



Department for Transport

From the Permanent Secretary

Great Minster House
33 Horseferry Road
London SW1P 4DR

E-Mail: bernadette.kelly@dft.gov.uk

Web site: www.dft.gov.uk

15 April 2020

Meg Hillier MP

Chair

Committee of Public Accounts

House of Commons

London

SW1A 0AA

Dear Chair

An update on the progress of HS2

I am writing to update you on the progress of HS2.

Following the Prime Minister's statement in February, HS2 Ltd has today issued Notice to Proceed (NtP) to Stage 2 to its Main Works Civils Contractors. This will ensure that, where practical and safe to do so, work can commence on the Birmingham to London section of HS2. The Full Business Case for Phase One, which underpins the decision to authorise NtP, will be placed in the libraries of both Houses and published online at www.gov.uk/dft.

This decision comes at an uncertain time for the UK, and the Government and HS2 Ltd have carefully considered the potential impacts of COVID-19 on HS2 in reaching it. The Government's current policy is that construction activity should continue where it can be undertaken in accordance with the Public Health England and industry guidance. The Government has therefore concluded that issuing Notice to Proceed remains the right course of action and will provide certainty for the construction industry and wider supply chain.

I have given evidence to your Committee on a number of occasions about HS2. The Prime Minister made clear to Parliament on 11 February that changes need to be made to ensure that HS2 is properly managed and its potential fully realised. That announcement also set out a number of steps to increase oversight, transparency and accountability for the HS2 project. Andrew Stephenson has been appointed as Minister with specific responsibility for HS2. New delivery arrangements are being developed for Euston and the Northern sections, allowing HS2 Ltd to focus on the West Midlands to London and Crewe to the West Midlands. The Company's Board is being strengthened with representation from HM Treasury and the Department, to ensure its efforts are fully aligned with the Government's priorities and to challenge its effectiveness. The Government has also committed to reporting regularly to Parliament on progress of the project and I hope this will address the concerns the Committee have raised about transparency.

I and the Chief Executive of HS2 Ltd, Mark Thurston, have completed a joint Accounting Officer assessment to accompany the decision on NtP. A summary of this assessment is attached. This concludes that the BCR for Phase 1 is 1.2:1, including Wider Economic Impacts (WEIs); the BCR for the fully "Y" network is 1.5:1 including WEIs. The strategic

case for the project remains clear. While COVID-19 presents significant short-term risk, proceeding with NtP and consequent works where it is safe to do so will ensure that long-term risks to the programme are minimised. Latest assessments indicate that impacts can be managed within existing funding regime and schedule range. As part of our regular reporting to Parliament, we will consider the impacts of COVID-19 once the pandemic's wider effect on the economy and rail usage becomes clearer.

When I gave evidence to your Committee on 4th March I undertook to provide summaries of previous AO assessments. These were shared with the Committee on 31 March 2020.

The Minister for HS2 has written in parallel to the Chair of the Transport Select Committee. A copy of his letter is attached.

I hope this is helpful.

Yours sincerely,

A handwritten signature in dark ink, reading "Bernadette Kelly". The signature is written in a cursive, flowing style. The first name "Bernadette" is written in a larger, more prominent script, and the surname "Kelly" is written in a slightly smaller, more compact script. The signature is positioned above the printed name and title.

Bernadette Kelly CB
Permanent Secretary