

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD1560

Title: Growing Places Fund – West Anglia route improvements, Stratford to Angel Road (STAR)

Executive Summary:

This paper seeks Mayoral approval for the GLA to retain financial administration of the STAR project until "GRIP Stage 5" commences. The total GPF investment in this project of up to £30.7m was approved by the Mayor under cover of MD1469. This investment is required for the 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 and early enabling costs) will be transferred in instalments to TfL for administration of this project from "GRIP Stage 5".

Decision:

That the Mayor approves the GLA's:

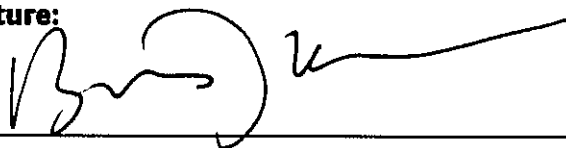
- 1) retention of up to £3.6m of the allocated GPF funds to enable the GLA to retain financial control of the project until the start of "GRIP Stage 5". In total up to £5.94m will remain with the GLA from the £30.7m GPF funds, which includes the £2.34m approved under cover of Mayoral Decision 1496;
- 2) variation of its current Development Services Agreement (DSA) with Network Rail (NR) to cover the remainder of "GRIP Stage 3" and all of "GRIP Stage 4" (increasing the value by up to £2.098m) and for the GLA to incur expenditure on implementation supplies and works from NR for the project for the period January – April 2016 (with a value of up to £1.5m); and
- 3) transfer of GPF project funds to TfL (less development costs and early enabling works costs of up to £5.94m) for funding of the project from "GRIP Stage 5" to project completion.

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:

9.10.2015

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 is 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 will comprise 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, bringing the total funding for this part of the project to £28m. Further GPF funding of £5.7m (taking the total GPF allocation to £30.7m) and proposed delivery mechanism were both approved for the STAR project by the Mayor under cover of Mayoral Decision (MD) 1496 in May 2015.
- 1.3 Over a period of 12 months, engineers at Network Rail progressed 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 final "GRIP Stage 3A" cost estimate, the total project costs are estimated to be £49.1m (refer to Part 2 for further details). This cost estimate includes all design and development costs, an allowance for project risks/contingency (£5.75m) and inflation (£3.32m). There is significant confidence in the latest cost estimate due in part to Network Rail's engagement with a framework contractor at an early stage 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. Network Rail is legally obliged to apply this 'fee fund' by the Office of Rail Regulation. 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 TfL have confirmed their funding contribution to the project has increased from £9.7m (as stated in MD 1496) to £10m bringing the total project funding package to £52.4m (refer to Part 2 for further details).

1.8 The full funding package of £52.4m 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
Transport for London (TfL)	£10,000,000*
Department for Transport (DfT)	£6,000,000
Total	£52,400,000.00

* 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.

1.9 As approved under cover of MD 1496, the GLA were scheduled to transfer financial administration of the STAR project from the GLA to TfL in June 2015 (at completion of "GRIP Stage 3" of the project). However, an issue has arisen in that there are significant time implications to agreeing a contract between NR and TfL for "GRIP Stage 3 and 4" (refer to Part 2 for further details).

1.10 The recommendation is that the development funding for the remainder of "GRIP Stage 3" and all of "GRIP Stage 4" (up to £2.098m) and early enabling work (up to £1.5m) remains with the GLA and is expended by the organisation. Following this the remainder of the GPF funds (£30.7m less the development costs and early enabling work costs totalling up to £5.94m when including the amount approved under cover of MD 1496), are then transferred in instalments to TfL for funding of the project from "GRIP Stage 5" to project completion.

1.11 Due to the political significance of this STAR project and the range of stakeholders involved the project must avoid delay to the completion date at all costs. It is therefore recommended the favoured proposal is approved by the Mayor as it will enable the project to continue without delay, maintain project momentum and continue to progress the scheme prior to the transfer of funding to TfL.

1.12 The £2.098m extension of the DSA between the GLA and NR to cover the remainder of "GRIP Stage 3" and all of "GRIP Stage 4" will enable:

- Outline designs to be completed in relation to all affected assets (structures, track, signalling, electrification & plant).
- This will enable revised cost estimates to be undertaken to produce a target price for detailed design and construction.
- Environmental impact assessment to be completed.
- Planning applications to be submitted in relation to works to railway bridges and new step free bridges at Northumberland Park and Angel Road.
- Railway regulatory consents to be completed (Network & Station Change).
- Transport & Works Act Order to be submitted to seek the powers to close Northumberland Park level crossing.

1.13 The £1.5m Early Enabling Works Implementation Agreement between the GLA and NR for the period January – April 2016 will enable:

- Design team to transition into detailed design in January 2016 rather than April 2016 to de-risk the overall programme.
- Purchase of long lead materials (HVI track circuits - a type of signalling equipment).

- Commencement of early physical enabling works to move signalling equipment that is currently located on the eastern side of the existing railway tracks that needs to be moved as that is where the new third track will be positioned.

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 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	
<p>Project milestones are not met</p> <p>There is a risk that the project may not be delivered in accordance with the required milestones.</p>	<p>GLA continues to keep up the pressure for the scheme to be delivered by March 2018 (with timetable changes from December 2017).</p> <p>The proposal to transfer GPF funds to TfL will enable more effective oversight of the project and mitigate the risk of programme slippage.</p> <p>TfL will continue to provide the same level of support to the STAR project from September 2015 to "GRIP Stage 5" at which point they assume project sponsor role</p>
<p>Cost overruns</p> <p>There is a risk of cost over-runs on this project.</p>	<p>A Fee / Risk fund is in place to cover cost risk external to the project.</p> <p>Refer to further detail within Part 2 for additional mitigation.</p>
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 does not alter the total expenditure approved for the project which remains at £30.7 million and is funded from the Growing Places Fund capital budget. The GLA will now continue to fund Network Rail directly during 2015-16 in place of TfL. The amount of funding to TfL in 2016-17 and 2017-18 will therefore now total approximately £24.76 million. It does require the GLA to commit additional funding in 2015-16 of up to £1.5 million for early enabling costs in the final quarter with an adjustment to the amount of expenditure in 2016-17. It is envisaged that this additional expenditure commitment in 2015-16 would not require payment until the end of the 2015-16 final quarter so will not impact materially on cashflow. In MD1496 the profile of the transfer of funds to TfL had not been finalised and was subject to approval by the Executive Director of Resources. Adjustments will need to be made as necessary to the profile to ensure no loss of interest to the GLA arising from this decision.
- 5.2 The capped total costs specified in the variation to the Development Services Agreement with Network Rail should not exceed £3,057,920 to reflect the increase in value of £2.098 million recommended for approval in this decision.

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's current development services agreement with Network Rail is varied, in accordance with the relevant provisions of that agreement, to reflect the GLA's proposed retention of financial control of the project until the start of GRIP Stage 5;

6.2.2 they are content that the GLA can comply with the terms of and enters into an executes an implementation agreement with Network Rail for the supplies and works required for the project before placing any reliance on the same; and

6.2.3 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

6.2.4 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 17th September 2015, the Investment and Performance Board approved the following:

- The retention of up to £3.6m of the allocated GPF funds to enable the GLA to retain financial control of the project until the start of "GRIP Stage 5". In total up to £5.94m will remain with the GLA from the £30.7m GPF funds, which includes the £2.34m approved under cover of MD 1496;
- The variation of the GLAs current Development Services Agreement (DSA) with Network Rail (NR) to cover the remainder of "GRIP Stage 3" and all of "GRIP Stage 4" (increasing the value by up to £2.098m) and for the GLA to incur expenditure on implementation supplies and works from NR for the project for the period January – April 2016 (with a value of up to £1.5m); and
- Transfer of GPF project funds in instalments to TfL (£30.7m less development costs and early enabling works costs of up to £5.94m), for sponsorship and administration of the project from "GRIP Stage 5" (expected in April 2016) to project completion (scheduled for March 2018).

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 from GRIP Stage 5 for sponsorship and administration of the project and associated funding. The transfer of the total GPF budget (less development costs) to TfL was approved by the Mayor under cover of MD 1496 in May 2015 which was estimated to take place in June 2015 (“GRIP Stage 3£). This MD seeks approval to delay this from “GRIP Stage 3” to “GRIP Stage 5”. The reasons for sponsorship and administration of the STAR project to transfer to TfL are reiterated below, with the process for agreeing this set out below that:

- 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 in instalments via Section 120 of the Greater London Authority Act 1999 (‘capital grants between the authority and functional bodies’). The transfer can take place once TfL’s approval to spend STAR funding (including approved contributions from TfL / GPF / London Boroughs / DfT) is in place from GRIP Stage 5 (estimated April 2016).

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 through 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 and STAR Steering Group 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 co-chaired by Network Rail and Transport for London, with the GLA acting as the secretariat, and includes representatives Department for Transport, the train operating company, the London-Stansed-Cambridge Consortium and the relevant London Boroughs. This Steering Group will continue to meet quarterly 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, the GLA will transfer the £6,000,000 funding to TfL via Section 120 of the GLA act (as approved by MD 1496). The timing and terms of the transfer are to be agreed however the transfer can take place once TfL and GLA Memorandum of Understanding is in place (estimated November 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, MD

1496 gave approval for the GLA to utilise underspend from GRIP 3A (£291,513), plus a further £670,000 to progress the next stage of design.

8.10 The recommendation in this paper is that the development funding for the remainder of "GRIP Stage 3" and all of "GRIP Stage 4" (up to £2.098m) and early enabling works (up to £1.5m) remains with the GLA and is expended by the organisation to maintain project momentum ahead of the transfer of financial administration and project sponsorship to TfL at GRIP Stage 5. To do this, the GLA will need to vary its current Development Services Agreement with NR (which is scheduled for completion on 11th September 2015 albeit that there is no long stop date for the end of the contract term enabling variation at a later date) to extend this to the end of "GRIP Stage 4" (scheduled for early April 2016) and enter a supplemental Early Enabling Costs implementation agreement for the project for the period January 2016 – April 2016 (with the contract end date envisaged 29th April 2016). Two contracts are required because the GRIP Stages contracts and Enabling Works contracts have different terms of references attached to each of them, in that one is a development services agreement (concerning the provision of services) and one is an implementation agreement (concerning the provision of supplies and works).

8.11 The remainder of the funding (£30.7m less the agreed development costs and early enabling work costs totalling up to £5.94m), will be transferred to TfL, as set out above.

8.12 Next steps

8.13 The proposed timeline for delivery is as follows:

Activity	Timeline
IPB Meeting	17 th September 2015
Mayoral Decision approved	Early-October 2015
GLA contractual agreement with NR – Development Services Agreement	Mid-October 2015
GLA and TfL sign MoU ahead of "GRIP Stage 5"	November 2015
GLA contractual agreement with NR – Implementation Agreement	December 2015
Network Rail Implementation Authority	March 2016
"GRIP Stage 5" scheduled to commence	April 2016
Transfer in instalment to TfL scheduled to commence	April 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:

- Appendix 1: Part 2 (reserved)
- Appendix 2: Reserved

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

If YES, for what reason:

Until what date: (a date is required if deferring)

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:

Sarah Hayward 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

M. D. Allge

Date

2.10.15

CHIEF OF STAFF:

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

Signature

Edward Lister

Date

7/10/2015