



Department
for Transport

High Speed Rail (Preparation) Act 2013 Expenditure Report

1 April 2023 - 31 March 2024

High Speed Rail (Preparation) Act 2013 Expenditure Report 1 April 2023 - 31 March 2024

Presented to Parliament pursuant to section 2 of the High Speed Rail (Preparation) Act 2013



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Background

- 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.
- 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 2023 to 31 March 2024 incurred under the Preparation Act.
- 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.
- 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.
- The powers under the Preparation Act have been used to incur expenditure for preparatory works on Phase 2b, including the Phase 2b Western Leg (Crewe - Manchester) and to retain and fund safeguarding costs along both the western leg as well as the route that was Phase 2b Eastern Leg (West Midlands to Leeds).
- This report will cover the expenditure for preparatory works on Phase 2b for the full financial year, noting the previous government's announcement of Network North in October 2023 in which all HS2 Phases north of Birmingham were cancelled, impacting preparatory spend after this date. However for completeness, it is noted that the High Speed Rail (Crewe - Manchester) Bill continues to be progressed to consent a railway between Millington and Manchester.
- 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.
- On 20 June 2022, the High Speed Rail (Crewe - Manchester) Bill secured its Second Reading in the House of Commons, meaning that spending on the Phase 2b Western Leg beyond this point in time was treated as Capital spending. The termination of Phase 2 meant that any spending after October 2023 should be

treated as Resource spending, with the exception of Land and Property expenditure. All spending which occurred on Phase 2b Eastern Leg is treated as Resource, with the exception of Land and Property expenditure.

- 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 £50.1billion in 2011 prices (which includes construction and the cost of rolling stock). Spending Review 2015 revised the total estimated budget to £55.7billion 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.
- 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.
- 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.
- 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.
- Budget information in this report is based on the initial delegations set for activities at the beginning of the financial year. DfT provides an overall budget for each Phase which HS2 Ltd then sets at activity level. In accordance with section 1(1) of the Preparation Act, HMT has approved all expenditure incurred under the Preparation Act.
- In line with the government's commitment to transparency on the HS2 programme, DfT updates Parliament via a six-monthly overview report, the latest of which was published in December 2024. 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.
- 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 2023 to 31 March 2024 was £126million against a budget of £250.6million, representing an underspend of £124.7million or around 50%. 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 £82.4million against a budget of £114.3million, an underspend of £31.9million or 28%. This was primarily due to the previous government's announcement in October 2023 to cancel all HS2 Phases north of Birmingham.

For the purposes of this report, spending on Phase 2b has been broken down into HS2 Phase 2b Western Leg and HS2 Phase 2b Eastern Leg. Of that, the total spent on Phase 2b Western Leg was £73.3million against a budget of £97.9million, which is an underspend of £24.6million or 25%. As already highlighted, spending on Phase 2b Western Leg up until October 2023 has been treated as Capital, whilst spending beyond this point as Resource with the exception of Land and Property expenditure. The breakdown between the two is £45.9million (Capital) and £27.4million (Resource). For simplification purposes, these figures have been consolidated into a single total. The total spend on HS2 Phase 2b Eastern Leg was £9.1million against a budget of £16.4million which represents an underspend of £7.2million or 44%.

The Secretary of State spent £43.6million on the acquisition of land and property and associated property schemes against a budget of £136.3million, an underspend of £92.7million or 68%. 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 DfT's Annual Report and Accounts, covering financial year 2023-24.

Most of the property acquired under the non-statutory property schemes will not be required for the railway and will in due course be sold, meaning much of this expenditure

on these properties will eventually be recovered. Following the cancellation of Phase 2, property acquired that is no longer required may also be sold. As stated in the latest six-monthly update to Parliament published in December 2024, DfT is developing a programme for selling land acquired for HS2 that is no longer required for operational purposes.

DfT continues to develop this programme carefully to ensure it delivers value for money for taxpayers and does not disrupt local property markets. DfT is engaging with the communities and individuals who are affected throughout this process and has completed a small number of pilot sales so far.

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

Impact of Network North

In October 2023 the previous government launched Network North, a plan that relied on funding from the cancellation of HS2 Phase 2 to be redirected to a new programme of transport improvements.

As stated in the six-monthly update to Parliament published in December 2024, the government has been clear that it does not intend to reinstate HS2's northern sections. The government also recognises concerns about expected future capacity shortfalls for rail north of Birmingham and is considering carefully the position it has inherited, including potential options for addressing this and will set out its policy on strategic rail investments north of Birmingham in due course.

The impact of this on future Preparation Act Reports is still being assessed.

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 tables below set out variances against budget for design activity for Phase 2b undertaken under the Preparation Act with explanatory notes below the table. The total Phase 2b expenditure incurred for the period from 1 April 2023 to 31 March 2024 on design activity was £31.4million against an annual budget of £68.2million, an underspend of £36.8million or around 54%.

Phase 2b Western Leg

Design Activity (£m)	Actual	Budget	Underspend (Overspend)
Capital and Resource	28	54.4	26.4
Total	28	54.4	26.4

Phase 2b Eastern Leg

Design Activity (£m)	Actual	Budget	Underspend (Overspend)
Resource	3.5	13.8	10.4
Total	3.5	13.8	10.4

The underspend was driven predominantly by the previous government's announcement in October 2023 to cancel all HS2 phases north of Birmingham. Alongside a reduction of programme development costs associated with the High Speed Rail (Crewe - Manchester) Bill and lower core activity on Phase 2b Eastern Leg, prior to the announcement.

Surveying and Ground Investigations

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

The expenditure incurred for the period from 1 April 2023 to 31 March 2024 on surveying and ground investigation work on Phase 2b under the Preparation Act was £0.3million against no annual budget, an overspend of £0.3million.

Phase 2b Western Leg

Survey & Ground Investigation (£m)	Actual	Budget	Underspend (Overspend)
Capital and Resource	0.3	0.0	(0.3)
Total	0.3	0.0	(0.3)

The overspend occurred due to change in the scope, such as those associated with the instruction to stop works, that required some environmental activities and studies not accounted for in the original budget. No costs were incurred for Phase 2b Eastern Leg.

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.

Total expenditure for Phase 2b incurred under the Preparation Act for the period from 1 April 2023 to 31 March 2024 on project management was £12.3million against an annual budget of £15.7million, which represents an underspend of £3.4million or around 22%.

Phase 2b Western Leg

Project Management (£m)	Actual	Budget	Underspend (Overspend)
Capital and Resource	11.7	14.3	2.6
Total	11.7	14.3	2.6

Phase 2b Eastern Leg

Project Management (£m)	Actual	Budget	Underspend (Overspend)
Resource	0.5	1.4	0.9
Total	0.5	1.4	0.9

The recorded underspend was driven by lower recruitment alongside the moving of resources off the project due to close-down of activities, following the previous government's Network North announcement.

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 2023 to 31 March 2024 on corporate support under the Preparation Act was £38.4million against an annual budget of £30.3million, an overspend of £8.1million or around 27%.

Phase 2b Western Leg

Corporate Support (£m)	Actual	Budget	Underspend (Overspend)
Capital and Resource	33.3	29.2	(4.1)
Total	33.3	29.2	(4.1)

Phase 2b Eastern Leg

Corporate Support (£m)	Actual	Budget	Underspend (Overspend)
Resource	5.1	1.1	(4.0)
Total	5.1	1.1	(4.0)

The overspend was due to the allocation of spend across the phases underestimated at the time of budget setting, alongside efficiency challenges not being met within the year. Higher than expected Statutory Blight applications from Land & Property owners also contributes to the overspend on Phase 2b Eastern Leg.

Land & Property

Expenditure incurred on land and property for all phases of HS2 for schemes falling under the Preparation Act for the period from 1 April 2023 to 31 March 2024 was £43.6million against an annual budget of £136.3million, an underspend of £92.8million or around 68%.

Land and property (£m)	Actual	Budget	Underspend (Overspend)
Capital	43.3	135.6	92.3
Resource	0.3	0.7	0.4
Total	43.6	136.3	92.8

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 scheme 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 slower than anticipated progress on a number of key property acquisitions including deferral of early acquisition of commercial property following the previous government's Network North announcement 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 2023 – 31 March 2024. 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 £50.1billion in 2011 prices (which includes construction and the cost of rolling stock). As noted above, 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.

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 2023-24

HS2 Expenditure under Preparation Act Budget	Financial Year 23/24			
	Actual	Budget	Variance	
	£'000	£'000	£'000	%
A. Design Activity	31.4	68.2	36.8	-54%
B. Survey & Ground investigation	0.3	0.0	-0.3	0%
C. Enabling / advance	0.0	0.0	0.0	0%
D. Project management	12.3	15.7	3.4	-22%
E. Corporate support costs:	38.4	30.3	-8.1	27%
Total HS2 Ltd	82.4	114.3	31.9	-28%
Land & Property capital acquisitions and compensation schemes (DfT)				
Phase 1	21.7	33.9	12.2	-36%
Phase 2A	1.4	7.2	5.7	-80%
Phase 2b	20.5	95.2	74.8	-79%
Total DfT L&P	43.6	136.3	92.8	-68%
Total HS2 Programme	126.0	250.6	124.7	-50%

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

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