Appendix 1

EXTRACT FINANCIAL SECTION OF MD2398

The GLA intends to finance the £1.4bn capital payment to TfL by:

- using Crossrail Business Rates Supplement (BRS) revenues while maintaining the total tax generated, the tax rate and its planned duration within the parameters set out in the final Crossrail BRS prospectus; and

- subject to the GLA being given the ability to service and repay debt using MCIL, to utilise MCIL for the balance of the capital financing costs.

The exact balance between BRS and MCIL to meet the capital financing costs is to be finalised by the Executive Director of Resources and presented to the Government. In doing so the Executive Director of Resources will carefully consider how these costs can best be made to minimise the impact on relevant taxpayers and taking into account the impact on TfL.

The BRS is hypothecated to repay the GLA's Crossrail debt and in applying the associated revenues the GLA must have regard to the policies including on variations set out in the final prospectus 'Intention to levy a business rate supplement to finance the Greater London Authority's contribution to the Crossrail project' published in January 2010 and the Business Rate Supplement Act 2009. The prospectus's key parameters in terms of the contribution from ratepayers were that the BRS would be levied at a rate no higher than 2p, operate for a period of 24 to 31 years from April 2010 with a target end date of 2037-38 and raise no more than £8.1bn.

As a result of lower financing costs achieved on the £3.3bn of Crossrail debt which financed its original £4.1bn contribution towards the project between 2010-11 and 2015-16 and higher tax revenues than anticipated following the 2010 and 2017 revaluations it is possible to accommodate an additional contribution now planned within these parameters, as published in the January 2010 Final Prospectus.

No business ratepayer will contribute more in 2019-20 or indeed until the early 2030s than they otherwise would have done had the additional BRS contribution not been required. Due to the £70,000 rateable value threshold in place – which increases at each revaluation – at least 85% of properties on the current local London valuation list are exempt from the BRS. This means the vast majority of small and medium sized firms in London are not liable to the BRS.

Subject to their written commitment, the Government is intending to allow the GLA to service and repay debt using the full amount of MCIL revenues to meet the balance of the capital financing costs arising from the £1.4bn payment to TfL for 10 years from 2019-20. Subject to consultation on the proposed secondary legislation and affirmative votes in both Houses of Parliament, the Government intends to introduce this new power for the GLA with effect from late July 2019. Once this power is introduced the Executive Director of Resources will finalise the financing arrangements for the GLA's additional contribution to Crossrail. The GLA is to have first call on all on the full amount of MCIL revenues from 2019-20 to ensure the GLA's capital financing costs can be met.

The Government has agreed that should there be any impediment or delay to this regulatory change, the Government would work with the GLA and TfL to assess how the GLA could continue to make its repayments to ensure that this agreement can be delivered on substantially the same basis. Nevertheless, the GLA must consider the position if the change in MCIL regulations is not implemented (or delayed) as the GLA will have committed to paying TfL up to £1.4bn.

If the power to borrow against MCIL were not granted and there were no full and satisfactory alternative agreed with the Government, in order to ensure that the GLA can service and repay the debt incurred, the Executive Director of Resources would need to consider an alternative application of the GLA's resources. The GLA must indifferently meet all its debt obligations as a first call on the GLA's available resources.

The Mayor's principal discretionary resource is retained business rates and currently some £2.4bn is allocated on an annual basis, after allowing for the tariff and levy payments to the Government. Around £1.9bn of the GLA's payment of retained business rates to TfL relates to funding formerly paid by the Department of Transport through GLA transport grant. This latter figure includes £976m in respect of TfL's former investment (capital) grant.

The Executive Director of Resources advises that the proposed borrowing is prudent, affordable and sustainable as:

- the GLA's contribution to Crossrail's capital overrun is capped at £1.4bn;
- additional proceeds from the BRS can be applied to meet the GLA's capital payment;
- the Government has committed to allow the GLA to service and repay debt using one hundred per cent of MCIL, which is a new funding stream; and
- the GLA has an alternative funding stream if the change to MCIL regulations were to be delayed or not to be enacted and there were no full and satisfactory alternative agreed with the Government.

The agreement reached with the Government requires that TfL meet the revenue shortfall arising from the delay in Crossrail opening. The impact of this shortfall and how this is proposed to be managed will be set out in TfL's Business Plan and Budget Submission to the Mayor. The additional sums TfL may have to borrow to pay for any further capital cost overrun beyond the GLA's contribution of up to £1.4bn will be addressed in TfL's future business planning processes.

Extract from the Written Statement to Parliament dated 10 December 2018

The government, the Mayor of London and TfL have agreed a financial package to cover this. The Department for Transport will provide a loan of up to £1.3 billion to the Greater London Authority (GLA). The GLA intend to repay this loan via London's Business Rate Supplement (BRS) and from the Mayoral Community Infrastructure Levy (MCIL). The GLA will also provide a £100 million cash contribution, taking its total contribution for this package to £1.4 billion.