

**Major Projects Authority (MPA) Project Assessment Review (PAR)**

**Programme Title: High Speed 2 (HS2)**

**MPA ID: WIP 02909**

**Privacy Marking: UNCLASSIFIED**

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## **MPA Project Assessment Review (PAR) Report** **High Speed 2 (HS2)**

**Version number: Final Report**

**Date of issue to SRO: 17<sup>th</sup> June 2011.**

**SRO: Steve Gooding**

**Department: DfT**

**Agency or NDPB: HS2 Ltd**

**Review dates: Tuesday 7<sup>th</sup> June 2011 to Friday 10<sup>th</sup> June 2011.**

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**Review Team Leader:**

**Chris Rust-D'Eye**

**Review Team Members:**

**Fiona Wilson**

**James Ballingall**

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<b><u>Delivery Confidence Assessment</u></b>	Amber
<p>The Review Team finds that successful delivery appears feasible although significant issues exist, that are capable of being resolved, but require management attention at this time. However, there are certain activities that if not actioned over the next three months (marked critical in the recommendations) would cause the delivery confidence assessment to turn amber/red.</p> <p>The reasons for our assessment level are based around the following key points:</p> <ul style="list-style-type: none"><li>• The Review Team thought that the HS2 Ltd and DfT teams showed a high level of dedication and common purpose for the delivery of the work required to allow the Secretary of State to decide on his announcement.</li><li>• Exemplary private sector stakeholder engagement and communications are in place for the current consultation on the overall strategy and the London to Birmingham route.</li><li>• Due to the pressure of work associated with the consultation exercise discussion and decisions on the governance, structure and commercial case that will be required to take the programme forward should the Secretary of State decide to proceed are in the very early stages.</li><li>• OJEU's for critical procurements are to be issued within the next two months and the skills and resources to carry out this work are just being appointed.</li><li>• Some sections of the five model business case are well developed; however other sections need to be developed to meet the required procurement programme.</li><li>• A small number of resources are required in the short term within HS2 Ltd and DfT to support the anticipated work load to successfully complete tasks over the next three months.</li><li>• Planning is needed for a more substantial step up in resource at the end of the year, should the Secretary of State decide to approve the scheme, to allow expansion into a new development role.</li></ul>	

The Delivery Confidence assessment RAG status should use the definitions below.

<u>RAG</u>	<u>Criteria Description</u>
Green	Successful delivery of the project/programme to time, cost and quality appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery significantly
Amber/Green	Successful delivery appears probable however constant attention will be needed to ensure risks do not materialise into major issues threatening delivery
Amber	Successful delivery appears feasible but significant issues already exist requiring management attention. These appear resolvable at this stage and if addressed promptly, should not present a cost/schedule overrun
Amber/Red	Successful delivery of the project/programme is in doubt with major risks or issues apparent in

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	a number of key areas. Urgent action is needed to ensure these are addressed, and whether resolution is feasible
Red	Successful delivery of the project/programme appears to be unachievable. There are major issues on project/programme definition, schedule, budget required quality or benefits delivery, which at this stage do not appear to be manageable or resolvable. The Project/Programme may need re-baselining and/or overall viability re-assessed

### Summary of Report Recommendations

The Review Team makes the following recommendations which are prioritised using the definitions below.

Ref. No.	Recommendation	Critical/ Essential/ Recommended
1	Greater clarity should be brought to the roles and functions of the Department, HS2 Ltd and other relevant stakeholders as appropriate. This clarity could then usefully be developed into a governance agreement which the different parties sign up to. Particular reference should be paid to the approvals processes and the ability to make timely decisions to meet the tight programme requirements.	Critical
2	The Department and HS2 Ltd dedicate more attention to planning the structure that will be needed should the Secretary of State decide to proceed with the development of the high speed network. This will need to address both the ongoing consultative and advisory functions needed for phase 2 of the programme (Birmingham to Manchester and Birmingham to Leeds) and the new development work required for phase 1 of the programme (London to Birmingham).	Critical
3	The outstanding elements of the business case need to be developed with commercial and management being the immediate priority. This will enable the team to present appropriate information to facilitate the approval of the imminent procurements and position HS2 Ltd for the demands that will arise should the Secretary of State decide to proceed.	Essential (do by end of August 2011)
4	HS2 Ltd and DfT need to ensure that they have a comprehensive document control procedure which is consistently applied and which would stand up to the scrutiny of any judicial review challenge.	Essential (do within 3 months)
5	HS2 Ltd and DfT undertake detailed planning together for activities within 2011 focussing particularly on dependencies, interfaces and decision points.	Essential (do in the next 4 weeks)

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6	Both HS2 Ltd and DfT recruit urgently a small number of people to meet their current identified needs and produce longer term recruitment plans which should in particular deal with the resourcing and support needed as the programme enters into its development stage.	Critical
7	DfT and HS2 Ltd identify and agree their priorities both for the immediate critical 6 week period prior to procurement and for the remainder of the year, in particular focussing on the management challenge of moving HS2 Ltd from an advisory body to one which can also take forward the stage post Secretary of State decision.	Critical

**Critical (Do Now)** – To increase the likelihood of a successful outcome it is of the greatest importance that the programme/project should take action immediately

**Essential (Do By)** – To increase the likelihood of a successful outcome the programme/project should take action in the near future. [Note to review teams – whenever possible Essential recommendations should be linked to project milestones e.g. before contract signature and/or a specified timeframe e.g. within the next three months.]

**Recommended** – The programme/project should benefit from the uptake of this recommendation. [Note to review teams – if possible Recommended recommendations should be linked to project milestones e.g. before contract signature and/or a specified timeframe e.g. within the next three months.]



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### **Background**

#### **The driving force and aims of the programme:**

Government set up HS2 Ltd in January 2009 to consider the case for new high speed rail services between London and Scotland and, in particular:

- To look at the feasibility of, and business case for, a new high speed rail line between London and the West Midlands, and to develop associated route proposals;
- To consider the potential development of a high speed network beyond the West Midlands at the level of broad route corridors.

Reports on this remit were published in March 2010.

The previous Government's support for high speed rail was set out clearly in its Command Paper of 11 March 2010. The present Government's "Programme for Government", published in June 2010 stated that:

- "We will establish a high speed rail network as part of our programme of measures to fulfil our joint ambitions for creating a low carbon economy. Our vision is of a truly national high speed rail network for the whole of Britain"

In October 2010 the Government announced that its preferred option for high speed rail north of Birmingham is for two separate corridors – one corridor direct to Manchester and with a link onto the West Coast Main Line, and the other to Leeds via the East Midlands and south Yorkshire, with stations in both areas, with a link to the East Coast Main Line.

The broad plan for the network to Manchester and Leeds including the section between London and the West Midlands is roughly the shape of a letter Y. This is therefore referred to as the "Y Network"

The Government's choice of the Y network was based on the work by HS2 Ltd comparing this configuration with a "reverse S" configuration serving London to Birmingham, Manchester and Leeds in a single line. This work was published in October 2010. The clear conclusion of the report was that the Y configuration is likely to offer the best economic case for the basis of the network.

Following this, also in October 2010, HS2 Ltd was asked by Government to prepare a more detailed assessment of the business case for extending the proposed HS2 line from the West Midlands to Manchester and Leeds and to develop route proposals, reporting in December 2011.

In December 2010, the Secretary of State announced the Government's proposed high speed rail strategy – including its preferred route for the initial London – West Midlands line and its approach to delivering a wider high speed rail network.

The Government recognises that no final decision should be taken on a major infrastructure project of this scale, however, until all those with an interest have had an opportunity to make their views known.

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The Government has therefore issued a Consultation document together with a full suite of supporting documents which included a detailed economic case and a full Appraisal of Sustainability. HS2 Ltd is holding roadshows along the proposed route from London to the West Midlands to make sure that local residents are aware of the plans and that their views are listened to. The Consultation ends on the 29<sup>th</sup> July 2011.

### **Current position regarding MPA Reviews:**

This is the first review.

### **Purposes and conduct of the MPA PAR Review**

#### **Purposes of the PAR Review**

A PAR has been designed to be flexible and is now applied when a standard gateway process is not the most suitable form of assurance. PARs will predominantly be used on major projects within government and should not be seen as a replacement for all other assurance. The scope and areas of enquiry are determined before the start of the review, and can include some aspects from a particular Gateway e.g. a Gateway 3 if the project is just about to award a contract. However, other aspects which are particular to a project can also be explored. As the Major Projects Authority (MPA) begins to take shape, it is expected that PARs, along with Starting Gates, will be a practical piece of assurance applied to major projects before the project submits their Business Case to Treasury or where there are concerns around the deliverability of the project.

Appendix A defines the scope of this Review

#### **Conduct of the PAR Review**

This MPA PAR was carried out from Tuesday 7<sup>th</sup> June to Friday 10<sup>th</sup> June 2011 at the DfT Offices, Great Minster House, 76 Marsham Street, London SW1P 4DR. The team members are listed on the front cover.

The people interviewed are listed in Appendix B.

The Review Team would like to thank the programme team and all interviewees for their support and openness, which contributed to the Review Team's understanding of the Programme and the outcome of this Review.

## **Findings and recommendations**

### **1: Governance and Cost Control**

The Review Team heard from a number of interviewees that discussions were being held internally within DfT and HS2 Limited on the governance arrangements that are required for the programme. An example of action already taken was the creation of a programme board to advise the SRO, Steve Gooding, and which draws on expertise on major transport projects from across the DfT.

We heard from a number of interviewees that it would be helpful if the roles and responsibilities of the relevant bodies are clarified, as well as the relationships they have with each other. This should cover DfT and HS2 Ltd and their various Boards and could, as appropriate, be extended to other important public sector stakeholders.

**Recommendation 1: Greater clarity should be brought to the roles and functions of the Department, HS2 Ltd and other relevant stakeholders as appropriate. This clarity could then usefully be developed into a governance agreement which the different parties sign up to. Particular reference should be paid to the approvals processes and the ability to make timely decisions to meet the tight programme requirements. (Critical)**

The Review Team also heard from a number of interviewees that, should the Secretary of State decide to proceed, the programme would be moving into a different phase and on a different scale to that currently underway.

**Recommendation 2: The Department and HS2 Ltd dedicate more attention to planning the structure that will be needed should the Secretary of State decide to proceed with the development of the high speed network. This will need to address both the ongoing consultative and advisory functions needed for phase 2 of the programme (Birmingham to Manchester and Birmingham to Leeds) and the new development work required for phase 1 of the programme (London to Birmingham). (Critical)**

The Review Team found the level of cost control within HS2 Ltd to be adequate, and was reassured that it had been recognised that if the programme grew in size then changes would need to be implemented.

### **2: Business Case and Stakeholders**

As part of the material produced for the consultation process the programme has already developed strategic and economic sections that would contribute to the overall business case. The Review Team understand that the other parts of the



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business case (commercial, management and financial) need developing. In so doing it is important to understand the appropriate level of detail required and which elements of the five case model are needed for which audiences and approvals. In relation to the management case the section on governance above will provide a useful starting point. While the development of the financial case appears less pressing it is still important that attention is given to it as appropriate.

In relation to the commercial case, we understand that HS2 Ltd is in the process of recruiting a commercial director and we have seen a draft report recently written on the options for transition from the present arrangements for the HS2 project into the development phase. We suggest that this report may provide a useful starting point for the commercial case.

The Review Team understands that there are a number of critical procurements coming up: we suggest that these need to be viewed in the context of an overall procurement strategy which needs to be developed, and we recognise that the timetable for this is very tight. In developing the structure due consideration should be given to the creation of appropriate incentivisation arrangements.

**Recommendation 3: The outstanding elements of the business case need to be developed with commercial and management being the immediate priority. This will enable the team to present appropriate information to facilitate the approval of the imminent procurements and position HS2 Ltd for the demands that will arise should the Secretary of State decide to proceed. (Essential)**

The Review Team were impressed with the work being carried out on private sector stakeholder management and communications, especially bearing in mind the substantial number of stakeholders within this programme.

### **3: Risk Management and Document Control**

The Review Team was provided with risk registers and strategies for both HS2 Ltd and DfT and was impressed with the quality of these. Over the course of the interviews there was a consistent view about top risks facing the programme.

The Review Team heard that DfT were working on improving records management within the programme. We welcomed this in light of the documents that we received, the risk of challenge, the Department proving its own due process and the extensive FOI requests. This would also be useful for phase 2 should the Secretary of State decide to proceed.

**Recommendation 4: HS2 Ltd and DfT need to ensure that they have a comprehensive document control procedure which is consistently applied and which would stand up to the scrutiny of any judicial review challenge. (Essential)**



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### **4: Forward Planning**

The Review Team saw several plans at different levels of detail. We did not hear a consistent view on what activities would be undertaken and by whom leading up to December 2011.

We have not seen an integrated assurance and approval plan as may be expected by MPA/HMT in preparation for any MPRG review that may be scheduled.

**Recommendation 5: HS2 Ltd and DfT undertake detailed planning together for activities within 2011 focussing particularly on dependencies, interfaces and decision points. (Essential)**

### **5: Resources**

The Review Team was impressed with the professional and positive attitude of all the people interviewed and believed that this attitude reflected the way in which all the programme teams worked together to achieve positive outcomes.

The Review Team heard that DfT might well find it difficult to balance resources in the longer term. We therefore felt that it was important for DfT to identify, as they are planning to do, the additional resources required to support the work programme to prepare for the eventuality that the Secretary of State decided to go ahead with the HS2 (London to West Midlands) programme in December 2011. The Review Team felt that the risk is high that if these additional resources were not in place in a timely manner then progress on the programme work could be seriously affected.

The Review Team understood that HS2 Ltd enjoyed greater flexibility on recruitment for the future, but nevertheless we felt that there was an immediate short term need around commercial and procurement work.

It was recognised that in urgent circumstances HS2 Ltd may appoint interim managers whereas for DfT this would mean moving scarce resource around internally.

**Recommendation 6: Both HS2 Ltd and DfT recruit urgently a small number of people to meet their current identified needs and produce longer term recruitment plans which should in particular deal with the resourcing and support needed as the programme enters into its development stage. (Critical)**

The Review Team heard from several people interviewed that the HS2 Ltd senior management team had understandably been focussed on consultation and road

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shows for several weeks with the result that they had spent little or no time together. We believe that HS2 Ltd faces some critical challenges in the run up to the appointment of a development partner and that this will demand senior management time. The Review Team heard these critical challenges included appointment of a commercial director, procurement and future shape of organisation.

We heard and we agree that there is a really challenging timetable and we believe that it is important to invest some time in taking stock as a matter of urgency.

**Recommendation 7: DfT and HS2 Ltd identify and agree their priorities both for the immediate critical 6 week period prior to procurement and for the remainder of the year, in particular focussing on the management challenge of moving HS2 Ltd from an advisory body to one which can also take forward the stage post Secretary of State decision. (Critical)**

**The next MPA PAR is expected in November 2011.**

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### APPENDIX A

#### Scope of MPA PAR

##### Overall

- Consider the key elements of a Gate 0 review (Business Case, Stakeholders, Risk Management, Governance, Outcomes, Readiness for next phase etc) and recommendations on appropriate Governance structures
- Consider elements of Gate 2 in light of the procurements about to begin (is the procurement strategy sound, does the programme have access to procurement expertise, are there Outline Business Cases to support these)
- To consider an appropriate way forward on assurance (an approach to integrated assurance)
- Organisational Arrangements (Dept vs HS2 Ltd) and resourcing levels across the programme
- Funding arrangements and spend profile

##### General programme governance

- Progress towards developing an Integrated assurance and approval plan for the whole programme that should cover;
  - 1) A timeline setting out deadlines, outputs, approval and assurance points – essentially a programme plan to 2015.
  - 2) This should highlight how much is forecast to be spent achieving each output so we can judge whether the appropriate approval/assurance points have been identified.
  - 3) Identifying clear roles and responsibilities between DfT and HS2 Ltd now and in the future.
- A risk register – how risks are monitored, escalated and ultimately mitigated.
- Cost controls – how costs are monitored and controlled and whether this needs to be changed as the project moves into a phase where more significant funds begin to be spent.
- The project team – do DfT and HS2 Ltd have sufficient staff and expertise in order to deliver to time and budget?

##### Readiness to begin contract procurements

- Whether they have business cases for the two contracts they want to let – including an explanation of the reason for the timing constraints, what the contracts are for and their VfM/affordability.
- Do HS2 Ltd/DfT have the expertise to manage the procurement process?
- Maturity of the contract documentation – has the compressed timetable left enough time to conduct the necessary due diligence and stress testing?
- Whether DfT/HS2 Ltd would be liable for bid costs if the SoS decided not to proceed.



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### APPENDIX B

#### Interviewees

<b>Name</b>	<b>Role</b>
Martin Capstick	DfT-Programme Director
Steve Gooding	DfT-SRO
	HS2 Ltd-Consultant
	HS2 Ltd-Programme Manager
	DfT-Strategic Communications
	HMT
	HMT
Ian Jordan	HS2 Ltd-Project Sponsor
Alison Munro	HS2 Ltd-Chief Executive
	DfT-Deputy Director, HSR Consultation and Legislation
	HS2 Ltd-Finance and Procurement
	HS2 Ltd-Finance and Procurement
Brian Briscoe	HS2 Ltd-Chairman
	DfT-Deputy Director, HSR Strategy
	DfT-Legal
	HS2 Ltd-Consultation and Communications
Andrew McNaughton	HS2 Ltd –Chief Engineer
Andy Friend	HS2 Ltd-Board Non-Exec