



Date: 27 March 2013

Item 13: Northern Line Extension to Battersea Transport and Works Act Order

This paper will be considered in public

1 Summary

- 1.1 This paper asks the Board to approve TfL making an application for a Transport and Works Act Order (TWAo) to obtain powers to construct, operate and maintain the Northern Line Extension (NLE) to Battersea. It also seeks Project Authority to progress the necessary planning consent, design and procurement activities to the point of the Secretary of State's decision on the TWAo. Approval to sign a commercial agreement with the Battersea Power Station (BPS) developer that will commit TfL to deliver the NLE if certain conditions are satisfied – a key condition of government support for the scheme – will be sought later this year.
- 1.2 At its meeting on 8 January 2013, the Projects and Planning Panel noted the proposals in this paper and supported the recommendations.
- 1.3 At its meeting on 13 March 2013, the Finance and Policy Committee noted these proposals and supported the recommendations to the Board.
- 1.4 The decision to make an application for a TWAo is a matter reserved to the Board and the Mayor's written consent is also required before an application for a TWAo can be made.
- 1.5 A paper is included on Part 2 of the agenda, which contains exempt supplemental information. 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 Recommendations

- 2.1 **The Board is asked to:**
 - (a) **note the paper and the related paper on Part 2 of the agenda:**
 - (b) **approve the submission by TfL or any subsidiary of an application for an Order under the Transport and Works Act 1992 (TWAo) and for related consents to provide all the necessary rights in respect of the construction, operation and maintenance of the Northern**

Line Extension to Battersea, including associated use and compulsory acquisition of land;

- (c) delegates authority to the Managing Director, TfL Planning (or in her absence, the Managing Director, London Underground and Rail) to:**
- (i) agree the final terms of the application (including the land and interests, environmental scoping and deemed permission to be subject of the order) for the TWAO and related consents;**
 - (ii) obtain the Mayor's written consent to apply for the TWAO (as required by the Greater London Authority Act 1999); and**
 - (iii) do everything else necessary or desirable to facilitate the making of the TWAO including:**
 - 1. signing and/or sealing any documents, agreements or notices required in connection with the submission of the application and related consents;**
 - 2. promoting the TWAO including responding to any objections and dealing with any public inquiry that may be held in relation to the proposals; and**
 - 3. agreeing and executing any related land agreements with the Battersea Power Station (BPS) developer and other third party landowners along the route including without limitation any advance acquisition of land up to a maximum of £10m and any arrangements for accommodation works for affected owners.**
- (d) grants £13.1m of Financial and Project Authority to progress the project through the TWAO process, including any public inquiry and up to the decision by the Secretary of State; secure the formal funding arrangements, and undertake the necessary design and procurement activities in readiness for commencing delivery once powers are granted. The majority of this is expected to be reclaimed via the BPS section 106 agreement, resulting in no net cost to TfL. The s106 payment is triggered on the start of Phase 1 works, expected late in 2013/14 or early in 2014/15. Any shortfall can be reclaimed in later years through the Enterprise Zone funding.**

3 Background and Scheme Development

- 3.1** The NLE is a key catalyst to the development of the Vauxhall, Nine Elms, Battersea (VNEB) Opportunity Area (OA) as a major new employment and residential district located near to the edge of central London. The Mayor has

been working with both central and local government to ensure that TfL will be in a position to be able to submit a TWAO application by April 2013.

- 3.2 Alongside the work on preparing for a TWAO submission, work has continued with stakeholders to develop a funding and financing solution, based around public sector debt serviced through a tariff on development and incremental business rates paid in the area. In November 2011, the Government confirmed its willingness to designate an Enterprise Zone (EZ) in the OA, which would enable incremental business rates to be retained locally for a period of at least 25 years. In December 2012, the Chancellor confirmed that up to £1bn of Public Works Loan Board (PWLB) borrowing, supported by a guarantee under the UK Guarantee Scheme, would be available to the Mayor for the NLE.
- 3.3 The provision of the NLE is consistent with the aims of the London Plan (2011) and the adopted Opportunity Area Planning Framework (OAPF) (2012) for VNEB; Proposal 22 of the Mayor's Transport Strategy (MTS, 2010) sets out the Mayor's commitment to the NLE in order to support regeneration in this area.
- 3.4 The OAPF was supported by a detailed transport study which assessed a number of transport options for meeting the future transport needs of VNEB. This study considered National Rail, Underground, tram, and bus interventions as well as improvements to walking and cycling. It concluded that a Northern line extension was necessary to meet the level of demand generated by the level of high density development supported by the OAPF (namely Revised Scenario 5). Since the OAPF transport study was completed, a further review of alternatives has been undertaken and confirmed that no other scheme would adequately meet the aims underlying the project. While the NLE is the single biggest intervention in terms of cost and providing capacity, it is part of a wider package of transport and urban realm improvements.
- 3.5 Potential branches/extensions to the Underground that have been considered are the Victoria line (from Vauxhall); District and Circle lines (from Sloane Square); Bakerloo line (from Elephant and Castle) and the Waterloo and City line (from Waterloo). A number of factors including lack of line and station capacity, poor engineering feasibility and distance from the Opportunity Area (OA) mean that these alternatives perform less well than the NLE.
- 3.6 Four route options have been considered for extending the NLE Charing Cross Branch from Kennington station: Route 1 direct to Battersea; Routes 2 and 4 with an intermediate station at either 'south' or 'north' Nine Elms adjacent to Wandsworth Road and Nine Elms Lane respectively; and Route 3 with an interchange at Vauxhall station. This work concluded that Route Option 2 with an intermediate station in the Nine Elms area adjacent to Wandsworth Road provided the most benefits to both new and existing residents and businesses. This was supported by the response to the public consultation held in summer 2011 and the endorsement of the preferred route by the VNEB Strategy Board, Lambeth and Wandsworth Councils and an earlier meeting of the Finance and Policy Committee in November 2011.

- 3.7 The location of the station at Battersea is defined in the planning permission secured for the site by the previous developer; at Nine Elms TfL considered 11 options in discussion with local landowners and the local authority, shortlisting four in the vicinity of the existing car park of the Sainsbury's supermarket on Wandsworth Road. Discussions with landowners and the London Borough of Lambeth continue concerning the acquisition of the land required and the scale and future ownership of the station's over-site development.
- 3.8 Following consideration of all practicable options, the two permanent shafts required for ventilation, smoke extraction (in the unlikely event of a fire) and emergency access will be located at Kennington Green and Kennington Park (over the north and southbound tunnels respectively). Both shafts are in densely populated Conservation Areas, and TfL has consulted LB Lambeth, local residents and amenity groups regarding the design and construction of the shafts and associated structures. Following the public consultation it is proposed that the head house for the Kennington Green shaft will be located within the yard of the nearby Beefeater Gin Distillery while at the Park the head house will be integrated within a new community facility on the site of an existing lodge building in the north-eastern corner of the park.

4 Current Status

Project Requirements and Design

- 4.1 The design has been developed to RIBA Stage C (and beyond for construction planning drawings), which is a suitable level for a TWAO application, and reflects the project requirements and engineering standards as needed. It also covers the proposed maintenance and operational requirements. The project budget includes the five additional trains required to operate the service. Once operational, trains from the Charing Cross branch will serve the NLE – with an initial frequency of around 16 trains per hour (tph) expected, increasing to a potential 28 tph by 2031.

Project Costs

- 4.2 Consultant quantity surveyors have prepared a detailed schedule of the costs for constructing the scheme. Given the relatively early stage of design (RIBA C) and continued uncertainty about the cost of individual components, a contingency allowance has been included on top of the core estimate. The total cost estimate with contingency for inclusion in the Statement of Cost as part of the TWAO application is £868m in today's prices, or £998m in outturn prices (i.e. after forecast construction inflation has been applied). Clearly, at this stage, there is a risk that the cost will be higher, however TfL will continue to develop the detailed design and mitigate risks which should provide greater confidence around costs.

Funding and Finance

- 4.3 The NLE will be publicly financed but externally funded. In other words, the public sector will raise up to £1bn debt to pay for the up-front costs of construction, while the costs of servicing that debt will be paid by the private sector, in the form of (i) a tariff on development paid by developers (at the BPS site and across the OA) to the London Boroughs of Wandsworth and Lambeth under the Section 106 (s106) and Community Infrastructure Levy (CIL) regimes; and (ii) incremental business rates generated in a new EZ and retained by the Mayor for at least 25 years.

GLA borrowing and HMT guarantee

- 4.4 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."*¹

- 4.5 It is expected that the GLA will undertake the borrowing and collect the funding streams to service that borrowing. The GLA will then pass funds to TfL to meet the costs of construction as they are incurred. The detailed mechanism for this has not yet been finalised, but TfL and GLA officials are working closely together to agree this. The first significant year of capital expenditure is likely to be in 2015/16, after construction starts; however, some borrowing is likely to be required before then, to fund procurement and design work.

Enterprise Zone

- 4.6 The concept of an EZ for the Vauxhall, Nine Elms and Battersea area was originally given support in the Chancellor's 2011 Autumn Statement, which stated that the Government would consider creating a new EZ in this area and allowing local borrowing against the CIL to support this. This was subject to a commitment by April 2013 from a developer to develop the Power Station site and make agreed s106 contributions.
- 4.7 Following discussions with relevant stakeholders (including HMT), it is proposed that:
- (a) the EZ would start in April 2016 and last for at least 25 years
 - (b) the boundaries would be drawn widely, to include known sites coming forward for development in both Wandsworth (including the BPS site and the US Embassy) and Lambeth. This has been agreed in principle with the boroughs; and

¹ Autumn Statement 2012, p38, para 1.100

- (c) the EZ would be limited to retention of business rates; some of the other ‘benefits’ (e.g. broadband investment, tax discounts, fewer planning restrictions) would not apply.

4.8 HM Treasury has indicated that it intends to bring forward the relevant regulations in the next financial year. Discussions on the detailed aspects with HMT and Department for Communities and Local Government officials are ongoing.

4.9 The EZ delivers about three quarters of the funding required to service the £1bn NLE debt, and the BPS site is a key contributor. The EZ is particularly important in the later years, i.e. once development has occurred and buildings are occupied and paying business rates. The first major contributor is expected to be the US Embassy, from 2017, followed by the Power Station building itself. The commitment of the BPS developer to deliver the commercial space that supports the EZ mechanism is therefore essential. This formed a key element of the non-binding Heads of Terms signed last November, which are currently being developed into a binding agreement. Once the commercial development has occurred and buildings are occupied, business rates are regarded as a relatively low risk tax – the multiplier rising annually with inflation between revaluations.

Tariff on development (S106 / CIL contributions)

4.10 S106/CIL contributions paid by developers to the two boroughs are also required, and are particularly important to cover the costs of debt service in the early years. The BPS tariff is particularly important. The boroughs have agreed the following allocations to the NLE:

	£m, 2012/13 prices subject to BCIS indexation
Wandsworth (BPS)	200.1 ²
Wandsworth (other sites)	59.0
Lambeth	7.3
Total NLE contribution	266.4

4.11 A detailed proposal, including profile and arrangements for prioritising NLE contributions (which are needed to service debt) while capping borough exposure and ensuring a minimum budget is available for other infrastructure, has been agreed in principle with the boroughs, and will form the basis of a binding agreement later this year.

4.12 In the event that development slows to such an extent that the percentage cap applies and the boroughs are unable to make their NLE contributions, this would be a GLA risk. If it was purely an issue of timing, it might be possible for the GLA to roll up interest until the payments were made. A significant shortfall may result in a call under the guarantee.

² This represents an NLE contribution of £203m out of a total BPS s106 payment of £211.6m, less £2.9m expenditure incurred to date on the TWAO.

Commercial agreement with BPS developers (“Funding and delivery Agreement”)

- 4.13 The BPS development is of critical significance to the overall funding for the NLE, contributing the majority of each of (i) the developer funding (£203m) through their s106 agreement; and (ii) EZ funding (through the business rates paid by the occupants of the commercial developments on their site, of which the Power Station building itself represents about one third).
- 4.14 TfL and the BPS developer entered into a non-binding Heads of Terms in December 2012. The Heads of Terms will be superseded by a binding agreement, known as the Funding and Delivery Agreement (FDA), which like the Heads of Terms will detail certain conditions precedent, the satisfaction of which will oblige TfL to both construct the NLE and to endeavour to deliver it into operational service by December 2019. The conditions precedent include:
- (a) a minimum commitment from the Developer in relation to Phase 2 (the Power Station building) around funding construction and delivery, to TfL’s reasonable satisfaction – (‘dual key’);
 - (b) agreement on the form of the security and timing of the payment of the s106 contributions – which aims to secure payment of the full s106 contribution by an agreed longstop date, irrespective of whether the later phases are completed;
 - (c) award of satisfactory TWAO powers;
 - (d) a satisfactory funding package being in place to meet the costs of the NLE; and
 - (e) completion of the Land and Works Agreement (which is under negotiation see below paragraph 4.18).
- 4.15 Agreement of the FDA is not a pre-condition to submission of the TWAO application. The deadline for its completion was set by HM Treasury for 31 December 2013 but TfL will seek to reach agreement by the time of the Inquiry stage of the TWAO (expected in autumn 2013). Negotiations are ongoing, and Board approval will be sought prior to the signature of the FDA.
- 4.16 The Land and Works Agreement (L and WA) will: (i) set out the basis upon which the works to construct the NLE on Power Station land will be conducted and how those works will interface with the BPS developer’s own redevelopment works; (ii) set out the property interests to be granted to TfL/LU and the basis on which the NLE will remain and be operated on the Power Station land in the future; and (iii) secure the BPS developer’s non-objection to the TWAO.
- 4.17 The L and WA is not a pre-condition to the TWAO application. If it is not agreed by the time of the TWAO application, then the BPS developer may object to the TWAO until such time as it is completed or, if no completion occurs, then TfL will be required to use compulsory purchase order powers in respect of the site in order to build. Though given the interconnectedness of

the phase 2 development and NLE, the risk of the developer submitting and sustaining an objection to the TWAO application and never completing the L and WA such that compulsory powers will have to be exercised is not considered significant. It is proposed that authority be delegated to TfL Officers to allow TfL to complete the L and WA.

5 Support for the Project

- 5.1 The need for the NLE is clearly stated in The London Plan (2011), the Mayor's Transport Strategy (2010) and the Vauxhall Nine Elms Battersea Opportunity Area Planning Framework (2012). It also has the strong support of the London Borough of Wandsworth, which has made its implementation a planning requirement for the redevelopment of the BPS site, the London Borough of Lambeth and central Government.
- 5.2 Extensive consultation exercises were conducted by the previous owners of the BPS (as the then promoters of the TWAO) in spring 2010 and spring/summer 2011 – the latter jointly with TfL. The results of the consultation indicated strong support for the scheme, although there were objections raised by some groups opposed to the location of the various shafts and from residents under whose homes the new tunnels would be bored. Concerns have also been raised by certain businesses affected which TfL is seeking to deal with.
- 5.3 Since taking over as promoter of the TWAO in January 2012, TfL has sought to engage with prospective objectors and address their concerns wherever possible. The most notable consequence of this engagement has been the work undertaken to develop an alternative operational and ventilation strategy which has led to the removal of an intermediate shaft close to Claylands Road.
- 5.4 A further consultation/communication exercise was completed in December 2012, with more than 1800 responses received. The exercise confirmed continued overall support for the project whilst highlighting ongoing issues of concern including inter alia and in no particular order:
 - (a) impact of the NLE on the Northern line and impact on Kennington Station;
 - (b) noise and traffic disruption during construction;
 - (c) consideration of the wider transport needs for the VNEB area;
 - (d) the location and design of the shaft at Kennington Park;
 - (e) funding concerns – the use of public money;
 - (f) operational noise and vibration – noise guidelines and mitigation;
 - (g) the consultation process; and
 - (h) concerns about settlement and the potential impact on property.

- 5.5 TfL continues to meet with local groups and the two local authorities to resolve these issues where possible and put in place necessary safeguards and protective measures through the planning conditions and Code of Construction Practice.

6 Other Issues

Land Acquisition

- 6.1 The vast majority of the new section of line will be constructed underground and therefore powers will be sought to acquire sub-soil rights under third party properties. Surface interests will have to be acquired at Kennington Park and Kennington Green to facilitate the construction of permanent shafts and from three separate landowners at Nine Elms for the construction of the intermediate station. No permanent acquisition of residential property on the surface is required for the project.
- 6.2 Where any party has land that is compulsorily purchased for the NLE, their entitlement to compensation is governed by the statutory compensation code. Owners and occupiers of land who have a qualifying interest may be entitled to make a claim for compensation. The estimated cost of land compensation is included in the project budget. TfL is in contact with all the landowners affected and is seeking to resolve issues wherever possible.

Deemed Planning Permission and other consents

- 6.3 The Secretary of State for Transport will be asked to make a direction granting deemed planning permission for any works authorised by the TWAO. Applications will also be made for conservation area consent to demolish two buildings within Conservation Areas (around Kennington Green and Kennington Park) and for listed building consent for additional platform level cross-passages at Kennington station and possibly for where the works will affect listed cranes on the jetty adjacent to the BPS development. An open space certificate will also be required where TfL propose to acquire access rights over open space to the tops of shafts.

Statutory Authority

- 6.4 The TWAO powers would provide a statutory defence to nuisance proceedings on the grounds that interference with any public or private rights caused by the construction and use of the NLE is justified by and proportionate to the wider public benefit that the project delivers.

7 Key Impacts

Environmental Considerations

- 7.1 Throughout the design process TfL has sought to minimise environmental impacts wherever possible through amendments to the design or through proposed mitigations. As part of the TWAO application, the proposals to

construct the NLE have been subject to a full environmental impact assessment which include recommendations concerning appropriate mitigation of impacts that it has not been possible to avoid or design out.

- 7.2 The extension will be designed in accordance with LU's Noise and Vibration Asset Design Guidance. This will require mitigations to meet the ground-borne noise and vibration criteria and also special considerations at ventilation shafts.

Operational impact

- 7.3 The working assumption is that the construction of the interfaces between the new tunnels and the Kennington Loop will be done during limited closures. However, if opportunities for synergy between the NLE programme and those of other projects can be identified which will reduce the impact on customers these will be explored.
- 7.4 An operational concept for means of evacuating passengers in the event of a train fire has been developed for the extension with Operational Upgrades that allows the removal of the intermediate shaft.

8 Benefits

Benefits Summary

- 8.1 The primary purpose of the NLE is to enable economic growth in London and the wider UK economy through facilitating the regeneration of the VNEB opportunity area and promote its sustainable development. This includes the creation of a major new sustainable residential, business and leisure district in London's Central Activities Zone (CAZ). The NLE will achieve this by providing two new stations to increase access to the London Underground network in an area which is currently poorly served by public transport, thereby benefiting both new and existing residential and business communities.
- 8.2 The scheme is critical to the regeneration of the VNEB area. The London Plan designates VNEB as an Opportunity Area with the potential for at least 16,000 new homes and 20,000-25,000 new jobs. This level of development cannot happen sustainably without the appropriate transport infrastructure to catalyse and support economic growth of this scale.
- 8.3 The inclusion of an intermediate station at Nine Elms will spread the regeneration and transport accessibility benefits of the proposal beyond the Opportunity Area into the London Borough of Lambeth.
- 8.4 The scheme has an overall Benefit Cost Ratio (BCR) of over 2:1 including benefits to transport users as well as the economic benefit to London and the UK from the additional homes and jobs that are enabled by the NLE.

Benefit Realisation Strategy

8.5 The primary aim of the NLE is consistent with a number of objectives set out in the National Planning Policy Framework (2012), the London Plan, the VNEB Opportunity Area Planning Framework (2012) and Borough planning policies.

8.6 In particular, the NLE is intended to meet a number of the goals for transport in London set out in the MTS (2010). The MTS sets six goals; while the sixth is specific to the 2012 Games, the others are considered as secondary aims of the NLE. Those goals are enumerated below and each is followed by information on how the NLE will achieve them:

1. Support economic development and population growth

By enabling the sustainable regeneration and development of the VNEB Opportunity Area, the NLE will catalyse the creation of up to 16,000 new homes and 25,000 new jobs. In addition, it will enhance access to employment for local people in the surrounding area and integrate the VNEB Opportunity Area with the remainder of central London.

2. Enhance the quality of life for all Londoners

The NLE will help to relieve existing congestion at Vauxhall station, and provide relief to the Victoria line and to the Northern line south of Kennington. As part of a wider package of transport and urban realm improvements, the NLE will bring economic and accessibility benefits to a wide area, including the existing and new communities around Nine Elms station.

3. Improve the safety and security of all Londoners

The Underground is a safe and secure transport mode whilst stations provide safe and attractive meeting points. By introducing new stations at Battersea and Nine Elms, new and existing communities will benefit from modern, well-designed landmarks which are integrated with high quality urban realm.

4. Improve transport opportunities for all Londoners

The NLE will transform accessibility across the VNEB Opportunity Area and deliver standards available elsewhere in central London, assisting and complementing London's transport network. Both new stations will be step-free from street to train and will significantly enhance transport accessibility to all by creating new high quality access points to the Underground network.

5. Reduce transport's contribution to climate change and improve its resilience

The Underground is a sustainable transport mode and the NLE will be constructed to the most up-to-date design and environmental standards. The NLE will contribute to making the area more typical of central London in terms of providing alternatives to car travel.

9 Procurement

- 9.1 TfL is developing a procurement strategy for the extension which seeks to maximise the potential for private sector engagement in the project and secure the best possible price for project delivery. Engagement with the private sector has commenced with an industry day that took place in January.

10 Overall Programme

- 10.1 The key milestones for the project are as follows:

Industry day with private sector	January 2013
TfL Board and Mayoral consent received to submit TWAO	March 2013
TWAO application submitted	April 2013
Notice of Intention to hold a Public Inquiry issued	June 2013
FDA and L and WA agreed with BPS developer; final agreement reached with public sector stakeholders (HMT, boroughs, GLA)	December 2013
Public Inquiry completed	Early 2014*
Decision by Secretary of State announced	Summer 2014*
Formal arrangements in place for funding/financing project	Summer 2014*
Civils and other contracts awarded	Autumn 2014*
Necessary land acquired	Autumn 2014*
Main works commenced on site	Autumn 2015*
Service to Battersea commenced	December 2019*

* indicative dates only

11 Views of the Projects and Planning Panel

- 11.1 At its meeting on 8 January 2013, the Projects and Planning Panel noted the proposals in this paper and supported the recommendations. Members were informed that all issues raised by the Programme Management Office and Independent Investment Programme Advisory Group on the programme had been or were being addressed.

12 Views of the Finance and Policy Committee

- 12.1 At its meeting on 13 March 2013, the Finance and Policy Committee noted the proposals and supported the recommendations to the Board.
- 12.2 The Committee discussed the viability of the current commercial proposition and the potential for over-site or in-site development as part of the intermediate station design. While the costs of the NLE were within the

funding envelope for the scheme, TfL would not progress the extension without assurances on the building of the commercial development as this was critical to generating the income stream to pay for the extension. The main risk then would be any delay in the building of the development.

List of appendices to this report:

Appendix 1 Plan of Proposed Route and Key Sites

A paper on Part 2 of the agenda contains exempt supplemental information.

List of Background Papers:

Mayor's Transport Strategy

Vauxhall Nine Elms Battersea Opportunity Area Planning Framework

London Plan

Chancellor's Autumn Statement 2012

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Plan of Proposed Route and Key Sites

