

Date: 17 March 2016

Item: Crossrail – Project Delivery Partner Final Incentive Scheme

This paper will be considered in public

1 Summary

- 1.1 This paper updates the Board on a proposal from Crossrail Limited (CRL) to realign the current Final Incentive Scheme contained within the Project Delivery Partner (PDP) Services Contract. This represents a change to the PDP contract and requires the approval of the Crossrail Sponsors, TfL and the Department for Transport (DfT). This paper seeks the Board's agreement to the proposed revisions to that contract.
- 1.2 On 2 March 2016, the Finance and Policy Committee endorsed the recommendations in this paper.
- 1.3 A paper is included on Part 2 of the agenda, which contains exempt supplemental information and documentation. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2 Recommendation

- 2.1 **The Board is asked to note this paper and the related paper on part 2 of the agenda and:**
- (a) **approve the proposal to amend the PDP contract to incorporate a revised Final Incentive Scheme (the Amendment);**
 - (b) **authorise the TfL Officers and the Subsidiaries (as described in paragraph 2.2 below) to finalise the terms of the Amendment;**
 - (c) **authorise the agreement and execution (whether by deed or otherwise on behalf of TfL or any Subsidiary (as appropriate)) any documentation to be entered into in connection with the completion and implementation of the Amendment and any of the matters referred to in it (including, without limitation, all agreements, deeds, guarantees, indemnities, announcements, notices, contracts, certificates, letters or other documents);**
 - (d) **authorise TfL Officers and Subsidiaries to do all such other things as they consider necessary or desirable to facilitate the execution and implementation of the Amendment and the matters referred to in it;**

2.2 The following Officers and Subsidiaries shall be authorised:

- (a) TfL Officers: the Commissioner, Chief Finance Officer, Chief Executive of Crossrail and General Counsel; and
- (b) Subsidiaries: Subsidiaries of TfL including Transport Trading Limited, Crossrail Limited and any other subsidiary (whether existing presently or to be formed) of Transport Trading Limited and any of the directors of the relevant company shall be authorised to act for and on behalf of that company.

3 Background

- 3.1 The PDP contract was executed on 17 April 2009.
- 3.2 By a Supplemental Agreement dated 28 April 2011, the contract was revised to enable the establishment of an integrated delivery team. The revised contract is essentially a framework agreement which enables the provision of staff and other resources.
- 3.3 The Third Service Delivery Plan, which was agreed at the same time as the Supplemental Agreement, included a statement of intent to review the Final Incentive Scheme in the course of the Fourth Service Delivery Plan (for 2012/13). That review took place during 2011 and 2012. The discussions did not lead to any revisions to the Final Incentive Scheme.

4 Rationale

- 4.1 It is considered to be in the overall interests of the project for the PDP's reputational interest in a successful Crossrail outcome to be underwritten by a financial motive to achieve delivery of the programme and project cost efficiencies.
- 4.2 It is also considered to be in the interests of the project that the incentive arrangements exert a meaningful influence over the PDP until the end of the project, given their potential relevance to the risk of CRL not being able to retain or attract staff of the highest calibre as the project enters its final phase. It is important that the PDP continues to regard the Crossrail project as a priority in all future decisions relating to the allocation of its highest performing staff, including on any occasions when CRL is seeking to replace its own employees for a relatively short duration.
- 4.3 In addition, incentives have been agreed with tier 1 contractors and it would be beneficial for the PDP to be aligned with these.

5 Crossrail Sponsor Board

- 5.1 The Crossrail Sponsor Board considered this matter at its meeting on 20 January 2016 and agreed to seek approval for revised incentives through the DfT and TfL governance processes.

6 Views of the Finance and Policy Committee

- 6.1 On 2 March 2016, the Finance and Policy Committee considered a similar paper. The Committee raised no specific issues for the attention of the Board and endorsed the recommendations in this paper.

List of appendices to this report:

A paper on Part 2 of the agenda contains exempt supplemental information.

List of Background Papers:

None

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