

Date: 12 March 2014

Item 12: Crossrail: Extension of the Interim Crossrail Limited Funding Payments Agreement with Network Rail

This paper will be considered in public

1 Purpose

- 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. 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 business affairs of TfL. Any discussion of that information must take place after the press and public have been excluded from this meeting.

2 Recommendation

- 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 approve the proposed extension of the Interim Crossrail Limited Funding Payments Agreement.**

3 Background

- 3.1 The Crossrail-Network Rail Programme Protocol (The CRL Protocol) and the CRL Charges Agreement jointly incorporate provision for the creation of an interim CRL funding agreement, setting 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 was signed on 30 March 2012 and established the detailed mechanism through which the IFA has been operated in accordance with The CRL Protocol and CRL Charges Agreement.
- 3.3 The plan to extend the IFA was discussed between CRL and Sponsors and communicated to NR in August 2013. Discussions between NR and CRL commenced in October 2013 and concluded with the proposed agreement on 29 January 2014.

4 Rationale

- 4.1 If the IFA is not extended, NR will repay the full amount that has been advanced on 15 May 2014, on which date the original agreement would, effectively, expire.

- 4.2 Not extending the IFA would cost CRL between £54.4m and £64.3m in finance charges net of the investment income that is forecast to be earned on funds not advanced to NR. It would also increase the value of the Regulatory Asset Base at 31 March 2016 by approximately £68m, costing TfL approximately £3m per annum in access charges from 2019.
- 4.3 By extending the agreement, the increases in both the financing charges and access charges would be avoided.

5 Sponsor Funds

- 5.1 The proposed supplemental agreement will, on a progressive basis, temporarily reduce the balance in the Sponsor Funding Account (SFA) until 31 March 2016. After this date the funds will be repaid in two or three instalments (subject to further discussion with NR) by 30 September 2016.
- 5.2 Ready access to funds held in the SFA is critical to CRL. It provides significant flexibility in responding to unforeseen events and opportunities.
- 5.3 Extensive analysis has been conducted to model the impact of the extension of the IFA and this analysis indicates that the SFA balance will remain at an acceptable level throughout the two years ending 31 March 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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