

Date: 21 February 2018

Item: Crossrail 2

This paper will be considered in public

1 Summary

Crossrail 2				
Cumulative Financial Authority <small>(Since 01/04/2014)</small>	Estimated Final Cost ¹	Current Programme and Project Authority <small>(Since 01/04/14)</small>	Additional Programme and Project Authority Requested	Total Programme and Project Authority
£179.70m	£179.70m	£79.68m	£27.96m	£107.64m

Authority Approval: The Committee is asked to approve budgeted Programme and Project Authority of £107.64m to continue development activities.

Outputs and Schedule: The current phase of Crossrail 2 involves outline design and delivery planning, to facilitate agreement between the funders of an approach to take the scheme forward.

- 1.1 In March 2016, the Chancellor committed £80m to support the development of Crossrail 2, with the aim of submitting a draft Hybrid Bill to Parliament by May 2020. The Mayor provided a further £80m of match-funding which was approved as part of TfL's Business Plan. Combined with the sum of £19.7m spent on TfL-funded activities prior to 1 April 2016, this resulted in a cumulative Financial Authority of £179.7m.
- 1.2 The Chancellor's decision was predicated on the Secretary of State for Transport joining the Mayor in committing to preparation of a Hybrid Bill, by endorsing an updated Strategic Outline Business Case (SOBC) to be submitted in March 2017.
- 1.3 However, the 2017 General Election delayed the Government's response to the updated SOBC. Between May and October 2017, the Integrated Project Team (IPT) studied ways of further improving the scheme's affordability. The IPT's conclusions were issued to the Department for Transport (DfT) in October 2017.
- 1.4 In his Budget Statement published on 22 November 2017, the Chancellor commented that the Government would continue to work with TfL to develop plans for Crossrail 2, making reference to an independent review of funding and finance.

¹Includes cost of scheme development carried out by TfL prior to 1 April 2016 and the Integrated Project Team's assembly of a draft Hybrid Bill.

- 1.5 This paper describes the Crossrail 2 business plan for 2018/19. An increase in Programme and Project Authority of £27.96m, to a total of £107.64m, is requested to support the work.
- 1.6 Crossrail 2 supports the Mayor's strategic objective of 'new homes and jobs', most directly by supporting construction of 200,000 additional new homes.

2 Recommendation

- 2.1 **The Committee is asked to note the paper and approve a revised Programme and Project Authority of £107.64m for the Crossrail 2 programme.**

3 Background

- 3.1 Crossrail 2 is a proposed new railway serving London and the wider South East. It will increase capacity on the most congested parts of Underground and mainline rail routes into London, improve the connectivity of the capital's network and enhance the customer experience for rail travellers.
- 3.2 Since April 2016, TfL's Managing Director of Crossrail 2 has led an integrated TfL and Network Rail project team in developing the scheme. Two Senior Responsible Owners (SROs) have been appointed, being TfL's Chief Finance Officer on behalf of the Mayor of London and the DfT's Director-General High-Speed and Major Rail Projects on behalf of the Secretary of State for Transport.
- 3.3 The IPT submitted an updated SOBC to the Government in March 2017 as instructed, and requested to begin Development Phase activities, chiefly drafting the Hybrid Bill. The dissolution of Parliament and the urgent Government business following the General Election prevented the Secretary of State from issuing a response to the SOBC during the summer of 2017.
- 3.4 On 25 May 2017, the SROs agreed that the IPT should study ways in which the affordability of the scheme could be improved, as recommended by the Government's Project Assessment Review (PAR) of the SOBC. In particular, the DfT requested studies into staging and phasing of the construction, to identify how London could fund 50 per cent of the costs during construction. The affordability work outputs were submitted to the Government in October 2017.

4 Independent Reviews of the Programme

- 4.1 When the Infrastructure and Project Authority (IPA) undertook the above PAR in March 2017, it also recommended an independent review of programme governance. TfL and the DfT jointly commissioned the review in September. The report makes several constructive suggestions. Discussions continue on how to apply the recommendations within the context of the current schedule.
- 4.2 Following submission of the affordability study in October 2017, DfT and TfL commissioned a further independent review, to validate the IPT's work.

- 4.3 The first stage of the Funding and Financing Review concluded in December 2017 with a draft report. The draft report made recommendations for the remit of an Independent Affordability Review. Terms of Reference for the Independent Affordability Review are being discussed between the DfT and TfL. It is intended to conclude the review by the summer 2018.

5 An Update of the SOBC

- 5.1 In light of the Independent Review, the IPT's business plan for 2018/19 has been structured in three parts. The first phase of activity, to late summer, is in support of the independent Funding and Finance Review; carrying out further work on affordability, revising growth forecasts, reducing costs and refreshing the capital estimate. The second stage of the plan is to produce an updated SOBC reflecting the affordability work, before supporting the Government's assessment process, formalising design changes and updating the routewide and safeguarding consultation materials. The third part of work, to commence development of a Hybrid Bill in early 2019, is conditional on a decision to move forward based on the updated SOBC.
- 5.2 Risk to the land and property costs is emerging as the current Safeguarding directions do not reflect the SOBC route alignment. It was intended to request a revision of the directions following a routewide consultation in early 2018. That consultation has been postponed pending the outcome of the funding, financing and affordability work. TfL and the DfT are working together to mitigate this risk.
- 5.3 The IPT has revised its planning assumptions in light of the recent discussions. Noting that the Government has not committed to the preparation of a Hybrid Bill, nor the funding for the construction of the scheme, for planning purposes we have assumed that a routewide consultation would be launched in the first quarter of 2019 at the earliest while completing further design work could enable the submission of a Hybrid Bill in the early 2020s.

6 Financial Implications

- 6.1 The delayed start of the Development Phase has reduced 2017/18 costs since advice was given to the Committee on 13 October 2017. Total spend to the end of 2017/18 is now estimated at £71.6m, compared to the previous estimate of £79.7m. The cost of the 2018/19 work plan, as described in Paragraph 5.1, is estimated at £36m.
- 6.2 The Mayoral contribution of £80m has been budgeted in the TfL Business Plan. TfL agreed with DfT that the DfT contribution is front-loaded, with the Department releasing £26m in 2016/17. During 2017/18, the original planned IPT expenditure of £60m has been incrementally reduced to the current estimate of £25.60m, in light of changes to schedule following the 2017 General Election.
- 6.3 On 22 January 2018, the SROs agreed in principle to a revised split of contributions for 2017/18. The DfT is reviewing the submitted plans for the remainder of 2017/18 and 2018/19, with a view to confirming arrangements for the release of £3.5m as the final instalment of its 2017/18 contribution, and determining its amount for 2018/19.

6.4 Subject to the release of the £3.5m by the Department, the balance of contributions for 2016/17 and 2017/18 is shown in Table 1 below:

	2016/17	2017/18	Totals
Total IPT Cost	£25.34m	£25.60m	£50.97
TfL Contribution	-	£9.0m	£9.00m
DfT Contribution	£26.00m	£16.0m	£42.00m

Table 1: Contributions to IPT Costs

6.5 It is currently assumed that once the decision is made to submit the Hybrid Bill, both the Sponsors will review the draw-downs from the committed budget in light of the timescales agreed at that time.

7 Proposal

7.1 It is proposed that the current Programme and Project Authority is increased by £27.96m to £107.64m, in order to update the SOBC and commence the Development Phase in early 2019.

7.2 Unless the Committee requests otherwise, the IPT will present a paper to its 26 February 2019 meeting, advising on progress and requesting further Programme and Project Authority to support work planned during the year 2019/20.

8 Assurance

8.1 The IPT met with TfL Project Assurance and members of the Independent Investment Programme Advisory Group on 29 January 2018, so that the assurers could assess progress since their Targeted Assurance Review of September 2017. TfL Project Assurance and IIPAG have identified no critical issues and made three secondary recommendations, all of which are accepted and are being addressed.

8.2 It is assumed that a further Project Assessment Review (PAR) will be required by the IPA during autumn 2018, to provide the Government with independent assurance of the third SOBC iteration. The March 2017 PAR team included DfT and TfL expert assurers, in addition to independent reviewers selected by the IPA. This approach was considered successful, and the IPT will propose a similar arrangement for the 2018 PAR.

List of appendices to this paper:

None

List of Background Papers:

IIPAG and Project Assurance Reports

Management response to IIPAG and Project Assurance Reports

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