

Date: 12 December 2017

Item: TfL Growth Fund

This paper will be considered in public

1 Summary

TfL Growth Fund				
Existing Financial Authority	Estimated Final Cost (EFC)	Existing Programme and Project Authority	Additional Authority Requested	Total Programme and Project Authority
£555m	£555m	£555m	£0m	£555m

- 1.1 In June 2017 the Committee granted Programme and Project Authority of £200m for the Growth Fund. This paper presents the proposed approach for allocating those funds under the authority granted, reiterates the strategic case for the Growth Fund and provides an update on the proposed governance arrangements.
- 1.2 A paper is included on Part 2 of the agenda, which includes exempt supplementary 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 Committee is asked to note the paper and the related supplemental information on Part 2 of the agenda and:**
- (a) note the method for identifying the prioritised list of schemes and proposed governance arrangements of the Growth Fund; and**
 - (b) authorise the Director of City Planning to allocate the remaining £100m of the Growth Fund to schemes on the prioritised list (set out in Section 3 of the paper on Part 2) as appropriate, and to manage potential changes to this allocation within the Programme & Project Authority, using the governance process set out in this paper.**

3 Background

- 3.1 The Growth Fund was established in 2012 to fund smaller scale transport schemes which have a specific role in unlocking housing and employment growth. Phase 1 of the Growth Fund allocated circa £355m to 15 projects that support the delivery of over 55,000 new homes and thousands of new jobs and help regenerate particular areas of London.

- 3.2 The list of current projects can be found in Appendix 1 with ten Rail and Underground schemes and five highways schemes. These schemes are at various stages of the project lifecycle. The range of schemes demonstrates the diverse opportunities to unlock and support housing and employment growth through transport. The paper presented to the Committee in June 2017 has further background information about the Fund.
- 3.3 While much of TfL's investment programme supports the growth of London more generally, this Fund is targeted at particular locations where transport currently acts as a constraint. Many areas of London with the greatest potential to support housing and new communities are not well connected into the existing transport networks or suffer from particular challenges e.g. severance. The Mayor's new draft Transport Strategy has a strong emphasis on supporting new homes and jobs through 'Good Growth' and a key aspect of this is new and enhanced connections to support growth areas. The Growth Fund allows us to:
- (a) support schemes which are less focussed on transport per se that otherwise may be unlikely to be funded through other TfL programmes and budgets;
 - (b) negotiate with developers to reach a deal which helps deliver beneficial development that might otherwise not be viable;
 - (c) bridge a funding gap in the short term with an agreement that the funding will be paid back by developers following longer term returns on the development; and
 - (d) be responsive to opportunities that can emerge quickly and which require early commitment to transport improvements to enable progress to be made.
- 3.4 As the London Assembly Regeneration Committee highlighted in its report from December 2015¹: "There are clear benefits to a Fund that has a different role to the remainder of TfL's capital budget. A flexible funding stream which gives a higher priority to regeneration in the business case allows TfL to unlock development in places where it may otherwise stall. And although the sums in question are relatively small, they can have a significant impact because they may lever latent funding from other sources such as developer contributions and boroughs."
- 3.5 For example, a contribution to the Barking Riverside Overground extension helped bring together the funding package for this scheme which enables and accelerates the delivery of 10,800 new homes. In Woolwich a £100m deal was struck with Berkeley Homes as part of its development of 3,500 homes to deliver the station box on the Crossrail route, with the Growth Fund contribution of £24m delivering the fit out of this new station.

¹ Transport-led regeneration: Has TfL's Growth Fund risen to the challenge, GLA 2015

- 3.6 The Fund can help catalyse funding deals that otherwise would be mired in protracted negotiations. For example, an initial commitment of £13m made at West Ham to provide a secondary entrance to the station allowed a clearer negotiation to take place with the developers, which in turn resulted in the developers taking on the delivery (and payment) of the works and the original contribution being returned to the Fund.
- 3.7 The Mayor is committed to continuing transport investment that supports growth and an additional £200m was allocated within the TfL Business Plan to allow further targeted schemes to be brought forward. This takes the total Fund to £555m up to 2022.

4 Proposal

- 4.1 In June 2017, the Committee granted Programme and Project Authority of £200m for the Growth Fund. Within this £200m, Authority was granted for two projects, Sutton Tram Extension and Rotherhithe to Canary Wharf Crossings, totalling £100m.
- 4.2 Further to recent discussions with the Deputy Mayor for Transport and the GLA Growth Board (which also includes the Deputy Mayors for Planning, Regeneration, and Skills, Housing and Residential Development, and Environment and Energy), the following proposal for the remaining £100m of funding is made with an indicative spend profile in line with funding availability through the Business Plan (this may be reprofiled, subject to approval in accordance with Standing Orders, as further work is progressed):

	£m	2017/18	2018/19	2019/20	2020/21	2021/22	Total
Prioritised schemes <i>(see below)</i>		-	2	45	12.4	40.6	100
Schemes given Programme and Project Authority by the Committee in June 2017							
Sutton Tram Extension²		-	-	-	5.6	64.4	70
Rotherhithe to Canary Wharf Crossing		-	-	-	30	-	30

² The Committee agreed in June 2017 that the Growth Fund allocation for the Sutton Tram Extension is subject to an acceptable business case and funding package being reached by the Boroughs. If by 2020 no funding package has been identified, the Growth Fund allocation will be reallocated to other schemes.

Prioritised schemes

- 4.3 A longlisting exercise has been undertaken across TfL and the GLA to establish a list of potential Growth Fund schemes against agreed criteria. This includes the ability of each project to unlock housing and jobs growth (weighted most), leverage third party funding and deliverability. Alignment with the draft Mayor's Transport Strategy is also assessed for each scheme to ensure it fits with other objectives e.g. Healthy Streets. Further information can be found in the Part 2 paper.
- 4.4 A review has been undertaken with scheme sponsors to assess each scheme against the agreed criteria, with the 19 highest scoring schemes selected for the prioritised list. An outline of the prioritised list is presented in the Part 2 paper given the commercial nature of some of the schemes in relation to new developments. This list was endorsed by the Growth Board on 15 November 2017.
- 4.5 The Committee is requested to authorise the Director of City Planning to allocate the Growth Fund to schemes on this prioritised list and to make changes to this in light of any changed circumstances within the limits of the agreed funding. Full Procurement Authority and Programme and Project Authority for each matter is granted in accordance with Standing Orders.

Benefits (and Value) Realisation

- 4.6 The Growth Fund is an 'enabler' programme in that it makes financial contributions to projects in other programmes – whether within TfL or sometimes third parties including Network Rail or boroughs – to complete funding packages in return for securing growth benefits (homes and jobs).
- 4.7 Whilst enabling growth is its primary objective, there are other key benefits delivered by the Growth Fund including:
- (a) improved place quality e.g. through reconfigured parts of the road network in line with the Healthy Streets approach;
 - (b) improved public transport accessibility e.g. through new and upgraded stations and new links - enabling higher quality and higher density development and underpinning good growth across the Capital; and
 - (c) a range of co-benefits such as step-free access, capacity enhancements, and more active travel;
- 4.8 However, many of the particular schemes in scope may not emerge as priorities under traditional appraisal and business planning channels for a number of reasons. For example, calculations of value of time (which usually make up a significant share of benefits) will tend to be lower given that they are catering to new / latent demand rather than existing users. In fact in the case of new stations on existing lines, such measures can be negative due to the impact on existing journey times from an extra stop. Some of the wider benefits are also harder to quantify e.g. perception and value of a place. For example, the reconfiguration of Elephant & Castle junction – which was expected to have a negative effect on traffic flow and thus a weaker transport business case – has had a strong and continuing positive effect on regeneration and growth.

- 4.9 But in the context of constrained funding the need to ensure value for money is greater than ever so we are developing a series of measures to assess the progress of each project and ensure we realise the benefits we are anticipating. This assessment will be mandatory and form part of an evaluation programme for this Fund. Individual projects will be required to demonstrate how they meet the wider programme objectives and outcomes.
- 4.10 In line with the recommendations of the Assurance Review (as reported in June), TfL will work with the GLA to actively manage benefits realisation for the Fund, including exploring best practice across other sectors, particularly grant making bodies, to inform this.

Growth Fund Programme Governance

- 4.11 TfL owns and manages the Fund, with the GLA Growth Board playing an important role in providing input and oversight – helping to ensure progress on the schemes and the associated developments. The Growth Board includes the Deputy Mayor for Transport, the Deputy Mayor for Housing and Residential Development, the Deputy Mayor for Planning, Regeneration and Skills and the Deputy Mayor for the Environment and Energy, in addition to other senior officers from GLA departments.
- 4.12 Given the pivotal role of the GLA Growth Board in the wider policy and delivery agenda, this should help maximise the benefits of the Fund. Prioritisation of new Growth Fund schemes has been undertaken in close collaboration with the Growth Board and GLA senior officers.
- 4.13 A new Senior Officers Group has been set up to enable officers from the GLA to input into the process. This includes Executive Directors and Assistant Directors from Planning, Regeneration, Economic Development, Environment and Housing. This group will oversee the strategic direction of the Growth Fund, help coordinate the Fund with other Mayoral objectives, track progress against targets and agree any necessary changes in the allocation of the Growth Fund. This Group will report to Growth Board on a quarterly basis. Although the Senior Officers Group will play an important role in influencing the Fund, TfL will continue to hold responsibility for owning and managing it.
- 4.14 TfL's Executive Committee has provided formal programme governance reflecting the broad and 'bespoke' remit of the Fund. This is proposed to continue rather than establishing a separate Programme Board.
- 4.15 Each recipient project will be subject to the governance of the Programme in which it sits and matters such as compliance with the Public Sector Equality duty will be addressed on a scheme by scheme basis.

Programme Prioritisation and Management

- 4.16 As presented to the Committee in June 2017, the criteria for prioritising schemes and allocating the Growth Fund are summarised below:
- (a) the number of homes and jobs likely to be directly unlocked by the transport intervention relative to the expenditure ('bang for buck');

- (b) the role of growth funding in unlocking a wider funding package and leveraging third party funding from developers, boroughs and other sources;
- (c) the securing of the actual delivery of the scheme within a reasonable timescale; and
- (d) alignment with the draft Mayor's Transport Strategy and other Mayoral priorities, programmes (e.g. Healthy Streets), as well as the scale of co-benefits enabled.

4.17 The schemes in the longlist have been assessed and scored against these criteria. Since June 2017, a significant amount of work has been undertaken with scheme sponsors to ensure confidence in the anticipated benefits from schemes and their delivery. This has been critical in developing the prioritised list of schemes (as set out in the Part 2 paper).

4.18 The reliance on third parties for delivery of the associated homes and development (and sometimes elements of the transport schemes themselves) causes some challenges and delivery risks to projects funded through the Growth Fund. In particular, delivery timescales are an issue and the dependence on developers can lead to slippage. It is important that TfL effectively manages the Fund in order to reduce the programme's exposure to risk and to re-allocate funding to other projects should this become necessary.

4.19 In line with the recommendations from the Assurance Review, it is proposed that the commitment to funding for individual schemes is not open ended. Rather we will be placing reasonable stipulations on funding contributions made, through a delivery funding agreement which will include an agreement on specific timescales and milestones for each scheme, with the Growth Fund contribution tied to meeting these.

4.20 In effect the support offered by funding from the Growth Fund would be time limited and if progress is not forthcoming, funding would be reallocated. This seeks to balance the aim of providing early certainty for a project to enable them to e.g. secure their other funding contributions versus maintaining pressure on actual delivery and providing an incentive to all parties to act (e.g. progress any necessary Compulsory Purchase Orders, commit match funding, etc.). In the case of a project not proceeding as expected, the funding could be reallocated to other schemes.

4.21 The agreement would also include, wherever appropriate, mechanisms for repayment/clawback where developer or other third party contributions may be repaid at a later point (e.g. following value uplift / future anticipated funding) as well as defining and agreeing the project's expected outcomes, tracking of benefit realisation, and regular reporting.

4.22 With many of the projects being in areas with lower current land values and viabilities (which are most in need of regeneration), other sources of funding may be very difficult to secure – at least upfront. Future repayment/clawback provisions and mechanisms to capture value (outlined below) can be used to avoid future uplifts as a result of the transport investment simply accruing to developers and/or others.

4.23 The Growth Fund has been managed as a single programme by TfL's Planning department since its inception and will continue under TfL City Planning. This enables the monitoring of aggregate benefits. Once a project has the necessary authority and approvals in place, the funding contribution is transferred to the respective delivery business unit and locally managed. Quarterly updates are provided to the programme manager on project progress, spend and risk.

5 Authorities Sought

- 5.1 Programme and Project Authority of £200m was approved by the Committee in June 2017, within which Programme and Project Authority was granted for £100m for the Sutton Tramlink Extension and Rotherhithe to Canary Wharf Crossing.
- 5.2 The Committee is requested to authorise the Director of City Planning to allocate the remaining £100m to allocate to projects on the prioritised list and to manage potential reallocation between schemes, within this limit. Further details of these projects are set out in the Part 2 paper of the agenda.

Financial Authority

- 5.3 TfL's Business Plan over the five years 2017/18 to 2021/22 provides the Financial Authority needed to deliver the scope of work set out in this paper.
- 5.4 Schemes which benefit from a Growth Fund contribution will be required to seek the necessary full authorities through their established approval boards.

Financial implications

- 5.5 A summary of the Business Plan's allocation for the Growth Fund and spend profile is as follows:

	2017/18	2018/19	2019/20	2020/21	2021/22
£m	1	1	45	48.5	105

Over-programming

- 5.6 In order to improve the efficiency and impact of the Fund, it is proposed to over-programme the Growth Fund by £89m up to 2022. This pre-supposes some slippage in schemes and also anticipates potential recycling of some of the funding and potential further funding in future years. This is believed to better reflect the inevitable lack of certainty over delivery timescales on schemes that are reliant on developers and other third parties.

6 Assurance

- 6.1 TfL Project Assurance conducted an Integrated Assurance Review (IAR) on the Growth Fund Programme in May 2017.

- 6.2 The objective of the IAR was to provide a report on whether the sub-programme was sufficiently well managed for the Committee to award authority (and delegate authority where appropriate) over the next 12 months.
- 6.3 There were no critical issues identified through the IAR. An Integrated Assurance Plan (IAP) will be developed as a required product of the Programme Review setting out Programme and Project and Procurement Authority for the following 12 months, agreed by the relevant Directors and Head of Assurance.
- 6.4 TfL Project Assurance will undertake continuous assurance of the sub-programme on a periodic basis and monitor progress.

List of appendices to this report:

Appendix 1 – TfL Growth Fund – List of scheme investment

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

List of background papers:

Mayor's Transport Strategy - *public draft for consultation*, GLA, June 2017

London Assembly Investigation: Transport-led Regeneration, GLA, December 2015

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TfL Growth Fund – List of scheme investment

The following fifteen schemes receive a contribution from the TfL Growth Fund.

	Growth Fund contribution	Other TfL contribution	Current Estimated Final Cost	No. of homes unlocked	Estimated no. of jobs
Barking Riverside Extension	£30m	£65m	£263m	10,800	2,200
Tottenham Hale station	£28.1m	-	£32m	5,000	4,000
West Ham station ¹	£0.1m	-	-	2,500	500
Woolwich Crossrail station	£24m	-	£79m	3,500	-
Elephant & Castle Northern Line Ticket Hall	£70m	£2m	£130m	4,000	5,000
Elephant & Castle Northern Roundabout	£15m	-	£25m		
Bromley-by-Bow	£12m	-	£20-25m	2,800	3,000
Fiveways	£43m	-	£82m	10,000	7,500
Wandsworth Ram Brewery	£33m	-	£67m	670	300
Vauxhall Cross	£38m	-	£50m	3,500	8,000
White Hart Lane station	£20.7m	-	£25m	2,000	-
Stratford Angel Road (STAR) North	£10m	-	£52m	9,000	-
Beam Park station	£9m	-	£18m	2,500	-
Metropolitan Line Extension	£16m	£33.23m	£355m	Growth benefits primarily outside Greater London	
Old Oak Overground stations	£3.2m	-	£280m	-	-

¹Scheme delivery costs now covered by developer