



West London Economic Prosperity Board

17th February 2021

Title	West London Orbital (Standing Item)
Report of	Niall Bolger, LB Hounslow
Status	Public
Urgent	No
Enclosures	N/A
Officer Contact Details	Andrew Barry-Pursell, West London Planning Policy and Infrastructure Delivery Manager, West London Alliance, E: barrypursella@ealing.gov.uk ; T: 07525 388237

Summary

This report provides the Board with an update on work with Transport for London and Network Rail to develop the business case for the West London Orbital. It seeks approval for proposed arrangements for providing funding for the project from the resources secured from the Strategic Investment Pot and for governance arrangements reflecting the fact that the project is being jointly funded and delivered.

Recommendations

Leaders are asked to:

- i) NOTE progress in development of the business case for the WLO;**
- ii) AGREE the proposed arrangements for funding the project from Strategic Investment Pot resources held by the West London Alliance; and**
- iii) AGREE the arrangements for governance of the project, including establishment of a Partners Oversight Group**

1. WHY THIS REPORT IS NEEDED

- 1.1 The WLEPB has consistently identified the West London Orbital (WLO) Overground rail line as a shared strategic priority for West London, integral to the sub-region's sustainable development. The Board has agreed that progress and next steps relating to the WLO should be a standing item on its agenda. The West London Alliance (WLA) and West London boroughs have worked closely with Transport for London (TfL) and the Greater London Authority and Network Rail to develop and refine the business case for the project. The WLA has secured funding to contribute to the costs of the work, most recently £3.6 million from the retained business rates-based Strategic Investment Pot. TfL's current budgetary position has made the availability of this funding essential to work on the project proceeding. This has in turn highlighted the joint nature of the project and the need for robust governance arrangements to ensure it proceeds effectively, transparently and accountably and ensures best value in the use of public resources. This report takes stock of progress to date and proposes funding and governance arrangements to enable the project to move through its next stages.

2. DEVELOPMENT OF THE WLO BUSINESS CASE

- 2.1 It will be recalled that the Strategic Outline Business Case for the WLO, published in June 2019, recommended that work on the project should move forward. This started in the autumn of 2019.
- 2.2 Progress has been affected by the Covid-19 pandemic and, in particular, the impacts this has had on TfL's financial position. TfL had to adopt an emergency budget in June 2020 to deal with the immediate consequences, including funding from central Government; work on the WLO continued. At its Board Meeting on 29th July 2020, TfL adopted a revised budget for 2020-2022 which included projects which are in line with Government objectives and those of the Mayor's Transport Strategy, including longer-term projects with strong business cases – including the WLO. Other projects have been paused or dropped. However, continued delivery is subject to discussions with Government about what will be affordable over the next decade. TfL is clear that they cannot currently afford to progress them all.
- 2.3 The WLO is also mentioned in TfL's Financial Sustainability Plan published on 11th January 2021. This document is part of the process of agreeing a funding settlement with national government into the next financial year. It identifies funding for the WLO potentially available in the 2030s. This means that there may not be TfL funding available to deliver the project to the current timetable in the 2020s. In the meantime, work on the project continues on the basis of joint funding - the spending constraints TfL have had to impose mean that the funding the WLA is providing from the Planning Delivery Fund and Strategic Infrastructure Pot is essential to the work proceeding.
- 2.4 Many of the areas of work reported to previous meetings of the Board are now reaching a conclusion. Work to identify and explain the economic benefits the WLO would support across West London has now been published and the

findings were presented to a workshop for borough officers on 20th January 2021. The key findings were that:

- Given the West London context, the WLO would address identified market failures that are not captured by journey time savings alone. Under the rules of appraisal of transport projects this means that wider economic benefits and additional benefits from additional homes and jobs supported can be counted.
- The WLO could bring “wider economic benefits” (which cover agglomeration productivity benefits, from effectively bringing business closer together; labour supply benefits from supporting increased labour market participation from the WLO encouraging more workers to take up employment; and from improving competition in “imperfectly competitive” local markets) of £16 million per annum. Some 96% of these arise from agglomeration benefits; 65% will accrue to West London boroughs. Hounslow has the largest overall level; boroughs along the WLO route (Ealing, Barnet and Brent) also gain significantly, with the remaining WLA boroughs all featuring in the top 15 boroughs in terms of wider impact gains. These benefits can be counted in the business cost ratio in addition to those already identified.
- Delivery of 15,774 additional homes can be shown to be dependent on the WLO, generating £2.188 billion in additional value. This value includes £278 million from accelerated delivery of housing identified in local plans and £1.185 bn in a “place premium” – the increase in value for new housing in places near WLO stations which is in turn likely to improve development viability in those places.
- The WLO would be likely to bring locational and distributional benefits that would advantage West London over other sub-regions: significant supporting for local and regional spatial planning policies; enhancement of town centre retail and supporting successful local retail around stations; creating leisure, community and amenity opportunities across the corridor and enabling residents to better access key destinations and attractions for which poor orbital connectivity currently acts as a constraint; and helping foster and create a better sense of identity within and across areas service by WLO, with a “centre of gravity” for the sub-region.

The overall conclusions of the study are set out in the table below:

Key issue	Impact
Housing shortage and affordability	<ul style="list-style-type: none"> • Significant dependent residential development in areas with high density and sustainable travel options, increasing overall housing supply • Existing homes likely also increasing in price due to the place premium • Overall positive impact on affordability considering the increased overall supply and the significant amount of dependent) affordable housing supported by the scheme
Congested transport network and poor air quality	<ul style="list-style-type: none"> • WLO will provide significantly enhanced orbital connectivity within West London and will improve journey times • Viable and attractive public transport options for movements within West London and beyond, reducing car usage and improving air quality • Enabling development in locations with high PT connectivity and accessibility is key to helping achieve MTS mode share targets
Social inclusion (unemployment and social deprivation)	<ul style="list-style-type: none"> • WLO expected to help break poverty cycle of limited connectivity, high costs and low incomes, with particular potential in some of West London's most deprived areas • Making the most of this opportunity will require coordination with e.g. adult/children social services and employment/skills initiatives
Productivity and employment	<ul style="list-style-type: none"> • Improved orbital connectivity will have agglomeration benefits throughout West London through firms being 'effectively' closer together, benefitting many of the specialist employment clusters in the sub-region • However, no dependent commercial development identified, with LPAs already considering industrial land as part of Local Plan development

2.5 Work on funding options – being carried out by Grant Thornton and Mott Macdonald - is also nearing completion. It will identify potential funding sources including:

- Development-related options: Community Infrastructure Levy, planning obligations, development of public sector-owned sites along the route and public sector development of sites.
- Tax increment financing/hypothecation options: Business rate retention and Stamp Duty Tax retention.
- Transport taxation: Workplace parking levy
- Grant funding options: National Home Building Fund and monies available from the Rail National Enhancement Pipeline.

It has drawn on a substantial amount of detailed information from West London boroughs to help model the potential of these funding sources. The final report will include an Action Plan setting out the steps that will need to be taken to realise these and practical recommendations about next steps. Once complete there will be further discussions with senior officers and elected members, including a further workshop to decide ways forward.

2.6 Work by Network Rail to assess timetable options for the WLO has concluded that an 8 train per hour (tph) service cannot be achieved without substantial additional infrastructure, which would be likely to make the scheme unaffordable. The key technical issue is limiting the extra services running on the most congested section, through South Acton and Acton Central. Ways of doing this could include:

- Fewer services travelling end-to-end
- Greater use of Old Oak Common Lane as a key interchange station
- Altering the service pattern.

Subject to the further work required, it is considered that around 80% of the benefits of the 8 tph service would still be deliverable, even with a different service pattern, while the costs of delivering the scheme might be reduced. This means that the next stage of work will be focussed on looking at alternative service specifications that will maximise the WLO benefits that can be achieved and are deliverable without excessive cost.

- 2.7 Other work has looked at the potential for use of battery-powered rolling stock which would charge on the electrified sections. Research to date has shown that a battery product is available with the capabilities needed for the WLO route.
- 2.8 Although the Pandemic is expected to have a long-lasting impact on public transport demand with some permanent shift to remote working, the outer London location of the WLO scheme and the support it provides for additional housing development makes this scheme relatively more resilient than radial rail schemes. The project has been assessed against a number of scenarios about potential patterns of post-pandemic recovery and the WLO has been identified as a good investment in all but one of them (and in that case, which posits greater centralisation of the London economy, it was identified as being unlikely to be a bad investment). TfL expect that the places served by the WLO are likely to recover in terms of trips quicker than more central locations. Given the high level of uncertainty future work will continue to test the project in the light of changing circumstances.
- 2.9 The WLO continues to offer good value for money. The wider economic benefits identified help the project's business case, and the latest assessment gives a benefit/cost ratio of 1.6-2.3 depending on service levels and different assumptions about costs and making the project good value for money.
- 2.10 Consideration is being given to the timing and content of the first round of public consultation on the scheme, which could take place in the autumn at the earliest. Discussions about the strategy for consultation have started with TfL's Consultations Team. There will be discussions with borough communications teams as these plans develop.
- 2.11 Given TfL's budgetary constraints, we continue to look for additional funding sources to help support the costs of project development. A bid has been made for funding from the Government's Restoring Your Railway Fund, which supports the development of business cases for restoring "axed local services". The bid focusses on reopening the Dudding Hill line section of the WLO route to passenger use. The outcome will be reported to the Board.

3. FUNDING THE PROJECT

- 3.1 TfL's financial position has been outlined earlier in this report. They have indicated that as things stand they will not be able to fund the commissioning

of the work needed for the project to proceed – work on the WLO service specification and some early design work on rail junction enhancements that might be needed, so the costs associated with different service levels can be understood. Although the scope – and so likely cost – of this work are still being settled, they estimate this work will take around six months including procurement and will cost up to £350,000.

- 3.2 Up to now the WLA has contributed towards the costs of work on the WLO from funding it secured in 2017 from the Ministry of Housing, Communities and Local Government's Planning Delivery Fund. In 2019, the WLA was successful in securing £3.6 million from the business rate retention-based Strategic Infrastructure Pot (SIP) to support further work on the WLO. The intention was that £900,000 of this would be used to fund borough masterplanning of areas served by the WLO either directly or indirectly. It was envisaged that this would be passed to boroughs from the first tranche of funding.
- 3.3 Given TfL's financial position and the likelihood that without WLA funding work on the WLO would cease, it is proposed that the first tranche of SIP funding (£900,000) is retained to ensure the critical next stage of work on the project can go ahead and to ensure continuity while TfL agrees future funding arrangements with Government. This would mean the funding for masterplanning would be made available later, probably in the second half of the next financial year.
- 3.4 TfL's Director of City Planning has written to the WLA asking for conformation of this approach. He reiterates TfL's commitment to the WLO and to taking it forward and confirms that they will continue to dedicate staff time to move the scheme forward. They estimate the value of this staff time to be at least £125k over the six-month period of the next phase of work. They state that they would not make major changes to the team working on the project without informing the WLA in advance and would ensure that the amount of "in kind" match funding does not go below a level that would cause difficulties with the terms of the SIP funding (which was based on expected levels of "in kind" support over the project as a whole). They will also provide all the information the WLA will require to meet the SIP monitoring requirements. Should this arrangement be approved this Board would receive regular reports on the funding situation as part of this standing agenda item.
- 3.5 The Board's approval is sought for these arrangements.

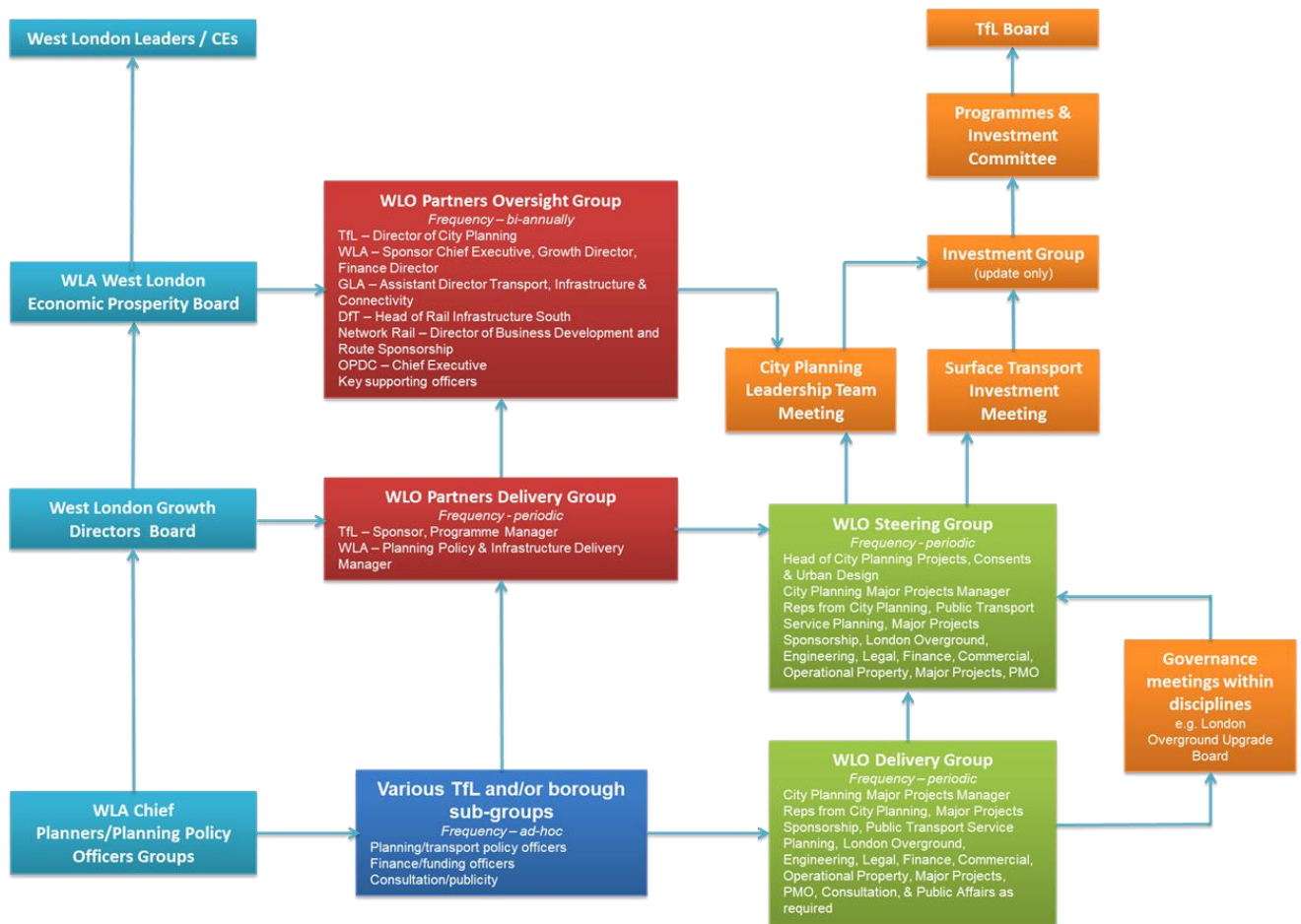
4. GOVERNANCE

- 4.1 The discussions about funding work on the WLO have reinforced the need for robust governance arrangements reflecting the joint nature of the project and

that funding secured and administered by the WLA will be vital to it proceeding. This will also be important in making bids for grant funding.

4.2 The proposed arrangements are shown in the diagram below. This shows the relevant WLA governance structures on the left and those within TfL to the right. The proposed joint governance arrangements are shown in the middle. These comprise:

- A high-level WLO Partners Oversight Group which would be jointly led by the WLA Chief Executive sponsor of the project (Niall Bolger) and TfL's Director of City Planning (Alex Williams) with representation from West London boroughs; the WLA; the GLA and Old Oak/Park Royal Development Corporation; Network Rail; and from the Department for Transport and Ministry of Housing, Communities and Local Government. This will provide high-level oversight of the project and ensure effective use of the funding provided in accordance with the SIP funding agreement with the City of London Corporation. It is proposed that this will meet at least twice yearly, more frequently if required.
- A more operationally-focussed WLO Partners Delivery Group comprising those leading on the project day-to-day at TfL and the WLA. This will provide detailed oversight of the project, including commissioning consultants and overseeing their work. It will also support the work of the Partners' Oversight Group. This will meet more regularly (at present not less than fortnightly).



- There is also provision for joint sub-groups to deal with specific aspects of the projects. There is an existing group of planning and transport policy officers that meets periodically; going forward there would be value in having groups considering funding and financing issues and overseeing forthcoming public consultation.

4.3 As shown in the diagram, these arrangements would sit within the existing WLA governance structure. This Board would continue to receive regular updates on the work as a standing agenda item.

4.4 The Board's approval is sought for these proposed arrangements.

5. REASONS FOR RECOMMENDATIONS

5.1 Projections of the London population and economy into the 2030s and 2040s show that transport and other infrastructure is likely to become an increasing constraint on growth. There are already issues of poor orbital connectivity and congestion across West London; over time these will reduce the scale of growth possible on a sustainable basis and undermine the sub-region's

competitiveness, social outcomes and quality of life. So far, the impacts of the Pandemic are not expected to make a significant difference to this.

- 5.2 The recommendations in this report are part of a strategic approach to addressing these issues, including by providing a much-needed item of transport infrastructure connecting places where existing and new communities will live and work. They are intended to ensure delivery of the WLO project in a transparent, cost-effective manner.
- 5.3 The impact of the Pandemic on Transport for London's finances means that without funding from the WLA, the WLO would not proceed. The recommendations in this report address this situation. They also propose robust governance arrangements appropriate to a joint project of this kind and to ensure accountability and that best value is being achieved in the use of public resources.

6. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 6.1 The work done to prepare the business case for the WLO has examined all the alternative options for making orbital journeys across West and north-west London that might deliver the three strategic options of enabling new homes and jobs; improving orbital transport connectivity; and enhancing public transport capacity in West London to tackle congestion and ensure resilience as the population grows. The WLO proposal reflects the outcome of that analysis.
- 6.2 As far as the funding proposals in this report are concerned, the resources involved from the SIP were granted to support development of the WLO and cannot be used for any other purpose. Not providing the level of funding proposed at this stage would be likely to result in the project being postponed or possibly cancelled.
- 6.3 The governance proposals in this report are intended to be sufficiently robust to ensure accountability, transparency and best value in the use of public resources – while also being sufficiently flexible to respond to changing circumstances. Not having an agreed governance structure would increase risk to both the WLA and TfL.

7. POST DECISION IMPLEMENTATION

- 7.1 The project development programmes will be refined and defined in further detail in the light of the outcome of the various strands of work identified in this report.
- 7.2 If the funding and governance arrangements proposed in this paper are approved, WLA staff will work with their TfL counterparts to put in place arrangements for transferring funds and establishing the proposed

governance structures. A memorandum of understanding with TfL governing the SIP funding is being drawn up and this will be concluded to reflect the Board's decision.

8. IMPLICATIONS OF DECISION

8.1 Corporate Priorities and Performance

The West London Alliance's Growth Strategy "Winning in the New Economy" Vision for Growth identifies enabling the delivery of transport infrastructure, including the West London Orbital, to unlock development potential as a priority.

8.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

Delivery of the WLO will require significant resourcing should it progress. This will be sought from a variety of sources. As this report explains, a funding study is under way to identify these and the steps required to realise them.

This report sets out proposed arrangements to fund work on the WLO from SIP funding secured by the WLA.

8.3 Social Value

The proposals set out in this report support improved health and wellbeing outcomes for West London's people and the enhanced competitiveness and success of its businesses by providing greater connectivity and cutting congestion. Better orbital public transport will improve air quality and other environmental issues. In particular, the WLO will reduce the level of pollution travellers are exposed to compared to equivalent journeys by road. It will improve journey times, giving greater access to better paying jobs and so boosting disposable incomes. It will also enable people living in areas of higher deprivation and lower incomes to access the 100,000 new jobs expected to be created in major regeneration opportunities at Brent Cross, Old Oak/Park Royal, Wembley and Hounslow.

8.4 Legal and Constitutional References

This work falls within the following sections of the WLEPB's Functions and Procedure Rules:

- Representing the participating local authorities in discussions and negotiations with regional bodies, national bodies and central government on matters relating to economic prosperity for the benefit of the local government areas of the participating authorities.
- Representing the participating authorities in connection with the Greater London Authority, London Councils and the London Enterprise Panel, for

the benefit of the local government areas of the participating authorities, in matters relating to the economic prosperity agenda.

- Representing the participating local authorities in discussions and negotiations in relation to pan-London matters relating to economic prosperity.

The Joint Committee's role and purpose on behalf of the Participating Boroughs relates to ensuring appropriate, effective and formal governance is in place for the purposes of delivering the West London Growth Strategy and advancing Participating Boroughs' aspirations for greater economic prosperity in West London, including promoting "the Economic Prosperity Agenda", in partnership with employers, representatives from regional and central government, and education and skills providers.

The purpose of the Joint Committee will be collaboration and mutual cooperation and the fact that some functions will be discharged jointly by way of the Joint Committee does not prohibit any of the Participating Boroughs from promoting economic wellbeing in their own areas independently from the Joint Committee. The Joint Committee is not a self-standing legal entity but is part of its constituent authorities. Any legal commitment entered into pursuant to a decision of the Joint Committee must be made by all of the Participating Boroughs.

8.5 Risk Management

The risk of not taking early action to improve connectivity across West London is that growth will be lower and of a poorer quality than would otherwise be the case – resulting in fewer new homes and jobs for a growing population, a smaller tax base and lower investment and quality of life than would otherwise be the case.

Given TfLs current budgetary position, the risk of not providing funding for work on the WLO is that the project would be postponed or cancelled.

The governance arrangements proposed in this report are intended to help manage the risks involved in the WLA and its constituent boroughs jointly promoting the WLO and providing funding towards the cost of this work.

8.6 Equalities and Diversity

This work currently has no direct equality or diversity implications. If delivered, however, the WLO would connect many of the sub-region's most deprived communities with employment opportunities and growth areas. This will enable them to access job and other opportunities at a lower cost and more quickly than would be possible by other forms of public transport or the private car. There is a high-level Equalities Impact Assessment for the project, reflecting the stage which it has reached. More detailed assessments would be carried out as the project proceeds to formal approval.

8.7 Consultation and Engagement

This work does not currently involve public consultation, although as the report explains this is something that will take place in the next stages of business case development. All West London boroughs, the GLA, TfL and the Old Oak/Park Royal Mayoral Development Corporation and representatives of local businesses have been engaged with development of the project to date. As the project moves towards the point at which public consultation will be required a full community engagement and consultation plan will be developed by TfL and the boroughs.