



National Audit Office



REPORT

High Speed Two reset

Department for Transport and
High Speed Two Limited

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Key facts

**£87.7bn to
£102.7bn**

the Department for Transport's (DfT's) and High Speed Two Limited's (HS2 Ltd's) revised cost estimate of the High Speed Two (HS2) programme between London and Birmingham as at May 2026 (mixed price base)

**£35.9bn
to £37.2bn**

the increase in DfT's and HS2 Ltd's estimated cost of the programme between London and Birmingham between 2020 and 2026, excluding inflation

**3 to 13
years**

the expected delay in when DfT estimates that HS2 services will operate on the full HS2 railway as at 2026 compared with its estimates in 2020

Spring 2027

when DfT and HS2 Ltd expect to complete the programme's reset and establish a revised baseline for delivering HS2

May 2036 to October 2039

DfT's revised estimated schedule for when HS2 services will initially begin operating between Old Oak Common in west London and Birmingham

May 2040 to December 2043

DfT's revised estimated schedule for when HS2 services will begin operating on the full HS2 railway between London Euston and north of Birmingham

£46.8 billion (nominal prices)

the total spend on the HS2 programme as at end of March 2026, including on the cancelled Phase 2

£153 million

HS2 Ltd's estimated total cost of resetting the HS2 programme

£8 billion (mixed price base)

DfT's total estimated spend (actual and forecast) at Euston based on current early design, including the station and tunnelling works from Old Oak Common but excluding private sector contribution

£2 billion

HS2 Ltd's potential savings from contract negotiations

124

accepted recommendations from external reviews that DfT and HS2 Ltd are addressing as part of the reset, with 45 (36%) completed as at February 2026

Summary

1 The High Speed Two (HS2) programme aims to deliver a high-speed, high-capacity railway between London and Birmingham. The Department for Transport (DfT) sponsors the programme and is responsible for funding and oversight. High Speed Two Limited (HS2 Ltd), an arm's-length body of DfT, is responsible for building the railway and bringing it into service. A new body, Euston Delivery Company Limited, is responsible for the HS2 station and related work at Euston, where the railway will end in London.

2 The HS2 programme has not gone as planned. DfT and HS2 Ltd reset the programme in 2020 and the development of Euston station in 2020 and 2023. In 2023, the government cancelled Phase 2 of the railway beyond Birmingham. The programme is now smaller than originally planned, while costing more and taking longer to complete. Both we and the Committee of Public Accounts have previously reported on the issues that have led to the resets.

3 HS2 Ltd and DfT are now resetting the programme again. This began in January 2025 and is expected to end in spring 2027. HS2 Ltd and DfT created four workstreams focused on resetting the following.

- Cost and schedule.
- Supply chain and commercial relationships.
- Organisational capability and culture.
- Governance.

HS2 Ltd expects to spend £153 million on the reset, having spent £101 million by the end of March 2026 (in nominal prices).

4 There is also work underway to reset work at Euston and close down Phase 2. HS2 Ltd has continued with construction in parallel with the reset. As at the end of March 2026, DfT and HS2 Ltd have spent £46.8 billion (in nominal prices) on the programme, including on the cancelled Phase 2.

5 HS2 Ltd and DfT are using the reset to respond to lessons and recommendations from the Stewart Review. DfT commissioned that review to examine how it governs and assures major infrastructure projects. HS2 Ltd and DfT are also incorporating lessons from the National Audit Office, the Committee of Public Accounts, and the National Infrastructure and Service Transformation Authority. At February 2026, DfT and HS2 Ltd reported that they had implemented 45 out of 124 accepted recommendations across these reviews (36%), with all but one expected to be implemented by spring 2027 as part of completing the reset.

Scope of this report

6 This report examines whether HS2 Ltd and DfT are taking reasonable steps to plan, assure and implement the reset of the HS2 programme. We last reported on HS2 in July 2024, following the cancellation of Phase 2 of the programme.¹ We are reporting now while the reset is underway to support Parliamentary scrutiny. This report examines and assesses progress relating to the following.

- Resetting Phase 1 (Parts One to Five).
- Resetting work at Euston station (Part Six).
- Closing down Phase 2 (Part Seven).

7 We carried out fieldwork between March and May 2026. Much of the work we examine remains in progress. We have not examined how HS2 services will integrate with the rest of the rail network once the HS2 railway is fully completed. We expect to report further on progress with the HS2 programme in the future.

Key findings

Cost and schedule

8 **DfT and HS2 Ltd now expect the HS2 programme will cost between £87.7 billion and £102.7 billion, with costs having doubled since 2020 due to cost underestimation, inefficient delivery and scope changes.** In May 2026, DfT announced an updated estimate of the cost of completing the HS2 programme. It now stands at between £87.7 billion and £102.7 billion (mixed price base). Compared with its cost estimate in 2020 for Phase 1 only, this is a cost increase of between £35.9 billion and £37.2 billion (over 100% at the low end of the range), excluding inflation. The main areas that have contributed to the cost increase are scope change, underestimation, and inefficient delivery. Train services between Old Oak Common and Birmingham are expected to start operating between May 2036 and October 2039, and from Euston to the north of Birmingham (to join the West Coast Main Line) between May 2040 and December 2043. This means that DfT now expects to open the full railway between around three and 13 years later than it expected in 2020 (paragraphs 2.3 to 2.5, and Figures 4 and 5).

¹ Comptroller and Auditor General, *HS2: update following cancellation of Phase 2*, Session 2024-25, HC 128, National Audit Office, July 2024.

9 DfT and HS2 Ltd are taking reasonable steps to revise and assure costs and schedule, with further work underway to establish a detailed cost baseline by spring 2027. HS2 Ltd is developing updated cost and schedule estimates in phases and has sought assurance throughout, including an independent panel involving the National Infrastructure and Service Transformation Authority. However, the revised cost and schedule estimates DfT announced in May 2026 have, at this stage, a high level of uncertainty. HS2 Ltd is doing further work to develop a more robust baseline of costs and schedule by spring 2027. This includes conducting further work to test the quality of its data and assumptions. DfT and HS2 Ltd will then use this baseline to monitor delivery (paragraphs 1.8, 2.6 to 2.8 and Figure 3).

10 To reduce risk, DfT has decided that trains will not run at the very high speeds originally planned, with estimated cost savings between £1 billion and £2.5 billion. In January 2026, the Secretary of State for Transport asked HS2 Ltd to examine if running trains slower than 360 km/h could reduce cost, time and risk. HS2 Ltd has proposed running trains at 320 km/h, which is higher than speeds elsewhere on the UK network and similar to high speeds in Europe. HS2 Ltd will complete civil engineering to original specifications, but will remove a new train control system and reduce the signalling specifications. This will reduce time for testing the railway before it can be used and avoid the risk that testing might show that 360 km/h is not feasible. HS2 Ltd estimates the changes will save between £1 billion and £2.5 billion. This is an initial assessment of cost savings, which will be refined further over 2026. It may also allow HS2 Ltd to open the railway at least a year earlier than it otherwise would. There will, however, be a longer-term reduction in benefits of around £1.3 billion from slower train journeys. DfT agreed the scope changes in May 2026 (paragraphs 2.9 to 2.12).

11 DfT has re-assessed the benefit–cost ratio of continuing work on HS2 as value for money compared with cancelling the programme, but DfT will need to focus on maximising value from its investment. In May 2026, DfT revised its benefit–cost ratio for completing the programme and estimated at a high-level that it was between 1.5 and 6.4. It categorises this as ‘medium to very high value for money’. DfT has followed HM Treasury guidance in its calculation, which excluded what it has already spent and considered the alternative option of cancelling the whole programme. To do so, DfT included HS2 Ltd’s estimate of the avoided costs that would otherwise be incurred from cancellation, such as returning land back to a safe and acceptable condition. DfT told us that government’s decision to continue work was based on its advice that the benefit–cost ratio exceeded 1.5, rather than presentation of the full range. DfT also reported that, had the current estimated costs been known when work began in 2020, this would have resulted in a benefit–cost ratio of between 0.3 and 0.4, which is categorised as ‘poor value for money’. Irrespective of the technical calculation, it is key that DfT focuses on maximising the value from the HS2 programme. Doing so will require close working with central and local government. To support this, DfT has refreshed the HS2 Growth and Benefits Board and is developing a benefits strategy (paragraphs 2.13 to 2.16 and Figure 6).

Supply chain and commercial relationships

12 HS2 Ltd's initial attempts to renegotiate contracts with its supply chain were unsuccessful.

In spring 2024, HS2 Ltd began contract renegotiations. However, HS2 Ltd was not in a strong position to negotiate. It did not have a good understanding of the work of the supply chain and had not managed its contracts well enough. It also did not have a reliable estimate of the programme's total cost to inform negotiations. HS2 Ltd's approach to transferring risk to the supply chain was not seen as attractive by contractors (paragraphs 3.2 to 3.4).

13 In 2025, HS2 Ltd revised its approach and now aims to reach agreement with its supply chain later this year on an approach that better incentivises cost-effective delivery.

Its revised approach has been to agree on historical changes and actual costs to date, while improving controls for the work underway, and renegotiating the contracts for future expenditure. HS2 Ltd has undertaken work to settle and agree historic costs. This identified disallowable costs of around £500 million. HS2 Ltd's approach to negotiations for the main works civils contracts means it may pay contractors more if they complete work early and efficiently. These renegotiations are due to complete by autumn 2026, around six months later than originally planned. HS2 is developing measures it will put in place if renegotiations are not successful. It will need to develop these further in the coming months. HS2 Ltd is also renegotiating contracts for the Old Oak Common and Curzon Street stations, where costs have more than doubled. HS2 Ltd's approach to the commercial reset is aiming to save around £2 billion including by avoiding costs it would incur if work took longer (paragraphs 3.5 to 3.8).

14 DfT and HS2 Ltd are examining what trains are needed to address capacity concerns on the West Coast Main Line, with a decision expected by 2028.

HS2 Ltd agreed a contract for new trains before the cancellation of Phase 2. The cancellation means that HS2 trains will run on the existing railway north of Birmingham, where stations are too small to accommodate the planned length of trains (two 200-metre units). Running shorter trains (a single 200-metre unit) would result in a reduction in seat capacity compared with the current trains using the West Coast Main Line. HS2 Ltd and DfT are exploring the potential for longer trains. DfT intends to make a decision on what is needed on the wider network by 2028. This would allow time to vary the length of train required ahead of when they would be needed (paragraphs 3.9 and 3.10).

Organisational capability

15 HS2 Ltd has identified shortcomings in how it is set up and is seeking to address these issues as part of a reorganisation. In response to the change in scope of the programme and the problems identified in multiple reviews, HS2 Ltd examined its organisation's capability in early 2025. This included reviewing its skills, leadership and culture, and it identified several areas of concern to address. It found that HS2 Ltd had not adjusted to the significant changes in programme scope and had an organisational model that led to silo working. HS2 Ltd identified capability gaps in areas such as contract management and assurance, and that it had too few people working within delivery teams. HS2 Ltd is seeking to address these issues and to refocus the organisation on delivering Phase 1, including revising its organisational model. As part of initial changes, HS2 Ltd has appointed a new executive team and added to its commercial capability (paragraphs 4.2 to 4.4 and Figure 7).

16 HS2 Ltd is now starting to improve the capabilities it requires but will need to ensure that key capabilities are in place from spring 2027 onwards. HS2 Ltd is assessing the capabilities it will need across 10 core areas and the improvements it needs to make. This will include what people it needs as well as any revisions to its processes and systems. HS2 Ltd plans to complete assessments in autumn 2026 to ensure priority gaps are addressed by spring 2027. HS2 Ltd expects to continue to develop its capabilities after this to support later stages of the programme, such as installing and integrating the rail systems. However, some capabilities, particularly systems integration, may need to be developed earlier given their importance to managing the programme as a whole (paragraphs 4.5 to 4.7).

Governance

17 HS2 Ltd and DfT have made progress in revising HS2 programme governance, but further work is needed. The Stewart Review found that the HS2 programme's governance structure was not fit for purpose and needed a different solution. It identified a need to restore trust and improve the ways of working between DfT and HS2 Ltd. DfT has implemented over half of the Stewart Review's 28 recommendations relating to governance. This includes the creation of a Shareholder Board to reflect the importance of the government as the financial shareholder and the re-establishment of a ministerial task force. There is still further work to implement the rest of the recommendations. HS2 Ltd and DfT are conducting a review, to finish by autumn 2026, to identify areas where it can strengthen governance for the remainder of the reset and beyond. Governance should evolve to reflect the stage of the programme, so further changes may be needed in the future (paragraphs 5.2 to 5.4 and Figure 8).

18 The HS2 programme is subject to new assurance and decision-making processes following its designation as a mega-project. In 2025, the government announced changes to how it will manage mega-projects. This includes streamlined and bespoke decision-making processes and integrated assurance plans. The government also set-up the Mega Project Decision Panel. Aspects of these changes have been tested during the reset. HS2 Ltd and other stakeholders told us that the changes have reduced decision times by improving collaboration and reducing duplication across government (paragraphs 5.5 to 5.9 and Figure 8).

Reset of Euston station

19 DfT is now managing Euston as a separate programme but needs to do further work to implement this approach, including deciding if it is a separate mega-project. There are four projects underway at Euston: building a new HS2 station, redeveloping the existing railway station, improving local transport infrastructure, and commercial and housing development. We previously reported in 2023 that governance at Euston was weak, including the absence of a body with authority to make trade-off decisions.² In April 2026, DfT set up a new body, Euston Delivery Company Limited, to act as the 'single directing mind', with the Euston programme now being delivered separately from the rest of the HS2 programme. However, the company is not yet fully operational with, for example, a permanent chief executive officer yet to be appointed. DfT expects it will be fully established as a separate body in autumn 2026. DfT is developing revised governance arrangements and will need to determine how the company and a future Euston Development Corporation will work together. The government will also need to decide whether Euston should be designated as a mega-project. We have assessed that it meets most of the characteristics of one, as defined by the government (paragraphs 6.2 to 6.6 and Figures 9 and 10).

² Comptroller and Auditor General, *High Speed Two: Euston*, Session 2022-23, HC 1201, National Audit Office, March 2023.

20 DfT has agreed a high-level plan for how space will be used at Euston, but there remain key areas of scope and cost to develop. While this high-level plan is at an early stage, stakeholders report that there has been a more collaborative approach, which has led to an agreed vision and initial design. There had previously been significant disagreements. However, the scope and cost estimates for Euston are less mature than other parts of the HS2 programme. DfT estimates that works at Euston, including the station and the completion of the tunnels from Old Oak Common, will require a further £4.1 billion of public funding (mixed price base). DfT and HS2 Ltd have already spent £3.8 billion (nominal prices), meaning that total public funding for Euston is estimated to be around £8 billion (mixed price base). Total cost will be higher once the private finance that the government intends to use to deliver the station is confirmed and included. DfT plans to complete detailed designs for the HS2 Euston station and redevelopment of the conventional station and the underground station by the end of 2031. The government expects to bring in private finance through a public–private partnership in the early 2030s to finish design and deliver the HS2 station (paragraphs 6.7 to 6.10 and Figure 11).

Phase 2 closedown

21 DfT has greater certainty over what land and property from the cancelled Phase 2 section it can dispose of but has not yet developed a disposal strategy. In January 2026, the Secretary of State for Transport announced that the government would be retaining some Phase 2 land for the longer-term aim of developing a north–south line between Birmingham and Manchester. HS2 Ltd is now able to settle outstanding compensation claims related to this land. DfT has also identified land and properties between Birmingham and Leeds that are no longer needed and can be disposed of. In March 2026, DfT appointed a delivery agent to manage this large and complex programme of disposals, which includes around 350 properties that may be offered to their previous owners under Crichel Down Rules. The delivery agent is advising DfT on the development of its disposal strategy. DfT expects to approve the strategy in October 2026, with initial disposals following this. The overall timeline for disposal is not confirmed, with the agent contracted until March 2029, with a possible one-year extension (paragraphs 7.4 to 7.6 and Figure 12).

22 HS2 Ltd is carrying out remediation work on temporarily held land so that it can be returned to the owners by 2028. Around ten per cent of the land HS2 Ltd acquired for Phase 2 was only needed temporarily. As this land is now no longer required, HS2 Ltd needs to return it back to the owners. In many cases, HS2 Ltd would be expected to return the land back in its original condition. There are, for example, over 500 boreholes on Phase 2 that require remediation work. This number has reduced from over 1,000 following the government's decision to retain some land. There is also work underway to remediate several sites affected by earlier activity such as utility works. HS2 Ltd expects the total cost of remediation works to now be under £40 million (2026 prices), less than half of its estimate in 2024. However, it expects to complete the work slightly later than summer 2027, as initially planned. This is due to waiting for ministerial decisions on a future north-south line to confirm the scope of the remediation work (paragraphs 7.7 and 7.8).

Conclusion

23 DfT and HS2 Ltd are resetting the HS2 programme to avoid further cost increases and delays. They are taking a considered approach, but significant work remains before they can complete the reset. In particular, they need to establish a robust baseline for cost and schedule, complete commercial renegotiations, develop plans at Euston and ensure that HS2 Ltd has the right capabilities in place. DfT and HS2 Ltd are aiming to complete the reset by spring 2027 but it is crucial that they get it right this time following past failures. They should ensure that they do not proceed with putting the plans into action until they are confident everything is in place to deliver against them.

24 With the programme now potentially costing up to £102.7 billion, DfT must also renew its focus on maximising the benefits from its expenditure on HS2. This is particularly important at Euston, which is expected to both enable HS2 trains to terminate in central London and support a wider regeneration of the area. DfT will need to work closely with other government departments and with local authorities to fully realise the benefits from the railway.

Recommendations

- a** DfT and HS2 Ltd expect to complete the reset in spring 2027, but it is essential that they ensure the programme is fully on a stable footing before the reset is complete. DfT and HS2 Ltd should review how realistic the timetable is in autumn 2026 to complete remaining work and, if necessary, revise the timetable to provide them with the additional time needed to complete the reset.
- b** As part of its reset of the organisation, HS2 Ltd should identify any critical capability gaps that, although they may be most relevant for later stages of the programme, should be addressed earlier to help with managing the programme as a whole.
- c** DfT and HS2 Ltd should ensure that they maintain a focus on cost, schedule and commercial management as they move into the next stage of the programme. This includes fully embedding lessons from the management of the main works civils contracts, as well as wider lessons from previous rail programmes on integration and the complexity of bringing a railway system together.
- d** When deciding on the HS2 train fleet and how it will integrate with the wider rail network, DfT should ensure that it aligns with the future operation of the rail network as a whole and ensure sufficient seat capacity to maximise overall benefits.
- e** DfT and HS2 Ltd should revisit the governance as the programme moves into the next stages of work to check it remains fit for purpose.
- f** In developing its benefits strategy, DfT should set out how it will work with other stakeholders to maximise the benefits from HS2, including roles for owning, delivering and reporting benefits.
- g** As part of fully establishing the new delivery approach at Euston, DfT should set out how it expects the new bodies – including the private finance partner, the delivery company and the development corporation – will work as part of that.
- h** Following completion of its strategy for the disposal of former Phase 2 land and property, DfT should confirm its expected timetable for disposals to provide more clarity to those who may be affected.