

HS2 Ltd IPA Advisor End of Role Report - December 2016

Summary of Key Points

Context: A Major Project Authority (MPA) review conducted in 2014 recommended that HS2 Ltd should engage several advisors to provide specialist advice on the DfT Review Point (RP) process. MPA recommended that these advisors should have extensive experience of MPA, Office of Government Commerce (OGC) and HM Treasury (HMT) guidance to help HS2 Ltd develop and mature capabilities through the agreed RPs (RP1: April 2016, RP2: March 2017, RP3: March 2018).

Use of the IPA Advisors:

- The IPA Advisor role was well conceived and had potential to add significant value to HS2 Ltd.
- The use of the Advisors varied from 'constructive / high value' to 'inappropriate / poor focus'.
- The Advisors' ability to positively influence was heavily impacted, negatively, by the failure of Baseline 6 at Review Point 1 (RP1). This undermined the positional influence/power of the Programme and Strategy Directors, whom the IPA team were advising. Thus, the ability to impact the Executive and Board decisions was marginalised post May 2016.

Delivery Confidence in HS2 Ltd:

In the opinion of Paul Mansell¹, who has reviewed/advised/led on ten of UK's largest public sector programmes, the status of the programme is between Amber-Red and Red (using the definition of the IPA Project Assessment Review 'Confidence Rating') for the following reasons:

- The delivery of its benefits to time, cost and scope, and its provision of Value for Money (VfM) objectives would be likely to be classified as 'failed' by any internationally recognised definition of project success² (academic and practitioners' research as well as by PMI or APM).
- Despite the NAO and PAR's recent Reports (the well qualified teams have limited time and inside knowledge to complete their reviews) the project provides poor VfM in the short term, 1-5 years. It is highly likely to significantly overspend, c20-60%³, with the likely cost increasing from £57Bn to more than £80Bn, with a very high opportunity-cost impact across other government Departments.
- The project will remain fundamentally flawed unless greater transparency and frankness is provided to the true level of uncertainty and confidence variations of time, cost and benefits.
- However, the project is possibly justified on a macro-economic basis e.g. to infuse the UK economy during the turbulence of a post Brexit environment.

Specific Delivery concerns:

- HS2 Ltd is at a precarious position caused by ambitious, and potentially ill-conceived, organisational re-design during a de-stabilising leadership transition period against a demanding procurement schedule.

¹ Paul Mansell has no political affiliations and has worked in the public sector for 20 years prior to joining Deloitte in 2001. He has been at the most senior MPRG assurance level for HMT since its inception in 2008; he is on the United Nations (UNOPS) panel of Project Governance/Review advisors; he is the UCL Module lead on the MSc for Strategic Management of Projects; has personally led, as Programme Director, national programmes more than 14Bn; has Masters from Cambridge, KCL and Oxford - the latter being in Major Projects (with distinction). Authored the CISCO (\$50Bn revenue in 2016; 75,000 employees) global standard on Programme Management; led the BT Project Management Centre of Excellence for community of 3,500 project managers; Fellow of APM; Chartered Director with IoD; built and jointly sold UK's leading niche PM consultancy; the senior advisor for 10 of UK's largest public sector projects since 2005.

² Morris, P. & Hough, G, 1987. *The Anatomy of Major Programmes: A Study of the Reality of Programme Management*. Chichester: John Wiley & Sons. UK; and, Morris, P. 2012. *Reconstructing Programme Management*. National Audit Office. 2005a. *Improving Public Services through better construction*, Report by the Comptroller and Auditor General HC 364-I Session 2004-2005, TSO: London. National Audit Office. 2005b. *Driving the Successful Delivery of Major Defence Programmes: Effective Programme Control is a Key Factor in Successful Programmes*, Report to the Comptroller and Auditor General, HC 30 Session: 2005-2006, TSO: London.

³ From Baseline 6 evidence that the IPA Advisor has reviewed and attitudes/approaches adopted by the senior team at HS2 Ltd. As assessed against international benchmarking standards led by Flyvbjerg, B. 2005. *Design by Deception: The Politics of Mega-programme Approval*. *Harvard Design Magazine*, no. 22, Spring/Summer, pp. 50-59.

- Lack of senior leadership continuity at this critical period of change is compounded by: the CEO and Chairman leaving (both resigning despite two of the highest public sector salaries in UK) within a single FY Qtr; the high turnover of IUK (now part of IPA) and HMT transport leads; and, a report on the Board's effectiveness that was critical of its structures, approach and skills. Further destabilisation will follow Alistair Kirk's resignation, announced on 4 January 2017. This is likely to precipitate five other Directors' departure: James Findlay (confirmed); Tim Fenemore (confirmed); Colin Morris; Jonathan Cope; and Will Bentley. This will further weaken HS2's project management capabilities, that is falling well short of best practice - already highlighted in reviews by the NAO, IPA and the Bowe Review of Network Rail.
- Despite positive overlays from optimistic leaders across HSRG and HS2 Ltd to reassure stakeholders that all the changes are manageable and ultimately to the benefit of the investors, the evidence is not compelling:
 - The moves to strengthen the Board have been piece-meal. The results are inconclusive and by evidence of their 'challenge' to the re-organisational design, lacks edge to hold the Executive to account for their rationale of moving from a widely accepted (the norm) matrix organisation to a single hierarchy that weakens the clarity of assurance and services provision from the centre.
 - The Executive team's lack of cohesion and common vision is evident in the way the Phases operate independently and their poor tempo and consistency of decision making. The silo'd approach is exacerbated by the recent re-organisation that places greater autonomy into single Phase MDs by removing the matrix organisation provided by the Programme and Strategy Directorate (PSD). The organisational review also invests more functional authority with the CFO. These changes are unhealthy for a Public Sector programme of this size where the likelihood of overspend and delay is very high. In addition, the dilution of the Sponsor's role further reduces the checks and balances. The impact of the silo'd approach will also be lost opportunities for cross-phase efficiencies and effectiveness improvements.
 - There is insufficient separation of the new HS2 Ltd Interim CEO's role and his company's significant commercial interests in the programme (CH2M have been working with Phase 1 since 2012 as the Phase 1 Development Partner and have recently won the £350m JV contract for the Phase 1 Engineering Delivery Partner). It is not in the interest of CH2M to challenge the increased control moving to Phase 1.
 - The occurrence of HS2 Ltd optimism bias, that is evident to some degree in all major projects, is well outside good practice norms. Baseline 6, and its subsequent lessons learned exercise, highlighted the inability to identify and deal with the single biggest threat to the programme - transparency. Without the commercial driver of 'profit' that a private sector project would use to ensure clarity of objectives and VfM, HS2 Ltd requires a mature framework of assurance checks and balances to mitigate risks and maximise opportunities. This proved problematic for RP1 and the HS2 Ltd previous CEO's assertion of excessive assurance was plausible, but has been misrepresented in the organisational review. This has led to the potential for weaker assurance and less transparency.
- Inadequate Business Transformation Programme (BTP) planning and implementation: ineffective governance; no credible plan by which to gauge/manage progress; lack of baseline plan linking process/systems/people capabilities; inadequate critical path or dependency mapping led to inability to meaningfully redeploy resources to manage prioritised risks.
- Insufficient Executive recognition of the importance of Programme Management Lifecycle application thereby undermining the foundation of credible assurance across delivery. There is poor (in some delivery areas it is almost absent) use of robust processes that assess progress against clearly defined business cases (as discrete levels within overall HS2 Business case). The Sponsor's role dilution also increases this organisational risk.

Recommendations

To be shared on 1-2-1 feedback (due to sensitivity) based on the following headings:

- Future use of IPA Advisors.
- Methods to provide assurance with teeth to counter-balance new single hierarchical structure.
- Organisational review, design and implementation - learning lessons from BTP failure.
- Optimism bias - through to strategic misrepresentation.
- Application of effective PM Lifecycle including the review of Internal Sponsor role to give the process credibility and strength.