

Date: 29 September 2022

Item: Crossrail Project Funding

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## This paper will be considered in public

### 1 Summary

- 1.1 This paper provides an update on the funding and financing of the remainder of the Crossrail project (the Project) following receipt of the 30 August 2022 Funding Agreement from Government. The paper seeks approval to grant related authorities in accordance with Standing Orders, the drawdown of which will continue to be subject to the previously implemented governance arrangements.
- 1.2 A paper is included on the Part 2 agenda which contains supplementary information that is exempt from publication 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 and other parties. Any discussion of that exempt information must take place after the press and public have been excluded from the meeting.

### 2 Recommendations

- 2.1 **The Committee is asked to note the paper and the exempt supplementary information on Part 2 of the agenda and:**
- (a) **approve unbudgeted Financial Authority of £48.5m;**
  - (b) **approve additional Programme and Project Authority of £98.5m, giving a total Programme and Project Authority of £15,887.5m;**
  - (c) **note that Procurement Authority for any new or extended contracts will be sought at officer level in accordance with the Standing Orders; and**
  - (d) **note that the matters to which the authorities sought above extend beyond TfL's current Business Plan and Budget, provision will need to be made for them in future Business Plans and Budgets.**

### 3 Background

- 3.1 On 21 August 2020, Crossrail Limited (CRL) advised Transport for London (TfL) and the Department for Transport (DfT) (together, the Joint Sponsors) that the costs to complete the project were expected to be up to £1,071m above the then available funding envelope of £14.964bn. CRL indicated at that time that further work would be required to finalise the emerging opening schedule and the indicated additional costs were subject to further review and potential mitigations.

- 3.2 In December 2020, additional funding of £825m was made available to the Project. This funding was provided to TfL by the Greater London Authority (GLA), who agreed to borrow further amounts under a further loan facility from DfT, to be repaid from future Mayoral Community Infrastructure Levy revenues.
- 3.3 As a result of this additional funding, the funding envelope was increased to £15,789m; the Project has been utilising this funding since and, at the time of writing, approximately £2m of Programme and Project Authority is available still to be drawn down and is expected to be fully utilised shortly.
- 3.4 Cost to date recognised on the Programme is £15,720m versus the total Programme and Project Authority available of £15,789m.
- 3.5 While the Programme and Project Authority within available funding will soon be exhausted, the Project's cash will not be exhausted until a later point, reflecting the fact that commitments are made some time in advance of cash payments being made.

## **4 Current Cost Forecasts**

- 4.1 In Period 5, the P50 Anticipated Crossrail Final Direct Cost (AFDC) was reduced by £23m to £15,940m, reflecting the realisation of opportunities and the lower risk profile for the remainder of the Project.
- 4.2 The Commissioner has constantly challenged the Project on cost control and a strong cost management strategy has been put in place to drive down the costs to completion.
- 4.3 Overall, the opportunities have now been sufficiently realised that the P50 forecast AFDC can begin to reduce. Existing periodic review processes are used to strike the right balance between improving the forecast cost to go whilst remaining prudent and reflecting risk movements as they either crystallise or retire, and as contracts are final accounted.

## **5 Proposed Funding**

- 5.1 Although not explicitly mentioned in the 30 August 2022 Funding Agreement, the capital funding envelope is understood to include £50m of funding from the Government for Crossrail. TfL will allocate this £50m funding to the Project from grants received from Government. The 30 August 2022 Funding Agreement specifies that the GLA must contribute the £48.5m identified for the Project in the GLA budget published in March 2022, meaning that £98.5m of additional funding above the previously approved £825m funding is available to the Project.
- 5.2 TfL will discuss with the GLA how (the mechanism) and when (the profile) the £48.5m funding will be transferred to TfL.
- 5.3 The £50m of funding provided as a result of the 30 August 2022 Funding Agreement received financial authority as a result of the TfL Board's approval of that Funding Agreement at its meeting on 30 August 2022.

- 5.4 Unbudgeted financial authority is now required to receive the £48.5m of GLA funding and Programme and Project Authority is required for the full additional funding amount of £98.5m.
- 5.5 On the basis that these authorities are granted to the Project, the revised funding envelope would be £15,887.5m against a P50 AFCDC of £15,940m.
- 5.6 The funding settlement makes clear that any further unfunded amounts above this additional funding will need to be found from GLA and/or TfL resources and the Project will continue to maintain its focus on strong cost control to drive down the final costs to completion.

## **6 Governance**

- 6.1 The governance controls required to manage the draw-down of this authority by the Project will follow the processes described to the Board when it approved Crossrail's governance transition on 30 September 2020.
- 6.2 While certain matters that require scrutiny and oversight by this Committee are reserved to it, the Elizabeth Line Delivery Group, chaired by the Commissioner, will continue to ensure appropriate oversight of the delivery of the remaining stages and operation of the Elizabeth line.
- 6.3 Specific decisions under delegated authority will continue to be made by individuals in accordance with the existing TfL governance arrangements and levels set out in Standing Orders.

### **List of appendices to this report:**

Exempt supplementary information is contained in a paper in Part 2 of the agenda.

### **List of Background Papers:**

None

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