

Keeping track: independent oversight of High Speed 2



Executive Summary

High Speed 2 (HS2) should have been scrapped, but with it now proceeding, discipline must be restored to the project. The final bill for Europe's largest infrastructure project could be £150 billion. In announcing the decision to proceed with HS2 to the House of Commons, the prime minister said that a series of measures would be taken to "restore discipline to the programme". But a Public Accounts Committee (PAC) report revealed a wilful disregard for accountability, transparency and taxpayers' money at HS2 Ltd.¹ The PAC remained unconvinced HS2 Ltd and the Department for Transport (DfT) are doing what is required to improve management of infrastructure projects.

The TaxPayers' Alliance has identified a possible model to improve transparency and accountability, which will ultimately impact affordability and deliverability. This model, for a new independent HS2 commissioner, comes with parliamentary and financial options which could offer further advantages.

What can be done?

Any possible solutions should be governed by some basic principles:

- The government must deliver the project on time and on budget. It is wrong that taxpayers should have to pay for cost overruns on HS2.
- HS2 Ltd, and the current structures around it, are unlikely to deliver the project on time and on budget. This is in no small part due to a lack of project transparency and personnel accountability.
- Only consistent, well informed and independent scrutiny can improve currently poor standards of transparency and accountability.
- The Minister for HS2 is responsible for the affordability and deliverability of the project.

The TPA has analysed a series of proposals which could improve transparency and accountability, and ultimately help with affordability and deliverability.

An independent HS2 commissioner

The TPA is calling for the appointment of an independent commission to monitor costs on the project. This should operate alongside but separately from the existing construction commissioner.

- The commission should be concerned with scrutiny of costs related to HS2, able to investigate any matters relating to this.
- The commission should be resourced separately from the DfT and HS2 Ltd.
- The commission should be able to request any information available to the DfT and HS2 Ltd.
- The commission should be able to summon any individual involved in the delivery of HS2, either in DfT, HS2 Ltd or any other body. This includes consultants (as project managers are sometimes brought back in this way).
- The commission's senior staff should not be former staff members of DfT or HS2 staff. This is to avoid accusations of bias.
- The commission should make recommendations for improvements and highlight personal or institutional failures.

¹ Public Accounts Committee: High Speed 2: Spring 2020 update - <https://publications.parliament.uk/pa/cm5801/cmselect/cmpubacc/84/84.pdf>

In his report, Lord Berkeley called for a new supervisory board, with specific sub-boards for stations and rolling stock.² He also proposed an independent technical and commercial auditor, reporting to the DfT and Treasury, to provide a regular and detailed report on HS2 Ltd's performance. This was done by the private sector banks funding the Channel Tunnel to provide an independent view of the construction.

It's difficult to put an exact figure on the cost of a new commission but we can draw on existing data to create an estimate. A comparable organisation would be the Independent Commission for Aid Impact (ICAI) which works to ensure UK aid is spent effectively. For 2019-20 the cost to the taxpayer for this body was £3.8 million.³

Without proper scrutiny the final bill for HS2 could be as high as £150 billion - £44 billion higher than the current estimate of £106 billion. Spending around £4 million per year in order to save over £40 billion is a more than reasonable outlay.

A commissioner with a mandate for independent investigation would offer the largest possible improvements in transparency and accountability.

Implications of an arms-length body

Arms-length government bodies ('quangos') often suffer from poor accountability, mission creep and cost inflation. To mitigate against this:

- Much of the commission's functions could be resourced by the National Audit Office (NAO), National Infrastructure Commission (NIC) or Infrastructure and Projects Authority (IPA).
- The commission should have a time limited mandate, requiring active renewal on an agreed budget.
- The commission should not be based in Whitehall.
- The commission should be held to high standards of accountability, including being required to declare interests, publish the salaries of senior staff, prohibit work for DfT or HS2 Ltd after leaving the commission and be covered by exit payment caps.
- The commission should be required to make an annual report.

Parliamentary accountability

A strictly limited and temporary quango could be enhanced with parliamentary oversight:

- The Hybrid Bill committee can only challenge powers asked for in the Bill, not the whole scheme, nor monitor progress on the project.
- The commission could operate under a parliamentary body, similar to the Independent Commission for Aid Impact (ICAI).
- The commission could be responsible to a sub-committee of the Transport Select Committee. This sub-committee would give MPs with an interest in HS2 an outlet for scrutiny.
- The commission would report to the sub-committee, independent of government.
- The commission's work could be undertaken by the NAO, NIC and IPA, resourced by DfT.

Parliamentary oversight would guarantee the independence of a new commission.

Financial accountability

² A review of High Speed 2 - <https://theengineer.markallengroup.com/production/2020/01/Lord-Berkeley-HS2-Review-FINAL.pdf>

³ ICAI Annual Report 2019-20 - <https://icai.independent.gov.uk/wp-content/uploads/Annual-Report-2019-20.pdf>
info@taxpayersalliance.com

A commission would provide scrutiny and transparency, but might not be enough in itself to change behavioural incentives for those working on the project. This is likely to only be possible through a system of conditional remuneration, for example withholding whole organisation bonuses at HS2 Ltd if annual goals are not met. The commission could input into any potential bonus scheme, designed to incentivise good practice at HS2 Ltd, providing independent recommendations on appropriate levels of remuneration. This would ensure that, in the first instance, demands for cost savings would fall on project managers and corporate governance functions, not on mitigation measures.