Public Accounts Committee

Oral evidence: Northern Powerhouse Rail, HC 1800

Monday 27 April 2026

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Watch the meeting

Members present: Sir Geoffrey Clifton-Brown (Chair); Mr Clive Betts; Anna Dixon; Sarah Green; Sarah Hall; Rupert Lowe; Sarah Olney; Tristan Osborne; Matt Turmaine.

Transport Committee member present: Ruth Cadbury.

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Witnesses

I: Jo Shanmugalingam CB, Permanent Secretary, Department for Transport; Nick Bisson, Director, Northern Powerhouse Rail and Network Planning, Department for Transport; Tom Riordan CBE, Northern Growth Envoy, HM Treasury; and Will Davis, Director, Devolution and Local Growth, Ministry of Housing, Communities and Local Government.

Examination of witnesses

Witnesses: Jo Shanmugalingam, Nick Bisson, Tom Riordan and Will Davis.

Q1 **Chair:** Welcome to the Public Accounts Committee on Monday 27 April 2026. It has long been acknowledged that several large cities in the north of England—including Leeds, Liverpool, Manchester, Newcastle and Sheffield—are poorly served by transport connections and limited rail infrastructure. The Government's Northern Powerhouse Rail programme is intended to improve connectivity between these major cities to promote growth through increased productivity. The Government's funding cap for the Northern Powerhouse Rail programme is £45 billion for 2026-27, in '25 prices. This includes the building of new rail lines and stations, as well as upgrading pre-existing infrastructure, to provide more frequent services and shorter journey times.

Today we are looking to understand how Departments are working to ensure that Northern Powerhouse Rail aligns with the Government's economic growth plans for the north, as well as to scrutinise how the DfT will work with key strategic partners to deliver the benefits of the programme. Given the PAC's long interest in and scrutiny of the complex and challenging HS2 rail project, we will also be assessing whether the DfT is effectively learning and implementing the lessons from previous rail programmes.

To help us with all that, we are delighted to welcome the permanent secretary, Jo Shanmugalingam. Will you please introduce yourself briefly, and tell us when you were appointed, with Nick, Tom and Will after that?

Jo Shanmugalingam: Thank you for having us, Chair. I am Jo Shanmugalingam, permanent secretary at the Department for Transport. I took up the role last July, having previously been the second permanent secretary.

Nick Bisson: I am Nick Bisson, the Department for Transport's director for Northern Powerhouse Rail. I have worked on Northern Powerhouse Rail since 2018, in a range of different roles.

Tom Riordan: I am Tom Riordan. I am the envoy for Northern Growth, reporting to the Chancellor and to the Secretaries of State for Transport and for Housing, Communities and Local Government. I used to work in regional development, then in local government in Leeds. I am pleased to be here.

Will Davis: I am Will Davis, director for devolution and local growth at MHCLG. I have been doing the role since last June.

Chair: Tom and Will, I think it is your first time before the Committee, so a warm welcome to you. We are also particularly pleased to welcome our guest Ruth Cadbury, who is Chair of the Transport Committee. A warm welcome to Ruth, who was also with us at the roundtable on Thursday. To start us off, please, we go straight to my very able deputy, Clive Betts.

Q2 **Mr Betts:** It sometimes seems to those of us who represent northern areas that if you want action, you look at what happens in London and the south-east, and it happens, whereas if you want action in the north, you get a lot of people talking about it for a long time. Hasn't that been happening with Northern Powerhouse Rail?

Jo Shanmugalingam: Let me start, and colleagues will then be able to add their thoughts. Clearly, this is a programme that has been in gestation for a long period, having first been talked about in 2014. As Nick said, he has been leading for us on the programme since 2018. Throughout that period, different Administrations—different Governments—have taken it in different directions.

We are really pleased, though, with the work we were able to announce in January, and the reason why we have this team here today is that, first, one of the lessons we take from the past decade is about how to ensure that actual delivery is grounding the work and the transport interventions in a real economic strategy. You can see that in the work that Tom and Will have led. Secondly, we are doing the work in real partnership with local leaders, which was characteristic of the work we did up until January. I am sure we will talk more about what has been happening since.

We might come back to where we are seeing real delivery on the ground, with the Transpennine route upgrade. That is an £11 billion programme at the heart of delivery now, which we hope and expect to be delivering benefits for passengers around the area from the early 2030s.

Q3 **Mr Betts:** That does not really seem like something happening tomorrow, does it? It is more that some of this might take place sometime in the future, which is the frustration, isn't it? We talk about Northern Powerhouse Rail, but let us analyse the bits of it. The improvements between Sheffield and Leeds were actually planned as part of HS2, 20 years ago, and we are now talking about them again as part not of a new scheme but of a different project completely, with the same sort of intention. Look at the Transpennine improvements: the improvements between Leeds and Manchester are sometime in the future, as you say—not even in the next five years is anything going to happen. The Sheffield to Manchester line—the Hope Valley line—is quite frankly a joke, isn't it? Powerhouse? Trains will go at less than 60 mph on the improved line. This is not ambition, is it?

Jo Shanmugalingam: Let me start, and Nick will continue. As I said, on Northern Powerhouse Rail and our major rail infrastructure programmes generally—HS2 is a case in point—different Administrations have taken decisions over the past decade that have changed the scope and therefore the delivery of the programme. You could think about the Transpennine route upgrade as phase zero of what we are doing on Northern Powerhouse Rail.

As I am sure we will come back to, we are very mindful of learning the lessons of HS2 and the lessons that the Committee has been so clear to draw out in your recent work on mega-projects. We are making sure that, now that we have this very clear strategic objective from the Government, we take the time to get the scoping of the upgrades and the new line right, so that we can confidently go into delivery and deliver real benefits for passengers, which is ultimately what this is about.

Nick Bisson: I would perhaps pause on the Transpennine upgrade for a moment: 95% of that is now in design or delivery. The upgrades between Manchester Victoria and Stalybridge are completed, and the work south of York is coming to the same completion. Both allow the introduction of electric trains and major route sections around Huddersfield. In many ways, that is the first stage of Northern Powerhouse Rail. The plans that are there build on that Transpennine route upgrade.

If you look at the Department's investment in rail infrastructure over the last few years, the focus of that spend has increasingly moved towards the north on a wide range of projects, including in Manchester and so on, and at Leeds station, as well as the Transpennine upgrade itself. Most recently, the December 2025 timetable change for the east coast main line saw major benefits being delivered up and down there. That is happening and it is happening now. We are building a pipeline that will sustain and result in continual delivery over the decade to come.

As Jo said, there were many lessons from things that have gone before, but there were two in particular. One is the importance of building a genuine local consensus about what is being done, and delivering with places, not to them. The second is making sure that enough work has been done before you try to start main construction.

Q4 **Mr Betts:** The little map in the NAO Report—is that it?

Nick Bisson: That sets out the phasing.

Mr Betts: These are the improvements we are going to see?

Nick Bisson: Yes.

Mr Betts: Nothing less and nothing more?

Nick Bisson: Correct.

Chair: For reference, that is figure 1 on page 12.

Q5 **Mr Betts:** We used to have a link between the east of the Pennines—Doncaster, Sheffield, Rotherham—and Manchester airport. It does not exist any more, so we have actually gone backwards in the last few years in terms of connectivity. There is no suggestion in this proposal that it will be reinstated.

Nick Bisson: What is there shows you connections from Sheffield to Manchester, and onwards to Manchester airport. The precise service map is to be confirmed in the light of the development work that is to be done, but as part of that we are certainly looking at the possibility of direct services between Sheffield and the airport.

Q6 **Mr Betts:** Right, so this is not an absolute plan. There are still major things to be addressed.

Nick Bisson: There is major design work to be done on each part of that map, but the map shows the sequencing. The first set of improvements we are seeking to deliver are those in Yorkshire: the connections between Leeds and York, Leeds and Bradford and Leeds and Sheffield, as a package.

Q7 **Mr Betts:** Yes, I get those; I am asking about the airport. Manchester airport is the major airport in the north of England. It is absolutely key for growth—I think we all get that—so connectivity to it is really important for whole areas of the north. Where is the strategy to achieve that?

Nick Bisson: What you have there is a set of phases for Northern Powerhouse Rail. The third of those looks at Manchester to Sheffield—further improvements are in dark blue in the National Audit Office Report. We are yet to conclude the work with Network Rail and others about whether some or all of those trains continue straight on to the airport, but that is definitely within the range of options we will be looking at, because we recognise the importance of the economic connections there.

Jo Shanmugalingam: I think this goes to the heart of the question and the economic strategy on which Northern Powerhouse Rail is based. The assessment that it is the lack of connection between these key cities in the north, the key city pairings and the agglomeration opportunities for firms to access workers, and workers to be able to access job opportunities, and therefore the connections between these pairs is really at the heart of the decision making behind what we announced in January and the choices we had to make. We may come back to it, but I am happy to talk more about that now if it is helpful.

Q8 **Chair:** I am very happy if you want to talk about it now, because these economic connections are at the heart of the whole thing. We may be cutting across other questions, but I think it is quite useful to get it on the record, please.

Jo Shanmugalingam: Let me start, and then perhaps Will can continue. At the heart of the case for change announced in January, and the work that Tom has done since on the next steps document, which was published in March, is the analysis showing that at the moment lower numbers of people can access city centres within reasonable commuting times, compared with international counterparts, and we also have lower residential population densities. As I said, that means smaller pools of workers that firms can access, and fewer job opportunities for those workers.

Northern Powerhouse Rail is intended to bring about changes to have more frequent, more reliable, less overcrowded and faster rail services between these cities, to enable densification and labour market agglomeration. There are 9 million people in the Liverpool, Manchester, Bradford, Leeds, Sheffield and York corridor, and in 2023, as Committee members will know, productivity across the north was still 10% lower than the UK average and 25% lower than in London and the south-east.

Growing the productivity of the north's five most populous mayoral strategic authorities to the national average could not only add £40 billion a year to gross value added and £15 billion of fiscal revenues, but, just as importantly, improve living standards and opportunities for everybody living in those regions and city areas. Will, can you add anything on the thinking behind the strategy overall?

Will Davis: Yes, I am happy to. The Government have been very keen to situate Northern Powerhouse Rail within a broader economic strategy, and the core insight driving that strategy is the view that the north of England represents, to a significant degree, an untapped gold reserve for the British economy. As Jo says, if we can get the five most populous areas just up to the national average, that is worth £40 billion per year.

The question is how you unlock that potential. We do not think it is just about the cities, but there is an important story about what is going on with the cities. The cities underperform the national average, which is unusual in an international context. Manchester, Leeds and the rest are not playing the same role that Barcelona and Munich play in their national economies.

There are lots of different things we need to do to get them going, but one particular opportunity we have highlighted in the documents we have published in the last few months is the 9.5 million people in the relatively proximate set of cities from Liverpool through to York, which we have termed the northern growth corridor. Currently, the level of connectivity does not support those cities in operating as a set of interlocking, coherent economic entities—there is too much fragmentation. Northern Powerhouse Rail is critical to unlocking the productivity of those cities by improving connections between them.

But that is not the limit of it. We know that we also need to improve connectivity within the city regions, and to go further in terms of densifying the urban cores of those cities, and in terms of devolution, and the documents that set this out. Beyond that, of course, the cities performing better is good for the whole north, but that is not the entire story, and the Government are doing much else to support devolution in other areas, to support economic clusters and to invest in transport elsewhere.

Chair: It is really helpful to have the overall thinking that underpins it all. Clive, do you have any more questions?

Mr Betts: No.

Q9 **Chair:** I do not mind which one of you answers my next question, but it seems to me to be absolutely critical. When the Government announced in 2009 that HS2 would be built, they told us that the entire y-shaped project, going east and west, would cost—I will pause for a second for you to think about the figure they told us—£37.5 billion. Seventeen years later, we all know that about 20% of the project will cost us approaching £100 billion.

You have put a cap of £45 billion on this project. On what basis did you come up with that figure? It will be pretty embarrassing if we get to another situation where that figure has gone up by 50% or even 100% before the entire thing is delivered.

Jo Shanmugalingam: Let me start, and perhaps Nick can continue. As you say, there has been a difficult history since 2009 with cost estimation on the HS2 programme and its changing scope. One of the things we have been very clear and thoughtful about is how we can provide certainty to local leaders so that they can understand the scale of investment that the Government are committing to. To Mr Betts' point, we make that commitment so that progress can be made and benefits can be delivered, while recognising that we are at an early stage in this project. Again, we are learning the lessons of the James Stewart review and the work that the Committee and others have done not to be overly specific and confident about cost estimates at an early point in time.

It is very important to be clear that the £45 billion is a cost cap; we are not saying it is an estimate. It is our assessment of the basis on which we will be able to deliver the scope. It is also important to say that it is the cap of what central Government are providing. Again, one interesting feature in some of the work that Tom is helping us with is how we can support and work with local leaders, if they are clear what we from central Government are able to do, and how they can make local contributions—we may come back to fiscal devolution—for additional scope over and above that which we will fund from central Government. Nick, do you want to add anything at this point?

Nick Bisson: I will add two things. One is about why this is not a cost estimate. We have still to do the detailed development work on each part, as we were discussing with Mr Betts, but one of the lessons we take from the HS2 process, which Jo set out, is that it is better not to fix on specific outputs at a very early stage before the work has been done. Network Rail's development will therefore typically generate a menu of options at different costs that you can then look at.

The £45 billion is the funding cap, which is the limit of what the Government are prepared to put into the scheme. As Jo says, it is open to local places to think about whether they wish to top that up. There will be some choices within that about the precise level of output delivered, whether in terms of frequency, reliability, journey time or capacity, but that will come at the next stage, when the detailed development work has been done.

The last thing I will say is that there has clearly been historical work done under previous Administrations, and development by both Network Rail and HS2 Ltd. In reviewing that work, we also looked at the latest position seen at the time on HS2 phase 1 and some of the costs coming out of that. We do not feel complacent about it, but we think this is a realistic basis for moving forward.

Q10 **Chair:** Thank you for that. This is the final question from me for the time being. You have given us the overarching thinking on what this project should deliver, which is part of what it should be delivering. You have told us about delivering more jobs and being able to get to work more easily, but there is a whole other picture that is all about investment in public and private services, housing and so on. How will you make sure—HS2 has maybe not done this terribly well to date—that the wider economy will benefit from this railway?

Jo Shanmugalingam: I might turn to Tom, given that that is at the heart of the work he is leading for us.

Tom Riordan: This is a fundamental difference in the approach we are trying to take here, partnering and allying with the mayoral authorities that are tasked with growth in their areas and the city councils around the stations we have identified. We have their local growth plans to take account of and get behind. They prioritise investments that fit extremely well with what we are proposing, partly because we obviously base the strategy we have taken on what they come up with. Plans for areas such as Victoria North in Manchester, Leeds South Bank and York Central all fit with the land use plans of those parts of the world.

The overall strategy we are putting together also talks about densification, making cities more compact and making it easier for people to live, work and spend their time getting around a more compact economic area, as Jo was saying. That densification was backed recently by the Chancellor with £1.7 billion of city investment funds, which will go directly into the sorts of projects I mentioned around these stations. We have seen that in places already, and it will give confidence to the private sector, investors and developers that there is a plan for transport that fits with the plan for the mayors' investments.

There are other things around that as well. Will mentioned business and innovation, linking in with universities and the private sector; skills, employment, and working to get people back into jobs; culture; and trying to empower the mayors more through fiscal devolution plans. That is the approach we are taking, which I think is in line with what you suggested.

Nick Bisson: I would elaborate on one thing: it is not that we are taking the land use plans as fixed or that local areas are taking the transport plans as fixed. We are working with each individual place on how to amalgamate and bring them together for the optimal set of outputs. We have been doing that at Bradford with the help of Will's colleagues and the local council. Obviously, at Liverpool Central, you have the pilot of the place-based business case going on as well. Across the line, we are looking at that at each of the main station locations.

Q11 **Chair:** I did not intend to ask this third question, but it is an important one. I chose my words carefully in my previous question—I said private and public investment. You will only encourage private investment if you are getting superb public services—health, education, universities, housing, and so on. How do all those things link to growth for the north?

Tom Riordan: The approach we are taking is to make sure that this is not just about transport and stations, but about what you might call placemaking outside those stations. Leeds South Bank is one that I know a bit better than the others and it is a good example. That is a plan for a new town and several tens of thousands of new homes in the former industrial Holbeck and Hunslet area of the city.

To do that properly, you must plan, as you say, for education services. There is already a primary school and a college in that part of the world. For health services, there will need to be good planning with local NHS trusts to ensure there is access to GP services. The neighbourhood health approach proposed in that space is a good opportunity to ensure we are making those connections.

Through the work we are doing with the mayors and local councils, public services are a key element of what we are talking about. They are not the central thing we are trying to do, but without them, you will not get people to live and stay in those areas, nor to invest in them.

Jo Shanmugalingam: If it is helpful, Chair, Will could add something about the work we are doing across Government on place-based business cases, particularly Liverpool, which is relevant here.

Chair: Yes, briefly.

Will Davis: One of the things we are currently trialling is place-based business cases. We are moving away from business cases focused on hyper-specific projects that do not take account of the wider environment and other interventions, towards a system where we focus more on what set of interventions come together in a given place, how we think about the complementarities between them, and how we take national and local-level funding decisions in a way that is fully informed by that set of interventions rather than each individual one.

One of the pilot places is Liverpool, where there is a huge regeneration opportunity around Liverpool Central train station. There is a transport angle to that, but there are also the housing and regeneration, private investment and public services angles. The idea is to look at those together in a coherent way so that we can address exactly the point you are articulating.

Q12 **Anna Dixon:** Before we start, I declare a conflict of interest, having worked with Tom Riordan when he was chief exec of Leeds city council.

As a Bradford MP, I am quite pleased with the announcements about Northern Powerhouse Rail, particularly seeing a new station at Bradford and the electrification of the line between Leeds and Bradford as early quick wins in phase 1, which will be transformative, in my opinion, for a city of half a million people with a train station that has been a dead end.

We do not believe that Bradford should be a dead end. This should really help, particularly as we are the youngest city in the country.

Going back to Tom on the whole point about alignment and realising those wider benefits, clearly for Bradford this is not just about shorter train journeys. This is absolutely about economic opportunity and growth for the city, whether in new housing developments or new jobs. First, how are you measuring those social benefits and making sure they are reflected in the strategic case? Secondly, how do we make sure those are then realised in practice?

Tom Riordan: Bradford is a great example of that new approach, which Will mentioned, in the Green Book. Traditionally, if we looked in isolation at what we are trying to do in Bradford, the overall number and the BCR would not necessarily take into account the fact that Bradford has not been on the main line, and that that has been the problem; you have to go somewhere else to get to it. If you can get it within an easier and more reliable journey to Manchester and Leeds in particular, that would be transformational for those half a million people, and particularly those young people who are looking for jobs.

We are therefore taking that into account in the new approach with the Green Book but, in practical terms, we are working very closely with the council, which has just come up with its local growth plan. There are seven major projects around Bradford city centre, as you know, and Bradford's Southern Gateway is one of them. That mixed-use development, with new housing and commercial development, is crucial to the connectivity that people will be able to have, and to building a replenished and revitalised business district in the city centre, giving people a chance to go to Bradford city centre in bigger numbers, as they used to many years ago. With the great regeneration that has been done around the city hall, you can see the opportunity when you walk around it. We will certainly be taking account of those issues and we will be factoring that into the way that we assess this through business cases.

Q13 **Anna Dixon:** I could not agree more; having grown up in the '70s, Leeds and Bradford were very similar before that divergence in their economic fortunes in the '80s, and this is a real opportunity to close that gap.

On the Green Book—maybe this is a short follow-up for you, Will—I just want to ensure that the new methodology will really work. Has it been fully tested yet? I want to really make sure that we are going to get these investments where we need them in the north: not just marginal investment gains in places like Leeds and Manchester, which already have that, but the game-changing investments that we need in places such as Bradford.

Will Davis: Yes, totally. The straight answer on whether it has been fully tested yet is no. We are piloting it in four places across the country. We will see how the pilot goes and test this approach through that. I am sure there will be things we need to learn about how to ensure it has the transformative impact that we want, but we are going to give it a good go in collaboration with the local areas, and we would hope that it could start to have the effects that we want quickly.

Q14 **Anna Dixon:** Will it include any opportunity costs? For example, if we have some of these rail upgrades, we may then not need to do some major road projects, like the M62 junction. Can this approach also take account of the sort of cost savings that will accrue elsewhere?

Will Davis: The idea is that it should give a holistic view of the opportunities and costs associated with the development of a given place.

Jo Shanmugalingam: It might be helpful to continue on how we are using the new version of the Green Book within the Department for Transport specifically. The review that the Treasury led majored on six shortcomings, as they saw it: insufficient emphasis on place, ineffective assessment of transformational change, over-reliance on BCRs, complex guidance, and inadequate capability and capacity for those having to deal with such a complex assessment.

In DfT, we have been looking at value for money since 2017; we first published our value-for-money framework then, precisely to make sure that we made that holistic assessment of the value generated by transport schemes. The work we are now doing is going above and beyond that to make sure it covers all the other benefits that come into this as well.

We are also about to publish our own appraisal, modelling and evaluation strategy to improve our transport appraisal guidance, which local transport authorities use, and to make it much simpler for them to use it. As we devolve more funding, it is really important that we make it as simple as possible for local transport authorities to assess the choices that they have and to be clear about what is a proportionate level of analysis for different schemes.

Anna Dixon: I think we will come back to partnerships—obviously there are a few questions about partnerships—but thanks for now.

Q15 **Sarah Green:** I have a question for Mr Bisson, to understand why the Government do not see Northern Powerhouse Rail as a mega-project. Looking at figure 7 on page 28, it presents most of the characteristics of a mega-project as defined by the Government, so why has this not been designated as such?

Nick Bisson: Actually, we are in discussion with the Treasury and ministerial colleagues about that question at the moment. In effect, it is a mega-programme. It is not one thing; there are many, many deliverables that will span at least two decades in separate phases. That was not quite where they started from in the definition of "mega-project", so that is a live discussion. It is about how you take that and apply it to something that is a programme, rather than a single big thing.

Jo Shanmugalingam: The Department generally is incredibly supportive of the work being done on mega-projects. We are trialling that now with HS2, which I think everyone agrees is a mega-project. As Nick says, and as you can see from the helpful checklist in the NAO Report, the one thing that is different about Northern Powerhouse Rail is that it is a series of programmes. The question for us is how we get all the benefits of the reforms to mega-project governance while also getting the benefits of organising this sensibly in different phases, where we can look at the schemes at that level and still recognise that they remain very large.

Q16 **Sarah Green:** But that is a "TBC": it is an ongoing live conversation. If I turn it on its head, given that you are on the record, what are the risks of not being designated as a mega-project?

Jo Shanmugalingam: We want to ensure that in our governance we have the clearest and simplest way to make the strongest and best decisions in Government. This is clearly of a scale that is significant for the overall fiscal position. It absolutely relies on the partnership that we have with MHCLG. Whether or not it is designated as a mega-project, we will be working to ensure that we have the clearest decision making and that we work in partnership with all parts of Government, as we did very successfully, I think—Tom can speak for himself—in the run-up to the January announcement.

Nick Bisson: In the governance around this, we are working, eventually, to a ministerial taskforce that works with the mayors. The question of how that relates to internal and project governance may therefore be more complicated than it otherwise would, but that is definitely why we are on this trajectory to explore and come to a conclusion. With the three that the Government have designated—Sizewell, HS2 and Dreadnought—we would like to see those arrangements operating, so that we can see how they would read across. But the most important thing, perhaps, was the decision on the funding cap and the ability it allows to manage the programme within that, and the Government have taken that.

Q17 **Sarah Green:** You have mentioned that it is a programme that will take us into the 2040s. Forgive me, but how will you set it up in such a way that it will survive multiple Parliaments?

Jo Shanmugalingam: As I said in answer to the Chair's first question, that was at the heart of our approach, reflecting on the lessons of the last decade. It seems hugely important to us, and a real difference from where we have been in the past, that we have this strong partnership and work with local leaders, with the six compacts that were signed between the Secretary of State for Transport and the mayors in January. As with phase zero of the Transpennine route upgrade, we are making sure that we are delivering benefits continually through the programme, which is why phasing and splitting it into those distinct elements is so important.

Q18 **Chair:** You have mentioned splitting it up into parts, which has advantages and disadvantages. The advantage is that you can see exactly where you are in the project when each bit has been completed. The disadvantage is that if you spend too much on the early parts, you will not have enough money for the most difficult bit, which I assume is the third stage, the Transpennine bit. How will you control this project? How will you control all the bodies involved and say, "Look, if you spend too much on phase 1, you will be squeezed on phases 2 and 3"?

Jo Shanmugalingam: Shall I start, and then Nick can add to that? It might first be worth describing the engagement that we are planning to do with local leaders, which reflects how we bring in the Bradford station reforms, with the new station there, as fast as possible.

First, there are individual discussions with particular places about stations or distinct corridors, so that the transport and development plans can be joined up. There are then sub-regional groups, which are effectively the phases that we have set out here: east of the Pennines, Liverpool-Manchester and then the third phase. They are working, as we have heard from local leaders, very strongly, based on the Liverpool-Manchester railway board for phase 2 and the White Rose rail board for phase 1. We are then joining everything up with the mayors and with Ministers, to see everything together. It is in those unified discussions that we will set indicative allocations for each phase of the scheme, so that those operating and looking at the options within individual phases have an understanding of the choices and trade-offs to be made. Clearly, this will iterate a lot over time—it is part of rail design that you iterate and improve—but that is the basis on which we want to go forward.

Tom Riordan: The other really important thing is the link to the economy and to private investment that will be happening alongside, in the hinterland around the stations that we are developing. That will be a really important part of building sustainability and cross-party support, if you like, for what we are trying to do moving forward.

Q19 **Chair:** You have not quite answered my question. If you overspend on phases 1 or 2, there may not be enough money for phase 3. How will you instil some discipline into all the various authorities involved, so that they understand that if they do not stick to the budget plans for phases 1 and 2, there will not be enough to complete the project?

Jo Shanmugalingam: I think this goes back to what Nick was describing about our being very clear not to specify particular outputs, but to work with local leaders on the outcomes that can be delivered and therefore the choices to be made.

Nick Bisson: As you say, Jo, our intention is to get to a place where there are indicative allocations for phase 1 and phase 2 in particular, which will give a focus to the work of both the White Rose and Liverpool-Manchester railway boards. In seeking to live within those, there will be questions about precise outputs, and that will be iterated through the design work, as I described earlier—a menu of options comes back and you test that for both the outputs and the affordability.

To your question, Chair, if a particular phase decides it needs more money, that will come back up to the top tier—it will come back through the work that Tom is doing and back to the mayors collectively, so that everybody can see the consequence for the whole programme, particularly in the later phases.

Chair: I would now like to bring in the Chair of the Transport Committee. I am very pleased to see you, Ruth.

Q20 **Ruth Cadbury:** Thank you very much for inviting me.

We have been covering the four phases, and I just wanted to ask a question about the elephant in the room, phase 5, which is HS2 north of Birmingham to join up with the rail network covered by Northern Powerhouse Rail. By the time one gets to phase 3 or even phase 4, the west coast main line will be long since well over capacity. How would what we have been calling HS2 north of Birmingham fit into this programme, in the light of the costs particularly, but also strategic planning?

Jo Shanmugalingam: The Government were very clear in January that they want to safeguard future growth by ensuring capacity and connectivity through the west coast main line corridor over the long term—it serves six of our 10 largest cities. Over the long term, that means making sure that it has capacity, train paths, seat numbers and good connectivity—so, reliability, journey times and frequency. Only last July, the Office of Rail and Road turned down three track access applications because it viewed the west coast main line as currently being full and unable to add any further train paths.

Having considered the evidence on future demand and capacity, the Government took the view that an eventual new north-south line will be needed from Manchester south to Birmingham, connecting London, the wider north-west and also Scotland. That is one of the strategic objectives for Northern Powerhouse Rail. It is why we took the decision that the best value-for-money way of connecting Liverpool and Manchester was the alignment through Millington, because that is the only route that effectively enables that safeguarding for a future line south, as well as aligning with the local growth plans and particularly the ambitions for Manchester airport and improving connectivity to that.

As you say, this will follow completion of both HS2 phase 1 and Northern Powerhouse Rail, so I think it will be the 2040s at the earliest. Absolutely no view has been taken on specification. As I think the Secretary of State would make very clear, this is not High Speed 2 continued, but it is about safeguarding the future requirements for capacity and connectivity on that critical corridor.

Q21 **Ruth Cadbury:** Is the Department for Transport confident in the work it is currently doing, such as saying no to new open access applications? Is it confident that the existing west coast main line can cope until the 2040s without another line—it is good not to be London-centric—from Manchester to north of Birmingham?

Jo Shanmugalingam: There are a number of things beyond new infrastructure that GBR—Great British Railways—in the future will be able to do to increase capacity on the line. Nick, I don’t know whether you want to talk further about that.

Nick Bisson: There is probably one thing to say before we get into it. Obviously, when you are trying to project demand out this far in the future, there is a significant level of uncertainty with that, and you get into quite a wide sort of fan. That is also challenging because in the aftermath of covid and the time since then, we have, as this Committee and the Transport Committee will recognise, had periods of low levels of reliability and performance on both the west coast and Transpennine, some of them tied to the disruption that is going on with building the Transpennine route upgrade at the moment. That therefore makes it harder to be confident about those future projections and to know the established trend going forward beyond the pandemic.

As Jo says, a range of things can be considered to boost capacity in the short and medium term, and we are definitely on to looking at those as part of the work on HS2. As we set out in the letter that went to the Chair of the Transport Committee at the time of the announcement, we intend to do feasibility work on the longer term over the life of this Parliament. We are looking at what needs to be done now, what needs to be done at the time that HS2 phase 1 opens, and what needs to be done beyond that to ensure that, as you say, there is sufficient capacity on the west coast and on those services.

Chair: We now come to one of our northern members of Parliament, Clive Betts.

Q22 **Mr Betts:** You mentioned the potential extension of HS2 with a new line between Birmingham and Manchester. Can we have an assurance that that line and any preparation for it will not come out of the £45 billion budget?

Jo Shanmugalingam: That is correct, yes.

Q23 **Mr Betts:** Okay, that is helpful. I was worried for a moment. Who is actually in charge of Northern Powerhouse Rail?

Jo Shanmugalingam: We are in charge of it in the Department for Transport. I am the accounting officer for Northern Powerhouse Rail; Nick is the senior responsible officer. As I said, it is critical to our governance and delivery that we work in partnership with colleagues in Government, and that, particularly through the new role that Tom occupies, we work in partnership with local leaders. But accountability for the spending is with me and the Secretary of State in Parliament overall.

Q24 **Mr Betts:** Yes, but the reality is that you keep talking about partnership and the links to growth strategies, but that isn’t you, is it? That is other Government Departments, potentially, and mayoral combined authorities. So, in the end, who is in charge?

Jo Shanmugalingam: It is my responsibility as accounting officer. The Secretary of State for Transport is the responsible Secretary of State. It is our responsibility to set up the programme such that it has that partnership and iteration with colleagues in government and, critically, with local leaders.

Q25 **Mr Betts:** Right, so you still have an input into making it work with the transport strategy and local growth strategy. Where does that happen? Where are decisions actually made?

Jo Shanmugalingam: Nick, do you want to set out the governance we are developing?

Nick Bisson: We are working effectively with mayoral authorities at three levels. We are working with every individual authority at the level of the station designs—the integration with the local growth plans in that place, the integration also with local transport, and the discussion about whether individual places would wish to make a funding contribution of their own over and above the £45 billion. That is the first place that this starts.

We are then working with groups of authorities mainly on railway outputs in terms of taking forward the first two phases in particular. We are then, with Tom's help, working with mayors collectively, through to the ministerial taskforce and the joint political work on the Northern Growth Strategy overall and the role of NPR within that on how we maximise it. You are right to push us on the plan for benefits, if I can put it in those terms. We are seeking to build a railway here that will deliver transport outputs, but we are seeking to do that primarily for the contribution to growth that it will give.

Q26 **Mr Betts:** In the end, someone is going to have to decide whether the money is spent on that part of the rail strategy or another—and there may also be trade-offs to consider. Alternatively, it could go to this or that mayoral combined authority to get extra benefits. I am still not quite sure who makes the decisions.

Jo Shanmugalingam: Ultimately, decisions are made in the Treasury at each spending review about the relative allocation to transport and to our major road investment and rail renewals, and therefore these sorts of enhancement programmes. In terms of decision making on the scope and what we can achieve in each phase, as I said, everything is designed so that there is transparency of analysis and information. That is something that we have not always successfully achieved in the past with local leaders—everyone working from that single version of the truth so that, wherever possible, we are able to reach a consensus between local leaders and Government on how to deliver each phase.

Ultimately, to your question, the Secretary of State is responsible for the programme. This is public money and the Government will ultimately have to take final decisions. But what we are trying to do here is design a system and partnership such that—to every extent possible—we get to a consensus on the way ahead. Tom, I do not know whether there is anything that you can add from your recent discussions or experience here?

Tom Riordan: On the governance that Nick set out—the very strong local partnerships with the mayors and local councils around the stations—regarding the trans-Pennines, there is the White Rose group on the Yorkshire side and a Liverpool-Manchester board on the west. There is also a ministerial taskforce and a chief executives' group, which I co-chair with the Greater Manchester chief exec to try to bring the whole thing together at an official level.

At ministerial level, the taskforce will be chaired by the Chancellor and will include all the relevant Secretaries of State. None of the statutory responsibilities have changed with this approach; as Jo says, that stays with the Secretary of State. But I think the way that we are trying to work is different in terms of trying to be more collaborative across Whitehall, and with the mayors, to do it with the north of England and not to it.

Q27 **Mr Betts:** Are you convinced that this is going to work? I have known you for a long time: at Yorkshire Forward, then as chief executive at Leeds city council and followed by important roles in central Government. Do you think that this is actually going to work? The worry is that the lack of clarity and the words "compromise" and "partnership" lead to a situation where, in the end, no one is responsible and everyone blames everybody else.

Tom Riordan: I am really confident about this because we have tested it already. We could be sat here talking about what we are going to do to try to come to an agreement about Northern Powerhouse Rail in the future, but what we actually did in practice last November was say, "We're going to do this, but we're going to do it with the mayors." The Secretary of State, working with officials, myself, Jo and others, worked to try to come to an agreement about the sequencing and the overall approach for this with the mayors. That has got to the point where joint compacts have been signed with Ministers where mayors have committed to put their own resources in to the agreement. It gives me confidence that we have done that once.

It is really hard to agree stuff across the north of England, as we all know. It is not a single place; it is a group of different places. But we did that and it stuck. People have stuck with it. We have got further agreements about how we are going to move forward. We have a good partnership emerging around growth as well and the private sector is really interested in it. The week after the announcement, I went to Rotherham and met the council there. The fact that the Rotherham announcement had been made had led a developer to sign an agreement to start investment. That gives me confidence. A lot of times in the past, those of us in the north of England have maybe not had the confidence that things would happen. I really do think they are going to, and I think this is an innovative and different approach and it is working to date.

Jo Shanmugalingam: On accountability, I feel completely accountable to Parliament for all the value for money of any spending on Northern Powerhouse Rail. I know that the National Audit Office and this Committee will keep my feet to the fire on that as we go through the programme.

Chair: We certainly will. I said earlier that we had two Members from the north, but I was not considering Sarah Hall, who represents the good people of Warrington, so we have a third Member from the north—we are delighted to have her here. We will take a break after Anna's question.

Q28 **Anna Dixon:** Just following on from Clive, there is obviously a long history of rivalry between the white rose and the red rose, as it were. I am pleased that you are so optimistic, Tom, that everybody has got around the table and that a wonderful consensus has broken out around these proposals.

I suppose I wanted to challenge that: there are going to be difficult trade-offs as this rolls out and as money starts to get spent. For example, in phase 2, if the current Mayor of Greater Manchester says, "Yes, I definitely want my underground station at Manchester Piccadilly," that will basically blow the budget. Patient Huddersfield, waiting for its connection in phase 3 that will also connect Bradford through to Manchester, will go, "Well, it's one or the other."

I want to come back to this point: is this robust enough that those conflicts and trade-offs are going to be managed? I want to understand the bit about fiscal devolution and people putting in money. Is that somehow going to be used to try to soften some of these otherwise quite hard trade-offs?

Tom Riordan: There are really difficult decisions still to come, including the ones that you mentioned. On the idea that you can always achieve consensus on everything in a geography as big as the north, with the challenge of some of the projects we are talking about here, of course we are going to have differences of opinion. But I think that the overall commitment that the mayors and Ministers have made is to work together to try to work through as much as possible to come to that consensus, and to do so within a framework that is clearly set out and is not linked to scope, outputs that are tied in, or an approach that is not flexible enough to deal with the fact that you will come up against difficulties and that things will happen with the economy and other challenges.

We are sort of locked together in a process now, and there will definitely be differences of opinion, but I have confidence that the approach that we are taking, which is to do things at a speed that makes sense and that can be delivered on the ground by the spending review, if you like, through that £45 billion, is a much better way of working than one where we are in a sort of bidding war with each other. The fact that the mayors can see the indirect and unintended consequences of some decisions for other decisions will help as well, so let's see where we get to.

On fiscal devolution, that is still to be decided. The Chancellor has announced that she wants to see a road map towards fiscal devolution, which will come out in the autumn. That is designed not to raise new taxes or set different rates or thresholds for different parts of the country—that has been clearly ruled out—but to make better use of the revenue streams that are coming in from national taxation. It will also enable local areas and mayors to invest and take decisions that are much more likely to be linked to growth if they can benefit from that growth, which is one of the things that she said she would like to see happen. You can also take a longer-term approach rather than this bidding for three-year bits of money and not knowing whether you are going to get the next one. It gives us such a great opportunity to work together in a genuinely different way, where the mayors also have responsibility for buses and the Transport for City Regions funding.

Nick Bisson: Pointing back to the compacts that were signed between the Chancellor, two Secretaries of State and each of the individual mayors, and turning to the specific question you posed, we have agreed that further work needs doing on the right option for Piccadilly, and that is being done on a joint, open and transparent basis. But the compact also says, "We acknowledge that local funding would be required to contribute to the final package," so that will absolutely be part of the discussion.

Q29 **Anna Dixon:** What I am trying to get at is the difference between local funding, which may be, "We've already got some housing money from Homes England, so we will somehow put that in, because we're going to build some houses around the station," and, "We're going to be getting 1p of income tax." I am trying to work this out, because both fiscal devolution and contributions from mayors were mentioned, so it is envisaged that they will potentially use existing budgets to top up some of these projects.

Nick Bisson: Subject to what happens on fiscal devolution, they will have the choice. They will have both existing and potentially future streams to come as well.

Q30 **Anna Dixon:** What we obviously do not want is some parts of the country, even in the north, to out-manoeuvre others that may be left behind because they do not have fiscal or other funds to mobilise. Making sure that this is done in a fair and transparent way will be essential.

Tom Riordan: That is a really important point. When the Chancellor did the Mais lecture, it was announced in the document associated with this that there will be principles associated with the work around fiscal devolution, including sustainability, so that it is fiscally neutral; accountability, so that it is clear for the taxpayer who is deciding what, and what is happening; empowerment of local areas; and fairness. We have ways of making sure that the strong areas do not get stronger at the expense of the weaker areas. That is a big consideration in what we are looking at, and uses other funding arrangements like business taxes.

Anna Dixon: That is reassuring, given that it is so central to Northern Powerhouse Rail to finally open up parts of the country that have not been able to self-fund or attract private investment.

Q31 **Sarah Hall:** I declare an interest as the MP for Warrington South, so Warrington Bank Quay is in my patch. I am understandably very excited about the plans for it, which include a new station.

One of the things that has been raised with me by local people time and again is that there is an element of scepticism, because this is obviously not happening tomorrow, and they have seen what happened with HS2, which also has a big impact on my area. There are two parts to that scepticism. In terms of the phasing, if things are going well in phase 1, is there potential for phase 2 to start earlier than it is scheduled to?

Another point I wanted to raise was around the comments that were made on HS2. We had a hearing about HS2, and the report said that the north-west main line was going to reach saturation point in the 2030s, so we clearly cannot really afford to wait until the 2040s. Doing that would also be doing a big disservice to the north, because it is limiting the growth opportunities we have there.

The last comment is about MP engagement. Tom, I know that you have been speaking to the mayors and to Government, but what are you going to do to better engage with local MPs? The information we are getting, and our ability to feed in, has been quite limited up to this point.

Jo Shanmugalingam: Perhaps I can start, and then Nick and Tom can come in. First, we absolutely recognise the uncertainty that will have been felt in Warrington and other communities that were due to benefit from previous phases of HS2, given how that has changed. It is important to be clear on the record about that.

When it comes to the phasing, we are trying to balance a few things. Partly it goes to the trade-off questions and making sure that we are delivering early benefits everywhere as soon as we can, without muddying where there are genuine trade-off choices to be made. We have been very clear on the route for phase 2 and on Warrington Bank Quay as part of that.

The other thing we balance is the lesson from HS2: making sure that we get the design right. What we will be doing with phase 2 in this Parliament for the Millington to Manchester stretch is progressing the hybrid Bill through Parliament. Then from Millington, west through Warrington, to Liverpool we are making sure we get to the point of being able to consult publicly on route alignment. We can then get to the point where it will be a nice problem in the next Parliament if we are able to have a discussion about early benefits through that period.

Nick Bisson: I will add a couple of things, if that is helpful. As Jo says, the first thing we are doing on the Liverpool-Manchester corridor is taking forward powers for the part that has already been designed through to Millington, using the existing hybrid Bill. We absolutely recognise that that does not give you a functional railway beyond the Manchester-to-Manchester airport connection. Therefore, taking forward the design work on Liverpool through Warrington, working with the council there on the massive regeneration potential, and continuing to join that alignment at Millington is absolutely part of the plans for this Parliament.

There are probably three things to weigh when you think about speed of delivery. First, there are the things intrinsic to the project, by which I mean how soon you have powers. That clearly requires the passage of the hybrid Bill. That will be a matter for the House authorities and others. It will also depend on the scale of change—if any—that is made to what is there. Then there is a consenting process for Liverpool through to

Millington. That has to be completed as well, and we are currently looking at options for the most efficient way of doing that. Having got powers, there are then the lessons from HS2, which say, "That is fine in one sense, but you need to complete the detailed design and get all the other, subsequent, more detailed consents in place before you start trying to construct". Those are the constraints within the project.

In terms of the external constraints, if we look at trying to make this manageable for the supply chain, Network Rail and others, it does not have to be perfect, but you want a reasonably even profile of work, not enormous sawtooths that go up and down. That is the part where you would get into whether there is potential to bring this forward if other things are going well. As I say, that does not override the within-project constraints. At the moment, those will probably not have been addressed in a way that will allow you to bring it forward massively.

Q32 **Sarah Hall:** Are there worries about the supply chain and those component parts, and even about the people who will be working on this from start to finish? Is that being built into the process as well? Obviously, there will be quite a lot of demand.

Nick Bisson: We will need to continue to work on this, but our analysis to date has been that the peak of the peak has come with some of the HS2 phase 1 works. We do not then want a big lull, but we also have the Transpennine route upgrade and various other projects in construction, and indeed the commitments that have been made to the future roads programme and so on. We will look at that as we go through, but we are not asking for a higher level to be reached than there has already been, if that makes sense. We are looking at how we make this manageable, both for a long-term skills pipeline and for the supply chain more broadly.

Tom Riordan: On engagement with MPs, I am very keen to do that. I am going to the APPG for Yorkshire and Humber; I have been invited to that. I do not know if there are equivalents for the north-east and the north-west, but I would be very happy to do the same. I have been cleared to do that, which is good. The Minister is very keen for me to engage where I can with MPs across parties, and I have responded to individual meetings as well. I am very happy to do that.

Q33 **Sarah Hall:** Have you reached out to MPs as well? Not everyone may have realised that you were in post from October. In terms of proactivity, it might be worth reaching out to MPs' offices.

Tom Riordan: Yes; we will certainly reflect on that. Some people have known all about it, and others have not. We will make sure that we follow that up and that any communication is clear. We are in the middle of a consultation on the document that was published a few weeks ago, so it gives us a real opportunity to do that.

Q34 **Chair:** Nick, I do not think I heard a specific answer to Sarah's question about whether these are discrete phases or whether it is possible to start, for example, on some of Sarah's work in phase 2 before phase 1 is finished.

Nick Bisson: They are discrete phases from the point of view of project management, but from the point of view of delivery, there is no assumption that you have to complete one in totality before you start the next. Indeed, in this Parliament we will be doing the detailed design work on phase 1—with a view to moving that into construction—but also taking forward the hybrid Bill. As Jo said, we will be doing the route development and consultation for Liverpool to Manchester as well. We are absolutely working on both of those. To be clear and open, I expect that we will do less on phase 3 in this Parliament.

Chair: Thank you for that, Nick. It is now almost 4.40 pm. We will take a very short five-minute break. It would be really helpful if you can be back here at 4.45 pm. Do not forget that the microphones will be on.

Sitting suspended.

On resuming—

Q35 **Sarah Olney:** Jo, we want to talk a bit about the phasing. The DfT made the decision, as of January this year, to deliver the programme in three phases. What are the particular benefits of taking this approach?

Jo Shanmugalingam: I will bring in Nick, who has lived through different iterations of Northern Powerhouse Rail for such a long time, but I think the benefits are twofold. First—this goes back to the question of a mega-project—by doing it in these phases, we are getting the overall programme into manageable sizes, whereby you can take the sorts of decisions that we have been talking about through this session.

Also, critically, it comes down to making sure that we deliver early benefits, and that we deliver benefits for passengers. That was a key part of the decision on the prioritisation of phase 1: the electrification upgrades of the line from Leeds to Bradford and the Leeds-Sheffield and Leeds-York corridors, including the stations. That decision was partly about the fact that those corridors and communities are not benefiting from the Transpennine route upgrade. These things don't rely on the interventions west of the Pennines, from a rail perspective, and they are deliverable in the 2030s, so the benefits will start to be delivered before we have to deliver the whole new line from Liverpool to Manchester, for example.

Q36 **Sarah Olney:** Obviously, the focus for now is going to be on phase 1, but is there a danger that the inevitable challenges that will arise in delivering phase 1 mean that you take your eye off the ball in terms of what needs to happen to get the early stages of phase 2 and then phase 3 off the ground?

Jo Shanmugalingam: That is a fair challenge, and it is not something that hugely worries me, because the different phases of the programme, as Nick said, will be at different phases, as it were, of development. Phase 1 is about getting to the point, in this Parliament, of construction readiness and then, in the next Parliament, it will be in construction. Phase 2 is about getting to the point where we have, all the way from Manchester to Liverpool, a clear route alignment. The fact that we are doing different elements of work on the different phases, and the governance that we have set up, with a separate focus on each phase, mean that that is not something that is concerning me specifically. Nick, you have thought about this for a number of years.

Nick Bisson: I will say two things. I don't think it will be as much, but phase 1 is a similar-scale project to the Transpennine route upgrade in some ways. If you think about a continuation of that in the way Network Rail is currently delivering, that doesn't mean that we anticipate it being a walk in the park—I am sure that the sort of issues you allude to will come up—but it is the continuation of a programme that is already happening and being delivered.

As Jo said, we were really driven by two things, one of which is, "What can you actually do when?", because the phase 1 schemes are largely upgrades of existing lines and therefore quicker to deliver than major new infrastructure in the middle of Manchester, whether west or east.

Secondly, it is driven by, "How do you deliver a coherent set of benefits?" For example, although we are looking at how you improve connections between Leeds and Sheffield, we would anticipate that many of the trains used would be extensions of things that started in London, Birmingham or Nottingham. The rationale for taking phase 1 as a package was that it also gives you a chance to look at how the longer-distance services are working in Yorkshire. Not quite for free—as a free good—but as a by-product of trying to improve the commuting between the cities, you are also improving their links to the midlands and London in different ways.

Q37 **Sarah Olney:** Jo, how are you managing the interdependencies with other rail improvement programmes, such as the Transpennine route upgrade? What are the particular challenges of doing that with the phased approach?

Jo Shanmugalingam: It is mainly an advantage of the phased approach that there are, again, manageable sets of decisions to be taken to look at those interdependencies. We may come on to lessons learned, but one of the lessons that the NPR programme focuses on is how to manage those sorts of interdependencies.

I guess that the other thing that is relevant here is that we are moving to Great British Railways, bringing Network Rail—with public ownership—and the programme together. One of the successes of the Transpennine route upgrade so far seems to be that total enterprise approach, looking at track, train and timetable together, bringing all those parties together to manage the interfaces with the customer, and communicating with the customer first and foremost. Great British Railways will of itself make it easier for those interdependencies to be managed.

Q38 **Ruth Cadbury:** Nick, when are you going to make key delivery decisions about who will deliver the rail elements? What role will Great British Railways play?

Nick Bisson: For phase 1—this was implicit, but let us pull it out—it is reasonably easy, as it is upgrades to existing Network Rail lines. The question then is, what about the major sections of new infrastructure around Manchester? Mark Wild set an expectation that HS2 Ltd will be wound up on completion of phase 1. Equally, however, the skillset in terms of the early route development that we need is currently within that company. We have taken action to move that into a ringfenced business unit of its own, with separate oversight. We have been doing that in part because of the risk of distraction to the HS2 executive, who are trying to deal with the phase 1 reset and its successful delivery, and with a view to the future, given that if this skillset is to persist, it will need to find another home in due course. We intend to work through the optioneering on that over the course of the next year or so, within the Department and with Treasury and NISTA colleagues. I am sure we will be talking to local partners as well, and that is definitely on the "must do" list, although not the "must do in the next month" list, if that makes sense, because what we are doing right here, right now, is taking forward consenting, route design and then the public consultation.

Jo Shanmugalingam: One of the lessons we take from the James Stewart review is about fixing on a delivery model too fast. He took the view that the decision to establish HS2 Ltd as a stand-alone entity at such an early stage limited the Government's ability to adapt to make sure that we had at all times the right delivery infrastructure for delivering the infrastructure—I apologise for my circular English.

Q39 **Ruth Cadbury:** I could have seen the sense of taking on the HS2 design team, but presumably that was stood down when phase 2 of HS2 was cancelled, so is it going to be that easy to stand them up again?

Nick Bisson: The Bill was never cancelled by the previous Administration or this Administration, so the company has been ready to service that at the request of two Governments. You are right that downturn and an upturn have been required in the level of resourcing, but it was never actually reduced to zero.

Q40 **Ruth Cadbury:** Okay. We have to hope that skillset and those people are still available to stand up again. What gives you confidence in HS2 Ltd not just to develop the costs and schedule to stand up the design, as I said, but to be responsible for a whole new project or series of projects?

Nick Bisson: By the time we get to construction, we anticipate that the building responsibilities will have changed. They may well have changed, as Jo said, in the light of the establishment of Great British Railways, which is being done in some kind of shadow form, but we would want that actually to exist before we try to throw a project of this scale at it. However, we potentially have the time to do that.

The other thing to pull out is—you are absolutely right—that the cost and schedule here will need very hard testing, both internally and externally. However, one of the other things the Government have set out is the intent to have an independent review of rail infrastructure costs, and we expect to say more about that shortly.

Q41 **Ruth Cadbury:** Okay. We have Mark Wild, the chief executive of HS2, coming to our Committee next month—I hope you will be a guest, Sir Geoffrey—so we will drill down more into that. What is the interconnection between NPR, GBR and HS2?

Jo Shanmugalingam: As I said in answer to Sarah Olney's question, GBR will take on Network Rail's responsibilities once the legislation has gone through Parliament and it has effectively been stood up as an organisation, with the operating companies as well. It will continue the work that Network Rail does today on Northern Powerhouse Rail, but with the ability to look at the customer by having train and track services all within one organisation. I hope, and very much expect, that this will be positive for how we successfully deliver Northern Powerhouse Rail.

Q42 **Ruth Cadbury:** So it is at the point of moving towards operational use that GBR will then take on—

Jo Shanmugalingam: GBR will do everything that Network Rail does today from the day it becomes a live entity, effectively with the safety licence. Once the legislation is passed, there will be a decision about when the new organisation is ready to be stood up and take on the powers that Parliament has given it, subject to those powers going through Parliament.

Q43 **Chair:** Following Ruth's questions, Nick, having lived through the debacle of HS2 right from the first hybrid Bill, which I was on, through to this Committee, I was more than slightly surprised to see that you had appointed it to deliver the plans between Liverpool and Manchester, particularly as you said it would be wound up after HS2 phase 1 had been completed. It is now really on trial. There is a reset going on. The whole project is utterly disastrous and way over budget. Why did you decide to reappoint it to do this work?

Nick Bisson: It is not so much a reappointment as a carve-out. We have separated the team that is doing this within HS2 Ltd. It will report to a separate sub-committee of the HS2 board, and it will have its own oversight. In due course, we expect to consider the ultimate home of that team, if you see what I mean. In terms of the individuals, they have hopefully been through this and learned some of the lessons that I think we are all alluding to. That is where the expertise was, particularly in support of the hybrid Bill that is before Parliament at the moment, and those early optioneering stages. For reassurance, we do not expect this to be designed for 400 km per hour or anything like it.

Jo Shanmugalingam: And absolutely no decisions have been taken about the actual delivery body that will construct the new line.

Q44 **Chair:** Given that there is this huge reset going on, it is very much on trial as to whether it gets it right or not. There is surely a danger that giving it extra duties like this will distract from its main task.

Nick Bisson: Yes, and we have attempted to address that. As I say, we are creating a ringfenced unit within the company, with its own managing director. That seeks to minimise the call on the chief executive's time, although, like Jo, they will not be able to remove themselves from their accounting officer duties.

Jo Shanmugalingam: The rail development directorate will be overseen by its own board sub-committee, chaired by an HS2 Ltd non-executive director, to ensure it has the focus we need it to have for Northern Powerhouse Rail, without distracting the executive under Mark Wild from the imperative of bringing phase 1 in safely, on cost and schedule.

Those are the things we are trying to balance: how we protect the focus on the HS2 reset while enabling progress on Northern Powerhouse Rail. That is the judgment we have taken at this moment in time. We will keep it under review, and if there is a better decision to make, we will make it at any point.

Q45 **Chair:** But, permanent secretary, at the moment all they are doing is the design bit—they are not doing any of the delivery.

Jo Shanmugalingam: We are supporting the passage of the hybrid Bill through Parliament.

Chair: We will come back to the hybrid Bill in a minute.

Q46 **Rupert Lowe:** I think I am right in saying, having read Gareth and his team's excellent report as usual, that you are committed to a cap of £45 billion, plus RPI or CPI. I am not sure which of those it is.

Jo Shanmugalingam: It is a GDP deflator.

Q47 **Rupert Lowe:** Right, okay. I then read little heffalump traps in figure 9 on page 36 of the Report: "Previous programmes have lacked budget discipline, with expectations that budgets could be increased. The programme team should draw out lessons on cost efficiency mechanisms used in other programmes."

I also found suggestions on page 22, in paragraphs 1.10 and 1.12, that mayoral combined authorities have found it very difficult to follow what the DfT is doing. I think the Committee wants to know that we are not going to see further cost overruns. Having made this commitment, and given these issues, how will you guarantee to the Committee and the taxpayer that you will not overrun again? There seems to be a suggestion that the state, as it usually does, takes for granted the fact that there is no real budget for this?

Jo Shanmugalingam: Let me start, and then my colleagues can add on. To take the point about engagement with mayoral strategic authorities over the last two years, we absolutely recognise the point the National Audit Office made and what it heard. We had 18 months as we were supporting the Government to develop their plans for Northern Powerhouse Rail. You will appreciate that there was a limit to what we could do with local partners, save making progress on specific elements of the programme, such as the good progress and engagement at Bradford station. As Tom described, the work that led up to it, as can be seen in the compacts that were signed, shows that we have already moved beyond that, and that is the way we will continue the programme.

As we have said, the £45 billion is a cap; it is not a cost estimate. As Nick said very deliberately, we are learning the lessons of the past to be clear about outcomes rather than specific inputs or outputs that must be delivered for that funding, precisely to recognise that, at this very early stage, cost estimates will be very immature, and we will learn more as we go through. That is how we ensure that we do not forget the lessons the Chair described from HS2 cost estimation over the last decade.

Q48 **Rupert Lowe:** This is a very important rail link across the north; it is almost more important, in my view, than the HS2 heffalump trap and vanity project. When I built the Southampton stadium, local politics played a huge part in crabbing logic. You have local councils—some Labour, some Tory and some Lib Dem—that find it hard to agree that water is wet, and very often logic does not happen. Up north, you also have the historical rivalry between east and west. Do you think that will knock you off course, or can you assure us that you have that all covered?

Jo Shanmugalingam: As Tom said, do we think this will be a perfect walk in the park with complete consensus at every stage? Of course we don't. We will be guided by and committed to transparency in cost estimation and analysis so that all parties can see and take a view on the same, best information.

Nick Bisson: The piece you read out on financial management was our reflection on the lessons learned and the things we want to address. We will be looking very hard at benchmarking and the comparisons with the schemes that have gone. Within that, there is always a tension and judgment to go through. We need to be cognisant of what HS2 phase 1 is turning out to cost, and we also need to be clear that it is not the design, construction and commercial construct we wish to repeat. Therefore, there needs to be enough pressure in the system to do better than that, but there also needs to be not so much delusion that there is a repeat of history in the way the Chair described. That is what we will look at as we go forward.

Within the northern dimension you described, our intent, as we talked about earlier, is to get to the position where there is an indicative funding envelope for both phase 1 and phase 2. They can then largely be managed as separate projects each side of the Pennines. At the point where either of them is asking for more money, that will come up to the overall governance through the groups that Tom runs. For transparency for everybody, the implications of raising that, as we were discussing earlier, will be that there is less left to do other things, unless offsetting local contributions come forward.

Q49 **Rupert Lowe:** I have two more questions. You are probably aware that construction costs—I run construction businesses—have historically outstripped any form of inflation yardstick. Most Government inflation yardsticks understate inflation, particularly building-cost inflation, which has gone up and is likely to continue to go up. Does that worry you?

Nick Bisson: We have set out with Treasury colleagues how we expect the £45 billion to be uprated over time. Equally, the translation of that into budgets is done at individual spending reviews—those decisions are taken then. I would not wish to prejudge the future, but if you think back to the sorts of numbers seen during covid, in terms of the inflation that was rife through the whole supply chain, those are the sorts of things that Governments have to reconsider. But £45 billion is the number.

Jo Shanmugalingam: It goes back to the earlier discussion about the phasing of this work and the supply chain. Obviously, we are all architects of the costs to industry. Before the National Infrastructure Commission became part of NISTA, it did some interesting analysis of rail electrification. It compared the German rail electrification programme, which had been very consistent over a number of years, with ours, which had gone up and down. That adds costs to industry. A lot of the work we are doing here is about showing the pipeline of work and making sure it is phased such that we can do what we can to reduce or minimise the cost of construction.

Q50 **Rupert Lowe:** Jo, I think I am right in saying that you basically committed to undertaking a review of the rail infrastructure costs, which we have not yet seen—is that right?

Jo Shanmugalingam: Nick will be able to give you more detail, but that is absolutely right.

Q51 **Rupert Lowe:** I will carry on, because I smelled what I considered to be possibly a wolf in sheep's clothing when I read more deeply. On the face of it, it sounds good. The idea is to improve transport from east to west in the north, which you would think is the objective, so that people can get from one side of the country to the other in a better, more efficient and more timely way. On the face of it, that sounds good. We talk about the northern powerhouse and growth strategies, which are all things that make sense.

But then I read, first, about ministerial intervention causing delay, and then I read what the Secretary of State said: "I think we need to start thinking about transport as a public health intervention as much as an intervention that can stimulate economic growth." I have also seen comments from you, Jo, talking about a plan to drive cultural change, to create healthier communities, to densify populations—or, as I say, cram people—around transit routes. I then start to think that this is arguably statist intervention, rather than allowing individuals to travel east-west unfettered in a more effective way so that they can pursue their own lives. Is the reason you delayed this costing because you are embedding other, what I would describe as unacceptable, additives into this plan?

Jo Shanmugalingam: Nick can come back with details of that review, but the answer is absolutely not. I apologise, but I confess that I do not know where those words from the Secretary of State have come from.

Rupert Lowe: It is a quote from her in 2025—a direct quote.

Jo Shanmugalingam: I suspect the Secretary of State was thinking about the work we have done recently on Better Connected, for instance, and how we enable local leaders to make the right integrated transport plans for their communities, rather than the question of how we join cities together through major rail. It is a strong view of the Government that supporting local leaders to have the right transport infrastructure for their city, region, town or village is an economic benefit. It is also a health benefit in terms of air quality or supporting people to stay independent longer into their lives, which is obviously an increasing issue for us.

Rupert Lowe: I read it more as a war on motorists, and perhaps the climate change agenda driving things.

Jo Shanmugalingam: I suspect it was with that in mind, and the transport within cities, towns and villages, that the Secretary of State was talking. Nick, can you say more about the infrastructure costing?

Nick Bisson: I have one further point on how we are working collaboratively with Will, colleagues and Bradford council, and it goes to the questions that Anna Dixon asked earlier about how we would value social outcomes. We are looking at the health benefits that come both from the transport intervention itself and from reducing the level of worklessness in the population, if we can achieve that. We are definitely on to that. There is a question about what we can and cannot quantify. However, I would not want to lose sight of that.

On the rail infrastructure cost review, Ministers have very clearly said that is something they intend to commission. We are in discussion at the moment on advice around what that might look like and how it might be taken forward. I am afraid that you will have to wait a little while for it to be formally announced and confirmed.

Q52 **Rupert Lowe:** But it will not be out for a bit?

Nick Bisson: I certainly do not think it will be out before Prorogation.

Rupert Lowe: That may happen on Wednesday, so it is not far ahead.

Tom Riordan: I would like to add something to your point about whether we are packing people in and restricting them. There is no choice for too many people in the north but to travel to Leeds and Manchester to get work, and to get the opportunities that are needed in places like Bradford. The plans we are proposing around the stations are not to pack everyone in really densely in Leeds. It is much more of a Scandinavian model for the use of public space.

There is really good regeneration happening in the cities of the north. It is about giving those younger people more opportunity to access more jobs, and getting people to think differently. Those 9 million people are about the same as London. However, people do not think about that area like they would London. If we can change that and get investors, graduates and others to think in that way, that is where—despite the rivalries that still exist—people can see the bigger picture.

Q53 **Rupert Lowe:** I think we would agree about that. Having run a Premier League football club, I know about the east-west rivalries—particularly the Liverpool, Manchester and Leeds rivalries, which are always very powerful. I do not think that we disagree on what you are saying, but we might disagree in that I think the job of the Government is to make the rail links quickly, which they have not done, because it has taken 10 or 12 years of messing around. That will then allow people the choice and freedom, as you say, to transfer easily east-west and find work where work actually appears. I do not think we disagree about that, although I think we might disagree philosophically about certain issues that concern me when I read the NAO Report. I do not want to see this morph into a social geography project. I think the objective should be to build the rail link, and that in itself should not be complicated.

Jo Shanmugalingam: As I said at the start, when the Chair gave us time to elaborate, this is based on the Northern Growth Strategy and its economic analysis of how we can improve these growth corridors. It is our job to deliver the strategic objective that has been set by the Government.

Nick Bisson: I would add that we want to deliver the rail project but then integrate it with local transport and regeneration. At the stations, we want access for as many people as possible to be able to use it. Equally, we want to make the best use of the development land at the stations.

Rupert Lowe: So no wolves in sheep's clothing today.

Chair: Nick, hot on the heels of what you have just said, Clive is going to ask you some questions.

Q54 **Mr Betts:** I think some of us might argue that it is actually a good idea to densify around our city centres, to make them more viable and more like the ambitious and thriving European city centres that we see. It is also quite a good idea to have an electrified line between Sheffield and Leeds as it would bring public health benefits. Some of us might disagree with my colleague, but let us move on.

On the dynamic between the rail network and what will happen once people get off the trains and go elsewhere, one of my frustrations with HS2 is the presumption that we are going to build the HS2 line—and that is it. What happens afterwards is then somebody else's responsibility. How do you link in with what mayoral combined authorities are going to do? Where is the support for that? Is it just going to be, "You're on your own now"?

I am looking at Tom, and Leeds is the largest city in Europe without a tram network—it ought to have one. Sheffield is trying to expand its trams, and it has not really had the support we need. Any other major European city has rail links, with tram links running from it. How is it to be integrated, if things are somehow left up to mayors? We hope there will be some support—it might have to happen without it—to provide the rest of the integration.

Jo Shanmugalingam: Let me start. This is at the heart of how the programme has been designed, to make sure that—at every level, at the level of particular places across the different phases and geographies—we are working in partnership with local leaders, so that we get the full benefits and they are able to make the decisions and choices. Obviously, the Government, as well as this funding for Northern Powerhouse Rail, has set out five years of Transport for City Regions funding—£15 billion over that period—and we are working with particular places. In the case of Sheffield, for example, we provided £7.5 million to the South Yorkshire mayoral combined authority to develop the strategic outline case for train-tram extension, because that is what the local team—as you will know much better than I do—feel is the right thing for Sheffield, and how we and the combined authority are able to maximise the benefits of the investment that will come through Northern Powerhouse Rail.

Q55 **Mr Betts:** It just seems that there is not a national drive on this. Why are we so behind as a country with light rail? That is the obvious link for all the rail schemes that are going on, but there seems to be no national drive. The Department for Transport does not seem terribly interested.

Jo Shanmugalingam: There is a lot of commentary and discussion about the Department's view of mass transit. To take Leeds, or the West Yorkshire mass transit scheme, we fully support the mayor's ambitions. Rail Minister Peter Hendy met the mayor only last week to continue our support to develop that mass transit system. Funding is available through the Transport for City Regions funding. We want West Yorkshire mass transit to happen as much as the local team do.

We also announced in "Better Connected: a strategy for integrated transport", a mass transit taskforce, so that we can bring together best practice. One of the challenges at the moment with mass transit in the UK—where, as you say, we do not have a strong track record of delivering schemes—is just sharing the knowledge and understanding. By their nature, these are very big schemes for an individual combined authority to deliver. Through that taskforce, we can share best practice so that mass transit can come to West Yorkshire and other communities where that is the right solution for their transport needs.

Nick Bisson: If it helps, we are working with each of the individual places on NPR, as I said earlier, and in many of those the integration with the local network is critical.

In Sheffield—we think, but it needs to be proven—the most cost-effective way of increasing capacity at the station may well be an extension of the tram-train network. We are therefore working with South Yorkshire to look at that business case. We have supported that with both money and people to help with the capability.

Similarly, in Liverpool, there will be choices about the future of the Merseyrail network, how that evolves and what contribution it makes to capacity at Lime Street. We are definitely in that place-by-place conversation, because we have to drive this city by city.

Will Davis: More generally, on how we are working with the mayors, there is absolutely no appetite to devolve and forget—just to introduce the rail scheme and then leave them to it. We want to empower the mayors to deliver their own local growth plans, but we have a system set up to agree shared priorities with national Government to shape both sides' agendas. We have also adjusted how we fund the most established mayoralties, including a number along this route. They are funded through a single integrated settlement in return for agreeing outcomes. Then we work in partnership with them to understand the challenges they face.

Q56 **Mr Betts:** Before I come back at you on that, I have a final issue that the Chair of the Transport Committee has reminded me of, which I think we both have an interest in. The Sheffield to Rotherham tram-train was a national pilot. I think it was concluded about five years ago. It went three times over budget, and it was a simple scheme. The NAO did a Report into it and was pretty uncomplimentary about how it had been run. Five years! It was a national pilot! We have all these railway lines around the country, half-used, underused and not used at all. The national rail network is the Government's responsibility, isn't it? Why hasn't one other scheme been introduced to make use of our underused rail network?

Jo Shanmugalingam: I am afraid I do not know the history of that particular scheme. All I can say is what we have announced, in terms of bringing together everybody working on mass transit across the country so that lessons can be learned and infrastructure of this scale is not the rarity that it has—

Q57 **Mr Betts:** But it is a national pilot. That implies that you are going to do it and roll out the lessons learned.

Nick Bisson: For tram-train specifically, it does require a coming together of both local and national expertise. Generally, those schemes, including the South Yorkshire one, have been led by mayoral combined authorities. There are others that are interested in that technology and looking at it, but I do not think we have active proposals at the moment.

Q58 **Mr Betts:** So why is nothing going on in the Department on this? Why promote a pilot and then do nothing about learning the lessons from it?

Nick Bisson: I think we have learned. Gareth's team has helped—

Q59 **Mr Betts:** That is about how it went wrong, not about what the benefits are.

Jo Shanmugalingam: There is considerable work going on in the Department to support West Yorkshire specifically with its mass transit, but also, as I said, this taskforce more generally. If it is helpful, I would be happy to write to you on the lessons from Rotherham.

Chair: If you can let us have a note on that, it would be helpful.

Q60 **Mr Betts:** I want to raise one other issue. Talking to my colleague, the Chair of the Transport Committee—

Ruth Cadbury: And a west London MP, which is why this is relevant.

Mr Betts: Yes. We discussed this, among other issues, at the roundtable at Euston. What about capturing some of the planning gain for these projects—not simply putting £45 billion of public money in, but looking at tax increment funding and other ways of capturing that planning gain? We are not very good in this country, compared with other European countries, like Germany, at capturing this. There have been examples, such as the extension of the Northern line to Battersea and Canary Wharf. What are the plans to get planning gain into this scheme?

Jo Shanmugalingam: I will ask Will to respond on the Government's overall approach.

Will Davis: This ties quite closely to what Tom was saying earlier about the fiscal devolution road map. One of the reasons why planning gain often does not flow to local government in the way it does in other countries is that so much of the tax is centralised. As part of the work the Chancellor has articulated, which Tom spoke to earlier, we will be looking at the ways in which places can benefit from the growth they are driving in their area, and the effect of that on taxation. That is one route, but there are lots of different ways in which we can look at capturing planning gain as part of that work.

Q61 **Mr Betts:** Right. Is this set out anywhere as one of the objectives?

Will Davis: The Chancellor's Mais lecture outlined the overall approach, and we put out some further detail in the Northern Growth Strategy document published last month.

Q62 **Mr Betts:** So we know how part of this scheme might be funded through capturing planning gains.

Nick Bisson: The £45 billion is what the Government have put on the table. If mayoral authorities and others can capture planning gain beyond that, then clearly they can use it to top up.

Q63 **Mr Betts:** So it is just down to mayoral authorities? There is no overall proposal or no overarching objective.

Will Davis: What I would articulate is that we have set out a direction of travel and a road map towards giving them more powers. We are now working in collaboration with them to understand what those powers might look like to unlock funding. That work will conclude to an autumn Budget timetable, at which point we can say more on the approach we have taken.

Jo Shanmugalingam: I think it is fair to say, Tom, that you would expect this to be high on the agenda of your discussions with chief executives and mayors overall, and then how it could specifically be used to support the benefits from Northern Powerhouse Rail?

Tom Riordan: Yes. It is one of the things under active consideration. There is a consultation going on, and that is set out in the document that was published—the next steps document. There are four principles: accountability, making sure it is clear who is responsible for what is being done; fairness, in terms of the equalisation points that sometimes people are very concerned about—one was raised earlier; empowerment of mayors; and the sustainability aspect, which is about fiscal neutrality, but also the opportunity to benefit from the growth that can happen, and to get local as well as national benefit. That is the area where there is work that has been done in the past.

There are differences in the value that you can gain from central London and from parts of the north, and different cities in the north will be able to use it in different ways. But this is of course something that has worked in Europe and in this country. We did it in Leeds to build a road using a section 106 agreement with 32 landowners. So it is possible to do this, but there is lots of complexity, and there is a need for us to have both a national and a local approach.

Q64 **Mr Betts:** So something will be clearer at the time of the Budget, will it?

Tom Riordan: Yes.

Chair: Ruth Cadbury has a quick question on this.

Q65 **Ruth Cadbury:** I have two yes or no questions. Is a passenger growth target going to be built into this strategy, and will integrated transport be hardwired into the strategy?

Nick Bisson: The business case will be based on demand growth, but as I said earlier, there is quite a wide level of uncertainty in that, particularly when you look at Transpennine's experience since the pandemic. What is being hardwired in through the work that Tom is overseeing is the partnership working in each place to get to a coherent overall plan that integrates the station and the railway with the surrounding development and with the local transport network.

Chair: Matt wants to ask a question very quickly, as I think we have covered a lot of this.

Q66 **Matt Turmaine:** I want to touch on the lessons learned. Obviously, it has been a long project, and there are many lessons learned. You touched on some specific examples already, but I want to ask a bit about how you are going to ensure that the lessons learned from HS2 and other DfT projects are properly embedded and prioritised in the management of NPR.

Jo Shanmugalingam: I will start, but this is hardwired in Nick's personal responsibilities as SRO for the programme. As you said, there is a lot for us to learn from HS2. Equally, as I said earlier, there are a lot of positives for us to learn from the Transpennine route upgrade, and we are equally focused on making sure we understand why that programme is working very effectively at the moment and is on track to deliver early passenger benefits, as well as taking on board the now very well-documented lessons from HS2. There is a very structured set of lessons that the programme is applying from HS2, Crossrail and other major infrastructure projects, and it is Nick's responsibility as SRO to make sure those are lived and breathed through the programme week in, week out.

Nick Bisson: As Jo said, it is not just HS2. There is a set of lessons out of Crossrail here. There is a set of lessons out of other projects, many of which Gareth and his team have looked at over time, including going back to things like the Great Western electrification. We are making sure that there is a plan that deals with all of that in terms of the implementation, and I expect that that will be further developed as an agenda through the Government's review of rail infrastructure costs. Then, as we go for approvals through the Treasury, NISTA colleagues and so on, we will be robustly tested at each stage of the process, not least given the history that the Chair set out earlier.

Q67 **Chair:** I want to come back on Matt's question, because both the Department and HS2 Ltd—I am not exaggerating here, given the hours I have put in on this—lost control of HS2 in the early stages. One reason why the Department lost control was the lack of accountability of your non-exec boards. Non-execs were not turning up, and they were not asking the right questions. How can we be absolutely assured that those lessons have been learned?

Jo Shanmugalingam: It goes back to the question of making sure we do not prematurely take the decision about the right delivery body, where that isn't Network Rail, and Great British Railways in the future. That is precisely, as you say, because there are very significant lessons of history to learn. It is about making sure we have absolute clarity about accountability, the purpose of different organisations and, therefore, the responsibilities of directors or accounting officers—whoever holds those accountabilities.

Chair: I am sorry about that, Matt.

Q68 **Matt Turmaine:** No, it is quite all right—parliamentarians' interventions are good as a process.

I want to push a little harder on some of that. You touched on two examples of milestones in what is happening: the review that is taking place of the cost, as well as the work you are already doing to capture the stuff from Crossrail and HS2. The Government Internal Audit Agency found that the DfT does not consistently apply the lessons learned from previous projects. Obviously, as we spoke about, there is a bit of a history, and it is a very significant set of costs. I get the new approach you are bringing with the cap and all the rest of it. What are you doing to ensure that that is going to work, and how do you respond to that Government agency's criticism?

Jo Shanmugalingam: I will start by answering for the Department generally and Nick can then perhaps pick up for NPR specifically. It shows the importance of a strong internal audit function that we had that review and its clear insights and recommendations. The GIAA's findings were that we have clear and well-designed lessons learned frameworks, but it is about making sure that we are really consistent in how that is applied, particularly how it is applied to the smaller programmes in our portfolio, which do not have the dedicated focus on lessons learned that we see in Northern Powerhouse Rail and other programmes of its scale. The findings were about the inconsistent application of the lessons learned—inconsistency between us and some of our arm's length bodies—and reflected that we should update our lessons learned framework annually; it was last done in July 2022. As the GIAA said, we have a strong lessons learned framework; it is generally well applied to our larger programmes—Nick can talk about Northern Powerhouse Rail—but it is now my responsibility to make sure that it is consistent through all our programmes.

Nick Bisson: I think there are perhaps two things to add. As Jo says, one key recommendation was to make lessons learned a very clear SRO responsibility. As Jo said, the framework is strong. The GIAA found some inconsistency in the way it is applied. Actually, in discussions, the auditors were reasonably positive about what is going in NPR. That does not mean that I feel complacent about it—I think that we have a bigger challenge than some of the smaller programmes—but it means that I think we are putting the right basics in place to try to turn a very long set of lessons from multiple programmes over multiple decades into a clear action plan.

Q69 **Tristan Osborne:** I am a south-east MP. The 2012 NAO report on High Speed 1 showed that the project had similar problems to those identified with this project. My question is in two parts. First, did you learn from the High Speed 1 experience, because that has turned out to be not such a success with operators? Secondly, has there been any communication about why High Speed 2 and High Speed 1 are not linked? If you were to connect the two, you would get pan-European travel connections that would presumably have a cost-benefit ratio far above the 0.4 that you indicated. Is that the subject of a conversation?

Jo Shanmugalingam: Nick might be able to take the question on the lessons of HS1. It is fair to say that the Government have made it clear that their focus and commitment is on phase 1 of HS2 and bringing it under control, as the Chair said. I think that the Secretary of State would want me to be clear: we are not actively looking at extensions of HS2 at this stage.

Nick Bisson: We absolutely did take the lessons from HS1. One of the key lessons, which can also be seen in the French experience, is that maximising the benefits of major rail investment requires coherent local planning that joins up rail, regeneration and local transport. That is absolutely what we have been trying to do. That is why we have been so positive about having the project put back into a northern growth strategy that is about the overall economic benefits, with rail as an important but not sufficient part of it; many other things that Will and his colleagues are looking at need to come together to deliver those economic benefits.

If you look at HS1, there have also been lessons from Ebbsfleet, for example, on the ability to deliver the housing that was assumed in the business case. The link question was carefully explored. In fact, the Chair might remember some of that from his time on the phase 1 Select Committee. Quite a hard look was given to using the north London line for part of that link, but it was concluded that that would be too great a detriment to local and freight services. The costs of trying to do something bigger than that proved prohibitive, but it was given a pretty hard test through the HS2 phase 1 consenting.

Chair: I will now come to Sarah Green to talk about environmental gains, but we could spend all afternoon on that topic, so let's keep it fairly tight.

Q70 **Sarah Green:** I want to ask the permanent secretary about the nature restoration fund. What impact will it have on large infrastructure projects for which the Department is responsible?

Jo Shanmugalingam: We are working in close partnership with DEFRA to take advantage of the new Planning and Infrastructure Act. That has two different elements: more efficient consenting of planning, and how we can take a more strategic approach to nature recovery, both through the environmental delivery plans and the nature restoration fund. DEFRA has also set up an infrastructure board, which will look at these major transport programmes and enable early scrutiny and a strategic perspective on project delivery. We are really pleased that the lower Thames crossing, working with Natural England, is one of the pilots for this lead environmental regulator. East West Rail has now followed by working with the Environment Agency. We are very hopeful and working in really close partnership with DEFRA and with the Ministry of Housing, Communities and Local Government to ensure that planning works as efficiently and effectively as possible.

Q71 **Sarah Green:** I am interested in the Thames crossing example that you just gave. I am keen to understand how it will work in practice. I have in mind the bat tunnel. HS2 was really clear that it felt that the nature and biodiversity requirements obligated it to come up with a solution such as a bat tunnel. How will we make sure that the equivalent of a bat tunnel does not end up costing this particular project significant money? Are there changes coming down the tracks to mitigate that?

Jo Shanmugalingam: I think that all these reforms—the environmental reforms, the Planning and Infrastructure Act and the consenting reforms being made more generally—are designed to ensure that we make the most balanced decisions that support nature recovery, but do not—

Q72 **Sarah Green:** On that, does that mean we are changing the requirements for biodiversity in nature?

Jo Shanmugalingam: It means that through the environmental delivery plans and nature restoration funds, it is possible to make strategic judgments about how any biodiversity effect is mitigated and that those choices and decisions are made. One of the particular characteristics of HS2 was that the speed and choice of route alignment meant that we ended up with this very significant mitigation structure—as I am compelled, as permanent secretary, to call it. However, yes, these changes are all designed to make sure that we deliver our environmental obligations, but do so in a way which best supports efficient infrastructure delivery.

Q73 **Sarah Green:** I am aware that we are pushed for time. May I ask if the Committee can have a note on how that is going to work in practice and how it has been working? The Committee has a real interest in making sure that we do not add additional costs on projects like this.

Jo Shanmugalingam: I am very happy to provide that.

Q74 **Chair:** I have a couple of questions. Having served on the hybrid Bill for HS1, it was clear that during that Bill we added very significant costs. We were not really properly informed on the Committee as to what those additional costs were. The process was very much a question as to whether this was a reasonable change to the original design for the local community to put in this tunnel—but not being told that the tunnel would cost several hundred million pounds as a result. I think that that would have changed the argument. How will you change your procedures in relation to this hybrid Bill to make sure that that Committee is clearer on the decisions that it is taking?

Nick Bisson: I think we would agree with that diagnosis. Obviously, the whole of HS2 has turned out to be significantly more expensive than any of the cost estimates that were there at the time. That is systemic and we are taking that into the cost development work, as discussed earlier.

Leaving that aside, on the specifics, the other issue in the decisions reached and the consequences was a perhaps not full appreciation of the impact of those changes on the wider constructability of the scheme, and what that would mean, not just for the piece of infrastructure but for logistics, power supplies and for everything else that has got to be in place to actually build it. We are definitely taking steps to make sure that that constructability test is much more strongly built into the costings and the advice that are being done as we go through Committee on potential changes. Then, as I say, we are addressing the overall estimation questions.

Jo Shanmugalingam: I think I am right in saying that additional checks are being put in place for any cost estimates provided to the Select Committee through the passage of the hybrid Bill.

Q75 **Chair:** Another of the big problems with HS2 is that there weren't proper joint structures with all the various local authorities up and down the line, and we had very dissatisfied local authorities because they were not able to deal with HS2 properly. That led to very dissatisfied residents. And the whole enterprise, certainly in certain counties in this country, has got itself a very bad reputation. What additional structures do you intend to put in place to make sure that all the mayoral authorities, growth in the north and this railway are all going to be able to work together properly? We were discussing this at Euston on Thursday, and it looks as though they are well aware of the need for these additional structures, whether they be development corporations or whatever you want to put in place.

Nick Bisson: On what we are putting in place at the moment, the partnership forms around decision making in each place, as we described earlier: around the stations, the different parts of the network, and the totality of the north for questions around the £45 billion. I think we are at the start of a conversation around the questions about development corporations, how you bring together the regeneration and the transport in terms of delivery at particular places. I think we will come to that, but you might have to ask us that on a subsequent outing, if that is all right.

Tom Riordan: As one of the councils on the receiving end of what you described, I can at least be cathartic by saying I think we are going to do it differently. The structures that Nick set out are very much station-based with councils as well as mayoral authorities at that regional level. I think the issues about development corporations and other options are very much going to be about purpose and whether it is necessary or not. There are other options like mayoral development zones where you can have a slightly looser partnership if you have a really good set-up already with councils and mayors. So I think that is what we will be working through in every one of the areas.

Q76 **Chair:** Permanent secretary, this is such a big and important subject. Can I ask you to update us on a rolling basis when significant new changes happen? That would be really helpful.

Jo Shanmugalingam: Of course.

Chair: Unless colleagues have any more questions, I think we have given this subject a really good airing this afternoon. We are very grateful to you, permanent secretary, and your colleagues. I have no doubt we will want to return to this once we see a little bit more progress being made, but thank you for this afternoon.

The uncorrected version of the transcript will be available in the next few days. We will produce a report as normal with recommendations, which we hope you will look at very carefully. Again, a huge thanks to all of you for coming this afternoon. We have benefited enormously from what you have had to say.