

Board



Date: 8 February 2017

Item: Crossrail – Revised Interim Crossrail Limited Funding Payments Agreement with Network Rail

This paper will be considered in public

1 Summary

- 1.1 This paper updates the Board on the progress that Crossrail Limited (CRL) has made in discussions with Network Rail (NR) for a change to the Interim CRL Funding Payments Agreement (IFA). It seeks Board approval to a revision to that Agreement.
- 1.2 On 26 January 2017, the Finance Committee endorsed the proposed re-phasing of repayments by Network Rail to Crossrail Limited under the IFA. Members discussed the potential for a further amendment to the IFA that would generate additional savings. It agreed to recommend that the Board delegate authority to the Committee to approve this additional change.
- 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 Board is asked to note the paper and the related paper on Part 2 of the agenda and to:**
 - (a) **approve a change to the Interim Crossrail Limited Funding Payments Agreement (the Agreement) under the terms set out in the Part 2 paper;**
 - (b) **delegate authority to the Finance Committee to approve additional changes to restructure the loan repayment profile and/or incentives to achieve cost savings;**
 - (c) **authorise TfL Officers and Subsidiaries (as described in paragraph 2.2 below) to finalise the terms of the Agreement;**
 - (d) **authorise the agreement and execution (whether by deed or otherwise on behalf of TfL or any Subsidiary (as appropriate)) of any documentation to be entered into in connection with the completion and implementation of the Agreement 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); and**

(e) 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 Agreement and the matters referred to in it and any further change to the Agreement.

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 Crossrail – Network Rail Programme Protocol (the CRL Protocol) is the document that sets out the basis on which NR will deliver upgrades to the existing rail network as part of the Crossrail Project. The CRL Protocol incorporates a provision for the creation of an interim CRL funding agreement which sets out the principles on which the Crossrail Sponsor funds might be advanced to NR to finance the On Network Works (ONW) on an interim basis.

3.2 The original IFA, signed on 30 March 2012, established the detailed mechanism through which the IFA has been operated in accordance with the CRL Protocol. Since then, two further extensions to the IFA have been agreed and executed via supplemental agreements (March 2014 and March 2016).

3.3 Late in 2016, discussions took place between CRL and NR regarding the possibility of amending the repayment profile as set out in the March 2016 supplemental agreement. Once concluded those discussions will result in a further supplemental agreement in early 2017.

3.4 In accordance with TfL's Standing Orders regarding matters reserved to the Crossrail Sponsors (in this case, the use of cash within the Crossrail Sponsor Funding Account), the approval of the Board is required to amend the terms of the IFA.

4 Rationale

4.1 If the IFA is not amended, NR will continue to repay instalments on the full amount that has been advanced with the last repayment being in September 2017, after which date the original agreement would effectively expire.

4.2 In the event that the changes to the IFA are agreed, CRL will make a saving of approximately £16m-20m through the avoidance of finance charges that it would otherwise have to pay to NR. An additional opportunity is also being explored which, if ultimately agreed, will allow CRL to make a further saving of approximately £35m.

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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