

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2383

Title: Crossrail funding update and related matters

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 is now planned to open in autumn 2019 and not December 2018. CRL also exceeded its funding envelope earlier this year. 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.

CRL has confirmed that its committed expenditure is forecast to exceed available funding by the end of October 2018 (even after the recent injection of a further £300 million by the Joint Sponsors).

Some of the issues discussed between the Government, GLA, TfL and CRL are commercially and potentially market sensitive and so it is essential that any such information is included in part 2 of this Decision. At the time such information can be made public it will be.

Decision:

The Mayor agrees:

- i. to pass £350m to TfL as capital grant to support the Crossrail project costs to the end of this financial year; and
- ii. that GLA and TfL will continue to work with the Government to finalise a longer-term funding solution for the Crossrail project as a matter of urgency.

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:



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.
- 1.3. CRL exceeded its funding envelope earlier this year. In July 2018, DfT confirmed £590m of additional funding was being made available for the project, with £300m to CRL and £290m for Network Rail works. The £300m for CRL was jointly funded between the Government and TfL, with each contributing £150m. These contributions were paid over between late September and October 2018, as approved by the TfL Finance Committee under delegated authority on 27 September.
- 1.4. CRL announced on 31 August 2018 that the central section is planned to now open in autumn 2019 and not December 2018 as previously planned.
- 1.5. In response to the announcement by CRL of a delay in the opening of the central section of Crossrail, TfL has commissioned, jointly with DfT, an independent review of CRL's financial and commercial processes and forecasts and a separate review of CRL governance by KPMG. These reviews commenced on 24 September. The Terms of Reference for these reviews have been published by TfL.
- 1.6. Discussions have been ongoing between TfL, GLA, CRL and the Government in relation to the financing support required in order to complete the Crossrail project. The Mayor spoke with the Secretary of State for Transport on 11 October and met with the Chancellor on 23 October to discuss the financing support needed to enable the delivery of the Crossrail project.
- 1.7. On 26 October a Ministerial Statement was made which is attached to this Decision. The Secretary of State for Transport announced in the Written Ministerial Statement that £350m of short term repayable financing will be made available to the Mayor for the year 2018-19 to ensure that full momentum is maintained behind Crossrail.
- 1.8. The Ministerial Statement helps enable CRL to continue to enter into the commitments necessary to continue project delivery, by providing sufficient cash to cover its liabilities until the end of this financial year in March 2019. Subject to a longer-term funding solution being agreed this will allow for the completion of the Elizabeth Line.

- 1.9. The Mayor's approval is sought to pass £350m to TfL as capital grant to support the Crossrail project costs to the end of this financial year whilst the GLA, TfL and the Government continue to work together to finalise a longer-term funding and financing solution for the Crossrail project as a matter of urgency.

2. Objectives and expected outcomes

- 2.1. The total proposed financing will facilitate the funding required for completion of the Crossrail project. Approval of this decision will provide the funds required for construction activities to continue to the end of the 2018-19 financial year.

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 equality implications arising from this Decision.

4. Other considerations

- 4.1. None.

5. Financial comments

- 5.1. Financial comments are set out in part 2 of this Decision.

6. Legal comments

- 6.1. Section 120 of the Greater London Authority Act 1999 (GLA Act) gives the Mayor power to pay 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 this section must not be made subject to any limitation in respect of the capital expenditure which it may be applied towards meeting. A grant under section 120 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.
- 6.2. Section 1 of the Local Government Act 2003 gives local authorities (including the GLA) 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."
- 6.3. 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.
- 6.4. The proposed short-term loan from the Department for Transport and capital grant to TfL falls within the scope of the borrowing powers as the purpose for which it will be applied is to enable the exercise of the capital grant function in section 120 of the GLA Act and to support the prudent

management of the GLA's affairs. Section 34 may be relied on if any activities need to be undertaken incidental to the capital expenditure grant.

7. Planned delivery approach and next steps

- 7.1. If this decision is approved, the GLA will pass the £350m funding to TfL as a capital grant for the Crossrail project. Based on CRL's current forecasts, it is anticipated that this will take place in December.
- 7.2. Following receipt of the independent review of CRL financial and commercial processes, it is intended to finalise agreement with the Government to enable the Crossrail project to complete. This outcome will be reflected in the TfL Business Plan and the Mayor's Consultation Budget, both to be published in December.

Appendices and supporting papers:

Appendix 1: Written Ministerial Statement dated 26 October 2018 in relation to Crossrail financing.

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:

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

This decision was referenced at the Corporate Investment Board on 29 October 2018

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

30.10.18

CHIEF OF STAFF:

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

Signature

D. Bellamy

Date

30 / 10 / 2018 .

