



National Audit Office

NEWS RELEASE

This statement is for immediate release
13 September 2018

HC 1531 | 2017-19
Report by the Comptroller and Auditor General

Investigation into land and property acquisition for Phase One (London to the West Midlands) of the HS2 programme

The National Audit Office has today published an investigation following concerns raised about the purchase of land and property to support the delivery of the UK's high speed railway. It has found the purchase of around 70 square kilometres to build Phase One of HS2 between London and the West Midlands is at a very early stage, but is on schedule and within available funding.

The estimated cost for HS2 Ltd to buy the land and property has increased significantly since the start of the programme in 2009. However, the way HS2 Ltd estimates and monitors costs have since improved, as the scope of the programme and route of the railway have stabilised.

In 2012, HS2 Ltd estimated that the acquisition programme would cost £1,120 million (2011 prices). HS2 Ltd provided cost estimates to Parliament as required, and by the time the hybrid Bill for Phase One was sent to Parliament in 2013 this estimate had increased to £1,608 million (2011 prices). The most recent estimate in 2017 was £3,295 million (2015 prices).

In addition to inflation, costs have increased due to changes to the route introduced by government during the hybrid Bill process, petitions from those affected by HS2 and following public consultation. HS2 Ltd also developed a more detailed understanding about the land required, significantly increasing estimated costs. The government also introduced additional discretionary compensation schemes designed to enable property owners to claim compensation if their property is affected by HS2, but are not on the route itself.

Despite these changes, HS2 Ltd believes costs will remain within the available funding. It is still early days in the programme delivery and therefore significant uncertainty remains about what the final cost will be due to the potential for further changes to the scope of the programme, the number of property owners that will apply for compensation, and the final value of almost all of the properties that need to be bought.

HS2 Ltd and the Department for Transport factor in the potential cost of risks should they materialise. As of July 2018, HS2 Ltd forecast that the total cost of the acquisition programme would be £3,356 million; £308 million less than its budget of £3,664 million.

Since 2015, the capability and capacity of HS2 Ltd's land and property team has improved, and HS2 Ltd is on track to access the land it needs to start construction. However, there are risks, which HS2 Ltd has identified and is taking steps to manage. For example, substantial changes to the scope of the programme, or the engineering methods used by contractors, could significantly change the land that is required, which could impact the overall construction schedule.

HS2 Ltd predicts it will need to compensate up to 10,000 affected individuals and businesses, and process up to 50,000 compulsory purchase notices between 2017 and 2022. The NAO's investigation has found that HS2 Ltd needs to do work to help claimants receive timely compensation. HS2 Ltd has completed only half of advance payments within the required three months from HS2 Ltd receiving a claim request. HS2 Ltd considers that in 35 of the 52 cases where payment is not expected to be on time, the main reason is claimants' not providing required information in a timely manner, but acknowledges that it is at fault, at least in part, for the remaining cases.

While HS2 Ltd's estimated acquisition costs have increased significantly over time, cost estimates, particularly in this sort of major land acquisition programme, are inherently uncertain and subject to change as more information becomes available. The current estimate provides a reasonable basis for monitoring the cost of the land and property acquisition programme, but it is too soon to determine what the final costs will be.

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Notes for editors

1. The Department for Transport (the Department) is responsible for funding and sponsoring the programme, and in 2009 set up HS2 Ltd to deliver the programme and to maintain and manage the railway infrastructure once it opens. The Department and HS2 Ltd plan to build the railway and begin operating services in three phases, with the first phase from London to the West Midlands planned to open in 2026.
2. We [last reported](#) on progress across the HS2 programme as a whole in June 2016. This report does not cover other aspects of the programme, such as the overall position on costs, schedule, the latest business case for the programme and preparations for delivery of the programme's benefits. We intend to return to look at the broader programme in the future. The NAO also examines land and property transactions in relation to HS2 as part of the statutory audit of the Department for Transport
3. Press notices and reports are available from the date of publication on the [NAO website](#). Hard copies can be obtained by using the relevant links on our website.
4. As the HS2 programme has developed, HS2 Ltd has increased its understanding of how much property is required, and the nature of the property and property interests which will be entitled to compensation. When the basis for the cost estimate changed from a uniform 120 metre corridor, the area of land required increased from around 25 square kilometres to around 70 square kilometres. It is important to note that because much of the high value property in urban areas falls within the original 120 metre corridor, the increase in the area of

land required is not proportionate to any increase in costs.

5. The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO, which employs some 785 people. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services. Our work led to audited savings of £741 million in 2017.

Press Notice 45/18

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