

GREATER LONDON AUTHORITY

REQUEST FOR ASSISTANT DIRECTOR DECISION – ADD2431

Title: Commissioning of Rating Evaluation Service

Executive Summary:

The Greater London Authority (GLA), Transport for London (TfL) and the Government are currently discussing options for the potential funding shortfall of the Crossrail project announced in November 2019.

The GLA and TfL have developed a funding option that could see an additional funding contribution from the GLA to the Crossrail project.

As the GLA is committed to maintaining its AA credit rating, the GLA is seeking advice from its credit rating agency, S&P Global Ratings (S&P), on the potential credit impact such contribution may have.

Decision:

That the Assistant Director Group Finance retrospectively approves:

1. the commissioning of a rating evaluation service from the GLA's credit rating agency, S&P, to the value set out in Part 2 of the decision, to assess the potential credit impact of an additional funding contribution from the GLA to the Crossrail project; and
2. a related exemption from the requirement of section 9.1 of Part C of the GLA's Contracts and Funding Code to undertake a competitive procurement process for such service.

AUTHORISING ASSISTANT DIRECTOR/HEAD OF UNIT

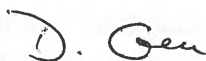
I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: David Gallie

Position: Assistant Director Group Finance

Signature:



Date:

24 / 2 / 20

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. 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 remain focussed on supporting and monitoring Crossrail Limited (CRL) as it completes the final infrastructure and testing in order to get the Elizabeth line safely and reliably into passenger service at the earliest opportunity.
- 1.2. Under MD2398, the Mayor approved a long-term financing and funding package for the completion of the Crossrail project (the Financing Package). The Financing Package comprises a contribution from the Greater London Authority (GLA) of up to £1.4 billion and a contribution from TfL of up to £750 million, largely financed by direct borrowing from the Government. Accordingly, in February 2019, the GLA entered into a £1.3 billion facility agreement with the Secretary of State for Transport. The GLA also provided £100 million from its ring-fenced business rate supplement revenues which can only be used towards the Crossrail project to fund the balance of the £1.4 billion contribution. TfL also entered into a £750 million facility agreement with the Secretary of State for Transport.
- 1.3. In November 2019, it was announced that CRL's latest projections showed cost forecasts (including risk contingency) of between £400 million and £650 million more than the funding committed under the Financing Package.
- 1.4. As part of discussions with the Government, the GLA and TfL have developed a funding option that could see an additional funding contribution from the GLA to the Crossrail project.
- 1.5. In 2018, S&P Global Ratings (S&P) was re-appointed as the GLA's credit rating agency for a period of three years, following a procurement exercise. In its latest research update on the GLA published in September 2019, S&P highlighted that it would lower the GLA's credit rating if it sees the GLA posting a much higher debt burden compared to its base case expectation. In S&P's view, such higher debt burden could primarily result from higher borrowing needed for TfL.
- 1.6. An additional funding contribution from the GLA to the Crossrail project could see an increase in the GLA's debt burden compared to S&P's base case expectation and could therefore have an impact on the GLA's credit rating. As the GLA is committed to maintaining its AA credit rating, the GLA is seeking advice from its credit rating agency, S&P, on the potential credit impact of an additional funding contribution from the GLA to the Crossrail project.
- 1.7. Given the value of the service needed, officers acknowledge that section 9.1 of Part C of the GLA's Contracts and Funding Code (the Code) requires that such service be procured competitively. However, section 10 of Part C of the Code provides that an exemption from that requirement may be approved upon certain specified grounds, including the supplier's previous involvement in a specific current project or continuation of existing work that cannot be separated from the new project/work, and the supplier's uniqueness in its ability to provide compatibility with an existing service.
- 1.8. S&P is the current issuer of the GLA's credit rating. As such, S&P assigns a credit rating to the GLA based on its assessment of the credit of the GLA derived from the application of its proprietary rating methodology. S&P is therefore uniquely placed to advise on the potential impact an additional funding contribution from the GLA to the Crossrail project may have on the GLA's credit rating, both in an assured and expedient manner. Accordingly, the decision is seeking an exemption from the requirement of section 9.1 of Part C of the Code to undertake a competitive procurement process for the provision of this rating evaluation service.
- 1.9. The approval of the decision is sought retrospectively, the reasons for which are set out in Part 2 of the decision.

2. Objectives and expected outcomes

- 2.1. The decision approves the commissioning of a rating evaluation service from the GLA's credit rating agency, S&P, to assess the potential credit impact of an additional funding contribution from the GLA to the Crossrail project. This will enable the funding discussions for the Crossrail project to progress further.

3. Equality comments

- 3.1. Under section 149 of the Equality Act 2010, as a public authority, the Mayor of London in the exercise of its functions 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 equalities implications arising directly from the decision.

4. Other considerations

- 4.1. There are no conflicts of interest to note for any of those involved in the drafting or clearance of the decision.

5. Financial comments

- 5.1. Supplemental information is included in Part 2 of the decision.

6. Legal comments

- 6.1. The sections above indicate that the decision requested of the Assistant Director concerns the exercise of the GLA's general powers, falling within the GLA's statutory powers to do such things considered to further or which are facilitative of, conducive or incidental to, the promotion of economic development and wealth creation, social development or the promotion of the improvement of the environment in Greater London, and in formulating the proposals in respect of which a decision is sought, officers have complied with the GLA's related statutory duties to:
 - Pay due regard to the principle that there should be equality of opportunity for all people;
 - Consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievements of sustainable development in the United Kingdom; and
 - Consult with appropriate bodies.
- 6.2. In taking the decision requested, the Assistant Director must have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender re-assignment) and persons who do not share it, and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (section 149 of the Equality Act 2010). To this end, the Assistant Director should have particular regard to section 3 (above) of this report.
- 6.3. Section 9.1 of Part C of the Code requires the GLA to seek a call-off from a suitable framework, where possible, or if not, to undertake a formal tender process which will be managed by TfL in respect of the service sought. However, the Assistant Director may approve an exemption from this requirement

under section 10 of Part C of the Code upon certain specified grounds. Such grounds include the supplier's previous involvement in a specific current project or continuation of existing work that cannot be separated from the new project/work, and the supplier's uniqueness in its ability to provide compatibility with an existing service. Officers have indicated at section 1 of this report that both grounds apply. The Assistant Director may therefore approve the exemption required if satisfied with the supporting content of this report.

- 6.4. The approval of the decision is sought retrospectively, the reasons for which are set out in Part 2 of the decision. Accordingly, the Assistant Director should take account of those reasons in considering whether to approve the recommendations of this report.
- 6.5. Officers must ensure that appropriate documentation is put in place and executed by S&P and the GLA, formalising the additional service being provided before its commencement.

Appendices and supporting papers:

None.

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? NO

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? YES

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following (✓)

Drafting officer:

Solene Delion has drafted this report in accordance with GLA procedures.

✓

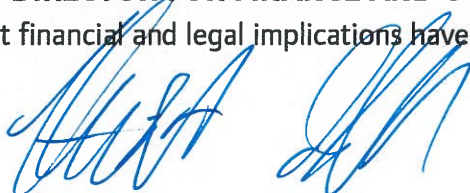
Corporate Investment Board:

This decision was considered by the Corporate Investment Board on 24 February 2020.

ASSISTANT DIRECTOR FOR FINANCE AND GOVERNANCE:

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

Signature:



Date:

26/2/20

