



Department
for Transport

High Speed Rail (Preparation) Act 2013 Expenditure Report 1 April 2020 - 31 March 2021

Moving Britain Ahead

Department for Transport

**High Speed Rail
(Preparation) Act 2013
Expenditure Report
1 April 2020 -
31 March 2021**

Presented to Parliament pursuant to The High-Speed Rail
(Preparation) Act 2013 (the Preparation Act)



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1. Background

- 1.1 The High-Speed Rail (Preparation) Act 2013 (the Preparation Act) received Royal Assent on 21 November 2013 and authorised the Secretary of State, with Her Majesty's Treasury's (HMT) approval, to incur expenditure in preparation for High Speed Two ahead of other legislation. The details contained within this report have been reported by High Speed Two Limited.
- 1.2 This annual report is prepared in accordance with section 2 (1) of the Preparation Act. It details expenditure from 1 April 2020 to 31 March 2021 incurred under the Preparation Act powers.
- 1.3 With the High-Speed Rail (London to West Midlands) Bill (Phase One) receiving Royal Assent in February 2017, the powers under that Act are relied upon for most Phase One expenditure. The powers under the Preparation Act continue to be used for some Phase One expenditure and for preparatory work for Phase 2B.
- 1.4 With the High-Speed Rail (West Midlands - Crewe) Bill (Phase 2A) receiving Royal Assent on 11 February 2021, Phase 2A expenditure has only been reported up to and including 31 January 2021.
- 1.5 Expenditure in this report has been broken down by cost category in accordance with section 1 (4), and by Resource/Capital, in accordance with section 2 (2) of the Preparation Act.
- 1.6 The Preparation Act stipulates that the Report should contain details of the likely effect of any overspend or underspend on a total budget (for HS2) of £50.1bn in 2011 prices (which includes construction and the cost of rolling stock). Spending Review 2015 (SR15) revised the funding envelope to £55.7bn in 2015 prices. Reporting since 2016/17 was made against this 2015 price base. However, in February 2020 the overall funding envelope for the project was re-set and publicised through 6 monthly updates to Parliament, with the price base also moving to 3Q 2019. Since then Preparation Act Reports have been reported against the 2019 price base.
- 1.7 The High Speed Two programme is sponsored by the Department for Transport (DfT). DfT is the sole shareholder of High Speed Two Ltd, which it supports through delegated annual funding to promote, design and deliver the railway.

- 1.8 HS2 Ltd's budget is set by DfT at the start of each financial year for the entirety of its activity, including expenditure covered by the Preparation Act powers.
- 1.9 The Preparation Act permits expenditure by the Secretary of State that is necessary in preparation for a high-speed network, which includes expenditure on land and property schemes and acquisitions. Although the Secretary of State has now acquired Compulsory Purchase Order (CPO) powers for Phase One under the Phase One Act, there remain some instances where the Secretary of State relies on the Preparation Act to provide authority for expenditure on property schemes and acquisitions for Phase One. Expenditure on land and property schemes and acquisitions for Phase 2A and 2B for the period covered by this report, relied upon the vires of the Preparation Act. However, since Phase 2A received Royal Assent in February 2021, the Secretary of State can now use CPO powers under the Phase 2A Act.
- 1.10 Budget information in this report is based on the initial delegations set for activities at the beginning of the financial year, with these budgets set by HS2 Ltd. In accordance with section 1 (1) of the Preparation Act, HMT has approved all expenditure incurred under the Preparation Act.
- 1.11 In line with the Government's commitment to transparency on the HS2 programme, the DfT keeps Parliament updated via the bi-annual HS2 overview report, the third of which was published in October 2021. That report is intended to be the primary way that Ministers use to update Parliament on the entirety of the scheme. This Preparation Act Report only reports on the subset of costs relevant to the Preparation Act.
- 1.12 The numbers set out in the tables below have been rounded to aid legibility. Due to this, they do not always tally.

2. Summary

- 2.1 Total expenditure under the Preparation Act for the period from 1 April 2020 to 31 March 2021 was £230.4m against a budget of £411.6m, representing an underspend of £181.4m or around 44%. This incorporates expenditure by both HS2 Ltd and DfT under the Preparation Act's remit.
- 2.2 Of this total expenditure, HS2 Ltd spent £142.1m against a budget of £273.3m, an underspend of £131.3m or 48%. This was primarily due to delays caused by later than initially anticipated Royal Assent for Phase 2A resulting in a slowdown of expenditure against forecast, and the pausing of some works on Phase 2B due to the Integrated Rail Plan.
- 2.3 DfT spent £88.3m on the acquisition of land and property and associated property schemes against a budget of £138.3m, an underspend of £50.1m or 36%. The variance was due to slower than anticipated progress on a number of key property acquisitions, including the impact of COVID-19 Pandemic restrictions and a lower than anticipated application rate for discretionary schemes. The breakdown of this expenditure is shown at Annex A.
- 2.4 With the Phase One, and Phase 2A Acts receiving Royal Assent on 23 February 2017 and 11 February 2021 respectively, expenditure in relation to the compulsory purchase of land or statutory blight cases where land is required for Phase One and Phase 2A now falls outside of the scope of the Preparation Act. In respect of Phase 2B the Department deposited the High Speed Rail (Crewe – Manchester) Bill on 24 January 2022.
- 2.5 Preparation Act powers, however, continue to be used in relation to non-statutory property schemes and in relation to properties acquired under the statutory blight regime that may be needed for Phase 2B. Total annual expenditure on land and property acquired in connection to the HS2 project across all categories and Phases is reported in the DfT's Annual Report and Accounts.
- 2.6 This report also provides a statement on vocational qualifications gained in support of Phases 2A and 2B, providing an update on apprenticeship schemes and the National College for Advanced Transport and Infrastructure, which now falls under the remit of the Department for Education.

3. Explanation of causes of variances

- 3.1 Due to the uncertainty around the outcome of the Integrated Rail Plan and its impact on the future scope of Phase 2B, HS2 Ltd paused pre-construction works around various preparatory activities on Phase 2B. This led to a substantial reduction in spend against the previously planned areas in several areas, most notably in design, corporate support, and project management.
- 3.2 The general election held on 12 December 2019 delayed the Royal Assent for Phase 2A, which resulted in lower spend on design, project management, and corporate support activities. Underspends occurring under Enabling Works, and Surveying and Ground Investigation activities were caused by a revised payment schedule for an electricity distribution network operator, delayed mobilisation and reduced access to construction sites. The access to the sites was reduced through delays to Royal Assent necessitating the use of the existing limited access licences.

4. Expenditure incurred on pre-construction activity for Phase 2A and Phase 2B

Design Activity

- 4.1 Design activity is the process of developing the overall design and specification of the railway. HS2 Ltd utilises professional services contractors (PSCs) to support its civil and systems design specifications, environmental assessments and land referencing.
- 4.2 The table below sets out variances against budget for design activity for Phase 2A and Phase 2B undertaken under the Preparation Act with explanatory notes below the table. Total expenditure incurred for the period from 1 April 2020 to 31 March 2021 on design activity was £63.8m against an annual budget of £151.9m, an underspend of £88.1m or around 58%. (CDEL is Capital Departmental Expenditure Limit. RDEL is Resource Departmental Expenditure Limit. TDEL is Total DEL, being the sum of CDEL and RDEL.)

Design Activity (£m)	Actual	Budget	Underspend (Overspend)
Capital (CDEL)	25.5	48.9	23.4
Resource (RDEL)	38.3	103.0	64.7
Total (TDEL)	63.8	151.9	88.1

- 4.3 £25.5m was spent on Phase 2A design activity, an underspend of £23.4m against an annual budget of £48.9m. The underspend was caused predominantly by delays to the Royal Assent date for Phase 2A, which resulted in the deferral of instructing design activities, alterations to the procurement schedule for Early Works and the appointment of a Design and Delivery Partner and the subsequent reprofiling of costs.

4.4 £38.3m was spent on Phase 2B design activity, an underspend of £64.7m against an annual budget of £103.0m. The underspend was driven predominantly by the uncertainty around the outcome of the Integrated Rail Plan and its impact on the future scope of Phase 2B, leading to HS2 Ltd pausing pre-construction works around various preparatory activities on Phase 2B. This led to a substantial reduction in spend against the previously planned works.

Surveying and Ground Investigations

4.5 Ground investigation (GI) is the examination and study of the soil, rocks and groundwater below the surface. Ground data from GI ensures that the contractors designing and building the main works can do so safely, economically and efficiently.

4.6 The combined expenditure incurred for the period from 1 April 2020 to 31 March 2021 on surveying and ground investigation work on Phase 2A and Phase 2B under the Preparation Act was £9.0m against an annual budget of £26.8m, an underspend of £17.8 or around 66%.

Survey & Ground Investigation (£m)	Actual	Budget	Underspend (Overspend)
Capital (CDEL)	3.1	16.5	13.4
Resource (RDEL)	5.9	10.3	4.4
Total (TDEL)	9.0	26.8	17.8

4.7 £3.1m was spent on surveying and ground investigations on Phase 2A, an underspend of £13.4m against an annual budget of £16.5m. This was primarily due to a delayed mobilisation caused by the additional time taken by local authorities to approve planning applications necessary to carry out works, and a reduced access to construction sites, pre and post Royal Assent for Phase 2A.

4.8 £5.9m was spent on surveying and ground investigations activities on Phase 2B. This represents an underspend of £4.4m against a total budget of £10.3m. The underspend occurred due to later than anticipated start of contracted works.

4.9 HS2 Ltd continues to work towards the delivery of key Ground Investigation milestones.

Enabling Works

4.10 Enabling Works enable the construction of the main scheme design and help deliver essential early works, including archaeology, site clearance and setting up construction compounds.

4.11 HS2 Ltd has continued to conduct early preparatory works on utilities and enabling works across the planned line of the Phase 2A route. Expenditure under the Preparation Act for the period from 1 April 2020 to 31 March 2021 on enabling works was £6.5m against an annual budget of £11.6m, an underspend of £5.0m or around 43%.

Enabling Works Utilities (£m)	Actual	Budget	Underspend (Overspend)
Capital (CDEL)	6.5	11.6	5.0
Resource (RDEL)	0	0	0
Total (TDEL)	6.5	11.6	5.0

4.12 The underspend occurred primarily due to a revised payment schedule for an electricity distribution network operator, identifying potential savings opportunities, and reprofiling costs to the upcoming financial year.

Project Management

4.13 Project management is the discipline of planning, organising and controlling the deployment of available resources to deliver necessary objectives. Its purpose is to ensure all HS2 Ltd's design, preparatory works and construction programme are integrated, scheduled and resourced to meet the timetable. Expenditure incurred under the Preparation Act for the period from 1 April 2020 to 31 March 2021 on project management for Phase 2A and 2B was £18.4m against an annual budget of £27.1m, an underspend of £8.7m or around 32%.

Project Management (£m)	Actual	Budget	Underspend (Overspend)
Capital (CDEL)	4.7	6.2	1.5
Resource (RDEL)	13.7	20.9	7.2
Total (TDEL)	18.4	27.1	8.7

4.14 The recorded underspend was due to deferred Engineering Delivery Partner works, which could not take place until Royal Assent for Phase 2A was granted. Further, the underspend was driven by the uncertainty around the outcome of the Integrated Rail Plan and its impact on the future scope of Phase 2B, leading to HS2 Ltd pausing pre-construction works around various preparatory activities on Phase 2B, including project management.

Corporate Support

4.15 HS2 Ltd allocates a percentage of its corporate support costs (including finance and corporate services, procurement and accommodation) across all the types of activity undertaken under the Preparation Act. Expenditure incurred for the period from 1 April 2020 to 31 March 2021 on corporate support under the Preparation Act was £44.3m against an annual budget of £56.0m, an underspend of £11.7m or around 21%.

Corporate Support (£m)	Actual	Budget	Underspend (Overspend)
Capital (CDEL)	13.5	16.6	3.1
Resource (RDEL)	30.9	39.4	8.6
Total (TDEL)	44.3	56.0	11.7

4.16 The underspend of £11.7m occurred primarily due to lower programme activity across both Phase 2A and Phase 2B. The main contributing factors behind the underspend were the reduction of scope delivered against plan on Phase 2B and delayed recruitment of supporting staff of Phase 2A, caused by the delayed Royal Assent.

Land & Property

4.17 Preparation Act powers apply to all expenditure which relates to the established non-statutory property schemes and other discretionary assistance provided by the Secretary of State for all three Phases of HS2. Some expenditure relating to the statutory purchase of land and property continues to be made using the Preparation Act powers, where the Phase 1 Act does not apply. Expenditure incurred on land and property for all Phases for schemes falling under the Preparation Act for the period from 1 April 2020 to 31 March 2021 was £88.3m against an annual budget of £138.3m, an underspend of £50.1m or around 36%. The main drivers behind the underspend included slower than anticipated progress on a number of key property acquisitions, the impact of COVID-19 Pandemic restrictions and a lower than anticipated application rate for discretionary schemes.

Land and property (£m)	Actual	Budget	Underspend (Overspend)
Capital (CDEL)	86.7	136.9	50.1
Resource (RDEL)	1.6	1.5	0.1

Total (TDEL)	88.3	138.3	50.1
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4.18 Expenditure on land and property under the Preparation Act broadly comes under the following three categories:

- Expenditure relating to the statutory acquisition of land and property that is required to construct or operate HS2 where this does not fall under the Phase One Act. This category of expenditure includes the payment of statutory compensation in respect of safeguarded land which is the subject of successful blight applications and litigation.
- Expenditure relating to non-statutory property schemes. A number of non-statutory property schemes have been made available for Phase One, 2A and 2B of HS2: Express Purchase, Cash Offer, Voluntary Purchase, Need to Sell and Rent Back. The Homeowner Payment (HOP) scheme is currently available only in relation to Phase One and Phase 2A following the Royal Assent of the relevant Bill. The Shimmer Relocation Assistance scheme and Shimmer Cash Offer are available only in relation to a specific estate in Mexborough, South Yorkshire on the proposed Phase 2B route.
- Other discretionary expenditure where land and property can be acquired at the discretion of the Secretary of State. This category of expenditure generally involves the early acquisition of commercial property (often at the request of the owner). It is often difficult to accurately estimate completion dates due to the complexity of the deals and the need for negotiation. Expenditure is also incurred where the Secretary of State exercises his discretion to make a payment in specific cases where a property owner affected by HS2 has special circumstances or owns an atypical property. In such cases, the Secretary of State may agree to acquire the property and/or pay other amounts where the established statutory and non-statutory schemes do not apply, and where it is appropriate to do so.

4.19 The underspend on land and property against budget has been caused by a lower than anticipated number of successful property acquisition applications (applications must meet the scheme qualifying criteria and are demand-led by line of route residents); construction rescheduling, resulting in land and property acquisitions being reprofiled to a later point in the schedule; and time lag between agreeing to the acquisition of a property or business and settling the associated compensation and disturbance claims (which must be evidenced-based and follow established rules); and restrictions associated with the COVID-19 pandemic.

5. Account of Vocational Qualifications

- 5.1 The Preparation Act requires an account of the vocational qualifications gained during the financial year. This account only refers to those attainments in relation to Phases 2A and 2B. All vocational qualifications attained under Phase One are referenced in a separate Vocational Qualification Report issued annually under the vires of the High-Speed Rail (London to West Midlands) Act 2017.
- 5.2 For reporting purposes, vocational qualifications associated with Phases 2A and 2B and gained during the financial year will be included in the Vocational Qualification Report for Phase One covering the period between 1 April 2020 – 31 March 2021. This complies with the requirements to report under the Preparation Act.
- 5.3 Apprenticeship requirements continue to be embedded in the early and future Phase 2A and Phase 2B contracts in a similar way to the requirements on Phase One. HS2 Ltd intends to conduct a survey which will analyse the types and volumes of Vocational Qualifications gained in support of Phases 2A and 2B.

6. Impact of overspend / underspend on Total Programme Budget

- 6.1 The Preparation Act stipulates that this report contains details of the likely effect of any overspend or underspend on a total budget (for HS2) of £50.1bn in 2011 prices (which includes construction and the cost of rolling stock). This budget was set at Spending Review 2013 (SR13). Spending Review 2015 (SR15) updated the funding envelope to £55.7bn in 2015 prices. Reporting from 2016/17 is done against the 2015 price base. However, In February 2020 the overall funding envelope for the project was re-set and the price base moved to 3Q 2019. Since then Preparation Act Reports have been reported against the 2019 price base. For the period covered in this report, the variances outlined do not have an impact on the funding envelopes due to their small magnitude in relation to the estimate for the full scheme.

Annex A: Breakdown of expenditure under the *Preparation Act for Financial Year 2020/21*

HS2 Expenditure under Preparation Act Budget	Financial Year 20/21			
	Actual	Budget	Variance	
	£'000	£'000	£'000	%
A. Design Activity (inc PSC spend)	63.8	151.9	88.1	-58%
B. Survey & Ground investigation	9.0	26.8	17.8	-66%
C. Enabling / advance	6.5	11.6	5.0	-43%
D. Project management	18.4	27.1	8.7	-32%
E. Corporate support costs:	44.3	56.0	11.7	-21%
F. Contingency	0	0	0	0%
Total HS2 Ltd	142.1	273.3	131.3	-48%
Land & Property capital acquisitions and compensation schemes (DfT)	Financial Year 20/21			
	Actual £'000	Budget £'000	Variance £'000	
Phase 1	16.6	26.3	9.7	-37%
Phase 2a	20.4	53.6	33.3	-62%
Phase 2b	51.3	58.4	7.1	-12%
Total DfT and L&P	88.3	138.3	50.1	-36%
Land & Property CDEL/RDEL Split				
L&P CDEL	86.7	136.9	50.1	-37%
L&P RDEL	1.6	1.5	0.1	6%
L&P T-DEL	88.3	138.4	50.2	-36%
Total HS2 Programme	230.4	411.6	181.4	-44%

Note: The numbers in this report and Annex A do not always sum due to rounding

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