

Date: 27 July 2016

Item: Stratford – Angel Road (STAR) Project

As provided for under section 100B(4)(b) of the Local Government Act 1972, the Chair has accepted a late item on Stratford – Angel Road (STAR), as she was of the opinion that it should be considered as a matter of urgency. The reason for urgency is to enable the transfer of sponsorship arrangements for the Project to apply from September 2016.

This paper will be considered in public

1 Summary

ID/UIPXXX Stratford – Angel Road (STAR)				
Existing Financial Authority	Estimated Final Cost (EFC)	Existing Project Authority	Additional Authority Requested	Total Authority
£ 10m	£ 52.4m	£ 0m	£ 52.4m	£ 52.4m

Authority Approval: The Finance and Policy Committee is asked to exercise the authority delegated by the Board to approve:

1. unbudgeted Financial Authority of £42.4m, Project Authority of £52.4m and Procurement Authority of £40.96m (in respect of TfL’s contribution to Network Rail STAR costs):
2. TfL’s entry into arrangements with the Greater London Authority (GLA) for the GLA’s transfer of £31.26m of capital funding to TfL as a contribution to the EFC; and
3. TfL’s entry into a contribution agreement with Network Rail (NR) for the provision of a £40.96m contribution towards NR’s STAR costs.

Outputs and Schedule: The project will extend the third tracking of the West Anglia Main Line (WAML) from Stratford – Tottenham Hale through to Angel Road.

This infrastructure will enable the delivery of up to 8,500 new homes and up to 3,500 new jobs by providing the infrastructure capability required to support a four trains per hour (tph) all station service between Stratford – Angel Road, which currently operates a two tph semi-fast service. The operation of the additional services is outside the scope of the project.

Works are scheduled to be completed by December 2018.

- 1.1 On 19 July 2016, the Board delegated to the Finance and Policy Committee authority to approve any matter reserved to the Board from 20 July to 21 September 2016. Approval from the Committee is sought now in order to enable the transfer of sponsorship arrangements for the Project to apply from September 2016.
- 1.2 A paper is included on Part 2 of the Finance and Policy Committee agenda which contains exempt supplementary information. The second paper is presented here for endorsement. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2 Recommendation

- 2.1 **Under the authority delegated by the Board on 19 July 2016, the Committee is asked to note the paper and:**
- (a) Approve:**
- (i) Financial Authority for an additional unbudgeted sum of £42.4m to provide a fixed cost contribution to the Stratford Angel Road (STAR) project (£31.26m of which is to be provided to TfL by the Greater London Authority (GLA) by statutory capital transfer) which together with existing Financial Authority of £10m brings the total Financial Authority up to £52.4m; and**
 - (ii) Project Authority of £52.4m required to meet TfL's project costs;**
 - (iii) Procurement Authority of £40.96m in respect of TfL's contribution under a Contribution Agreement with Network Rail towards Network Rail's costs of delivering the STAR project;**
- (b) Authorise:**
- (i) TfL's entry into a Contribution Agreement with Network Rail for the provision of a £40.96m contribution towards Network Rail's costs of delivering the STAR project; and**
 - (ii) TfL's entry into a memorandum of understanding (MOU) to record the working arrangements for the transfer of the £31.26m capital funding to TfL from the GLA; and**
 - (iii) TfL Officers and Subsidiaries (as described in paragraph 2.2 below) to finalise, agree and execute (whether by deed or otherwise) the terms of the Contribution Agreement, MOU and such other agreements as may be required in connection with the STAR project.**
- 2.2 **The following Officers and Subsidiaries shall be taken to be authorised for the purposes of any decision made by the Committee pursuant to paragraph 2.1(b)(iii) above:**

- (a) TfL Officers: the Commissioner; Chief Finance Officer; Managing Director Surface Transport; Managing Director Planning; and General Counsel; and**
- (b) Subsidiaries of TfL including without limitation Transport Trading Limited and any other subsidiary (whether existing presently or to be formed) of Transport Trading Limited and any of the directors of these subsidiaries shall be authorised to act for and on behalf of any such subsidiary.**

3 Background

- 3.1 The STAR project will extend the third tracking of the West Anglia Main Line (WAML) from Stratford – Tottenham Hale through to Angel Road. The third tracking of WAML between Stratford – Tottenham Hale is a Network Rail (NR) committed project, which forms part of its Control Period 5 (CP5) determination.
- 3.2 The installation of a third track will enable the delivery of up to 8,500 new homes and up to 3,500 new jobs by providing the infrastructure to support a four trains per hour (tph) all station service between Stratford – Angel Road, which currently operates a two tph semi-fast service. The operation of the additional services is outside the scope of this project.
- 3.3 STAR is a NR project. The GLA is the Client for the project. To date, the GLA has been working with NR to develop STAR to realise development opportunities in the London Boroughs of Enfield and Haringey.
- 3.4 The current EFC for the project is £52.4m. The funding for STAR consists of: GLA Growing Places Fund (GPF) £30.7m, TfL Growth Fund £10m, Department for Transport £6m, NR £5.2m and the London Boroughs of Enfield and Haringey £0.25m each.
- 3.5 Following the agreement of a funding package to meet the full cost of the scheme, the GLA have requested that TfL facilitate the delivery of the project. TfL's experience of interfacing with NR means that TfL will be responsible for managing the release of funds to NR and providing assurance to the GLA that works are being carried out in accordance with the requirements and Governance to Railway Investment Process (GRIP). TfL's role will not extend to technical assurance of design work or any aspect of design or project management.
- 3.6 The funding and governance arrangements for STAR are described in Mayoral Decision (MD)1496 (19 May 2015) which endorses the allocation of £30.7m allocation from the GLA GPF to STAR and approves the transfer of the funding by instalments to TfL for administering the project. The MD also approves the transfer of other third party contributions to the project to TfL. It has separately been agreed that the GLA will be responsible for collecting the contributions from other third party funders to transfer to TfL.
- 3.7 MD1560 (October 2015) approved the transfer of the sponsorship of the project to TfL from the commencement of GRIP 5 (Detailed Design) to project completion. The transfer of the project at GRIP 5 provides greater certainty of project cost and programme at the time of entry into a Contribution Agreement with NR.

- 3.8 The development potential unlocked by STAR means that the project is supported by a £10m allocation from the Growth Fund. STAR meets the objectives of the Growth Fund by delivering a transport scheme to overcome identified barriers to development and directly unlock new homes and jobs in key areas for regeneration. The STAR Growth Fund allocation was approved by TfL on the 25 March 2015.
- 3.9 No further authority submissions will be sought in relation to STAR.

4 Proposal

Preferred Option

- 4.1 STAR will be designed and delivered by NR. TfL's role will not extend beyond managing the release of funds to NR under the terms of a Contribution Agreement and providing assurance to the GLA that the works are being carried out in accordance with the GRIP process.
- 4.2 Managing the relationship with NR will require TfL to enter into a Contribution Agreement with NR for the transfer of £40.96m in respect of TfL's contribution to the NR STAR costs. A build up of this contribution is detailed in 5.7 below.
- 4.3 The terms of the NR Contribution Agreement state that NR will be responsible for the risk of any cost increases and schedule overruns. These arrangements are supported by correspondence between TfL and NR in March 2015.
- 4.4 The basis of this agreement will be that in receipt of the full contribution, NR will deliver the STAR project by December 2018 and hold the responsibility for any cost and schedule overrun risk.
- 4.5 £30.7m GLA capital funding, less the £5.94m cost of work done (COWD) and NR contribution (£5.2m), will be transferred to TfL pursuant to section 120 of the Greater London Authority Act, the practical arrangements between the parties for the transfer being recorded in a non-binding MOU. The GLA is able, under the Greater London Authority Act 1999 to incur such expenditure where it is 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, where it is for the purposes of, or relates to, housing or regeneration as is the case here.
- 4.6 The MOU will set out that the funding will transfer to TfL in instalments and that the GLA will be responsible for collecting the contributions from other third party funders.
- 4.7 The contributions collected from other third party funders by the GLA, will result in a total of £31.26m transferring to TfL via the GLA. TfL will retain £0.3m to cover resource costs.
- 4.8 The MOU also sets out that TfL's role will not extend to technical assurance of design work or any aspect of project management relating to STAR. The MOU also states that TfL will not incur any additional cost risk exposure through our involvement in the STAR project.

4.9 TfL does not currently operate any services on the WAML. Any potential impact of STAR works on London Overground's (LO) Gospel Oak – Barking services will be mitigated by the conditions set out in the engineering access plan for 2016 – 2018, which specifies that: to minimise the impact of the volume of planned engineering works on train services, it is not possible to undertake major engineering work on the Gospel Oak to Barking line and the West Anglia Main line at the same time.

Benefits (and Value)

4.10 The business case for STAR has been developed and is owned by NR. TfL has sensitivity tested the business case against our London specific criteria and found that the scheme represents good value for money.

4.11 The NR business case is a transport based case, however, as part of its decision to provide £30.7m of funding to the project the GLA has also developed a housing growth based business case in support of the scheme. Both business cases indicate that STAR represents good value for money.

4.12 A full Qualitative Risk Assessment (QRA) has been undertaken by NR as part of the GRIP 3 Option Selection workshop, held on the 15 January 2015. The financial risk for the project is held by NR.

4.13 The top three risks to TfL associated with the sponsorship of the STAR project are listed in the table below:

Risk No	Risk Description	Mitigation Actions
1	DfT did not support change to Anglia franchise and instruct the 4tph service option Stratford – Angel Road resulting in the continuation of the 2tph semi-fast train service. This results in a possible reduction in development potential and a risk that the GLA will withdraw GPF funding.	<p>The GLA has committed to the delivery of STAR and the £30.7m financial commitment. The London Boroughs of Enfield and Haringey have confirmed the development of the Northumberland Park and Meridian Water Housing developments is unaffected by the new franchise specification.</p> <p>A relationship has been established between the DfT and the GLA and London Borough's continue to lobby the DfT for the 4tph service option to be included in the new franchise specification.</p> <p>Furthermore the GLA, in partnership with London Borough's and the Meridian Water and Northumberland Park developers, will continue to negotiate the introduction of the additional services with the successful bidder (once announced Summer 2016).</p>

Risk No	Risk Description	Mitigation Actions
2	Instalments of GLA funding are provided late to TfL, requiring TfL to forward fund STAR.	<p>The instalment plan for the £31.26m that will transfer to TfL under S120 of the GLA Act will be set out in the MOU.</p> <p>Monies will be paid to TfL in quarterly instalments and will be payable in advance of the NR works. S120 of the GLA Act requires that the funding is made available to TfL in advance of the works ensuring that the funding is made “available for that purpose”.</p> <p>The payment schedule to NR will be set out in the Contribution Agreement. TfL’s ability to meet the instalment payments will be specified as being dependant on the receipt of funds from the GLA.</p>
3	The potential level of development unlocked by STAR means that there is a high degree of political interest in the scheme. The significant levels of investment by the GLA, the DfT and the London Boroughs of Haringey and Enfield also place a heightened degree of interest on STAR and mean that any delay to the delivery of the project could present a reputational risk to TfL.	<p>TfL is working closely with NR to build the authority and assurance process into the STAR programme.</p> <p>Authority submission is being made in parallel to NR Sponsor’s presentation for GRIP 5-8 authority to NR’s Investment Panel.</p> <p>Fortnightly update meetings are held between TfL London Rail Investment Sponsor Team, the NR Sponsor and the GLA.</p>

4.14 In its role as GLA representative, TfL will provide internal resource to:

- (a) provide the GLA with assurance that works are being carried out in accordance with GRIP. Resource to be provided by the London Rail Major Programme Sponsorship Team;
- (b) manage the transfer of funding to NR in accordance with the Contribution Agreement. Planning and commercial support to be provided by London Rail, London Overground Delivery Team;
- (c) TfL will not require any additional resource for the completion of this project; and
- (d) TfL will retain £0.3m of STAR funding to cover resource costs.

5 Financial Implications

- 5.1 TfL's £10m contribution to STAR is budgeted within the Growth Fund.
- 5.2 The cost of the project above the £52.4m third party contributions will be funded by Network Rail, in accordance with the terms of the Contribution Agreement.
- 5.3 A table summarising the contributions from all parties to fully fund the £52.4m contribution to the scheme is detailed below:

Funding Party	Contribution (£m)
DfT	6.00
GLA	30.70
London Borough Enfield	0.25
London Borough Haringey	0.25
NR	5.20
TfL	10.00
EFC / Total	52.4

Commercial

- 5.4 TfL will enter into two agreements:
- (a) a non-binding MOU with the GLA for the transfer of third party monies to TfL; and
 - (b) a Contribution Agreement with NR for the receipt on funds for the delivery of STAR by December 2018.
- 5.5 The MOU will describe the working arrangements to support a transfer of £31.26m third party funding to TfL. The funding will be transferred to TfL under S120 of the GLA Act. A breakdown of this funding is shown below:

Funding to TfL	Funding (£m)
Total Contribution	52.4
COWD, paid directly to NR	(5.94)
NR contribution	(5.2)
TfL Growth Fund	(10.0)
Total Transferred	31.26

- 5.6 The schedule for the transfer of funding to TfL will be aligned to the NR cost loaded programme to mitigate the risk of TfL being required to forward fund STAR. TfL's ability to meet the instalment payments specified in the Contribution Agreement will be dependant on the receipt of funds from the GLA.

- 5.7 TfL will transfer £40.96m to NR under the terms of the NR Contribution Agreement. This breakdown consists of:

Funding to NR	Funding (£m)
Total Contribution	52.4
NR Contribution	(5.2)
TfL Resource Costs	(0.3)
COWD	(5.94)
Total Transferred	40.96

6 Assurance

- 6.1 The project was subject to a Contract Award review by TfL's Project Assurance and the Independent Investment Programme Advisory Group (IIPAG) in June 2016. The recommendations have been accepted by management. This review followed a TfL Project Assurance review and IIPAG in June 2015.
- 6.2 TfL's Project Assurance review identified no critical issues and two secondary recommendations, concerning the description of roles and responsibilities between TfL and the GLA; and confirmation of the extent of project dependencies. The sponsor has closed out both queries.
- 6.3 An IIPAG review of the proposal identified no critical issues and one recommendation. IIPAG recommended that TfL should amend the MOU to accurately reflect its role and to avoid any confusion of responsibilities. The sponsor has closed out this recommendation.

List of appendices to this paper:

Exempt supplementary information is included on Part 2 of the agenda.

List of background papers:

IIPAG and PMO Reports

Management response to IIPAG and PMO Reports

Mayoral Decision 1496 (19 May 2015) – Growing Places Fund – West Anglia route improvements, Stratford to Angel Road (STAR)

Mayoral Decision 1560 (October 2015) – Growing Places Fund – West Anglia route improvements, Stratford to Angel Road (STAR)

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