Dear Chair,

Follow-up to hearing of 15 May

As promised, I am writing to you with further detail on questions that were raised by the Committee on 15 May on the High Speed 2 (HS2) project.

Property acquisition programme

Acquiring land and property on the scale required for HS2 is a complex process. The National Audit Office (NAO) conducted a review of the HS2 Phase One land and property acquisition programme last year. The Department deposited an estimate of the cost to acquire land and property, and a list of the property it expected to acquire, with the Phase One hybrid Bill, as required by Parliament. The NAO identified that the programme was on track and forecasting to be within budget, and provided a reasonable basis from which it could monitor the potential cost to compensate property owners.

The report recognised that cost estimates at this stage in a project of this scale bore some inherent uncertainty, evolving as more information was known about the design and operation of the railway, and the nature of the land and properties required. This is common with any major infrastructure project.

On this basis, the NAO concluded that the HS2 property cost increase from 2012 (£1,120m in 2011 prices) to 2017 (£3,295m in 2015 prices) was not unexpected. It identified key drivers which included route changes because of public consultation, in response to the requests of petitioners during the Phase One parliamentary process, and the introduction of additional property compensation schemes.

Those costs are assessed and assured using recognised industry standards, both internally by HS2 Ltd and by independent experts. They are subject to ongoing reviews by both HS2 Ltd and DfT.
The Committee asked about property acquisitions on the Shimmer housing estate in Mexborough, South Yorkshire. HS2 Ltd has always been clear that the early plans for the railway would continue to evolve. The potential for demolitions indicated at the 2017 announcement was based on the known construction and operational footprint of the alignment at an early stage of the design process. It was made clear that the impact of HS2, including on property acquisitions, would likely change with ongoing design development, construction planning and environmental assessment.

The publication of the working draft Environmental Statement on 11 October 2018, which takes account of evolving plans for construction and operation of the railway, sets out a more evolved set of likely impacts across the entire route. The change in property acquisitions at Shimmer is based on the outcome of this design development. Like any other major infrastructure scheme, the design will continue evolve towards the Phase 2b hybrid Bill and into the detailed design of construction.

HS2 Ltd was aware of the Shimmer estate when developing the route, had undertaken site visits in the area, and had factored the impact on the Shimmer estate into their decision making. The Shimmer estate was not shown on the Ordnance Survey mapping at that time due to it being a new development.

The Department has always recognised the challenges HS2 presents for residents of the Shimmer estate, particularly that the concentration of affected households and the scarcity of comparable homes in the area could make it difficult for some homeowners to buy an equivalent property under existing statutory compensation arrangements. In recognition of these circumstances, the Department, HS2 Ltd, residents, Doncaster Council and local political representatives worked together to create a bespoke compensation scheme to help Shimmer homeowners who sell their homes to the Government to move to a local comparable home. The scheme – known as the Shimmer Relocation Assistance Scheme – was introduced in December 2018.

Skills

The Committee asked two questions about the availability and uptake of places at the National College for High Speed Rail. The total number of places available at the college is 1,200. This is split evenly between the Birmingham and Doncaster campuses which have 600 places each. The College is also set up to deliver training at alternative locations as required by clients.

A total of 361 places have been filled so far this academic year. This includes continuous learners from the 2017/18 intake and current active learners from this academic year 2018/19. The College is developing its plans to diversify its offer to support training needs within transport systems and infrastructure more widely. They have said that they plan to build on their existing core offer, providing world class skills in areas such as rail modernisation, light rail, highways, airports, smart mobility, and digital transport systems. The College continues to work in partnership with the rail industry and key partners such as HS2 Ltd and its supply chain to help build their skills capability, and is engaging with stakeholders in the wider transport and infrastructure sector.

HS2 Ltd does not collect information on the proportion of people working on the project who are based in the UK and based abroad. However, HS2 Ltd forecast that around 30,000 people will be employed in the construction and rail engineering elements of the HS2 programme at peak. These forecasts are set out in detail in the published HS2 labour and skills forecasting report, available at https://www.hs2.org.uk/documents/hs2-labour-and-skills-demand-and-supply-forecasting-and-analysis/.
Contingency

The current funding envelope for HS2 includes contingency. The Department reviews the level of contingency as projects develop and, for example, will be doing so alongside the work on the revised baseline for Phase One and as part of the Spending Review. In particular, as projects develop, we would expect that the contingency is assessed on a more granular level, for example applied at different levels to different types of project costs based on past experience. Modelling of risks to contribute to assessments of contingency also typically becomes more specific as projects develop and this is the case with HS2.

While the exact level of contingency for Phase One is commercially sensitive so as to maintain incentives on the supply chain, I can confirm it has been set in line with typical levels for other projects of this nature. For Phase 2, a range of percentages has been used. By far the largest component is 40% optimism bias on infrastructure cost estimates, in line with HM Treasury guidelines.

Yours sincerely,

Bernadette Kelly CB
Permanent Secretary