

REQUEST FOR MAYORAL DECISION – MD2506

Title: Crossrail funding update and precautionary changes to GLA Facility Agreement

Executive Summary:

The Crossrail project is jointly sponsored by the Department for Transport (DfT) and Transport for London (TfL), with support from London's business community. The Mayor and TfL's focus remain on supporting and monitoring Crossrail Limited (CRL) as they complete the final infrastructure and testing in order to get the Elizabeth line safely and reliably into passenger service at the earliest opportunity.

Under MD2398, the Mayor approved a long-term financing and funding solution for the completion of the Crossrail project that superseded the arrangements approved under MD2383. As part of this solution, the GLA has entered into a £1.3bn Facility Agreement with the Secretary of State for Transport as Lender.

This Mayoral Decision Form seeks approval for, if required before four weeks after the CRL Board meeting on 12 September 2019, precautionary administrative measures to be put in place relating to the Facility Agreement in order to continue to facilitate ongoing drawdowns of the loan arrangement and to delegate authority to Officers to agree (after consultation with the Chief of Staff) the terms of such administrative arrangements.

Decision:

That the Mayor:

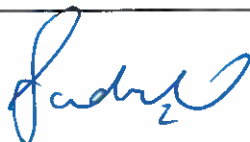
- 1) Agrees for administrative precautionary measures to be put in place if necessary, until four weeks after the CRL Board meeting on 12 September 2019, relating to the Facility Agreement entered into between the GLA as Borrower and the Secretary of State for Transport as Lender on 1 February 2019 in order to continue to facilitate ongoing drawdowns of the loan arrangement; and
- 2) Delegates to the Executive Director of Resources (and in his absence to the Assistant Director Group Finance) authority to agree (after consultation with the Chief of Staff) the terms of such administrative arrangements relating to the Facility Agreement in order to continue to facilitate ongoing drawdowns of the loan arrangements.

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:

27/7/19

PART I – NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1. The Crossrail project (the Project) is jointly sponsored by the Department for Transport (DfT) and Transport for London (TfL) with support from London's business community. Once operational it will be known as the Elizabeth line, connecting stations such as Paddington to Canary Wharf in only 17 minutes, transforming how Londoners and visitors move across the capital. The new railway will bring an extra 1.5 million people to within 45 minutes of central London and more than 200 million passengers are expected to use it every year.
- 1.2. The Mayor and TfL's focus remain on supporting and monitoring Crossrail Limited (CRL) as they complete the final infrastructure and testing to complete their work in order to get the Elizabeth line safely and reliably into passenger service at the earliest opportunity. CRL is the "nominated undertaker" for the purposes of the Crossrail Act 2008 and is a wholly owned subsidiary of TfL.
- 1.3. Under MD2398, the Mayor approved a long-term financing and funding solution for the completion of the Crossrail project that superseded the arrangements approved under MD2383. The long-term solution approved under MD2398 includes the payment of up to £1.4 billion by the GLA to TfL by means of capital grant under section 120 of the Greater London Authority Act 1999, funded largely by the GLA borrowing directly from the Government. In February 2019 the GLA entered into a £1.3 billion Facility Agreement with the Secretary of State for Transport as Lender (GLA Facility Agreement). The GLA is also providing £100m from GLA Supplementary Business Rate Receipts. Under the long-term solution, TfL also entered into a facility agreement of up to £750m with the Government. The long-term financing and funding solution and associated arrangements approved under MD2398 continue to apply.
- 1.4. CRL announced on 25 April 2019 that it expected to open the central section within a six-month window with a midpoint at the end of 2020. CRL advised TfL at the date of such announcement that the capital costs to complete the central section of the Project were expected to remain within the long-term funding and financing solution approved in December 2018.
- 1.5. The Community Infrastructure Levy (Amendment) (England) Regulations 2019 came into force in May 2019. These regulations amend regulation 60 of the Community Infrastructure Levy Regulations 2010, enabling until 31 March 2033, where the GLA or TfL has borrowed money for the purposes of, or in connection with, the provision of the scheduled works within the meaning of Schedule 1 to the Crossrail Act 2008, the Mayor to apply MCIL to repay that money and any interest.
- 1.6. MD2398 delegated to the Executive Director of Resources authority to negotiate, execute and complete all documentation he considered necessary or expedient for the purposes of implementing the capital funding and financing solution for the completion of the Crossrail project set out in that MD. The GLA Facility Agreement is a part of that capital funding and financing solution and this agreement has now been entered into.
- 1.7. Under the agreed funding arrangements every four weeks CRL must provide certifications which are required to enable continued availability of funds from DfT under the GLA Facility Agreement. If the certifications are not provided this causes a "draw stop" event under the terms of the Facility Agreement. This would mean that the GLA would be unable to continue to draw on the loan to pass to TfL as grant. TfL would then be unable to pass funds to CRL to continue with the Crossrail Project.

- 1.8. CRL is in the process of preparing a revised cost forecast including provision for risks (in a new Delivery Control Schedule) following the production of a revised schedule for the project. This is expected to be presented to its Board at their August or September meetings.
- 1.9. On 18 July 2019, CRL provided the latest certification that the Crossrail Project can be completed within the funds that Sponsors have agreed to provide. However, until the Delivery Control Schedule is completed (which could take until September), CRL cannot rule out that the cost to complete the project could be more than the agreed funding. Therefore, discussions are taking place between the GLA, TfL and the DfT on precautionary administrative measures that will enable the Facility Agreement to continue as intended in the short term, in the event that CRL is unable to provide the necessary certifications. These precautionary measures are essential to ensuring that CRL maintains sufficient liquidity to continue with the project, whilst further required funding sources and/or scope reductions are identified.
- 1.10. This Mayoral Decision Form seeks approval for the Mayor to agree for precautionary administrative measures to be put in place relating to the Facility Agreement should the need arise between the date on which the decision is taken and four weeks after the CRL Board on 12 September 2019, in order to continue to facilitate ongoing drawdowns of the loan arrangement and to delegate authority to Officers to agree (after consultation with the Chief of Staff) the terms of such administrative arrangements.
- 1.11. The timeline of four weeks after the CRL Board on 12 September 2019 has been chosen to cover the likely conclusion of CRL's work on the Delivery Control Schedule and to give officers sufficient time to conclude revisions to the Facility Agreement. It should be noted that changes to the Facility Agreement would be intended to apply beyond the timeline of four weeks after the CRL Board on 12 September 2019.

2. Objectives and expected outcomes

- 2.1. The proposed decision and delegation will allow arrangements to be put in place if required between the date of this decision and four weeks after the CRL Board on 12 September 2019 enabling the continuity of drawdowns under the GLA Facility Agreement.

3. Equality comments

- 3.1. Under Section 149 of the Equality Act 2010, as a public authority, the Mayor of London must have 'due regard' of the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who have a protected characteristic and those who do not.
- 3.2. There are no direct public sector equality duty implications arising from this Decision.

4. Other considerations

- 4.1. None.

5. Financial comments

- 5.1. The financial comments set out in MD2398 remain applicable. Any financial implications arising from the exercise of the recommended decision and delegation will be set out in the relevant Director's Decision.

6. Legal comments

- 6.1. The GLA's principal purposes, under section 30 of the Greater London Authority Act 1999 (GLA Act), are to promote economic development and wealth creation, promote social development, and the improvement of the environment, all in Greater London. The GLA has power to do anything which it considers will further any one or more of its principal purposes. Under section 34(1) the GLA may do anything it considers will facilitate or is conducive or incidental to the exercise of the section 30 principal purposes. Pursuant to the scheme of delegation under 'Mayoral Decision- Making in the Greater London Authority,' the Mayor can make the decision and delegate authority to Senior Members of Staff.

7. Planned delivery approach and next steps

Activity	Timeline
Changes as may be required to arrangements relating to GLA's Facility Agreement with the Secretary of State for Transport facilitated by delegated authority sought by this MD	July to four weeks after the CRL Board on 12 September 2019

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) 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 it has been approved or on the defer date.

Part 1 - Deferral**Is the publication of Part 1 of this approval to be deferred? YES**

Publication of this MD is deferred until completion of any required changes to the arrangements relating to GLA's Facility Agreement with the Secretary of State for Transport, so as not to prejudice any negotiations that may arise regarding such changes or in relation to CRL completing its Delivery Control Schedule.

Part 2 - Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA should be included 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:

David Gallie has drafted this report in accordance with GLA procedures and confirms the following:

Sponsoring Director:

Martin Clarke has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

Mayoral Adviser:

David Bellamy has been consulted about the proposal and agrees the recommendations.

Advice:

The Finance and Legal teams have commented on this proposal.

Corporate Investment Board

The CIB considered this decision at its meeting on 29 July 2019.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. J. Bellamy

Date

29.7.19

CHIEF OF STAFF:

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

Signature

D. Bellamy

Date

29/7/2019.

