



Department  
for Transport

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From the Secretary of State  
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Thank you for your letter of 5 March 2019, referencing correspondence your Committee received from Mr Douglas Thornton, formerly Director of Land and Property at HS2 Ltd.

I trust you will be reassured by the findings of the National Audit Office (NAO) report, published in September 2018, which looked at HS2's Phase One land and property acquisition programme. The NAO found that the property cost estimates had increased significantly from 2012 to 2017 though it set out clearly in its report that this kind of change was to be expected on a large complex project such as HS2.

The NAO noted that the increase included route changes because of public consultation, in response to the requests of petitioners during the parliamentary process leading up to Royal Assent, and the introduction of additional property compensation schemes. There is also the fact that detailed land cost assessments were not possible until after Royal Assent was achieved, and the re-assessing of land values from 2011 prices.

The NAO concluded that HS2 Ltd's property cost estimates had improved, and provided a reasonable basis for monitoring the cost of the property acquisition programme. It identified that the land acquisition programme was on track and forecasted to be within budget for Phase One, but there was a long way to go in the programme and risks remained.

Turning now to your questions, you ask **when my Department received the 2015 PwC report 'Property Compensation Estimate: Review of processes and assumptions' and the £4.8 billion estimate at which Mr Thornton states he valued land and property compensation, and what**

**steps we took in response.** As far as I am aware, the Department did not see the PwC report into preparing the Property Cost Estimate which HS2 Ltd commissioned. This report was considered by the NAO investigation, which noted that it endorsed HS2 Ltd's plans to improve their methods of estimation.

I would also reiterate, as set out in the NAO report, that HS2 Ltd commissioned CBRE to produce the first property cost estimate based on what the Government presented to Parliament as a 'Book of Reference'; a list of all the properties that it expected to acquire to build the railway, rather than an estimate based on all properties within safeguarding. Subsequent estimates during the passage of the Bill were also coordinated by CBRE, not PwC. This is set out in paragraphs 2.11 to 2.23 of the NAO report.

You ask **why, if aware of the £4.8 billion estimate during the passage of the hybrid Bill for Phase One of HS2, my Department did not publish it.** HS2 Ltd - as stated in the NAO report referenced above - followed Parliamentary procedure, as it was required to. Any change to the Bill made by means of an Additional Provision was also accompanied by a cost estimate update.

You ask **whether my Department considered Mr Thornton's £4.8 billion estimate to be a 'detailed cost estimate'. And if not, why not.** As the NAO report identifies, at the time Mr Thornton was in post, there was no mature Property Cost Estimate or design in place for Phase One of HS2. I understand from HS2 Ltd that Mr Thornton was never tasked with preparing a 'detailed cost estimate' as he asserts. Developing the cost estimate is an iterative process as more information becomes available. For example, at the time Mr Thornton carried out his own desktop exercise, HS2 Ltd did not have the powers it was subsequently granted to access land and property for survey and valuation purposes.

You ask **whether it was the case that as the Phase One hybrid Bill was progressing through Parliament, HS2 Ltd had only budgeted for 53% of properties to be acquired.** That is not correct. This is evidenced by the outcome of Spending Review 2015, where HS2 Ltd sought and was allocated £4,316 billion (2015 prices) to fund its Phase One acquisition programme.

You ask **how much land and property required for Phase One of HS2 has not yet been valued.** All land and property expected to be required for the delivery of the Phase One scheme has been estimated and, as with any scheme requiring compulsory purchase of land and property, the process of valuation and negotiation will continue as acquisitions are undertaken and concluded.

You ask **whether I consider there to be a 'cultural problem' at HS2 Ltd which prevented Mr Thornton's concerns being resolved within the**

**company.** The culture in HS2 Ltd is the responsibility of the HS2 Ltd Executive. The [Development Agreement](#) governs the relationship between the Secretary of State for Transport and HS2 Ltd. It sets out HS2 Ltd's role in developing, building and operating the railway and the Department for Transport's role as sponsor and funder. Para 35.1(C) of the Development Agreement mandates that HS2 Ltd should, "have and maintain in place throughout the term of this Agreement its own ethics, anti-bribery, *whistle-blowing* and other policies and procedures which shall include standards no lower than those included in the 'DfT(C) Policy Statement on Fraud, Bribery, Theft and Corruption' (as may be updated from time to time) (as applicable to HS2 Ltd)". It is also relevant to note that Mr Thornton's concerns have been investigated both internally within the company by HS2 Ltd's Head of Counter-Fraud and Business Ethics, and independently by the NAO.

You ask **what steps my Department is taking to investigate the concerns raised by Mr Thornton.** HS2 Ltd is an arms-length body with the requisite policies in place to investigate any claims or concerns raised by whistle-blowers. Mr Thornton raised a number of concerns with HS2 in early 2018. HS2 Ltd investigated their validity at that time and found that they were not substantiated. There has been significant correspondence between those parties in relation to these matters.

I sought assurances from HS2 Ltd as to the actions taken and the substance of those claims. Mr Thornton's claims were also raised by the Public Accounts Committee with the NAO who conducted a review into matters in 2018.

Since the NAO report was published, Mr Thornton has raised further concerns. These have also been investigated by HS2 Ltd and I have been assured that they have no basis. Further, it would always have been limited by the information regarding each property that was available to HS2 Ltd at that time.

W.L. Botwin



**Rt Hon Chris Grayling MP**

**SECRETARY OF STATE FOR TRANSPORT**