

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2031

Title: Hackney Wick station improvements

Executive Summary:

At its Board meeting on 24 May 2016, the London Legacy Development Corporation (LLDC) agreed – subject to finalising the remaining cost and risk allocation issues (which have now been finalised), Mayoral consent and contract – to enter into an Implementation Agreement with Network Rail Infrastructure (NR) for the construction works to upgrade Hackney Wick Station.

LLDC requires Mayoral consent to enter into the Implementation Agreement under the LLDC Governance Direction 2013 (the 'Governance Direction', approved by MD1227) as the project cost is more than five per cent above that budgeted in the LLDC's Ten Year Plan (ie. it is a 'regulated commitment').

In the event NR is unable to fulfil their part of the land swap arrangements required for the project, LLDC would potentially need to dispose of a small part of its land at less than best consideration reasonably obtainable (i.e. at 'undervalue'). This, also under the 2013 Direction and section 209 of the Localism Act 2011 ('the Act'), would require Mayoral consent. This consent is being sought now on a contingency basis.

The 2013 Direction and Mayoral Scheme of Delegation (MD1500) provide for the Mayoral consent under the Direction and Act to be delegated and given by an officer through a director decision form.

In addition, a decision is required to approve an amended repayment profile of the Growing Places Fund loan, to start from 2017/18 rather than 2016/17 (initially approved by DD1220).

Decision:

The Executive Director, exercising authority delegated from the Mayor, consents to:

- the LLDC entering into an Implementation Agreement with Network Rail Infrastructure for the construction works to upgrade Hackney Wick Station (a regulated commitment under paragraphs 4.7 and 4.9 of the Governance Direction);
- the disposal of LLDC's land to Network Rail at less than best consideration reasonably obtainable, in the event that operational requirements prevent Network Rail from fulfilling their part of the land swap arrangements, (for the purposes of section 209(1) of the Act); and
- an amended repayment profile of Growing Places Funding, now running 2017/18 to 2023/24.

Authorising Director

I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: Martin Clarke

Position: Executive Director of Resources

Signature:



Date:

26.7.16

PART I – NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. The upgrade of Hackney Wick Station is fundamental to the regeneration of the Hackney Wick and Fish Island area, with all emerging schemes within the immediate area having been designed around the proposed new north-south route and station entrance. The station improvements will create a fully accessible station by replacing the poor quality access ramps with new lifts and stairs to both platforms. A new ticket office will be relocated from platform to street level to provide appropriately sized station facilities, along with a new ticket gate-line. The station entrance will be located adjacent to a new underpass beneath the railway, which will also provide public access north-south through the proposed Hackney Wick neighbourhood centre area, creating a catalyst for the regeneration of the surrounding area. Planning permission was granted in September 2014.
- 1.2. The project will be delivered by NR, on behalf of LLDC, and they will appoint their framework contractor, Volker Fitzpatrick Ltd (VFL), to carry out the works. Construction requires a number of secured rail possession dates, including a four-day blockade over Easter 2017, to cut out the existing platform and tracks and transport in a 'bridge' constructed to the north of the station. The platforms and tracks will then be reinstated during the blockade and the remainder of the works completed thereafter.
- 1.3. In July 2015 LLDC's Investment Committee approved the Business Case for LLDC investing in the project. The Business Case was approved against the emerging cost estimate provided by NR and VFL at that time (£18.107m total project cost) and it was anticipated that the works would start on site in autumn 2015, making use of rail possessions previously booked for Easter 2016. The Committee also delegated authority to LLDC's Chief Executive Officer or Executive Director of Finance and Corporate Services to sign the Final Project Approval form.
- 1.4. However, before the contracts were completed, LLDC was advised by NR that the estimated final cost had increased and some costs and risks were still unquantifiable. At that level, the project was over the approved Business Case budget and exceeded the CEO and Investment Committee approval delegation levels. There were also concerns over the extremely tight delivery schedule and the significant risks inherent in the scheme. It was therefore not possible to commit to the project at that time, and new rail possessions were booked for Easter 2017 to enable more time to de-risk the scheme and seek additional funding contributions.
- 1.5. On 24 May 2016 LLDC's Board agreed to enter into the Implementation Agreement with NR, subject to finalising the remaining issues around cost and risk, Mayoral consent and contract. The final lump sum cost was obtained from NR on 14 June 2016. Due diligence on the cost and risk allocation has now been completed and consent is required.
- 1.6. The project is being funded in part by planning contributions already secured from the Olympic Park Transport Environmental Management Scheme (OPTEMS), Lower Lea Valley (LLV) Pooled Funds, and Section 106 contributions, alongside a London Enterprise Panel (LEP) Growing Places Fund (Round 2) loan of £8.5m (consent to enter into a loan agreement was approved under DD1220). The Growing Places Fund loan is to be repaid in full over the period 2017/18 – 2023/24, a delay of one year in the start and end of repayments. Discussions have also successfully concluded with LB Hackney and LB Tower Hamlets which have confirmed they will each contribute financially to the project. LLDC has also looked further at its own financial resources and at reallocation from other projects. As a result the project can now be fully funded. A full breakdown of the funding sources is included in Part 2.
- 1.7. Approved expenditure under the LLDC's Ten Year Plan is £17.916m. The revised total project cost, including LLDC contingency allowance against LLDC held risks is £27.52m. The Mayor's consent (which can be given through a director decision under delegated authority) is required under paragraphs 4.7(b) and 4.9 of the Governance Direction, which stipulates that consent must be obtained for LLDC to make an individual decision that commits expenditure, creates a contingent liability and/or generates income of a value of £10 million or more (a regulated commitment) where:

- i. that expenditure, liability and income was included in LLDC's business plan (for the financial year in which it arises); but
- ii. the actual value compared to its anticipated value in the plan is five per cent or more downwards in the case of income or five per cent or more upwards in the case of expenditure or a contingent liability

Land transactions

- 1.8 The design of the station encroaches slightly onto LLDC owned land. It is therefore proposed that once the station works are complete, LLDC will transfer the freehold interest of a small sliver of land which houses the stairs to the north (786 sq ft) to NR. The ticket office also encroaches onto LLDC land in the south. It is proposed that LLDC grants a 999 year internal lease only of this structure, while retaining the right to build above. The works include piled foundations sufficient to accommodate the proposed neighbourhood centre building above and a crash deck to protect the station during construction. The area of land to be leased measures 1,545 sq ft.
- 1.9 In return, it is proposed that NR will transfer to LLDC the freehold of the land to the south of the railway which currently accommodates the southern access ramp, once this has been removed. This land measures 2,939 sq ft and will enhance the development potential of LLDC's adjoining retained land. It has been agreed between the parties that as part of the overall project, and as both areas of land have a nominal value, they will be exchanged for £1 (one pound). In these circumstances there is no disposal by LLDC of the land at undervalue and so no requirement for consent under section 209(1) of the Act. Details are provided in Part 2 of this Form.
- 1.10 In the event that operational requirements prevent NR from transferring their land to LLDC, NR has agreed to compensate LLDC. However, and while it is unlikely to be required as officers do not expect there to be a disposal at less than best consideration, consent to dispose at less than best consideration is being sought as a contingency.
- 1.11 Details are provided in Part 2 of this form. Given the overall benefits resulting from the project, officers are satisfied the request is reasonable and consent should be granted.

2. Objectives and expected outcomes

- 2.1 The LLDC's strategic regeneration objective for Hackney Wick is to create a new neighbourhood centre that serves the existing and future communities in Hackney Wick, Fish Island, East Wick, Sweetwater and Here East. The vision is to create a place which builds on Hackney Wick's unique identity and creates a place with lasting value – integrating workspace, homes and heritage in a way that showcases how to intensify a place with new and additional uses, while retaining and strengthening its distinctiveness.
- 2.2. The upgrade of Hackney Wick Station is fundamentally the first piece of this regeneration, and all emerging schemes within the immediate area have been designed around the proposed new north-south route and station entrance. This new pedestrian and cycle connection will substantially improve connectivity and permeability between the large development parcels currently severed by the railway, and will also reduce approach distances to the station for the majority of local residents and businesses within Hackney Wick and on the western side of Queen Elizabeth Olympic Park, including Here East, the Copper Box Arena, East Wick and Sweetwater.
- 2.3. An outline planning application has been submitted by LLDC for the neighbourhood centre sites around the Station that proposes the re-provision of existing employment space (circa 37,000 m²) in a mixture of existing heritage and new buildings. The workspace proposed includes a diverse range of accommodation including low-cost studio spaces, a range of office and light industrial workshops suitable for SMEs, start-up businesses and co-working users. This will be delivered within a mixed use scheme that also provides approximately 70,000m² of residential accommodation (circa 850 new homes), and new facilities including shops, places to eat and drink, and community uses. Central to this proposal is a new network of streets and routes – all structured around the upgraded and reconfigured Hackney Wick Station.

3. Equality comments

- 3.1 Championing equality and inclusion is one of LLDC's four priority themes that underpin every aspect of its work. Consideration of equality and inclusion has therefore been embedded in the development of the Hackney Wick Station project from the outset.
- 3.2. As such, this project meets the Public Sector Equality Duty in the following ways:
- i. The project seeks to make accessibility improvements to the Hackney Wick Station to ensure compliance with equalities legislation.
 - ii. The scheme has been developed with the input of the LLDC's Inclusive Design Team.
 - iii. The project has also been reviewed by the Built Environment Access Panel and the Panel's feedback has been incorporated into design development.
 - iv. A thorough consultation process has been undertaken, to ensure all parties have an opportunity to influence the development of the improvement works.

4. Other considerations

a) key risks and issues

- 4.1. LLDC needs to enter into contract for the project by 27 July; otherwise the rail possessions booked for Easter 2017 will be lost. This would result in either a significant delay to the project or a complete re-scoping of the scheme to much smaller scale improvements. The consequence of this to the regeneration of Hackney Wick and Fish Island would be significant. Many schemes are already being brought forward for planning on the understanding that these improvements will be commencing this year.
- 4.2. The Hackney Wick Central outline planning application, which was submitted at the end of April, has been designed around the new and reconfigured station entrances and the improved connectivity it provides. If the station improvements do not proceed, the masterplan would need to be redesigned and the capital receipts and housing delivery would be significantly delayed.
- 4.3. LLDC has identified the key risks to the Hackney Wick Station project as:
- i. Programme risk: there is a risk that adverse weather conditions might require an unplanned extension to the rail blockade during which the subway will be moved into place. The contractor is currently seeking an extension to the blockade with a view to mitigating this risk and LLDC is seeking insurance.
 - ii. Budget risk: there is a risk of future cost increases due to unforeseen scope or programme changes. Given the advanced state of the design, changes to scope/design are limited, and contingency has been set aside within the total project cost.
 - iii. Budget risk: there is a risk of future cost increases due to unforeseen ground conditions. Site investigation work been completed and an appropriate contingency set aside.

b) links to Mayoral strategies and priorities

- 4.4. The station project will be the first step in the delivery of the new neighbourhood centre at Hackney Wick. As such, it will directly and indirectly address a number of the Mayor's priorities:
- i. Business, prosperity and opportunity: the new neighbourhood centre is designed to support small businesses and start-ups, with the provision of affordable workspace, and retains the current quantum of business space;
 - ii. More homes for Londoners: the neighbourhood centre is expected to deliver circa 850 homes, of which about 250 will be on LLDC land;
 - iii. A fairer and more equal city: the station accessibility will be improved by the inclusion of lifts to each platform in place of the existing non-compliant ramps;

- iv. Making the most of arts, culture and creativity: the neighbourhood centre scheme seeks to protect small industrial and creative workspaces, retaining a number of existing premises, relocating key occupiers and re-providing maker space.
 - 4.5. The project also addresses the LEP's 'London 2036: An agenda for jobs and growth'. Of the core themes, the Hackney Wick neighbourhood centre and station upgrade project strongly support 'The City that Works' and 'The Creative Engine' themes, which aim to address London's weaknesses in terms of supporting SME's in priority sectors, housing delivery and investment in infrastructure.
 - 4.6. The need to improve the station has long been recognised in adopted and emerging planning policy and the evidence base to support these. The Olympic Legacy Supplementary Planning Guidance (OLSPG) to the London Plan recognises the importance of an upgraded Hackney Wick Station.
- c) impact assessments and consultations*
- 4.7. This is an LLDC project that has been considered and approved by its own Investment Committee and Board.
 - 4.8. The LLDC has also consulted the GLA on the matter and has consulted with the London Boroughs of Hackney and the London Borough of Tower Hamlets. It is not considered that the Mayor need undertake any additional impact assessment or consultation in respect of this decision.

5. Financial comments

- 5.1. NR / VFL have confirmed the Fixed Price Contract Sum (inclusive of NR Fee Fund and Industry Risk Fund contributions and risk contingency). The contract sum has been subject to due diligence by MACE on behalf of LLDC. LLDC has determined that an additional Risk Contingency allowance should be added to this contract sum to cater for risk items which have been excluded from the contract. A further allowance is also required to cover the LLDC's direct costs.
- 5.2. LLDC has identified all funding for the revised project cost from the following sources: Growing Fund Places (GPF) loan, Section 106 payments, OPTEMS, London Thames Gateway Development Corporation Pooled Funds and contributions from the London Borough of Hackney and the London Borough of Tower Hamlets. A breakdown of project costs and funding is included in part 2.
- 5.3. LLDC will be required to repay the GPF funding in accordance with a repayment schedule and manage any cost pressures from the identified contingency, but the GLA is exposed to the risk of any shortfalls as LLDC's principal funder and lender of last resort. If disposal of the land is required at an undervalue, this would be justified given the development potential of adjoining retained land.

6. Legal comments

- 6.1. It is for LLDC to satisfy themselves as to the terms of the Implementation Agreement with NR before entering into it. LLDC's Commercial and Procurement Team have undertaken a review of the NEC3: Option A priced contract with activity schedule between NR and VFL and the Framework Contract between NR and VFL.
- 6.2. LLDC is under a duty to obtain the best consideration reasonably obtainable where it dispose of its land unless by way of short tenancy (as defined and not applicable here). Where this is not the case the Mayor's consent to the disposal at undervalue is required by section 209(1) of the Act. Consent may be given by the Director on the Mayor's behalf for both the proposed regulated commitment and disposal of land at undervalue under the current Mayoral Scheme of Delegation.

7. Investment & Performance Board

- 7.1. The Growing Places Fund: Hackney Wick Station Improvements – Stage 2 was considered by the Investment and Performance Board on 24 April 2014.

8. Planned delivery approach and next steps

Activity	Timeline
Procurement of contract	July 2016
Delivery Start Date	August 2016
Delivery End Date and project closure	December 2017

Appendices and supporting papers:

LLDC Board Paper, 24 May 2016

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? YES**

If YES, for what reason: Until the Implementation Agreement with Network Rail is signed in late July and the contract awarded to Volker Fitzpatrick in August.

Until what date: 31 August 2016

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:

Tim Somerville (with input from LLDC) has drafted this report in accordance with GLA procedures and confirms that:

✓

Assistant Director/Head of Service:

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

✓

Financial and Legal advice:

The Finance and Legal teams have commented on this proposal, and this decision reflects their comments.

✓

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. J. Ellis

Date

26.7.16

