



Department
for Transport

High Speed Rail (Preparation) Act 2013 Expenditure Report

1 April 2021 - 31 March 2022

March 2023

High Speed Rail (Preparation) Act 2013 Expenditure Report 1 April 2021 - 31 March 2022

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

March 2023



© Crown copyright 2023

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3.

Where we have identified any third-party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at www.gov.uk/government/organisations/department-for-transport

ISBN 978-1-5286-3963-7

E02877911 03/23

Printed on paper containing 40% recycled fibre content minimum

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office

Contents

Background	4
Summary	6
Explanation of causes of variances	7
Expenditure incurred on pre-construction activity for Phase 2B	8
Design Activity	8
Project Management	9
Corporate Support	10
Account of Vocational Qualifications	12
Impact of overspend / underspend on Total Programme Budget	13
Annex A: Breakdown of expenditure under the Preparation Act for Financial Year 2021-22	14

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 His Majesty's Treasury's (HMT) approval, to incur expenditure in preparation for High Speed Two (HS2) ahead of other legislation.
- 1.2 This annual report is prepared with assistance from High Speed Two Limited (HS2 Ltd) in accordance with section 2(1) of the Preparation Act. It details expenditure from 1 April 2021 to 31 March 2022 incurred under the Preparation Act.
- 1.3 With the High Speed Rail (London - West Midlands) Bill receiving Royal Assent on 23 February 2017, the powers under that Act (the Phase One Act) are relied upon for most Phase One expenditure.
- 1.4 With the High Speed Rail (West Midlands - Crewe) Bill receiving Royal Assent on 11 February 2021, the powers under that Act (the Phase 2A Act) are relied upon for most Phase 2A expenditure.
- 1.5 The powers under the Preparation Act continue to be used to incur expenditure for preparatory works on Phase 2B, including the Phase 2B Western Leg and HS2 East. During the year 2021-22 this work informed the Government's Integrated Rail Plan for the North and Midlands (IRP), which was published on 18 November 2021.
- 1.6 Expenditure in this report has been broken down by each cost category referred to in section 1(4)(a) to (c) of the Preparation Act, with Resource and Capital expenditure specified separately, in accordance with section 2(2)(a) of the Preparation Act.
- 1.7 Expenditure on preparatory works which occurred in financial year 2021-2022 was predominantly Resource spend. On 20 June 2022, the High Speed Rail (Crewe - Manchester) Bill secured its Second Reading in the House of Commons, which means that spending on the Phase 2B Western Leg beyond this point in time will be treated as Capital spending.
- 1.8 The Preparation Act stipulates that this 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 revised the total estimated budget to £55.7bn in 2015 prices. Reporting was then made against this 2015 price base. However, in February 2020 the total estimated cost range for the project was re-set and publicised through six-monthly updates to Parliament, with the price base also moving to Q3 2019. As at the latest Parliamentary report (October 2022) the total estimated cost range for the elements of the scheme committed to by the government for Phases One, 2a, 2b Western Leg

has been updated to £53-71bn in 2019 prices. Since February 2020 Preparation Act Reports have been reported against the 2019 price base.

- 1.9 The HS2 programme is sponsored by the Department for Transport (DfT). DfT is the sole shareholder of HS2 Ltd, which it supports through delegated annual funding to promote, design and deliver the railway.
- 1.10 HS2 Ltd's budget is set by DfT at the start of each financial year for the entirety of its activity, including expenditure authorised by the Preparation Act.
- 1.11 Section 1(4)(b) of the Preparation Act authorises expenditure by the Secretary of State in acquiring property. Although the Phase One Act and Phase 2A Act allow the Secretary of State to acquire land compulsorily, there remain some instances where the Secretary of State relies on the Preparation Act to provide authority for expenditure on land and property for both Phases One and 2A. Expenditure on land and property for Phase 2B for the period covered by this report relied entirely upon the Preparation Act.
- 1.12 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.
- 1.13 In line with the Government's commitment to transparency on the HS2 programme, the DfT keeps Parliament updated via a six-monthly overview report, the fifth of which was published in October 2022. That report is the primary way that Ministers update Parliament on the entirety of the scheme. This report only reports on the subset of costs relevant to the Preparation Act.
- 1.14 The numbers set out in the tables below have been rounded to aid legibility. Due to this, they do not always tally.

Summary

Total expenditure under the Preparation Act for the period from 1 April 2021 to 31 March 2022 was £235.3m against a budget of £269.4m, representing an underspend of £34.1m or around 13%. This incorporates expenditure by both the Secretary of State directly and HS2 Ltd on the Secretary of State's behalf.

Of this total expenditure, HS2 Ltd spent £112.8m against a budget of £133.9m, an underspend of £21m or 16%. This was primarily due to reprofiling programme development costs to align with Phase 2B's revised strategy, lower corporate support costs due to slower than predicted programme activity, and a reduction in anticipated spend on track matting and location laboratory testing.

The Secretary of State spent £122.5m on the acquisition of land and property and associated property schemes against a budget of £135.5m, an underspend of £13.1m or 10%. The variance was due to slower than anticipated progress on a number of key property acquisitions. The breakdown of this expenditure is shown at Annex A.

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 (including by way of statutory blight notices) for Phase One and Phase 2A now falls outside of the scope of the Preparation Act.

The Preparation Act, however, continues to be used to authorise expenditure in relation to non-statutory property schemes and in relation to properties acquired under the statutory blight regime 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, covering financial year 2021-22.

This report also provides a statement on vocational qualifications gained in support of Phases 2A and 2B.

Explanation of causes of variances

Due to the uncertainty around the outcome of the IRP in 2021-22 and its potential impact on the future scope of the HS2 programme, HS2 Ltd paused pre-construction works for the various preparatory activities on Phase 2B. This led to a substantial reduction in spend against forecast in several areas, most notably design, corporate support and ground investigations. Removal of the Golborne Link from the High Speed Rail (Crewe - Manchester) Bill, which represented a reduction in the scope of Phase 2B, caused a further significant reduction in works associated with this section of the trace.

Additional reductions were caused by the delay to the deposit of the High Speed Rail (Crewe - Manchester) Bill, which resulted in the reprofiling of design development costs and ground investigation works.

Expenditure incurred on pre-construction activity for Phase 2B

Design Activity

Design activity is the process of developing the overall design and specification of the railway. HS2 Ltd utilises professional services contractors to support its civil and systems design specifications, environmental assessments and land referencing.

The table below sets out variances against budget for design activity for Phase 2B undertaken under the Preparation Act with explanatory notes below the table. Total expenditure incurred for the period from 1 April 2021 to 31 March 2022 on design activity was £61.3m against an annual budget of £77.6m, an underspend of £16.3m or around 21%.

Design Activity (£m)	Actual	Budget	Underspend (Overspend)
<i>Capital</i>	0	0	0
<i>Resource</i>	61.3	77.6	16.3
Total	61.3	77.6	16.3

The underspend was driven predominantly by reprofiling of programme development costs associated with the High Speed Rail (Crewe - Manchester) Bill. Further reductions in spend were caused whilst awaiting the publication of the IRP. The uncertainty around the scope and future of the Phase 2B Eastern Leg meant that budgets associated with the development of an Eastern Leg hybrid Bill were not utilised.

Surveying and Ground Investigations

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

The combined expenditure incurred for the period from 1 April 2021 to 31 March 2022 on surveying and ground investigation work on Phase 2B under the Preparation Act was £7.5m against an annual budget of £8.2m, an underspend of £0.7m or around 9%.

Survey & Ground Investigation (£m)	Actual	Budget	Underspend (Overspend)
<i>Capital</i>	0	0	0
<i>Resource</i>	7.5	8.2	0.7
Total	7.5	8.2	0.7

The underspend occurred primarily due to descoping of all works associated with the Golborne Link, which resulted in a reduction of field testing (e.g. boreholes, trial pits, cone penetration) and cancelling laboratory testing of ground conditions associated with the connection.

Project Management

Project management is the discipline of planning, organising and controlling the deployment of available resources to deliver necessary objectives. Its purpose is to ensure HS2 Ltd's design, preparatory works and construction programme are integrated, scheduled and resourced to meet the expected timetable.

Expenditure incurred under the Preparation Act for the period from 1 April 2021 to 31 March 2022 on project management for Phase 2B was £11.0m against an annual budget of £10.3m, which represents an overspend of £0.7m or around 8%.

Project Management (£m)	Actual	Budget	Underspend (Overspend)
<i>Capital</i>	0	0	0
<i>Resource</i>	11.0	10.3	(0.8)
Total	11.0	10.3	(0.8)

The recorded overspend was due to lower than budgeted workforce costs. The increase was driven primarily by the need to add resilience to HS2 Ltd's project delivery teams whose workload increased due to the delayed deposit of the High Speed Rail (Crewe - Manchester) Bill.

Corporate Support

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 2021 to 31 March 2022 on corporate support under the Preparation Act was £33.0m against an annual budget of £37.7m, an underspend of £4.7m or around 12%.

Corporate Support (£m)	Actual	Budget	Underspend (Overspend)
<i>Capital</i>	0	0	0
<i>Resource</i>	33.0	37.7	4.8
Total	33.0	37.7	4.8

The underspend of £4.7m occurred primarily due to lower programme activity throughout the year.

Land & Property

Expenditure incurred on land and property for all Phases of HS2 under the Preparation Act for the period from 1 April 2021 to 31 March 2022 was £122.5m against an annual budget of £135.5m, an underspend of £13.1m or around 10%.

Land and property (£m)	Actual	Budget	Underspend (Overspend)
<i>Capital</i>	122.0	135.2	13.3
<i>Resource</i>	0.5	0.3	(0.2)
Total	122.5	135.5	13.1

Expenditure on land and property under the Preparation Act broadly comes under the following three categories:

- Expenditure relating to the acquisition of land following the service of a valid blight notice where powers of compulsory acquisition in the relevant hybrid Bill have not yet come into force.
- Expenditure relating to non-statutory property schemes, such as Express Purchase, Cash Offer, Voluntary Purchase, Need to Sell and Rent Back. The Homeowner Payment is currently available only in relation to Phase One and Phase 2A. The Shimmer Relocation Assistance scheme and Shimmer Cash Offer are available only in relation to a specific estate in Mexborough, South Yorkshire.
- Other discretionary expenditure, which 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 discretion to acquire a property and/or make a payment where a landowner has special circumstances or owns an atypical property.

The underspend on land and property against budget was driven by deferral of early acquisition of commercial property pending the conclusion of the publication of IRP and a lower than anticipated number of blight claims reaching completion within the year.

Account of Vocational Qualifications

Section 2(3) of the Preparation Act requires an account of the vocational qualifications gained during the financial year by individuals employed to carry out activities in connection with preparing for, and constructing, the HS2 network.

All vocational qualifications attained in connection with Phase One are referenced in a separate Vocational Qualification Report issued annually under section 66(1) of the Phase One Act.

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 2021 – 31 March 2022. The Secretary of State's view is that this complies with the requirements to report under the Preparation Act.

Impact of overspend / underspend on Total Programme Budget

Section 2(2)(c) of the Preparation Act stipulates that this report 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). As noted at paragraph 1.8 above, the total estimated cost range is now £53-71bn in 2019 prices.

For the period covered in this report, the variances outlined above do not have an impact on the funding envelope 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 2021-22

HS2 Expenditure against budget under Preparation Act	Financial Year 21/22			
	Actual	Budget	Variance	
	£'000	£'000	£'000	%
A. Design Activity	61.3	77.6	16.3	-21%
B. Survey & Ground investigation	7.5	8.2	0.7	-9%
C. Enabling / Advance	0.0	0.0	0.0	0%
D. Project Management	11.0	10.3	-0.8	8%
E. Corporate support costs	33.0	37.7	4.8	-13%
Total HS2 Ltd	112.8	133.9	21.0	-16%
Land & Property capital acquisitions and compensation schemes (DfT)				
Phase 1	36.4	25.1	-11.3	45%
Phase 2a	17.5	33.1	15.7	47%
Phase 2b	68.6	77.3	8.7	-11%
Total DfT L&P	122.5	135.5	13.1	-10%
Total HS2 Programme	235.3	269.4	34.1	-13%

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

E02877911

978-1-5286-3963-7