



Department
for Transport

Great Minster House
33 Horseferry Road
London SW1P 4DR

E-Mail: bernadette.kelly@dft.gov.uk

Web site: www.dft.gov.uk

10 June 2020

From the Permanent Secretary

Meg Hillier MP

Chair

Committee of Public Accounts

House of Commons

London

SW1A 0AA

[Sent via email]

Dear Chair,

HIGH SPEED 2: LETTER TO THE PUBLIC ACCOUNTS COMMITTEE

As you would expect, I have read the PAC's report "High Speed 2: Spring 2020 Update" published on 17 May 2020 closely. The Department will respond in full to your conclusions and recommendations within the timescales set out within that report. However, I wanted to respond directly to some of the points made in the report and associated media comments by some Committee members about the evidence I provided to the Committee in my appearances in October 2018 and May 2019.

When I appear to provide evidence, I have to balance my responsibilities as a witness to Parliament, as a civil servant accountable to Ministers and acting on their behalf, and as an Accounting Officer with a responsibility to protect value for money.

I always endeavour to answer your questions as directly as possible while fulfilling each of these responsibilities.

I have carefully studied the transcripts of the 'Exiting the EU: supplying the health and social care sectors' hearing in October 2018, and the 'Crossrail' hearing in May 2019. In responding to the Committee's questions on HS2 I acknowledged that like many large programmes there were cost pressures. I stated that the budget for the programme remained unchanged, which was correct at that point. I also indicated work was underway looking at budget and scope to ensure deliverability of the programme. You did not ask me to quantify the size of the cost pressures or to set out in detail the steps being taken by the company or Department in relation to escalation or to manage these.

During this period, the policy of Ministers in response to cost pressures was to retain the existing budget and to ask the Department and HS2 Ltd to identify ways in which these pressures could be reduced. As I explained at the evidence hearing on 4 March and as the NAO's report published on 10 February sets out, commercially sensitive negotiations were continuing with contractors throughout this period and the Department was actively exploring wider options including changes to scope and financing arrangements in order to bring the project back within budget. Ministers had not taken decisions on how they wished to proceed or informed Parliament on these matters. In such circumstances, I believe it

would have been inappropriate for me to volunteer detailed information to the Committee, which questioning did not seek.

I also wish to respond to the assertion in your Report that in failing to share Accounting Officer assessments with the Committee, I breached Treasury Guidance.

I do not agree that it is the case that, under HM Treasury guidance, I was required to supply these documents to Parliament at the time they were produced (nor indeed did the Committee itself appear to believe this was the case when it requested them on 4 March). HM Treasury's *Accounting Officer Assessments: Guidance* document makes clear that in determining the publication of Accounting Officer assessments, departments should balance the public interest in transparency with the general public interest in maintaining a confidential space for internal policy discussions within government. The guidance also makes clear that the timing of publication of such assessments needs to take account of other aspects of the public interest test, such as respecting commercial confidentiality. As set out above and in the NAO report, commercially sensitive negotiations were continuing with contractors throughout this period, and internal policy options to make savings were under consideration. As such it would have risked the longer-term value for money of the project to have published the Accounting Officer assessments at that time.

The Accounting Officer assessment I completed to accompany the Final Business Case decision on 14 April has been shared with the Committee, in line with HMT Guidance, and I have subsequently also shared summaries of the assessments completed during 2019.

I do however fully recognise the Committee's wider argument that transparency is important to build public confidence and trust in HS2. In deciding to proceed with HS2, the Government now has committed to the publication of six-monthly progress reports on HS2. This will ensure that in future, there is a clear framework for the provision of up-to-date information to the Committee and Parliament and I and HS2 Ltd will of course be happy to respond to the Committee's questions on these reports.

I have also agreed with the Secretary of State and the Minister for HS2, Andrew Stephenson, that I should offer a discussion with you on how those reports could be produced in a way which would be most helpful to your Committee. Alongside this, Andrew Stephenson will offer a discussion with the Chair of the Transport Select Committee.

I would be happy to arrange a meeting if you agree this would be of value.

I hope this is helpful.

Yours sincerely,

A handwritten signature in black ink that reads "Bernadette Kelly". The signature is written in a cursive, flowing style.

Bernadette Kelly CB
Permanent Secretary