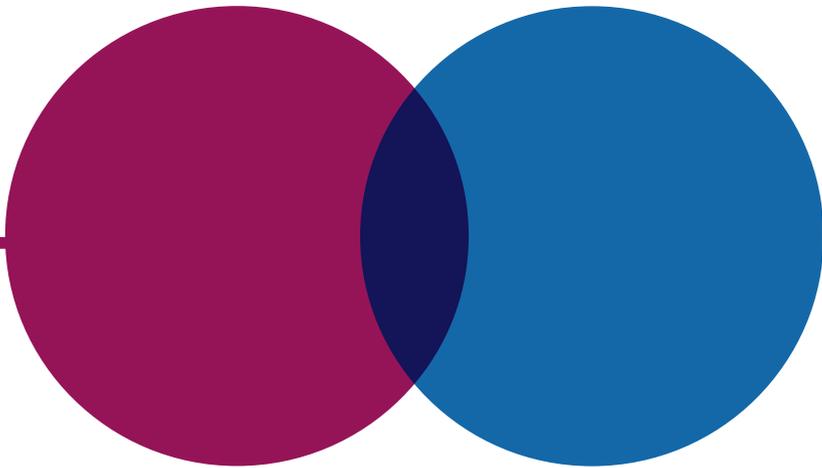




National Audit Office



REPORT

Northern Powerhouse Rail

Department for Transport

SESSION 2024–2026
11 MARCH 2026
HC 1734

Key facts

£45bn

the government's funding cap for the Northern Powerhouse Rail programme from 2026-27 (2025 prices)

£410mn

the amount the Department for Transport (DfT) expects to have spent on the programme by end of March 2026 (in cash prices)

3

number of phases of the programme, which DfT expects to complete in the 2040s

June 2014 concept for Northern Powerhouse Rail first proposed

November 2021 the government announced the scope of the programme as part of the Integrated Rail Plan

October 2023 the government revised the scope of the programme as part of changes announced in its Network North plans, and the cancellation of High Speed Two Phase 2

January 2026 the government announced revised plans for the programme as part of its Northern Growth Strategy

£1.1 billion DfT's approved funding to progress development of the programme between 2026-27 and 2029-30 (in cash prices)

11 key areas that DfT has identified to implement lessons learned from other major rail programmes

Summary

1 The north of England contains several large cities – including Leeds, Liverpool, Manchester, Newcastle and Sheffield – which are poorly served by transport connections. This creates a barrier to improved productivity as it is harder than it should be for people to travel between cities. This leads to, for example, businesses having smaller pools of potential workers, and workers having fewer job opportunities. The region contains a population similar in size to that of London and the south-east of England, but with much lower economic performance. Since 2014, the government has been considering plans to enable increased economic growth. This includes improving east-west rail connections across the north of England through the Northern Powerhouse Rail programme.

2 In January 2026, as part of its wider Northern Growth Strategy, the government announced its plans for Northern Powerhouse Rail. The programme will involve building new rail lines and stations, as well as upgrades to existing lines and stations. Together this is expected to provide more frequent train services and shorter journey times between Liverpool and Manchester to the west, and Leeds, York and other cities to the east of the Pennines. It builds upon an existing rail upgrade programme in the region, the Transpennine Route Upgrade between Manchester and York.

3 The Department for Transport (DfT) is the department responsible for funding and overseeing delivery as the sponsor for the programme. Two of DfT's arm's-length bodies are responsible for parts of the programme – Network Rail for delivering existing line upgrades to the east of the Pennines and High Speed Two Limited (HS2 Ltd) for developing the plans between Liverpool and Manchester. DfT has also been working with the Ministry of Housing, Communities & Local Government (MHCLG); Transport for the North, as the sub-national transport body for the region; and with local government bodies, who will be involved with delivering the wider benefits enabled by the programme.

Scope of this report

4 DfT has been working on plans for Northern Powerhouse Rail for over a decade. As it now develops the programme's business case, we have examined how DfT is setting up the programme for success. We assessed:

- the progress DfT has made with the programme since 2014;
- how DfT is setting up the programme and addressing key challenges; and
- how DfT is learning relevant lessons from other major programmes.

5 The fieldwork for this report was completed between October 2025 and February 2026, the majority ahead of the government's announcement in January 2026 on its plans for Northern Powerhouse Rail. As a result, many of the areas we examined remain work in progress, and we expect to report further on the programme in the future. We have not examined the government's wider growth plans for the north or progress on the Transpennine Route Upgrade programme as part of this report.

Key findings

Progress since 2014

6 **Since 2014, successive governments have planned to improve transport in the north to better support economic growth, but some of the scope options proposed were unaffordable.** In June 2014, the government set out ambitions to improve transport connections to support economic growth as part of its Northern Powerhouse plans. It subsequently worked with Transport for the North and local government to develop three options for the scope of Northern Powerhouse Rail. DfT then conducted further work to develop options and estimated the cost of these to range between £17.2 billion and £46 billion (2019 prices), all of which built on the planned High Speed Two (HS2) line into Manchester. In November 2021, as part of the Integrated Rail Plan for the North and Midlands, DfT confirmed that it would proceed with the lowest cost option, with its decision based on scope and affordability. DfT found other options to be unaffordable and did not fully consider how Northern Powerhouse Rail would integrate with the rest of the rail network (paragraphs 1.5 to 1.6, and Figures 3 and 4).

7 The cancellation of the HS2 connection to Manchester in October 2023 left the government with key strategic decisions on whether to enable future north–south connections as part of Northern Powerhouse Rail. DfT had planned to use the HS2 connection to Manchester as part of its route for Northern Powerhouse Rail. However, following the cancellation of HS2 Phase 2 in October 2023, the government transferred the estimated cost of building that section into the Northern Powerhouse Rail programme. The government also further expanded the scope of the programme to include Sheffield, Hull and Bradford. Together, these changes increased DfT’s estimated cost of the programme by £13.4 billion to £30.6 billion (2019 prices). Along with the HS2 cancellation impacting on the level of potential benefit, this reduced DfT’s estimated benefit–cost ratio of the programme from around 0.8 to 0.4, following government standard guidance on appraisal estimates. This reduction in the benefit–cost ratio indicated poorer value for money. DfT identified that it could develop lower-cost route options between Liverpool and Manchester if the government chose not to take forward investment in north-south rail connections making use of the previous HS2 plans. It subsequently commissioned work to consider alternative options to inform ministerial decision-making (paragraphs 1.7 to 1.8, and Figures 3 and 4).

8 Local government bodies in the north told us that their ability to progress with local plans had been hampered by poor engagement and a lack of clarity over Northern Powerhouse Rail. Mayoral combined authorities along the planned route are key strategic partners for delivering economic growth in the region. They told us that they felt engagement with DfT had not always been effective since the changes announced in late 2023. For example, they told us that they had not been engaged on developing plans or able to see detailed analysis of a kind that had previously been shared. DfT has acknowledged the challenge of engaging local stakeholders during 2025 before the government had confirmed its decisions about the scope of the programme. Mayoral combined authorities told us that they would need time to respond to changes and develop new or revised spatial and local transport plans. They had already had to adapt to the changes announced in October 2023’s Network North paper, just two years after the Integrated Rail Plan in November 2021 (paragraphs 1.9 to 1.12).

9 The government has now provided greater clarity over its plans for Northern Powerhouse Rail. In January 2026, the government set out its overall plan for Northern Powerhouse Rail. The plan sets out where it will upgrade existing lines and stations, such as at Leeds, or build new ones, such as a predominantly new line between Liverpool and Manchester. DfT will need to conduct further work on developing the exact scope and schedule, but it expects to complete the earliest parts of the programme in the 2030s. The government also confirmed that it would proceed with the section into Manchester, as transferred into the programme from HS2 in October 2023, to enable a future north-south rail line. The government has not yet developed a formal cost estimate for the programme, given the further scoping work required first. However, it has set a funding cap of £45 billion (2025 prices) for spend from 2026-27. The spending cap does not include the spend on design work already incurred, which DfT expects to be around £410 million (in cash prices) by the end of 2025-26. DfT has approved funding of £1.1 billion (in cash prices) to the end of 2029-30 to progress development of the programme over the next four years (paragraphs 1.13 to 1.15, 2.12 and Figures 1, 4, 5 and 8).

Setting up the Northern Powerhouse Rail programme

10 DfT has more work to do in developing Northern Powerhouse Rail's strategic case to align it with the government's ambitions for economic growth in the north. The rail programme is an enabler for wider economic benefits, but there had been no overarching plans for how the government would deliver these benefits. Regional stakeholders told us that the initial focus on economic growth had dropped away in recent years. The recently announced Northern Growth Strategy, led jointly by DfT, HM Treasury and MHCLG, is intended to address this, with the government setting out future areas it will focus on improving. This includes work around urban regeneration and industrial growth as well as transport. The strategy sets out how better connections between northern city regions and towns will support economic growth, for example by widening the pool of workers available to firms and the opportunities available to workers. The government has, however, not yet set out how investment in these areas of focus might be prioritised to inform any potential trade-off decisions. The government plans to develop and publish further details around the strategy in spring 2026. DfT, supported by other departments, will need to work to align the programme to the developing growth strategy, as part of completing its business case for summer 2026 (paragraphs 2.3 to 2.5).

11 The government has not yet put in place suitable governance arrangements to help deliver the outcomes Northern Powerhouse Rail may enable. The Northern Powerhouse Rail programme shares many of the characteristics of a mega-project. In particular, while DfT is responsible for delivering the railway, other government departments and regional and local governments will be required to deliver the transformational benefits enabled by the programme. These include business investment and housing development. In our 2025 report on mega-projects we recommended that the government should consider using alternative approaches to governance in these cases rather than the standard models where one department is ultimately responsible.¹ DfT plans to work with local government bodies through delivery boards following the government's Northern Growth Strategy announcement. These arrangements may help decision-making between bodies to deliver the best outcomes in each local area, including resolving any trade-offs between different activities and the benefits they can provide. However, these structures are not yet in place, and it is not yet clear how DfT intends to engage with the other central government departments required to deliver the programme's benefits (paragraphs 2.6 to 2.9, and Figures 6 and 7).

12 DfT plans to deliver Northern Powerhouse Rail in three phases, which should enable benefits to be delivered as work progresses. The first phase is expected to consist of line and station upgrades between Bradford, Leeds, Sheffield and York; the second a predominantly new line between Liverpool and Manchester; and the third will be further upgrades across the Pennines, building on the Transpennine Route Upgrade programme. DfT intends each phase to deliver not only the rail infrastructure works but also the changes to operations and timetabling that will enable the additional train services to begin running. With DfT expecting to complete phase 1 in the 2030s, this should enable DfT and local government to start delivering benefits while work on the other phases progresses into the 2040s. Such benefits would include improved passenger rail services between cities east of the Pennines and enabling progress with local development work. This will require effective joint working across rail bodies and local stakeholders to maximise the opportunities this approach provides (paragraphs 2.10 to 2.11 and Figure 8).

¹ Comptroller and Auditor General, *Lessons learned: Governance and decision-making on mega-projects*, Session 2024-25, HC 545, National Audit Office, March 2025.

13 DfT will need to determine how it can best maximise the benefits from Northern Powerhouse Rail within its £45 billion funding cap as part of further scope development. Following the January 2026 announcement, DfT will continue work to further develop the scope of the programme. This will include working with local strategic partners on how best to enable the wider transport and economic growth developments in their areas. However, the scope will need to be developed within the government's funding cap of £45 billion for the programme to ensure affordability. DfT and HM Treasury told us that this funding cap was informed by factors including early estimated cost ranges based on potential scope options. To stay within the cap, DfT will likely need to make trade-off decisions on what benefits it can achieve across the route against how much different scope options might cost. For example, it will need to decide whether to build the new Manchester Piccadilly station underground for greater development opportunities above it, but at a higher cost compared with one at surface level. In these cases, DfT expects that local authorities could provide funding for additional works as part of the programme to help maximise growth opportunities. Such decisions will need to be managed effectively as part of the local governance structures being put in place. DfT will also need to manage budgets and costs effectively to ensure later phases can be delivered as planned (paragraphs 2.12 to 2.15).

14 DfT will need to decide on who will deliver Northern Powerhouse Rail and how that aligns with wider rail reforms. Network Rail is currently responsible for delivering phase 1. However, this will change as DfT will incorporate Network Rail's functions within Great British Railways as it reforms the wider rail system. This may impact how DfT delivers phase 1. DfT will also need to decide as part of further planning who will undertake the construction of new rail lines on phase 2, with options including the creation of a new delivery body, and on phase 3. Until then, HS2 Ltd is responsible for developing the scope and obtaining consents for phase 2, including taking the hybrid bill through Parliament for the route into Manchester (paragraphs 2.16 to 2.17).

15 DfT is taking steps to manage the complex set of interdependencies with other rail upgrade programmes. Northern Powerhouse Rail is expected to interface with other rail programmes and projects, particularly the Transpennine Route Upgrade programme, where DfT has already included additional scope and funding to facilitate works on Northern Powerhouse Rail. DfT has recognised the interdependencies between different rail projects as a key risk for Northern Powerhouse Rail and has already agreed initial arrangements for managing these with some of the projects. It is also setting up a team responsible for managing interdependencies both within and external to Northern Powerhouse Rail. Beyond rail, DfT is planning to work with National Highways and local highway authorities at an early stage to reduce design and construction risks where the railway interfaces with the strategic road network, applying a lesson learned from HS2 (paragraphs 2.18 to 2.21).

16 DfT has established appropriate steps to identify lessons from other major programmes, but it will need to go further to embed these in Northern Powerhouse Rail. DfT has acknowledged the importance of addressing the lessons from HS2 – such as those identified in the independent Stewart Review – as well as other major rail programmes. DfT has identified 11 key areas it considers most relevant to Northern Powerhouse Rail. This includes governance and financial management and DfT is seeking to embed these as part of its programme management. However, as we have identified in our other findings, there are areas where there is further work for DfT to do to incorporate lessons learned into the programme, such as around its strategic case and governance structures. The Government Internal Audit Agency also found in January 2026, as part of a DfT wide review, that programme and project teams within DfT do not consistently apply lessons they have identified. It recommended that this be a clear responsibility of senior project leaders. DfT will need to ensure that lessons are fully embedded as part of its management of Northern Powerhouse Rail, as well as continuing to identify new lessons and good practice emerging from other programmes (paragraphs 3.2 to 3.7 and, Figures 9 and 10).

Conclusion

17 The government has long considered that improving the rail service and infrastructure in the north of England is a vital enabler for economic growth and productivity. DfT has now provided greater clarity over what it will do as part of the Northern Powerhouse Rail programme. However, it has taken over a decade to get to this stage given the significant scope changes during this period. These changes created uncertainty and pushed back delivery of benefits, such as more frequent and faster rail services that would help improve job opportunities in the region. DfT has begun taking steps to set up the programme for success, including identifying key lessons from other programmes to incorporate into its management.

18 Better transport will help enable growth but, to ensure that the government's vision for economic growth in the north is achieved, further work is needed by DfT to ensure that the programme aligns with national and local growth plans. This will need to be supported by effective cross-government working at both national and local levels to maximise the intended benefits within the resources available. DfT will need to continue to draw on further learning as it continues its planning of the programme to help manage it effectively and secure value for money.

Recommendations

- a** As part of developing its business case for the programme, DfT should fully align its strategic case with the government's developing Northern Growth Strategy and its areas of focus.
- b** DfT should establish how it will work with key strategic partners in decision-making and funding as part of programme governance, ensuring that roles and responsibilities are clear and understood. This should include determining how its programme governance will align with the government's wider Northern Growth Strategy governance.
- c** In line with our recommendations from our 2025 report on mega-projects, the government should ensure that appropriate governance is put in place for delivering the benefits from its Northern Growth Strategy, including those being enabled by the Northern Powerhouse Rail programme. This should include ensuring that roles and responsibilities are clear across central, regional and local government and that those who have the authority to make decisions are accountable for the impact of those decisions. As co-leads for the government's strategy alongside DfT:
 - HM Treasury should set out and agree how it will engage with DfT, MHCLG and other bodies on the delivery of the benefits of Northern Powerhouse Rail and the wider Northern Growth Strategy and resolve any areas of uncertainty in roles and responsibilities between central government departments; and
 - MHCLG should also set out and agree its role, including how it will support regional and local government bodies with their involvement in delivering the benefits of Northern Powerhouse Rail and the wider Northern Growth Strategy.
- d** As part of developing formal cost estimates for the programme, DfT should review the benefits it can deliver from each phase of the programme against their expected cost. This will help inform any trade-off decisions it may need to make around the level of scope and investment for each phase to maximise the overall benefits of the programme within the funding cap.
- e** DfT should regularly assess how effectively it is implementing relevant lessons learned from other programmes into its management of Northern Powerhouse Rail, including identification of any new lessons relevant to that stage of the programme.