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From the Permanent Secretary

Meg Hillier MP

Chair

Public Accounts Committee

[Sent via email]

Dear Chair,

HS2 Summer 2021, Seventeenth Report of Session 2021–22 (HC329)

In the report of 22 September 2021, the Public Accounts Committee asked the Department to respond to six recommendations. The Department responded to recommendations 1, 2 and 3 in the HS2 Minister's 6-monthly report to Parliament and the responses to recommendations 4, 5 and 6 are set out below. A further update on Euston has also been included at the end of this letter.

Benefits and local growth

Recommendation 4 – The Department and HS2 Ltd should write to the Committee within three months, describing their strategy to identify, monitor and evaluate the benefits of the programme. The Committee will monitor what progress has been made against this when we next revisit High Speed 2.

The Department and HS2 Ltd are committed to maximising the benefits of the HS2 programme and to minimising negative impacts.

In the [October 2021 HS2 6-monthly report to Parliament](#) the HS2 Minister stated that he is 'totally committed to ensuring the benefits of HS2 are realised as widely as possible'. The report also briefly touched on some of the recent successes of the HS2 Programme, including that it is now supporting 20,000 jobs and will support 34,000 at its peak. Following the publication of the 6-monthly reports, HS2 Ltd will publish, and share with stakeholders, its first bi-annual Benefits Update. This publication will build on the data shared in the 6-monthly report and highlight through case studies the strong work being undertaken on benefits.

HS2 Ltd has a strategy to identify, monitor and evaluate the core benefits funded and within scope of the programme. These benefits include positive outcomes ranging from increasing rail capacity and connectivity across the UK to reducing carbon emissions and delivering on jobs and skills, but also the disbenefits that HS2 Ltd is mitigating, such as road disruption during construction. To manage these benefits, HS2 Ltd has implemented a 'Benefits Baseline' for each of its phases, linked to the strategic and economic objectives in the relevant business cases. Each baseline sets out what benefits are being measured, the metrics to be used and the starting point and target for each metric, allowing them to be effectively monitored and evaluated through appropriate levels of governance and scrutiny. The approach being taken to monitoring and measuring these benefits in-flight

during the programme is among the best in Government. The Department and HS2 Ltd are working towards the publication of a joint Benefits Management and Evaluation Strategy next year.

In addition to the benefits directly arising from the work on the programme, the Department is focused on maximising wider benefits catalysed by HS2. The Government intends that the programme will act as a catalyst for wider growth and play a role in delivering its net zero carbon objectives. We are working with other Government Departments as their support and collaboration is needed to unlock these opportunities, via regular engagement and through appropriate governance.

The Senior Responsible Owner for HS2, Clive Maxwell, chairs a senior official cross-Government board covering the delivery and strategic oversight of the programme's benefits. The HS2 Ministerial Task Force for Phase One and 2a provides strategic oversight, support and challenge for the successful delivery of HS2 and brings in Ministers from other Government Departments for thematic deep dives. Engagement with other Government Departments also helps ensure that the HS2 programme is delivering the Government's objectives including to Build Back Better following the impacts of the COVID-19 pandemic.

HS2 offers a major opportunity to catalyse local regeneration, including increased housing, supporting the Government's wider economic objectives and the Levelling-up agenda. These opportunities go beyond the major cities that are connected by HS2, to include their surrounding towns and communities, as well as places on the existing rail network which will benefit from the released capacity that HS2 will bring, allowing more local and commuter services.

Central Government has taken a devolved approach to regeneration at HS2 station places, with local Government leading and central Government in support. As part of this, the Department is working closely with the Department for Levelling Up, Housing and Communities (DLUHC), to determine how central Government can help local places make the most of HS2. The Government has already provided support and leadership including, for example:

- funding for local authorities' HS2 Local Growth Strategies, which set out places' vision and strategy for using HS2 to drive local development, jobs and housing;
- expanded the Birmingham City Centre (BCC) Enterprise Zone to support the BCC Curzon Masterplan;
- allocating £50m and working to bring together public and private stakeholders to develop proposals for transport improvements around the HS2 Interchange Station that will help support development at Arden Cross in Solihull;
- leading work to enable HS2 Ltd and the Midland Metro Alliance to produce an optimised delivery schedule for the integration of the Birmingham Eastside Tram extension into Curzon Street Station at the best overall value for the taxpayer; and
- worked with the Old Oak and Park Royal Development Corporation (OPDC), Homes England and DLUHC to explore options to deliver development on the public sector land at Old Oak Common.

Ministers from the Department and DLUHC are inviting local leaders from Phase One and 2a station places to present on their local growth strategies. Using these and working level engagement our aim is to develop an HS2 Local Growth Action Plan next year, setting out how the Government will support Phase One and 2a station places to realise their local growth ambitions and how we are learning lessons for Phase 2b.

Skills and employment

Recommendation 5 – The Department must proactively engage with the Department for Education and other relevant education providers to ensure there are plans in place for further education colleges to get the through-flow required for the programme. The Department should write to us to explain how it is engaging with these stakeholders within three months.

One of the programme's 'strategic goals' is that HS2 will create opportunities for skills and employment and this is pivotal to the Government's commitments to 'Build Back Better' following the impacts of the COVID-19 pandemic. HS2 Ltd has had a team focusing on this from early on in the programme and in 2018 published a [HS2 Skills, Employment and Education strategy](#). This strategy seeks to ensure that the programme has the people with the skills needed and will leave a skills legacy by placing clear and strong requirements in major contracts, inspiring young people through educational outreach and working in partnership with key national, regional and local stakeholders. More recently, the report [Building the Skills to Deliver HS2](#) was published by HS2 Ltd and sets out what skills interventions are already in place and how this work has been refocused in light of the start of main works construction and the pandemic. It details the broad range of interventions, both regional and skills specific, that have or will be implemented, as well as those tailored to helping provide more job opportunities on HS2 to under-represented groups.

Since HS2 began, over 650 apprentices have started on the programme. Upskilling is an integral part of our skills strategy and will equip the workforce with the skills they need to thrive in the long-term. The Department and HS2 Ltd continue to work closely and collaboratively with the Department for Education (DfE) and its arms-length body, the Education and Skills Funding Agency (ESFA).

Our work with the DfE focuses on ensuring that the skills and capabilities we need to build HS2 and our wider infrastructure projects are considered within their skills initiatives, such as apprenticeships and T Levels (technical-based qualifications).

The ESFA is responsible for the regulation, performance management, and funding of the further education sector. This covers the National Colleges including the National College of Advanced Transport Infrastructure (NCATI), which predominantly provides apprenticeships to deliver highly skilled technicians and project managers for the UK's rail, transport and infrastructure sectors. NCATI has a valuable role to play in training and upskilling the diverse workforce required for HS2 Ltd and its supply chain.

The Department worked closely with HS2 Ltd and the ESFA to support the recent merger between the University of Birmingham and NCATI. Ofsted's latest monitoring inspection of NCATI had judged the college to be making significant progress and we will work with the college and the ESFA to continue to build on this.

Alongside NCATI there are a number of Further Education providers along the HS2 route that provide courses and training on topics such as engineering and construction, and the Department engages with ESFA regarding this provision as well. These and other FE providers across the country will support not just the delivery of HS2 but infrastructure projects across the country.

The Department will continue to work closely with the ESFA to identify any challenges to provision, to support the HS2 programme and our wider infrastructure programme.

Community engagement and the environment

Recommendation 6 – The Department and HS2 Ltd should write to the Committee within three months setting out how they intend to resolve the issues around community engagement and the environment observed by the Committee in this report.

The Department was tasked by the HS2 Minister to work with HS2 Ltd to improve the project's approach to community engagement. It is noted that the Committee did not make reference to the improvements that were set out by the HS2 Minister in his [second six monthly report to Parliament](#), published in March 2021. The aim of these improvements was to increase the objectivity, sensitivity and responsiveness of HS2 Ltd's approach to understanding and addressing community concerns.

The [March 2021 report](#) set out a number of improvements, including:

- A unified single management system for community engagement and complaints handling across HS2 Ltd and its supply chain;
- Additional proactive local communications to provide notice and raise awareness of HS2 activity in impacted communities;
- Shortened HS2 Ltd helpdesk response targets to resolve issues quicker;
- New area-based delivery unit managers with geographical responsibility for joining up construction contractors and communities to prevent and tackle local issues;
- New contact materials to improve communication between HS2 Ltd and affected MPs and councillors; and
- Enhanced engagement and assurance from the Construction Commissioner and the Residents' Commissioner to provide independent advice on potential improvements to HS2 Ltd's complaint handling and community engagement operations.

These initiatives have now been fully deployed and we are delighted that HS2 Ltd has observed a steady decline in the level of complaints received, from a highpoint of 268 in February 2021 to 123 in September 2021. Similarly, HS2 Helpdesk enquiries have declined from 15,598 in the first quarter of 2021 to 10,993 in the third quarter. This reduction has taken place in the context of increased construction activity throughout 2021.

We believe these results show demonstrable improvements to the sensitivity and responsiveness of the project's community engagement approach. However, sometimes there are local issues – often of a technical nature – that go beyond the scope of the complaints process, and require a wholly objective view outside of HS2 Ltd. The Department has therefore established a small team of construction inspectors, reporting to the HS2 Minister and the SRO, to support the assurance of the delivery of works along the route. The Construction Inspectors carry out routine site inspections, which includes taking a view on how the sites are working within the community in terms of impacts such as noise, dust and mud. They also been deployed to look at issues of local concern, and provide an independent view for the Department.

A key principle of the project's approach to community engagement is to ensure that a culture of continuous improvement is embedded within HS2 Ltd and its supply chain. With that in mind, further improvements have been made since the Committee published their report. HS2 Ltd held an internal community engagement conference on 25 October, ahead of the launch and publication of its updated [Community Engagement Strategy](#) on 26 October. Officials from my Department attended the conference which emphasised the key

pillars of the project's updated community engagement approach – informing, involving, responding, consulting – and respecting the people and the places affected by the project.

More widely, and in line with a continuous improvement culture, HS2 Ltd continues to develop new ways to improve its offer, including through the development of: enhanced proactive communication with 'hard to reach' communities; the ongoing deployment of customer insight activities such as 'mystery shopper' calls to inform improvements to the speed and responsiveness of complaints handling; acting on the independent assessments by the Considerate Constructors Scheme; and developing new ways of reaching the Helpdesk including a digital contact form to supplement existing telephone and email channels for contact. All of these initiatives will provide the means for HS2 Ltd and its supply chain to identify failure points and potential solutions, further improving its community engagement and complaints handling operations.

Finally, communities often raise concerns about HS2 Ltd compliance with the undertakings and assurances (U&As) that were made during the passage of the Phase One Act through Parliament. The Department has therefore commissioned an independent Government Internal Audit Agency audit of the U&A process to look at the effectiveness of the systems and processes that exist to monitor and ensure U&A compliance, both in HS2 Ltd and in the supply chain.

With respect to the environment, we know this is a key area of concern for line of route communities. As set out by the HS2 Minister in his [October 2021 report to Parliament](#), HS2 Ltd will shortly publish its first environmental sustainability report, which will provide a clear and up-to-date account of HS2's environmental impacts and the important work that is being done to minimise and compensate for any adverse environmental impacts. We are confident that the new reporting measures will give greater confidence in the work being done and provide a transparent and rigorous assessment of progress on delivering an environmentally sustainable railway.

On the ground, HS2 Ltd continues to work to reduce direct environmental impacts by working to minimise vegetation and tree removal as far as possible, trialling innovative approaches to reduce carbon emissions and improve air quality, and delivering environmental enhancement projects in areas affected by construction.

At this stage of the construction programme, we appreciate that communities will continue to experience a significant amount of unavoidable disruption, such as road closures and other visible changes such as the removal of vegetation. However, with the deployment of all of the improvements we have set out, and with the right culture of respect and continuous improvement, we are confident that HS2 can be an exemplar in how individuals, communities and places are treated when large infrastructure projects cause disruption and uncertainty to lives and surroundings.

Euston

In relation to Euston, further to the publication of the third HS2 six-monthly report to Parliament in October, funding was approved in the Spending Review in November to support greater integration between the HS2 and Network Rail stations. HS2 Ltd and Network Rail, with support from The Euston Partnership, are working together to develop a design that optimises integration between the HS2 station and the redevelopment of the Network Rail station concourse area. This integrated approach has the potential to deliver construction efficiencies, along with significant passenger and place-making benefits at Euston.

I hope this is helpful.

Yours sincerely,

A handwritten signature in black ink, reading "Bernadette Kelly". The signature is written in a cursive style with a large initial 'B' and a long, sweeping underline.

Bernadette Kelly CB
Permanent Secretary, DfT