

# Meeting minutes

## HS2 Ltd Board

**Meeting date** Wednesday, 26 April 2023

**Meeting location** The Podium, London

**Meeting time** 09:00-15:30

| Members  | Attendees   | Apologies |
|--|---|-----------|
| Jon Thompson (item 4 onwards)<br>Chair                         | Alan Foster<br>Interim Chief Financial Officer                                    |           |
| Elaine Holt (Acting Chair items 1-3)<br>Non-Executive Director | Joanna Davinson<br>Observer   |           |
| Judith Hackitt (MS Teams)<br>Non-Executive Director            | Emma Head (item 10)<br>Delivery Director for Technical Services                   |           |
| Tom Harris<br>Non-Executive Director                           | ██████████ (items 7 & 12)<br>Commercial Delivery Director for Civils and Services |           |
| Stephen Hughes<br>Non-Executive Director                       | Alan Over (item 3)<br>DfT Senior Responsible Officer (SRO)                        |           |
| Ian King<br>Non-Executive Director                             | Non Owen<br>Company Secretary   |           |
| Roger Mountford<br>Non-Executive Director                      | Keith Smithson<br>Observer  |           |
| Mark Thurston<br>Chief Executive Officer                       | ██████████ (item 8)<br>Health, Safety and Security Director                       |           |
| Ruth Todd<br>Chief Commercial Officer                          | ██████████ (Observer)<br>General Counsel  |           |

## 1 Welcome, Quorum, Declarations of Interest and Values Moment

- 1.1 The Chair welcomed members and attendees to the meeting.
- 1.2 No new/additional conflicts of interest were declared.
- 1.3 The Board received a values moment from Elaine Holt on the perceptions of HS2 Ltd from the general public.

## 2 Minutes of the Previous Meeting and Matters Arising (HS2B\_22-133, HS2B\_23-001 and HS2B\_23-002)

- 2.1 The minutes of the meeting held on 29 March 2023 were approved as an accurate record, subject to the addition of the next steps agreed for the Strategic Risk Register.
- 2.2 The Board noted the status of the actions.

## 3 DfT SRO Update (HS2B\_23-003)

- 3.1 The Department for Transport (DfT) Senior Responsible Officer (SRO) joined the meeting.
- 3.2 The Board received a verbal update on DfT activity / focus during the period, including:
  - 3.2.1 [REDACTED]
  - 3.2.2 [REDACTED]
  - 3.2.3 [REDACTED]
  - 3.2.4 An aligned session between HS2 and the DfT at the Public Accounts Committee although recognising that there will be further issues to reflect on when the report comes out including:
    - 3.2.4.1. [REDACTED]
    - 3.2.4.2. [REDACTED]
  - 3.2.5 [REDACTED]
  - 3.2.6 Continuation to develop the [REDACTED] and the requirement for sufficient time for scrutiny by the HS2 Executive, Board and DfT to draw this to close, anticipated through May and June.
  - 3.2.7 Continuation of delivery for the Programme, factoring in COVID costs, inflation, EAC and adaptation of the Programme delivery. There is a requirement to test the definitive areas of the schedule.
  - 3.2.8 A crucial risk mitigation is to agree and [REDACTED]
  - 3.2.9 There is agreement from the DfT [REDACTED]

- 3.2.10 The Board discussed the requirement for open lines of communication along the line of route for Phase 2b and HS2 should pursue available opportunities including focus on skills and regeneration.
  - 3.2.11 The Board noted that at the time of reporting, all of the Key Performance Indicators (KPIs) for 2023/2024 have not yet been agreed with the DfT.
  - 3.2.12 The DfT Observer provided a reflection on the attendance by the Secretary of State (SoS) to the Board roundtable discussion and agreed to follow up on the list of takeaways between SoS and DfT. The Board are keen to continue to invest in the relationship and that with Minister Merriman as and when possible.
  - 3.2.13 The Board congratulated the DfT SRO on his permanent appointment and commented that there is a strong sense of engagement felt between DfT and HS2.
- 3.3 The Board noted the updates.
- 3.4 The DfT SRO left the meeting.

## **4 Chair/ Board Updates (HS2B\_23-004)**

- 4.1 The Board received and noted the Chair Report as included within the meeting pack, summarising engagement during the period.
- 4.2 The Board also received and noted the summary of the roundtable session with the Secretary of State for Transport, held on 12 April 2023, as included within the meeting pack.
- 4.3 The reports were taken as read and the updates were noted.

## **5 CEO Summary and Annual Business Review (HS2B\_23-005)**

- 5.1 The Chief Executive Officer introduced the CEO summary for April 2023, as included within the meeting pack.
- 5.2 The Chief Executive Officer introduced the CEO summary for February 2023, as included within the meeting papers and highlighted the following points:
  - 5.2.1 A summary on a recent Health and Safety (H&S) incident which will be tabled to the Health, Safety and Security (HSS) Committee.
  - 5.2.2 Ongoing internal work and engagement with the DfT to agree future delivery of works.
  - 5.2.3 A verbal update on active litigation matters including a recent Non-Executive Director (NED) briefing. Following discussion it was agreed that a lessons learned briefing would be scheduled at the relevant time.
  - 5.2.4 The Board received a verbal update on the National College for Advanced Transport and Infrastructure (NCATI).

5.2.5 The Board noted work to develop [REDACTED]  
[REDACTED] and this will return as a briefing topic to the Board at the appropriate time.

5.2.6 [REDACTED]  
[REDACTED]

5.2.7 The following key points were raised and noted:

5.2.7.1. As previously voiced by the Board, there continues to be a requirement for timely decision making from the DfT.

5.2.7.2. Alignment of the cost position to more agile reporting of spending levels and forecasting.

5.2.7.3. Discussion on the organisation, noting that there are areas of the business reporting required additional headcount, at the same time as reallocation of resource. Management advised that the approach will be taken with an affordability lense and that the Basleine (BL) work will also need to be factored in.

5.2.7.4. The Board received a verbal update on the [REDACTED] being delivered and that output is expected in the second part of the calendar year.

5.2.7.5. The points raised by the Board will be factored into an Executive Critical Thinking session which will be shared with the Remuneration Committee and Board. The Board advised that they would welcome visibility of the wider level of spans and layers.

5.2.7.6. The Board were reminded of the previous work to review indirect spend at Executive level and the HR Dashboard which is submitted to the Remuneration Committee for visibility of these metrics.

5.2.7.7. [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

5.2.7.8. The Board discussed any requirement for new skills through Programme delivery and so at the same time as redeloyment and moves, queried the need for new skills/ roles. At the same time the Board are cognissant of the requirement to comply with the Remuneration Annex.

5.2.7.9. Noting the activity on the [REDACTED], the Board requested pricing be shown for Q319, current and future inflationary forecast positions.

5.2.7.10. The Board reiterated the previous working arrangement/ assumptions on Secretary of State (SoS) retained risks as per the Development Agreement and the change in position for inflation.

5.2.8 The CEO went on to introduce the Annual Business Review summarising performance over the year. The following key points were raised and noted:

- 5.2.8.1. In year headlines including successes and challenges in the period.
- 5.2.8.2. Summary of Phase 2a delivery [REDACTED]  
[REDACTED]
- 5.2.8.3. Progression of Ph2b hybrid Bill process.
- 5.2.8.4. Overview of the Mission and Intent which has been introduced and is gaining traction.
- 5.2.8.5. A reminder that 2022 saw the beginning of the peak activity which remains, with heavy activity continuing in the Civils portfolio.
- 5.2.8.6. The Board noted the end of 2025 as the delivery stage for Phase 2b, post Royal Assent, and so there is a requirement to understand what an organisation profile would look like then.
- 5.2.8.7. A discussion on the milestones achieved in the annual period and why these differ from the Key Performance Indicator (KPI) position, noting that Critical Path activity is the focus for Programme Review materials submitted to the Board for the Annual Review.
- 5.2.8.8. The Board discussed the challenge being seen on Consents and the level of internal requirement versus that of the supply chain.
- 5.2.8.9. The Board noted the presentation of the percentage to complete provided in the Management Information (MI) and that this will be reviewed and agreed through BL8 work.
- 5.2.8.10. The Board queried the reporting on performance of Civils Construction Starts, noting that there was an intended ramp up for the first 6 months of activity.
- 5.2.8.11. The Board noted the updates on the Supply Chain and Commercial, and Technical Assurance performance over the year.
- 5.2.8.12. Management confirmed that time was intentionally protected for dynamic and trial operations as a lesson learned from Crossrail.
- 5.2.8.13. The Board requested timing for depots to be added to the Stations and Systems Milestones which Management have agreed to reflect in the MI reporting.
- 5.2.8.14. The Board requested a level of delineation of the [REDACTED] position and Management confirmed that this will be addressed through existing workstreams.
- 5.2.8.15. Management provided clarification that technical debt also includes the audit position required prior to sign off.
- 5.2.8.16. The Board noted the planned review of a Value for Money (VfM) exercise on design.

5.3 The Board noted the updates.

## **6 Cost Control (HS2B\_23-006)**

6.1 The Interim Chief Financial Officer and the Chief Commercial Officer led a discussion on Cost Control.

6.2 The Board received and noted a presentation covering:

6.2.1 Implementation of activities across three dimensions to collectively drive predictable, value for money outcomes:

6.2.2 In-year spending control.

6.2.3 Overall programme cost control.

6.2.4 Culture of enhanced cost control.

6.2.5 The Framework for cost control.

6.3 The following key points were raised and noted:

6.3.1 The cost control approach and how far this needs to be seen in the organisation, with engagement in the business as key to understand interventions and mitigations needed.

6.3.2 To what level are skills and competencies required to be adapted/ repurposed versus additional capability or capacity to deliver. Management advised that this will be incorporated into the Critical Thinking session with the Executive as previously referenced.

6.3.3 Challenge from NEDs on the spend and whether there are opportunities to review the commitments to spend made.

6.3.4 Observation on the level of external oversight and interest in the Programme, noting that external focus seems predominant on the cost position of the Programme with lesser views on the broader responsibilities set for the Programme at Board level.

6.4 The following key points/ responses were provided from Management:

6.4.1 Management advised that a VfM approach to the Programme is fundamental, however there are limits to the influence to set the outputs, whilst accepting the challenge that now is the time to try and influence further here.

6.4.2 A robust discussion was held on where there might be opportunity to be clearer on the demonstration of the rigour and approach taken to manage the Programme including where there might be strengthening to evidence and opportunity to convert/ influence non- controllable factors.

6.4.3 It was suggested that in order to provide more a granular level of detail, that further engagement with NEDs to review the Programme in more detail would be explored, and the Company Secretary will work with the Chair on suitable proposals.

6.5 The Board noted the updates.

## **7 Interim MWCC EKFB Performance Measurement Baseline (PMB) FY23/24 (HS2B\_23-007)**

7.1 The Commercial Delivery Director for Civils and Services joined the meeting.

7.2 The Board received and noted the Interim MWCC EKFB Performance Measurement Baseline (PMB) FY23/24, as included within the meeting pack.

7.3 The Board were asked to:

7.3.1 Endorse the new, interim MWCC PMB for FY23/24 for the EKFB MWCC contract.

7.3.2 Note EKFB Investment Authority paper submission (April 23 HS2 Board) to enable the increase of the EKFB Investment Authority until the interim EKFB 23/24 PMB is endorsed.

7.4 The following key points were raised and noted:

7.4.1 A reminder that a provisional view was provided to the Board in the March Board paper.

7.4.2 [REDACTED]

7.4.3 [REDACTED]

7.4.4 [REDACTED]

7.5 Approval was given to the PMB, noting that there is a requirement to a future Board on the annual performance of the contractors.

7.6 The Commercial Delivery Director for Civils and Services left the meeting..

## **8 [REDACTED] (HS2B\_23-008)**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[Redacted text block]

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## 9 Corporate KPIs: End of Year (22/23) Performance and 23/24 KPI setting (HS2B\_23-009)

- 9.1 The Interim Chief Financial Officer introduced the Corporate KPIs: End of Year (22/23) Performance and 23/24 KPI setting paper, as included within the meeting pack.
- 9.2 The Board were asked to:



- 9.2.1 Note the update and performance against the 2022/23 Corporate KPIs.
  - 9.2.2 Note Government dependencies which have impacted performance against specific KPIs in 2022/23.
  - 9.2.3 Endorse the updated KPIs for 2023/24 for submission to Ministers.
  - 9.2.4 Endorse delegation from the Board to CEO to agree minor variations to 2023/24 KPIs arising from DFT/Ministers, with Board to be informed.
- 9.3 The following key points were raised and noted regarding the 2022/2023 KPIs:
- 9.3.1 The Board discussed the reasoning for missing the KPI on Biodiversity No Net Loss (NNL) noting the revision of metrics.
  - 9.3.2 The Board requested that the KPIs have a narrative to explain where red reported KPIs are an in-year reflection of Management decisions to move away from in year dates, but overall these remain aligned to agreed schedule range.
  - 9.3.3 It was agreed that KPI 7 would be corrected as green rated and that the wording to KPI 7b would be amended prior to submission to the DfT.
- 9.4 The Board noted the performance against the 2022/2023 Corporate KPIs, noting that following the amends requested, these would be submitted to the Remuneration Committee ahead of inclusion in the Corporate Plan.
- 9.5 The following key points were raised and noted on 2023/2024 KPIs:
- 9.5.1 Noting an observation made on the 2022/ 2023 KPI outcome, the Board suggested adaptation to the wording of KPIs e.g., instead of using “award of contract”, use “be ready to award”.
  - 9.5.2 The Board noted the KPIs previously agreed at the March Board.
  - 9.5.3 The Board requested correction to the theme for KPI 8.
  - 9.5.4 The Board agreed that a discussion be held between the Remuneration Committee Chair and the HR Director on KPI 11 offline.
  - 9.5.5 The Board suggested that interim KPIs be agreed with the DfT on cost and schedule KPIs whilst the Baselines are being developed.
  - 9.5.6 The Board suggested a review of the tone of the explanatory notes.
- 9.6 Subject to the comments made, the Board endorsed the updated KPIs for 2023/24 for submission to Ministers and endorsed delegation from the Board to CEO to agree minor variations to 2023/24 KPIs arising from DFT/Ministers, with Board to be informed.

## **10 Health, Safety and Wellbeing Review and Health & Safety Strategy (HS2B\_23-010)**

- 10.1 The Delivery Director Technical Services joined the meeting.

10.2 The Board received and noted the Health, Safety and Wellbeing Review and Health & Safety Strategy, as included within the meeting pack.

10.3 The Board were asked to:

10.3.1 Approve the final version of the Review and Strategy for publication.

10.3.2 Note the communications and engagement handling plan.

10.3.3 Note the update on the H&S Conference in May 2023.

10.4 The following key points were raised and noted:

10.4.1 Committee Members of the Health, Safety and Security Committee supported the Review and Strategy following various input and review, commending the good balance of information and initiatives which have been developed.

10.4.2 The Board noted future potential opportunities to increase communications on this work, for example an interview for press trade.

10.5 The Board approved the final version of the Review and Strategy for publication.

10.6 The Delivery Director Technical Services left the meeting.

## **11 Report from Commercial and Investment Committee 13 April 2023 (HS2B\_23-011)**

11.1 The Board received and noted the Report from Commercial and Investment Committee (CIC) held on 13 April 2023.

11.2 The Board received the report as read and the Committee Chair provided a verbal update on the key matters raised during the course of the meeting, including:

11.2.1 Consideration of the Investment Authority for EKFB, with the Committee requesting that Management provide written confirmation between HS2 Ltd and the DfT for agreement to proceed. This was confirmed to have happened as included in the Board paper.

11.2.2 A decision taken by the CIC, as delegated by the HS2 Board on properties above the line of the tunnel in Phase 2b which could be impacted by operations of the railway. The Board noted the provision for an Undertaking and Assurance (U&A) in the next 5 years for a solution or undertaking to buy outright. Whilst the Committee have provided approval for this decision, it has been requested that an update on discrepancies in the paper as raised in the meeting, have been amended and this will be progressed by the CCO.

11.2.3 The Committee have also cautioned on the wording of U&As as a broader point, and have requested that Management oversee this U&A rather than wait for the outcome in the event an earlier solution/ intervention could be made. This will again be progressed by the CCO.

- 11.2.4 The Committee confirmed that they had approved the uplift under delegation of the Board.
- 11.2.5 The Committee Chair went on to summarise two briefing topics which had been submitted to the Committee namely on Rolling Stock and Levers in Commercial Management.

11.3 The Board noted the updates.

## **12 Investment Authority (IA) uplift on Phase 1 MWCC Eiffage Kier Ferrovia BAM (EKFB) contract (HS2B\_23-012)**

12.1 The Commercial Delivery Director for Civils and Services joined the meeting.

12.2 The Board received and note the Investment Authority (IA) uplift on Phase 1 MWCC Eiffage Kier Ferrovia BAM (EKFB) contract paper, as included within the meeting pack.

12.3 The Board were asked to endorse:

12.3.1 The drawdown of [REDACTED] from Phase One contingency to the EKFB MWCC, to provide increased Investment Authority (IA) for inflation as calculated using the NERA22 index (up to December 2022).

12.3.2 That following any uplift on HS2 Ltd budgets from government in respect of inflation that the Phase 1 contingency will be replenished to the extent that this is covered by that replenishment. This is expected to be managed through the Baseline 8 (BL 8) approval process in 2023.

12.4 The Board discussed the following key points:

12.4.1 The Board received a summary and overview of the request, noting that this had been recommended for consideration by the CIC.

12.4.2 The Board discussed the challenges on indices and noted that HS2 continue to use NERA.

12.5 The Board:

12.5.1 Endorsed the drawdown of [REDACTED] from Phase One contingency to the EKFB MWCC, to provide increased Investment Authority (IA) for inflation as calculated using the NERA22 index (up to December 2022).

12.5.2 Endorsed that following any uplift on HS2 Ltd budgets from government in respect of inflation that the Phase 1 contingency will be replenished to the extent that this is covered by that replenishment. This is expected to be managed through the Baseline 8 (BL 8) approval process in 2023.

12.6 The Commercial Delivery Director for Civils and Services left the meeting.

## **13 Report from Audit and Risk Assurance Committee 19 April 2023 (HS2B\_23-013)**

- 13.1 The Board received and noted the Report from Audit and Risk Assurance Committee (the Committee) held on 19 April 2023.
- 13.2 The Board received the report as read and the Committee Chair provided a verbal update on the key matters raised during the course of the meeting, including:
- 13.2.1 Agreement on the presentation of Strategic Risks for the Annual Report and Accounts position with a requirement to return on the future management of risk.
  - 13.2.2 The Committee were pleased to note the revised presentation on the risk numbers and classifications of trends going forward, expected to be reported from June onwards.
  - 13.2.3 The discussion held on the expected outcome of the Internal Audit opinion.
  - 13.2.4 The discussion on the actions and process to assurance from Project Representation (P-Rep).
  - 13.2.5 Reference to the outcome of NCATI as detailed in the CEO summary and Committee report.
- 13.3 The Board noted the update.

## **14 Forward Look, AOB and Close/Meeting float (HS2B\_23-014)**

- 14.1 The Board reviewed the Forward Look paper, as included in the meeting pack, and noted the items scheduled for discussion at future meetings.
- 14.2 There were no other items of business raised for discussion and the meeting was closed.