

Date: 13 October 2016

Item: Update on TfL Borrowing

This paper will be considered in public

1 Summary

- 1.1 This paper (a) provides an update on the borrowing undertaken or to be undertaken by TfL in 2016/17 and (b) seeks a delegation of authority from the Finance Committee to the Chair of the Committee to approve TfL's entry into a potential corporate loan facility agreement with the European Investment Bank (EIB) for the upgrade of the signalling system on the Metropolitan, District, Circle and Hammersmith and City underground lines, which is currently being negotiated.
- 1.2 The delegation is sought as approval for a potential new loan facility may be needed before the next scheduled meeting of the Committee or outside the cycle of Committee meetings currently planned.
- 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 Recommendations

2.1 The Committee is asked to:

- (a) note the paper and the supplemental information on Part 2 of the agenda;
- (b) note that under the Treasury Management Strategy 2016/17, approved by the Board in March 2016, the Committee's approval is required for any new loan facility (but not facilities being renewed) with the European Investment Bank (EIB);
- (c) delegate to the Chair (in consultation with available Members of the Committee) authority to approve any new loan facility with the EIB; and
- (d) subject to the authorisation being given under paragraph 2.1(c), authorise the TfL Officers (as described in 2.2 below) to:
 - (i) finalise terms and conditions of the loan facility agreement (including the final amount of the loan, the tenor, interest rates, specific drawdown dates, loan profile and repayment schedules and any amendments to the substantive terms) and any other documentation relating to the loan; and

- (ii) approve, sign, execute (if necessary, by authorising the fixing of the TfL seal), deliver on behalf of TfL the loan facility agreement and any and all ancillary documentation to be entered into by TfL in relation to the to the loan facility and to do all such other things as they consider necessary or desirable to implement the above.

2.2 The following TfL Officers have authority: the Commissioner, General Counsel, Chief Finance Officer and Director of Group Treasury.

3 Update on Borrowing for 2016/17

- 3.1 As at 31 March 2016, TfL had £9.1bn of debt outstanding. In 2016/17, TfL can increase its direct borrowing by up to £730.5m in accordance with the latest funding settlement letter (March 2016). Subject to HM Treasury approval TfL could defer all or part of the incremental borrowing to the following financial year, provided that it gives a notice to HM Treasury prior to the end of the financial year.
- 3.2 Given TfL's requirement to fund a large capital investment programme and a favourable interest rate environment, TfL has opted to raise the majority of its borrowing requirement for 2016/17. To date, TfL has drawn down £100m under the EIB £1bn Urban Mobility for London facility signed in June 2015 and has fixed interest rates on an additional £650m of EIB and Export Development Canada (EDC) facilities, which will be drawn down by 31 March 2017.

Requirement 2016/17	£m
Incremental borrowing as per expected 2016 Funding Settlement	730.5 ¹
Refinancing of debt maturing within 12 months	108
Borrowing Requirement for 2016/17	838.5
Borrowing already drawn down in 2016/17 (EIB)	(100)
Borrowing to be drawn down in 2016/17 (EIB)	(400)
Borrowing to be drawn down in 2016/17 (EDC)	(250)
Maximum Balance to be raised	88.5

- 3.3 Additional information on the TfL borrowing programme will be provided at future Finance Committee meetings. More detailed information on existing facilities is commercially confidential and is therefore included in a paper on Part 2 of the agenda.

4 EIB Lending

- 4.1 The EIB is owned by the Member States of the European Union. It provides loans to support projects on the basis of specific eligibility criteria that focus on assisting

¹ £30.5m of incremental borrowing is explicitly linked to Croyley Rail Link extension. Such borrowing has not yet been undertaken.

the regeneration or development of economically deprived areas, along with projects that improve the natural and urban environment such as railways and other public transport.

- 4.2 The EIB is an important external stakeholder for TfL and continues to be a key long term financing partner of TfL. TfL already has several corporate loan agreements with the EIB and EIB has also provided loans to TfL's PPP/PFI project companies.
- 4.3 TfL is currently exploring the option for a new EIB corporate loan to support the signalling system upgrade on the Metropolitan, District, Circle and Hammersmith and City underground lines.
- 4.4 Under the Treasury Management Strategy 2016/17, approved by the Board in March 2016, the Committee's approval is required for any new loan facility with the EIB. As approval of the facility might be required prior to the next scheduled meeting of the Committee or outside the cycle of meetings planned for 2016/17, we are seeking a delegation of authority from the Committee to the Chair of the Committee (in consultation with available Members of the Committee) for the approval for TfL to enter into a new corporate loan facility agreement once discussions are more advanced.
- 4.5 Further details are included in Part 2 of the agenda.

5 Next Steps

- 5.1 Subject to the Committee's approval, officers will seek the Chair's approval for any new EIB facility.

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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