



Department for Transport

From the Permanent Secretary

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Meg Hillier MP
Chair
Public Accounts Committee

[Sent via email]

Dear Chair,

Accounting Officer Assessment summary for HS2 Phase 2a

I am writing to inform you that today a Summary of the Accounting Officer Assessment (AOA) for HS2 Phase 2a, has been published.

This follows on from the new delivery arrangements for Phase 2a, recently approved by HMT, based on updated cost and schedule ranges and a new commercial model for the construction works.

The NAO has recommended the use of ranges for indicating cost and schedule forecasts for major projects. It published revised cost estimates and schedule forecasts for Phase 2a in January 2020, just a few weeks ahead of the Government's decision to go ahead with HS2 in February 2020.

The Government's latest updated cost estimate for Phase 2a is £5.2-7.2bn (in 2019 prices). This is largely consistent with the estimates published by the Government in its two 6-monthly updates to Parliament on HS2, in October 2020 and March 2021 (£5-7bn). The latest updated forecast range for opening Phase 2a for services is 2030-2034. These arrangements will be formalised at the next fiscal event, expected to be later in 2021. The latest forecasts and estimates have been tested and validated following Royal Assent of the Phase 2a Act. The Government expects to set its Target Cost and Target Delivery-into-Service Date for Phase 2a at a later date, when further progress has been made on the contracting and detailed designs.

The commercial model for the construction works comprises a new Design and Delivery Partner and procurement framework, centred on smaller, better designed and more contestable construction packages. This commercial model will require efficient management and integration, which HS2 Ltd will procure by means of a strategic partner, incentivised to deliver efficiently by driving down schedule and cost. This builds on similar models used successfully on HS1 and the Olympics.

The published AOA Summary is available online [here](#).

This letter has been copied to the Comptroller and Auditor General at the NAO, the Treasury Officer of Accounts at HMT and Mark Thurston at HS2 Ltd.

Yours sincerely,

Bernadette Kelly CB
Permanent Secretary