

Programmes and Investment Committee



Date: 13 October 2017

Item: Crossrail 2

This paper will be considered in public

1 Summary

CR-PR16		Crossrail 2		
Cumulative Financial Authority <small>(Since 01/04/14)</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
£179.7m	£179.7m	£66.68m	£13.00m	£79.68m

Authority Approval: The Committee is asked to approve budgeted Programme and Project Authority of £79.68m to continue development activities.

Outputs and Schedule: The current phase of Crossrail 2 is focused on securing funding, safeguarding the route and pursuing powers to construct.

- 1.1 In March 2016, the National Infrastructure Commission (NIC) recommended that Crossrail 2 should be taken forward as a priority. In response, the Chancellor committed £80m to support the drafting of a Hybrid Bill, necessary to secure powers to construct the scheme, with the Mayor providing a further £80m of match-funding.
- 1.2 The current TfL Business Plan provides Financial Authority of £160m to complete development of a draft Hybrid Bill. The sum of £19.7m of Financial Authority had previously been granted for activities prior to 1 April 2016, giving a cumulative total of £179.7m.
- 1.3 The development plan was predicated on the Secretary of State for Transport affirming his commitment to the Hybrid Bill preparation by endorsing an updated Strategic Outline Business Case (SOBC) in May 2017. The Mayor has already confirmed his commitment.
- 1.4 On 8 March 2017, the Committee agreed an increase in the total Programme and Project Authority to £66.68m, to allow work to continue while cabinet and its advisors considered the SOBC, which was submitted on schedule.

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

- 1.5 The 2017 general election has delayed the Government's response to the SOBC. Subsequent engagement indicates that the Government response may be made around the time of the 2017 budget on 22 November.
- 1.6 This paper describes the work carried out since March and the activities planned during the remainder of this financial year. An increase in Programme and Project Authority of £13.00m to a total of £79.68m is requested, to support that work.

2 Recommendation

- 2.1 **The Committee is asked to note the contents of the paper and approve a revised Programme and Project Authority of £79.68m 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 improve the customer experience of rail travellers.
- 3.2 An integrated TfL, Network Rail and Department for Transport (DfT) project team, led by TfL's Managing Director of Crossrail 2, has worked to update the Business Case and develop a funding strategy. The Integrated Project Team (IPT) is instructed by two Senior Responsible Owners, being TfL's Chief Finance Officer on behalf of the Mayor of London and the DfT's Director General Rail Group on behalf of the Secretary of State for Transport.
- 3.3 The updated SOBC was submitted to the Government in March 2017, but a response to it has been delayed by the 2017 general election. The cabinet's consideration of the SOBC, informed by analysis from HM Treasury and others, had not begun at the time of the election announcement.

4 The Assumed Schedule

- 4.1 On 25 May 2017, a meeting between the Senior Responsible Owners agreed a schedule for planning purposes, pending instruction from the new Government. That schedule anticipates a Government response to the SOBC in late autumn 2017 and assumes a Hybrid Bill submission in January 2020.
- 4.2 In order to submit a Hybrid Bill as planned, development work must begin in early 2018. A period of up to 28 months then elapses before the scheduled date of the next general election, which would allow sufficient time for the Hybrid Bill to complete its third reading in the House of Commons.
- 4.3 Public consultation is critical to the Bill's development. A consultation round is planned for January 2018, subject to Government approval of the updated SOBC. It is critical that, as a minimum, consultation is completed to enable the Safeguarding Directive to be updated to reflect the current proposed route, instead of the previous alignment.

5 Review of Affordability

- 5.1 Following the submission of the SOBC, the programme was subject to an external Project Assessment Review (PAR) by the Infrastructure and Projects Authority, on behalf of HM Treasury.
- 5.2 The PAR Report recommended that further work should be undertaken to improve the affordability of the scheme, with a view to increasing the percentage of the scheme's costs during construction to be met by London. Subsequently, the Mayor of London and the Secretary of State for Transport issued a joint statement on 24 July 2017, underlining the importance of the scheme's affordability, and stating that further work will be carried out in this respect.
- 5.3 The IPT has commenced an affordability review that considers options to phase costs and increase funding. The outputs will be submitted to the DfT in early October to the Department's Business Investment and Commercial Committee. It is expected that the review will be read in conjunction with the SOBC, and the Government will respond to both documents, potentially around the time of the autumn budget.

6 Financial Implications

- 6.1 The current TfL Business Plan provides Financial Authority at £160m for activities to the completion of the draft Hybrid Bill, including the £80m contribution from the DfT. Once the Government's commitment to the preparation of a Bill is confirmed the adequacy of that authority can be reviewed.
- 6.2 The delayed SOBC decision and re-planned Bill development phase has caused forecast expenditure for 2017/18 to reduce from £60m, when the Business Plan was struck, to approximately £35m. On the basis of that forecast the current Project Authority expires prior to the end of Period 8 (mid November). Additional project authority of £13m is requested to enable work to continue to the end of FY2017/18 and the current schedule to be maintained.

7 Proposal

- 7.1 It is proposed that the current Programme and Project Authority is increased by £13m to £79.68m, in order to allow the IPT to continue work consistent with the submission of a Bill in 2020, pending the Government response to the SOBC.
- 7.2 A paper will be submitted to the Committee meeting on 21 February 2018, providing an update following any decision by Government in the autumn and requesting revised Programme and Project Authority as necessary.

8 Assurance

- 8.1 Crossrail 2 has been scrutinised on behalf of HM Treasury by the Infrastructure and Projects Authority through a PAR exercise, referred to at paragraph 5.1 above. That review was positive and the IPT has accepted its recommendations. The Crossrail 2 Programme Board, comprising representatives from TfL, the DfT,

the GLA, HM Treasury and the Department for Communities and Local Government, is monitoring the implementation of response actions.

- 8.2 In September 2017, TfL Project Assurance and the Independent Investment Programme Advisory Group (IIPAG) carried out a Targeted Assurance Review (TAR). Copies of the TAR and IIPAG reports have been circulated to Members along with the IPT's management response.

List of appendices to this report:

None

List of Background Papers:

TAR Report

IIPAG Report

Management Response to TAR and IIPAG Reports

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