



Department
for Transport

HS2 Phase 2a Strategic Outline Business Case Management Case

Moving Britain Ahead

January 2016

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1. Introduction and Scope

- 1.1 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, Warrington, Newcastle and on to Scotland.
- 1.2 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), allowing fast, direct services to destinations including Crewe, Manchester, Liverpool, Preston and Glasgow. 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).
- 1.3 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 and Leeds, with intermediate stations to serve the East Midlands and Sheffield. Phase Two will be completed seven years after Phase One, in 2033.
- 1.4 This document sets out the Management Case for the HS2 route between Fradley (at the point at which Phase One joins the WCML) and Crewe, and for accelerating delivery of this section of HS2 Phase Two (the “Phase 2a” scheme).
- 1.5 Phase 2a is a 37 mile railway starting at Fradley at its southern end. At the northern end it connects with the WCML south of Crewe to allow HS2 services to join the WCML and call at Crewe Station. North of this junction with the WCML, Phase 2a continues to a tunnel portal south of Crewe, thereby providing passive provision for completing Phase Two, as set out in the 2013 Line of Route Consultation¹ (in other words, trains would only start travelling up to the tunnel portal once the next part of the Phase Two route was built).
- 1.6 Phase 2a also includes an Infrastructure Maintenance Depot located in the Basford area South of Crewe as consulted in 2013. The alignment is as consulted in 2013, with some route refinements made in response to consultation.
- 1.7 The Management Case is one of the five cases making up the Government’s Strategic Outline Business Case (SOBC) for Phase 2a. The five case are:
 - Strategic Case
 - Economic Case
 - Financial Case

¹ <https://www.gov.uk/government/consultations/hs2-phase-two-proposed-line-of-route-from-west-midlandsto-manchester-and-leeds>

- Commercial Case
- Management Case

- 1.8 The SOBC stage of developing a major project outlines the high level outcomes which the project intends to deliver. It sets out the need for intervention and how this will further ministers' aims and objectives. It provides suggested or preferred ways forward and presents the evidence for decisions, including the costs and benefits.
- 1.9 The scope, costs and schedule are refined as the project moves to an Outline Business Case, which is then further refined to give greater confidence in delivery by the time a final investment decision is taken at the Full Business Case stage. As a result, the train service specification (TSS) and designs set out in this SOBC are intended to give Government confidence in the intentions and outputs of the project, but will continue to be refined and may change as the project develops.
- 1.10 The strategic objectives and rationale for Phase 2a are set out in the Strategic Case of the Strategic Outline Business Case.

Scope of the Management Case

- 1.11 The Management Case sets out the management systems and procedures which are in place to oversee the delivery of the programme; what controls are in place; 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 2014², and will cover the following items:

- An outline of the HS2 Phase 2a programme and how it will be delivered
- The governance arrangements for the programme, both within HS2 Limited and the Department
- Details on the programme of work planned and how key milestones are tracked
- Information on how risks and issues are managed and escalated
- Detail on 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

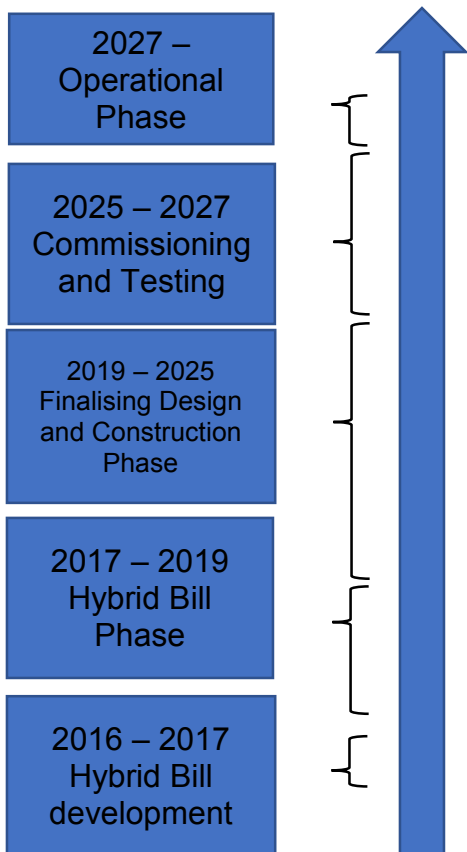
Taking forward the HS2 programme

- 1.12 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 Bill 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 part of the Western Leg of Phase Two by 2027 (the Phase 2a route), we intend to introduce two separate hybrid Bills for Phase Two.

² <https://www.gov.uk/government/publications/hs2-strategic-case-supporting-information>

- 1.13 The Secretary of State’s intention is to deposit the first of these hybrid Bills (covering Phase 2a) by the end of 2017, with a view to obtaining Royal Assent by end 2019 (subject to Parliamentary timetable). The second of the two planned hybrid Bills, which will enable construction of the rest of the Phase Two route, is expected to be deposited some time in 2019, following a decision on the route in 2016.
- 1.14 The programme for the delivery of the Phase 2a route is significant in its own right. The indicative timetable for delivery of the Phase 2a route is set out below, with train services expected to commence by the end of 2027.

Timetable to an operational railway



1.15 The current high level outline plan for the delivery of the Phase 2a route is set out on the left.

1.16 Following a route decision in 2015, HS2 Limited and DfT will develop the hybrid Bill, and we expect to deposit this in Parliament by the end of 2017.

1.17 To support development of the hybrid Bill, HS2 Limited has procured services under a suite of professional service contracts to 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 Limited expect to respond to the petitions process to achieve Royal Assent. Royal Assent is anticipated during this Parliament.

1.19 The programme anticipates entering the final detailed design and construction phase between achieving Royal Assent for the hybrid Bill and 2025. Detailed design and construction will be led by HS2 Limited on behalf of the Department for Transport, consistent with the delivery of Phase One. After commissioning and testing the new infrastructure, operations would then commence by the end of 2027.

Figure 1: Proposed Timetable to an operational railway

2. Governance

Roles and Responsibilities

- 2.1 In supporting the delivery of the project for the Phase 2a route, the Department for Transport's (DfT) primary function is that of client and sponsor of the programme, ensuring that HS2 Limited deliver the scheme requirements set out under the Sponsor Requirements.
- 2.2 HS2 Limited has been commissioned as the 'delivery agent' for developing the route proposals, and delivering the products needed to support parliamentary process and preparation for the construction of the route, pending Royal Assent. HS2 Limited will continue, post-Royal Assent, to lead the delivery of Phase 2a.
- 2.3 Following agreement of the Strategic Outline Business Case (SOBC) and the route announcement, HS2 Limited will undertake consultation on property compensation for Phase 2a, 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 2017, 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 Limited to deliver across all Phases of the HS2 programme are set out in the Development Agreement. This is part of a suite of key governance documents as set out below:

| Name of Document | Overview |
|--------------------------------|--|
| HS2 Limited Framework Document | The rules and guidelines relevant to the exercise of the functions, duties and powers of HS2 Limited as a non-Departmental public body (NDPB); The conditions under which any public funds are paid to HS2 Limited by the Secretary of State; and How HS2 Limited is to be held to account for its performance. |
| HS2 Limited Corporate Plan | As required under the Framework Document, the Corporate Plan sets out how HS2 Limited plans to deliver its remit and measure its performance. |
| Development Agreement | The Sponsor's high level output-based requirements, and objectives for the railway; Minimum requirements for service specification for operations: the defined Opening Date; the defined Final Completion Date; Shared values and objectives of the organisations; Governance arrangements; Cost control procedures; and Respective roles and responsibilities; |

Table 1 Key Governance Documents

- 2.5 Following approval of the SOBC for Phase 2a, the Department will instruct HS2 Limited to develop the scheme. This will be done through updating the existing Development Agreement to include Phase 2a.
- 2.6 The Department stipulates the Sponsor's Requirements, which set out the parameters of the scheme which HS2 Limited is tasked with delivering. These include a statement of outputs, incorporating the scope and functionality of the railway. The Sponsor's Requirements will be updated to set out the requirements for Phase 2a. HS2 Limited will respond to this with a functional response, which is then formally developed into a detailed project specification, project cost estimate and project risk assessment for approval by the Department.
- 2.7 In addition to the Sponsor's requirements, the Department is also responsible for:
- Securing funding for HS2 Limited to deliver the project
 - 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)
 - 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 Limited, as the delivery body for the programme, is responsible for:
- Delivery of the Phase 2a railway (including infrastructure, rolling stock as a component of Phase One, commissioning these into service and preparation for full passenger operations) so as to deliver the Sponsor's Requirements. This includes the development of the detailed scope and functionality of the Phase 2a route and its subsequent construction to meet the operational requirements for the railway, and compliance with the appropriate railway (Technical Specifications for Interoperability), environmental and construction standards
 - Planning, designing and environmentally assessing Phase 2a, including the preparation of the Bill documents and the Bill ancillary documents, in order to allow the hybrid Bill for that section of HS2 to be deposited by the target Bill deposit date
 - Assisting and supporting the Department and its Parliamentary Agents in the preparation of the hybrid Bill, including the Bill schedules, for Phase 2a
 - Administering any safeguarding directions made by the Secretary of State in respect of the Phase 2a 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
 - Consulting on and operating the statutory blight scheme and any other compensation schemes stipulated by the Secretary of State
 - Promoting the High Speed Two scheme, and conducting the engagement with national bodies, local authorities and local communities

- Providing all other support the Department requires for the hybrid Bill, and latter stages of the programme including financial and business case modelling
 - Operating within the budget set by the Department, save for changes made to the scope, which will be managed through the Change process
- 2.9 The Development Agreement currently includes the schedule and target prices for the delivery of the requirements for Phase One. As part of instructing HS2 Limited to develop the Phase 2a scheme, we will formalise the baseline schedule for delivery and a Target Price will be set in due course.
- 2.10 HS2 Limited are required under the Development Agreement 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). The initial Delivery Strategy has been prepared by HS2 Limited for Phase One and approved by DfT. These strategies will continue to evolve as we continue to develop Phase One and Phase 2a, 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 As outlined in the Development Agreement, a Review Point process has been introduced to enable HS2 Limited to be granted certain operational delegations. These are key programme check points and completion of them is conditional on HS2 Limited and DfT's satisfactory demonstration 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. This process is currently being applied to Phase One, with preparation for the first Review Point well underway, and we expect a similar process to apply in relation to Phase 2a and the rest of Phase Two.

Governance

- 2.12 The scale and complexity of the HS2 programme necessitates a strong governance structure which can adapt as the programme evolves and progresses.
- 2.13 The Governance Manual developed by the Department supplements the Development Agreement and provides a detailed, comprehensive and up to date view on the corporate governance framework between the Department and HS2 Limited. Governance arrangements for the project 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. Arrangements made to ensure the programme can move to the next phase as soon as Royal Assent is achieved.
- 2.14 The governance structure within HS2 Limited is provided at Annex A. Within this structure there are also interfacing arrangements with DfT, which is responsible for the overall management and stewardship of the programme. These arrangements aim to ensure that HS2 Limited delivers upon the requirements set out in commissions and through the Development Agreement. The details of HS2 Limited's governance are set out in the HS2 Limited governance strategy.

Programme Governance for HS2

- 2.15 The HS2 programme is led by David Prout, the Senior Responsible Owner (SRO), and the Department'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
- Ensure 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
- Ensure problem resolution and referral processes are appropriate and effective
- Ensure that the project or 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 Development Agreement (as Chair of the Client Board)

2.16 The Department has put in place a governance structure within the HSR Group to support the Senior Responsible Owner (SRO) for the HS2 programme in meeting his responsibilities. A diagram of the new structure is below.

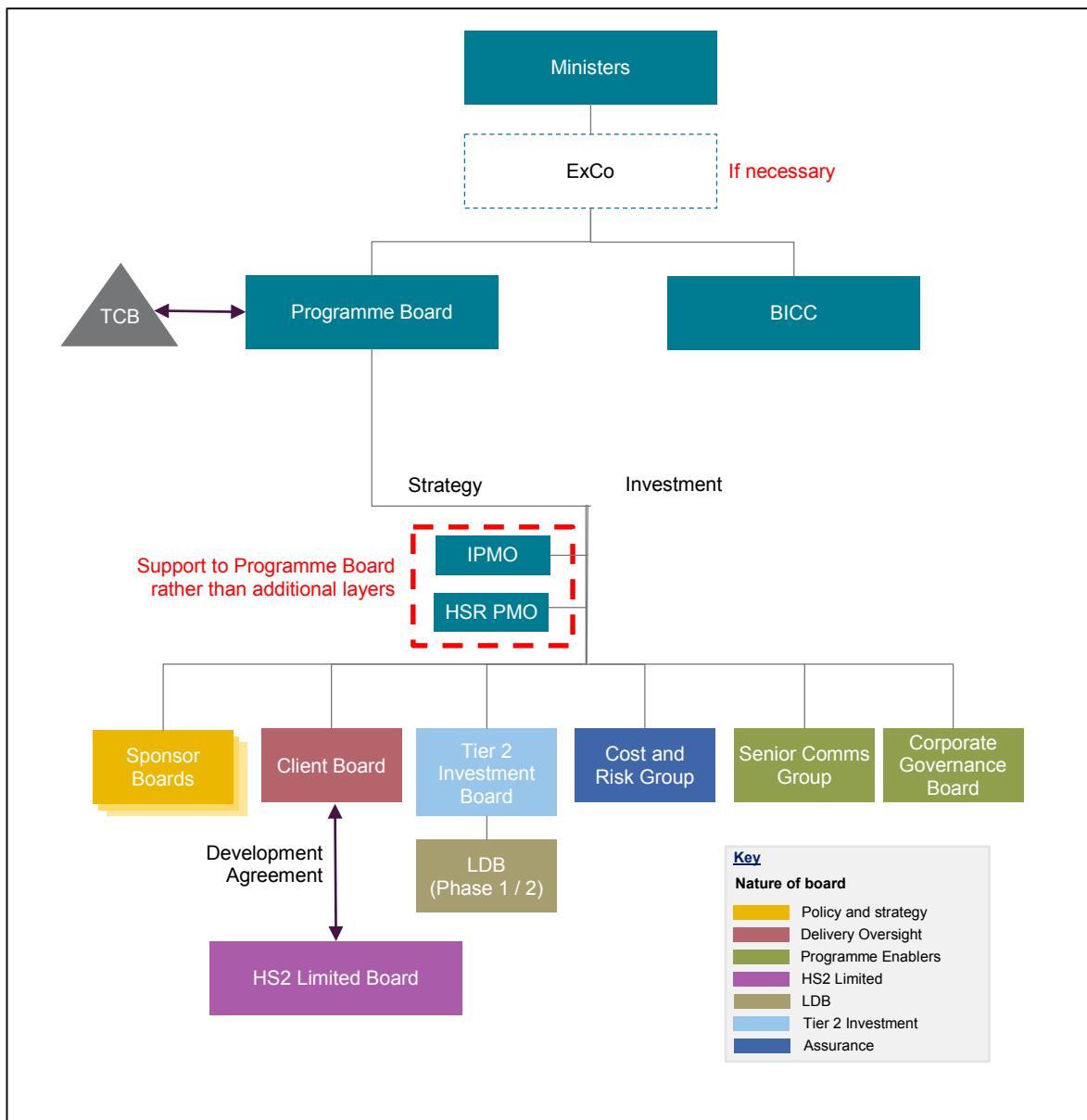


Figure 2: Programme Governance

DfT Executive Committee

2.17 The Department'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
- corporate issues

Board Investment and Commercial Committee

2.18 The Board Investment and Commercial Committee (BICC) is the Department'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 makes decisions on major approvals that affect the scope, cost or schedule of HS2 (e.g. hybrid Bills, major HS2 Limited delivery strategies, review point assessments). It decides on major procurement approvals (such as tunnels, stations etc), on change management (e.g. changes against agreed baselines from the Department or HS2 Limited) and any other issue the SRO decides to refer to BICC.

Tripartite Cooperation Board

2.19 To inform the Secretary of State, at a strategic level 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 Limited as delivery agent for the programme and Network Rail as owner and operator of the existing network. A Tripartite Cooperation Memorandum, signed in January 2014, between DfT, HS2 Limited 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. The TCB has no formal decision-making powers. All decisions are ad referendum to the bodies represented on the Board.

Programme Board

2.20 The HS2 Programme Board supports the HS2 Programme SRO to oversee 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 whole programme. Its functions include:

- Strategic oversight of the whole 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

2.21 The Programme Board meets monthly, or more regularly as required, and includes representatives from the wider programme, classic rail stakeholders and other Government departments, 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

2.22 There are three sponsor boards which report to the Programme Board:

- Phase One Sponsor Board – responsible for Phase One of the Programme
- Phase 2 Sponsor Board – responsible for Phase 2 of the Programme
- Operations Sponsor Board - responsible for legal, contractual and commercial options for future train operator; rolling stock and depots; roles and responsibilities for infrastructure manager, systems operation and stations; regulatory issues; and interface with conventional rail

2.23 Sponsor Boards are accountable for the development of policies and strategies and for overseeing delivery against these strategies and policies once related delivery work has been remitted to HS2 Limited.

2.24 The HS2 Limited Client Board's primary purpose is to review, challenge and support project delivery and performance of HS2 Limited as the delivery agent, based on the requirements of the Development Agreement and Sponsor's Requirements.

2.25 The Tier 2 Investment Board acts as the decision making body in relation to investment decisions within delegated limits set by BICC. In making decisions 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.

2.26 There are a number of other boards which support oversight and control of the Programme. These are summarised below.

2.27 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 Limited.

2.28 The Corporate Governance Board has the authority to require changes to Programme governance arrangements, including:

- The creation and removal of boards, and changes to terms of references should be approved by the Corporate Governance Board and the Board must also be notified of the creation of working groups.
- Reviewing delegated authorities of boards and suggest amendments to Programme Board.

2.29 The Senior Communications Group provides strategic direction to Programme communications. This includes:

- Identifying and assessing communications risks and challenges for the programme.
 - Managing engagement with key stakeholders.
 - Promoting alignment of communications across the Programme.
- 2.30 The Senior Communications Board has the authority to determine key communications strategy and priorities, and to determine Programme positioning on key issues which require alignment throughout the Programme.
- 2.31 The Cost and Risk Group provides the Programme Board with assurance on whole life affordability of the HS2 Programme including cost, risks and opportunities.
- 2.32 The governance framework also includes interfaces with the Rail Executive within the Department for Transport. The Rail Interface Group, which is a group within the Department, co-ordinates issues between major rail projects, contracts and the HSR group. This group is responsible for identifying issues that interface between HS2 and the conventional network. As the design of the High Speed Two network progresses in line with the development of Phase One, the relationship with Rail Executive will also be developed to test the delivery of the TSS³, and the interactions of HS2 with the wider rail network. This relationship will also be used to continually test the delivery of the HS2 programme, in view of other schemes contained within the Control Period outputs set by the Office of Road and Rail.

Phase 2a specific governance

- 2.33 The development of HS2 Phase 2a is overseen by a project board, which includes the three delivery partners. The project board will report to the Phase 2 Sponsor Board which ensures that the interfaces between Phase 2a and other parts of the programme are properly managed.

Integrated Programme Management Office

- 2.34 The Department and HS2 Limited have developed an Integrated Programme Management Office (IPMO) between HS2 Limited, the Department and Network Rail.
- 2.35 The IPMO integrates Programme Management Office activity across DfT, HS2 Limited, and 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 – 'one source of the truth'. On governance, the IPMO will ensure there is a clear line of sight for decision making across DfT, HS2 Limited 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.
- 2.36 The Integrated Programme Management Office also brings together the risks from DfT, HS2 Limited, Network Rail and other Government Departments and reports to the Programme board, which acts as the central point for oversight of issues and risks.

³ A TSS is an expected level of train service that will operate upon completion of the HS2 programme.

Programme Management Office

2.37 The IPMO integrates the work carried out by the Programme Management Office (PMO) within the HSR Group, and the Programme and Strategy Directorate (PSD) within HS2 Limited. These arrangements ensure that there is effective programme interface, reporting and governance within the programme. The PSD plans, manages and reports on the delivery activities of HS2 Limited. The PMO does the same for DfT activities, and also reports to the Departmental and Government stakeholders.

2.38 The activities of the PSD include:

- establishing and keeping up-to-date a high level programme plan for HS2, 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) management tools
- formal reporting to the SRO, senior management team and HSR Programme Board on programme wide achievements, issues, risks, finance, assurance activity and progress against plans through monthly progress reports and dashboards
- identifying and managing interdependencies between HS2 workstreams and/or wider Governmental policies, highlighting key risks and issues associated with this to senior management
- establishing and managing a risk and issue management strategy and process on behalf of the SRO
- creating and managing an information management and document control process for the programme
- liaising with the HS2 Limited Programme Office in the management of the programme, and reporting of issues risks and progress against plans
- liaising with the Sponsorship team to ensure regular financial reports are provided to the SRO, Directors and the HSR 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.

Governance structure of HS2 Limited

2.39 HS2 Limited is a government company and non-Departmental Public Body sponsored and funded by the Department. 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 Limited, and for the specific delivery and advice on the development of the high speed rail network as set out in the Development Agreement⁴.

2.40 The company is managed by the HS2 Limited Board, which meets monthly. The non-executive Chair and other non-executive directors are appointed by the Secretary of State. HS2 Limited's Chief Executive, Chief Financial Officer and Managing Director are also company directors. The Board has corporate responsibility for ensuring that HS2 Limited fulfils the remit, aims and objectives set by the Department and for

⁴ See: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/389368/HS2_development_agreement__December_2014_.pdf

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 the company and the Department on effective project delivery.

2.41 HS2 Limited complies with the principles of 'Corporate Governance in Central Government Departments: Code of Good Practice 2011'⁵ 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. The Department for Transport is responsible for the appointment of Board members. As HS2 Limited 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 Limited 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.

2.42 HS2 Limited's Executive Committee, chaired by Simon Kirby, manages the company's day-to-day business. It meets weekly to review and take decisions, where appropriate, on both the HS2 programme and internal company management issues. It also separately meets monthly as the company's Health and Safety Committee.

2.43 The work to develop the hybrid Bill for Phase 2a is managed by the Development Directorate within HS2 Limited, with controls provided by the cross cutting functions within HS2 Limited's matrix structure. Alison Munro is the Managing Director for Development, which maintains overview of the Development team, and the project for the Phase 2a route. The Development Board looks over the Euston Scheme, Phase 2, and the Phase 2a route.

Organisational structure

2.44 The organogram for the Department's HSR Group, can be found on the HM Government's website⁶. In line with the Department's Corporate Planning Process Protocol, only senior officials are shown. The HSR Group recently underwent a review and changed the structure of the team to ensure that it has robust and experienced resources to develop the programme and fulfil the Department's client management requirements. The Group is now 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

⁵

[https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220645/corporate_governance_good_practice_july2011.p](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220645/corporate_governance_good_practice_july2011.pdf)

⁶ <http://reference.data.gov.uk/gov-structure/organogram/?dept=dft>

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.

2.45 The organogram for HS2 Limited can be found on HM Government's website⁷. The majority of staff engaged on the HS2 programme work in HS2 Limited, with the number currently at c1000. This is expected to increase to c1,200 by the end of the 2015/16 financial year. 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.

Document Control

2.46 Document control provides a framework for ensuring documents are created and managed effectively. A document control document sets out the Department'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. This document is updated regularly and distributed to the wider team as best practice.

2.47 The arrangement established by HS2 Limited for the control of documents is described within the HS2 Limited 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.

⁷ <http://reference.data.gov.uk/gov-structure/organogram/?pubbod=high-speed-Limited>

3. Planning and Risk Management

Planning

- 3.1 The HS2 programme is an integral part of the Department's transport agenda and the UK's infrastructure investment programme. Within the Department, the programme is run in accordance with the Managing Successful Programmes and PRINCE2 methodologies. These provide a framework for:
- Managing the delivery of the programme through regular reviews of progress against the plans / schedule
 - Managing risks and issues, including escalation of 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
 - Ensuring stakeholders are engaged at the right time and place 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. These include:
- An overarching joint Department and HS2 Limited High Speed Rail High Level Programme Plan, highlighting key milestones. A progress report on the high level Plan is shared with the HS2 Programme Board and Client Board on a monthly basis and updated weekly as the basis for a weekly monitoring meeting with the senior management team, attended by Department, HS2 Limited officials and Network Rail leadership.
 - Work stream plans – outlining the key activities and milestones going forward. In the Department, these plans are set out in each team's toolkit (see section on resilience)
- 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).

Risk Management

- 3.4 Programme Risk is managed in line with the Risk Management Strategy developed by HS2 Limited and by PMOs in the delivery bodies.

3.5 The below diagram illustrates the escalation process for risk within the Programme.

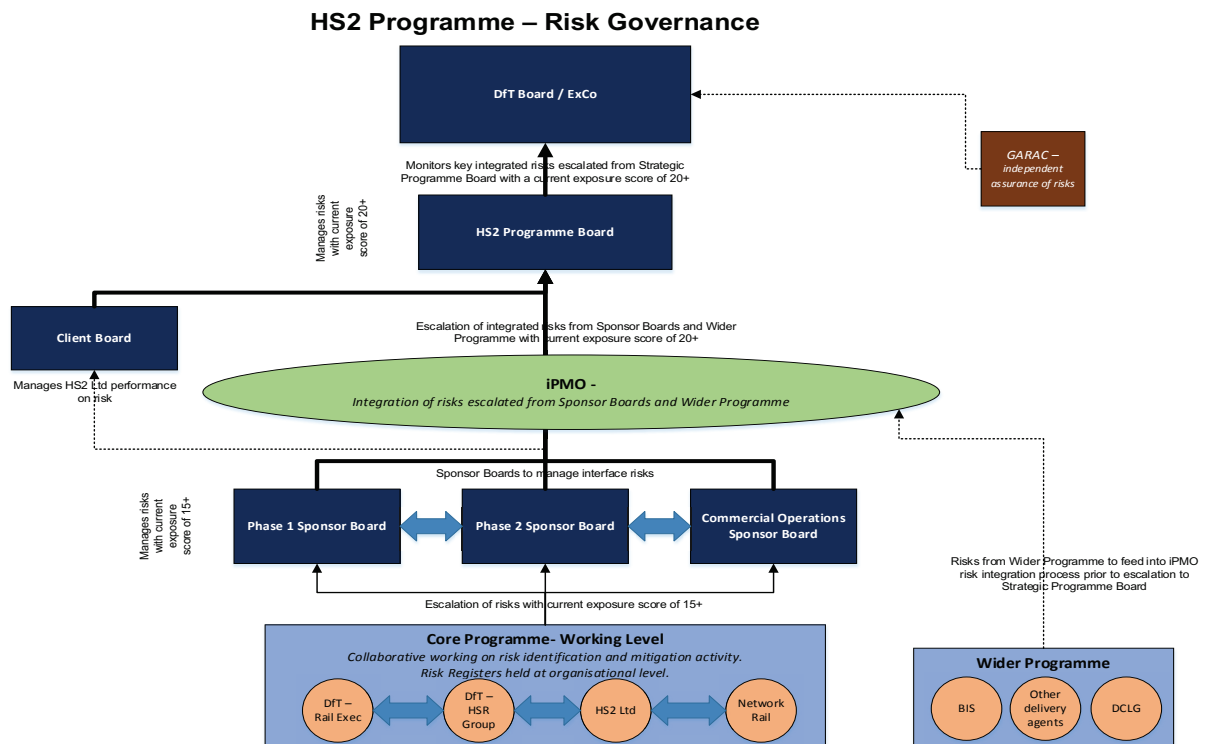


Figure 3: Risk escalation process

- 3.6 Considerable focus is placed on the effective and timely response of actions for risks being 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.
- 3.7 As part of the programme cost estimating process, HS2 Limited has adopted a process of using bias in line with the Treasury’s Green Book standards. In particular, HS2 Limited has adopted the process set out in the supplemental document to the Green Book of appraising risk.
- 3.8 HS2 Limited expects that the process for deriving contingency will evolve over time to a space where Quantified Risk Analysis is undertaken to derive the contingency levels for Phase 2. These will replace optimism bias, as has already happened for Phase One. The current level of design for the project is at 3-5% for Phase 2a meaning that there is insufficient design of the programme to inform any meaningful understanding of specific risks to undertake QRA at this point. We expect that HS2 Limited will be in a place of being able to inform a more comprehensive design between the Outline Business Case, and the Full Business Case, 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 contracts have been procured in a number of areas to test transport access, environmental and ecological factors, and systems that will enable a transport system to operate.
- 3.9 The risk allocation framework between DfT and HS2 Limited is set out in the Development Agreement (DA). This requires HS2 Limited to deliver the Sponsor’s Requirements in accordance with the DA, other than for the occurrence of “Secretary of State Retained Risk Events”. Phase One has a Target Price defined in the DA

and, once Phase Two has completed its quantified risk assessment we expect to agree a Target Price for Phase 2a.

- 3.10 HS2 has assurance processes embedded within the cost estimating processes, including a three tiered approach to assurance. The Department has a separate and independent party that undertakes assurance and provides advice. The project representative (P-REP) is embedded within HS2 Limited to provide the Department with advice on the project design and delivery.
- 3.11 As the project matures, and in view of the requirements for the Outline Business Case expected when the Bill is deposited, we expect that HS2 will have a greater level of maturity in project design (particularly following the work done as part of the professional service contracts being let in late 2015). Accordingly, we expect to see the development of a fully worked up QRA undertaken on the costs and schedule.

Costs and Change Control

- 3.12 The November 2015 Spending Review has confirmed the Government's commitment to taking forward the whole of HS2 by setting a total budget of £55.7 billion 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.
- 3.13 Whilst the total envelope for the project has been established at £55.7bn, at this stage it would be inappropriate to allocate a fixed budget for Phase 2a. However, for appraisal purposes, we have assumed a split of the funding envelope for the acceleration to Crewe. This has been calculated at £3.7bn in 2015 prices and is reflected in the economic case.
- 3.14 Following the SR15 settlement the Secretary of State will write to HS2 Limited updating the remit to reflect the settlement.
- 3.15 Change control is formally described under the DA and a well-established process is place for the programme.

Programme Assumptions

- 3.16 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 2a business case.

Assumptions

Western leg - The western leg of Phase Two connects the 'existing' spur at Fradley (by Phase One) to the WCML at Golborne with a further WCML connection at Crewe and a spur into Manchester.

Depots and maintenance loops - Each of the Phase Two legs incorporates a rolling stock depot, an infrastructure maintenance depot and a maintenance loop.

Control room - The operational control room for Phase Two will be at Washwood Heath (with Phase One).

Performance of existing Network Rail assets - Network Rail will deliver all relevant improvements assumed for CP5 in its Strategic Business Plan in time for start of Phase 2a operations in 2027. Network Rail will maintain all relevant assets in line with its committed Asset Maintenance Plan and Network Rail will achieve the CP5 required levels of performance on the network by 2027 and that subsequent control periods will see no worsening in expected levels of performance for the network than that expected at the end of CP5

Upon completion of HS2 works the combined performance of the network (HS2 and NR) will achieve the sponsor's requirements

Phase One hybrid Bill scheme - The Phase One scheme will deliver the scope as submitted at deposit of the Phase One hybrid Bill

Phase Two journey times - The scheme achieves the required journey times

Table 2 Assumption relevant for Phase 2a

- 3.17 Changes to these assumptions which impact on the functional response or sponsors requirements are subject to a formal change procedure.
- 3.18 As well as the programme assumptions made, there are a number of dependencies within the programme, and on which the schedule is contingent. Those dependencies include developing the Train Service Specification for the Phase 2a route, and work being carried out on options around a possible Crewe Hub station.
- 3.19 These dependencies are being progressed with the Department, with a number of interfaces between the Rail Executive, Major Projects and the Network Rail Sponsorship team. These interfaces are highlighted through the Rail Interface Group, the governance of which is separately managed through Rail Executive's and HSR Group's approvals processes.
- 3.20 HS2 Limited has formed a group to work with Network Rail and the Department to further develop the Phase 2a train service specification and identify what services would best operate in the long term. This will draw on the development work done to date and feed into the assumptions for the Phase 2a Outline Business Case (OBC), when the hybrid Bill is deposited. Ahead of the OBC, we intend to commission further work exploring the availability of capacity on the West Coast Main Line to understand how the services will operate in accordance with the wider rail network, and further scope the works that are needed at Crewe in order to facilitate the HS2 services.

Programme Assurance

- 3.21 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).
- 3.22 The IAAP sets out the framework to provide appropriate, robust and objective assurance to the SRO, Secretary of State and HMT to support decision-making throughout the HS2 programme.

3.23 The IAAP is consistent with the Department's Integrated Assurance and Approvals Strategy and was validated by HM Treasury and the Major Projects Authority, and approved by the HSR Programme and Investment Board and the Department's Board Investment and Commercial Committee (BICC)

3.24 The IAAP describes an approach to assurance that is:

- based on 'three lines of defence' – comprising internal management assurance, independent management assurance and independent assurance (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

3.25 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. More information on the IAAP for HS2 is available in the 2014 Management Case for HS2.

4. Delivering value for money

Benefits Management

- 4.1 Benefits management is an important tool for ensuring that the HS2 programme remains focussed on delivering the benefits identified in the business cases.
- 4.2 The outline strategy for delivering the anticipated benefits of HS2, minimising dis-benefits and planning, monitoring and evaluating activities has been established for Phase One. The Department and HS2 Limited will utilise this framework for Phase 2a.
- 4.3 The Department'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. The Department's guidance sets out that the Outline Business Case should cover the following:
 - Benefits Realisation Plan: which sets out the way in which the benefits be managed;
 - Monitoring and evaluation: summarising the outline arrangements for the way in which benefits are monitored and evaluated for the project.
- 4.4 To ensure that the intended benefits of HS2 are fully delivered, lessons learnt from other projects such as HS1 are used to inform the programme. They have also been used to inform the way in which the programme is best structured. In order to clearly identify the benefits, consider them within the business case appraisal, and ensure that they are able to be realised and assessed.
- 4.5 The Department and HS2 Limited have already begun work on developing a programme-wide benefits capability, which whilst it is currently focussed on Phase One, will be readily replicable and expandable for Phase 2.
- 4.6 A Benefits Management sub-Strategy is being developed under the Delivery Strategy. This will set out our intentions for a programme wide HS2 benefits management capability. The strategy will include scope; accountabilities and responsibilities and how to identify individual benefit owners to ensure benefits are realised; monitoring and reporting (including the role of the IPMO); and how benefits management will be used to support delivery and enable decision making.
- 4.7 This strategy also sets out the scope for benefits, including both benefits which are delivered within the HS2 programme budget, and benefits which rely on HS2 but which also require extra funding to realise (e.g. regeneration benefits from Growth Strategies). The principle for all benefits is that they should be owned by whoever can make decisions on how funding is used to deliver that benefit –whether that is HS2 Limited, DfT or other bodies such as Local Economic Partnerships. Further work is continuing around how this will work in practice, including making sure we can work with local partners to encourage their involvement with devolved budgets.

- 4.8 Concurrently, work has progressed on identifying and then starting to profile individual benefits (including measures, targets etc). Whilst most of this is concentrated on Phase One, many of the benefits in Phase Two will be similar and the same metrics used to measure performance. We expect this work will provide a solid grounding for the identification and development of Phase Two benefits.
- 4.9 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.



Figure 4: Benefits management strategy

Communications and Stakeholder Engagement

- 4.10 A scheme of HS2's magnitude, which is unprecedented for over half of a century, can provoke strong passions, scepticism among some commentators, and real concerns among those locally impacted by the programme. As part of managing this programme, significant levels of engagement is a necessity.

- 4.11 The overall engagement strategy is based on a clear explanation and rationale for the HS2 programme. HS2 Limited briefs and engages on the case for HS2 widely, and in a number of forms, ensuring that effective use is made of mediums of communication and ensure that we reach a diverse audience to communicate the programme. HS2 Limited's engagement approach is separately published, which can be found on HS2 Limited's website.⁸
- 4.12 As well as HS2 Limited, the Department 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.
- 4.13 HS2 Limited complements this Departmental work, and also leads on regional and community level contact; runs a number of engagement groups; and facilitates the Ambassadors and Advocates programme. HS2 Limited maintains a Customer Relationship Management database as a record of its stakeholder engagement.
- 4.14 Engagement at community level is carried out through a range of techniques, building on experience in delivering HS1 and Crossrail, including Community Forums and Planning Forums along the London West Midlands route, and information events linked to formal consultation exercises.
- 4.15 In addition, and building on the work that Phase One has done on the route to Birmingham, the Department and HS2 Limited are working together to deliver roadshows later in 2015 and 2016 along the line of the Phase 2a route between Fradley and Crewe following an anticipated announcement on the preferred route, and agreement on the acceleration of the Phase 2a route.
- 4.16 Stakeholders are broadly segmented as follows:
- Local communities and their leaders, including local authorities and LEPS;
 - MPs and Peers
 - Businesses
 - Supply chain industry
 - Academia
 - Campaign Groups
 - Environmental Groups
 - Other non-government organisations
- 4.17 As the programme is expected to deliver broad connectivity benefits across a number of cities, the aim is to also engage with a number of broader stakeholders than those directly or immediately affected. Phase Two has a number of regional programme Boards involving for example the local authorities, which focus on impacts and opportunities for their regions.
- 4.18 HS2's engagement strategy is informed and facilitated by an HS2 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

⁸ Insert link to website

- The formal requirements of policy consultation exercises and the 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

Annex A – HS2 Limited Governance Chart

