

MAYOR OF LONDON

Florence Eshalomi AM

Chair of the London Assembly Transport
Committee
City Hall
The Queen's Walk
London SE1 2AA

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Dear Florence

I am writing in response to the previous Chair of the Transport Committee's letter of 23 April and the recommendations contained in the Committee's report into the Crossrail project. Please accept this as a joint response from myself and Transport for London (TfL).

The Elizabeth line will be the single most significant new public transport infrastructure in London for decades. As I explained to the Assembly on 2 May, I remain frustrated and angry at the delay to Crossrail and the impact this is having on millions of Londoners who expected the Elizabeth line to open in December 2018. The delay has also meant a significant loss of revenue, which TfL now has to manage. TfL continues to assess the potential net impact of the delay on its financial position. Any potential change to the financial impact beyond 2019/20 will be reflected in TfL's 2019 update to its Business Plan.

Your report is one of a number of important independent reviews into the project to ascertain why the railway did not open as planned and identify a successful path to opening. As soon as I heard about the delay, I asked the Joint Sponsors to commission independent reviews by KPMG into the project's governance as well as its financial and commercial practices. The findings and recommendations contained in both reviews have led to significant changes being made to the project's governance and the way it is delivered.

Many of these improvements address similar areas to those raised in your Committee's report. The Joint Sponsors have published a report detailing how all the recommendations from the KPMG reviews have been implemented. This report was considered by TfL's Audit and Assurance Committee in June. The report is available here: <http://content.tfl.gov.uk/aac-20191006-agenda-and-papers-updated-v2.pdf>.

Last autumn, I worked with the Government to agree a financial package to meet the additional capital cost caused by the delay and, working with the Department for Transport (DfT) as Joint Sponsor, I have now put in place a new leadership team at Crossrail Ltd to see the project through to completion. I am pleased with the progress that Mark Wild and his team have made in reconfiguring the project and ensuring it has the expertise needed to safely complete the railway as soon as possible. Although uncertainties and risks remain, Crossrail Ltd's revised plan, published on 25 April, gives Londoners clarity on when the central section is expected to open.

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Please see below individual responses to the recommendations contained in your Committee's report.

Recommendation 1 – The governance model

Sponsors should ensure governance systems are robust and remain fit-for-purpose throughout the lifetime of a project. Governance systems must involve key players from the start, and embed adequate financial and accountability processes to protect the public purse right from the outset. Reviews of governance systems should take place periodically, in particular when there is a clear shift in the nature of the project (e.g. from construction to fit-out, to operation).

I agree that governance structures must be robust and remain under review. That is why, as soon as the difficulties with the project became apparent, I asked the Sponsors to commission independent reviews that have led to a number of improvements in the systems and processes on the project.

For example, a new Chair and Deputy Chair were appointed in January 2019, and a new executive leadership team is now in place. Crossrail Ltd has also overhauled governance through an Executive Group, an Investment Committee, a re-established Audit and Assurance Committee and a strengthened Safety and Health Executive Leadership Team. Both the Investment Committee and Audit and Assurance Committee are chaired by TfL-appointed non-executive directors. In addition, Crossrail Ltd has a new, comprehensive visual management process, to support effective management and decision-making. Sponsors now have sight of a weekly dashboard that provides them with greater direct visibility of project progress and key risks.

The Crossrail Sponsor Board now has a new independent member, in addition to a technical adviser, who rigorously reviews the quality of assurance and information provided by Crossrail Ltd from an independent perspective.

The Joint Sponsors will continue to keep the governance structures under review as the project progresses through to completion.

Recommendation 2 – Skills profile in the project

Sponsors should ensure Crossrail has the right skillset now for successful programme completion. For future projects, Sponsors should review the skills needed throughout the lifetime of the project, to ensure the right technical capacity is present at each stage.

Ensuring that projects with multiple stages, and which span a number of years, have the right technical expertise at each stage is an important lesson for future infrastructure projects. The new leadership now in place at Crossrail Ltd includes some of the world's foremost experts in systems integration and commissioning who are best placed to take the project through these final stages. This new leadership is now focussed on effectively resourcing the project with the right expertise across all areas including systems integration and risk, and ensuring the correct organisational structures are in place for effective delivery and oversight.

In addition, TfL and the DfT have now appointed a technical adviser who is providing expert insight on railway systems delivery. The Project Representative (P-Rep) function, currently held by Jacobs, has also been greatly enhanced with additional resources to give them increased oversight on key elements of the programme including monitoring risk, the schedule and whether the right technical expertise is in place.

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Recommendation 3 – The role of independent reviewers

The role of independent reviewers on Crossrail and other infrastructure projects needs to be clearly and fully built into the governance structure. Sponsors should strengthen the role of independent reviewers by clearly outlining from the outset the actions to be taken in response to their recommendations. This will not only provide assurance of deliverability, but will also protect the public purse.

and

Recommendation 5 – Role of Sponsors

Sponsors need to keep an overly optimistic corporate culture in check by bolstering the role of independent reviewers, and encouraging consistent and strong scrutiny, informed by independent advice.

I agree that the role of independent reviewers is crucial to the success of projects such as Crossrail. The P-Rep consistently scrutinised the project and Sponsors have always raised their concerns with the Executive team of Crossrail Ltd. However, ultimately, it is the Crossrail Board and Executive who are responsible for the delivery of the project.

Throughout my time as Mayor, I have consistently raised any concerns I have had, with the previous leadership at Crossrail Ltd. It is now clear that the information presented to Sponsors was not of adequate quality and did not tell the whole story. It remains the role of both Sponsors to provide strong scrutiny of the Crossrail project, which is why, as explained above, we have considerably strengthened the P-Rep function. This is alongside the addition of a new independent member and technical expert to the Sponsor Board.

In addition, my Deputy Mayor for Transport has spoken to the Transport Commissioner about what more could be done to strengthen arrangements with regard to visibility of the P-Rep reports. This includes my Chief of Staff and Deputy Mayor being sent the P-Rep reports when they become available. In addition, my Deputy Mayor for Transport has asked TfL to consider how the views of the P-Rep may be best reported to the TfL Board going forward, for example via the Programme and Investment Committee.

Recommendation 4 – Corporate culture

Crossrail and future infrastructure projects should have a system of governance and accountability that encourages a culture of transparency and openness, and offers mechanisms for these to be sustained at all levels of the organisation. This culture should balance optimism, to keep the project and staff motivated, against reliable communication of risk, productivity and project performance.

I have made clear the need for Crossrail Ltd to provide regular and transparent performance reporting going forward. The two-way flow of information between the project and its Joint Sponsors has greatly improved, with detailed updates now provided at the Crossrail Ltd Board, Sponsor Board, TfL Finance Committee, TfL Programmes and Investment Committee and TfL Board meetings. Senior representatives from both Joint Sponsors also now sit as observers for parts of Crossrail Ltd Board meetings to hear the very latest status of the project.

The Transport Commissioner and I meet with the Chair and Chief Executive of Crossrail Ltd around every six weeks. My Chief of Staff and Deputy Mayor for Transport also meet with Crossrail Ltd every fortnight to discuss progress on all aspects of the project and go through weekly metrics on a range of measures including safety performance and testing progress.

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Crossrail Ltd's new leadership have made clear a number of times their commitment to full transparency and openness, which I welcome. It is now essential that Mark Wild and his team focus on the job at hand and safely complete the railway as quickly as possible.

Recommendation 6 – Chief Executive remuneration

The remuneration packages for chief executives in large infrastructure projects should be benchmarked against those for other projects. Additionally, the process for setting and assessing performance bonuses should be revisited periodically, to ensure the remuneration of programme chief executives adequately reflects progress towards the successful delivery of a publicly-funded project.

It should be remembered that the Government established the governance arrangements for the Crossrail project such that the running of the company, including remuneration policy, was kept to Crossrail Ltd's independent board.

KPMG's independent reviews recommended that Sponsors and Crossrail Ltd should agree changes to the procedures around, and oversight of, remuneration of senior Crossrail staff.

Consequently, Crossrail Ltd's Remuneration Committee and the Nomination Committee has been consolidated into one Remuneration and Nomination Committee with an Independent Non-Executive Director as Chair. Meetings are to be held at least once a year, with the first meeting having taken place on Thursday 20 June. Conversations between the Crossrail Chair and Sponsors are ongoing, with detail regarding the committee's terms of reference and membership to be confirmed in due course

Recommendation 7 – Access to board meetings

Decision-making on major projects should occur in formal meetings. These meetings should be comprehensively minuted and recorded. Further, barring commercially-sensitive business, these meetings (e.g. Crossrail Board and Sponsor Board) should be public, in particular given that funding is coming from the public purse.

The governance structures agreed when the project was initially set up provided the Crossrail Ltd Board a high degree of autonomy in regard to the set-up and format of their meetings and purposefully made it difficult for Sponsors to interfere with this.

Crossrail Ltd Board minutes have always been comprehensively recorded. However, everyone involved in Crossrail, including both Sponsors, is fully committed to improving the transparency of the project. In this spirit, I have ensured the minutes of both the Crossrail Ltd Board and Sponsor Board meetings are now published on TfL and Crossrail Ltd's websites. These can be found on TfL's website at: <https://tfl.gov.uk/corporate/publications-and-reports/crossrail-board-minutes>.

The publication of the minutes, monthly updates to you as Chair of the Transport Committee, along with detailed reports from the Chief Executive and Chairman of Crossrail Ltd at the TfL Board and its Programme & Investment Committee (PIC), has delivered a step-change in transparency. The flow of information between the Crossrail Ltd Board and TfL Board has also been enhanced. Every Crossrail Ltd Board meeting now includes a Sponsor Update item, where the TfL Commissioner and Chief Financial Officer rigorously challenge Crossrail Ltd on progress, with this information then fed back into public sessions of the TfL Board and the PIC.

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As a result, and in light of the fact that KPMG did not recommend the Crossrail Ltd Board meet in public, we now believe an appropriate balance has been struck.

Recommendation 8 – The Mayor as Chair of TfL

The Mayor and TfL Board must strengthen control over TfL, and implement the necessary processes to allow them to remain fully informed and on top of progress on the projects they are ultimately accountable for.

As Chair of TfL, I have very clear processes in place to ensure I am kept fully informed of key transport projects and issues in London. I meet with my Deputy Mayor for Transport regularly, as well as meeting with the Transport Commissioner at least once a fortnight. In addition, I am kept up to date about any emerging issues as they arise in between these meetings.

On Crossrail specifically, I meet with the Transport Commissioner as well as the Chair and Chief Executive of Crossrail Ltd around every six weeks. My Chief of Staff and Deputy Mayor for Transport also meet with them every fortnight to discuss progress on all aspects of the project and to go through weekly metrics on a range of measures including safety performance and testing progress.

This is a significantly improved reporting process, and a big step forward in creating a more open and collaborative relationship between all organisations involved in the Crossrail project. This is, of course, in addition to all the governance changes that I have outlined above and that have been championed by both Sponsors as well as by the Crossrail Ltd leadership, following the independent KPMG reviews.

With regards to the role of the TfL Board, the governance of the project was set up with an independent Crossrail Board, who are responsible for the delivery of the project. The role of Sponsors, including the TfL Board, is to question and challenge the delivery team, but decision-making and accountability ultimately lies with the Crossrail Ltd leadership.

The relationship between Crossrail Ltd and the Joint Sponsors has improved considerably since the new Crossrail Ltd leadership team was appointed late last year. Crossrail Ltd's Chair and Chief Executive both attend all meetings of the TfL Board to give comprehensive updates to the Board in public, and the Chief Executive also attends TfL's PIC meetings, where he recently provided PIC members with an in-depth overview of the project's status. It has also been agreed for the Chair of the PIC to attend the fortnightly meeting on Crossrail between my Chief of Staff, Deputy Mayor for Transport and the Chair and Chief Executive of Crossrail Ltd.

More generally, the TfL Board is the most experienced and diverse Board that TfL has ever had, and they remain fully aware and in control of all of TfL's activity.

Recommendation 9 – The Commissioner's role

Given the strong evidence presented in this report, we recommend that the Commissioner reflects on whether he is fit to fulfil his role in TfL.

I have every confidence in Mike Brown, who is doing an excellent job as London's Transport Commissioner. Responsibility for the inadequate information provided about the delay to Crossrail lies squarely with the former management of Crossrail Ltd. It is clear that the previous leadership at Crossrail Ltd failed to understand and report the true position of the project. Both TfL and the DfT, as Sponsors, should have been given a clearer picture from Crossrail Ltd's leadership far sooner.

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Recommendation 10 – Complex infrastructure

Future infrastructure projects should strive to keep designs simple, incorporating standard rather than bespoke features, in order to reduce risks to budget and timelines, and protect the public purse against overspend.

TfL, as a Sponsor of the Crossrail project, is ensuring that all the lessons that have been learned are taken into account during the planning of future large infrastructure projects, including Crossrail 2.

In delivering their capital investment programme, TfL already seeks to keep designs simple and minimise bespoke features where possible. For example, the pan-TfL escalator contract allows TfL to work with their nominated supplier to deliver a standard product (reflecting the station layout requirements and environment) across the network. In addition, the use of digital tools has enabled TfL to adopt standardised and modern construction methods, such as off-site construction on projects such as the Northern Line Extension and Bank Station Capacity Upgrade programmes, to deliver higher and more consistent product quality and improve productivity whilst also minimising risk to the programme.

Recommendation 11 – Complementary works

Future infrastructure projects should make plans to deliver complementary works—including step-free access—at the outset.

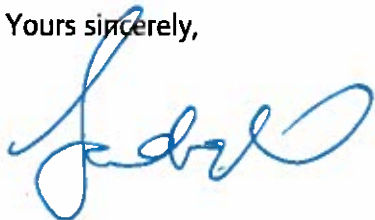
Improving the accessibility of London's transport network is one of my top priorities. Since I became Mayor 10 stations on London Underground have become step-free, taking the total to 78. It is important that project activities are carefully sequenced in order to minimise time and cost, while delivering benefits at the earliest possible stage. To a large extent this was done for Crossrail, save for a small number of stations in outer London.

For future infrastructure schemes, such as for Crossrail 2, all stations are being designed from the start with step-free access from street to platform, with all stations in the tunnelled part of the route step-free from street to train.

I trust that these responses demonstrate my continued commitment to ensure crucial lessons are learned from the Crossrail delay. It is now crucial that we focus all our attention on safely delivering the railway as quickly as possible for all Londoners. As I said to the Assembly on 2 May, I will be happy to appear in front of the Assembly again in around six months to provide a further update to members on project progress.

Thank you again for the Committee's report and the opportunity to respond to its recommendations.

Yours sincerely,



Sadiq Khan
Mayor of London