



# Department for Transport

**From the Permanent Secretary**

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17 June 2019

Allan Cook  
Non-Executive Chair  
High Speed Two (HS2) Ltd  
[Sent via email]

Dear Allan,

## **PRELIMINARY DRAFT STOCKTAKE**

Thank you for your letter of 7 June enclosing your preliminary draft stocktake of the status of the HS2 programme. I note that this is work in progress and I look forward to receiving the next version.

As you note, HS2 Ltd notified the Department formally of a breach of the Development Agreement in relation to the cost and schedule pressures on Phase 1 on 29 March 2019. For the avoidance of doubt, the Department does not regard your correspondence and the draft stocktake paper as a further notice or notification for the purposes of the Development Agreement.

We discussed your report on 14 June and covered the following key points:

- The report will be particularly important in setting the tone of the relationship between HS2 and new Government/Cabinet Ministers.
- On the analysis and evidence in the stocktake, we discussed the importance of reflecting the relative maturity and assurance around different aspects of the programme and ensuring that the conclusions are appropriately evidenced. Broadly speaking, we felt that the level of assurance around costs appears to be greater than on schedule; and the assurance confidence on Phase 1 is significantly greater than that on Phase 2b.
- Also on analysis and evidence, Clive Maxwell has agreed to arrange a run-through for you of the material recently prepared for the Major Projects Review Group. We discussed the importance of benchmarking and providing alternative ways of assessing the estimated costs and schedules. I suggested that you might want to consider the relevance of this material for your report.
- On efficiency and cost generally, I noted the importance of setting out clearly the steps taken by HS2 Ltd to tackle costs to date.
- I welcomed your proposals to make the recommendations more granular and robust. This would apply in particular to further efficiencies and to the Company's capability and capacity. I encouraged you to consider bolder options to ensure that the

Company's ability is proportionate to the scale and complexity of the challenges it faces. The Department will need the Company to demonstrate further progress in relation to organisational capability in order to provide the level of autonomy that you, the Board and the Executive will seek for the Phase 1 construction phase, including cost control, supplier management and internal controls.

I will leave Clive to provide any more detailed drafting or other comments to you directly.

I look forward to discussing these issues with you again after your next Board meeting. My thanks again for the work you are doing on your report.

Yours sincerely,

A handwritten signature in black ink that reads "Bernadette Kelly". The signature is written in a cursive style with a long, sweeping tail on the letter 'y'.

**Bernadette Kelly CB**  
**Permanent Secretary**