Further to your report dated 3 April 2019, I am writing to respond to recommendation 1, 2, 4 and 5 detailed below. The Department provided its response to recommendations 3 and 6 in the Treasury Minute of the Ninety-Second Report of Session 2017-2019, and in my previous letter to you on 29 April 2019.

Recommendation 1

The Department should write to the Committee within six months of this report to explain the steps it is taking to encourage a culture of openness and transparency internally and across its delivery bodies. This should include how it will ensure that project and programme teams reconsider and revisit completion dates for major programmes at key points through the programme lifecycle and engage early with the Department on challenges meeting agreed dates.

The Department should also commit to updating the Committee at regular intervals and ensure that we are kept up-to-date with all key developments.

Response

The Department is committed to encouraging a culture of openness and transparency internally and across our delivery bodies.

Since your report was published in April, there has been a marked improvement in transparency around progress on the Crossrail programme. Both the Chairman and CEO of Crossrail Ltd (CRL) have made repeated public commitments around transparency, and they have been open about the risks and uncertainties remaining on the project. Engagement with Sponsors has also improved, with senior representatives from both DfT and TfL now invited to a de-brief at the monthly CRL Board meeting. The transparency has also extended to the online publication of both the CRL Board and the Crossrail Joint Sponsors Board minutes, as well as the Project Representative (P-Rep) reports that provide an independent analysis of CRL’s project information to the joint Sponsors, the Department for Transport (DfT) and Transport for London (TfL).
Looking more widely across DfT’s delivery bodies the Treasury Minute, in response to the Ninety Second Report of Session 2017-19, referred to the ‘Lessons from transport for the sponsorship of major projects’ report published on 25 April 2019; a joint report from the DfT and Infrastructure Projects Authority. This report identified 24 practical lessons to increase confidence that future transport, infrastructure and wider government projects are delivered with confidence, predictability and control. These lessons included a number of ideas to strengthen transparency.

The Department is now implementing the recommendations from this report in relation to its portfolio of major projects and delivery bodies. It is also considering what further steps can be taken to strengthen all aspects of project delivery, including transparency, through the Project Delivery Improvement Programme, led by Ian King, the Department’s lead NED, and reporting to an Infrastructure Steering Group chaired by John Manzoni, the Chief Executive of the Civil Service. This work includes working with our ALBs, including CRL, Highways England, HS2 Ltd, and Network Rail to improve delivery of our major transport projects. I would be happy to update the Committee further on this work when it concludes in November 2019.

The Department has discussed with CRL the requirement to update the Committee at regular intervals, and it has been agreed that the Crossrail Chairman will write to the Chair of the Committee on a quarterly basis until the project is completed. The first of these updates was provided in August 2019.

**Recommendation 2**

*The Department should consider the root causes of cost increases and delays and should write to the Committee by June 2019 setting out how it has taken lessons learned into consideration and what impact this has had on its approach to the project.*

**Recommendation 5**

*By July 2019, the Department must explain how it has changed its contractual relationship with Crossrail so that it can properly exercise oversight and hold Crossrail Limited to account for its performance managing the programme to completion.*

**Response**

The NAO report on “Completing Crossrail” and the Government’s Lessons Learned report, taken together, provide a detailed perspective of the root causes of delay and cost increase in this project.

CRL, TfL and DfT have acted in response to the NAO and PAC’s recommendations, as well as those made by KPMG in their detailed review of governance. Key changes, a number of which were part of the discussion in the Committee’s hearings on Crossrail held on 6 March 2019 and 15 May 2019, include:

i) A new Chair, Chief Executive, Deputy Chair and three new NEDs have been appointed to ensure the project has the skills and leadership needed to complete the programme. A number of other steps have also been taken to strengthen the executive team;
ii) The Board has set out a revised, detailed cost and schedule plan and reports against this monthly to Joint Sponsors;

iii) CRL have established a new assurance function to provide an oversight of performance and reporting quality. As part of this, CRL are undertaking several targeted assurance reviews including of the revised schedule and cost forecast, alongside planned Stage Gate Reviews and Route Readiness Reviews before the planned commencement of Trial Running and Trial Operations in 2020.

iv) Joint Sponsors have strengthened the P-REP function to provide additional independent scrutiny and assurance of cost and schedule;

v) I and the Commissioner for Transport for London meet the Board at the conclusion of each meeting in order to hear directly about progress;

vi) The Project Development Agreement is being amended to ensure Joint Sponsors have the necessary contractual levels to respond to any adverse scenarios that emerge.

As well as these changes to the existing agreements, there are contractual levers that are defined in the legal agreements which govern the drawdown process of the £1.3bn Great London Authority (GLA) loan and the £750m TfL loan, that form part of the additional funding and financing package announced in December 2018. These agreements stipulate several conditions that must be met before any funding is transferred for the project. Failure to meet any one of the conditions would prevent CRL from accessing any further funding without consent from Sponsors.

**Recommendation 4**

_The Department must write to the Committee immediately after reaching agreement with Crossrail Limited to outline how it has assured itself that the revised schedule and cost to completion are robust. The Department should also detail how the £2.8 billion of extra funding should be allocated._

**Response**

The additional funding that has been made available to CRL and Network Rail (NR) respectively since July 2018 was allocated as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Funding</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-July 2018 Funding Envelope</td>
<td>£14.8bn</td>
<td>-</td>
</tr>
<tr>
<td>July 2018</td>
<td>c.£600m</td>
<td>c£300m is funded to CRL and c£290m to NR.</td>
</tr>
<tr>
<td>February 2019</td>
<td>£2.15bn</td>
<td>This funding is available to CRL only and is managed by the Supplemental Agreement between DfT, GLA and TfL.</td>
</tr>
<tr>
<td>July 2019</td>
<td>£220m</td>
<td>Further funding to NR granted for On Network Works made available from NR underspends. This was announced in our Annual</td>
</tr>
</tbody>
</table>
In April 2019, CRL announced a revised opening window for Stage 3 (opening of the central tunnel section) between October 2020 and March 2021. CRL continue to report that opening window remains deliverable, but they have acknowledged that there are still risks to the project. There are around 120 key milestones that have been identified by CRL, and these are being tracked and monitored closely by CRL and Sponsors.

CRL reported to the TfL Board on 18 September 2019 that current projections show a central cost forecast at P50\(^{[1]}\) (including risk contingency) of £15,005m, which is £42m more than the funding committed under the Financing Package. The P80\(^{[2]}\) forecast includes a significantly higher level of risk contingency, up to £394m more than the committed funding, and opening later in 2021. TfL issued a voluntary stock exchange announcement in light of this information, reporting that both it and the Greater London Authority will continue to work on contingency planning in the event that further funding is needed beyond what is currently available.

The Department and HMT will be consulted on these plans, but our expectation continues to be that London will pay for any further funding needed to complete the project.

CRL will continue work to finalise the cost forecast for the central section of the route, with work ongoing to identify cost control and risk mitigation strategies. Following this, Joint Sponsors plan to commission an independent review to assess the deliverability of the revised cost forecast, and will continue to consider if any further assurance activities are required, and the most appropriate timing for this to occur. The Infrastructure and Projects Authority will also be conducting a review of CRL’s assurance framework which is due to be completed in the next few months. The Department will formally write to the Committee once this work has concluded.

I hope this response has been helpful.

Yours sincerely,

Bernadette Kelly CB
Permanent Secretary

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\(^{[1]}\) P50 indicates that the figure provided has a confidence level of 50% that it will be the final reported figure and is the basis on which CRL have historically reported. The anticipated final cost forecast represents the aggregate of all CRL costs incurred and forecast to be incurred in the project. It does not include costs for the Network Rail works (c.£2.8bn).

\(^{[2]}\) P80 indicates that the figure provided has a confidence level of 80% that it will be the final reported figure. This is level at which we have historically funded the project.