

Lower Thames Crossing

4.3 Funding Statement

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1 Introduction

- 1.1.1 This Funding Statement (“this Statement”) relates to an application made by National Highways (the "Applicant") to the Secretary of State for Transport via the Planning Inspectorate under the Planning Act 2008 (the "2008 Act") for a Development Consent Order (DCO). If made, the DCO would grant consent for the Applicant to undertake the A122 Lower Thames Crossing (the Project).
- 1.1.2 The purpose of this Statement is to demonstrate that the Project will be adequately funded, and that funding is not an impediment to the delivery of the Project or the payment of compensation to persons affected by compulsory acquisition, temporary possession or a blight claim.
- 1.1.3 This Statement has been prepared and submitted pursuant to Regulation 5(2)(h) of the Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009 and in accordance with the Department for Communities and Local Government’s (2013) Planning Act 2008: Guidance Related to Procedures for the Compulsory Acquisition of Land. The guidance explains that applicants should:
- a. *“be able to demonstrate that there is a reasonable prospect of the requisite funds for acquisition becoming available”*¹ and be able to demonstrate that adequate funding is likely to be available to enable the compulsory acquisition within the statutory period following the Order being made,² and that the resource implications of a possible acquisition resulting from a blight notice have been taken account of;³ and
 - b. provide as much information as is possible about the resource implications of implementing the Project.⁴
- 1.1.4 The Funding Statement addresses these two tests. Chapters 2 and 3 confirm there is a ‘reasonable prospect’ of the requisite funds for acquisition becoming available to enable the compulsory acquisition within the statutory period following the order being made, and Chapter 5 confirms that the resource implications of a possible acquisition resulting from a blight notice have been taken account of. Chapters 2 and 3 address the second test.
- 1.1.5 As this Statement is part of the Application Documents, it should be read alongside, and is informed by, the other Application Documents, particularly the Statement of Reasons (Application Document 4.1 [\[REP7-096\]](#)), which is also included in the DCO application to comply with the requirements of Regulation 5(2)(h).
- 1.1.6 A description of the Project can be found in Environmental Statement Chapter 2: Project Description (Application Document 6.1 [\[APP-140\]](#)).

¹ Paragraph 9

² Paragraph 18

³ Paragraph 18

⁴ Paragraph 17

- 1.1.7 The iteration of the Funding Statement submitted with the DCO application in October 2022 was predicated on a single funding option for the Project, namely full public funding under the Road Investment Strategy. On 29 January 2025, the Chancellor published a statement (HM Treasury, 2025) in which she stated that *“the government is also assessing options for privately financing the Lower Thames Crossing, which will improve connectivity across vital ports and alleviate congestion as goods to be exported come from across the country to markets overseas.”*
- 1.1.8 The Applicant has identified two funding options which could viably deliver the Lower Thames Crossing using private financing, and this iteration of the Funding Statement has been updated to reflect those options. Accordingly, three delivery options are now put forward in this Funding Statement, as follows:
- a. full public funding under the Road Investment Strategy (**Full Public Delivery model**);
 - b. full public funding for the tunnels, with the connecting roads being delivered and funded by the private sector under Design, Build, Finance, Operate and Maintain (DBFOM) contracts (**Public Tunnel and DBFOM Roads model**); and
 - c. a regulated private entity model, under which a private sector body finances, builds and operates the Project in its entirety in perpetuity, subject to the oversight of an independent regulator (**Regulated Private Entity model**).
- 1.1.9 No decision has been taken on the delivery model to be pursued, and that investment decision would be a matter for government to determine separately from the development consent decision. The investment decision would be made in accordance with the Green Book (HM Treasury 2022).

2 Project Cost

- 2.1.1 The estimated capital cost for the Project for each funding option is set out in Table 2.1, including allowances for risk and inflation. The base estimates have been prepared in accordance with the Applicant's capital cost estimating process for major projects and includes all costs to deliver the Project.

Table 2.1 Current estimated capital costs for each funding option

	1. Full Public Delivery	2. Public Tunnel & DBFOM Roads	3. Regulated Private Entity
Total capital funding required (25/26 onwards)	£8.0bn	£9.0bn	£8.2bn
Public capital funding (25/26 onwards)	£8.0bn	£4.7bn ⁵	£1.9bn
Private capital funding (25/26 onwards)	-	£4.3bn	£6.3bn
Total estimated capital cost (incl. historical)	£9.2bn	£10.2bn	£9.4bn

- 2.1.2 The capital cost includes an allowance for compensation payments relating to the compulsory acquisition of interests in, and rights over, land and the temporary possession and use of land. It also takes into account potential claims under Part 1 of the Land Compensation Act 1973, Section 10 of the Compulsory Purchase Act 1965 and Section 152(3) of the Planning Act 2008.
- 2.1.3 The estimates for compensation payments have been informed by land referencing activities, engagement of professional surveyors and information received from consultation and engagement with parties having an interest in the land.
- 2.1.4 For each of the delivery options, Chapter 3 of this document explains that compensation payments in respect of compulsory acquisition of land would be fully publicly funded by government. This satisfies the test there is a reasonable prospect of the requisite funds for land acquisition becoming available.

⁵ This figure represents capital funding only and does not include availability payments made by HMG to the DBFOM SPV once the Roads are operational, which are used to pay off the private financing.

- 2.1.5 In addition to the cost of obtaining land and interests in land, the Applicant has also estimated the other direct costs associated with developing and implementing the Project, including the cost of obtaining consents, procuring the Project and the likely spend on obtaining specialist technical, legal and commercial advice.
- 2.1.6 Prior to submission of the application for development consent, the base design, construction and maintenance costs for the Project were prepared in accordance with the Applicant's procedures and validated through benchmarking to other analogous projects and consulting with relevant global contractors, designers and cost consultants with noted experience of similar schemes, particularly in the tunnelling market. Mechanical engineers, specialist tunnelling engineers and suppliers of materials, plant and labour were also consulted. The Project base cost and programme were also assured through external reviews providing sufficient certainty to enable the Applicant to confirm the cost of the Project.
- 2.1.7 These base costs have been utilised in developing the cost estimates for the three funding options as presented in Table 2.1. The base costs have been adjusted to account for changing inflation and delivery costs arising from the two year rephasing of the works announced by the Written Ministerial Statement (9 March 2023).
- 2.1.8 The Public Tunnel & DBFOM Roads model is estimated to require an additional £1 billion of capital funding compared to the Full Public Delivery model, which includes:
- a. Approximately £350m relating to the DBFOM procurement and management of the interface between the Tunnel construction (carried out by the government) and the DBFOM special purpose vehicle (SPV); and
 - b. Approximately £650m as a result of a different costing basis for construction and financing under the DBFOM due to it taking construction risk under a fixed-price contract.
- 2.1.9 The Regulated Private Entity model is estimated to require an additional £0.2 billion of capital funding compared to the Full Public Delivery model, which relates to the cost of delivering the Regulated Private Entity model.
- 2.1.10 These estimated additional costs have been identified by the Applicant based on the delivery team's knowledge and understanding of the Project's programme and costs, and with reference to similar schemes and financing models.

3 Sources of Funding

- 3.1.1 This section sets out the sources of funding under each of the delivery options.
- (a) Full Public Delivery**
- 3.1.2 Under this option, the Project would be funded through government funding of National Highways (i.e., the Applicant).
- 3.1.3 The Applicant is a government-owned and funded company and is responsible for operating, maintaining and improving the strategic road network in England. These responsibilities include the acquisition, management and disposal of land and property in relation to strategic road network improvement projects, together with the payment of compensation related to these activities.
- 3.1.4 The Government's funding of the Applicant is through a Road Investment Strategy (RIS) covering a five-year funding settlement period. This allows the Applicant and its supply chain to plan their work efficiently and invest in people and equipment, growing the skills and capability necessary to deliver the scale of improvements planned to the network. The funding for the RIS is confirmed through the Statement of Funds Available.
- 3.1.5 The first Road Investment Strategy (RIS1) (Department for Transport, 2015) covered the financial years 2015/16 to 2019/20 and committed £15 billion of funding for investments in the roads network.
- 3.1.6 The second Road Investment Strategy (RIS2) (Department for Transport, 2020) covers the financial years 2020/21 to 2024/25 and provides a commitment of £27.4 billion of funding.
- 3.1.7 In RIS1, the Project was identified for development and early design work (Department for Transport, 2015, Part 2, page 46, paragraph 10). The funding commitment for the Project has continued into RIS2. The Project was announced as a committed, and therefore funded scheme in RIS2 (Department for Transport, 2020, Part 3, page 102, paragraph 6).
- 3.1.8 The funding commitment is also reiterated in National Highways' Delivery Plan 2020-2025 (Highways England, 2020), which sets out the plan to deliver RIS2. The Project was allocated its own dedicated funding within RIS2.
- 3.1.9 The HM Treasury Budget Report-March 2020 included reference to RIS2 under Strategic transport projects, specifically mentioning that the Lower Thames Crossing will be taken forward to 'increase road capacity across the Thames east of London' (HM Treasury Budget Report – March 2020, page 48, paragraph 2).
- 3.1.10 The Autumn Budget and Spending Review 2021 also referred to Lower Thames Crossing under Department for Transport (DfT) SR21 settlement, specifically mentioning that settlement will deliver over 60 upgrades, including the largest scheme in a generation – the Lower Thames Crossing (HM Treasury Autumn Statement and Spending Review – October 2021, page 110, paragraph 4)

- 3.1.11 The Project is also part of Government Major Projects Portfolio (GMPP) that ensures robust oversight of the government’s most complex and strategically significant projects and programmes. It was also listed in The Infrastructure and Projects Authority (IPA) Annual Report on Major Projects 2023-24.
- 3.1.12 The Government confirmed its commitment to the Project in a Written Ministerial Statement on 9 March 2023 (Hansard HC Deb, 9 March 2023) and a statement by the Chief Secretary to the Treasury in the House of Commons on 21 March 2023 (Hansard HC Deb, 21 March 2023).
- 3.1.13 Funding for the next five years beyond RIS 2, during which a significant part of the total funding will be required, is currently being agreed with DfT including as part of the Spending Review, however there is continued strong government support for the Project, as evidenced by the Chancellor of the Exchequer’s statement on 29 January 2025.
- 3.1.14 The Government and National Highways’ commitments described above demonstrate that the Project could be fully funded by the Department for Transport through the Statement of Funds Available (SoFA). Consequently, this funding option is not dependent on funding contributions from other parties or sources, including road user charging. Relevant extracts from these documents are included in Appendix A.

(b) Public Tunnel & DBFOM Roads

- 3.1.15 For the purpose of the Main Works Contracts for the delivery of the Project, Lower Thames Crossing is separated into ‘Tunnel’ and ‘Roads’ packages.
- 3.1.16 This funding option involves public delivery and capital funding of the Tunnel and private delivery and capital funding of the Roads via DBFOM contract(s).
- 3.1.17 A DBFOM is a fixed-price contract under which a private-sector SPV would finance, construct and operate the Roads over a 25-30-year term, after which the Roads assets would return to the government. The number of DBFOMs required to deliver the Roads would be subject to market requirements.
- 3.1.18 Once the Roads assets are operational, the government would make availability payments to the Roads SPV which are set to cover forecast operating and financing costs at the time of financial close. Deductions may be applied if availability and performance targets for the asset are not met.
- 3.1.19 It is estimated that approximately £4.7bn of the £9.0bn would be from RIS funding of National Highways. This funding would cover the following:
- a. Full delivery of the Tunnel;
 - b. Pre-construction enabling works for the Roads (including utility diversions, design work up to a developed scheme design (including initial detailed design of key elements), archaeology, ecology and consents);
 - c. Allowance for compensation payments in respect of compulsory acquisitions of land for the entire Project (Tunnel and Roads); and
 - d. Procurement and management of the Roads DBFOM contract (including management of the interface risk between National

Highways and the DBFOM SPV).

- 3.1.20 The remaining approximately £4.3bn of capital would be funded by private investment raised by the DBFOM SPV and would cover the construction of the Roads. Once the Roads are operational, the government would make non-capital availability payments to the DBFOM SPV which it would use to repay its financing.
- 3.1.21 The Applicant considers that there is likely to be market interest for a DBFOM for the Roads and this is a funding model that is well recognised by private markets with precedents of its use on similar projects in the United Kingdom such as the Silvertown Tunnel and Mersey Gateway Bridge.

(c) Regulated Private Entity

- 3.1.22 The Regulated Private Entity delivery option consists of an economic regulatory regime, where a regulated private entity would have an obligation under licence to finance and build the Project in its entirety and to operate the Project in perpetuity.
- 3.1.23 Road user charges from the Project and the Dartford Crossing would be received by the entity.
- 3.1.24 An economic regulatory regime would need to be established, whereby an independent regulator sets an allowed revenue for the regulated private entity to cover its operating and financing costs. This protects road users and guards against excessive regulated private entity profits. New primary legislation is considered likely to be required to facilitate the Regulated Private Entity model, should government elect to pursue that delivery model.
- 3.1.25 It is estimated that approximately £1.9bn of the £8.2bn would be from RIS funding of National Highways. This would cover the following:
- a. Pre-construction enabling works for the entire Project up to the completion of the regulated private entity transaction (including utility diversions, design work up to a developed scheme design (including initial detailed design of key elements), archaeology, ecology and consents);
 - b. Allowance for compensation payments in respect of compulsory acquisitions of land for the entire Project (Tunnel and Roads); and
 - c. Delivery of the economic regulatory regime, including the establishment of the independent economic regulator.
- 3.1.26 The remaining approximately £6.3bn of funding would be funded by private investment raised by the regulated private entity and would cover full construction of the Project including any pre-construction enabling works not undertaken prior to financial close.
- 3.1.27 The Applicant considers there is likely to be a market interest for the Regulated Private Entity delivery option and recent market activity suggests there is strong market appetite for delivery of capital projects in the UK via this model (e.g., Thames Tideway Tunnel, Carbon Capture Usage and Storage and Sizewell C).

4 Revenue from road user charging

- 4.1.1 As stated in paragraph 3.25 of the National Policy Statement for National Networks (Department for Transport, 2014), river and estuarial crossings will normally be funded by tolls or road user charges.
- 4.1.2 A charge is proposed for the use of the Lower Thames Crossing tunnel in line with government policy to charge for estuarine crossings and to adhere to the Scheme Objectives. For more information, please see Chapter 1 of the Road User Charging Statement (**Application Document 7.6 [Rev 2.0]**).
- 4.1.3 Under a protocol arrangement, like the one that is currently being used for the Dartford Crossing, the charge revenue and related charge collection cost from the Lower Thames Crossing would accrue to the Government and not the Applicant under both the Full Public Delivery and Public Tunnel & DBFOM Roads models.
- 4.1.4 Under the Regulated Private Entity model, the regulated private entity would collect the revenue from user charges from the Lower Thames Crossing and the Dartford Crossing to cover its operating and financing costs, which would be regulated by an independent economic regulator.
- 4.1.5 The appraisal of the impacts of the Project, as detailed in the Combined Modelling and Appraisal Report (**Application Document 7.7 [APP-518]**), is based on the assumption that the same charges apply at both crossings and that cost of these charges to road users stay constant in real terms over the Project's appraisal period (starting from a 2014 base date). These assumptions have been agreed with DfT.
- 4.1.6 Under the Regulated Private Entity model VAT has been assumed to be applicable to user charges. The Applicant has accounted VAT in the forecast charge for this model (i.e. there is no material change in the total forecast cost to the end user as compared with Combined Modelling and Appraisal Report). On that basis there would be no change to the forecast road user charge applicable to cars. VAT applicable to HGVs and LGVs would be added to the user charge, however VAT-registered users would be able to recover the VAT and so the cost to these users would remain unchanged.
- 4.1.7 Two groups of users are treated differently by the VAT regime:
- A small number of HGVs and LGVs are owned by users who are not VAT-registered and therefore are unable to recover VAT; and
 - Employers business trips made by car would be able to recover VAT.
- 4.1.8 HGVs and LGVs owned by users who are not VAT-registered are a minor component of these vehicle users. The travel decision making by these users is highly inelastic (i.e. the travel decisions do not change significantly in response to price changes), as evidenced in Table 10.29 of the Combined Modelling Appraisal Report - Appendix B - Transport Model Package [**APP-520**]. Accordingly, this would have a negligible impact on traffic flows.
- 4.1.9 Employees trips made by car on behalf of a business that is VAT-registered could reclaim the VAT reducing the cost of the trip to the business. The employers business journey purpose has an inelastic price elasticity. As shown

in Table 10.29 of the Combined Modelling Appraisal Report - Appendix B - Transport Model Package, it has the most inelastic of car journey purposes. This is because the choice of destination for business trips is less discretionary than for commuting and other trips. In addition, the charge is a minor aspect of the decision to travel across the river, and the charge is a minor component of the effective cost of the journey to the employer. The value of time for car employers business trips is the highest value of time used in the variable demand modelling, which uses the value of time by vehicle type and journey purpose set out in the DfT TAG databook. This makes the charge at the Dartford Crossing / the A112 Lower Thames Crossing a minor proportion of the total time/cost of a journey, which further reduces the impact of a minor change in the charge on the total time/cost of the journey.

- 4.1.10 Taken together, the impact of the proposed changes to VAT on the forecast traffic flows on the network would be negligible and, in line with the principles of proportionate appraisal, would not merit the re-running of the Applicants traffic model and the assessments that use the traffic flows forecast by the traffic model.

5 Blight

- 5.1.1 The term “blight” refers to the reduction of economic activity or property values in a particular area as a result of possible future development or restriction of development caused by a project for public purpose. Blight notices may be served on the Applicant by those with a qualifying interest in affected land.
- 5.1.2 A long period can elapse between the announcement of development proposals requiring compulsory acquisition and the final acquisition of the required land. During that period, affected landowners can continue to use their property but the marketability of it and the value they could achieve in the open market on sale may be reduced. This may negatively affect landowners wishing to sell prior to the compulsory acquisition of their property as they would not yet be eligible for compensation. In these circumstances, property landowners can (subject to meeting certain criteria) serve a “blight notice” on the Applicant as acquiring authority requesting it to purchase their property ahead of the proposed compulsory acquisition.
- 5.1.3 Once a blight notice has been accepted as valid, the property is acquired by the Applicant. As of February 2025, 73 valid blight notices have been accepted in respect of the Project. Of these, 62 acquisitions have been completed, 3 have expired and 8 are in progress.
- 5.1.4 The cost of these valid blight notices has been met by the Applicant and is included in the Project costs set out in Section 2.1.1 above under all of the delivery options.
- 5.1.5 Should any future claims for blight arise as a result of the proposed compulsory acquisition of, or rights in, land affected by the Project, the costs of meeting any valid claim will be met by the Applicant.

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Appendix A Extracts from Government and National Highways Policy Commitments to the Project

- A.1.1 Department for Transport (2015). Road Investment Strategy: for the 2015/16 – 2019/20 Road Period.
- ‘Schemes developed for the next Road Period: Lower Thames Crossing – the Government continues to consult on the different route options for a new Lower Thames Crossing. A decision on a preferred option will be reached during this Road Period, and design work is likely to begin.’ (Part 2, page 46, paragraph 10)*
- A.1.2 Department for Transport (2020). Road Investment Strategy 2: 2020–2025.
- ‘RIS2 will start or complete £14.7bn of upgrades, including the Lower Thames Crossing.’ (Part 3, page 90, paragraph 1)*
- ‘Committed for RP2: Lower Thames Crossing – a new crossing of the River Thames between Kent and Essex, together with supporting roads linking to the M25, A13 and M2.’ (Part 3, page 102, paragraph 6)*
- A.1.3 Highways England (2020). Delivery Plan 2020-2025.
- ‘We will start construction on our Lower Thames Crossing scheme, which has dedicated funding in government’s RIS2.’ (page 37, paragraph 7)*
- A.1.4 HM Treasury Budget March 2020
- Strategic transport projects
- The government is transforming regional connections through the largest ever investment in England’s motorways and major A roads.³³ The second Road Investment Strategy (RIS2) will spend over £27 billion between 2020 and 2025. It will take forward schemes such as dualling the A66 Trans-Pennine and upgrading the A46 Newark bypass to address congestion, and building the Lower Thames Crossing to increase road capacity across the Thames east of London by 90% (page 48, paragraph 3)*
- A.1.5 HM Treasury Autumn Statement and Spending Review – October 2021
- SR21 builds on the progress made at SR20 to boost connectivity across all parts of the country. The settlement delivers:*
- £24 billion of strategic roads investment from 2020 to 2025, delivering over 60 upgrades, including the largest scheme in a generation – the Lower Thames Crossing – and major upgrades to the A66, A428, A417 and A12 (page 48, paragraph 2, second bullet point)*
- A.1.6 Written Ministerial Statement – 9 March 2023
- ‘To date we have spent over £800 million on planning the Lower Thames Crossing. It is one of the largest planning applications ever, and it is important we get this right. We remain committed to the Lower Thames Crossing, and the development consent order process will be an important opportunity to consult*

further to ensure there is an effective and deliverable plan. In order to allow time for this process and given wider pressures on [Road Investment Strategy] RIS, we will look to rephase construction by two years.'

A.1.7 Statement by the Chief Secretary to the Treasury in the House of Commons - 21 March 2023

'I am grateful to my honourable friend who has met me on a number of occasions to make a case for the Dartford Crossing. Obviously, in the current difficult circumstances with inflationary pressures, we have had to make some tough choices, but I want to be very clear with my hon. Friend: we remain committed to delivering it. This is a two-year delay on construction, not a cancellation, and I will update him in due course.'