

HS2 Six-Monthly Report to Parliament: December 2024

Overview

1. This is the first Parliamentary Report on the progress of HS2 under the new Government. We are committed to complete accountability and transparency on HS2's progress and we will therefore continue with six monthly reporting.
2. One of the new Government's first jobs has been to urgently review the unacceptable position we have inherited on HS2. We have already taken immediate and decisive action to provide greater assurance and oversight to get HS2 delivered at the lowest reasonable cost, including:
 - Reinstating Ministerial oversight of the project to ensure greater accountability by holding regular meetings of the Ministerial Task Force, where the Rail Minister, the Chief Secretary to the Treasury and the Secretary of State for Transport will challenge delivery and remove obstacles to secure the full benefits of the railway more cost effectively. The first meeting happened in October 2024.
 - Launching an independent review led by James Stewart on the oversight of major transport infrastructure projects, including the effectiveness of forecasting and reporting of cost, schedule, and benefits, as well as actions to deliver cost efficiencies. The review will primarily draw on experiences of HS2 to date to ensure recommendations and learnings are applied to its delivery, as well as to future transport projects.
 - Writing to the Chair of HS2 Ltd, making it clear that after safety, HS2 Ltd's primary objective is to deliver the remaining work for the lowest reasonable cost, stressing the need to focus immediately on actions to turn things around and bring costs back under control.
3. It is important that we take definitive action now and act with common purpose across Government, HS2 Ltd, and its supply chain to get HS2 delivered cost effectively. HS2 is a vital part of the Government's Plan for Change, and our mission to kickstart economic growth and rebuild Britain by fast-tracking infrastructure delivery, as well as the Department's priorities to transform infrastructure to work for the whole country; promote social mobility; and tackle regional inequality. When completed, HS2 will give faster, more reliable and frequent rail services between the West Midlands and London, as well as destinations further north, promoting economic growth and opportunities for workers, releasing capacity to meet increasing demand on regional and local services, and stimulating new jobs and houses around its new stations in Birmingham, Solihull and London.
4. There are over 31,000 people and 3,300 UK businesses working directly on this national endeavour, and we are grateful for their efforts - individually and collectively - to deliver amazing feats of engineering, often in challenging conditions on site and in the midst of continued speculation and criticism of the project.
5. We are pleased to confirm that Mark Wild formally began his tenure as HS2 Ltd's new Chief Executive on 2 December. His focus will be to deliver the remaining civil engineering works and install rail systems to the lowest reasonable cost and bring the new railway into service as an integrated part of the rail network, which provides

seamless journeys for passengers. Mark Wild has an extensive background in delivering transport projects, including turning around Crossrail and successfully bringing the Elizabeth Line into service, with more than 350 million passenger journeys since opening in May 2022. Mark Wild's experience of transforming programmes and building teams and organisations that enable effective and efficient delivery will be invaluable in turning the tide on HS2.

6. With the support of the HS2 Ltd Board and the Government we are looking to Mark Wild to identify and lead HS2 Ltd and its supply chain through the essential changes needed to bring costs back under control. To do this, we will be asking him to undertake an assessment of the current position on cost, schedule, capability and culture. This will build on the work that has already begun between officials and at Ministerial level and provide an action plan to deliver the remaining work as cost effectively as possible, including advising on a realistic budget and schedule. This work is vital and an absolute priority, but we are determined to provide sufficient time to allow Mark Wild to assess the current position, provide his advice and for the Government to assess it and agree a reset budget.
7. Until Mark Wild concludes this work, the Government cannot be confident in the forecast outturn cost of the project. We are therefore managing HS2 Ltd's delivery through annual funding and delivery targets for this financial year and next, but with reduced delegation on contingency. It will also be necessary to agree longer term funding for HS2 in the Spending Review due to conclude next year.
8. We are looking forward to receiving the outputs of the Major Transport Projects Governance and Assurance Review, led by James Stewart shortly, which will help inform further steps that we may wish to take to further strengthen cost control and delivery, and enable effective governance and oversight by the Government of HS2. This will also provide important lessons to be applied to the Department's other capital projects and those across Government.
9. More broadly we are committed to ensuring that lessons are learned from HS2 and implemented quickly, so the same mistakes are not made again. These include the importance of having clear and consistent strategic aims, improving cost estimation, ensuring delivery bodies have the right capability, improving contract design and how we manage the supply chain, and making sure the planning system enables quick and efficient delivery.
10. Therefore, alongside this review the Government is also working to apply lessons learnt from HS2. This is to ensure that infrastructure projects are delivered as efficiently as possible for taxpayers because successful delivery is vital for growth, jobs and housing. We also look forward to working with the newly formed National Infrastructure and Service Transformation Authority (NISTA) to maximise the contribution that investment in infrastructure has on growing the economy and creating high quality jobs.
11. The Department is already taking steps to apply lessons that have been learnt, particularly at the design stage, on current and future rail enhancements projects by:
 - Managing competing local visions for scope by prioritising outcomes that take into account the benefits at a local and national level.

- Focusing on cost control by defining a minimum viable product as the scheme develops, whilst noting choices and trade-offs for future passive provision.
- Learning from the HS2 experience when providing advice on the delivery body and strategy for the development of new rail infrastructure.

Actions taken by this Government

Returning HS2 to cost controlled delivery

12. The continued escalation of costs on HS2 is unacceptable. There have been multiple causes, including continued changes in policy, scope and funding, the costs of environmental and planning compliance, as well as the disruption caused by external factors, primarily COVID and the Ukraine conflict; while the recent period of high inflation continues to impact HS2 Ltd and its supply chain. But there have also been significant delivery issues including cost underestimation, with large increases in design costs, and lower than planned productivity. The result has been cost projections that continue to rise since Notice to Proceed in April 2020. These revisions have been set out for transparency in Annex B.
13. This has to change, and we will be issuing a clear remit to Mark Wild to undertake a comprehensive review of the current position, including the current capability and culture of HS2 Ltd, and to recommend revised cost and schedule.
14. Realistically this is work that will take time to complete and get right, as we know rushing these things can result in costs that are underestimated, but this Government has set it underway with clarity and urgency, as it is critical that robust project costs that we can have confidence in are re-established and we will be expecting tangible, early progress which we will be monitoring via the Ministerial Task Force.
15. Work is already underway, with HS2 Ltd and departmental officials having jointly concluded a comprehensive review of the current approach to cost estimation and programme control, and HS2 Ltd are now implementing an action plan to strengthen these vital areas of project control.
16. Most costs for HS2 are within the supply chain, and improved cost control is not possible without their engagement, recognising that the Main Works Civils Contracts could be strengthened to further incentivise the joint ventures to manage costs.
17. Whilst this work is in progress and a full review is undertaken by Mark Wild, the Department will continue to control spending by HS2 Ltd through the standard annual budgeting process, though with reduced delegations for the use of its contingency, and increased scrutiny of expenditure at a project-by-project level.

Strengthening oversight

18. Alongside reinstating Ministerial oversight through the Ministerial Task Force, we have provided clear guidance to HS2 Ltd's Board that, subject to an absolute focus on safety, cost control is their overriding priority. It is our expectation that they support and challenge Mark Wild and his Executive Team to achieve this.
19. To ensure continuity of HMT's representation on the HS2 Ltd Board, David Goldstone was appointed as special director to replace Sir Jon Thompson following his appointment as Chair. David Goldstone was appointed to this position on 1 June 2024

and brings his expertise in major infrastructure delivery and his significant experience including as CEO of the London Legacy Development Corporation and the Houses of Parliament Restoration and Renewal Delivery Authority. David Goldstone will also bring to bear the insight from his other Government role as Independent Chair of the Office for Value for Money.

20. We are grateful to Sir Jon Thompson for his period as Executive Chair during which he acted to increase focus on cost control and to put in place crucial changes in accountability to bring together safety, delivery, cost and schedule with the Executives responsible for each part of the programme. Sir Jon returned to his previous role as Chair of the HS2 Ltd Board in September, with Alan Foster acting as interim Chief Executive prior to Mark Wild's arrival, to whom we are grateful. The Government will support Mark Wild as he continues to build and strengthen capability and leadership within HS2 Ltd.

Taking HS2 to Euston

21. At the Autumn Budget 2024, the Government announced that it would fund the work to tunnel from Old Oak Common to Euston, bringing services to the centre of the capital. The two Tunnel Boring Machines (TBMs) are now being assembled at Old Oak Common, and preparations are underway to enable tunnelling to commence next year. We will ensure that the lessons from historic performance are applied to this work as part of an enhanced approach to commercial monitoring. This public investment will provide a basis for attracting investment into Euston station and the local area. Investment at Euston will be further supported through the appointment of Bek Seeley to chair the Euston Housing Delivery Group, to drive forward an ambitious housing and regeneration initiative for the local area, working closely between the Department and the Ministry for Housing, Communities and Local Government (MHCLG).
22. Following the previous Government's decision in October 2023 to develop a six-platform HS2 station, the Department has been working with The Euston Partnership, including the London Borough of Camden, the Greater London Authority, Transport for London, Network Rail, HS2 Ltd, Lendlease and the West Coast Partnership to find an affordable and viable design scope for the station and associated infrastructure, as well as reviewing how the HS2 station will be delivered alongside redevelopment of the existing Euston station and an expanded Underground Station. The Government is committed to harnessing private investment and restoring growth and will work in partnership with the private sector to deliver its missions, while ensuring projects are value for money for taxpayers now and in the future. We intend to set out our approach on Euston in due course.

Progressing with rail systems

23. The programme achieved an important milestone in November 2024 with the award of the rail systems contracts, following a successful competitive tendering process. These contracts make provisions to complete the greatest part of the remaining work on HS2, including heavy equipment like track, overhead catenary, power supplies; and soft systems including signalling, control and communications equipment. The contract scope instructed at this point covers Old Oak Common to Birmingham Curzon

Street, Handsacre Junction in Staffordshire, where HS2 will connect to the West Coast Mainline, and includes scope for Euston Station to be instructed once delivery plans are confirmed. The suppliers will form an alliance designed to ensure their work is closely coordinated and efficiently delivered.

24. Following mobilisation in the new year, an 18-month design period will begin for the systems contractors to work collaboratively with HS2 Ltd, before starting on site as the civils works complete and hand over discrete sections of the route. Procurement of Washwood Heath Depot and the National Integrated Control Centre continues.
25. Critically we have made sure that key lessons have been learnt and applied to the systems contracts. The design for systems delivery is more advanced with more cost certainty, and stronger incentives have been included in the contracts to ensure the suppliers will share the pain of overspending, and the contracts are without assumptions and exclusions which will help drive performance and manage cost.
26. We have also required increased Management Information and reporting on systems to ensure effective, and timely progress during design, including a formal review point at the end of the design stage to ensure that all parties are ready to proceed with efficient delivery.

Former Phase 2

27. The Government has been clear that it does not intend to reinstate HS2's northern sections. The Government also recognises concerns about expected future capacity shortfalls for rail north of Birmingham and is considering carefully the position it has inherited, including potential options for addressing this. As part of this we have met with Mayor Burnham and Mayor Parker to hear their proposals for a lower cost rail line between Birmingham and Manchester.
28. The Government will set out its policy on strategic rail investments north of Birmingham in due course. That will include its approach to the Crewe-Manchester hybrid bill, which was reintroduced in the King's Speech to support plans for improving Northern rail connectivity. Officials and HS2 Ltd have continued to prepare plans to remediate the works started on the former Phase 2a section, subject to decisions on the overall policy approach.
29. The Government is developing a programme to dispose of land that is surplus to requirements, and has completed a small number of pilot sales.
30. We recognise that for those who live, or have businesses, on or near the route, HS2 has had a significant impact on them. We will continue to make sure that those people impacted are compensated fairly, whilst of course ensuring that we are also fair to the taxpayer. We have heard representations from some landowners about the rate of progress in settling outstanding property compensation claims on the London to West Midlands section. The importance of making faster progress has been emphasised to HS2 Ltd's leadership who have agreed to take further steps to enable swift resolution. We will be scrutinising the measures being taken by HS2 Ltd, and further interventions will be made if necessary.

Delivery Performance

Schedule

31. The forecast date for initial HS2 services between Birmingham Curzon Street and Old Oak Common remains within the range of 2029 to 2033. HS2 Ltd has identified a number of schedule pressures within this range which Mark Wild will review as part of his initial advice.
32. Parliament will be advised on schedule estimates for Birmingham to Handsacre Junction and delivery of the HS2 station at Euston once further plans have been developed.

Expenditure

33. To the end of September 2024, £32.8bn (2019 prices) had been spent on the HS2 programme. This is provided in more detail in the Annex A.
34. Annex A uses data provided by HS2 Ltd. Spend to date information covers the period up to the end of September 2024. Unless stated, all figures are presented in 2019 prices. Data on benefits is taken from September 2024.
35. HS2 Ltd's performance in the year-to-date is detailed in Annex A.

Jobs and skills

36. The HS2 programme is helping train a skilled workforce for the UK's wider rail and construction industries. The HS2 programme is currently supporting over 31,000 jobs. The programme has also created over 1,700 apprenticeships, and over 4,600 formerly unemployed people have been supported back in to work on the programme since 2017. The programme continues to support businesses across all UK nations and regions with over 3,300 UK businesses in the supply chain, including over 2,400 UK small and medium size enterprises.

Delivery highlights

37. Alongside the correct focus on addressing the significant cost challenges, it is right to focus on the engineering successes along the line of route, where there are currently 350 active construction sites. These include:
 - In February and March 2024, the TBMs Florence and Cecilia broke through at South Heath in Buckinghamshire, completing their 10-mile journey under the Chilterns.
 - The two London TBMs, Sushila and Caroline are over one year into their journeys, with the machines now past the halfway mark. We have successfully completed 66% of the tunnel drives so far across the length of the route.
 - The Old Oak Common station box was fully excavated at the end of June 2024, with 1.2 million tonnes of spoil removed.
 - In September 2024 the final deck segment of the Colne Valley Viaduct was lowered, making it Britain's longest rail bridge. Construction began in May 2022, and the next phase will focus on installing the rail systems as it moves towards becoming operational for the new railway. Work has started on 75% of the remaining viaducts along the route.

- The start of detailed design and initial construction work at Birmingham's Curzon Street Station, with piling for the station structure now started and work on retaining walls alongside the existing line into New Street now complete.
- Of the 177 bridges planned along the route, 63% are either completed or in progress. Many of these structures are using innovative design and construction approaches to help reduce the amount of embedded carbon, compared to more traditional designs. For example, viaducts at Westbury, Turweston, Wendover, Small Dean and Lower Thorpe have used a double composite structure, which uses significantly less concrete and steel, resulting in carbon reductions of between 52 and 66 per cent, across the five structures.
- An important decarbonisation milestone achieved during this reporting period was the establishment of the first HS2 'Zero Emissions' construction site, achieved through using wholly electric site machinery and technologies, along with a mains power connection on a 100% renewable energy tariff.

Annex A: Financial Annex

As is standard, the budget and forecast are both presented in 2019 prices in this report, rather than in cash terms, and therefore do not account for inflation. The 2024/25 budget in nominal terms (accounting for inflation) is £7bn. The Government will provide further details of the 2024-25 position in cash terms as part of the standard supplementary estimates report to Parliament.

Historic and forecast expenditure (2019 prices, including land and property)[1]

Phase	Overall spend to date (£ billion)	2024 to 2025 budget (£ billion)	2024 to 2025 forecast (£ billion)	2024 to 2025 Variance (£ billion)
Phase One	30.2[2]	5.4	5.4	0.0
Former Phase Two	2.5	0.1	0.1	0.0
Total	32.8	5.5	5.5	0.0

[1] The figures set out in the table have been rounded to aid legibility. Due to this, they do not always tally.

[2] Spend to date for Phase One includes a £0.6 billion liability (provision) representing the Department's obligation to purchase land and property.

Annex B: Estimate at Completion Timeline for HS2 Phase One ^{[1][2][3]}

- Published in April 2020, a range of £35bn-£45bn was used to inform the Phase One Full Business Case (FBC) and set the budget. It was informed by the work to agree Baseline 7.1 and represents, at the lower end, HS2 Ltd's point estimate (with no contingency), the Target Cost of £40bn (including HS2 Ltd-held contingency of £5bn at RCF P50) and, at the top end, the Funding Envelope of £45bn (including HMG-held contingency of c£4bn at RCF P75).
- In November 2023, the latest estimate from HS2 Ltd for Phase One was £49bn-£57bn which was published in the 6-monthly parliamentary report at the time.
- This specific estimate was drawn up before the Network North announcement in October 2023 and, therefore, didn't reflect the Government's decision at the time to secure private investment for Euston, or the decision to cancel Phase Two.
- The Department, estimated, at the time, that this figure should be between £45bn-£54bn. This estimate is also reflected in the Network North document. The Department did not accept the HS2 Ltd EAC assessment because it was developed prior to the Network North announcement, and because it was believed that more cost risk could be addressed.
- Since then, HS2 Ltd has continued to assess the cost of the programme. It provided an interim update to its Board in June 2024 of £54bn-£66bn ahead of the reset work that this government has commissioned.
- As it doesn't take into account this work, or factor in private financing for Euston - which this Government is committed to securing – we do not think these figures are accurate or reliable. It remains highly uncertain and subject to further assurance and has not been approved by the HS2 Ltd Board or Department but has been included here for transparency.
- That's why the Transport Secretary has asked HS2 Ltd to provide updated and assured estimates of the project as soon as possible and we have made it the number one priority of the new Chief Executive after safety to drive costs down.
- Since the last 6-monthly report in November 2023, there has been a change in government, a new CEO and a significant overhaul of the project to drive down costs.

[1] Figures are presented in 2019 prices. Where figures are presented prior to April 2020, they have been inflated using HS2 Ltd's bespoke index from the base year at the time.

[2] The scope informing the establishment of the Target Cost and Funding Envelope in April 2020 was based on Baseline 7.1. Figures presented after this point allow for direct comparison against a fixed scope.

[3] All EAC forecasts include the full estimated cost of Euston and do not take into account any reduction in cost to the taxpayer through a private sector funding delivery model.