



Department for Transport

From the Permanent Secretary

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15 May 2025

Sir Geoffrey Clifton-Brown MP
Chair, Public Accounts Committee
House of Commons
London
SW1A 0AA

[Sent via email]

Dear Sir Geoffrey,

Tenth report of Session 2024-25

I am writing regarding the updates that the Committee requested in the recommendations of its tenth report of Session 2024-2025 (HS2: update following the Northern leg cancellation), and following your letter of 6 March 2025 regarding the schedule of HS2 Euston tunnelling.

Cost Control and Estimate Methodology (recommendation 2)

HS2 is a vital part of the Government's mission to rebuild Britain, its growth and housing ambitions, and the Secretary of State's priority to transform infrastructure. The Government has made clear that it intends to complete Phase 1 at the lowest reasonable cost.

The Secretary of State has taken initial action to manage increasing costs and has reinstated robust ministerial oversight of the project to ensure greater accountability. In addition, she has tasked the new CEO of HS2 Ltd, Mark Wild, with producing an action plan to reset the project and deliver the remaining work at the lowest reasonable cost.

This plan will be assessed by the Department to ensure the underlying principles of the reset are agreed between the Department and HS2 Ltd as our organisations embark on resetting the programme. Revised ranges for cost and schedule are a key outcome of reset.

The Department and HS2 Ltd have agreed the areas of cost estimation that need to be addressed to enable a robust and reliable life-cycle cost of HS2 to be set, these include, reset of project schedule and duration, consolidation of costs incurred, scope delivered, quantities remaining and an evaluation of supply chain productivity.

The Department is working closely with HS2 Ltd, accompanied by NISTA and HM Treasury advice, to finalise the cost estimating methodology over the summer and to fully implement it as part of the reset of the programme in 2026.

Once this process is complete, the Department will provide a further update to inform the Committee at the earliest opportunity providing additional further details on the agreed approach to cost estimation methodology.

Euston Tunnels (Committee letter of 6 March 2025)

In relation to the Euston tunnels and approaches, certain works are in the progress of being rescheduled to help manage the cost pressures that the project is facing. The rescheduling relates to works on the Euston cavern, Euston crossover tunnels, Euston portal, Euston scissor box, and retained cut, along with the shaft and headhouse sites at Adelaide Road and Canterbury Works. These works would remain on pause for the next two years.

However, a range of works on this section of HS2 will continue as planned, including the realignment of Hampstead Road Bridge and the preparation of Tunnel Boring Machines (TBMs) at Old Oak Common. The tunnelling process, originally planned to start in late 2025, has been rephased and is now scheduled to commence in early 2026 to optimise preparation activities and finalise the assembly of the TBMs. The tunnelling process itself will take approximately 18 months.

HS2 Ltd and the Skanska Costain STRABAG (SCS) joint venture are working on producing an updated full programme of works. The construction of the Euston Tunnels will still go ahead, and the re-sequencing of works does not impact the Government's commitment that HS2 will terminate at Euston. The delivery of HS2's opening stage, between Old Oak Common in west London and Curzon Street in central Birmingham, will not be affected by the rescheduling of these works.

Environmental obligations (recommendation 4)

Proposals for reform to the current environmental regime relating to species and habitat protection were published on 11 March 2025 when the Planning and Infrastructure Bill, sponsored by the Ministry of Housing, Communities and Local Government, was introduced to Parliament. Following Second Reading on 24 March 2025, the Bill remains in Parliament, and the proposals as set out will be subject to further scrutiny and possible development and amendment prior to Royal Assent being granted.

However, it is clear that the proposals for Environmental Delivery Plans, and for the accompanying Nature Recovery Fund, will provide opportunities to deliver the protection of species (including bats) differently in circumstances where an Environmental Delivery Plan has been agreed. The proposals also set out options for Ministers to intervene where they consider it appropriate to do so.

As the proposals set out in the Planning and Infrastructure Bill are developed further, we will assess them against the circumstances at Sheephouse Wood and aim to provide a progress update on work relating to this recommendation before the summer recess.

Learning lessons (recommendation 8)

All major programmes experience challenges in their delivery. However, the scale and complexity of HS2 means these have been particularly acute throughout its history. There is no single explanation for the cost increases on HS2; they span across its lifecycle from conception through to delivery; and from Government decision-making, through planning and consenting, to how delivery between HS2 Ltd and the construction supply chain has been managed.

DfT has worked closely with HMT and IPA to identify lessons from the HS2 programme. The independent review of governance carried out by James Stewart also outlines lessons. In addition to embedding these in HS2, the Department is working closely with the Inter-Ministerial Group for Infrastructure, NISTA and the Office for Value for Money to look at how lessons can be applied on other megaprojects and infrastructure schemes across Government.

I note the recommendation for the Department to write the Committee alongside the Treasury Minute response with a summary of lessons learned on the programme. The Department intends to set out further detail of this work in the next Parliamentary Report on HS2, which we expect to publish before the Summer Recess.

In the meantime the key themes of lessons can be summarised as follows: overly ambitious scheme scope; scope changes and uncertainty; poor cost estimation; the wider challenges of delivering large-scale infrastructure including in relation to planning and environmental standards; challenges in the external delivery environment including inflation and Covid; insufficient capability; weaknesses in governance; and failures in the commercial approach.

I hope this is helpful.

Yours sincerely,



Dame Bernadette Kelly DCB
Permanent Secretary