1. **Summary**

1.1. An extension to the existing London Trams network has been a priority of both Sutton and Merton Council for over 20 years. In July 2017 the Mayor of London asked Transport for London (TfL) to investigate opportunities for an extension to Sutton with a view to submitting a Transport Works Act Order (TWAO) application if funding for the project can be identified. The London Borough of Sutton (LBS), in partnership with TfL and the London Borough of Merton (LBM), has embarked on the option assessment and further development of the scheme and as such LBS needs to reaffirm its commitment to the project.

2. **Recommendations**

The Housing, Economy and Business (HEB) Committee is recommended to:

2.1. Note progress to date on the tram extension (Sutton Link) programme for submission of a potential Transport & Works Act Order (TWAO) application.
2.2. Agree to enter into a Memorandum of Understanding (MoU) with TfL and LBM, and to delegate authority to the Strategic Director of Environment, Housing and Regeneration, in consultation with the Chair of the Housing, Economy and Business Committee, to sign the final MoU.

2.3. Agree the Sutton Link Governance Structure as set out in Appendix C.

2.4. Agree to support TfL’s option consultation across Sutton and Merton.

2.5. Agree to review all options to identify a viable funding package for the scheme.

2.6. Reaffirm Sutton’s commitment to the tram extension (Sutton Link) project.

3. Background

3.1. The lack of public transport investment in Sutton has meant that an extension of the London Trams network to Sutton has been a priority of both Sutton and Merton Councils for over 20 years. Extension of the tram network will make a major contribution to the economic well being of the Borough, as well as providing wider economic opportunities to local residents.

3.2. Since 2013, LBS and LBM have been working in collaboration with TfL, to undertake the necessary feasibility work to deliver the extension. In 2017, TfL publicly committed £70m funding and to undertake the necessary feasibility works required to deliver a potential TWAO application, subject for delivery funding of the scheme being identified, which is necessary to gain consent to deliver the scheme. TfL also allocated a further £9m of funding to support this project development work.

3.3. The tram scheme has been reported to the Housing, Economy and Business (HEB) Committee via Opportunity Sutton Review Reports. However, given the commitment from the Mayor to undertake the necessary work required to support a potential future TWAO application, this report updates the HEB Committee and seeks approval for key decisions required to deliver the scheme.

The Benefits

3.4. Extending the London Trams network to Sutton is a significant step in addressing the lack of public transport investment in this part of outer London. In Sutton, 80% of residents live in an area with a Public Transport Accessibility Level (PTAL) of 0-2 (Very Poor - Poor). A study carried out by the previous Deputy Mayor for Transport, Val Shawcross, in 2014 called “Tackling Poverty: One Bus Ride Away”, showed that deprivation becomes progressively worse as public transport accessibility worsens. The report found that in areas with poor access to public transport it is more difficult for residents to access education, training and employment, making it more difficult for residents to progress to better-paid work. In addition, 70% of households in Sutton have access to at least one car, which is the 4th highest rate in London, exacerbating congestion on the borough’s roads.
3.5. The previously assessed route (an on-street alignment from Morden Road to Sutton Station, via St Helier Hospital, see appendix A) would improve access to public transport for c59,000 people in some of Sutton and Merton’s most deprived wards. It will facilitate better connections between key interchange stations such as Sutton (National Rail Services), Morden (Northern Line) and Wimbledon (National Rail Services and the District Line). This provides access to a wider range of employment and leisure opportunities for residents across South London.

3.6. Work to date has suggested that the tram has the potential to catalyse significant economic growth and regeneration across the boroughs of Sutton and Merton. The extension to the Sutton Town Centre has been identified as being able to generate an additional £500m in Gross Value Added (GVA) as well as create 2,000 temporary construction jobs plus more than 10,000 additional long-term jobs. A future extension to the London Cancer Hub (LCH) in Belmont could unlock the development’s full potential creating 13,000 new jobs and contributing £1.2bn to the UK economy every year.

3.7. Trams are electric and do not cause local air pollution. Their introduction would therefore contribute to Sutton’s carbon reduction targets and the Mayor’s target of London becoming a zero carbon city by 2050. Furthermore, they are a quieter mode of transport in comparison to heavy rail and diesel buses, as there is less engine noise.

3.8. Trams are an accessible mode of transport, with step free access onto vehicles and wide doors to allow easy access for wheelchairs and those with mobility issues.

**The Programme**

3.9. A high level programme for the delivery of the tram extension (Sutton Link) is contained within Appendix B. The first stage of the TWAO process was for TfL, Sutton and Merton to agree the scheme’s objectives, which are set out below:

- Improve public transport capacity and reliability.
  - Enable modal shift by improving public transport capacity and quality of service that caters for forecast growth with interventions that provide higher frequency, improved journey times and greater reliability whilst being affordable and offering value for money.

- Improve connectivity within Sutton and Merton and with central London.
  - Improve access to jobs, services, major transport hubs and leisure opportunities, enabling greater participation in social activity from those in currently deprived neighbourhoods.

- Supports good growth.
  - Support the delivery of new housing, new employment floorspace and new jobs by maximising the potential of Opportunity Areas and intensification of land use through improved public transport provision. Provide the flexibility to support the realisation of potential long-term development opportunities.
● Provide safe, secure and accessible transport.
  ○ Deliver improvements which create a safe and secure transport network for pedestrians, cyclists, other road users and public transport, supporting the Mayor's Vision Zero policy. Enhance the physical accessibility of the transport network, considering the Healthy Streets approach.

● Support the delivery of mode shift to public transport and environmental priorities.
  ○ Support the delivery of the Mayor's strategic target of more trips in London being made by foot, cycle or public transport. Deliver improvements that support the Mayor’s priorities for air quality and carbon emissions.

● Support the vitality and performance of town centres in Sutton and Merton.
  ○ Support the role and function of Sutton as a metropolitan centre. Improve the vitality and attractiveness of the less well-performing district centres in Sutton and Merton.

3.10. Following the agreement of the objectives, a thorough review of all potential options to meet the objectives was undertaken. To reflect that this process considered more than just tram options and that there was no actual or perceived predetermination on mode before this assessment has taken place, TfL has renamed the scheme the Sutton Link project. The Council’s preference remains for investment in a tram over any other mode. Details of the option review are outlined in paragraph 5 of this report (Options Considered).

3.11. A public consultation is planned to commence on 16 October 2018 and run for 8 weeks, closing on 11 December 2018. The consultation will present the three most viable route options. Following the public consultation, a preferred option will be confirmed, developed and consulted on again in Summer 2019. Subject to the outcome of the consultation and further feasibility studies, a TWAO application could be submitted in 2020, subject to funding being identified. There would then be a public inquiry and a Secretary of State decision. Subject to the outcome, construction could commence in late 2022, with the project completion in late 2025. However, this process is reliant on identifying a viable funding package.

Funding

3.12. Depending on the option taken forward it is estimated that costs will be between £250m - £450m. TfL has committed £70m from the Growth Fund, with a £30m contribution being potentially available from TfL beyond their current Business Plan period. A further £9m has been allocated to TfL towards project development. LBS has previously identified a potential financial contribution to the construction project of £24.5m, plus a further £20.9m in safeguarded land, as follows:

● **£0.6m** in Borough wide Community Infrastructure Levy (CIL), based on 20% of CIL from new development across the borough allocated to the project.

● **£9.7m** in Sutton town centre CIL, based on 50% of CIL from new development within Sutton TC allocated to the project.
- **£10.8m** in Business Rates supplement, applicable to businesses with a rateable value of over £50,000 pa.

- **£3.4m** in Council Tax from new development, based on 50% contribution of Council Tax from new development.

- **£20.9m** in safeguarded land at the Gasworks and Sutton Point developments.

- **Total £24.5m (£45.4m including safeguarded land)**

3.13. LBS’s potential funding contribution was calculated using analysis undertaken in a report by Ernst and Young in 2013. However, a recent review has flagged issues over the original CIL and Business Rate Supplement assumptions. The level of CIL being collected in Sutton has proved lower than originally anticipated. Furthermore, since 2013, the Mayor has implemented a London wide Business Rate supplement, thus making the introduction of a local Business Rate supplement potentially overly burdensome for local businesses. LBS officers have therefore been working with TfL to explore new options in order to maintain Sutton’s original funding commitment.

3.14. LBS Strategic Planning team have commenced a review of the borough’s CIL charges and apportionment of CIL receipts overall. The review will consider whether CIL charges should continue to rise in line with inflation or whether a new charging schedule is appropriate. These findings will be presented in a CIL report to the Strategy and Resources Committee in October 2018.

3.15. In addition to the LBS contribution, LBM have agreed a contribution of £9.2m towards the tram extension. The total identified funding package from TfL, LBS and LBM is £112.7m - £142.7m. There is therefore a significant funding gap. In order to plug this gap TfL, LBS, and LBM have been investigating new and innovative sources of funding. These include sources identified in the Mayor’s Transport Strategy (MTS), including locally derived sources.

**Governance**

3.16. In order to ensure the successful outcome of the TWAO application, a partnership governance structure has been proposed as set out in Appendix C.

3.17. It is proposed that a Strategic Steering Group be established, with senior representatives from TfL, LBS, LBM and the GLA. The Strategic Steering Group will guide the project, ensuring that the scheme continues to meet the aspirations of all key stakeholders. An already established, Officer Working Group will continue to work under the oversight of the Strategic Steering Group to maintain regular liaison between the parties. Political oversight will be given by the Political Group, comprised of the Deputy Mayor for Transport and Leaders of LBS and LBM.

3.18. The proposed joint governance structure links to TfL’s, LBS’s and LBM’s own internal decision making processes. LBS will continue to give regular updates to the Tram Steering Group, with formal decisions being taken at the Housing, Economy and Business Committee.
Memorandum of Understanding

3.19. To formalise the current working relationship between TfL, LBS and LBM, it is proposed that each party enter into a joint Memorandum of Understanding (MoU) which, while not legally binding, reaffirms all parties’ commitment to the scheme. It is proposed that the MoU is signed prior to the launch of the public consultation in October 2018.

Public consultation

3.20. In 2014, LBS and LBM carried out a public consultation exercise which received over 10,000 responses. 84% of respondents supported or strongly supported the tram proposals, with 11% objecting or strongly objecting to the proposals. The remainder of respondents either didn’t know or had no strong preference.

3.21. For a TWAO application to be successful, it is essential to demonstrate that the views of the public and stakeholders have been taken into account during the option selection process. As it has been 4 years since the previous consultation, it is essential to have a current understanding of the public’s view for it to be considered valid by a Planning Inspector.

3.22. It is proposed that TfL lead on the consultation process across Sutton and Merton. The consultation is planned for 8 weeks, commencing on October 16th 2018 and closing on December 11th 2018. However these dates are subject to change. The consultation will present the three most viable route options. The consultation will also include tram and Bus Rapid Transit (BRT) options. Further explanation of BRT is included in paragraph 4.5 of this report. Consultation events will be held at key locations in Sutton and Merton. Poster boards will display key information, with factsheets available to help answer likely questions. Respondents will be encouraged to use the online consultation platform, but paper questionnaires will be available for those without internet access.

3.23. TfL will appoint a company to analyse the results of the consultation. A consultation report will be produced in early 2019 and will be followed by a TfL report responding to issues raised. For further information on the consultation, see attached the consultation plan in Appendix D.

3.24. Subject to the outcome of the consultation, and technical feasibility studies, it is proposed to undertake a public consultation on the preferred option in Summer 2019.

4. Issues

Funding

4.1. As stated above, there is a significant funding gap between those funds allocated by TfL, LBS and LBM and the scheme’s capital costs. In order to submit a successful TWAO application, a viable funding package must be identified. As stated in paragraph 3.15 TfL, LBS, and LBM are exploring new sources of funding such including those identified in the MTS. In addition, the Housing Infrastructure Fund 2 (HIF2) has been identified as a potential funding source.
4.2. There is no formal commitment from Government that there will be a second round of the Housing Infrastructure Fund (HIF), although TfL has advised that a tram extension would be an ideal candidate for HIF2 funding, should it come forward. The previous round of HIF funding was for up to £250m per project; assuming the second round is similar this could present a substantial funding source.

**Bus Rapid Transit**

4.3. The option review process has identified a new Bus Rapid Transit (BRT) route as an alternative to the tram extension as it would deliver the scheme’s objectives and could potentially be delivered more quickly and more cheaply. Whilst the benefits of a BRT scheme could be similar, it is likely that the BRT system will have a higher operating cost. Providing an equivalent BRT service is still a major scheme; it requires a similar level of segregation from general traffic, vehicle quality to match tram options and more frequent services as vehicles have a lower passenger capacity.

5. **Options Considered**

5.1. To ensure that a potential future TWAO application is successful, a thorough options review has been undertaken.

5.2. An initial long list of 185 options were developed by TfL’s appointed consultants TfL, LBS and LBM officers. These were refined through a series of assessments (including against the project objectives and technical feasibility), leaving five options, across three different routes.

5.3. Some of the options that were discounted as part of the review process include an extension of the Northern Line to Sutton and providing a Crossrail 2 branch to Sutton. Both were discounted as it would cause disruption to existing Northern Line/future Crossrail 2 services, there would be high costs as new platforms would be required at Sutton Station and the benefits would not outweigh the costs.

5.4. The five options have been assessed against the Department for Transport’s ‘WebTAG’ business case and option appraisal guidance which uses a five-case model (strategic, economic, financial, commercial and management cases).

5.5. Five options will be publicly consulted on to ensure all stakeholder views have been taken into account. They include one tram only option, following the existing Wimbledon to Sutton Railway line, and two on-street options that terminate at either South Wimbledon or Colliers Wood. The on-street options could be either a tram extension or a BRT route.

6. **Impacts and Implications**

   **Financial**
6.1. At this point a significant funding gap for the scheme as a whole exists and options for addressing this are being explored with TfL and LBM. These are detailed in the report and require further assessment to test whether they are viable options and what other funding sources may be available to the scheme.

6.2. The funding sources identified for the LBS contribution to the scheme were first put forward in 2013 but now need to be considered in light of the current context of Local Government Funding and recent changes to Business Rates retention in London. LBS are currently part of a London wide business rates pool but it is not yet certain whether this will continue for one more year or for a longer period of time. Participation in a pool changes our ability to ringfence business rates locally but may provide additional opportunities to bid for funding through the Strategic Investment Fund created by the pool.

6.3. A Memorandum of Understanding will reaffirm Sutton’s commitment to Sutton Link but will not commit the Council to significant expenditure at this stage. Existing staffing resources will be required to continue working with our partners throughout the consultation and options appraisals.

**Legal**

6.4. An order made under the Transport and Works Act 1992 is the usual way of authorising a new railway or tramway scheme in England and Wales. Applications for TWA orders are made, in England, to the relevant Secretary of State. The TWA does not limit who can apply for an order. This can be private companies and public authorities. Typical TWA order applicants are passenger transport executives, TfL, local authorities, private operators of heritage and leisure railways, and private companies wanting to develop guided transport schemes or works that interfere with navigation rights. Applications for TWA orders, and objections to them, must follow the Transport and Works (Applications and Objections Procedure) (England and Wales) Rules. The Rules specify the documents which must be sent with an application. The procedure that has to be followed allows any interested person to have their say before the Secretary of State. But schemes that are sent for approval under the TWA can also give rise to objections from people whose property or business is affected, or who may be concerned about the effect on the local environment. The purpose of the procedure is to allow the Secretary of State to come to an informed view on whether it is in the public interest to make the TWA order.

6.5. At this stage there are no legal implications arising for Sutton from this report. However, the following should be noted:

- That notwithstanding TfL intend to make an application under the TWAO process, subject to a viable funding package being identified. Prior to TfL's submission of the TWAO there is likely to be a requirement for the Council to enter into a binding agreement to support TfL's application and to formalise the Council's funding contribution. There will also be a requirement for property advice, including compulsory purchase. TfL have appointed Pinsent Masons to provide legal support in this project.
However, the Council may wish to consider obtaining independent legal advice with regards these areas nearer the time.

- Legal advice will need to be sought by the Council with regards the Memorandum of Understanding referenced at para 3.23 and 3.24 before it is entered into.

6.6. With regards the proposed consultation the following principles will be followed:

   (i) Consultation should be clear and concise
   (ii) Consultations should have a purpose
   (iii) Consultations should be informative
   (iv) Consultations are only part of a process of engagement
   (v) Consultations should last for a proportionate amount of time
   (vi) Consultations should be targeted
   (vii) Consultations should take account of the groups being targeted
   (viii) Consultations should be agreed before publication
   (ix) Consultations should facilitate scrutiny
   (x) Responses to consultation should be published in a timely fashion

7. **Appendices and Background Documents**

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<td>Appendix A</td>
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**Background documents**

N/A

**Audit Trail**

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**Consultation with other officers**

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