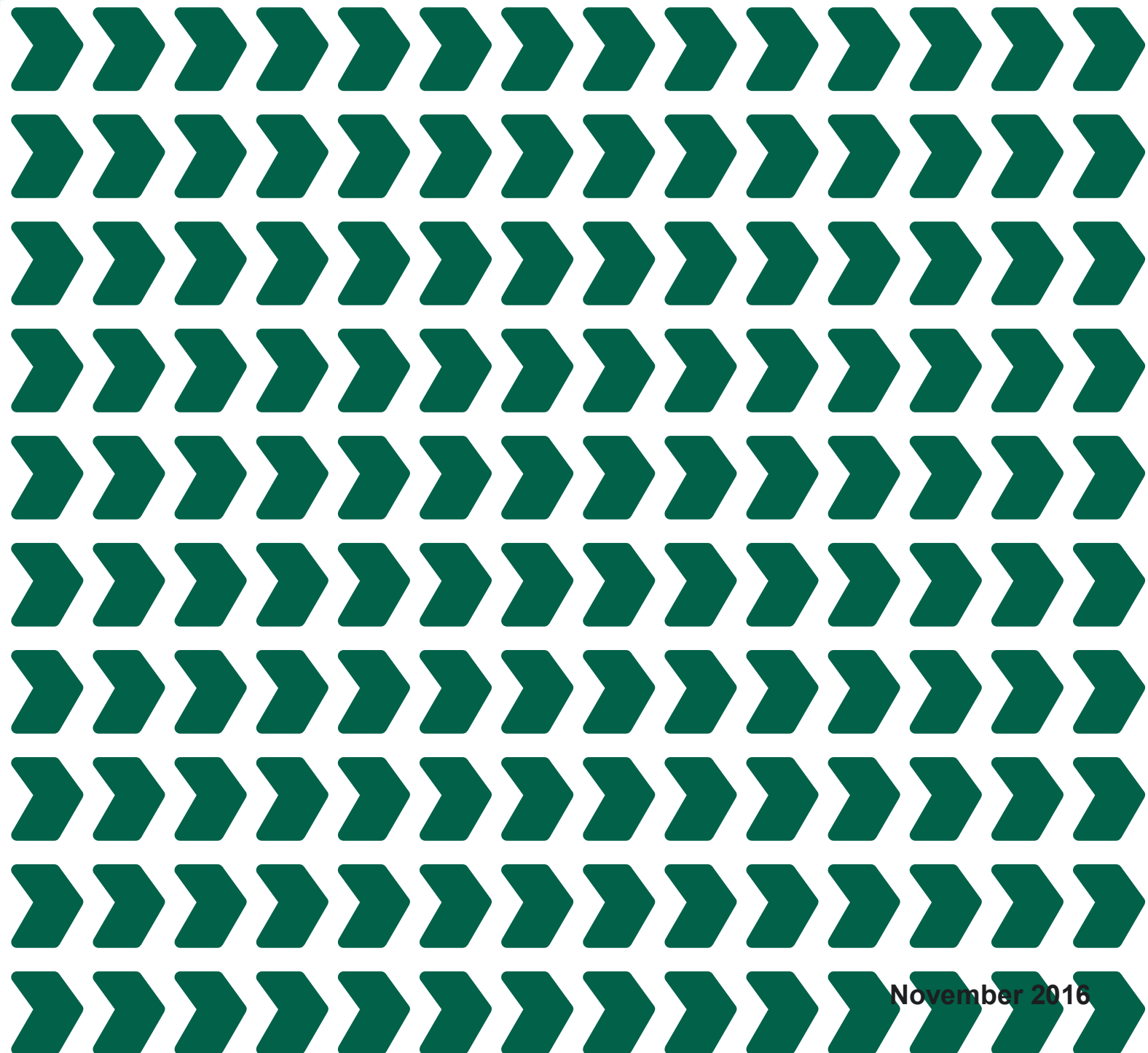




Department
for Transport

High Speed Two Phase 2b Strategic Outline Business Case Management Case

Moving Britain Ahead



November 2016

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1. Introduction and Scope

1.1 This document sets out the Management Case for completing the full HS2 Y network, building on Phase One and Phase 2a. It is part of the Government's Strategic Outline Business Case¹ (SOBC) for HS2 Phase 2b, in line with the HM Treasury Green Book guidelines. The SOBC stage of developing a major project outlines the high level outcomes which the project intends to deliver. The five cases are:

- Strategic Case
- Economic Case
- Financial Case
- Commercial Case
- Management Case

1.2 The Strategic Case is supported by the four other cases and sets out the need for intervention and how this will fit with the Government's aims and objectives. It provides suggested or preferred ways forward and presents the evidence for decisions taken at this stage, including the costs and benefits, which are laid out in more detail in the Economic Case.

1.3 The scope, costs and schedule are refined as the project moves forward, and an Outline Business Case (OBC) is developed. This will be done alongside the deposit in Parliament of a hybrid Bill for Phase 2b in 2019. The business case is then further refined to give greater confidence in delivery by the time a final investment decision is taken at the Full Business Case (FBC) stage. Therefore, the designs and train service specification (TSS) referred to in this SOBC are intended to give the Government sufficient confidence in the intentions and outputs of the project to proceed, but will continue to be refined and may change as the project develops.

1.4 Below is our indicative timetable of the key stages of the process:



¹ See www.gov.uk/dft

- 1.5 HS2 is a new high speed rail network for the UK, connecting London with major cities in the Midlands and the north of England. It is a Y-shaped network that will be delivered in several stages. Trains will also run beyond the Y network to serve places such as Liverpool, Preston, Newcastle and Scotland.
- 1.6 Phase One of HS2 will see a new high speed line constructed from Euston to north of Birmingham, where it will re-join the existing West Coast Main Line (WCML). New high speed trains will serve Birmingham city centre and an interchange station designed to serve the wider West Midlands. At Old Oak Common in West London, a new interchange will be built connecting HS2 with Crossrail and the Great Western Main Line. Phase One will be built and operational by 2026 (subject to Parliamentary approval of the Phase One hybrid Bill).
- 1.7 The proposals for Phase Two extend the line to the North West and North East, to Manchester with connections to the WCML at Crewe and Golborne, and to Leeds with a connection to the East Coast Main Line (ECML) approaching York. There will be new stations in Manchester, Leeds and the East Midlands, and the route will also serve South Yorkshire. Phase Two will be completed seven years after Phase One, in 2033.
- 1.8 In November 2015 the government announced its intention to accelerate the delivery of the section of Phase Two between the West Midlands and Crewe (Phase 2a). This document now sets out the Management Case for the remainder of the Phase Two route (Phase 2b), from Crewe to Manchester and Golborne, and from the West Midlands to Leeds and Church Fenton.
- 1.9 The preferred route for the Western Leg of Phase 2b has a total length of 51 miles (82 km). At its southern end it connects to Phase 2a to the south of Crewe. Going north, it passes under Crewe in a tunnel. At its northern end the Western Leg joins the WCML at Golborne, south of Wigan. A spur from the main line serves a new station at Manchester Airport before entering into an 8 mile (13km) tunnel to reach a new station at Manchester Piccadilly. Following refinements developed since the 2013 consultation, we are proposing that the Western Leg also includes a Rolling Stock Depot located to the north of Crewe, between the HS2 route and the WCML.
- 1.10 The preferred route for the Eastern Leg of Phase 2b has a total length of 123 miles (198 km). At its southern end it connects to the Phase One route at Marston. At its northern end, the Eastern Leg joins the ECML via a connection at Church Fenton. The Eastern Leg includes a new station at Toton (East Midlands Hub) and a spur from the main line goes to a new station at Leeds. Following refinements developed since the 2013 consultation, we are proposing that South Yorkshire is served by HS2 trains running into Sheffield Midland using a dedicated high speed spur, allowing services to join the existing network south of Chesterfield at Clay Cross. The Eastern Leg also includes an infrastructure maintenance depot located at Staveley, and a rolling stock depot at New Crofton, though HS2 Ltd is currently examining alternative locations for this depot.

Scope of the Management Case

1.11 This document sets out the management systems and procedures which are in place to oversee the delivery of the programme, what controls have been set up and how these are to be deployed in order to ensure that appropriate governance and control mechanisms are in place to measure the delivery of the programme. This Management Case builds on the one which was published for HS2 in 2013², and will cover the following items:

- An outline of the HS2 Phase 2b programme and how it will be delivered
- The governance arrangements for the programme, both within HS2 Ltd and the Department for Transport (DFT)
- Details on the programme of work planned and how key milestones are tracked
- Information on how risks and issues are managed and escalated
- Details of how change is and will be managed within the programme
- Arrangements for programme and project assurance
- Our communication plan for the programme, including how we engage with stakeholders
- How we plan to manage and record the benefits from the programme
- Contingency and resource planning arrangements
- Document control arrangements

1.12 The strategic objectives and rationale for Phase 2b are set out in the Strategic Case of the SOBC.

Taking forward the HS2 programme

1.13 HS2 is a programme of such national significance that it requires parliamentary approval to proceed. Phase One of the HS2 programme, which covers the route from London to Birmingham, has followed the hybrid Bill³ process. Our original intention was to obtain powers for constructing Phase Two of HS2 through one hybrid Bill. However, as we are now intending to accelerate construction of Phase 2a by 2027, we intend to introduce two separate hybrid Bills for Phase Two.

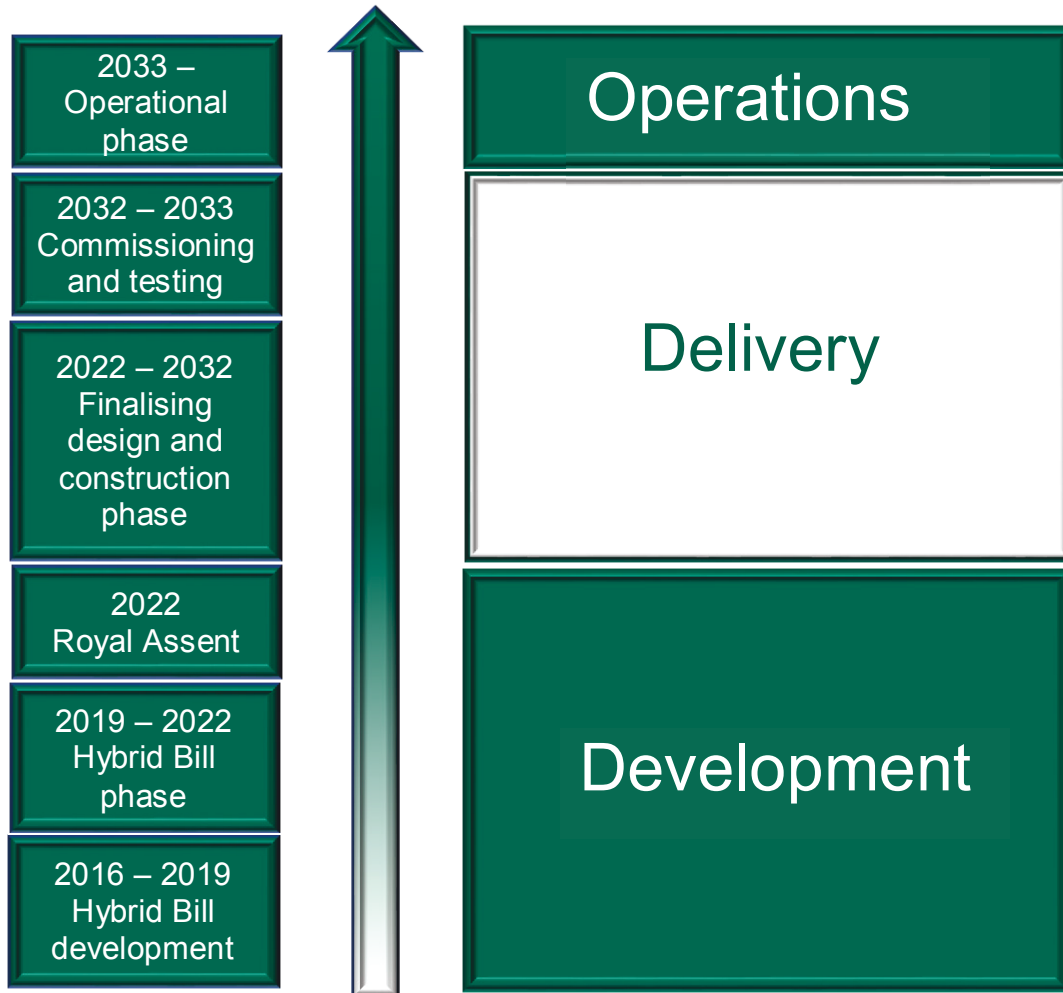
1.14 The Secretary of State's intention is to deposit the hybrid Bill to enable construction of the Phase 2b route by the end of 2019, following:

- A decision on the majority of the route in autumn 2016
- A consultation on those parts of the route that have changed significantly since the 2013 consultation, known as the design refinement consultation
- A decision on the full route following consultation in summer 2017

² <https://www.gov.uk/.../file/286741/management-case-hs2.pdf>

³ Hybrid Bills are so called because they combine features of public bills and private bills. They are Government bills that affect certain individuals in ways that do not affect everybody. Transport infrastructure bills tend to do this because they have different effects for different geographical parts of the route.

1.15 The current high level outline plan for the delivery of the Phase 2b route is shown in the diagram below. Train services are expected to commence by the end of 2033.



1.16 Following the 2016 route announcement, HS2 Ltd and DfT will develop the hybrid Bill.

1.17 To support development of the hybrid Bill, HS2 Ltd is procuring services under a suite of Professional Service Contracts to support the overall management of the programme, and undertake development work on rail systems, engineering, environmental issues and land ownership for the route.

1.18 In preparation for the hybrid Bill period, the initial design for the route will be finalised. Following the deposit of the Bill, HS2 Ltd expect to respond to the petitions process to achieve Royal Assent. Royal Assent is anticipated in 2022.

1.19 The programme anticipates entering the final detailed design and construction phase between achieving Royal Assent in 2022 and 2032. Detailed design and construction will be led by HS2 Ltd on behalf of DfT, consistent with the delivery of Phase One. After commissioning and testing the new infrastructure, operations would then commence by the end of 2033.

2. Governance

Roles and Responsibilities

- 2.1 In supporting the delivery of the project for the Phase 2b route the Department for Transport’s (DFT) primary function is that of client and sponsor of the programme, ensuring that HS2 Ltd deliver the scheme requirements set out under the Sponsor’s Requirements.
- 2.2 HS2 Ltd has been commissioned as the delivery agent to develop the route proposals and deliver the products needed to support parliamentary process and preparation for the construction of the route, pending Royal Assent. HS2 Ltd will continue, post-Royal Assent, to lead the delivery of Phase 2b.
- 2.3 Following the Secretary of State’s acceptance of the Strategic Outline Business Case (SOBC) and the 2016 route announcement, HS2 Ltd will undertake consultation on property compensation for Phase 2b alongside the design refinement consultation. HS2 Ltd will also develop proposals on the Environmental Statement, and finalise the initial design for the route. This will enable the deposit of the hybrid Bill during the course of 2019, followed by the management of the passage of the Bill through Parliament.
- 2.4 The high level outputs and activities which the Secretary of State requires HS2 Ltd to deliver across all phases of the HS2 programme are set out in an annex to the Development Agreement (DA). This is part of a suite of key governance documents as set out below:

Name of Document	Overview
Development Agreement	<p>The Sponsor’s high level output-based requirements, and objectives for the railway.</p> <p>Minimum requirements for service specification for operations:</p> <ul style="list-style-type: none"> • The defined Opening Date • The defined Final Completion Date • Shared values and objectives of the organisations • Governance arrangements • Cost control procedures • Respective roles and responsibilities
HS2 Ltd Framework Document	<p>The rules and guidelines relevant to the exercise of the functions, duties and powers of HS2 Ltd as a Non-Departmental Public Body (NDPB). The conditions under which any public funds are paid to HS2 Ltd by the Secretary of State.</p>
HS2 Ltd Corporate Plan	<p>Required under the Framework Document. Sets out how HS2 Ltd plans to deliver its remit and measure its performance. Includes delivering the key benefits of additional capacity, improved journey times and connectivity, reliability, enhanced passenger experience and wider benefit realisation.</p>

Table 1: Key Governance Documents

- 2.5 Following approval of the SOBC for Phase 2b, DfT will instruct HS2 Ltd to develop the scheme. This will be done through updating the existing DA⁴.
- 2.6 The Sponsor's Requirements are stipulated by DfT. These set out the parameters of the scheme which HS2 Ltd is tasked with delivering. These include a statement of outputs, incorporating the scope and functionality of the railway. HS2 Ltd responds to this with a Functional Response, which is then formally developed into a detailed project specification, project cost estimate (and schedule) and project risk assessment for approval by DfT.
- 2.7 In addition to the Sponsor's Requirements, DfT is also responsible for:
- Securing funding for HS2 Ltd to deliver the project
 - Defining and funding property compensation schemes
 - Setting out the expected way in which regulation of the railway will take place, (although if in line with the rest of the network, the Office of Rail and Road will be responsible for regulating pricing structures, and for access to the network, stations and depots)
 - Obtaining powers through the Parliamentary process for the route to be built
 - Defining the strategy for ownership, operation and maintenance of the railway when complete
 - Interaction of high speed services with the rest of the railway
 - Procurement of passenger services to operate on the railway
 - Managing the interdependencies with wider rail and transport policy
- 2.8 HS2 Ltd, as the delivery agent for the programme, is responsible for:
- Delivery of the railway so as to deliver the Sponsor's Requirements (including infrastructure, procurement of rolling stock, commissioning these into service and preparation for full passenger operations). This includes the development of the detailed scope and functionality of the Phase 2b route and its subsequent construction to meet the operational requirements for the railway, and compliance with the appropriate railway, environmental and construction standards, including safety standards
 - Planning, designing and environmentally assessing Phase 2b, including the preparation of the Bill documents and the Bill ancillary documents, in order to allow the hybrid Bill for this section of HS2 to be deposited by the target Bill deposit date
 - Assisting and supporting DfT and its Parliamentary Agents in the preparation of the hybrid Bill, including the Bill schedules, for Phase 2b
 - Administering any safeguarding directions made by the Secretary of State in respect of the Phase 2b route
 - Procuring and overseeing the design services, surveys and other work needed to achieve these tasks and project manage them
 - Carrying out consultations as required

⁴ See

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/389368/HS2_development_agreement_December_2014_.pdf

- Consulting on and operating the statutory blight scheme and any other compensation schemes stipulated by the Secretary of State
 - Promoting the HS2 scheme, and conducting the engagement with national bodies, local authorities and local communities
 - Providing all other support DfT requires for the hybrid Bill, and latter stages of the programme including financial and business case modelling
 - Operating within the funding envelope set by the Department, save for changes made to the scope, which will be managed through the Change process
- 2.9 The Development Agreement (DA) currently includes the schedule and target prices for the delivery of the requirements for Phase One. As part of instructing HS2 Ltd to develop the Phase 2b scheme and in line with the approach taken for Phase One, DfT will establish a target price for delivery of the Phase 2b infrastructure ahead of procurement of major works. In the interim, the Secretary of State has set a benchmark design target cost, in line with international best practice, to guide HS2 Ltd and its contractors as they develop the design of the scheme.
- 2.10 For Phase One, HS2 Ltd is required under the DA to deliver the railway in accordance with the Delivery Strategy and associated sub-strategies (covering procurement, contracting, programme management, proxy operations, infrastructure management and other aspects of the programme delivery). This will be revised to reflect Phases 2a and 2b. The Strategy will continue to evolve as we continue to develop the project, and material changes will require DfT's approval. The provision of adequate strategies will be key tests at the Review Points explained below.
- 2.11 The HS2 Ltd internal sponsor is responsible for leading the review of proposed changes to the DA and managing the agreement of any changes with DfT. This includes, for example, changes to the Sponsor's Requirements, and instructions to undertake additional activity that does not lie within the scope of the DA. This ensures that any changes to the programme scope are clearly understood and communicated between DfT and HS2 Ltd.
- 2.12 The DA outlined a Review Point process, to enable HS2 Ltd to be granted certain operational delegations, based on the satisfactory demonstration by HS2 Ltd and DfT of appropriate business capabilities (including capabilities relating to people, systems and processes appropriate to the particular stage of the Project), and on the satisfactory submission of certain key documents. The first Programme Assessment Point took place in spring 2016 and focussed on Phase One. We are using the lessons from this Review Point to further develop this approach for future years to provide the right level of oversight and assurance.

Programme Governance

- 2.13 The scale and complexity of the HS2 programme necessitates a strong governance structure which can adapt as the programme evolves and progresses.
- 2.14 The Governance Manual developed by DfT supplements the DA and sets out the governance structure for the programme. Governance arrangements are kept under regular review to ensure effective and efficient decision-making and that the overall governance structure is appropriate to, and proportionate for, the current phase of the programme.
- 2.15 The Governance Framework shows the relationship between DfT, responsible for the overall management of the programme, and HS2 Ltd, which performs both a delivery and advisory role in the development of the high speed rail network. Within this structure there are interfacing arrangements with DfT. These arrangements aim to ensure that HS2 Ltd delivers upon the requirements set out in commissions and through the DA. The details of HS2 Ltd's governance are set out in the HS2 Ltd governance strategy.
- 2.16 The HS2 Programme is led by David Prout, the Senior Responsible Owner (SRO), and the DfT's Director General for the High Speed Rail (HSR) Group. The SRO's responsibilities are to:
- Ensure that the project is set up for success, ensuring it is on course to meet its objectives as set out in the Departmental Business Plan
 - Own the business case, ensuring that the project meets its objectives and delivers the projected benefits
 - Develop the project organisation structure and plan
 - Monitor and take control of progress of the project
 - Chair the Programme Board, ensuring progress, risks and issues are monitored, managed and ensure problem resolution and referral processes are appropriate and effective
 - Ensure an effective communication strategy is developed and put in place
 - Ensure that the project is subject to review at appropriate stages
 - Manage formal project closure (upon completion of a benefits review)
 - Represent the Secretary of State in overseeing the DA
- 2.17 As set out in paragraph 2.14, DfT has put in place a governance structure within the HSR Group to support the SRO for the HS2 programme in meeting his responsibilities. A diagram of the structure is below.

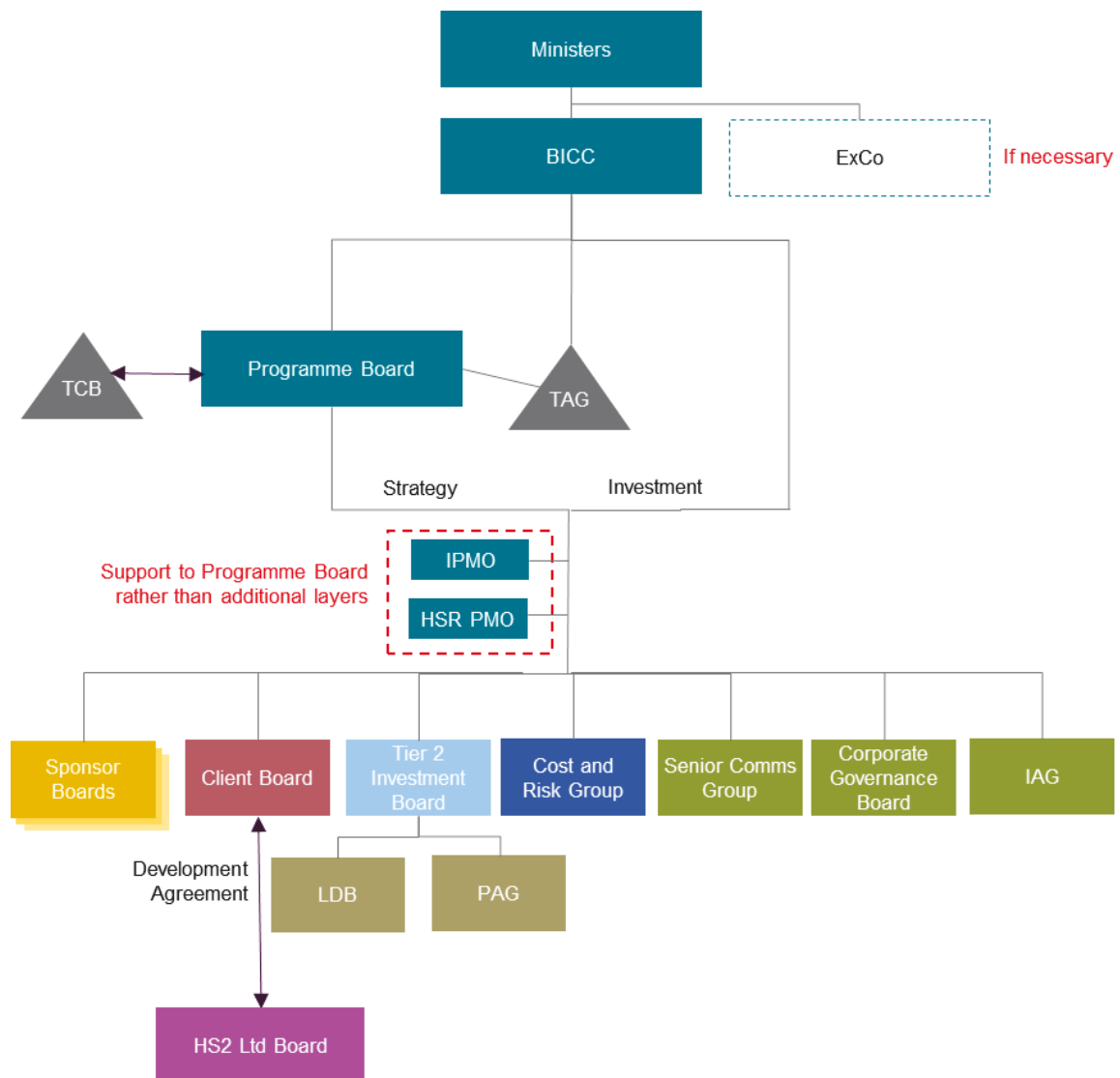


Figure 1: Programme Governance

DfT Executive Committee

2.18 DfT's Executive Committee (ExCo) is responsible for:

- Policy and business plan delivery determining appropriate reporting arrangements in order to track progress on key deliverables
- Identifying and managing key risks
- The oversight of financial strategy
- Shaping strategic policy
- Corporate planning, talent management, succession planning and remuneration for the Department
- Corporate issues

Board Investment and Commercial Committee

2.19 The Board Investment and Commercial Committee (BICC) is DfT's investment decision committee. It is the forum for making informed decisions on Tier 1 projects within a strategic, economic, financial, commercial and management context at each approval stage. BICC confirms advice for Ministers on major approvals (with a value of more than £100m) that affect the scope, cost or schedule of HS2, major procurement approvals and on change management.

Tripartite Cooperation Board

2.20 To provide strategic advice at the request of the Programme SRO or the Programme Board, the Tripartite Cooperation Board (TCB) brings together the senior executives from DfT (acting on behalf of the Secretary of State) as sponsor for the programme, HS2 Ltd as delivery agent for the programme and Network Rail as owner and operator of the existing network. The board is chaired by an independent chairman. A Tripartite Cooperation Memorandum, signed in January 2014, between DfT, HS2 Ltd and Network Rail sets out the respective roles of the three parties, including a statement of principles on their joint objectives for delivering the HS2 programme.

Programme Board

2.21 The HS2 Programme Board supports the HS2 Programme SRO overseeing delivery of the HS2 programme. The Programme Board is a key board in the HS2 programme, facilitating strategic management of the programme and retaining oversight of the wider programme. Its functions include:

- Strategic oversight of the wider HS2 programme, that is, the development and delivery of both the core scheme and the wider benefits (including progress against cost and schedule)
- Oversight of, and challenge to, the development of strategy and policy proposals
- Oversight of the development of investment proposals to identify any programme-wide risks or issues
- Integration, communications and stakeholder engagement across the whole HS2 programme
- Risk and issue management, including taking account of assurance outcomes
- Providing assurance that the programme is adequately governed
- Benefits realisation
- Such other matters on which the SRO seeks guidance

2.22 The Programme Board meets monthly, or more regularly as required, and includes representatives from the wider programme and existing rail stakeholders, enabling the Board to provide oversight of the core and wider programme and facilitating strong challenge and assurance of decisions.

Boards which report into Programme Board

- 2.23 There are three sponsor boards which report to the Programme Board:
- Phase One Sponsor Board – responsible for Phase One of the Programme
 - Phase Two Sponsor Board – responsible for both Phase 2a and Phase 2b of the programme
 - Operations Sponsor Board - responsible for legal, contractual and commercial options for future train operations; rolling stock and depots; roles and responsibilities for the infrastructure manager(s), systems operation and stations; regulatory issues; and interface with conventional rail
- 2.24 Sponsor Boards are accountable for the development of policies and strategies and for overseeing delivery against these once related delivery work has been remitted to HS2 Ltd.
- 2.25 The Programme Board is supported by a series of other boards.
- 2.26 The HS2 Client Board's primary purpose is to review, challenge and support project delivery and performance of HS2 Ltd as the delivery agent, based on the requirements of the DA and Sponsor's Requirements.
- 2.27 The Tier 2 Investment Board approves advice for Ministers in relation to investment decisions within £30m - £100m as set by BICC. In doing so the Tier 2 Investment Board liaises with the Programme Board to ensure Tier 2 investment decisions align with the wider programme. The Board will also oversee the operation of the Legislation Decision Board.
- 2.28 The purpose of the Corporate Governance Board is to:
- Ensure the HSR Group's governance structure remains fit for purpose and facilitates effective, timely decision making
 - Review the Programme's internal controls, delegated authorities and performance measurement processes to ensure these support effective decision making and assurance
 - Oversee DfT's shareholder function in relation to HS2 Ltd
- 2.29 The Corporate Governance Board has the authority to require changes to programme governance arrangements, such as the creation and removal of boards and reviewing delegated authorities.
- 2.30 The Senior Communications Group provides strategic direction to programme communications. This includes:
- Identifying and assessing communications issues and challenges for the programme
 - Managing engagement with key stakeholders
 - Promoting alignment of communications across the Programme
- 2.31 The Senior Communications Group has the authority to determine key communications strategy and priorities, and to determine programme positioning on key issues which require alignment throughout the programme.

- 2.32 The Cost and Risk Group provides the Programme Board with assurance on whole life affordability of the HS2 programme including cost, risks and opportunities.
- 2.33 The governance framework also includes interfaces with DfT's Rail Group. The One Railway Programme Board, which is a group within DfT, co-ordinates issues between the existing rail network and HS2.

Phase 2b specific governance

- 2.34 The development of HS2 Phase 2b is overseen by an HS2 Ltd chaired project board, which includes the three delivery partners. The project board reports to the Phase Two Sponsor Board which ensures that the interfaces between Phase 2b and other parts of the programme are properly managed.

Integrated Programme Management Office

- 2.35 An Integrated Programme Management Office (IPMO) has been established to co-ordinate the management of the programme between HS2 Ltd, DfT and Network Rail.
- 2.36 The IPMO integrates programme delivery information across DfT, HS2 Ltd, Network Rail, and across the wider HS2 programme in order to support successful delivery of the project and its associated benefits. The role of the IPMO is to provide the DfT SRO, programme senior leadership team and other government stakeholders with a cohesive view of the entire HS2 programme. On governance, the IPMO will ensure there is a clear line of sight for decision-making across DfT, HS2 Ltd and Network Rail. Where dependencies relate to the core programme, the IPMO will, on behalf of the SRO, establish appropriate governance arrangements and facilitate co-ordination of plans. Where the dependencies relate to the wider programme, the IPMO will work with stakeholders to co-ordinate plans.
- 2.37 The IPMO also brings together the risks from DfT, HS2 Ltd, Network Rail and the wider programme, and reports to the Programme Board, which acts as the central point for oversight of escalated risks.

Programme Governance at HS2 Ltd

- 2.38 HS2 Ltd is a Government company and non-Departmental Public Body sponsored and funded by DfT. The chair of the company is appointed by the Secretary of State. The current chair is Sir David Higgins, who is responsible for advising the Secretary of State on matters relating to HS2 Ltd, and for advice on, and development and delivery of, the high speed rail network as set out in the DA⁵.
- 2.39 The company is managed by the HS2 Ltd Board, which meets monthly. The non-executive chair and other non-executive directors are appointed by the Secretary of State. HS2 Ltd's Chief Executive, Chief Financial Officer and Managing Director for Development, are also board members. The Board has corporate responsibility for ensuring that HS2 Ltd fulfils the remit, aims and

⁵ See:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/389368/HS2_development_agreement_December_2014_.pdf

objectives set by DfT and for ensuring the organisation is fit for purpose. The Board non-executive directors have extensive senior-level experience of different aspects of delivering very large infrastructure projects, including rail, and can therefore provide valuable strategic guidance to HS2 Ltd and DfT on effective project delivery.

2.40 HS2 Ltd complies with the principles of Corporate Governance in Central Government Departments: Code of Good Practice 2011⁶ as follows:

- The composition of the Board is balanced between the Executive and Non-Executive members, who have a range of appropriate skills and experience DfT is responsible for the appointment of board members. As HS2 Ltd grows in size and complexity, it will seek to widen the skills and experience appropriate to the phase of development
- The remit of the Board and the roles and responsibilities of its members have been clearly defined in Standing Orders approved by the HS2 Ltd Board, including the role and responsibilities of the Accounting Officer
- Procedures are in place to ensure the effectiveness of the Board, including the appointment and induction process, the organisation of board meetings supported by suitable information and reports, a dedicated and skilled secretariat function and a formal annual evaluation process to assess and improve performance
- The Board is supported by the Audit and Risk, Commercial and Investment, Health, Safety and Environment and Remuneration Committees, each chaired by a suitably experienced non-executive director

2.41 HS2 Ltd's Executive Committee, chaired by the Chief Executive manages the company's day-to-day business. It meets monthly to review and take decisions, where appropriate, on both the HS2 programme and internal company management issues.

2.42 The Executive Committee has four sub committees:

- The Management Committee, responsible for the overall running of HS2 Ltd
- The Investment Panel, responsible for investment and spending decisions within the scope of HS2 Ltd's delegations
- The Business Transformation Panel, responsible for developing HS2 Ltd
- The HS2 Ltd Programme Board, responsible for managing the HS2 programme

6

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220645/corporate_governance_good_practice_july2011.pdf

HS2 Ltd Project controls

2.43 Programme and Strategy Directorate (PSD) in HS2 Ltd is responsible for putting in place arrangements for plans, management and reporting on the delivery activities of HS2 Ltd.

2.44 The activities of the PSD include:

- Establishing and keeping up-to-date a high level programme plan for the HS2 programme, including identifying interdependencies between workstreams and feeding into plans which sit beneath this
- Establishing and maintaining common standards and methodologies including Programme and Project Management (PPM) tools
- Formal reporting to the SRO, senior management team and Programme Board on issues, risks, finance, assurance activity and progress against plans through monthly reports and dashboards, as required by the DA
- Establishing and managing a risk and issue management strategy and process
- Creating and managing document control processes for HS2 Ltd
- Liaising with the Sponsorship team to ensure regular financial reports are provided to the SRO, Directors and the High Speed Rail Board
- Establishing and maintaining an Integrated Assurance and Approvals Plan and with that managing a suite of assurance activities that will be used to provide assurance to the SRO that the programme will deliver to its stated objectives

2.45 The work to develop the hybrid Bill for Phase 2b is managed by the Development Directorate within HS2 Ltd, with controls provided by the cross cutting functions within HS2 Ltd's matrix structure. The Managing Director for Development maintains overview of the Development team and the project for the Phase 2b route. Projects related to Phase Two of the HS2 programme, including Phase 2a and Phase 2b, report to the Phase Two Board chaired by the Managing Director for Development.

Organisational structure

2.46 The organogram for DfT's HSR Group, can be found on HM Government's website⁷. In line with DfT's Corporate Planning Process Protocol, only senior officials are shown. The Group is structured as a matrix organisation with clear division of responsibilities between sponsor directorates (with designated sponsors of Phase One, Phase Two and commercial operations) and cross-cutting expert functions (provided through two specialist directorates). With a programme of this scale, the organisational structure will be kept under review to ensure key deliverables are resourced correctly with the right skills mix to ensure the programme remains on track. As the structure evolves, the organogram will be updated.

⁷ <http://reference.data.gov.uk/gov-structure/organogram/?dept=df>

2.47 The organogram for HS2 Ltd can be found on HM Government's website⁸. The majority of staff engaged on the HS2 programme work in HS2 Ltd, with the number being around 1,300 in July 2016, expected to rise to 1,550 by March 2017. These resources are deployed across both phases of the programme and across a number of disciplines. The full detail of the resources and activities on which those are deployed are covered later in this Management Case.

The Development Partner

2.48 HS2 Ltd will procure a number of Professional Services Contractors (PSCs) to undertake the activities, including route design, which will be required to develop a scheme that can be taken forward to a hybrid Bill. The Invitation to Tender (ITT) issued for the Phase 2b route is broken down into six areas, and design and environmental services will be procured on the basis of three packages. Further activities, such as railway systems design, will be delivered by other contractors.

2.49 Ensuring consistency between the activities of these contractors will be key to the successful delivery of a hybrid Bill design within the required timescales. Building on the lessons learned from Phase One, HS2 Ltd is proposing to procure a Development Partner (DP), which will be fully integrated into the Phase Two client structure. This will ensure that HS2 Ltd has rapid access to specialist resource on a long term and short term basis, as the need arises. HS2 Ltd expect that the team required to deliver a hybrid Bill will comprise 150-200 people, of which up to 70 per cent will be sourced from a DP.

2.50 The activities that HS2 Ltd anticipates could be supported by a DP include:

- Project management services and support for the HS2 Ltd Phase Two development
- Management and contract administration of PSCs engaged by HS2 Ltd
- Co-ordination of deliverables from PSCs, and other partners, required for the HS2 Ltd Phase 2b hybrid Bill
- Implementation of project management processes established by HS2 Ltd for managing scope, requirements, cost, programme, risks and value management
- Integration of health and safety
- Information and quality management
- Management of review and assurance requirements of PSCs', and other partners' deliverables
- Provide other specialist skills that the Phase Two client function might need from time-to-time in order to progress the project
- Supporting stakeholder engagement and interface with key industry partners and other third parties
- Supporting the management of annual business planning and reporting

⁸ <http://reference.data.gov.uk/gov-structure/organogram/?pubbod=high-speed--Limited>

- Supporting the transition to a Delivery Partner once Royal Assent has been granted
- 2.51 HS2 Ltd also expects that the DP will support the HS2 Ltd team in delivering value management activities, including:
- Optimising the route alignment and the associated mitigations
 - Challenging design standards and specifications
 - Identifying opportunities to improve construction efficiency
- 2.52 More information on the approach to procurement of a DP and contractors is set out in the Commercial Case of this SOBC.

Document control

- 2.53 Document control provides a framework for ensuring documents are created and managed effectively. A document control document sets out DfT's approach to creating and updating documents or forms; the use of version control; the classification of documents; and saving documents to the Approved File Plan, including naming conventions.
- 2.54 The arrangement established by HS2 Ltd for the control of documents is described within the HS2 Ltd Document Management Procedure. This describes how documents will be reviewed and approved for adequacy, how revision control will be managed and how documents and records will be stored to allow for future retrieval. HS2 Ltd uses an electronic document management system to support recording, review, and transfer of key project documents.

3. Planning and Risk Management

Planning

- 3.1 The HS2 programme is an integral part of the Department for Transport (DfT) agenda and the UK's infrastructure investment programme. Within DfT, the programme is run in accordance with the Managing Successful Programmes and PRINCE2⁹ methodologies. These provide a framework for:
- Managing the delivery of the programme through regular reviews of progress against plans
 - Managing and escalating risks and issues through the governance framework of each respective organisation
 - Ensuring appropriate assurance is provided within the programme and that the programme continues to have a business case and delivers the expected benefits
 - Ensuring stakeholders are engaged at the right time and location within the programme
 - Capturing and sharing lessons learnt
- 3.2 The project is managed through a co-ordinated planning system, covering the programme as a whole and more specific detailed plans for the delivery of the programme. Plans are created within delivery organisations and integrated by the Integrated Programme Management Office (IPMO).
- 3.3 More detail on how these activities are co-ordinated is included in section 2, which sets out the role of the IPMO and other planning functions.
- 3.4 The HS2 Ltd and DfT project plans both identify key dependencies that have the potential to affect project delivery. These feed in to the project's critical path and are monitored alongside the risk management processes set out below.

Risk Management

- 3.5 Programme risk is managed in line with the risk management strategies developed by the delivery organisations and facilitated by PMOs in the delivery bodies.
- 3.6 The below diagram illustrates the escalation process for risk within the programme.

⁹ PRINCE2 (an acronym for PRojects IN Controlled Environments) is a de facto process-based method for project management.

HS2 Programme – Risk Governance

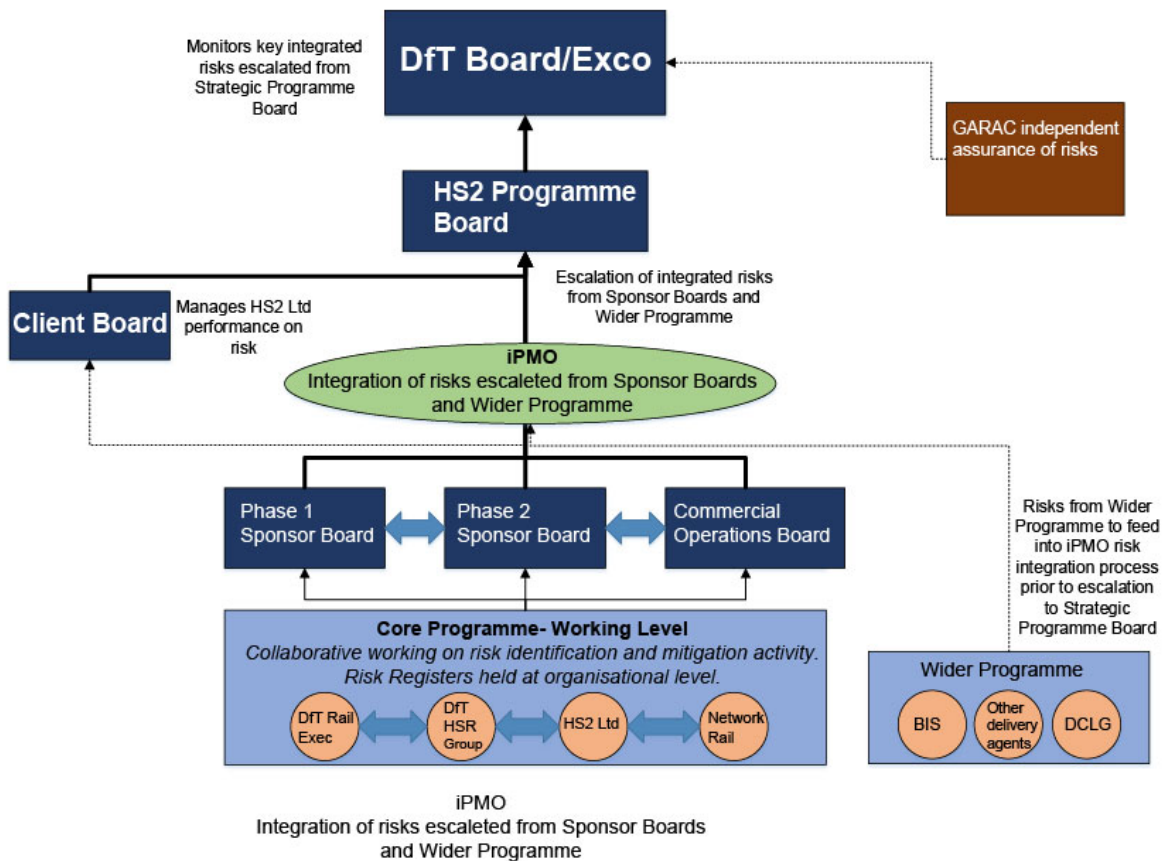


Figure 2: Risk Governance

- 3.7 Considerable focus is placed on the effective and timely response to risks which are identified. In line with the process established in the management strategy, risks are expected to be clearly articulated with timescales attached to them, and an accountable officer to manage the actions arising.
- 3.8 In practice this is done by both DfT and HS2 Ltd maintaining a risk register which is reviewed on an on-going basis by the project teams. The risk register is then reviewed monthly by the project Sponsor Board and the top five risks are escalated to be considered by the Programme Board.
- 3.9 As part of the programme cost estimating process, HS2 Ltd has adopted a process of using optimism bias in line with the Treasury's Green Book guidance. Estimating tolerances are included in this optimism bias value at this Strategic Outline Business Case (SOBC) stage. In particular, HS2 Ltd has adopted the process set out in the HM Treasury Green Book supplemental guidance on appraising risk.
- 3.10 HS2 Ltd expects that the process for deriving contingency will evolve over time to a space where Quantified Risk Analysis will be undertaken to derive the contingency levels for Phase 2b. These will replace optimism bias, as has already happened for Phase One. The current level of design for the Phase 2b project is at 3-5 per cent, which is insufficient to allow a meaningful QRA.

- 3.11 HS2 Ltd will be able to develop a more comprehensive design between the Outline Business Case, and the Full Business Case points in the project. This is also the stage where QRA will be able to inform the final budget for delivery of the programme and set the contingency levels. To do this, Professional Service Contractors (PSCs) have been procured in a number of areas to test transport access, environmental and ecological factors.
- 3.12 The risk allocation framework between DfT and HS2 Ltd is set out in the Development Agreement (DA). This requires HS2 Ltd to deliver the Sponsor's Requirements in accordance with the DA, other than for the occurrence of Secretary of State Retained Risk Events, as set out in the DA¹⁰. Phase One has a target price defined in the DA and, once Phase 2b has completed its QRA we expect to agree a Target Price.
- 3.13 The HS2 Programme has assurance processes embedded within the cost estimation, including a three-tiered approach to assurance. DfT has a separate and independent party that undertakes assurance and provides advice. The project representative is embedded within HS2 Ltd to provide DfT with advice on the project design and delivery.
- 3.14 In addition, HS2 Ltd expects that main works contracts for Phase One will be let by the time the Outline Business Case for Phase 2b is in preparation. As a result of this procurement HS2 Ltd will understand more clearly the market's view of the costs and risks involved in delivering the HS2 project, which will in turn help to inform the estimate for later phases of the programme.
- 3.15 Further information on how optimism bias is applied to the Phase 2b estimate is provided in the Financial Case.

¹⁰

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/389368/HS2_development_agreement_December_2014_.pdf

4. Costs and Controls

Costs and Change Control

- 4.1 The November 2015 Spending Review confirmed the Government's commitment to taking forward the whole of HS2 by setting a total budget of £55.7bn in 2015 prices. The cost of HS2 has not changed since the 2013 Spending Review. Instead the prices have been updated to take account of inflation. We have assumed that the funding envelope for Phase 2b is £24.83bn.
- 4.2 Change control is formally described under the Development Agreement (DA) and a well-established process is in place for the programme.
- 4.3 An oversight regime for delivering HS2 and managing costs is in place, and includes:
 - The DA, which includes setting out the cost control procedures and respective roles and responsibilities
 - A dedicated High Speed Rail Programme Board with representation from HM Treasury (HMT) and Infrastructure and Projects Authority (IPA)
 - Management reporting and controls to enable Department for Transport (DfT) as programme sponsor to have visibility of programme costs and exposure against risk limits, and agreed trigger points where intervention or escalation is needed
 - Cross departmental oversight between DfT, HMT and IPA on the progress of the project against the cost programme, the budget envelope and levels of risk exposure through a remitted Cost and Risk Group

Programme Assumptions

4.4 HS2 is being developed with a number of assumptions about the cost and schedule. The below table represents some of the key assumptions made in respect of developing the Phase 2b business case:

Key Assumptions for Phase 2b
Phase 2b will be delivered by a single hybrid Bill
The Phase 2b hybrid Bill can be submitted as soon as the Phase 2a hybrid Bill is in the House of Lords
No additional powers will be needed to authorise work on the classic network in the Phase 2b hybrid Bill
Additional powers required outside the hybrid Bill will not impact on the schedule for construction
Progress and outcomes of Phase One design and the Phase 2a hybrid Bill have no detrimental impacts on the Phase 2b Bill contents (i.e. scheme design and requirements)
There is sufficient parliamentary capacity to achieve the Royal Assent date by autumn 2022
Phase 2b Development Partner & Professional Services Contracts are awarded no later than the end of February 2017, following the Route Decision announcement and will be based on the Procurement Strategy
Parliamentary Agents will be appointed no later than 18 months before hybrid Bill deposit
Phase 2b bill is intended to be submitted in Autumn 2019
There will be a consultation for the Environmental Impact Assessment during Bill preparation.
The operational date for the Phase 2b scheme will be in December 2033
Ecology surveys to inform habitat relocation requirements are started after Royal Assent is granted for Phase 2b

Table 2: key assumptions for Phase 2b

- 4.5 Changes to these assumptions which impact on the Functional Response or Sponsor’s Requirements are subject to a formal change procedure.
- 4.6 As well as the programme assumptions made, there are a number of dependencies within the programme on which the schedule is contingent. Those dependencies include reaching Royal Assent for Phase One and Phase 2a in a timely manner, and securing Parliamentary time for the Phase 2b hybrid Bill. In time, we will also need to agree operational arrangements for Phase 2b, and secure access rights for those train services which continue onto the existing rail network.
- 4.7 Operational issues are being progressed by DfT, with a number of interfaces between the HS2 programme and Rail Group.
- 4.8 HS2 Ltd will work with Network Rail to undertake further analysis of the capacity and reliability implications of HS2 services operating on the classic network. This analysis will inform the Outline Business Case which will be prepared in support of the hybrid Bill.

- 4.9 The Operations Sponsor Board is responsible for the development of the overall strategy for how HS2 will operate once each element of the scheme is completed. This board includes representation from DfT High Speed Rail Group and DfT Rail Group, Network Rail, and HS2 Ltd.

HS2 Cost Management Processes

- 4.10 HS2 Ltd's cost management processes set the format and standards by which the project costs are measured, reported and controlled. They:
- Identify who is responsible for managing costs
 - Identify who has the authority to approve changes to the project or its budget
 - Describe how cost performance is quantitatively measured and reported upon
 - Describe the reporting requirements
- 4.11 Throughout the project lifecycle, the ongoing control and alignment of scope, schedule, cost and risk is managed by the relevant delivery Directorate.
- 4.12 HS2 Ltd's centralised estimating and cost function assures all cost and related controls functions, including strategy, process, systems and capability, and ensures programme wide adoption and compliance.
- 4.13 All cost plans are accompanied by a Basis of Estimate report, which demonstrates that the cost management is: robust, integrated, consistent, clear and appropriate.
- 4.14 The end-to-end cost management process covers the full process from the setting of initial requirements at the programme level through to the monthly performance management and payment cycle at contract level. This ensures that every opportunity to optimise costs is taken at the appropriate time throughout the programme and project lifecycle. The cost management processes apply to all stages within the project lifecycle with outputs being subject to gate reviews prior to moving to the next stage.
- 4.15 The cost management processes ensure a consistent approach to the use of coding to provide visibility and accountability of work packages. This is achieved through use of Cost Breakdown (CBS) and Work Breakdown structures (WBS) to provide Control Accounts (CA).
- 4.16 Key lessons learnt are communicated across HS2 Ltd, in particular to the estimation and cost management teams, on a consistent basis in line with regular reporting. The teams benchmark rates and performance against comparable schemes. HS2 Ltd undertakes benchmarking activity through industry bodies such as the Royal Institute of Chartered Surveyors (RICS), its various consultants, and stakeholders such as Network Rail.

5. Assurance

Programme Assurance

- 5.1 The HS2 programme sits within the Government's Major Project Portfolio (GMPP). All GMPP projects and programmes are required to have an Integrated Assurance and Approvals Plan (IAAP).
- 5.2 The IAAP sets out the framework to provide appropriate, robust and objective assurance to the Senior Responsible Officer (SRO), Secretary of State and HM Treasury (HMT) to support decision-making throughout the HS2 programme.
- 5.3 The IAAP is consistent with DfT's Integrated Assurance and Approvals Strategy and is discussed with HMT and the Infrastructure and Projects Authority, and is regularly reviewed by the Programme Board.
- 5.4 The IAAP describes an approach to assurance that is:
 - based on 'three lines of defence' – comprising internal management assurance, independent internal management assurance and independent assurance (both external and internal)
 - Structured – assurance is disaggregated into sensible, manageable and clearly identifiable elements with delineation across each line of defence
 - Risk-based – assurance effort is focussed in the right areas at the right time
 - Coordinated – assurance is centrally coordinated with good governance and change control
 - Integrated – clear line of sight across elements to ensure adequate and risk-based coverage
 - Deliverable – helping to ensure the right resources and skill sets are available to deliver assurance to the required quality and timescales
- 5.5 The IAAP also sets out how the outcomes of assurance activity will be reported and escalated, and how recommendations will be managed and closed out.

6. Benefits Management

<p>HS2 will add capacity and connectivity as part of a 21st century integrated</p>	<p>To deliver the required capacity, journey time, reliability and availability</p>	<p>To integrate seamlessly with complementary transport modes</p>	<p>To maximise benefits for the whole UK transport network</p>
<p>HS2 will be a catalyst for sustained and balanced economic growth across the</p>	<p>To enhance the productivity of the UK by connecting cities and supporting local, regional and rural growth strategies</p>	<p>To maximise the business growth opportunities in the UK for our suppliers, including in the sharing of international best practice, and make bidding for</p>	<p>To develop all stations and depots in ways that facilitate regional and local regeneration and development</p>
<p>HS2 will deliver value to the UK tax payer and passenger</p>	<p>To deliver the programme on time and on cost while achieving the expected benefits</p>	<p>To deliver and operate a quality railway efficiently and to ensure commercial viability</p>	<p>To actively seek innovative opportunities to achieve new standards and practices in order to increase whole</p>
<p>HS2 will set new standards in passenger experience</p>	<p>To be the mode of first choice and to deliver passenger experience and customer service that is recognised worldwide as</p>	<p>To place people at the heart of our design, setting new standards for travel and ensuring HS2 is accessible to all passengers</p>	
<p>HS2 will create opportunities for skills and employment</p>	<p>To create sustainable job opportunities for young people, local people and those from diverse groups</p>	<p>To foster and develop talent and to create an engaged and highly skilled workforce for the delivery of HS2</p>	<p>To be an exemplar of EDI practice</p>
<p>HS2 will create a railway designed, built and operated with world-class health, safety and</p>	<p>To prevent injury and proactively manage risk</p>	<p>To manage the health and wellbeing of all our workers to create a new better standard in occupational health</p>	<p>To protect HS2 assets and those of its suppliers</p>
<p>HS2 will create an environmentally sustainable solution and be a good neighbour to</p>	<p>To design every part of HS2 and its service to be sympathetic to the people and places we affect and to stand the test of</p>	<p>To actively communicate with neighbours and interest groups to minimise the impact of HS2 construction and operation on people and the</p>	<p>To design, construct and operate HS2 to reduce carbon and promote sustainably sourced resources</p>

Figure 3: HS2 Strategic Goals and objectives

- 6.1 Figure 5 sets out HS2's strategic goals and the objectives we aim to meet to deliver them. In delivering these goals, the key benefits delivered by HS2 include:
- Reduced passenger journey time between destinations
 - Improved operational reliability of the rail network, where HS2 affects reliability
 - Increased economic growth in areas surrounding stations and depots served by HS2
 - Increased investment in areas surrounding stations and depots served by HS2
 - Improved resilience of the UK rail network
- 6.2 The key benefits delivered by the construction of HS2 include:
- Greater availability and take-up of jobs within HS2 Ltd and the supply chain for local, diverse and under-represented people
 - Increased innovation in the rail and construction industries in the UK
 - Increased jobs in the UK during the construction
- 6.3 HS2 Phase 2b is a high value for money scheme. The Economic Case published as part of this SOBC calculates an estimate of the transport and wider economic benefits of HS2.
- 6.4 Benefits Management is an important tool for ensuring that the HS2 programme remains focussed on delivering the benefits identified in the business cases. Our approach to benefits is to support the realisation of both the core programme benefits, delivered within the existing budget and also the wider programme benefits, which are facilitated by HS2 but rely on extra funding, such as the National College for High Speed Rail.
- 6.5 A Benefits Management capability to support the delivery of the anticipated benefits of HS2 is being established for Phase One minimising dis-benefits and ensuring we have in place plans for realising, monitoring and evaluating the benefits. DfT and HS2 Ltd will build on this capability for future phases of the project, including Phase 2b.
- 6.6 The DfT's Benefits Management Guide is predicated on guidance available from Treasury, namely the Green Book (which provides guidance on appraisal for public sector bodies), the Magenta Book (which provides guidance on evaluation for Central Government Departments), and the Department's guidance which flows from these. DfT's guidance sets out that the Outline Business Case (OBC) should cover the following:
- Benefits Realisation Plan - which sets out the way in which the benefits will be delivered
 - Monitoring and evaluation - summarising the outline arrangements for the way in which benefits are monitored and evaluated for the project

- 6.7 To ensure that the intended benefits of HS2 as a whole, and HS2 Phase 2b in particular, are fully delivered, lessons learnt from other projects such as HS1 have been used to inform the programme. They are also being used to inform the way in which the programme is best structured.
- 6.8 DfT and HS2 Ltd have begun developing a Benefits Management sub-Strategy under the Delivery Strategy. This is based on five principles:
- Accountability follows funding - those funding the benefits will be accountable for their realisation
 - Benefits-led decisions - decision making will be expected to optimise overall benefits from the core and wider Programmes
 - Continuous improvement - the core and wider Programmes will continuously strive to find additional benefits
 - Benefits-led performance - the realisation of benefits will be at the heart of the core and wider Programmes' performance management
 - Monitored regularly - best in class integrated benefits reporting will help accountable and responsible parties realise benefits
- 6.9 Based on the first of these principles, that accountability should follow funding, the strategy sets out four broad categories of accountability. These are set out in the figure on page 29. Funding categories one and two relate to activities which are funded under the scope of work described by the HS2 business cases. Funding categories three and four relate to wider programme benefits which are facilitated by HS2, but will rely on additional funding.
- 6.10 The complexity of HS2 means that delivering benefits at programme level will often require contributions from different owners and initiatives who may sit in different organisations (for example, Department of Communities and Local Government or Local Authorities). These owners need to be brought together at programme level to understand the interaction between different decisions and the impact of these decisions on the overall benefits position. We are exploring options, building on existing governance, to deliver this.
- 6.11 To support a whole programme focus on benefits we have developed the HS2 Programme Strategic Goals and Objectives, see grid on page 30. This provides a concise, but comprehensive summary of what we are setting out to achieve. As the Strategic Goals and Objectives were derived from the Strategic and Economic cases for HS2 there is a clear link between them and what we have set out in our business cases. Each individual benefit will also be linked to a specific Strategic Objective, ensuring that there will be a traceable line from the Business Case down to each individual measurable benefit. The Strategic Goals and Objectives also provide the basis for developing performance frameworks across HS2 Ltd and its suppliers; and we will explore with other key stakeholders how we can use them to focus on the benefits across the Wider Programme.

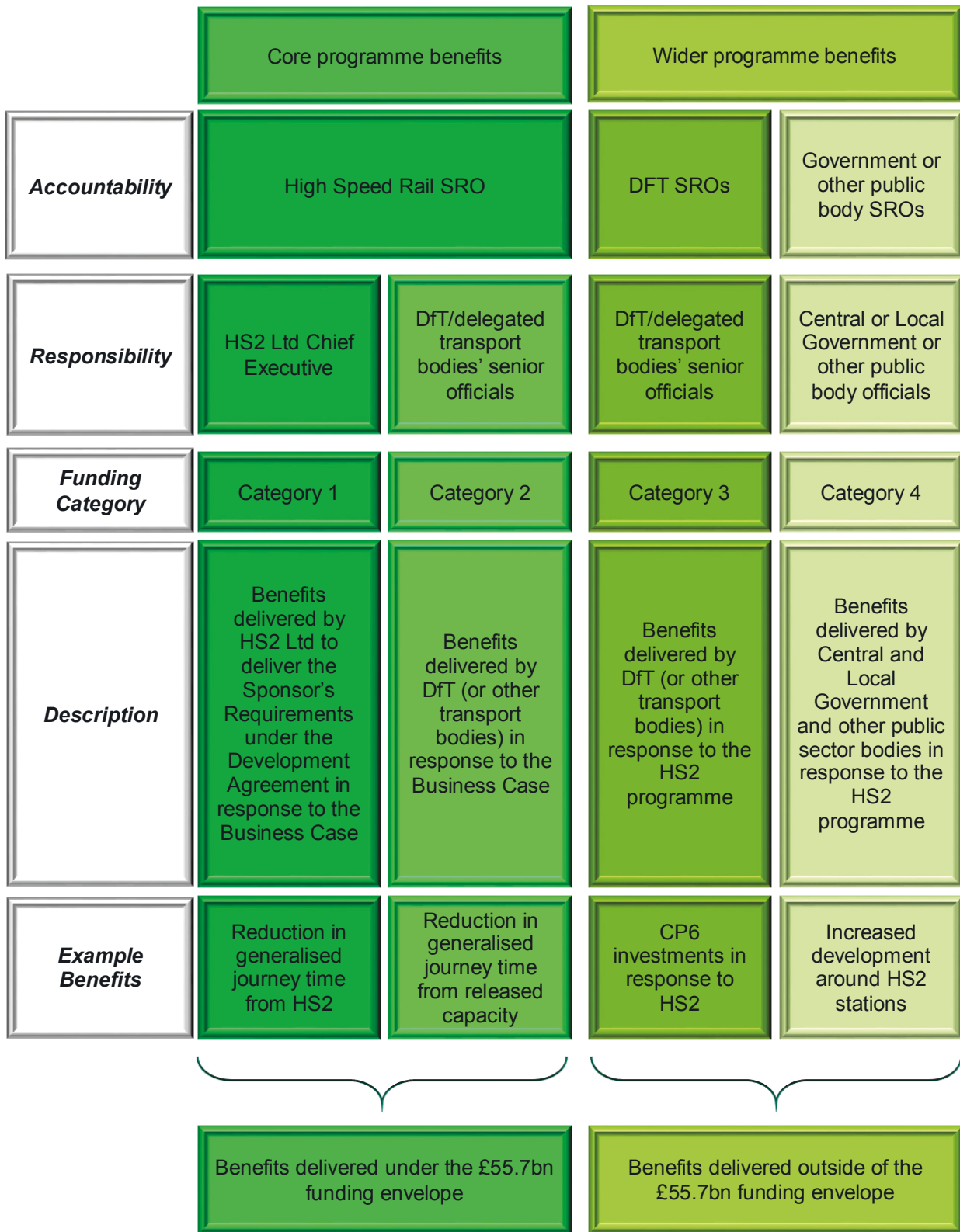


Figure 4: Benefits accountability follows funding

6.12 To enable us to manage the realisation of individual benefits a register has been created for Phase One, which sets out both the core and wider programme benefits. Following on from this we are developing individual profiles for each benefit to describe it in more detail, including how we measure it and the target(s), as well as plans for realising the benefit and who has the responsibility for this. We would expect to evolve this approach for Phase Two, with the benefits register and the measures remaining

substantively the same but with realisation plans, targets and responsibilities being updated.

- 6.13 In addition, as set out in the 2013 HS2 Management Case, there is a considerable overlap between benefits and evaluation. We are therefore making sure our work on benefits and evaluation is aligned. As successful evaluation requires early planning, we are also developing an HS2 evaluation plan.
- 6.14 We expect to provide more detail on our approach to benefits management as part of the Phase 2b OBC.

7. Communications and Stakeholder Engagement

- 7.1 A scheme of HS2's magnitude, which is the UK's largest single infrastructure project in over half a century, can provoke strong opinions, scepticism from some commentators, and real concerns among those locally affected by the programme. As part of managing this programme, significant levels of engagement are important and necessary.
- 7.2 The overall engagement strategy is based on a clear explanation of, and rationale for, the HS2 programme.
- 7.3 HS2 Ltd and the Department for Transport (DfT) have complementary responsibilities for communication and stakeholder engagement, as set out below.
- 7.4 DfT takes a leading role in engaging with Parliament and Other Government Departments, and has identified a list of key stakeholders that, because of their role in transport delivery and influence, merit direct departmental relationship management.
- 7.5 HS2 Ltd leads on engaging with communities and stakeholders who are affected by HS2, in order to inform the development of the scheme, both through formal consultation activity and ongoing engagement. This includes outreach programmes to educational institutions and the supply chain.
- 7.6 Following the route announcement in November 2016, HS2 Ltd and DfT will carry out engagement, including information and consultation events along the line of route, to explain the scheme and consult on key issues. These will take place over the full period of the consultation process.
- 7.7 HS2 Ltd uses a variety of forms of media to ensure effective communication to reach a diverse audience to explain and support the programme. This builds on best practice and lessons learnt from earlier phases of the HS2 project, and other projects. HS2 Ltd's engagement approach is set out in the company's Annual Report, available on the gov.uk website. HS2 Limited maintains a Customer Relationship Management database as a record of its stakeholder engagement. In addition, the HS2 Ltd Residents' Commissioner provides independent oversight of engagement activities and makes recommendations for improvement.
- 7.8 Stakeholders include:
 - Local communities affected by the route
 - Local representatives, including Local Authorities and Local Enterprise Partnerships
 - MPs and Peers

- Businesses
- Supply chain industry
- Academia
- Campaign groups
- Environmental groups
- Other Non-Government Organisations

7.9 As the programme is expected to deliver broad connectivity benefits across a number of cities, the aim is to also engage with a more comprehensive set of stakeholders than those directly or immediately affected. Phase 2b has a number of regional Programme Boards involving, for example, Local Authorities, which focus on making the most of the opportunities presented by HS2 and considering how local development and the HS2 scheme can effectively align.

7.10 HS2 Ltd's engagement strategy is informed and facilitated by an HS2 Ltd communications delivery plan. This involves:

- Planned regular opinion research to inform ongoing policy and delivery of the HS2 programme, enabling awareness and support to be measured over time
- The formal requirements of policy consultation exercises and Parliamentary processes
- A proactive media strategy that gives prominent attention to significant milestones in the delivery programme and which is designed to ensure a constant flow of news and information to demonstrate momentum and respond to criticisms and ideas
- Developing a social media strategy that makes full use of digital communication tools
- Developing a strong brand for HS2.