stage.
- 1.3 Following initial LEP endorsement, Network Rail has been progressing scheme design in accordance with NR's management and control process ('The GRIP process'). In January 2015 Network Rail presented project partners with the product of GRIP Stage 3A; a preferred design option and cost estimate.
- 1.4 Based on the GRIP Stage 3A cost estimate, the total project costs are estimated to be £49.1m, made up of £43.9m of base cost to deliver the outputs and an incremental cost of £5.2m focused on future development of the route ('provision for four tracking', see below). This cost estimate includes all design and development costs, an allowance for project risks/contingency and inflation. There is significant confidence in the latest cost estimate due in part to Network Rail's engagement with a framework contractor early on in the process and this confidence is reflected in a risk/contingency allowance of 14%, which is relatively low at this stage.
- 1.5 As set out above, the estimate includes the incremental costs associated with a provision for four tracking (£5.2m). This means the inclusion of a specific allowance in scheme design and implementation for a future fourth line. In simple terms, this could be through design mechanisms such as ensuring the alignment of tracking allows space for a future line or ensuring that new bridges etc. span a distance sufficient to accommodate a future line. Whilst this increases initial costs, the abortive costs associated with not making provision for a fourth line at this stage are considerable. In addition, as set out above, four-tracking would unlock significant housing growth in the Upper Lee Valley and is therefore a key priority. Network Rail has agreed to fund this cost (see funding table below).
- 1.6 In addition to the £49.1m project cost, Network Rail's 'Fee Fund / Risk Fund' will be applied. This fund is effectively an insurance premium applied to the project and is calculated based on a percentage of the total costs. The effect of the Fee Fund is to insulate project partners against any cost increases resulting from unforeseen activity external to the project (e.g. unscheduled track possessions due to emergency works). The cost of this fund has not yet been fully agreed, but will be no more than £3m (refer to Part 2 for further details).

- 1.7 Project partners have therefore been working together to agree a funding package to meet the total requirement of £52.1m (project costs and the risk/fee fund) and seek the necessary approvals.
- 1.8 To this end, in March 2015 both the LEP and Investment and Performance Board approved the total investment of £30.7m of Growing Places Fund funding for the STAR project. This MD therefore seeks final approval for capital expenditure of £29.03m GPF funding allocated to the STAR project. This is in addition to the £1.67m expenditure approved under MD1383 for GRIP 3A development costs, taking the total approved GPF expenditure on this project to £30.7m (capital).
- 1.9 The full funding package has been confirmed from the following sources:

Source	Finance
Growing Places Fund	£30,700,000
Network Rail	£5,200,000
London Borough of Enfield	£250,000
London Borough of Haringey	£250,000
TfL	£9,700,000*
DfT	£6,000,000
Total	£52,100,000.00

* This is in addition to funds allocated by TfL for the station works at Tottenham Hale (access for all bridge & the Hale Village link bridge), which is being delivered as a separate component.

2. Objectives and expected outcomes

- 2.1 The Upper Lee Valley was highlighted as an Opportunity Area within the Mayor's vision 2020 and is identified as an area of significant employment growth potential in the London Plan. The area benefits from a range of development sites, including Meridian Water (5,000 homes and 3,000 jobs) and Northumberland Park (3,500 homes and 500 jobs). Provision of a 'turn up and go' rail service between Stratford and Angel Road will open up these key development opportunities and facilitate the delivery of jobs and homes at a scale which maximises the areas potential. In addition to direct growth benefits, the £30.7m GPF investment will provide improved access to the opportunities arising from the 2012 Olympic Legacy, including new jobs and cultural facilities.

- 2.2 The aims, objectives and outcomes of this project are set out in the Stage 1 and summarised below.

2.3 Outcome 1: Facilitate the commencement of the Meridian Water development

Measurable benefits:

- Contribute to unlocking of up to 5,000 new homes
- Contribute to unlocking of up to 3,000 new jobs

2.4 Outcome 2: Accelerate the delivery of homes and jobs at Northumberland Park

Measurable benefits:

- Unlock up to 3,500 homes at Northumberland Park
- Unlock up to 500 jobs at Northumberland Park

2.5 Outcome 3: Provide a turn-up and go train service from the Upper Lee Valley (Angel Road) to Stratford via Tottenham Hale

Measurable benefits:

- Four trains per hour provided between Upper Lee Valley and Stratford
- Improved reliability and punctuality of rail services
- Increased capacity on rail network

3. Equality comments

3.1 The project seeks to address issues of high deprivation in the Upper Lee Valley by addressing identified barriers to growth. Specific equality benefits include:

- Increased access to jobs along the Lea Valley, in particular at Stratford.
- Improved connections to leisure opportunities including the Olympic legacy facilities.

3.2 The project is also likely to have a positive impact on equality issues, due to the inclusion of 'Access for All' provisions, such as step free access.

4. Other considerations

4.1 West Anglia Main Line – Four-Tracking

4.2 The Chancellor and Mayor's joint announcement on 20th February 2015 of a West Anglia Task Force to look at improving connections to Stansted and Cambridge from Liverpool Street and Stratford reinforces the importance of the STAR scheme as the first step towards improving rail provision and unlocking growth in the Upper Lee Valley. The Task Force will look at improved rail provision on the West Anglia Main Line, including four-tracking the line to Broxbourne as a precursor to Crossrail 2. Four-tracking has potential to unlock significant further housing growth in the Upper Lee Valley and improve journey times and reliability for the whole London-Stansted-Cambridge corridor, supporting economic growth throughout the whole region.

4.3 Key risks and issues

RISK / ISSUE	MITIGATION / CONSIDERATIONS
Project General	
Project milestones are not met There is a risk that the project may not be delivered in accordance with the required milestones.	GLA continues to keep up the pressure for the scheme to be delivered by March 2018 (with timetable changes from December 2017). The proposal to transfer GPF funds to TfL (rather than directly to Network Rail) will enable more effective oversight of the project and mitigate the risk of programme slippage.
Cost overruns There is a risk of cost over-runs on this project.	A Fee / Risk fund is in place to cover cost risk external to the project. Refer to further detail within Part 2 for additional mitigation.

Transfer of GPF funding to TfL	
<p>Loss of focus on regeneration outputs</p> <p>There is a risk that transferring the GPF funding to TfL will mean a loss of emphasis on the regeneration outputs requested/agreed by the LEP.</p>	<p>GLA/TfL will agree an ongoing monitoring relationship whereby TfL manages the contract with Network Rail and GLA has a high level monitoring role focusing on achievement of key milestones and delivery of outputs.</p> <p>The GLA will continue to report outcomes / outputs to the LEP and IPB.</p>

Links to mayoral strategies

4.4 This investment links to Mayoral Strategies as follows:

- Supports objectives set out in the Mayor's Economic Development Strategy to attract investment in infrastructure that unlocks jobs and housing growth.
- Supports the regeneration of the Upper Lee Valley Opportunity Area, as set out in the Mayor's Vision 2020.

Impact Assessment and Consultation

- 4.5 In developing the preferred option and cost estimate, Network Rail have undertaken a range of surveys and impact assessments covering environmental, geotechnical, cultural heritage and landscape / townscape factors. As detailed design development progresses to the next stage, further surveys will also be undertaken.
- 4.6 Network Rail has attended stakeholder consultation meetings to provide an update on works at Tottenham Hale and will inform lineside neighbours regarding proposed works and associated timescales. Network rail will also undertake formal consultation where works proposed may affect areas of particular interest, such as green spaces.
- 4.7 LB Enfield have consulted widely on the Meridian Water Masterplan. LB Haringey have also consulted widely on proposals for Northumberland Park.

5. Financial comments

- 5.1 This decision would give approval for a further £29.03 million on the project and a total project cost of £30.7 million, including the £1.67 million approved in MD1383. This also includes additional funding of £5.7 million recommended by IPB and the LEP towards the overall project costs and which was not envisaged when MD1383 was approved. There is an earmarked allocation within the Growing Places Fund capital budget for this expenditure.
- 5.2 This decision would also approve further expenditure of up to £670,000 with Network Rail to continue the development of the scheme and a total of up to £2.34 million. This takes account of an underspend of £292,000 on the costs approved in MD1383 and therefore approves expenditure of up to £962,000 with Network Rail on the next stage of development. These capitalised costs are included within the overall £30.7 million budget for the project.
- 5.3 If the scheme was to be aborted after this point, the development costs of up to £2.34 million payable to Network Rail would be chargeable to the revenue budget. However, on the basis that all

the additional third party funding is confirmed and approved by each of the partner organisations this risk would fall away.

- 5.4 Approval is also sought to transfer the balance of the project budget (after taking account of the development costs payable to Network Rail) to TfL. This would be a minimum of £28.36 million and a maximum of £29.322 million depending on the amount of expenditure that will be incurred on the next stage of development by Network Rail. In addition the £6 million grant funding from DfT towards the cost of the project will be transferred to TfL. The terms and timing of the transfer of project funds are to be agreed with TfL.

6. Legal comments

- 6.1 The foregoing sections of this report indicate that:

- 6.1.1 the decisions requested of the Mayor fall within the statutory powers of the GLA to do such things as may be considered to further, and or be facilitative of or conducive or incidental to the furthering of, the promotion of economic and social development in Greater London - including the provision of funding which might be provided by Transport for London where it is for the purposes of, or relates to, housing or regeneration; and

- 6.1.2 in formulating the proposals in respect of which a decision is sought officers have complied with the GLA's related statutory duties to:

- (a) pay due regard to the principle that there should be equality of opportunity for all people;
- (b) consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
- (c) consult with appropriate bodies.

- 6.2 If the Mayor is minded to approve the recommendations in respect of which decisions are sought officers must ensure that:

- 6.2.1 the GLA enters into and executes a development services agreement with Network Rail for the provision of the GRIP scheme development costs;

- 6.2.1 appropriate arrangements are put in place to record the availability and transfer of the capital funds (pursuant to section 120 of the Greater London Authority Act 1999) it is proposed is to be transferred from the Authority for the meeting of TfL's capital costs in the related discharge of its functions in this regard, ordinarily dealt with by a letter from GLA (signed by an appropriately authorised signatory) to TfL recording the same; and

- 6.2.2 no reliance is placed upon the £6,000,000 funding contribution from the Department for Transport until a legally binding commitment is made by the Department for Transport in this regard.

- 6.3 In taking the decisions requested of him, the Mayor must have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not share it and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (section 149 of the Equality Act 2010). To this end, the Mayor should have particular regard to section 3 (above) of this Mayoral Decision.

7. Investment & Performance Board

7.1 On 19th March 2015, Investment and Performance Board approved the following:

- The Stage 1 and Stage 2 for the STAR project.
- The total Growing Places Fund investment of £30.7m.
- The transfer of GPF project funds for STAR to TfL (less development costs), for sponsorship and administration of the project
- The reallocation of £291,513 funding approved under MD1383 and the investment of an additional £670,000 funding, both from the total £30.7m funding allocated to STAR, to enable further design development prior to the TfL transfer (anticipated June 2015).

8. Planned delivery approach and next steps

8.1 Delivery approach

8.2 This project will be directly delivered by Network Rail, with funding from various parties, as set out above.

8.3 This MD seeks approval for the transfer of the total GPF budget (less the development costs – see below) to TfL for sponsorship and administration of the project and associated funding. The reasons for this are as follows:

- With expertise and experience in transport led projects, TfL are best placed to manage/monitor this project. Their expertise will provide the LEP and the GLA with greater confidence that the project can be delivered within both time and budgetary parameters and that each grant drawdown is justifiable and appropriate. This is particularly significant given the level of investment.
- As set out above, TfL have given commitment to provide a significant level of financial resource to the project and will therefore be required to undertake hands-on management and monitoring. Combining the two funding streams (TfL and GPF) will enable the project to be run more efficiently within the GLA family.

8.4 The proposal is to transfer the GPF funding to TfL via Section 120 of the Greater London Authority Act 1999 ('capital grants between the authority and functional bodies'). The terms of the transfer are to be agreed with TfL however transfer can take place once TfL's approval to spend STAR funding (including approved contributions from TfL / GPF / London Boroughs / DfT) is in place (estimated June 2015).

8.5 A monitoring mechanism between the GLA officers and TfL will be agreed, whereby TfL report to the GLA on progress towards key milestones, expenditure and the delivery of outputs. The details of this reporting mechanism are currently being refined; however the intention is that TfL provide monthly dashboards to the GLA. GLA officers will report progress internally via the corporate governance team and the LEP Delivery Board. Progress will also be reported to the LEP on a quarterly basis. The transfer arrangement between GLA and TfL will also include provision for claw-back of GPF funding, in the event that it is no longer required.

8.6 To date, project reporting has been to the STAR/Angel Road Steering Group, which is facilitated by the GLA and includes representatives from Network Rail, Transport for London, Department for Transport, the train operating company, the London-Stansted-Cambridge Consortium and the relevant London Boroughs. It is proposed that this Steering Group will continue, and progress will be reported on a regular basis (quarterly).

8.7 The £6,000,000 grant funding contribution from the Department for Transport, specifically intended for the STAR scheme, will be transferred to the GLA under Section 31 of the Local

Government Act 2003. Following receipt of this funding, this MD seeks approval for the GLA to transfer the £6,000,000 funding to TfL via Section 120 of the GLA act. The timing and terms of the transfer are to be agreed by the GLA's Executive Director of Resources. The transfer of instalments can take place once TfL approvals to spend STAR funding (including approved contributions from TfL / GPF / London Boroughs / DfT) is in place (estimated June 2015).

8.8 Development Costs

8.9 MD 1383 gave approval for GLA officers to invest up to £1,670,000 towards GRIP 3A development costs. However, on completion of GRIP Stage 3A, the actual costs for this period only totalled £1,378,487. In order to maintain project momentum and continue to progress scheme design prior to the transfer of funding to TfL, this MD seeks approval for the GLA to utilise underspend from GRIP 3A (£291,513), plus a further £670,000 to progress the next stage of design. This funding will support activities such as further detailed structural design, development of signalling scheme plans and an environmental impact assessment, all of which are necessary for the successful delivery of the project.

8.10 The recommendation is that this development funding remains with the GLA and is expended by the organisation. The GLA will enter into a second Development Services Agreement with Network Rail to fund the next stage of scheme development costs, up to a maximum of £961,513 (MD1383 underspend plus additional £670,000).

8.11 The remainder of the funding (£30.7m less agreed development costs of £1,378,487 from GRIP 3A and up to £961,513 for the next stage), will be transferred to TfL, as set out above.

8.12 Next steps

8.13 The timeline for delivery is as follows:

Activity	Timeline
IPB Meeting	19 th March 2015
Mayoral Decision approved	End-March 2015
GLA sign Development Services Agreement for next stage of scheme development	End March / Early April 2015
TfL approvals	June 2015
Transfer to TfL	June 2015
Network Rail Implementation Authority	March 2016
Delivery Start Date	December 2016
Delivery completion	March 2018 (with timetable changes from December 2017).
Evaluation / Lessons Learned	June 2018.

Appendices and supporting papers: None

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? NO

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – YES

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Katherine Hosea has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

Assistant Director/Head of Service:

Debbie Jackson has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Sponsoring Director:

Fiona Fletcher-Smith has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

Sir Edward Lister has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

Date

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

Date