

Date: **2 March 2016**

Item: **Crossrail – Extension of the Interim CRL Funding Payments Agreement with Network Rail**

This paper will be considered in public

1 Summary

- 1.1 The purpose of this paper is to update the Committee on the progress that Crossrail Limited (CRL) has made in reaching agreement with Network Rail (NR) for an extension of the Interim CRL Funding Payments Agreement (IFA) and to seek the Committee's recommendation to the Board to approve the extension.
- 1.2 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 requested to note this paper and the related paper on Part 2 of the agenda and recommend that the Board:**
- (a) approve an extension of the IFA under the terms set out in the Part 2 paper (the Extension);**
 - (b) authorises the TfL Officers and the Subsidiaries (as described in paragraph 2.2 below) to finalise the terms of the Extension;**
 - (c) authorises 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 Extension 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 Extension 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 including 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’) incorporates a provision for the creation of an interim CRL funding agreement. This sets out the principles on which the Sponsor funds might be advanced to NR to finance the On Network Works (ONW), which NR is delivering as part of the Crossrail programme, 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.
- 3.3** In March 2014, CRL and NR agreed to extend the IFA by two years to 31 March 2016 and in November 2015, discussions between NR and CRL commenced to explore the possibility of extending the IFA further. These discussions concluded with a proposed supplemental agreement in January 2016.
- 3.4** In accordance with TfL’s Standing Orders regarding matters reserved to the Crossrail Sponsors, the approval of the Board is required to extend the IFA.

4 Rationale

- 4.1** If the IFA is not extended, NR will repay the full amount that has been advanced on 15 May 2016, on which date the original agreement would effectively expire.
- 4.2** In the event that the IFA is extended, CRL will avoid approximately £65m in finance charges net of the investment income that is forecast to be earned on funds not advanced to NR.

5 Sponsor Funds

- 5.1** The proposed supplemental agreement would, on a progressive basis, temporarily reduce the balance in the Sponsor Funding Account (SFA) until 17 September 2016, after which date the funds would be repaid in five instalments by 30 September 2017.
- 5.2** Access to funds held in the SFA is critical to CRL and gives CRL the ability to respond to significant events and opportunities.
- 5.3** Extensive analysis has been conducted to model the impact of the extension of the IFA . This analysis indicates that the SFA balance will remain at an acceptable level throughout the six months to 17 September 2016 (the duration of the IFA extension).

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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