

Transport and Works Act 1992

Transport and Works (Applications and Objections Procedure) (England and Wales) Rules 2006 — Rule 10(3)(a)

London Underground (Northern Line Extension) Order

FUNDING STATEMENT

1. Transport for London (“TfL”) is a statutory body created by the Greater London Authority (GLA) Act 1999, reporting to the Mayor of London. As the integrated body responsible for the capital’s transport system, TfL’s role is to implement the Mayor’s Transport Strategy and to manage the transport services across the capital for which the Mayor is responsible.
2. The Northern line extension (“NLE”) is an extension of the London Underground Northern line, from Kennington to Battersea Power Station (BPS), via a mid-station at Nine Elms. The scheme is estimated to cost £868m in 2012/13 prices, which includes contingency (a breakdown of cost can be found in the “Estimate of Cost”). The outturn cost, which adds forecast inflation to this figure, is estimated to be £998.9m, and represents the amount that will need to be financed. This assumes construction of the NLE is completed by the end of 2019.
3. The NLE will be *funded* by the private sector but *financed* by the public sector. The public sector will raise the debt required to pay for the up-front costs of constructing the NLE, whilst the costs of servicing and repaying that debt will be paid by the private sector, in the form of developer contributions and incremental business rates.
4. The Chancellor’s 2012 Autumn Statement confirmed Government’s support for the NLE, stating:

“The Government will provide a UK Guarantee to allow the Mayor of London to borrow £1 billion at a new preferential rate to support the Northern Line Extension to Battersea scheme, subject to due diligence and the agreement of a binding Funding and Development Agreement with developers, the Mayor of London and partner authorities during 2013. The Northern Line extension to Battersea is key to the redevelopment of Battersea Power Station and the regeneration of a historic part of London. Government intervention has the potential to enable an £8 billion investment at the Battersea Power Station site,

supporting the wider redevelopment planned for Vauxhall, Nine Elms and Battersea.¹

5. Heads of Terms between TfL and the BPS developer were signed in December 2012. A particular feature of the Heads of Terms is that they require a contractually enforceable undertaking from the BPS developer to TfL to pay the entirety of its Section 106 contributions by agreed long stop dates, irrespective of whether the BPS developer achieves actual build out of later phases of the development. The Heads of Terms will be superseded by a legally binding agreement over the course of 2013, which will give effect to the Section 106 payment commitment.
6. Public sector finance will be by way of GLA Group borrowing (of up to £1bn) which will be serviced through two sources:
 - a. developer contributions, raised by the London Boroughs of Wandsworth and Lambeth on the BPS site and across the wider VNEB Opportunity Area under the s106 and Community Infrastructure Levy (CIL) regimes; and
 - b. incremental business rates generated and retained within a new Enterprise Zone.

Developer contributions

7. The boroughs of Wandsworth and Lambeth have committed to make available to the Mayor a share of the contributions they receive from local developers under the Section 106 and CIL regimes, on an agreed profile. In summary, Wandsworth will provide 259.1m, including 200.1m from the BPS site and 59.0m from other sites, and Lambeth 7.3m. The total amount committed is £266.4m in 2012/13 prices, which supports the cost of servicing NLE debt as Enterprise Zone revenues build up.
8. The boroughs' commitments will be captured in a binding legal agreement which is currently under negotiation between TfL, the GLA and the boroughs.

¹ Autumn Statement 2012, p38, para 1.100

Enterprise Zone

9. The Chancellor's 2011 Autumn Statement confirmed that, subject to a commitment from a developer to develop the BPS site and pay agreed contributions, the Government would consider establishing an Enterprise Zone, enabling 100% of the incremental business rates (ie business rates that are additional to an agreed baseline) to be retained locally, for a period of at least 25 years.
10. The Enterprise Zone will include sites in both Wandsworth and Lambeth. Detailed discussions are underway with Government officials on the terms of the Enterprise Zone, which is expected to take effect from April 2016.
11. TfL is not expecting to receive any blight claims, but if claims are made and accepted then these will be met from the land costs budget within the NLE project.

30 April 2013