

# HS2 6-monthly report to Parliament: March 2021

## Overview

This is the second biannual update to Parliament on the progress of High Speed Two (HS2). It marks one year since the government gave Phase One of the scheme, between the West Midlands and London, the green light to begin civil construction.

The report uses data provided by [HS2 Ltd](#) to the HS2 Ministerial Task Force for Phases One and 2a, and covers the period between September 2020 and January 2021 inclusive. Copies of this report have been placed in the libraries of both Houses.

Coronavirus (COVID-19) has made this an incredibly challenging year, and the pandemic has had a devastating effect on individuals, our economy and our communities; however, as we look to the future, with the roll-out of the vaccine firmly underway and a [roadmap out of lockdown](#) now in place, this government is more committed than ever to 'build back better'.

HS2 remains at the forefront of our long-term investment plan to better connect people and places, boost productivity and create jobs to help rebalance opportunity across the UK.

Just as importantly, HS2 will play a pivotal role in creating a greener alternative to regional air and road travel. This is essential if we are to meet our commitment to bring greenhouse gas emissions to net-zero by 2050.

The key achievements of the HS2 programme in this reporting period include:

- progressing the remaining enabling works and mobilising main civil construction for Phase One while employing COVID-safe working practices
- achieving [Royal assent of the Phase 2a High Speed Rail \(West Midlands to Crewe\) Bill](#), cementing in law the government's commitment to bring the new high-speed railway to the north of England
- evolving our approach to community engagement, including an enhanced complaints procedure to address concerns about how HS2's impact on communities along the line of route are managed
- speedy implementation of over a quarter of the proposed reforms recommended by the [Land and Property Review of November 2020](#), improving the experience of property owners most immediately and directly affected by HS2
- supporting over 15,000 skilled jobs and creating more than 500 apprenticeships: over 2,100 companies now have contracts with HS2 Ltd, with 97% of these being UK-based businesses – at its peak, the programme will support over 30,000 jobs and create at least 2,000 apprenticeships
- establishing HS2 Ltd's Environmental Sustainability Committee to strengthen oversight and reporting of efforts to limit and mitigate the

environmental impacts from the construction of the railway

- planting over 430,000 trees so far, with the number expected to rise to over 730,000 trees by spring 2021

## **Programme update on schedule, affordability and delivery**

### **Schedule**

Some schedule pressures on Phase One have emerged from delays in completing enabling works, including:

- issues with completing utilities diversions
- postponed land acquisition and access during the first COVID-19 lockdown
- slower than planned development of detailed designs by the main works contractors

HS2 Ltd is currently re-planning its schedule for Phase One in conjunction with its construction suppliers with a view to mitigating these delays. The schedule pressures reported above will not impact the projected 'delivery into service' date range of 2029 to 2033 set last year, but further cost pressures could still emerge if mitigation activity is required.

The re-planning exercise is due to conclude in the spring, and I will update Parliament on its outcome in my next report. We should continue to remain cautious of the accuracy of long-range estimates this early in a 10-year programme.

### **Affordability**

The overall budget for Phase One, including Euston, is £44.6 billion (2019 prices). This is composed of the target cost of £40.3 billion and additional government-retained contingency of £4.3 billion. The target cost includes contingency delegated to HS2 Ltd of £5.6 billion for managing the risk and uncertainties that are an inherent part of delivering major projects.

The target cost for Phase One remains at £40.3 billion. Around £11 billion (actual prices) has been spent to date, including land and property provisions. Approximately £12.6 billion (2019 prices) has additionally been contracted, with the remaining amount yet to be contracted.

To date, HS2 Ltd has drawn £0.4 billion of its £5.6 billion delegated contingency to specific additional costs, which represents 4% of the overall contingency for Phase One, and reflects an increase of £0.2 billion since my [last report to Parliament](#).

HS2 Ltd is currently reporting potential cost pressures of around £0.8 billion over and above this. If these or other costs come to pass, then they would be managed from within the existing total budget using the remaining HS2 Ltd delegated contingency.

In the case of verified cost increases resulting from COVID-19, these will be managed from within the government-retained contingency. The cost pressures currently being reported by HS2 Ltd that may require a call on contingency if not mitigated are:

- an estimate of £0.4 billion, predominately due to slower than expected mobilisation of main works civils contractors, associated with delays to approvals of designs, planning consents, protestor action and some COVID-19 impacts
- as already reported in the autumn report to Parliament, an estimate of £0.4 billion that relates to Euston station remains – work to consider opportunities, efficiencies and scope reductions to address potential pressures is now underway. This may be an underestimate of the unmitigated pressure, so the department has asked HS2 Ltd to provide a revised estimate once it has concluded its initial design work on the revised design as set out below

My last report to Parliament included £0.4 billion from expected increases in the scope and duration of enabling works. These costs are now expected to be incurred and so are not shown as pressures but have instead been taken into the core cost estimate. They will be funded through surplus provision within HS2 Ltd's core budget rather than from its delegated contingency.

Estimates of the impact of COVID-19 are set out below. Other pressures will arise as the programme progresses, some of which may crystallise into additional costs that will need to be covered from the contingency within the existing budget, and some of which will be mitigated or avoided.

Over the last 6 months, HS2 Ltd has made progress on a programme of opportunities for efficiencies designed to identify and realise tangible savings in delivering the agreed scope of Phase One. From a deeper pool of potential opportunities, HS2 Ltd has so far identified up to £0.2 billion to pursue to the next stages of development. Going forward, I will report on progress towards realisation of these opportunities as well as the identification of others through this efficiency programme.

## **Delivery**

On Phase One, the focus has primarily been on progressing the remaining enabling works and preparatory works, and the start of main works. This includes dedicated power at launch sites for the tunnel-boring machines (TBMs) by the M25 and Long Itchington in Warwickshire, and moving 2 huge modular bridges into place at the Birmingham Interchange station site.

The first pair of TBMs, Florence and Cecilia, will launch this summer. Elsewhere, progress continues to be made on the 4 new HS2 stations. At Euston, work is underway to develop an optimised design and delivery strategy, alongside work by the Euston Partnership to integrate the HS2 and Network Rail stations, and wider placemaking across the Euston campus.

The Department for Transport (DfT) has instructed HS2 Ltd to investigate whether building the station in a single construction stage can speed up

delivery and address cost pressures. Notwithstanding, this – bringing the station fully back within its existing budget – presents a significant challenge. The initial stage of this work is expected to conclude in the coming months, at which point the government will confirm any design changes and set out its intended way forward at Euston.

The start of main construction of Old Oak Common station has now been approved and excavation work for the HS2 underground platforms can begin. I also note the High Court's dismissal of Bechtel Ltd's legal challenge to the Old Oak Common station construction partner award, which found that HS2 Ltd's procurement process was in accordance with the rules of the tender and procurement law.

Tender evaluation is underway ahead of the planned award by the summer of a construction partner for Birmingham Curzon Street station, and tendering for a construction partner at Birmingham Interchange station is expected to begin this summer.

[Budget 2021](#) announced £50 million of funding to develop transport proposals around Birmingham Interchange. This will be matched by £45 million of funding from Arden Cross Ltd and Solihull Metropolitan Borough Council.

This will support the goal of the West Midlands Combined Authority by reconfiguring planned car parking at the regional hub station, and releasing 28 hectares of land space for new businesses, homes and jobs in the area.

Qualification of bidders is underway for the majority of the rail systems packages for Phases One and 2a ahead of inviting tenders. HS2 Ltd is finalising the procurement of the new HS2 rolling stock for Phases One and 2a, with the contract to be awarded later this spring.

I am very pleased to report that the [HS2 Phase 2a Act](#) for the section of the route between Lichfield and Crewe was given Royal Assent in February, after its passage through Parliament.

This represents a major milestone for the programme and HS2 Ltd can now begin accessing and acquiring land for the necessary construction works, as well as taking forward early environmental and enabling works.

Phase 2a will bring high-speed services to the north, helping to realise the benefits of the whole programme and to underpin future phases of the scheme, while also supporting regional economic growth through the construction stage.

[Local consultation on the scheme was undertaken during February](#), and I will publish the consultation report in April before detailing the response to its findings in June, following the election period. With formal agreement on the scope of the Phase 2a scheme now set, the funding and schedule ranges will be finalised alongside the delivery model for the construction works.

I will provide more information to Parliament once this work has concluded. Before the end of spring, the department will publish the Integrated Rail Plan (IRP) for the north and Midlands, which will consider how best to

deliver and sequence HS2 Phase 2b, Northern Powerhouse Rail and other major rail schemes, including schemes within Midlands Engine Rail, such as Midlands Rail Hub, to ensure transformational rail improvements are delivered to passengers and communities more quickly.

Preparations are underway for a Hybrid Bill for the Western Leg (Crewe to Manchester) and supporting outline business case (OBC) to be deposited in Parliament in early 2022, or sooner if possible. Further updates on cost and schedule will be provided at the time the OBC is published.

## **Impacts from COVID-19**

Although COVID-19 continues to pose a considerable challenge to the programme, HS2 Ltd and its supply chain continues to adapt positively. In the early stages of the pandemic, HS2 Ltd successfully kept a high proportion of its sites open and operating safely, and, at the time of writing this report, 100% of HS2 sites are open, in part due to the collaboration and innovation between HS2 Ltd and its supply chain through initiatives such as rapid testing and the introduction of new social distancing technology.

Health and safety guidance at worksites continues to be rigorously followed and remains under constant review. Nothing is more important than the wellbeing of the communities we are working in and the safety of everyone working on HS2.

HS2 Ltd's initial estimates suggest that the financial impact of COVID-19 on the cost of delivering Phase One up to December 2020 is between £0.3 billion and £0.4 billion, largely as a consequence of schedule prolongation from access delays and reduced productivity.

A proportion of this estimate is already captured within the cost pressures that I have set out above. The full impact of COVID-19 on cost and schedule will continue to be assessed, including work to disaggregate COVID-19 impacts from other cost and schedule impacts on the programme.

The DfT will be scrutinising these costs very carefully, and only validated and unavoidable costs arising from COVID-19 will be funded from the government-retained contingency, and therefore covered by the existing HS2 budget. I will continue to update Parliament through my reports as this work progresses.

## **Local community impact and engagement**

Since my appointment as Minister for HS2, I have been clear that managing the programme's impact on communities along the line of the route is one of my key priorities. That is why, last autumn, I commissioned a detailed review of the acquisition and compensation process for land and property affected by HS2. [The conclusions of the review](#), detailing opportunities for change across a wide variety of policies and activities, were published in November and will ensure that there is a renewed focus on those people who are being directly impacted by the new railway.

The proposals vary in scale and context, but all seek to improve the experience of property owners most immediately and directly affected by HS2 by improving existing processes and interaction with the public.

The DfT has worked quickly on implementing the proposals, in close conjunction with HS2 Ltd, the Residents' Commissioner (Deborah Fazan) and relevant government departments, with 25% now in place.

I expect to begin a public consultation later this spring to focus on aspects of the proposals that require further engagement. Alongside the Land and Property Review, I am continuing to engage closely with Parliamentary colleagues and the communities they represent.

Due to the scale and nature of the HS2 project, some impacts of construction on line-of-route communities are unfortunately unavoidable. This January, at the Transport Select Committee, I heard first-hand how HS2 construction is impacting communities. The testimonies I heard were powerful and strengthened my resolute commitment to ensure that HS2 Ltd properly informs and consults communities, and minimises negative impacts wherever possible.

I have therefore tasked HS2 Ltd to look again at the way it engages communities to improve the responsiveness, sensitivity and objectivity of its approach. In response, HS2 Ltd is deploying a package of measures to strengthen its community-handling approach, including:

- a unified single management system for community engagement and complaints handling across HS2 Ltd and the supply chain, so there is a single consistent record for all organisations operating in a single location
- additional proactive local communications to provide notice and raise awareness of HS2 activity in impacted communities
- 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 2a routes so issues can be escalated if they are not resolved in the first instance
- enhanced engagement and assurance from the Construction Commissioner (Sir Mark Worthington) and the Residents' Commissioner to provide independent advice on potential improvements to HS2 Ltd complaint-handling and community engagement operations

I have, furthermore, established a small team of construction inspectors, reporting to the DfT, to support the assurance of the delivery of works along the route.

An important part of their role will also be to provide a capability to investigate intractable or persistent construction issues, working independently of HS2 Ltd and its suppliers where needed. I expect these measures to improve engagement and responsiveness in relation to avoidable

impacts of construction on local communities. I will continue to review this and remain committed to taking further action if necessary.

## **Environmental impact**

Another of my key pledges as HS2 Minister is to limit the unavoidable impact of HS2 construction on the natural environment, both in terms of direct impacts on biodiversity and its carbon impact.

The first report of the HS2 Ltd Environmental Sustainability Committee will be published in the autumn. The approach and content of the report will be informed by the Global Reporting Initiative methodology, and will also be shaped by seeking input from:

The government has also given a statutory commitment to provide an impact assessment of construction on ancient woodland within the report, building on previously conducted assessments. The environmental impact data in the report will be verified externally.

Alongside the new committee, HS2 Ltd launched its [Green Corridor Prospectus](#) in December, providing information to the public on projects along the route that are being introduced to mitigate and compensate for the environmental impact of HS2's construction.

This includes over 30 projects funded through the Community and Environment Fund, and the Business and Local Economy Fund, which add benefit over and above committed mitigation and statutory compensation.

Further to the commitments made in my last report to support biodiversity improvements on Phase 2a, the DfT and HS2 Ltd have initiated a study to investigate options to consider whether and how we might move the HS2 Phase 2b Western Leg scheme from seeking no net loss to aiming to deliver net gains in biodiversity.

HS2 Ltd has become the first UK transport client organisation to achieve [PAS 2080 accreditation](#), a gold standard for carbon management across the globe. It will continue its work to reduce carbon emissions during construction and operation ahead of the United Nations Climate Change Conference (COP26) later this year.

## **Forward look**

As well as continued focus on its construction programme for Phase One, the next 6 months will see HS2 Ltd award contracts for a construction partner at Birmingham Curzon Street and for the supply of the new HS2 rolling stock.

Work to identify affordable design and delivery arrangements for Euston station is also expected to progress. On Phase 2a, we will conclude work on a preferred delivery model for the construction stage, as well as finalising the funding and schedule ranges for the project's schedule and cost.

Work on the legislation and business case for the Phase 2b Western Leg will

also continue, and the IRP will be published this spring.

I will continue to engage closely with Members of Parliament and will provide my next report to Parliament in October 2021.

## Annex A: 6-monthly financial report

	Phase	Target cost	Total estimated costs range
<b>Forecast costs by phase</b>	1	£40.3bn	£35–45bn
	2a	Not set yet	£5–7bn
	2b	Not set yet	£32–46bn*

\*Validation of the Phase 2b cost range is ongoing and will be updated to support the bringing forward of separate legislation for the HS2 route into Manchester, in line with the conclusions of the [Oakervee Review](#). The range provided excludes scope intended to be funded by other sources such as Northern Powerhouse Rail.

	Phase	Spend to date**	2020 to 2021 budget	2020 to 2021 forecast
<b>Historic and forecast expenditure</b>	1	£11bn***	£3.79bn	£3.33bn
	2a	£0.4bn	£0.18bn	£0.13bn
	2b	£1bn	£0.25bn	£0.16bn
<b>Total</b>		£12.4bn	£4.22bn	£3.62bn

\*\* Spend to date is represented in outturn prices.

\*\*\* Spend to date includes a £1 billion liability (provision) representing the DfT's obligation to purchase land and property.