



Department for Transport

From the Permanent Secretary

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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

Thank you for your letter of 24 June 2025 in relation to the Department's response to two of the recommendations of the Committee's report, *HS2: update following the Northern Leg cancellation*. We are sorry that the Department's initial response did not fully meet the Committee's expectations; while this reply does not provide all of the information that you requested, we hope that it helps set out our current position and the progress we have made to date.

Renegotiating contracts (recommendation 2)

As was discussed during the oral evidence session on HS2 that the Committee held on 19 December 2024, HS2 Ltd is working to renegotiate its current arrangements with the Main Works Civils, Stations and Systems suppliers. The objective of these renegotiations is to rebalance risk in order to drive down costs.

To enable the successful renegotiation of existing contractual arrangements, three key conditions must be met:

1. The verification of historic expenditure;
2. Agreement on a revised and aligned baseline schedule;
3. A demonstrated willingness from the supply chain to amend current contract terms.

These renegotiations can be taken forward most effectively as part of the more fundamental reset of the HS2 programme. In that context, HS2 Ltd is undertaking a review of its delivery model and commercial approach, with a dedicated Supply Chain Task Force structured around three focused workstreams:

- Addressing historic commercial claims;
- Improved incentives and controls for the work to be delivered during 2025-26;
- The commercial framework for the subsequent work including incentives.

You asked us to set out what steps will be taken if the contracts cannot be negotiated on more favourable terms. HS2 Ltd will develop contracting strategies for each contract; these will set out clear contingency measures, including the actions HS2 Ltd is empowered to take under existing contractual provisions, as well as alternative delivery and contracting options should negotiations not result in clear incentives to control costs.

In this financial year and ahead of the completion of the reset, HS2 Ltd is putting in place improved processes, mechanisms and interim commercial models to improve productivity across the line of route and enhance the control and management of costs being incurred on the programme.

While we are unable to be more specific at this stage as this work is being developed, we recognise your interest in this matter and HS2 Ltd would be happy to brief the Committee following the summer recess.

Disposal of Land and Property (recommendation 7)

In its original reply to your report in May 2025, the Department accepted your recommendation and committed, in a future parliamentary report on HS2, to providing more information on the timetable for decision-making regarding all property no longer needed and their disposal, and its approach to addressing future West Coast Main Line capacity issues and rail connectivity in the north. In your letter, you asked the Department to set out when its review of the portfolio of land that was previously acquired for Phase 2 would be concluded, as part of preparatory work on a disposals programme.

Regrettably, we are not yet in a position to confirm when we will provide these details, as we are finalising our plans following the Spending Review on 11 June. This also means we will not be able to set out this information in the Department's next HS2 report to Parliament, which is due for publication shortly. However, please be assured that this work is progressing and we will set out our plans as soon as we are in a position to do so, as we recognise the importance of providing clarity both to you and Parliament, and to former property owners and affected communities. We will also provide the information you requested in a future report to Parliament.

Reporting on spend to date and total cost estimates at Euston (recommendation 6)

In its report, the Committee recommended that the Department provides an update in its six-monthly report to Parliament on various elements at Euston. The Department accepted the recommendation and whilst we will meet this request, we will need to do further work before we can meet the recommendation to share an updated cost estimate and spend to date in the upcoming Parliamentary Report.

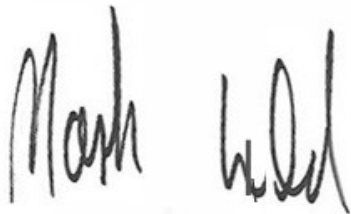
Euston is a complex delivery environment, as the Euston programme comprises the new HS2 station, an upgraded Network Rail station, enhancements to the London Underground station and local transport facilities, as well as a significant level of development to support the delivery of new homes and a commercial and life sciences hub. In the 10-Year Infrastructure Strategy, the government announced that a Euston Delivery Company will be established to oversee the development of the whole Euston Campus, and set out its intention to explore the use of a Public Private Partnership to deliver the new HS2 station with private finance.

As the Department progresses plans to reinstate delivery, and as part of our work in embedding the recommendations of the James Stewart review, we wanted to inform the Committee that we will need further time to consider how best to report our financial information across the different elements of the Euston programme.

Yours sincerely,



Jo Shanmugalingam
Permanent Secretary
Department for Transport



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