



House of Commons  
Committee of Public Accounts

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**HS2 Euston**

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**Sixty-Third Report of Session 2022–23**

*Report, together with formal minutes relating  
to the report*

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## Summary

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Despite being eight years into planning the High Speed 2 station at Euston, the Department for Transport (the Department) still does not know what it is trying to achieve with the station and what sort of regeneration it will support. It is clear now that the £2.6 billion budget HS2 Ltd set for the project was completely unrealistic, even before the impacts of inflation are considered. The Department will now need to reset the project for a second time in order to find a design that is realistic, affordable and provides value for money.

The Department does not know what the additional costs and impacts will be from its decision to pause construction at the station for two years. Working alongside HS2 Ltd, it now has a big task to identify what these costs and impacts are, including the impact on the supply chain and on local residents. It is essential for the Department to collect this information both to help it and HS2 Ltd manage the additional costs effectively and also to better inform any decisions in the future on whether to pause major projects.

Disappointingly, HS2 Euston station is yet another example of the Department making the same mistakes and failing to learn lessons from its management of other major rail programmes. Parliament has also not had the full transparency it needed on the likelihood of cost increases at Euston, despite the improvements the Department and HS2 Ltd have made in reporting on progress.

## Introduction

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Euston will be the London terminus for High Speed 2 (HS2), a new high speed, high-capacity railway between London, the West Midlands, and the north of England. The HS2 station also forms part of a wider Euston programme, with the redevelopment of the Euston conventional station by Network Rail and 'over-site' housing and commercial development in and around the two stations also taking place on the site. The Department for Transport is the sponsor of all three projects and HS2 Ltd is responsible for delivering the HS2 programme including Euston station.

Following recommendations from the Oakervee Review in 2020 on the HS2 programme, the Department instructed HS2 Ltd to move to a simpler design for the Euston station. However, three years later in March 2023 the Department announced that it would be pausing new construction work at Euston for the next two years. This pause followed on from HS2 Ltd's latest cost estimate in March 2023 of £4.8 billion (in 2019 prices) to build the station compared to its original £2.6 billion budget, alongside inflationary cost pressures across the Department's capital programme. The Department and HS2 Ltd plan to use the pause at Euston to give them more time to develop an affordable and deliverable design.

## Conclusions and recommendations

1. **Despite spending over eight years on planning and designing the HS2 Euston station, the Department still does not know what it is trying to achieve with the station.** HS2 Ltd had first proposed an 11-platform design for the station in 2015, to be built in two stages. Following recommendations from the Oakervee review in 2020, the Department instructed HS2 Ltd to change to a 10 platform, single-stage design to make it simpler and more affordable. However, the latest estimate in March 2023 for the revised design showed it had become even more unaffordable, at £2.2 billion over budget. The Department attributes the high cost to the revised design incorporating all requirements, including from stakeholders such as Transport for London, the Greater London Authority and the London Borough of Camden. The Department now plans to use the pause in construction to determine the minimum requirements for the station and make decisions about what should be prioritised for the design to be affordable but still maximise value. It must choose how to balance and integrate the operating requirements of the conventional station with the HS2 station and decide its level of ambition for supporting regeneration.

**Recommendation 1: *The Department needs to use the current construction pause to finally establish the design and expectations for the station against what it is willing to spend.***

2. **The £2.6 billion budget set in 2020 proved to be completely unrealistic for what the Department wanted to deliver.** In April 2020, as part of the overall Phase One budget of £44.6 billion set by the Department, HS2 Ltd set a £2.6 billion budget for Euston. This budget was below HS2 Ltd's early estimated cost for the station of £3 billion. Later, more detailed estimates showed that the costs were likely to be significantly higher, with the 11-platform design forecast to cost £4.4 billion in June 2020 and the revised 10-platform design £4.8 billion in March 2023. This is despite work by HS2 Ltd between 2020 and 2022 to identify ways to reduce the expected costs. HS2 Ltd tells us that it set the budget in 2020 on the expectation it would be revised given the uncertainty around the station design and its provisional estimate. The Department also acknowledges that its challenge of costs at the time was focused on the overall Phase One budget rather than individual elements, such as Euston. The NAO reports that additional spending of £548 million has taken place up to the end of December 2022 (in cash terms) of which £106 million was nugatory spend due to the decision to alter the design from 11 platforms to 10.

**Recommendation 2: *The Department needs to be much clearer to Parliament and the public that the revised budget it sets is realistic and the station design it approves is affordable and deliverable with timescales for construction before it restarts construction work at Euston.***

3. **The Department does not yet know the costs and impacts of pausing construction.** Neither the Department nor HS2 Ltd know the likely costs of pausing construction work for the next two years. They had been developing funding scenarios for the HS2 programme since the 2022 Autumn Statement but, with the decisions now made, HS2 Ltd still needs to work with its supply chain and with the local community to determine the full extent of costs and impacts. This would include making the site safe and potentially useable by local residents during the construction pause,

and meeting contractual obligations. HS2 Ltd hopes to find an interim solution that is amenable to local residents and businesses, while it intends that much of the supply chain will be redeployed to other parts of the HS2 programme. However, we are not convinced that the impact on the supply chain, particularly on the smaller businesses, will be mostly mitigated by their employment elsewhere.

**Recommendation 3: *We expect departments to have identified the costs associated with decisions on pausing projects so that Ministers can make fully informed decisions and so that departments can manage these costs effectively.***

- ***For Euston, the Department should produce an interim report in three months on how they and HS2 Ltd are managing the costs of the pause, exactly how much has already been spent including costs associated with Network Rail and how much more they expect to spend to complete the project. This should include the cost of settling contractual obligations. HS2 Ltd should also include in that update the proportion of the supply chain at Euston, in particular small and medium sized enterprises, that have been re-employed elsewhere on the HS2 programme. The Department should also report on how much of the design work for the revised projects had been done and how much remains to be completed.***
4. **The Department and HM Treasury have not reached a clear understanding about how they would manage high levels of inflation on the HS2 programme, including accessing Government-held contingency.** In the 2022 Autumn Statement, HM Treasury confirmed that departments needed to absorb the higher costs from inflation within existing cash budgets. In response the Department has paused some of its capital projects including Euston. However, the risk from high inflation will continue to be an issue on the HS2 programme. The Department continues to discuss the treatment of inflation for major projects with HM Treasury, but there is not yet an agreed way to deal with this to mitigate the risk of poor value for money decisions. In setting the budget for Phase One of the HS2 programme in 2020 the Department never established how the government-held contingency of £4.3 billion would be deployed. Given that some of this contingency could potentially have been used at Euston or on Phase One more widely to manage the higher spend from inflation, we are concerned that arrangements for the use of this contingency have not yet been determined.

**Recommendation 4a: *The Department should agree with HM Treasury and report back to the Committee in six months on how they will manage the continued consequences of high inflation.***

***(b) HM Treasury should set out to the Committee how it will work with all departments to manage the consequences of high inflation on major capital programmes.***

***(c) The Department should also establish and set out to the Committee the requirements to access the government contingency on the HS2 Programme.***

5. **The Department's reports to Parliament on the HS2 Programme did not reflect the significant level of uncertainty in its estimated cost of Euston station.** From October 2020 through to its six-monthly update in October 2022, the Department



has reported to Parliament that the cost pressure at Euston was around £400 million, and the focus of its accompanying narrative was that work was ongoing to reduce this. However, this reported cost pressure is less than one-fifth of the £2.2 billion amount by which HS2 Ltd's latest cost estimate exceeds the original £2.6 billion budget for the station. The Department claims that until February 2023, £400 million was the only known and validated cost pressure, and it had hoped that the move to a 10-platform single-stage build would enable it to manage that pressure. HS2 Ltd says that it was aiming more for a cost of £3.3 billion, which was its estimate in April 2021 (£700 million above budget), but that it was only when it got the construction partner's assessment at the end of 2022 that it had a clear understanding of the construction costs. This was as part of the two-stage procurement process that HS2 Ltd is employing on the programme. Previous updates to Parliament now appear to have been unrealistic in respect of cost pressures at Euston, with the risks that the costs of construction could be significantly higher not having been disclosed in the Department's updates.

**Recommendation 5a:** *The Department should provide, as part of its six-monthly updates to Parliament on the HS2 programme, clear explanations of the maturity of its cost estimates and the risks that could result in material changes to provide greater transparency.*

*(b) We note that our sister committee the Transport Select Committee asked questions at their hearing on the 21 June 2023 (Questions 163 to 167, Oral Evidence) in relation to the six monthly reports to Parliament. They queried:*

- 1. Why the existing report was late and contained so little information*
- 2. Whether the next six-monthly report would be submitted to Parliament on time.*
- 3. Whether the 2019 figures would now be stated in 27 March 2023 report figures?*
- 4. Whether the next report would have an up to date BCR?*

*We fully endorse all of these questions and expect them to be fully covered in the next report.*

6. **The Department has not yet learned lessons from managing major rail programmes.** In previous examination of other rail programmes like Thameslink and the Great Western Railway modernisation we have reported very similar problems to the ones we are now seeing again with Euston. The Department and HS2 Ltd say that they are learning lessons from other programmes such as Crossrail. But that there is more for them to do for example, on cost estimation, the treatment of contingency and managing the integration of complex projects. They also acknowledge that there are lessons they could learn from the development at King's Cross such as the value that could come from managing the work at Euston as one integrated programme. HS2 Ltd considers that the work at Manchester Piccadilly will be the most important place for them to learn the lessons from Euston, given that Curzon Street Station in Birmingham is already much more developed. However, both stations are major construction projects in their own right and careful scrutiny of costs needs to be maintained by the Department to ensure that similar mistakes

do not reoccur. This will include thinking about the right set up and organisation of the project, getting it in place early and determining the scale of ambition for regeneration and over-site development work.

**Recommendation 6:** *The Department needs to demonstrate to Parliament and the public that they are successfully embedding the lessons from past rail projects and not just repeating the same mistakes. Specifically on Euston the Department and HS2 Ltd should report back to the Committee on:*

- *what measures the Department and contractors took internally to address costs overruns and to identify who was responsible*
- *what lessons they have learned from the Euston project and how it will apply them at both Birmingham Curzon Street, Manchester Piccadilly, having done so they will scrutinise the revised costs carefully to avoid further cost occurring in other parts of the HS2 programme*
- *and how it will manage the integration of work on the Euston site once it has decided what it wants to achieve there.*

# 1 Progress at Euston

1. On the basis of a report by the Comptroller and Auditor General, we took evidence from the Department for Transport (the Department) and High Speed Two Ltd (HS2 Ltd) about progress with the design and development of a new High Speed 2 (HS2) station at Euston.<sup>1</sup>

2. Euston will be the London terminus for HS2, a new high speed, high-capacity railway between London, the West Midlands, and the north of England. The HS2 station at Euston forms part of a wider programme, with the redevelopment of the Euston conventional station by Network Rail and ‘over-site’ housing and commercial developments in and around the two stations also taking place on the site. The Department for Transport is the sponsor of all three projects and HS2 Ltd is responsible for delivering the HS2 programme including Euston station.<sup>2</sup>

3. In February 2020 the Oakervee Review, which had been commissioned to inform a government decision as to whether and how to proceed with HS2, reported that the HS2 Euston station design and approach were not satisfactory.<sup>3</sup> The design for the station at that time was for 11 platforms to be built in two stages. Following a review of options into the design of the station and how it would be built, the Department instructed HS2 Ltd to proceed with a simpler station design and build approach for the Euston project, reducing the number of platforms to 10 and building in one stage. In September 2021, the Department instructed HS2 Ltd to integrate the design more closely with the Network Rail station.<sup>4</sup>

4. However, in March 2023, the Department announced that it would be pausing new construction work at Euston for the next two years. This pause followed on from HS2 Ltd’s latest cost estimate of £4.8 billion to build the station compared to its original £2.6 billion budget, alongside inflationary cost pressures across the Department’s capital programme.<sup>5</sup> The Department and HS2 Ltd plan to use the pause at Euston to give them more time to develop an affordable and deliverable design.<sup>6</sup>

## Station design

5. Since 2015, the HS2 Euston station had been designed with 11-platforms to be built in two stages.<sup>7</sup> Following the Oakervee Review and its recommendations in 2020, the Department asked HS2 Ltd to reappraise whether an 11-platform station was the right solution for Euston and the long-term requirements of the railway. This work concluded that the station should proceed with a simpler station design with 10 platforms, to be constructed in a single stage to make it simpler and more affordable.<sup>8</sup> HS2 Ltd reported in its 2021–22 annual report and accounts that, as much of the previous design work could not be used, it had to write off £106 million as nugatory costs in moving to this revised

1 C&AG’s Report, High Speed Two: Euston, Session 2022–23, HC 1201, 27 March 2023

2 C&AG’s Report, paras 1–2

3 C&AG’s Report, para 1.5

4 C&AG’s Report, paras 3–4

5 All references in this report to the original budget and later cost estimates are in 2019 prices

6 Q 22; C&AG’s Report, paras 11, 13, 2.25, Figure 4

7 Q 5; C&AG’s Report, para 2.2

8 Qq 5, 31 ; C&AG’s Report, para 4

design.<sup>9</sup> However, the revised design did not solve the challenge of designing a station within budget and, in March 2023, the latest estimate for the revised design showed that the station had become even more unaffordable, at £2.2 billion over budget.<sup>10</sup>

6. The Department told us that the high cost is due to the revised design incorporating requirements from all interested parties (including Transport for London, the Greater London Authority and the London Borough of Camden) on an unprioritised basis.<sup>11</sup> HS2 Ltd emphasised the importance of thinking about what it is trying to achieve at Euston and underlined that it is not just about building 10 platforms for HS2. It described the project as the biggest railway and transport terminus that will be built in London for some years with a major interchange to the underground network and a significant interface with the existing Network Rail station. HS2 Ltd stressed the need to accommodate, as part of the plan for Euston, an over-site development that will be somewhere in the order of over half a million square metres of development space for retail, commercial and residential.<sup>12</sup>

7. We asked the Department to give us an indication of what a reduced design for Euston station might look like. The Department told us that it would need to examine two options before it could come to the right solution: the minimum station option that would support passenger services and meet requirements; and the value maximisation option of, for example, investing more in an integrated station and more in over-site development. In the example of a minimum station option, the Department said that it might have to look at cutting back on over-site development, even though that would not be welcome in terms of economic regeneration, which is one of the project's aims.<sup>13</sup>

8. The Department told us that it wanted to look at all elements of the design to see where the opportunities are to deliver something that prioritises passenger benefits and wider benefits of the scheme, but also reduces costs.<sup>14</sup> It plans to use the pause in construction to determine the minimum requirements for the station and make decisions about what should be prioritised for the design to be affordable but still maximise value.<sup>15</sup>

## Budget and cost estimates

9. In April 2020, as part of the overall Phase One budget of £44.6 billion set by the Department, HS2 Ltd planned to design and build the HS2 Euston station for £2.6 billion. This budget was lower than its £3 billion assessment of what the station would actually cost to build.<sup>16</sup> We asked HS2 Ltd why it accepted a budget for the station that was so much lower than its estimate of what it would actually cost. HS2 Ltd told us that its estimate was based on a very high-level concept design and that it agreed with the Department that it would have to come back and revisit the scope and costs at Euston. This was because there was lots of uncertainty around exactly what the station and all the surrounding area entailed.<sup>17</sup> Given the complexity of the Euston project, we asked the Department about the extent to

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9 C&AG's Report, para 2.11  
 10 Q 1; C&AG's Report, paras 10–11  
 11 Q 32  
 12 Q 7  
 13 Q 61  
 14 Q 47  
 15 Qq 22, 32, 60  
 16 C&AG's Report, paras 2.2–2.3  
 17 Qq 26, 68

which they challenged the initial high-concept budget.<sup>18</sup> The Department explained that its challenge of costs at the time was focused on the overall Phase One budget and that it had used independent advisers to challenge the reasonableness of individual elements. The advisers had not endorsed Euston station as a fully funded design and concluded that its budget was ‘a stretch target’.<sup>19</sup>

10. HS2 Ltd told us that there was pressure to drive the overall HS2 cost to what was deemed to be an affordable point. It viewed the £2.6 billion as a budget to work towards and undertook a lot of work on affordability and efficiencies to try and reduce costs. It told us that it generated somewhere between £300 million and £500 million of efficiencies.<sup>20</sup>

11. Later, more detailed estimates showed that the costs were likely to be significantly higher, with the 11-platform design forecast to cost as much as £4.4 billion in June 2020, and the revised 10-platform design estimated to cost £4.8 billion in March 2023.<sup>21</sup> The Department told us that it needs to try to work out what the right next step is, what the right options are to consider and how it gets to a better outcome.<sup>22</sup> It intends to look at whether and where it may be appropriate to make some trade-offs in order to get to something that is more affordable, and acknowledged that it may have to take a substantial amount out of the £4.8 billion estimate to get to an affordable position.<sup>23</sup>

## The costs and impacts of pausing construction

12. In March 2023, following an announcement by the Secretary of State for Transport, the Department paused new construction work on the HS2 Euston station for the next two years to reduce spend over that period and to give it time to develop an affordable and deliverable design.<sup>24</sup> The Department and HS2 Ltd do not yet know the cost of pausing construction. When asked about how much that would be, both the Department and HS2 Ltd referred to the £2 billion spend to date at Euston and the surrounding area on preparing and enabling the site for construction as “no-regrets work” that it would expect to be relevant to any future design.<sup>25</sup> The Department told us that it will not know what the pause at Euston will cost until it finds out how much of the first two designs it can use in its next attempt at getting an affordable design.<sup>26</sup> The Department stressed that it hopes and expects that the costs associated with the pause will be offset by finding a more affordable design.<sup>27</sup> However, as the NAO has reported, there will be more costs from its supply chain stopping and re-starting work, for example from demobilising and remobilising staff, contractual changes, and project and site management costs being incurred for a longer period.<sup>28</sup> HS2 Ltd told us that it expects to spend more than £200 million at Euston to wind up the works and make the site secure.<sup>29</sup>

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18 Qq 30, 32

19 Qq 28, 30–31

20 Qq 8, 57

21 Q 31; C&AG’s Report, para 8

22 Q 23

23 Qq 37, 45, 59

24 C&AG’s Report, page 4

25 Qq 23, 38

26 Qq 44–45

27 Q 38

28 C&AG’s Report, para 2.24

29 Q 39

13. We asked the Department if Ministers had looked at the impact on businesses when they made the decision to pause construction. The Department told us that the decisions Ministers were trying to make were about trying to protect the supply chain as far as they could and that this was an important part of the advice that was being given to Ministers as they considered options.<sup>30</sup> HS2 Ltd told us that it had been working with the Department to develop various funding scenarios and best options for the HS2 programme since November last year but, with the decisions now made, it needs to determine the full extent of the impact of the pause on the contractors and subcontractors working at the Euston site.<sup>31</sup> It intends to work with its existing suppliers to redeploy as many resources as it can to other parts of the HS2 programme but it was unable to confirm what proportion of the supply chain that would cover.<sup>32</sup>

14. We asked HS2 Ltd whether it was receiving notifications from contractors of their intentions to make contractual claims due to the pause. HS2 Ltd told us that this was not the case and that it is in discussion with contractors about how it can slow down or defer works, and agree the mechanism by which it will resurrect the work when the funding becomes available to do so.<sup>33</sup> HS2 Ltd also told us that the funding settlement it has agreed with the Department for the next two years includes its estimate of the sum needed to wind up the contracts affected by the pause.<sup>34</sup>

15. We heard concerns from the London Borough of Camden and Drummond Street Traders, who already face many years of disruption, and impact of the pause in construction on local residents and businesses and be absolutely transparent when it is possible to do so on what the revised timetable involves.<sup>35</sup> We asked HS2 Ltd about the extended disruption and how it is engaging with the local community. It told us that it continues to have a lot of interaction with Camden residents and the local authority and that it is starting to explore how it can open up some areas for the local community to use. For example, converting the existing taxi rank into a temporary public space. HS2 Ltd acknowledged that it has a difficult job to put the project on ice for two years and told us that it wants to give local residents a chance to help influence what the interim solution looks like so that it is as palatable as possible for local people and businesses.<sup>36</sup>

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30 Q 81  
31 Qq 39–40, 42–43  
32 Qq 78–80  
33 Qq 93–95  
34 Q 98  
35 [HS2006](#), [HS2007](#)  
36 Qq 82–83, 86

## 2 Managing the wider HS2 programme

### Managing high inflation and contingency

16. The Department is having to manage significant inflationary cost pressures across its spending on major infrastructure projects, particularly from higher costs of construction materials.<sup>37</sup> For example when we examined progress on the HS2 programme in May 2022, HS2 Ltd told us that it was seeing ‘30% to 40% swings in the cost of raw material’.<sup>38</sup> In the 2022 Autumn Statement, HM Treasury set out that there would be no increase to departments’ cash settlements for the current Spending Review period to 2024–25 and so departments were expected to absorb the higher costs from inflation within existing cash budgets.<sup>39</sup> As a result, the Department announced in March 2023 its decisions to pause new construction work at Euston and on Phase 2a (between Birmingham and Crewe) for the next two years, along with some of its road-building programme, to stay within its cash budgets.<sup>40</sup>

17. The Department told us that, although budgets are now set, it continues to have discussions with HM Treasury about how it manages inflation on programmes like HS2 in order to deal with any issues that may arise later in the year. The Department also acknowledged the value for money implications of any further reduction in spending during the year, telling us that it and HM Treasury recognise that for such programmes it is ‘almost impossible—and certainly impossible in a way that is consistent with value for money—to put the brakes on expenditure mid-year’.<sup>41</sup>

18. One potential source of additional funding to help manage higher costs from inflation and also higher costs at Euston is the government-held £4.3 billion contingency. This was set by the Department in 2020 as part of the £44.6 billion budget for the whole of Phase One.<sup>42</sup> The Department told us that it had no expectation on what this contingency would have been needed for when it was established. However, it is also unclear on what it could be used for, with the Department acknowledging that it had ‘never reached any formal view or agreement on what basis the contingency would be drawn down on’.<sup>43</sup>

### Reporting to Parliament

19. In response to our May 2020 recommendation on the lack of transparency on the HS2 programme, the Department began providing six-monthly reports to Parliament on progress, including on costs.<sup>44</sup> The Department published its first update in October 2020 and, on Euston, reported that design work was indicating a ‘cost pressure’ or overspend

37 Q 34; C&AG’s Report, para 12

38 Committee of Public Accounts, Oral evidence, [High Speed 2: 2022 Spring Update](#), HC 51,16 May 2022; Q92

39 Q 109; C&AG’s Report, paras 12, 2.21

40 Qq 34, 109; C&AG’s Report, para 13

41 Qq 34–35

42 Qq 9, 25; C&AG’s Report, paras 2.2 and 2.5

43 Q 9, 25

44 Committee of Public Accounts, [High Speed 2: Spring 2020 update](#), Third Report of Session 2019–21, HC 84, 17 May 2020, para 1; Written statement to Parliament, [HS2 6 monthly report to Parliament: October 2020](#), 13 October 2020

against its budget. HS2 Ltd reported this to be ‘in the order of £0.4 billion’ and that further ongoing work might potentially identify further pressures. However, the Department also stated that work was underway to address these pressures.<sup>45</sup>

20. The Department has continued to report that the cost pressure at Euston was £0.4 billion throughout its six-monthly updates, including in the October 2022 update, which was the latest at the time we took evidence.<sup>46</sup> Since October 2021, with the Department’s decision to change the design of the station to a smaller and less complex 10 platform single-stage build, the Department has stated that it expected that the cost pressure would be reduced.<sup>47</sup> The Department also reported throughout 2022 including its latest update to Parliament in October 2022 that, as part of ongoing design work, it would need to consider the appropriate level of contingency to manage risks during construction of the station.<sup>48</sup>

21. However, HS2 Ltd’s latest cost estimate of £4.8 billion is significantly higher than previously reported, at £2.2 billion over the budget.<sup>49</sup> The Department told us that it did not know of the £4.8 billion estimate until HS2 Ltd reported it to them during February and March 2023.<sup>50</sup> Prior to that, the Department noted that HS2 Ltd had been reporting a cost estimate of £3.3 billion, within a range of £2.6 billion to £3.6 billion.<sup>51</sup> It acknowledged that this cost pressure was ‘slightly greater’ than the £0.4 billion being reported to Parliament but that those figures had not been validated while work was still underway.<sup>52</sup> As a result, the Department told us that it reported what was known and validated which, until February 2023, was a cost pressure of £400 million.<sup>53</sup> HS2 Ltd acknowledged that the £2.6 billion budget was seen as a stretch target, and that it had been working towards trying to get back to its previous estimate of £3.3 billion.<sup>54</sup>

22. HS2 Ltd explained that it had not expected to have an estimate of costs that it was confident in until the end of 2022 following work by the construction partner on a detailed, ‘bottom-up’ costing of the design.<sup>55</sup> This followed the two-stage procurement process that HS2 Ltd told us it is employing on the HS2 programme, where the construction partner is first appointed based on capability and suitability and then works with HS2 Ltd to develop a design and agree a target price for construction.<sup>56</sup> The Department confirmed that this is a standard approach for large construction projects where there is significant unknown risk and where more design work is required before a realistic target price can be agreed.<sup>57</sup>

45 Written statement to Parliament, [HS2 6 monthly report to Parliament: October 2020](#), 13 October 2020

46 Committee of Public Accounts, [High Speed 2: 2022 Spring Update](#), 16 May 2022, Q 48; Written statement to Parliament, [HS2 6 monthly report to Parliament: October 2022](#), 27 October 2022

47 Committee of Public Accounts, [High Speed 2: 2022 Spring Update](#), 16 May 2022, Q 48; Written statement to Parliament, [HS2 6 monthly report to Parliament: October 2021](#), 20 October 2021

48 Committee of Public Accounts, [High Speed 2: 2022 Spring Update](#), 16 May 2022, Q 48; Written statement to Parliament, [HS2 6 monthly report to Parliament: March 2022](#), 16 March 2022; Written statement to Parliament, [HS2 6 monthly report to Parliament: October 2022](#), 27 October 2022

49 C&AG’s Report, para 2.19 and Figure 7

50 Q 5

51 Ibid

52 Ibid

53 Ibid

54 Q 8, C&AG’s Report, Figure 7

55 Qq 6, 8

56 Q 10

57 Q 11



23. Prior to our evidence session, the Department had published its latest six-monthly update to Parliament in October 2022. It did not publish an update six months later in March 2023. Following our evidence session on 24 April 2023, the Department published its next six-monthly update on the HS2 programme on 19 June 2023.<sup>58</sup> Our sister committee, the Transport Committee, held a session with the Department two days later, where it asked why the update had been delayed. The Department explained that a large part of the delay was due to the local election purdah period and that it would seek to return to the original timetable for future updates. The Transport Committee was also concerned about the lack of new information that would be expected in the update, for example updated costs using a more recent price base and an updated benefit-cost ratio. The Department told the Committee that work was ongoing and, if that was not completed in time to report as part of the next six-monthly update, it committed to find other means to provide the Committee with an update on the costs and benefits.<sup>59</sup>

## Learning lessons

24. The Department's failures around budgeting, cost estimation and integration on the Euston project are not new. We have reported on these as part of our examination of other major rail programmes over the years. For example, on the Thameslink Programme, this committee found in 2018 that Network Rail did not have enough contingency within its budget for the redevelopment of London Bridge station, where costs rose from the condition and complexity of the site.<sup>60</sup> This committee also reported about the Department's failure to manage the modernisation of the Great Western Railway in 2017 in a joined-up way, including a failure to integrate projects together.<sup>61</sup>

25. We concluded in our 2021 progress update on Crossrail that the Department had still not demonstrated that it is embedding lessons learned into its major programmes.<sup>62</sup> When we asked the Department again about learning lessons, the Department and HS2 Ltd told us that they are learning from Crossrail, such as around programme and system integration and that there is a clear audit trail demonstrating how lessons have been applied.<sup>63</sup> The Department also believed that the earlier identification of problems at Euston compared to other rail programmes reflected how it is embedding learning into its projects.<sup>64</sup>

26. In terms of what it has learned from Euston, the Department told us that there are lessons on cost estimation, the treatment of contingency and managing integration on large and complex stations. These are all issues we have seen before on other major programmes, including those overseen by the Department. It also added that over the next two years it will learn about the challenges of pausing works and then restarting them. HS2 Ltd considered that learning from Euston will be most relevant at Manchester Piccadilly

58 Written statement to Parliament, [HS2 6 monthly report to Parliament: June 2023](#), 19 June 2023

59 Transport Committee, Oral evidence, [Rail services and infrastructure](#), 21 June 2023, Q163–166

60 Committee of Public Accounts, [Update on the Thameslink Programme](#), 20th Report of Session 2017–19, 5 February 2018, para 11

61 Committee of Public Accounts, [Modernising the Great Western Railway](#), 44th Report of Session 2016–17, 22 February 2017, para 4

62 Committee of Public Accounts, [Crossrail: A progress update](#), Twenty-Fourth Report of Session 2021–22, 29 October 2021, para 5

63 Qq 105–106

64 Q 116

station, which is part of Phase 2b (Crewe to Manchester) of the HS2 programme.<sup>65</sup> It set out that, like at Euston, there are interfaces with an existing conventional rail system and with other modes of transport including a tram system.<sup>66</sup> Once the bill for Phase 2b goes through Parliament, HS2 Ltd was clear that it and the Department will need to consider what the right set up and organisation with other partners, such as the Manchester transport authority and Network Rail, will be early on at Manchester Piccadilly. It will also include consideration of the ambition for over-site development and regeneration in that area.<sup>67</sup>

27. In comparison the Department and HS2 Ltd noted that other HS2 stations may be less complex or already more advanced in their progress than Euston, such as Curzon Street in Birmingham, where HS2 Ltd told us that the civil works is 40% complete. In the case of the more advanced stations, the Department also believes that it will be able to draw out from them more accurate information, such as construction costs, to help better manage later phases of the programme.<sup>68</sup> HS2 Ltd also saw an important lesson from the development at King's Cross to bring into the reset at Euston is how the station was developed as part of an integrated campus and not in isolation.<sup>69</sup>

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65 Q 116; [High Speed Rail \(Crewe - Manchester\) Bill - Parliamentary Bills](#)

66 Q 116

67 Q 116

68 Qq 7, 56, 116;

69 Qq 54–55, 60

# Formal minutes

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## Monday 3 July 2023

Members present:

Dame Meg Hillier

Sir Geoffrey Clifton-Brown

Mr Jonathan Djanogly

Mrs Flick Drummond

Mr Mark Francois

Peter Grant

Ben Lake

Sarah Olney

Nick Smith

### ***Declaration of interests***

Nick Smith declared that he lives near to the HS2 Euston site.

## **HS2 Euston**

Draft Report (*HS2 Euston*), proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 27 read and agreed to.

Summary agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

*Resolved*, That the Report be the Sixty-third of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

## **Adjournment**

Adjourned till Thursday 6 July at 9.30am.

## Witnesses

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The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

### Monday 24 April 2023

**Dame Bernadette Kelly DCB**, Permanent Secretary, Department for Transport;  
**Alan Over**, Director General High Speed Rail Group and SRO for HS2, Department  
for Transport; **Mark Thurston**, Chief Executive, HS2 Ltd

[Q1-116](#)

## Published written evidence

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The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

HS2 numbers are generated by the evidence processing system and so may not be complete.

- 1 Drummond Street Traders ([HS20002](#))
- 2 Drummond Street Traders ([HS20007](#))
- 3 Hyde Heath Village Society ([HS20001](#))
- 4 London Borough of Camden ([HS20006](#))
- 5 Stockton, Tim ([HS20004](#))
- 6 West Northamptonshire Council ([HS20005](#))
- 7 Barter, Mr William ([HS20003](#))

# List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

## Session 2022–23

Number	Title	Reference
1st	Department for Business, Energy & Industrial Strategy Annual Report and Accounts 2020–21	HC 59
2nd	Lessons from implementing IR35 reforms	HC 60
3rd	The future of the Advanced Gas-cooled Reactors	HC 118
4th	Use of evaluation and modelling in government	HC 254
5th	Local economic growth	HC 252
6th	Department of Health and Social Care 2020–21 Annual Report and Accounts	HC 253
7th	Armoured Vehicles: the Ajax programme	HC 259
8th	Financial sustainability of the higher education sector in England	HC 257
9th	Child Maintenance	HC 255
10th	Restoration and Renewal of Parliament	HC 49
11th	The rollout of the COVID-19 vaccine programme in England	HC 258
12th	Management of PPE contracts	HC 260
13th	Secure training centres and secure schools	HC 30
14th	Investigation into the British Steel Pension Scheme	HC 251
15th	The Police Uplift Programme	HC 261
16th	Managing cross-border travel during the COVID-19 pandemic	HC 29
17th	Government's contracts with Randox Laboratories Ltd	HC 28
18th	Government actions to combat waste crime	HC 33
19th	Regulating after EU Exit	HC 32
20th	Whole of Government Accounts 2019–20	HC 31
21st	Transforming electronic monitoring services	HC 34
22nd	Tackling local air quality breaches	HC 37
23rd	Measuring and reporting public sector greenhouse gas emissions	HC 39
24th	Redevelopment of Defra's animal health infrastructure	HC 42
25th	Regulation of energy suppliers	HC 41
26th	The Department for Work and Pensions' Accounts 2021–22 – Fraud and error in the benefits system	HC 44
27th	Evaluating innovation projects in children's social care	HC 38

<b>Number</b>	<b>Title</b>	<b>Reference</b>
28th	Improving the Accounting Officer Assessment process	HC 43
29th	The Affordable Homes Programme since 2015	HC 684
30th	Developing workforce skills for a strong economy	HC 685
31st	Managing central government property	HC 48
32nd	Grassroots participation in sport and physical activity	HC 46
33rd	HMRC performance in 2021–22	HC 686
34th	The Creation of the UK Infrastructure Bank	HC 45
35th	Introducing Integrated Care Systems	HC 47
36th	The Defence digital strategy	HC 727
37th	Support for vulnerable adolescents	HC 730
38th	Managing NHS backlogs and waiting times in England	HC 729
39th	Excess Votes 2021–22	HC 1132
40th	COVID employment support schemes	HC 810
41st	Driving licence backlogs at the DVLA	HC 735
42nd	The Restart Scheme for long-term unemployed people	HC 733
43rd	Progress combatting fraud	HC 40
44th	The Digital Services Tax	HC 732
45th	Department for Business, Energy & Industrial Strategy Annual Report and Accounts 2021–22	HC 1254
46th	BBC Digital	HC 736
47th	Investigation into the UK Passport Office	HC 738
48th	MoD Equipment Plan 2022–2032	HC 731
49th	Managing tax compliance following the pandemic	HC 739
50th	Government Shared Services	HC 734
51st	Tackling Defra’s ageing digital services	HC 737
52nd	Restoration & Renewal of the Palace of Westminster – 2023 Recall	HC 1021
53rd	The performance of UK Security Vetting	HC 994
54th	Alcohol treatment services	HC 1001
55th	Education recovery in schools in England	HC 998
56th	Supporting investment into the UK	HC 996
57th	AEA Technology Pension Case	HC 1005
58th	Energy bills support	HC 1074
59th	Decarbonising the power sector	HC 1003
60th	Timeliness of local auditor reporting	HC 995
61st	Progress on the courts and tribunals reform programme	HC 1002

Number	Title	Reference
62nd	Department of Health and Social Care 2021–22 Annual Report and Accounts	HC 997
1st Special Report	Sixth Annual Report of the Chair of the Committee of Public Accounts	HC 50
2nd Special Report	Seventh Annual Report of the Chair of the Committee of Public Accounts	HC 1055

### Session 2021–22

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1st	Low emission cars	HC 186
2nd	BBC strategic financial management	HC 187
3rd	COVID-19: Support for children's education	HC 240
4th	COVID-19: Local government finance	HC 239
5th	COVID-19: Government Support for Charities	HC 250
6th	Public Sector Pensions	HC 289
7th	Adult Social Care Markets	HC 252
8th	COVID 19: Culture Recovery Fund	HC 340
9th	Fraud and Error	HC 253
10th	Overview of the English rail system	HC 170
11th	Local auditor reporting on local government in England	HC 171
12th	COVID 19: Cost Tracker Update	HC 173
13th	Initial lessons from the government's response to the COVID-19 pandemic	HC 175
14th	Windrush Compensation Scheme	HC 174
15th	DWP Employment support	HC 177
16th	Principles of effective regulation	HC 176
17th	High Speed 2: Progress at Summer 2021	HC 329
18th	Government's delivery through arm's-length bodies	HC 181
19th	Protecting consumers from unsafe products	HC 180
20th	Optimising the defence estate	HC 179
21st	School Funding	HC 183
22nd	Improving the performance of major defence equipment contracts	HC 185
23rd	Test and Trace update	HC 182
24th	Crossrail: A progress update	HC 184
25th	The Department for Work and Pensions' Accounts 2020–21 – Fraud and error in the benefits system	HC 633

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26th	Lessons from Greensill Capital: accreditation to business support schemes	HC 169
27th	Green Homes Grant Voucher Scheme	HC 635
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29th	The National Law Enforcement Data Programme	HC 638
30th	Challenges in implementing digital change	HC 637
31st	Environmental Land Management Scheme	HC 639
32nd	Delivering gigabitcapable broadband	HC 743
33rd	Underpayments of the State Pension	HC 654
34th	Local Government Finance System: Overview and Challenges	HC 646
35th	The pharmacy early payment and salary advance schemes in the NHS	HC 745
36th	EU Exit: UK Border post transition	HC 746
37th	HMRC Performance in 2020–21	HC 641
38th	COVID-19 cost tracker update	HC 640
39th	DWP Employment Support: Kickstart Scheme	HC 655
40th	Excess votes 2020–21: Serious Fraud Office	HC 1099
41st	Achieving Net Zero: Follow up	HC 642
42nd	Financial sustainability of schools in England	HC 650
43rd	Reducing the backlog in criminal courts	HC 643
44th	NHS backlogs and waiting times in England	HC 747
45th	Progress with trade negotiations	HC 993
46th	Government preparedness for the COVID-19 pandemic: lessons for government on risk	HC 952
47th	Academies Sector Annual Report and Accounts 2019/20	HC 994
48th	HMRC's management of tax debt	HC 953
49th	Regulation of private renting	HC 996
50th	Bounce Back Loans Scheme: Follow-up	HC 951
51st	Improving outcomes for women in the criminal justice system	HC 997
52nd	Ministry of Defence Equipment Plan 2021–31	HC 1164
1st Special Report	Fifth Annual Report of the Chair of the Committee of Public Accounts	HC 222

### Session 2019–21

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1st	Support for children with special educational needs and disabilities	HC 85



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4th	EU Exit: Get ready for Brexit Campaign	HC 131
5th	University technical colleges	HC 87
6th	Excess votes 2018–19	HC 243
7th	Gambling regulation: problem gambling and protecting vulnerable people	HC 134
8th	NHS capital expenditure and financial management	HC 344
9th	Water supply and demand management	HC 378
10th	Defence capability and the Equipment Plan	HC 247
11th	Local authority investment in commercial property	HC 312
12th	Management of tax reliefs	HC 379
13th	Whole of Government Response to COVID-19	HC 404
14th	Readying the NHS and social care for the COVID-19 peak	HC 405
15th	Improving the prison estate	HC 244
16th	Progress in remediating dangerous cladding	HC 406
17th	Immigration enforcement	HC 407
18th	NHS nursing workforce	HC 408
19th	Restoration and renewal of the Palace of Westminster	HC 549
20th	Tackling the tax gap	HC 650
21st	Government support for UK exporters	HC 679
22nd	Digital transformation in the NHS	HC 680
23rd	Delivering carrier strike	HC 684
24th	Selecting towns for the Towns Fund	HC 651
25th	Asylum accommodation and support transformation programme	HC 683
26th	Department of Work and Pensions Accounts 2019–20	HC 681
27th	Covid-19: Supply of ventilators	HC 685
28th	The Nuclear Decommissioning Authority's management of the Magnox contract	HC 653
29th	Whitehall preparations for EU Exit	HC 682
30th	The production and distribution of cash	HC 654
31st	Starter Homes	HC 88
32nd	Specialist Skills in the civil service	HC 686
33rd	Covid-19: Bounce Back Loan Scheme	HC 687
34th	Covid-19: Support for jobs	HC 920
35th	Improving Broadband	HC 688

<b>Number</b>	<b>Title</b>	<b>Reference</b>
36th	HMRC performance 2019–20	HC 690
37th	Whole of Government Accounts 2018–19	HC 655
38th	Managing colleges' financial sustainability	HC 692
39th	Lessons from major projects and programmes	HC 694
40th	Achieving government's long-term environmental goals	HC 927
41st	COVID 19: the free school meals voucher scheme	HC 689
42nd	COVID-19: Government procurement and supply of Personal Protective Equipment	HC 928
43rd	COVID-19: Planning for a vaccine Part 1	HC 930
44th	Excess Votes 2019–20	HC 1205
45th	Managing flood risk	HC 931
46th	Achieving Net Zero	HC 935
47th	COVID-19: Test, track and trace (part 1)	HC 932
48th	Digital Services at the Border	HC 936
49th	COVID-19: housing people sleeping rough	HC 934
50th	Defence Equipment Plan 2020–2030	HC 693
51st	Managing the expiry of PFI contracts	HC 1114
52nd	Key challenges facing the Ministry of Justice	HC 1190
53rd	Covid 19: supporting the vulnerable during lockdown	HC 938
54th	Improving single living accommodation for service personnel	HC 940
55th	Environmental tax measures	HC 937
56th	Industrial Strategy Challenge Fund	HC 941