

Date: 20 July 2022

Title: East London Line Housing Infrastructure Fund Programme

This paper is public

1 Summary

- 1.1 This paper sets out the request for additional Financial Authority and Programme and Project Authority to continue the East London Line (ELL) Housing Infrastructure Fund Programme (the Programme). These works are primarily funded by the Housing Infrastructure Fund (HIF) and comprise infrastructure upgrades to the London Overground and London Bus networks.
- 1.2 This request follows Committee approval, by way of Chair's Action in June 2020, for TfL to enter into the HIF agreement with the Greater London Authority (GLA) and the Department for Levelling Up, Housing and Communities (the Ministry of Housing, Communities and Local Government as was) (DLUHC) and to progress the initial design stages of the Programme.
- 1.3 The focus of this paper is to:
 - (a) provide an overview of the progress made by the Programme to date, and the delivery strategy for the next phase;
 - (b) propose a phased approach for the Programme to ensure the 'Phase 1' scope remains affordable within available third party funding and the requisite changes to the TfL/GLA/DLUHC Housing Infrastructure Fund Grant Determination Agreement (GDA);
 - (c) present an update to the business case for the Programme based on the phased approach; and
 - (d) provide details on the financial implications and key risks for TfL from committing to the detailed design and implementation of Phase 1.
- 1.4 The paper included on Part 2 of this agenda contains 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.

East London Line Housing Infrastructure Fund Programme					
	Existing Financial Authority	Estimated Final Cost (EFC)	Existing Programme and Project Authority	Additional Authority Requested	Total Authority**
Gross*	£82.85m	£77.7m	£8.76m	£82.09m	£92.65m
Income - HIF Funding	-£80.84m		-£8.76m	-£72.08m	-£80.84m
Income - S106 Funding***	-		£0m	-£11.82m	-£11.82m
Net****	£2.01m		£0m	£0m	£0m
Future Request*****				£71.79m	

Table 1: Summary of Programme and Project Authority Request

*Phase 1 and Phase 2 Preliminary Costs

** Includes £1.81m Programme and Project Authority for Canada Water bus station upgrade

*** £10m British Land Section 106 financial contribution (indexed for draw down from 2024/25)

**** £2.01m from separate Financial Authorities for TfL seed funding and signalling upgrade project

***** Current forecast based on assumed implementation of Phase 2; see Appendix A in Part B paper.

2 Recommendation

2.1 **The Committee is asked to note the paper and the exempt supplementary information and:**

- (a) **approve additional unbudgeted Financial Authority of £92.65m for the receipt of funds and expenditure on infrastructure upgrades to the London Overground and London Bus networks within Phase 1 of the East London Line Housing Infrastructure Fund Programme;**
- (b) **approve additional Programme and Project Authority of £82.09m for the design and construction of infrastructure upgrades to the London Overground and London Bus networks within Phase 1 of the East London Line Housing Infrastructure Fund Programme and further design activities for infrastructure upgrades to the London Overground within Phase 2 of that Programme; and**
- (c) **note that Procurement Authority for the design of infrastructure upgrades to the London Overground and London Bus networks will be sought at officer level in accordance with Standing Orders.**

3 Background

- 3.1 In August 2019, DLUHC approved an £80.84m bid by TfL and the GLA to the HIF for a programme of works on and along the East London Line. The infrastructure upgrades (the ELL Scope) should unlock approximately 14,000 new homes.
- 3.2 Following negotiations with the GLA and DLUHC on the ELL HIF Grant Determination Agreement, Committee approval was sought to enter into the GDA and complete the early design stages of the ELL Scope. These early design stages are referred to in the GDA as the 'Preliminary Costs' phase. In June 2020, the Committee approved this request via Chair's Action.
- 3.3 In August 2020, TfL, the GLA and DLUHC completed the GDA and an associated side letter. At the same time, TfL and the GLA entered into a Memorandum of Understanding (MoU) setting out the key principles of how the parties would work together to facilitate the delivery of the ELL Scope. The aspects of the MoU relating to the allocation of cost risk are legally binding.
- 3.4 Separately, an agreement was signed by TfL with British Land in May 2020 for their Section 106 planning contribution of £10m (indexed) that will supplement the HIF funding.

4 Progress and phasing proposal

- 4.1 Good progress has been made on the ELL Scope since August 2020 with all project completing concept designs. Where issues have arisen, TfL, the GLA and DLUHC have resolved these via the processes established in the GDA and MoU.
- 4.2 The ELL Scope comprises the following six projects: Surrey Canal new station, Surrey Quay Station upgrade, Power and Signalling upgrades, Additional Train Stabling and an update to Canada Water Bus Station. Appendix A provides a summary of the scope of works associated with each project and the progress made to date during the Preliminary Costs phase. Two of the milestones under the GDA have been successfully achieved.
- 4.3 For the main three projects (Surrey Quays Station upgrade, Surrey Canal station, and Additional Train Stabling), main works contractors were appointed by TfL in July 2021 using TfL's new London Rail Improvements Framework. These contracts were awarded on a two-stage basis:
 - (a) stage 1: Early Contractor Involvement and development of concept design; and
 - (b) stage 2: Main Works delivery from detailed design to implementation.
- 4.4 Cost pressures were forecast from late 2021 based on the new concept design information and updated estimates across the main three projects. These pressures were predominantly driven by design development and construction industry inflation. To help manage this issue TfL and the GLA agreed with DLUHC that the original target to complete the Preliminary Costs phase would be deferred from October 2021 to July 2022.

- 4.5 Following conclusion of concept design activities, a revised estimated final cost (EFC) for the Programme of c.£166m was reported in March 2022 which was significantly in excess of the original EFC of £90.84m reported in June 2020 to the Committee.
- 4.6 In recognition of the considerable benefits that could be unlocked by the Programme, TfL and the GLA worked with DLUHC to develop a phasing proposal. This proposal was intended to allow use of the available funding to deliver key elements of the ELL Scope in a 'Phase 1', while deferring the remaining elements to a 'Phase 2'. Consequently, Phase 1 would remain affordable. The Phase 1 scope seeks to unlock the largest and most advanced development sites first, whilst also utilising the British Land Section 106 developer contribution.
- 4.7 The split of ELL Scope between both phases is summarised in Table 2 below. This is the basis upon which the investment appraisal and business case development has been undertaken for the Programme. Details on the EFC for each project is provided in the paper on Part 2 of the agenda:

Phase 1	Phase 2
Canada Water bus station	Surrey Canal new station
Surrey Quays Station Upgrade	Train stabling
Traction Power Upgrade	
Signalling Upgrade	

Table 2: ELL HIF Programme phases

- 4.8 DLUHC has agreed that Phase 2 will be included in a planned National Review of the HIF later this year through which TfL and the GLA would seek to agree further funding for its future delivery. £1m has been included in the Phase 1 EFC for activities associated with progressing Phase 2 through the DLUHC National Review. The EFC for Phase 1 also includes all Preliminary Costs expended to date on Phase 2.
- 4.9 Additional information on the rationale for the split of projects between Phase 1 and Phase 2 developed with the GLA and DLUHC is summarised in Appendix B. DLUHC endorsed the proposed phasing of the Programme (subject to subsequent confirmation of contractual amendments between parties) through a Cross-Whitehall Board meeting on 12 May 2022.
- 4.10 Changes to the GDA have been discussed and agreed in principle (subject to finalisation of terms and subject to the Authorities sought in this paper) with the GLA and DLUHC. These will enable the phasing of the ELL HIF Programme and the delivery of Phase 1 by enabling:
- (a) the agreed £80.84m of HIF funding to be available for the delivery of Phase 1 projects and completion of development work for Phase 2 (£1m);
 - (b) the 'Availability Period' for the draw-down of HIF funding to be extended to 31 March 2026;

- (c) the Preliminary Costs sum to be uplifted by £1m for activities associated with Phase 2 and the planned DLUHC National Review later this year; and
 - (d) The milestone dates for Phase 1 projects to be revised (those relating to Phase 2 projects will be updated following the outcome of the National Review).
- 4.11 Phase 2 continues to be referred to in the GDA with the same scope as described in the original GDA for the Additional Train Stabling and Surrey Canal station projects.
- 4.12 Following the Committee's review of this paper, TfL shall move from the Preliminary Costs phase into 'Detailed Design and Implementation' for Phase 1 projects.

5 Business Case

- 5.1 The objective of the Programme is to unlock new housing which aligns with the objectives of the London Plan. The delivery of Phase 1 also supports the objectives of the Mayor's Transport Strategy (MTS) and will also deliver significant transport related benefits for TfL. Prior to the pandemic, Jubilee line and ELL services to and from Canada Water experienced high levels of crowding. Without investment there is a likelihood of renewed and exacerbated levels of crowding given the planned housing delivery for the Canada Water area. The upgrade to Surrey Quays station has been developed to integrate with the adjacent British Land masterplan development for between 2,000 and 4,000 homes, leisure and new commercial floor space. Furthermore, the signalling and power upgrades will enable a service level enhancement to be implemented to accommodate future demand growth to ensure housing delivery is sustainable.
- 5.2 As such, Phase 1 supports the two key themes of the MTS that the Programme was established to deliver against. It will help deliver the 'New Homes and Jobs' theme of the MTS by unlocking c7,700 new homes; and it will also make a strong contribution to the 'Good Public Transport Experience' theme by enabling a future higher frequency train service on overcrowded routes and provide additional capacity and step free access at Surrey Quays station.

New homes and jobs

- 5.3 Phase 1 will unlock two of the largest strategic housing developments: the British Land development near Canada Water and Surrey Quays, and the Convoys Wharf development. These schemes will make significant contributions to borough housing targets, as well as London's overall level of housing delivery. They are also relatively more advanced compared to the other development sites identified by the GLA and TfL and included in the original HIF bid:
- (a) The British Land Canada Water Masterplan development site has outline consent for between 2,000 - 4,000 homes. Works have commenced on site for the first two development plots, with the first unit delivery anticipated in late 2023;

- (b) Convoys Wharf has Outline Planning Consent for between 3,500 homes. Full planning permission has been granted to deliver the first 580 homes, with site preparation and piling works currently underway on these plots.
- 5.4 The land value uplift (LVU) associated with the unlocking of new homes by Phase 1 has been assessed. A range of £267.4m-£534.8m (NPV) of LVU is forecast. This was derived from the £990m of LVU that was forecast for the Programme in 2018 for the HIF bid using the proportion of homes linked to Phase 1.
- 5.5 The range of 50-100 per cent reflects the inherent uncertainty in future land values, alongside the long-term impact of coronavirus pandemic. Furthermore, there is also uncertainty relating to the circumstances of third-party developers and their decisions to build-out the development sites identified in the HIF bid. However, some comfort on delivery and LVU can be gained given the two largest sites have secured detailed planning permission and are now on site with their first phases. The forecast £267.4m of LVU at the lower end of the range still exceeds the forecast delivery costs of Phase 1.

Good public transport experience

- 5.6 The concept design for Surrey Quays station includes a new station entrance. This will increase station capacity and has been developed to integrate with the surrounding area and the new British Land development. There will be decongestion and journey time savings for passengers alongside accessibility benefits from providing step free access from street to platform.
- 5.7 Increasing capacity at Canada Water bus station will provide the infrastructure for additional bus routes to connect the Convoys Wharf development to the public transport network, as well as meeting increased demand from the British Land development and other local developments. This will also realise journey time savings for passengers.
- 5.8 The Phase 1 power and signalling upgrade projects will enable TfL to uplift the London Overground service frequency on the ELL Core from 16 trains per hour (tph) to 18. The ELL Core is the section of the London Overground network between Dalston Junction and Surrey Quays.
- 5.9 Based on current demand trends this increase of two tph would operate between Clapham Junction and either Dalston Junction or Highbury & Islington. This will ensure sufficient train capacity to meet new demand from the housing developments, as well as realising journey time savings for new and existing passengers. Furthermore, the signalling works bring an improvement in operational resilience ahead of any increases in train frequencies.

Benefits and value

- 5.10 Table 3a **Error! Reference source not found.** below presents the business case assessment. Three Benefit to Cost Ratios (BCRs) are provided alongside that reported in the June 2020 submission to the Committee. The 'Baseline' BCR retains the same growth assumptions used for the HIF bid (pre-pandemic) and used for the BCR reported to the Committee in June 2020. A BCR using the post-pandemic 'Change to London' growth scenario is provided – which is

representative of the most recent 'Hybrid 2' growth scenario that TfL has developed. These BCRs include all costs to the public purse.

- 5.11 A 'TfL costs only' BCR is provided which presents the net costs that require funding over the lifetime of the investment by TfL. This deducts the public sector HIF funding contribution from delivery costs. Costs relating to the leasing and maintenance for the additional train units to implement the service level uplifts are also removed from the assessment as these have already been purchased by TfL. The resultant BCR assesses transport related benefits with the net costs to TfL (as opposed to all costs to the public purse) from delivering the projects and operating the new and enhanced transport infrastructure
- 5.12 The appraisal period is 60 years for the station works, 35 years for the 2 tph service uplift on the ELL to Clapham Junction and 25 years for the bus station works.

	Baseline	Baseline (June 2020)	Change to London / Hybrid 2	TfL costs only
Benefit to Cost Ratio (BCR)	1.35	1.88	0.91	3.42
Value for Money TAG Categorisation	Low	Medium	Poor	High

Table 3a: Summary of transport benefit BCRs

- 5.13 Table 3b below presents sensitivities that include the LVU described above (paragraph 5.5). The £267.4 (Low) to £534.8m (High) range of additional benefits is included in this instance against the Change to London / Hybrid 2 scenario for both all costs to the public purse, and for TfL costs only:

BCR Change to London / Hybrid 2	LVU range	
	Low	High
All costs to public purse	3.1	5.3
Value for Money TAG Categorisation	High	Very High
TfL costs only	7.1	12.2
Value for Money TAG Categorisation	Very High	Very High

Table 3b: Summary of BCRs incorporating LVU

- 5.14 When LVU is excluded and all costs to the public sector are included, the BCR for Phase 1 offers Low Value for Money for the Baseline demand, or Poor Value for Money when Change to London / Hybrid 2 demand is used. However, if only net costs to TfL are included the BCR improves significantly.
- 5.15 Furthermore, if the LVU associated with the delivery of the new housing is included (Table 3b) the BCRs offer High or Very High Value for Money with the Change to London / Hybrid 2 demand. The underlying rationale for the

Programme is to enable new housing delivery and this is why DLUHC have agreed to making HIF funding available for Phase 1. In light of this, it is reasonable to incorporate LVU into the assessment of Value for Money and conclude that Phase 1 offers Value for Money.

6 Delivery Strategy

- 6.1 The contractual milestones for the Phase 1 projects have been revised and are included in the Part B paper. Milestones relating to Phase 2 projects will be settled with the GLA and DLUHC following the National Review of HIF later this year.
- 6.2 The procurement routes for the ELL scope remain the same as advised in June 2020. For Phase 2 projects, the main works contractors will continue to be used to support the DLUHC National Review. The expectation is that updated Contract Prices will be sought later in 2022 when there is more funding certainty for Phase 2. A submission will be made to the Committee requesting the appropriate authorities prior to committing to Detailed Design and Implementation for Phase 2.

Risks and considerations from phasing of the ELL HIF Programme

- 6.3 The phasing of the Programme means that there is no contractual commitment from DLUHC to fund (fully or in part) the delivery of Phase 2. This means that there is uncertainty regarding funding support for the delivery of Surrey Canal Station and the Additional Train Stabling.
- 6.4 This creates the following risks for TfL and GLA:
- (a) Performance: without the Additional Train Stabling there is an increased risk that TfL will be unable to operate a reliable 20tph ELL service to accommodate post-pandemic demand.

The Phase 1 signalling upgrade will, however, support the resilience of rail operations as soon as it is implemented; and

- (b) Reduced housing delivery: approximately 6,600 homes are linked to the delivery of Surrey Canal station. If overcrowding of London Overground services occurs TfL/GLA would need to seek to limit housing numbers for unconsented development sites or when determining amendments to planning consents.

Key risks and considerations for Phase 1

- 6.5 The primary risk for TfL from committing to the delivery of Phase 1 is that it will take on the delivery and cost risks for the Phase 1 projects and will be obliged to deliver them on behalf of DLUHC. TfL will need to deliver the project in line with its obligations in the GDA including the need to achieve the specified delivery Milestones for each Phase 1 project.
- 6.6 Were TfL to not achieve the contractual milestones it could be found to be in 'General Default' under the GDA by DLUHC and would need to repay all HIF

funding contributions to DLUHC. Further details on the risks to TfL are detailed in the Part 2 paper.

7 Financial Implications

7.1 The Part 2 paper provides the full financial overview for Phase 1.

Cashflow impact

7.2 We will receive the HIF funding on a quarterly basis for completed works and may for the fourth quarter claim HIF funding is provided in advance. There is also scope in the GDA to claim the HIF funding on a monthly, rather than quarterly, frequency should this be required.

8 Assurance and Governance

8.1 The TfL Project Assurance team conducted an assurance review of the Programme in November 2021 and in May 2022. These reviews were supported by members of the Independent Investment Programme Advisory Group. These reviews made six recommendations of which none were critical. These reports are attached to this submission to the Committee along with the TfL's Management Response.

8.2 Recommendations were made relating to the status of the Programme's current management information and the need to update project documentation and Pathway products to reflect the phasing of the Programme. Given that there was limited confidence in DLUHC's commitment to the phasing proposals up until 12 May 2022, work to update such documentation has only recently commenced.

8.3 Table 4 below provides a forward look to when the Gates for the Programme and individual project will be undertaken at which point the necessary updates to such documentation shall be made. This is reflected in TfL Management Response to the Assurance Review.

Programme	Stage A	Stage B	Stage C	Stage D		
ELL HIF Programme	Feb -20	Aug -22	Oct-25	Dec-25		
Project						
	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Stage 6
Surrey Quays Station	Aug-19	Aug-19	Jul-22	Sep-23	Sep-25	Nov-25
Power Upgrade (TfL)			Sep-22	Aug-23	Aug-24	Oct-24
Power Upgrade (NR)			Jan-23	Aug-23	Jan-25	Apr-25
Signalling Upgrade				Feb-20	Jan-24	Feb-24

Table 4: Planned Pathway Gates

8.4 The ELL Scope will be addressed in the Public Transport Programme for the rail elements, and the Surface Assets Programme for the bus station. Risk drawdowns and other change requests (such as re-allocating funding from one

project to another) up to individual values of £2m will be governed through TfL. Any request to reallocate funding from one project to another that exceeds £2m will require review and approval from DLUHC.

- 8.5 DLUHC will conduct their own assurance of the design and delivery of the ELL Scope via provisions set out in the HIF 'Assurance Framework' that is appended to the GDA.

9 Equalities Implications

- 9.1 Phase 1 will improve accessibility on the ELL via the delivery of a new step-free entrance at Surrey Quays station. An Equality Impact Assessment was produced during the Concept Design stage in accordance with TfL's obligations under the public sector equality duty in the Equality Act 2010.
- 9.2 The other Phase 1 projects shall enable future service level uplifts on the London Overground and London bus networks. Any required Equality Impact Assessment shall be undertaken when those service changes are planned for implementation.

List of Appendices

Appendix A – Summary of progress on ELL HIF projects

Appendix B – Rationale for phased approach

List of Background Papers

Project Assurance Report

Management Response to the Project Assurance Report

ELL HIF Part 2 paper

June 2020 paper to the Committee

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Appendix A – Summary of progress on ELL HIF projects

Project	Scope	Progress
Surrey Quays Station Upgrade	<p>A new second entrance to the existing London Overground station at Surrey Quays, including:</p> <ul style="list-style-type: none"> • Ticket hall and passenger footbridge • Two customer lifts (one to each platform) • Platform extensions 	<p>The land has been acquired, achieving a GDA milestone</p> <p>The concept design has been completed and outline planning permission granted</p> <p>A construction compound agreement has been signed with British Land, who are developing the adjacent Canada Water site</p>
Surrey Canal New Station	<p>A new station between Surrey Quays and Queens Road Peckham, including:</p> <ul style="list-style-type: none"> • Ticket hall • Two customer lifts (one to each platform) • Platforms suitable for five-car trains 	<p>The feasibility design and concept design has been completed and detailed planning permission granted</p> <p>A construction compound agreement has been signed with Renewal, who are developing the adjacent New Bermondsey site</p>
Additional Train stabling	<p>A new stabling and train preparation facility to house additional trains for a future 20 trains per hour (tph) service level on the ELL Core</p>	<p>The feasibility design and concept design has been completed.</p>
Traction power upgrade	<p>A traction power upgrade and resilience work on the ELL and South London Lines as an enabler for any service level upgrade from the current 16tph on the ELL Core</p>	<p>Feasibility design on the Network Rail infrastructure has been completed by Network Rail.</p> <p>Concept design on the ELL infrastructure has been completed</p>
ELL Signalling Upgrade	<p>A contribution to upgrade signalling as an enabler for any service level upgrade from the current 16tph on the ELL Core</p>	<p>No activity since June 2020: the detailed design for this project was completed in May 2020</p>
Canada Water Bus Station Upgrade	<p>A capacity upgrade at Canada Water Bus station to serve new demand from nearby developments</p>	<p>The concept design has been completed</p>

Appendix B: Rationale for phasing of ELL HIF Programme

1.0 The phasing proposal developed by TfL and GLA responded to three main considerations:

- ensuring affordability and availability of funding;
- aligning interventions and scope to unlocking development sites that were relatively more advanced to realise housing benefits to stakeholders; and
- addressing existing and anticipated public transport capacity issues.

1.1 The estimated final costs of the six ELL HIF projects are not similar in scale. The three main projects (Surrey Quays Station Upgrade, Surrey Canal station, and Additional Train Stabling at Edwards Street) are much larger than the other three projects (Traction Power, Signalling and Canada Water bus station).

1.2 It was not possible to progress two of the main projects within the available funding. Consequently, the development of the phasing proposal focused on which main project should be progressed in Phase 1.

1.3 The Surrey Quays Upgrade Project was subsequently included due to its link to the British Land Masterplan Canada Water development site which:

- is the largest development site identified in the HIF Bid (c3,400 homes across all sites in the catchment of Surrey Quays station);
- is among the more advanced development sites included in the HIF Bid and therefore more likely to unlock earlier the housing benefits anticipated by DLUHC; and
- will secure the £10m (indexed) Section 106 funding contribution.

1.4 The impact of the delivery of the development sites on Surrey Quays will be significant. - the forecast increase in demand by 2031 would raise Surrey Quays from 89th to 16th when ranking the volume of weekday station entries at stations in zones two and three. Pedestrian modelling undertaken to date has demonstrated that the existing station design cannot accommodate the increased level of demand forecast with the development.

1.5 Furthermore, the existing Surrey Quays Station lacks step free access which will be provided through the Surrey Quays Upgrade Project. A recent exercise conducted by TfL to select the best stations on the National Rail network for the provision of step free access (out of those currently without this facility) ranked Surrey Quays as the twelfth highest priority out of 137 stations reviewed.

1.6 The inclusion of Surrey Quays Station Upgrade Project into Phase 1 left adequate funding for the three smaller projects. These projects also aligned with the key considerations noted above:

- Canada Water bus station is required for the delivery of Convoys Wharf which is consented, and among the more advanced development sites included in the HIF Bid;
- The signalling and power upgrades will enable a service uplift to 18 tph on the ELL Core. This marginal increase in train service capacity will ensure public transport capacity can accommodate and benefit existing passengers and new demand associated with the Canada Water and Convoys Wharf development sites.