

Dame Meg Hillier MP
Chair, Public Accounts Committee
House of Commons
London
SW1A 0AA

13 July 2021

Dear Dame Meg,

High Speed 2: Progress at Summer 2021

I welcomed the opportunity to provide a progress update on HS2 to your Committee on 24 June. Members' genuine interest, continued scrutiny and advice on a range of project issues will continue to support successful delivery of the HS2 programme.

During the session, I committed to write to the Committee with further detail on a number of areas. I am pleased to set out this information below.

HS2 Main Works Civils

In July 2017, following a competitive tender exercise, HS2 Ltd appointed four joint ventures to deliver the detailed design and construction of Phase One of the railway. These four joint ventures are known as the HS2 Main Works Civils Contractors. They are:

- SCS Railways (Skanska Construction UK Ltd, Costain Ltd, STRABAG AG)
- Align JV (Bouygues Travaux Publics SAS, a subsidiary of Bouygues Construction, Sir Robert McAlpine and VolkerFitzpatrick, a subsidiary of VolkerWessels UK)
- EKFB JV (Eiffage Genie Civil SA, Kier Infrastructure and Overseas Ltd, BAM Nuttall, Ferrovial Agroman)
- BBV JV (Balfour Beatty Group Ltd, VINCI Construction Grands Projets, VINCI Construction UK Ltd, VINCI Construction Terrassement).

The contracts have two stages: Stage 1 – Design and Construction Preparation Works; Stage 2 - Full Construction.

Stage 1 delivery began following contractor mobilisation. Stage 2 delivery was authorised in April 2020 following the granting of Notice to Proceed.

The contracted total of £15.5bn (2019 prices, including contingency) includes the construction of bridges, tunnels, embankments and viaducts for the railway. £2.5bn has been spent to date on activities including site preparation, installation of the first bridges for the railway and the purchase of tunnel boring machines. The full suite of major civil engineering works to deliver the railway is managed by the respective joint ventures and will continue through to 2026.

Phase One Stations

Three of the four Phase One stations have been contracted following a competitive tender exercise. The two London stations, their budgets (2019 prices, including contingency) and contracted Station Construction Partners are:

- Euston, London: £2.6bn, Mace Dragados
- Old Oak Common, London: £1.67bn, Balfour Beatty VINCI SYSTRA JV.

In May 2021 we let Stage One of the two-stage station construction contract for Curzon Street, Birmingham to Mace Dragados. Stage One is to agree the target price for the delivery of the project, with Stage Two being authorisation to proceed with delivery. The total contract value, including optional third party works around the station footprint, is worth up to £0.57bn for Stage One and Two. The budget for the station itself is £0.46bn (2019 prices, including contingency).

The final station construction contract to let is for Interchange station near Solihull in the West Midlands. A competitive tender exercise commenced in June 2021. The contract value for construction of the station is worth up to £0.37bn of the total budget (of £0.51bn in 2019 prices, including contingency to deliver the station and the Automated People Mover (APM) connecting the station with the NEC and Birmingham Airport). Procurement of the APM will follow that of Interchange station.

Phase One Delivery

Following the granting of Notice to Proceed, a schedule range of 2029 – 2033 was established for the opening of Phase One. The high-level schedule and associated budget (including contingency) for the delivery activity discussed during the session is as follows:

- Civil engineering: 2020 – 2026, £15.5bn
- Stations: 2021 – 2028 (excluding Euston), £2.7bn
- Systems: 2025 – 2028, £3.6bn
- Commissioning: 2028 – 2030.

The two-year period for the commissioning of the railway includes systems integration and dynamic testing, leading into the trial operations of both the rolling stock and stations. There is no discreet cost for this period as it is a time-based cost for the combination of contractors involved during that period.

Jobs and Skills

HS2 is currently supporting over 16,000 jobs and last week (8 July) we announced our 650th apprentice start (against a target of 2,000 during the lifetime of the entire HS2 programme). The 650th apprentice, a resident of Solihull in the West Midlands, secured a Level 2 Plant Operator apprenticeship with Flannery - a Tier 2 contractor with our Main Works Civils Contractor BBV. They are now a crucial part of the team helping to bring the benefits of HS2 to the region.

Forecasting

In 2018 we published our Skills, Employment and Education (SEE) Strategy. This strategy was underpinned by work that forecast the labour and skills needed to deliver the construction of HS2 and rail engineering programmes. As well as providing robust evidence for informing the SEE Strategy, the analysis also provided an assessment of where the HS2 programme and the wider construction and infrastructure sectors could face challenges in recruiting and retaining skills.

It is vital that we work from an evidence base that provides the best available insight on programme labour and skills requirements in terms of volume, occupation, qualification, timing, geographic area and duration. This will enable us to ensure that our SEE strategic approach continues to focus on areas which are likely to yield the greatest benefit.

We have now updated and refined these forecasts to reflect the new costs and maturity of the HS2 programme, and to also reflect the changes to labour demand from the project and the economy-wide construction sector. The forecast of the labour and skills demand and supply has also been revised to reflect the key factors which may affect the availability of labour and skills for the HS2 programme. These included the impact of other major infrastructure projects, a new workforce migration regime (introduced following the UK's exit from the European Union), and the impact of the Covid-19 pandemic.

To accompany the latest iteration of the Labour and Skills Forecasting Report, HS2 Ltd has created the report: *Building the Skills to Deliver Phase One and 2a*. This report summarises the key findings from our labour and skills forecasting work, together with the challenges and opportunities that the analysis presents. We are looking to publish both reports shortly.

Contractual requirements

All HS2 contracts of a certain value, duration and type are required to deliver SEE outputs. The use of procurement levers is key in setting expectations and driving the right behaviours to deliver outputs, which will result in meaningful impacts for the local communities that HS2 serves. The contractual requirements focused on SEE that HS2 Tier 1 contractors have to deliver, include activities such as recruiting previously workless individuals and apprentices as new employees.

For the HS2 Station Construction Partners, in addition to the SEE requirements on apprenticeships and workless job starts, they also have to demonstrate, through these contractual requirements, that people living in the regions in which they operate are accessing employment opportunities on the programme. All these activities are predicated on creating pathways and opportunities into employment on HS2, for people from local communities and disadvantaged and under-represented groups.

Our Tier 1 contractors provide data to HS2 Ltd on a quarterly basis. This data sets out the progress they are making towards delivering their contractual requirements. This includes postcode district data for key metrics, including apprenticeship starts, worklessness and local job starts. This enables assessments to be made on how local people are benefitting from HS2 employment opportunities.

As part of this, there is a focus on sustained employment – for example, HS2 Tier 1 contractors need to demonstrate that they are employing previously workless people for at least 26 weeks. We use the data provided to produce heatmaps to illustrate where apprenticeships and workless job starts are, without disclosing personal information. The intention is to publish these heatmaps on the HS2 website later this year.

Job brokerage

We launched a Job Brokerage model in January 2021. This is the main way that we are working with the Department for Work and Pensions (DWP), Jobcentre Plus (JCP) and other partners, to ensure employment opportunities across the programme will be made more accessible to people from local communities and disadvantaged and under-represented groups. The Job Brokerage has two key elements:

1. A Jobs Board that brings vacancies across the HS2 supply chain together in one place. This gives greater visibility of HS2 related employment opportunities.
2. A network of Job Brokerage Partners that have the requisite experience and expertise to support the creation of pathways into HS2 roles for people from local communities and disadvantaged and under-represented groups.

The HS2 Job Brokerage Partners are a range of local authorities, the DWP, JCP and BuildForce (an organisation that specialises in supporting military veterans). They work with HS2 Ltd and our Tier 1 Contractors in four regional steering groups and an overarching, route-wide, Project Board. This enables local and route-wide conversations about the practical pathways by which HS2 employment opportunities can be created.

During the session I incorrectly cited skills annual reporting. Performance is measured on a quarterly basis and feeds into HS2 Ltd's Quarterly Benefits reporting. In addition, the work done locally with partners such as local authorities and the DWP, particularly through the HS2 Job Brokerage, allows for a strategic focus on, and further assessment of, how people from local communities are benefitting from HS2 employment opportunities.

Community Engagement

Our intention is to respect the people and communities that we impact and continue to learn and improve where we get things wrong. We have outlined our approach to community engagement in our Community Engagement Strategy. This strategy was published in 2017, and is being refreshed this year, reflecting the progression of the project and the start of main works construction on Phase One. The refresh will include an update to our 10 community commitments to reflect the issues most important to the people whose lives we are impacting. The refreshed strategy will be launched in Autumn 2021.

Over the last three and a half years we have engaged with over 76,000 people, handled over 124,000 enquiries and introduced tailored ways to communicate with individual communities. These have included Local Area Engagement Plans, events, community websites and works notifications.

We publish case studies and statistics on our progress against each of the 10 community commitments in regular Progress Reports, which are published on the HS2 website (<https://www.hs2.org.uk/documents/collections/community-engagement-progress-reports/>). The reports also share our progress on our corporate KPI commitments on public response. The next report will be published this summer and cover the nine-month period from July 2020 to March 2021.

As confirmed in HS2 Minister Andrew Stephenson's [March 2021 report](#) to Parliament, we have introduced a number of developments and improvements to support our community engagement activity over the last 12 months, including:

- A unified single management system for community engagement and complaints handling across HS2 Ltd and the supply chain. This enables a single consistent record for all organisations operating in a single location.
- Additional proactive local communications to provide notice and raise awareness of HS2 programme activity in impacted communities.
- From April 2021, we have shortened HS2 Ltd Helpdesk response times so that construction issues can be picked up, assessed and mitigated quickly.
- New area-based delivery unit managers with geographical responsibility for joining up construction contractors and communities to prevent and tackle local issues.
- New briefing materials to alert MPs and councillors of the agreed single points of contact along the Phase One and Phase 2a routes so issues can be escalated if they are not resolved in the first instance.

In delivering a project with the scale and complexity of HS2, it is clear that we will not always be able to satisfy the wishes of communities and interest groups, but we are committed to continued dialogue and building open and constructive working relationships.

Rolling Stock

HS2 Ltd published a Periodic Indicative Notice in January 2017, with an industry event held on 27 March where interested companies found out more about the bidding requirements and process. This was followed by the launch of the pre-qualification questionnaire (PQQ) pack in April 2017. Bidders were shortlisted in November 2017, with formal invitations to tender issued to five bidders in July 2018.

We expect to award the contract later this year. The successful bidder will be responsible for the design, build, testing, commissioning and maintenance of a minimum of 54 new high speed trains, currently to be delivered from early 2028 in advance of the expected commencement of Phase One services. Litigation has recently been commenced in relation to this procurement in respect of which HS2 Ltd is presently preparing its defence.

I trust this letter has been useful, but please do let me know where I can be of assistance to you and the Committee.

Yours sincerely,



Mark Thurston

Chief Executive Officer

High Speed Two (HS2) Ltd