



Department for Transport

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Dear Mr Clarke,

CROXLEY RAIL LINK - FULL FUNDING APPROVAL

Further to my letter of 30 March officials in the Department and Transport for London have been discussing one of the funding conditions attached to the Department's offer of grant funding.

In the light of those discussions, we have agreed to amend the wording of condition (f) which now reads as follows.

- f) Transport for London will assess in good faith and agree with the Department, by the end of June 2015, the viability of the infrastructure accepting the operation of national rail DMUs (Class 165, 168, 170 and 172 up to six-cars in length), recognising DfT and stakeholders have a medium term aspirations for a service of 2 train per hour from Watford Junction to Rickmansworth, Aylesbury (and beyond). This assessment will include identifying and using any "cost neutral" options or opportunities for design modifications which could be made as well as identifying any additional costs associated with making the route suitable for DMUs. DfT recognise that any additional costs that might be identified have not been provided for within the agreed funding package. Transport for London will ensure DfT has adequate opportunity to review the findings of the assessment prior to commencement of construction of the scheme.

For clarity the complete revised text of the Department's funding offer is set out in the annex to this letter.

Please provide written confirmation that the Greater London Authority and Transport for London agree to the revised terms set out in the annex to this letter.

Yours sincerely

Stephen Fidler
Deputy Director: Local Transport Funding, Growth & Delivery

Annex - Revised Text of DfT Funding Letter

Following on from discussions between DfT, Transport for London (TfL), London Underground Limited, the Hertfordshire Local Enterprise Partnership (Herts LEP) and Hertfordshire County Council (HCC); and following HM Treasury consent (a) to the scheme and (b) to Transport for London increasing its borrowing by limit by £30.5m; I am writing to confirm the funding arrangements for the Croxley Rail Link scheme.

The project will be funded to TfL's P50 cost estimate of £284.4m. This cost estimate includes costs to date incurred by HCC.

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

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

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.

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.

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.

Ministers have agreed to provide total funding from the Department for Transport of £180.52m¹ towards the scheme. Funding will be paid as capital and resource grant under Section 31 of the Local Government Act 2003.

The Department is able to make available the following indicative funding profiles. These will be confirmed, or amended as necessary, once TfL have produced a detailed programme and budget profile for delivering the scheme. Any amendment will be subject to the amounts being affordable within the Department's annual budgets. The profiles will be subject to review on an annual basis:

¹ 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".

Year	Grant to GLA (£m)		Grant to HCC (for Herts LEP) (£m)		TOTAL (£m)
	Capital	Resource	Capital	Resource	
2014/15	5.00	5.00	0.00	24.00	34.00
2015/16	45.20	0.00	4.00	0.00	49.20
2016/17	31.00	0.00	16.50	0.00	47.50
2017/18	13.62	0.00	16.20	0.00	29.82
2018/19	10.00	0.00	10.00	0.00	20.00
TOTAL	109.82		70.70		180.52

I will write to the Chief Finance Officers of the Greater London Authority and Hertfordshire County Council (as Accountable Body to the Hertfordshire LEP) shortly with a formal letter of grant under Section 31 of the Local Government Act 2003.

In addition to those terms and conditions contained in the formal annual letter of grant, payment of the grant is also subject to the following:

- a) The Mayor is required to transfer the grant to Transport for London forthwith.
- b) Hertfordshire County Council and Transport for London will conclude an agreement on the detailed arrangements for payment of a £128.08m local funding contribution to the project;
- c) The scheme will deliver the following outputs:
 - a viaduct and embankment linking the current Metropolitan line south of the existing Watford terminus to the disused rail alignment between Croxley and Watford High Street;
 - reinstatement of double track on the disused Croxley alignment, including a new junction with the Watford Junction to London Euston DC route at Watford High Street;
 - work to bring the bridges, cuttings and embankments on the disused Croxley alignment into operational use ; and
 - new stations at Cassiobridge and Watford Vicarage Road.
- d) The scheme will provide for the operation of at least 6 trains an hour during the peak running between Watford Junction and Baker Street and 4 trains per hour off-peak servicing the Watford High Street Station and the new stations.
- e) The Metropolitan Line services will share the track and station access with National Rail Network DC line services operating between Watford Junction and London Euston, from south of Watford High Street Station to Watford Junction Station.
- f) Transport for London will assess in good faith and agree with the Department, by the end of June 2015, the viability of the infrastructure accepting the operation of national rail DMUs (Class 165, 168, 170 and 172 up to six-cars in length), recognising DfT and stakeholders have a medium term aspirations for a service of 2 train per hour from Watford Junction to Rickmansworth, Aylesbury (and beyond). This assessment will include identifying and using any "cost neutral" options or opportunities for design modifications which could be made as well as identifying any additional costs associated with making the route suitable for DMUs. DfT recognise that any additional costs that might be identified have not been provided for within the agreed funding package. Transport for London will ensure DfT has adequate opportunity to review the findings of the assessment prior to commencement of construction of the scheme.
- g) Transport for London will work to a target in service date of 2019 for the Rail Link.

- h) Transport for London will be solely responsible for meeting any expenditure over and above the approved project budget cost of £284.4m.
- i) Scrutiny of the project, will be undertaken in the same way as for other schemes in the TfL Investment Programme, by the Independent Investment Programme Advisory Group.
- j) Transport for London and/or London Underground Limited will agree reporting arrangements with the Department for Transport, Hertfordshire County Council, Watford Borough Council and the Hertfordshire Local Enterprise Partnership to ensure that key local stakeholders are regularly kept informed of progress in delivering the scheme. This will include arrangements for reporting to the Watford Regeneration and Growth Board and the Local Enterprise Partnership.
- k) Transport for London will enter in to an agreement with Hertfordshire County Council to ensure 'Good Neighbour Commitments' and other local commitments (including those covered in the Transport and Works Act Order) continue to be delivered.
- l) The Hertfordshire Local Enterprise Partnership will formally confirm the increase in the LEP's funding contribution – from £50.5m to £87.85m – by no later than 30 April 2015.

The Department reserves the right to suspend payment of Section 31 grant, and/or to adjust other grant payments to the Authority to reflect funding already paid if, at any time, it appears to the Department that there has, or may have, been any failure by the Authority, Transport for London or London Underground Limited to observe any of the Grant Conditions.

The information contained in this letter and the attached documents should be brought to the attention of all relevant staff in the GLA, Transport for London and London Underground Limited.

Please provide written confirmation that the GLA and Transport for London agree to the terms set out in this letter.

If you have any queries about the contents of this letter or the attached grant terms and conditions, please contact Robert S Fox either by phone on 020 7944 2245 or by e-mail at robertS.fox@dft.gsi.gov.uk

I am copying this letter for information to Tim Steer (GLA), Neil Perrins and David Hughes (TfL), Rob Smith (HCC), Neil Hayes and Joan Hancox (Herts LEP), Louise Morgan (BIS) and Robert Fox and Rupert Furness (DfT).