

Seventeenth Report of Session 2021-22

Department for Transport

HS2 Summer 2021

Introduction from the Committee

The High Speed 2 programme aims to build a new high-speed, high-capacity railway between London, the West Midlands and the north of England. The programme is split into several phases: Phase One (London to the West Midlands); Phase 2a (West Midlands to Crewe); and Phase 2b (Crewe to Manchester and the West Midlands to Leeds). The programme had an original budget of £55.7 billion (2015 prices). Following cost increases and schedule delays, the Government announced an independent review of the programme in August 2019, which was published in February 2020. The programme's funding was reset in 2020 and is now expected to cost a total of between £72 billion and £98 billion (2019 prices). The Phase One budget is £44.6 billion including almost £10 billion of contingency (2019 prices). HS2 Ltd plans for civil construction of Phase One to finish in 2025, with initial Phase One services (Old Oak Common to Birmingham Curzon Street) starting between 2029 and 2033.

The Department for Transport (the Department) funds and sponsors the programme and HS2 Ltd, an arm's-length body of the Department, is responsible for developing, building and maintaining the railway. The programme is at an important stage of its development: Phase One has entered a stage of substantial construction; Phase 2a has received approval for construction by Parliament; and the Department is assessing how to best integrate Phase 2b with wider transport plans in the region.

We have previously examined the High Speed 2 programme on three occasions. In our most recent report in May 2020, we found that the programme was estimated to cost substantially more than the original budget. We were concerned public confidence in the programme had been undermined and stipulated greater levels of transparency would be required in the future. We were unconvinced that the Department and HS2 Ltd had the right skills and capability in place and were concerned about the uncertainties of Euston station. This report considers what progress has been made to address these concerns.

Based on a report by the National Audit Office, the Committee took evidence from the Independent Construction Commissioner, the National Infrastructure Commission and the West Midlands Combined Transport Authority on 21 June 2021, and the Department for Transport (the department) and High Speed Two Limited (HS2 Ltd) on 24 June 2021. The Committee published its report on 22 September 2021. This is the government's response to the Committee's report.

Relevant reports

- NAO report: [Progress in implementing National Audit Office recommendations: High Speed Two](#) – Session 2021-22 (HC 292)
- PAC report: [HS2 Summer 2021](#) – Session 2021-22 (HC 329)

Government response to the Committee

1: PAC conclusion: While it is encouraging that the civil construction elements of Phase One seem to be on a firmer footing, the scale of the work that still needs to be done means future costs remain uncertain.

1: PAC recommendation: The Department and HS2 Ltd should set out as part of its future 6-monthly reporting to Parliament, a more comprehensive view on risk to the Phase One cost estimate and the use of contingency. The reporting of costs should be consistent over time and include, preferably in tabular format, areas such as:

- **how much Phase One contingency has been used/remaining (£) and the proportion of contingency used/remaining (%). This should be included for: HS2 Ltd contingency (A); government-retained contingency (B); and, the total Phase One contingency (A+B);**
- **details of the cost pressures, including the value (£) of those that HS2 Ltd has confirmed and accepted, and those that HS2 Ltd is assessing as potential and not yet confirmed;**
- **a clear indication of whether cost pressures have increased, decreased or remained stable since the preceding 6-monthly report; and,**
- **progress being made on the cost efficiencies programme, with a supporting narrative.**

1.1 The government agrees with the Committee's recommendation.

Recommendation implemented

1.2 In line with the Committee's recommendation, the [third High Speed 2 \(HS2\) 6-monthly report to Parliament](#) confirms details of cost pressures. Use of contingency over time is included in tabular form with an accompanying narrative. The report also includes narrative to support progress being made on the cost efficiencies programme. Future 6-monthly reports to Parliament will be consistent with this format.

2: PAC conclusion: The Department has made little progress on the design and delivery at Euston since we last reported, and we remain concerned that time is running out.

2: PAC recommendation: The Department should set out in its next 6-monthly report to Parliament:

- **the decisions that it has made about Euston;**
- **details of the assurances it has undertaken;**
- **its timeline on when remaining decision points will be met; and,**
- **any impact on the Euston opening range of 2031 to 2036**

2.1 The government agrees with the Committee's recommendation.

Recommendation implemented

2.2 In the [third HS2 6-monthly report to Parliament](#), the department sets out the decision to move to a smaller, simpler 10-platform design (instead of an 11-platform, 2-stage build), which can be built in a single stage and still support the full operation of the HS2 network. Moving to this revised HS2 Euston station design maintains core infrastructure capacity to run 17 trains per hour, as set out in the [Phase One full business case](#).

2.3 The updated station design is in development and will be assured as it progresses.

2.4 The department is continuing to explore opportunities for greater integration between the HS2 and Network Rail stations through The Euston Partnership and to optimise the oversite development above the Euston terminus. Further details will be provided in the next 6-monthly report to Parliament.

2.5 Further to the publication of the third HS2 six-monthly report to Parliament in October, funding was approved in the Spending Review in November to support greater integration between the HS2 and Network Rail stations at Euston. HS2 Ltd and Network Rail, with support from The Euston Partnership, are working together to develop a design that optimises integration between the HS2 station and the redevelopment of the Network Rail station concourse area. This integrated approach has the potential to deliver construction efficiencies, along with significant passenger and place-making benefits at Euston.

2.6 The range for initial opening of services from Euston remains 2031-2036.

3: PAC conclusion: HS2 Ltd has started planning how it will integrate its systems for Phase One to ensure the railway works, but this is an inherently risky part of the programme.

3a: PAC recommendation: HS2 Ltd must continue to monitor and report on both progress and the time allocated to systems integration as part of the regular 6-monthly updates to Parliament, and inform the Committee promptly if the time allocated to these latter stages is at risk of being squeezed.

3.1 The government agrees with the Committee's recommendation.

Recommendation implemented

3.2 The [third HS2 6 monthly report to Parliament](#) highlighted that the procurements for the remaining 14 rail systems packages are successfully underway and will continue over the next two years.

3.3 The department will continue to provide regular systems updates in future 6-monthly reports to Parliament.

3b: PAC recommendation: When it has announced the winner of its competition for the rolling stock contract, HS2 Ltd should write to the Committee to explain how the design and delivery of the train will support the integration of the systems required to operate the railway.

3.4. The government agrees with the Committee's recommendation.

Target implementation date: Summer 2022

3.5 After the rolling stock contract for Phases One and 2a is awarded, the supplier will begin work with HS2 Ltd and West Coast Partner Development on refining the rolling stock design and integration with other elements of the programme. When the detailed design is underway, the department will write to the Committee updating them on how the design and delivery of the train will support the integration of the systems required to operate the railway.

4: PAC conclusion: We are increasingly concerned that the Department and HS2 Ltd do not yet know how they will turn the benefits promised from High Speed 2 into a reality, including what additional investments will be needed or how these will be funded.

4: PAC recommendation: The Department and HS2 Ltd should write to the Committee within three months, describing their strategy to identify, monitor and evaluate the benefits of the programme. The Committee will monitor what progress has been made against this when we next revisit High Speed

4.1 The government agrees with the Committee's recommendation.

Recommendation implemented

4.2 The department wrote to the Committee in November 2021 setting out its benefits approach for the HS2 programme and stated that they are committed to maximising benefits and minimising negative impacts. This includes maximising positive outcomes; from increasing rail capacity and connectivity to reducing carbon emissions and delivering on jobs and skills, but also mitigating disbenefits including road disruption during construction.

4.3 HS2 Ltd will publish, and share with stakeholders, its first bi-annual Benefits Update. This publication will build on the data shared in the [third HS2 6-monthly report to Parliament](#) and highlight through case studies the strong work being undertaken on benefits.

4.4 HS2 Ltd has a strategy to identify, monitor and evaluate the core benefits funded and within scope of the programme and has implemented 'Benefits Baselines' for each of its phases, linked to the strategic and economic objectives in the relevant business cases. The department and HS2 Ltd are working towards the publication of a joint Benefits Management and Evaluation Strategy next year. In addition to the benefits directly arising from the work on the programme the department is focused on maximising wider benefits catalysed by HS2. The department is working with other government departments as their support and collaboration is needed to unlock these opportunities, via regular engagement and through appropriate governance.

4.5 HS2 offers a major opportunity to catalyse local regeneration, supporting the government's Levelling-up agenda. A devolved approach has been taken to regeneration at HS2 station places, with local government leading and central government in support. The department is working closely with the Department for Levelling Up, Housing and Communities, to determine how central government can help local places make the most of HS2.

5: PAC conclusion: The Department and HS2 Ltd are not adequately engaging with the Department for Education to secure the skills required for the future of the programme and training the next generation of skilled workers.

5: PAC recommendation: The Department must proactively engage with the Department for Education and other relevant education providers to ensure there are plans in place for further education colleges to get the through-flow required for the programme. The Department should write to us to explain how it is engaging with these stakeholders within three months.

5.1 The government agrees with the Committee's recommendation.

Recommendation implemented

5.2 The department wrote to the Committee in November 2021 setting out how it is engaging with the Department for Education (DfE) and other relevant education providers.

5.3 HS2 Ltd has had a team focusing on this from early on in the programme and in 2018 published a [HS2 Skills, Employment and Education strategy](#). This strategy seeks to ensure that the programme has the people with the skills needed and will leave a skills legacy. More recently, the [Building the Skills to Deliver HS2](#) report was published by HS2 Ltd and sets out what skills interventions are already in place and how this work has been refocused in light of the start of main works construction and the pandemic.

5.4 The department worked closely with HS2 Ltd and the Education and Skills Funding Agency (ESFA, which is responsible for funding education and skills for children, young

people and adults) to support the recent merger between the University of Birmingham and National College for Advanced Transport and Infrastructure (NCATI). Ofsted's latest monitoring inspection of NCATI had judged the college to be making significant progress and the department will work with the college and the ESFA to continue to build on this.

5.5 Alongside NCATI there are several Further Education (FE) providers along the HS2 route that provide relevant courses and training and the department engages with ESFA regarding this provision as well. These and other FE providers across the country will support not just the delivery of HS2 but also infrastructure projects across the country. The department will continue to work closely with the ESFA to identify any challenges to provision, to support the HS2 programme and the department's wider infrastructure programme.

6: PAC conclusion: We are already concerned about the volume of complaints on disruption from the programme which does not bode well for the future as more communities will be impacted as construction progresses.

6: PAC recommendation: The Department and HS2 Ltd should write to the Committee within three months setting out how they intend to resolve the issues around community engagement and the environment observed by the Committee in this report.

6.1 The government agrees with the Committee's recommendation.

Recommendation implemented

6.2 The department wrote to the Committee in November 2021 detailing its current efforts to resolve issues around community engagement and the environment.

6.3 Substantial improvements have already been made with regard to community engagement and complaints management. HS2 Ltd has observed a steady decline in the level of complaints received, from a highpoint of 268 in February 2021 to 123 in September 2021. Similarly, HS2 Helpdesk enquiries have declined from 15,598 in the first quarter of 2021 to 10,993 in the third quarter. This reduction has taken place in the context of increased construction activity throughout 2021, and may be attributed to new measures introduced by HS2 Ltd since the [second HS2 6-monthly report to Parliament](#) in March 2021.

6.4 For complex and/or technical issues, the department has established a small team of construction inspectors to provide an expert and objective perspective. The construction inspectors report to the HS2 Minister and the HS2 Senior Responsible Owner and support the assurance of the delivery of works along the route. They carry out routine site inspections and are additionally deployed to examine issues of local concern and provide an independent view for the department.

6.5 With the new measures already underway to improve HS2 Ltd's approach to community engagement and with the right culture of respect and continuous improvement, the department is confident that HS2 can be an exemplar in how individuals and communities are treated when large infrastructure projects cause disruption to people's lives.

6.6 Further information on the steps being taken to minimise and compensate for any adverse environmental impacts are to be published in HS2 Ltd's first Environmental Sustainability Progress Report. This report will provide a clear and up to date account of HS2's environmental impacts and the important work that is being done to minimise and compensate for any adverse environmental impacts. Alongside this, HS2 Ltd plans to publish a refreshed environmental sustainability vision, setting out the future ambition for how the project will further support the government's decarbonisation and nature recovery objectives.