

## Finance and Policy Committee



**Date:** 17 November 2015

**Item:** Metropolitan Line Extension (Croxley Rail Link)

### This paper will be considered in public

As provided for under section 100B(4)(b) of the Local Government Act 1972, the Chairman is of the opinion that this item should be considered as a matter of urgency. A decision is required urgently, to enable the prompt progression of the Metropolitan Line Extension (Croxley Rail Link) project following the recent issue of a Mayoral Decision on the matter.

## 1 Summary

ID/UIP2028		Metropolitan Line Extension		
Financial Authority P80	EFC P50	Existing Project Authority	Additional Project Authority Requested	Total Project Authority P50
£ 304.68m	£ 298.5m	£ 284.4m	nil	£ 284.4m

- 1.1 Mayoral Decision No: 1478 (MD1478) dated 26 March 2015 (copy attached at Appendix 1) directed the transfer of delivery responsibility for the Metropolitan Line Extension (MLE), previously known as the Croxley Rail Link) from Hertfordshire County Council (HCC) to TfL and a £46.5m TfL contribution to a Department for Transport (DfT) agreed funding package of £284.4m. The TfL contribution comprised an HM Treasury agreed uplift of £30.5m in the TfL prudential borrowing limit (with TfL retaining net farebox revenue) and a £16m contribution from the TfL Growth Fund. Alongside the £46.5m TfL contribution, the funding package included £128.08m of local funding contributions, with the balance coming from the DfT. Additionally, MD1478 further directed TfL to take on delivery cost risk in excess of the DfT agreed funding package of £284.4m.
- 1.2 At its meeting on 1 July 2015, the Board granted the financial and project authorities necessary to give effect to MD1478, and approved the transfer of the delivery obligations (including Transport and Works Act Order obligations) from HCC to TfL. The Board also authorised officers to enter into relevant agreements with HCC to facilitate the transfer of the project.
- 1.3 Formal negotiations for the transfer of the project from HCC to TfL have been in progress since April 2015. A suite of agreements (including a Funding Agreement) for the transfer have been agreed in principle but, shortly before the planned agreement execution date (30 September 2015), it came to light that a land valuation of £2.73m, as opposed to cash, formed part of the local contribution, thus reducing the effective local monetary contribution to £125.35m.

- 1.4 Although this assumption (i.e. of a £2.73m land valuation in lieu of cash) would appear to have been included in original funding arrangements agreed by HCC with HM Government back in 2011, it had not previously been transparent to TfL, nor included in the DfT funding letters which set out the £284.4m funding package on which MD1478 was based.
- 1.5 HCC maintain that there are no further local funds available to make good the resultant £2.73m cash funding gap. The land in question comprises two parcels, but neither is of any commercial value to TfL.
- 1.6 Since the Board's 1 July meeting, the forecast outturn cost of this project has risen from £284.4m (the estimate on which the DfT funding package was based) to £298.5m, largely due to the level of the sunk cost already incurred by HCC being substantially higher than had been anticipated by TfL (or forecast by HCC). This cost escalation risk sits with TfL.
- 1.7 This paper does not seek uplift in Project Authority to reflect the increased forecast delivery costs, as the intent is to carry out a further detailed review of project costs post transfer, including a detailed value management review of project scope. The conclusions of this review of project cost and scope will then inform a separate submission requesting revised Financial and Project Authority (if required). Procurement Authority for the construction of the main infrastructure works will also be sought via separate submission (expected in the New Year).
- 1.8 Following discussion of this project at the 4 November meeting of the Board, the Board delegated authority to the Finance and Policy Committee to consider the recommendations set out in this paper. On 4 November 2015, the Mayor issued a further Mayoral Decision (MD1570 – attached at Appendix 2) which directs TfL to proceed with the transfer of the project and contribute a further £2.73m of funding (in addition to the £46.5m directed under MD1478).

## **2 Recommendations**

- 2.1 **Under the authority delegated by the Board on 4 November 2015, the Committee is asked to:**
  - (a) support the transfer of Metropolitan Line Extension (MLE) delivery and associated Transport and Works Act Order obligations from Hertfordshire County Council (HCC) to TfL in line with the direction issued by the Mayor on 26 March 2015 and the direction issued on 4 November 2015, which directs TfL to proceed in accordance with the direction issued on 26 March 2015 but on the basis that the HCC led local consortium nominal funding contribution of £128.08m includes land contributions which while valued by HCC at £2.73m are of no commercial value to TfL and therefore for TfL to provide up to a further £2.73m of funding in addition to the £46.5m TfL was directed to fund on 26 March 2015;**
  - (b) reapprove the requirement to enter into appropriate agreements with HCC to facilitate the transfer and delivery of MLE in line with the above directions and subject to due diligence, in particular to cover its funding, its delivery and associated matters and approve the entering**

into of such agreements with third parties as may also be necessary or desirable to implement the transfer and facilitate delivery;

- (c) reapprove the requirement to enter into a regulated track access agreement and connection agreement with Network Rail (NR) and station access agreements with the facility owners of Watford High Street station and Watford Junction station (currently London Midland) served by the MLE and any further agreements necessary or desirable for the operation of services over the MLE;
- (d) reauthorise the acquisition of land owned by NR, Watford Borough Council and other third parties as may be required for the construction and operation of the MLE in line with the above directions and subject to carrying out due diligence, authorise TfL Officers and Subsidiaries (defined in paragraph 2.2 below) the ability to agree and execute (whether by deed or otherwise) on behalf of TfL or a Subsidiary (as appropriate) any documentation to be entered into in connection with such acquisitions and commitments and to do such other things as they consider necessary or desirable to facilitate the proposed acquisitions and commitments;
- (e) note that the Financial and Project Authorities granted by the Board on 1 July of respectively £304.68 and £284.40m to deliver the MLE remain for the time-being the same, but that a further submission seeking an uplift in these authorities may follow subject to the outcome of a planned post transfer cost review;
- (f) note that Procurement Authority for the construction of the infrastructure and systems works is expected to be sought in the New Year.

2.2 The following TfL Officers and Subsidiaries shall have delegated authority:

- (a) TfL Officers: the Commissioner, Managing Director Finance, Managing Director Planning, Managing Director Rail and Underground and General Counsel; and
- (b) Subsidiaries: all subsidiary companies of TfL including Transport Trading Limited and any other subsidiary of Transport Trading Limited (whether existing presently or to be formed): any of the directors shall be authorised to act for or on behalf of any such subsidiary.

### **3 Background**

- 3.1 HCC's aspirations for the MLE scheme are long held. The scheme was formally initiated in late 2011, when DfT Ministers gave provisional approval to a £76.2m maximum HM Government contribution towards the then total MLE estimated scheme cost of £116m, against a forecast delivery into service date of May 2016. The balance was to be funded by HCC though a combination of Section 106 contributions, borrowing (against future net incremental revenue) and other local government sources, with the cost escalation risk also sitting with HCC. Similarly, the overall delivery structure was to be HCC led, with London Underground (LU)

being responsible only for the delivery of certain defined elements of scope (railway systems scope, design assurance and railway systems integration) on a cost reimbursable basis. The then funding arrangements envisaged no direct TfL financial contribution.

- 3.2 Since 2011, and in particularly from late 2013 onwards, HCC began reporting a steadily worsening position in terms of cost escalation and programme slippage. In mid 2014, the DfT began considering a number of options to address the emerging funding gap, but in doing so made clear its view that overall delivery responsibility for scheme should be transferred from HCC to LU.
- 3.3 In response to this, in January 2015, TfL commissioned an external expert (AECOM) to undertake a due diligence exercise of the current status of the project. The external expert concluded that the outturn costs for the full MLE scheme should be £284.40m, including risk at a P50 level. It is this AECOM estimate which formed the basis of the funding package agreed in March 2015 by the Mayor, HM Government and local funding partners (primarily HCC).
- 3.4 On 26 March 2015, the Mayor directed TfL to assume full responsibility for delivering the entire project including civil engineering works, systems and the procurement of additional rolling stock. This represents a transfer of full delivery responsibility from HCC to TfL. The Mayor also directed that TfL contribute a total of £46.5m to the overall funding package agreed with HM Government of £284.40m, and take cost risk over and above this level.
- 3.5 At its 1 July meeting, the Board gave effect to the direction given by the Mayor by granting the required Board approvals in line with normal processes under Standing Orders.
- 3.6 Following discussion of this project at the 4 November 2015 meeting of the Board, the Board delegated authority to the Finance and Policy Committee to consider the recommendations set out in this paper. On 4 November 2015 the Mayor issued a further Mayoral Decision (MD1570 – attached at Appendix 2) which directs TfL to proceed with the transfer of the project and contribute a further £2.73m of funding (in addition to the £46.5m directed under MD1478).

## **4 Funding Shortfall**

- 4.1 Detailed transition planning to secure the smooth handover of delivery responsibility from HCC to LU has been underway since the original MD was issued in March 2015. An LU delivery team has been mobilised and transition had been expected to take place on 30 September 2015.
- 4.2 Formal negotiations for transfer of delivery obligations from HCC to TfL have been in progress from April 2015. In line with the DfT agreed funding package, these negotiations assumed a local funding contribution of £128.08m to the total funding of £284.40m, comprising:
  - (a) DfT grant to local consortia of £70.70m;
  - (b) Growth deal funds of £17.15m; and
  - (c) HCC and Watford Borough Council (WBC) contribution of £40.23m.

4.3 At end-September 2015, HCC stated that £2.73m of the HCC and WBC £40.23m contribution took the form of a land valuation for two parcels of land, in lieu of cash. The land in question comprises two parcels, neither of which is of any commercial value to TfL:

- (a) A plot earmarked for use as a future station car park, to which HCC has ascribed a notional value of £900k, and the ownership of which will be retained by HCC (i.e. it will not transfer to TfL at any point); and
- (b) Existing NR land (a disused railway) that is being transferred to TfL and to which HCC has ascribed a notional value of £1.8m, although in reality it has been acquired by HCC from NR at a cost of £1.

## 5 Revised Funding Arrangements

5.1 The revised funding package for the MLE, as modified by the further MD issued by the Mayor on 4 November, is summarised in the table below:

<b>Funding Partner</b>	<b>March DfT Letters Amount £m</b>	<b>With MD1570 Amount £m</b>
DfT	<b>109.82</b>	<b>109.82</b>
<b>TfL</b>		
TfL Prudential Borrowing	30.50	30.50
Transport for London Growth Fund	16.00	16.00
MD to TfL		2.73
<b>TfL Total</b>	<b>46.50</b>	<b>49.23</b>
<b>Third Party Funding</b>		
Hertfordshire Local Enterprise Partnership (LEP)	87.85	87.85
HCC and WBC	40.23	37.50
<b>Third Party Total</b>	<b>128.08</b>	<b>125.35</b>
<b>Total Funding</b>	<b>284.40</b>	<b>284.40</b>

**Table 1**

5.2 The revised TfL contribution to the MLE is £49.23m, of which the additional £2.73m is unbudgeted.

5.3 The phasing of the overall scheme funding is set out in the table below.

<b>Funding Profile</b>	<b>15/16</b>	<b>16/17</b>	<b>17/18</b>	<b>18/19</b>	<b>19/20</b>	<b>20/21</b>	<b>Totals</b>
<b>Local Funding</b>							
DfT Grant to Local Partners £70.70m	28.00	16.50	16.20	10.00			70.70
Growth Deal Funds £17.15m	1.75	4.00	3.83	2.00	5.50	0.07	17.15
HCC & WBC £37.50m	1.93		18.27	10.30	5.00	2.00	37.50
sub-total Local Funding	<b>31.68</b>	<b>20.50</b>	<b>38.30</b>	<b>22.30</b>	<b>10.50</b>	<b>2.07</b>	<b>125.35</b>
<b>Central Funding</b>							
DfT £109.82m	55.20	31.00	13.62	10.00			109.82
TfL Prudential Borrowing £30.50m		30.50					30.50
TfL Growth Fund £16m				16.00			16.00
MD October 2015						2.73	2.73
sub-total Central Funding	<b>55.20</b>	<b>61.50</b>	<b>13.62</b>	<b>26.00</b>		<b>2.73</b>	<b>159.05</b>
<b>Budget Funding</b>	<b>86.88</b>	<b>82.00</b>	<b>51.92</b>	<b>48.30</b>	<b>10.50</b>	<b>4.80</b>	<b>284.40</b>

**Table 2**

5.4 The above phasing of the local funding has been agreed by HCC and will form part of the Funding Agreement between TfL and HCC.

## **6 Transfer Agreements**

6.1 The suite of transfer agreements jointly developed with HCC and additionally with the contractor Taylor Woodrow for contract novation are:

- (a) Transfer of the Transport and Works Order;
- (b) Transfer Agreement;
- (c) Funding Agreement;
- (d) Property Agreement; and the
- (e) Contract Novation.

6.2 The agreements have been developed in conjunction with TfL Legal and subject to changes required to the Funding Agreement as a result of the revised funding arrangements are ready for execution. The agreements are to be executed simultaneously as a set of inter-dependent obligations and commitments.

## **7 Next Steps**

- 7.1 Subject to the Committee's approval of the recommendations set out in Section 2 above, the intent is to proceed as soon as possible to execution of the transfer agreements.

### **List of appendices to this report:**

Appendix 1: Mayoral Decision MD1478 26 March 2015

Appendix 2: Mayoral Decision MD1570 4 November 2015

### **List of Background Papers:**

4 November TfL Board - Item 8 - Metropolitan Line Extension (Croxley Rail Link)

Contact Officer: David Hughes, Director of Major Programme Sponsorship,  
London Underground

Number: 020 3054 8221

Email: [hugheDa03@tfl.gov.uk](mailto:hugheDa03@tfl.gov.uk)

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## GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD1478

## Title: Croxley Rail Link

**Executive Summary:**

Since 2011, the Croxley Rail Link scheme has experienced considerable cost escalation and programme slippage. Discussions between Hertfordshire County Council (HCC), Transport for London (TfL) and the Department for Transport (DfT) have led to a revised funding strategy and a proposal that TfL take over responsibility for the delivery of the project from HCC.

The current estimated cost of the project is £284.5m. The proposed funding strategy is for DfT to fund £198.24m, Hertfordshire County Council to fund £39.76m and TfL to fund the remaining £46.5m. The TfL borrowing requirement will be increased by £30m and TfL will be responsible for any overruns above £284.5m.

**Decision:**

The Mayor:

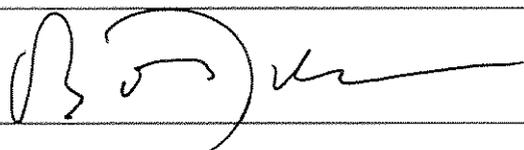
1. Directs TfL to take over responsibility for delivering the entire project including civil engineering works, systems and the procurement of additional rolling stock.
2. Directs TfL to provide £46.5m of funding towards the costs for delivering Croxley Rail Link based on a total cost of the project of £284.5m on the basis that the Government increases TfL's overall borrowing requirement by £30m and that £16m will be funded from the TfL capital budget (the remaining costs of £238m are to be funded from Hertfordshire County Council and the Department for Transport).
3. Directs TfL to be responsible for any cost overruns above the current project estimate of £284.5m.

**Mayor of London**

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date: 26.3.2015

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1 The Croxley Rail Link (CRL) project involves the diversion and extension of the existing Metropolitan line from just north of Croxley to a new terminus at Watford Junction via the existing Watford High Street with two new stations. The existing Metropolitan line terminus at Watford station will close.
- 1.2 It is anticipated that construction will commence in late 2015, with the line opening in 2019.
- 1.3 Transport for London (TfL) has been working closely with Hertfordshire County Council (HCC) on the development of the scheme, the primary civil engineering elements of which are approaching the end of the detailed design phase.
- 1.4 TfL will take responsibility for operating the new infrastructure. The Mayor endorsed this approach under MD915, approved in December 2011. Following a public inquiry in autumn 2012, an Order under the Transport and Works Act 1992 providing for the construction and operation of the extension was made in July 2013. The project was also the subject of MD1155 in July 2013.

#### **2. Objectives and expected outcomes**

- 2.1 The key objectives for the CRL are to provide a catalyst for regeneration and growth in the Watford area and improve connectivity between SW Hertfordshire and NW London.

#### **3. Equality comments**

- 3.1 The new stations will both be fully step-free and include all standard accessibility features. No adverse effects are foreseen on any persons with protected characteristics under the Equality Act 2010.

#### **4. Risks**

##### **Reputational**

- 4.1 The proposed change of delivery strategy would increase TfL's visibility in the eyes of the public and media, making TfL more exposed in the event of future cost increases or programme delays.

##### **Cost**

- 4.2 The proposed funding strategy would mean TfL potentially needing to contribute more than £16m should the overall cost be higher than the P50 estimate of £284m.

#### **5. Financial comments**

- 5.1 In late 2011, the Department for Transport (DfT) Ministers gave provisional approval to a £76.2m contribution towards the then total CRL, with the remainder funded by HCC, with an estimated scheme cost of £116.84m, against a forecast delivery into service date of May 2016.
- 5.2 Since 2011, the scheme has experienced considerable cost escalation and programme slippage and in January 2015, HCC confirmed a revised scheme cost estimate of £229.91m
- 5.3 TfL undertook an independent review of the total scheme and concluded an estimate of £284.42m at a P50 level of risk and £300m at P90 level of risk.

5.4 The following breakdown of funding has been agreed for the scheme:

<b>Funding Partner</b>	<b>£m</b>
Department for Transport	<b>109.82</b>
Transport for London (including fare box borrowing)	<b>46.50</b>
Hertfordshire LEP	<b>87.85</b>
HCC & Watford Borough Council	<b>40.23</b>
<b>TOTAL FUNDING</b>	<b>284.40</b>

- 5.5 If the project is delivered, in full, for a total cost below the approved budget cost of £284.4m, Transport for London will retain the full amount of the resulting cost savings. Transport for London has agreed to meet any eligible project costs incurred over £284.4m.
- 5.6 Hertfordshire County Council will lead a consortium of local funding partners (including the Hertfordshire Local Enterprise Partnership and Watford Borough Council) who will contribute £128.08m to the total costs of the project. The detailed arrangements for payment of this funding will be agreed separately between Transport for London and Hertfordshire County Council.
- 5.7 Funding from central Government to the Hertfordshire Local Enterprise Partnership includes £70.7m of “retained scheme” funding from the Department for Transport which the LEP has chosen to allocate to the Croxley Rail Link. The remaining £17.15m of the LEP’s planned contribution will come from its general Growth Deal funds provided by the Department for Communities and Local Government.
- 5.8 Ministers have agreed to provide total funding from the Department for Transport of £180.52m towards the scheme (this comprises local transport major project funding and additional grant to the GLA announced in Budget 2015 (totalling £109.82m), £50.5m of “retained” Growth Deal funding for the Croxley Rail Link and £20.2m of “retained” Growth Deal funding reallocated by the LEP from their A10/M11 package “retained scheme”). Funding will be paid as capital and resource grant under Section 31 of the Local Government Act 2003.
- 5.9 There are no financial implications for the GLA.
- 5.10 Any changes to this proposal will be subject to further approval via the Authority’s decision-making process as necessary.
- 5.11 Transport for London with the Transport team within the Development, Enterprise & Environment Directorate will be responsible for managing this project.

## **6. Legal comments**

- 6.1 The Mayor has duties under section 141 of the Greater London Authority Act 1999 (“the GLA Act”), to develop and implement policies for the promotion and encouragement of safe, integrated, efficient and economic transport facilities and services to, from and within Greater London, and to secure the provision of those facilities and services.
- 6.2 Under section 142 of the GLA Act the Mayor has to publish a transport strategy containing policies and proposals relating to the duties under section 141. The proposed Croxley extension is included in the Mayor’s Transport Strategy of May 2010 (Proposal 22 c)).
- 6.3 Transport for London has power under section 173(1) of the GLA Act to provide or secure the provision of public passenger transport services to, from or within Greater London.

6.4 While the proposed extension is promoted by Hertfordshire County Council and is outside Greater London, it is an extension of a line on which public passenger transport services run to and from Greater London.

6.5 Under section 155 of the GLA Act the Mayor has power to direct TfL as to the exercise of its functions.

## 7. Investment & Performance Board

7.1 The project has not been considered at this Board, as there are no direct financial implications for the GLA from these proposals

## 8. Planned delivery approach and next steps

8.1 In discussions with both LU and HCC, DfT has made it clear that, given project performance to date, it has fundamental concerns over the current HCC led delivery structure and that TfL should lead the delivery of the project going forward.

8.2 TfL's latest programme is:

Activity	Timeline
Procurement of contract [notice to proceed with construction phase issued]	September 2015
Delivery Start Date	Autumn 2015
Delivery End Date [start of operational service]	May 2019
Project Closure:	March 2020

### Appendices and supporting papers:

1 Direction to Transport for London:

1. to take over responsibility for delivering the entire project including civil engineering works, systems and the procurement of additional rolling stock.
2. to provide £46.5m of funding towards the costs for delivering Croxley Rail Link based on a total cost of the project of £284.5m, on the basis that the Government increases TfL's overall borrowing requirement by at least £30m and that £16m will be funded from TfL capital budget (the remaining costs of £238m are to be funded from Hertfordshire County Council and the Department for Transport).
3. to be responsible for any cost overruns above the current project costs of £284.5m.

**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? NO**

If YES, for what reason:

Until what date: (a date is required if deferring)

**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 – NO**

**ORIGINATING OFFICER DECLARATION:**

Drafting officer to confirm the following (✓)

**Drafting officer:**

Claire Hamilton, Transport Manager, has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

**Assistant Director/Head of Service:**

Debbie Jackson, Assistant Director – Regeneration, has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

**Sponsoring Director:**

Fiona Fletcher-Smith, Executive Director – Development, Enterprise and Environment, has reviewed the request and is satisfied it is correct and consistent with the Mayor’s plans and priorities.

✓

**Mayoral Adviser:**

Isabel Dedring, Deputy Mayor for Transport has been consulted about the proposal and agrees the recommendations.

✓

**Advice:**

The Finance and Legal teams have commented on this proposal.

✓

**EXECUTIVE DIRECTOR, RESOURCES:**

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

Signature

*M. D. Allen*

Date

25.3.15

**CHIEF OF STAFF:**

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

*Edmund Hill*

Date

25.03.2015



# MAYOR OF LONDON

**Sir Peter Hendy CBE**

Commissioner of Transport  
Transport for London  
Windsor House  
50 Victoria Street  
London SW1H 0TL

Date: 26-3-2015

I, BORIS JOHNSON, MAYOR OF LONDON, in exercise of the powers conferred on me by section 155(1)(c) of the Greater London Authority Act 1999 ("the Act") hereby direct Transport for London:

1. to take over responsibility from Hertfordshire County Council for delivering the Metropolitan line Croxley extension project (Croxcley Rail Link) [as outlined in the **Croxley Rail Link Mayoral Decision (MD1478)**] including civil engineering works, systems and the procurement of additional rolling stock.
2. to provide £46.5m of funding towards the costs for delivering Croxcley Rail Link based on a total cost of the project of £284.5m, on the basis that the Government increases TfL's overall borrowing requirement by at least £30m and that £16m will be funded from TfL capital budget (the remaining costs of £238m are to be funded from Hertfordshire County Council and the Department for Transport).
3. to be responsible for any cost overruns above the current project costs of £284.5m.

Dated this day 26 of March 2015.



**Boris Johnson**  
Mayor of London



## GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD1570

## Title: Croxley Rail Link – Land Valuation and Increased TfL Contribution

**Executive Summary:**

In accordance with Mayoral Decision MD1478, Transport for London (TfL) and Hertfordshire County Council (HCC) have agreed the detailed arrangements for the transfer to TfL of the Croxley Rail Link scheme, and an HCC led local consortium funding contribution.

HCC's portion of the local consortium funding contribution includes two parcels of land to which HCC have attributed a total value of £2.73m. The first parcel, comprising the disused rail corridor (to which a value of £1.8m has been attributed) will be transferred by Network Rail to LUL for a nominal consideration. The second parcel will be used by LUL as a work site during construction. Roughly 25% of it will be transferred to LUL, although title to the remainder will be retained by HCC, and used as a station car park, which HCC will operate for its own account. The cash element of the local consortium funding will be reduced by £2.73m to £125.35m.

**Decision:**

The Mayor:

1. Directs TfL to proceed in accordance with the directions given under MD1478 but on the basis that the HCC led local consortium nominal funding contribution of £128.08m includes land contributions by HCC which while valued by HCC at £2.73m are of no commercial value to TfL, and that the cash contribution will therefore be £125.35m
2. Directs TfL to provide up to a further £2.73m of funding in addition to the £46.5m directed under MD 1478 towards the costs for delivering Croxley Rail Link

**Mayor of London**

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

4.11.2015

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1 The Croxley Rail Link (CRL) project involves the diversion and extension of the existing Metropolitan line from just north of Croxley to a new terminus at Watford Junction via the existing Watford High Street with two new stations. The existing Metropolitan line terminus at Watford station will close.
- 1.2 On 26 March 2015 the Mayor directed TfL, under MD1478:
1. to take over responsibility for delivering the entire project including civil engineering works, systems and the procurement of additional rolling stock.
  2. to provide £46.5m of funding towards the costs for delivering Croxley Rail Link based on a total cost of the project of £284.4m on the basis that the Government increased TfL's overall borrowing requirement by £30m and that £16m would be funded from the TfL capital budget (the remaining costs of £238m were to be funded from HCC and the DfT).
  3. to be responsible for any cost overruns above the current project estimate of £284.4m
- 1.3 HCC is leading a consortium of funding partners (including the Hertfordshire Local Enterprise Partnership and Watford Borough Council) who were to contribute £128.08 million to the total costs of the project. The detailed arrangements for payment of this funding were to be agreed separately between TfL and HCC.

#### **2. Objectives and expected outcomes**

- 2.1 The key objectives for the CRL are to provide a catalyst for regeneration and growth in the Watford area and improve connectivity between SW Hertfordshire and NW London.

#### **3. Equality comments**

- 3.1 The new stations will both be fully step-free and include all standard accessibility features. No adverse effects are foreseen on any persons with protected characteristics under the Equality Act 2010.

#### **4. Risks**

##### **Reputational**

- 4.1 The proposed change of delivery strategy would increase TfL's visibility in the eyes of the public and media, making TfL more exposed in the event of future cost increases or programme delays.

##### **Cost**

- 4.2 The proposed funding strategy would mean TfL potentially needing to contribute more than £16m should the overall cost be higher than the funding package of £284.4m. The current P50 estimate for the project is £299m. Outturn at this level would require additional TfL funding of £15m. The cost escalation has arisen primarily due to the level of sunk cost incurred by HCC being higher than had been anticipated at the time of the 26 March 2015 MD.

#### **5. Financial comments**

- 5.1 MD1478 noted, at paragraph 5.4, that the following breakdown of funding had been agreed for the scheme:

<b>Funding Partner</b>	<b>£m</b>
Department for Transport	109.82
Transport for London (including fare box borrowing)	46.50
Hertfordshire LEP	87.85
HCC & Watford Borough Council	40.23
<b>TOTAL FUNDING</b>	<b>284.40</b>

5.2 The local consortium funding contribution breakdown is as follows:

<b>Funding Partner</b>	<b>£m</b>
HCC	30.635
Hertfordshire Local Enterprise Partnership	87.850
Watford Borough Council	9.595
<b>Total consortium funding contribution</b>	<b>128.08</b>

5.3 HCC's funding contribution breakdown, which has been approved by its Cabinet, is as follows:

<b>HCC Contribution</b>	<b>£m</b>
Capital	25.000
s.106	2.905
Land contributions	2.730
<b>Total HCC funding contribution</b>	<b>30.635</b>

5.4 HCC's portion of the £128.08m local consortium funding contribution includes two parcels of land to which HCC have attributed a total value of £2.73m. The first parcel, comprising land between Ascot Road and Wigenhall Road (to which a value of £1.8m has been attributed) will be transferred by Network Rail to LUL for a nominal consideration of £1. This land is assumed to have limited commercial value. The second parcel of land at Ascot Road will be used by LUL as a work site during construction. Roughly 25% of it will be transferred to LUL although title to the remainder will be retained by HCC and used as a station car park which HCC will operate for its own account. Again, the commercial value is likely to be limited.

The cash element of the local consortium funding will be reduced by £2.73m to £125.35m.

5.5 Accepting HCC's land contribution on the basis of its £2.73m valuation, as set out above, will reduce by the same amount the cash element of the £128.08m local consortium funding contribution that would be paid to TfL

5.6 The overall funding envelope remains £284.4m and if the project is delivered, in full, for a total cost below the approved budget cost of £284.4m, TfL will retain the full amount of the resulting cost savings. TfL will still meet any eligible project costs incurred over £284.4m.

5.7 There remain no financial implications for the GLA.

## **6. Legal comments**

6.1 The proposed further direction raises no legal issues not considered in MD 1478.

**7. Investment & Performance Board**

7.1 The project has not been considered at this Board, as there are no direct financial implications for the GLA from these proposals

**8. Planned delivery approach and next steps**

8.1 TfL's latest programme is:

<b>Activity</b>	<b>Timeline</b>
Procurement of contract [notice to proceed with construction phase issued]	Feb. 2016
Delivery Start Date	Apr. 2016
Delivery End Date [start of operational service]	Dec. 2020
Project Closure:	Sep. 2021

**Appendices and supporting papers:**

Direction to Transport for London (supplemental to Direction of 26 March 2015)

**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? NO**

If YES, for what reason:

Until what date: (a date is required if deferring)

**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 – NO**

**ORIGINATING OFFICER DECLARATION:**

Drafting officer to confirm the following (✓)

**Drafting officer:**

Claire Hamilton, Transport Manager, has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

**Assistant Director/Head of Service:**

Debbie Jackson, Assistant Director – Regeneration, has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

**Sponsoring Director:**

Fiona Fletcher-Smith, Executive Director – Development, Enterprise and Environment, has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

**Mayoral Adviser:**

Isabel Dedring, Deputy Mayor for Transport has been consulted about the proposal and agrees the recommendations.

✓

**Advice:**

The Finance and Legal teams have commented on this proposal.

✓

**EXECUTIVE DIRECTOR, RESOURCES:**

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

Signature 

Date 3.11.15

**CHIEF OF STAFF:**

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature 

Date 3.11.2015



# MAYOR OF LONDON

**Mike Brown MVO**

Commissioner of Transport  
Transport for London  
Windsor House  
42/50 Victoria Street  
London  
SW1H 0TL

Date: 4.11.2015

I, BORIS JOHNSON, MAYOR OF LONDON, in exercise of the powers conferred on me by section 155(1)(c) of the Greater London Authority Act 1999 ("the Act") hereby direct Transport for London (TfL):

1. to proceed in accordance with my Direction of 26 March 2015 given under MD1478 but on the basis that the Hertfordshire County Council (HCC) led local consortium nominal funding contribution of £128.08m includes land contributions which while valued by HCC at £2.73m are of no commercial value to TfL and that the cash contribution will therefore be £125.35m
2. to provide funding of up to £2.73m additional to that previously directed, towards the costs of delivering Croxley Rail Link, to balance the reduced cash contribution by Hertfordshire County Council (reflecting the contribution of land valued by Hertfordshire County Council at £2.73m).

Dated this day 4 of November 2015.



**Boris Johnson**  
Mayor of London

2000-01-01