

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2424

Title: Crossrail further funding update

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. 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. Crossrail Limited (CRL) announced on 31 August 2018 that the central section would not open in December 2018 as planned. CRL also exceeded its funding envelope in 2018. The Mayor and TfL's focus remains on ensuring CRL complete their work in order to get the Elizabeth line safely and reliably into passenger service at the earliest opportunity.

Under MD2398, the Mayor approved the long term capital funding and financing solution for the completion of the Crossrail project, including a capital grant of £1.4 billion to TfL, supported by a loan from Government of £1.3 billion. Finalisation of the terms of that loan is progressing but is not yet complete. This Mayoral Decision Form seeks approval for a grant to TfL of £34m to cover the immediate needs of Crossrail Limited and ensure continuity of the project, pending agreement with Government on the terms of the arrangements previously described in MD2398.

Decision:

The Mayor:

- 1) Authorises the payment of £34m by GLA to TfL by means of capital grant under section 120 of the Greater London Authority Act 1999 as part of that capital funding and financing solution for the Crossrail project's completion; and
- 2) Delegates to the Executive Director of Resources or, in his absence, his nominated representative, authority to negotiate, execute and complete all documentation he considers necessary or expedient to recognise this payment as part of the agreements for the wider capital funding and financing solution for the completion of the Crossrail project described in MD2398.

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:

31/1/19

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

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. 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 remains on ensuring supporting Crossrail Limited (CRL) as they finalise 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 2008¹ and is a wholly owned subsidiary of TfL.
- 1.3. CRL exceeded its funding envelope in 2018. In December 2018, the GLA, Government and TfL announced that agreement had been reached on a funding package for completion of the project and this was described in MD2398. That package includes a £1.3 billion loan to the GLA which will then form part of a £1.4 billion grant to TfL. The technical arrangements are complex and, while negotiations are progressing well towards finalising the terms of the loan from Government, they are not complete and there is a need for funding to TfL for Crossrail Limited to be provided in advance of this.
- 1.4. It is proposed, therefore that a grant of £34m is made to TfL pending completion of the arrangement with Government; to be recognised in those arrangements and not in addition to the £1.4 billion already approved.

2. Proposed funding and financing solution for the completion of the Crossrail project

- 2.1. GLA officers have been working with TfL and the Government in recent weeks to develop the terms of the loan to GLA of £1.3 billion. Those negotiations are nearing completion.
- 2.2. It is proposed that the interim measure of a £34m grant to TfL is made from the GLA temporarily borrowing for this amount.
- 2.3. While this is the first part of the arrangements described and approved under MD2398, it appropriate that it should have a specific approval as it is a standalone measure and the remaining parts of that funding package have not yet been completed.

3. Objectives and expected outcomes

- 3.1 The proposed funding and financing arrangements will enable the completion of the Crossrail project, which is a key measure in the Mayor's Transport Strategy to improve London's transport capacity and bring £42bn into the UK economy.

¹ This was done by the Crossrail (Nomination) Order 2008 (SI 2008 No. 2036).

4. Equality comments

- 4.1. 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.
- 4.2. There are no direct public sector equality duty implications arising from this Decision.

5. Financial comments

- 5.1. The GLA intends to finance the £34m grant by temporarily borrowing this sum from other local authorities. Once the loan facility is completed, this payment will be incorporated into that agreement. The costs of this temporary arrangement will be met from the Business Rates Supplement.

6. Legal comments

Mayor's general transport duty

- 6.1. Section 141(1) of the Greater London Authority Act 1999 (GLA Act) sets out the Mayor's "general transport duty", which is a duty to develop and implement policies for the promotion and encouragement of safe, integrated, efficient and economic transport facilities and services to, from and within Greater London. Under subsection (2) the Mayor must exercise the powers of the GLA concerning transport under Part IV of the Act for the purpose of securing the provision of the transport facilities and services mentioned in subsection (1). The general transport duty is reflected in the Mayor's Transport Strategy (MTS). Under section 142 the MTS must contain the Mayor's policies under section 141(1), and proposals for discharging the duty under section 141(2) above.
- 6.2. The construction and operation of the Elizabeth Line is a key measure in the MTS for the improvement of London's transport network, together with the associated investment in brings to London's economy.

GLA Group budget arrangements

- 6.3. The Mayor is responsible for the budget setting process for the GLA Group, which includes approving the capital and revenue expenditure in the budgets for the GLA itself and the functional bodies including TfL. The Mayor is required to set a balanced budget for the Group and for each functional body. These budgets must take account of all relevant or available sources of capital and revenue such as borrowings, reserves, council tax precept, retained business rates, business rate supplement revenues and other income. The Mayor's budget responsibilities include making sufficient provision for TfL, CRL (as a wholly owned TfL subsidiary) and the Crossrail project. In addition, under s 122 the Mayor is responsible for the preparation for each financial year of a capital spending plan for the functional bodies. Capital expenditure on the completion of the Crossrail project is a major item in the GLA and TfL's capital spending plans.

TfL

- 6.4. Under s 154 (3) of the GLA Act 1999, TfL is itself under a duty to exercise its functions for the purpose of facilitating the discharge by the Mayor of the general transport duty under section 141(1) and (2) above, and for the purpose of securing or facilitating the implementation of the MTS which includes the Crossrail project.

GLA and TfL borrowing powers

- 6.5. Section 1 of the Local Government Act 2003 (2003 Act) gives local authorities (including the GLA and TfL) the power to “borrow money –
- (a) for any purpose relevant to its functions under any enactment; or
 - (b) for the purposes of the prudent management of its affairs.”²
- 6.6. In discharging their functions under Part 1 of the 2003 Act the Mayor and TfL must have regard to CIPFA’s Prudential Code for Capital Finance in Local Authorities (as re-issued from time to time).
- 6.7. For the GLA the borrowing involved by GLA in the capital funding and financing solution for the completion of the Crossrail project set out in section 2 of this Form is authorised under both parts of s 1 of the 2003 Act, being relevant to the Mayor’s general transport duty and for the purposes of the prudential management of the GLA financial affairs. The Mayor also has the function under sections 120 and 121 of the GLA Act 1999 of making capital and revenue grants to functional bodies (see below).

Affordable borrowing limit

- 6.8. Under section 3 of the 2003 Act the Mayor determines how much money the GLA and TfL can afford to borrow (affordable borrowing limit) and is under a duty to keep it under review. The Assembly must be consulted before any new affordable borrowing limit is determined by the Mayor. The proposals for the capital funding and financing solution for the completion of the Crossrail project set out in Section 2 of this Form do not involve any increase in the affordable borrowing limit determined for either GLA or TfL for 2018-19.
- 6.9. Funding derived from GLA’s borrowing under s 1 of the 2003 Act for the completion of the Crossrail project will be transferred to TfL by the GLA by means of annual capital grant under s 120 of the GLA Act 1999 (see below).

Capital grants from Mayor to TfL: s 120 GLA Act 1999

- 6.10. Section 120 of the GLA Act 1999 (as amended) gives the Mayor power to pay capital grants towards meeting capital expenditure incurred or to be incurred by a functional body for the purposes of, or in connection with, the discharge of the functions of that body. A grant under s 120 must not be made subject to any limitation in respect of the capital expenditure which it may be applied towards meeting. However, the grant must be applied by the recipient body solely towards meeting capital expenditure incurred or to be incurred by that body for the purposes of, or in connection with, the discharge of its functions.
- 6.11. All capital funding from GLA to TfL (including for CRL) will be made by means of capital grant under s 120, irrespective of the GLA’s own source of that funding.

Appendices and supporting papers:

None.

² In addition, Section 34(1) of the GLA Act gives the Mayor the power to do anything which is calculated to facilitate, or is conducive or incidental to, the exercise of the Mayor’s other functions.

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

This MD may, if made public, impede the successful and timely completion of the full capital funding and financing solution for the Crossrail project's completion; and it is proposed that publication of this MD is deferred until after the funding package has been fully executed.

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, Assistant Director Group Finance has drafted this report in accordance with GLA procedures and confirms the following:

Sponsoring Director:

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

Mayoral Adviser:

David Bellamy, Chief of Staff, has been consulted about the proposal and agrees the recommendations.

Advice:

The Finance and Legal teams have commented on this proposal.

Corporate Investment Board

Due to the urgency and sensitivity of this decision, relevant members of the Corporate Investment Board were briefed at its meeting on 4 February 2019.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Clarke

Date

30.1.19

CHIEF OF STAFF:

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

Signature

D. Bellamy

Date

30 / 1 / 2019.

