



Department for Transport

From the Permanent Secretary

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10 January 2025

Sir Geoffrey Clifton-Brown MP

Chair, Public Accounts Committee
House of Commons
London
SW1A 0AA

[Sent via email]

Dear Sir Geoffrey,

Follow-up to the session of Thursday 19 December 2024

I write following your committee's recent oral evidence session on *HS2: Update following Northern leg cancellation*, and in response to the questions that you and the Member for Warrington South raised.

Value of HS2 Phase 1

The Member for Warrington South asked how much value Phase 1 will provide to the economy, compared with the value including Phases 2a and 2b (Q65).

The HS2 Phase 1 Full Business Case, published in 2020, reported the benefit-cost ratio (BCR) of Phase 1 to be 1.2, the BCR of Phases 1 and 2a to be 1.2, and the BCR of the full "Y" network (Phases 1, 2a and 2b) to be 1.5. These estimates do not reflect the evolution of estimated costs and benefits since 2020 the effect of which would be to reduce these BCR values. However it has always been the case that the Value for Money for the full Y network has been higher than the Value for Money for Phase 1 alone, because of the relatively higher costs of Phase 1 and the greater direct and strategic benefits delivered by the full scheme in terms of capacity, connectivity and economic rebalancing.

The Committee also asked if the change in VfM of Phase 1 had been considered.

I can confirm that this was considered in my Accounting Officer Assessment published at the time of the Network North announcement. This considered the Value for Money of the decision to continue with the delivery of Phase 1.

I assessed the BCR at that point in time to be between 1.1 and 1.8 (excluding sunk costs and including remediation costs). That BCR took into account the reduction in direct benefits from Phase 1 (principally in the form of reduced train capacity) as a result of the decision to cancel Phases 2a and 2b. My wider VfM assessment also took account of the weakening of the strategic case for investment in HS2 (principally the loss of benefits expected from rebalancing the economy by joining the North and Midlands with London) as a result of the decision to cancel later Phases.

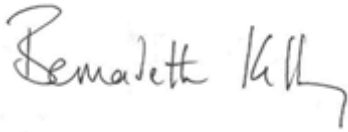
My assessment also noted that the BCR related to the marginal decision to continue with Phase 1 at that point, in accordance with Green Book guidance, not the BCR of the HS2 Phase 1 scheme as a whole taking into account of total costs and benefits, which would likely result in a BCR range below 1.

Clarification on land and property

Looking back at the transcript of the session, Alan Over and I have identified the need to clarify comments made regarding land and property acquired for HS2's cancelled phases.

In response to a question from you (Q56), Alan Over answered that "on the former western leg, which is the phase 2a Bill and the route to Manchester, safeguarding was lifted by the last Government." This is partly incorrect. The previous Government lifted safeguarding only on the former Phase 2a section (West Midlands to Crewe) in January 2024. Safeguarding on the former Phase 2b Western Leg (Crewe to Manchester) remains in place, as it does on the former Phase 2b Eastern Leg (West Midlands to Leeds).

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Bernadette Kelly', with a stylized flourish at the end.

Dame Bernadette Kelly DCB
Permanent Secretary