Meeting minutes
HS2 Ltd Board

Meeting date       Wednesday, 27 March 2019
Meeting location   Room 6.1, Two Snowhill, Birmingham
Meeting time       09:30 – 16:00

1 Welcome, Declarations of Interest and Values Moment

1.1 There were no additional declarations to those recorded in the register.

1.2 The Board noted apologies from Andrew Wolstenholme.
1.3 The Board noted the values moment from Mel Ewell on safety experience from a previous organisation, which had captured lessons learned of what could have been done better and a compliance review. Mel referenced the importance to keep focus on the perceived “little” things also, after witnessing an interview being conducted on a construction site with the interviewer wearing no personal protective equipment.

2 Minutes of the previous meeting and matters arising (HS2B_18-162 and HS2B_163)

2.1 The minutes of the meeting on 27 February 2019 were agreed as a true record subject to:

2.1.1 A correction to the attendance register;

2.1.2 Clarification to minute 4.2.21 to reference that the portal application can support secure communications between Board Members.

2.2 The status of the actions was noted with the following updates provided:

2.2.1 Action 18/084: The Board noted the update paper, however provided feedback to Management that there is more detail and further assurance that they would like to see, including:

2.2.1.1 How can HS2 Ltd evidence there is rigour and challenge provided against existing and new Undertakings and Assurances (U&As);

2.2.1.2 What is the cost of the Phase 1 U&As, whether this is reportable against the Baseline and how is the cost of the U&As agreed/ assessed; and

2.2.1.3 What are the top ten U&As impacting projects.

2.2.2 Management agreed a further session engaging with some of the Non-Executive Directors to continue this work.

Action: Richard Robinson

3 Chair Report including (HS2B_18-164)

3.1 The Board noted that the Chairman is undertaking an of the HS2 programme.

3.2 The Chairman advised that Board that this exercise was to build on existing information at project and enterprise level, to establish whether HS2 has

3.3 The Board noted that there will be input into this assessment from Board Members, Executive and Management, the Department for Transport (DfT) and independent experts.

3.4 The Board noted that the current schedule
3.5 Richard Brown offered his support given his experience from Eurostar including.

3.6 The Board noted that an announcement regarding new appointments to the Board would be made shortly and once formal approvals were received, a note would be circulated to the Board.

3.7 The Chairman advised the Board that he will lead on another recruitment campaign to further strengthen the skills and experience of the Board.

4 CEO Report (HS2B_18-165)

4.1 The Chief Executive Officer updated the Board on activity since the last meeting.

4.2 The following key points were raised and noted:

4.2.1 There had been a Health, Safety and Wellbeing meeting of minds event with attendance from the supply chain. The Board noted the volume of social media attention this had received following a post to LinkedIn from the Chief Executive.

4.2.2 The Board noted the finance position against the annual forecast, noting Land and Property acquisition variance.

4.2.3 The Board received a verbal update on the [Redacted] from the General Counsel and were advised that any further updates would be made via correspondence if required ahead of the next Board meeting.

4.2.4 A review of the Railway Systems Procurement Programme Strategy continues and papers will be submitted through governance forums over the coming months.

4.2.5 On 13 March 2019, Examiners of Petitions for Private Bills in Parliament passed Additional Provisions 2 (AP2) for Phase 2a with no significant non-compliances. The petitioning period for AP2 closed on 15 March with 81 petitions. Select Committee is expected to resume 25 March.

4.2.6 The Board noted activity over the month with communities and stakeholders, noting that interest as well as scrutiny in HS2 Ltd appears re-enthused.

4.2.7 The Chief Executive has chaired the second Skills Taskforce to ensure HS2 Ltd progresses to be successful in the skills and employment strategy.

4.2.8 The Corporate Plan is being reviewed in draft by the Executive, prior to engaging with the Board. The Board discussed the importance of the document being aligned to other reporting.

5 Report from the Audit and Risk Assurance Committee 04 March 2019 (HS2B_18-166)

5.1 The Board noted the minutes from the Audit and Risk Assurance Committee held on 4 March 2019.
5.2 The Committee Chair made the following additional observations:

5.2.1 The Committee have commended Management on the establishment of an Audit and Risk Assurance Panel which is performing effectively.

5.2.2 The Committee have approved the annual internal audit plan for 2019/2020 provided that there is inclusion of an audit to review the Board information.

5.2.3 The Chair of the Committee reminded the Board Chair of his responsibility and accountability for whistleblowing in the organisation. The Chairman will consider timing and appropriateness to delegate this responsibility.

6 Verbal update from the Commercial and Investment Committee

26 March 2019 (HS2B_18-167)

6.1 The Board received a verbal update from the Chair of the Commercial and Investment Committee in relation to the meeting held on 26 March 2019.

6.2 The Committee had received and reviewed the paper on the Foreign Exchange Policy and Procedures, which the Board would be asked to approve for onward submission to the Department for Transport.

6.3 The Committee commended the quality of the paper.

6.4 The Committee Chair raised the following key points:

6.4.1 There is reference to __________, which is a usual approach, however the Committee suggested that there may be a case, from time to time, to vary this;

6.4.2 The Committee also suggested that there might be value in flexibility on the scope of currencies to hedge; and

6.4.3 There will be development of Management Information to report. The Board noted that there is a Crown Commercial Services reporting requirement also.

6.5 The Committee were satisfied to recommend the paper for Board consideration subject to incorporation of their suggestions.

7 Foreign Exchange Policy and Procedures (HS2B_18-168)

7.1 The Board approved the foreign exchange policy and agreed for the paper to be submitted to the Department for Transport and HMT for approvals.

7.2 With the approval of the policy, the Board agreed:

7.2.1 the FX policy objectives to be adopted when bringing a foreign currency exposure in-house which, depending on the assessment of the resulting FX risk, will be either that of ‘budget certainty’ – __________ at time of contract award – or
‘budget stability’ – over three years prior to payment;

7.2.2 the assessment criteria and methodology for deciding whether to bring a foreign currency exposure in-house;

7.2.3 the use of forward purchase contracts as the permitted FX hedging instrument together with spot purchases for residual foreign currency balances;

7.2.4 the proposed procedures and approvals for planning, execution, settlement and reporting of the FX hedging programme; and

7.2.5 the proposed resourcing, approvals and governance.

8 Contingency (HS2B_18-169)

8.1 The Board noted the paper requesting approval of an extension to existing contingency management approach until Notice to Proceed is granted. The Board noted that individual delegations will be limited to the Managing Directors of each phase only subject to the usual 2-key process.

8.2 The Board approved the paper and the extension to existing contingency management approach.

9 MWCC Update (HS2B_18-170)

9.1 The Board noted the update on the current progress in relation to Main Works Civils Contracts (MWCC) following submission of Gateway 5 (GW5) products.

9.2 The HS2 Board were asked to approve:

9.2.1

9.3 The Board noted:

9.3.1 The emerging MWCC Gateway 5 progress on

9.3.2 That due to scale of schedule and cost challenge and the volume of evaluation and subsequent negotiations required, the large long lead advance order authority request will be deferred to the June Board meeting.

9.4 The following key points were raised:

9.4.1 Activity since the last Board meeting has included section reviews, optimisation and how this affects the direct costs.

9.4.2 The Board noted the emerging Gateway 5 since Gateway 4.
9.4.3 The Board discussed the early benchmarking analysis including the development of cost per km versus the “should cost”.

9.4.4 Management are reviewing a summary of products including the HS2 Ltd should cost model to run a data comparison.

9.4.5 The benchmarking is a work in progress and the Board advised Management that there should be recommendation made from the Executive if and when required should there be substantial concern over scale and/or quality from the supply chain.

9.4.6 The Board noted the emerging which are being developed with the Department for Transport (DfT).

9.4.7 Management confirmed that this would be assessed in parallel to reviewing the commercial model.

9.4.8 The successful Joint Ventures will need to be capable to react to the

9.4.9 Should there be continuing concerns with the Joint Ventures, the Board reiterated their expectation of a recommendation from Management on mitigation scenarios. The Board advised that this could be dealt with out of cycle if required.

9.4.11 Management confirmed that there was continuing evidence gathering with option analysis to support any such recommendation to the Board.

9.5 The Board noted the timeline and gave an action to Management to review options and implications as to whether the timeline could be expedited.

Action: Mark Thurston

10 Project Evolve Update (including )

(10.2.1) The approach being taken aligns with Project 13 principles, a government work stream regarded as a best practice approach to the client model.

10.2.2 The Board noted there are HS2 Ltd led workshops with the Joint Ventures to inform next steps. This activity is being supported by

10.2.3 Project Evolve will deliver a different way of working, which will require good lines of communications to staff and the supply chain.

10.2.4 Workplace forum discussions have started to prepare for this.
10.2.5 The Board suggested that the case studies listed might be a useful source of input to inform and learn lessons to change the ways of working.

10.2.6 The revision of the approach will review the contractual models and risk, which will be supported with the necessary legal advice.

10.2.7 Management advised there is a good level of in-house capability in the commercial teams however the scale of work may require some supplementation and/or movement of capability.

10.3 The Board noted the update.

11 Strategic & Stakeholder Engagement Report (HS2B_18-172)

11.1 The Board noted the paper in relation to the key activities of the Strategic & Stakeholder Engagement Department since the previous Board meeting.

12 Business Plan for Lendlease (HS2B_18-173)

12.1 The Board received a presentation to update on progress at Euston following the appointment of Lendlease Europe Holdings as the Master Development Partner in March 2018.

12.2 The following key points were raised and noted:

12.2.1 Activity follows Secretary of State direction given in May 2016 to regenerate Euston.

12.2.2 The opportunities are for the 54 acre site to deliver jobs, homes, the largest development site in London and generation of significant financial receipts to the public purse.

12.2.3 HS2 Ltd are acting as landowner representatives/ agents for the Euston site with a contractual agreement with the Department for Transport (DfT).

12.2.4 The Board noted the timeline of the Master Development Partner and that the HS2 Ltd role is building the foundations for the use of future plots.

12.2.5 The Board noted the deliverables and challenges over the next six months but prompted Management not to lose sight of further past the six months.

12.2.6 The delivery of the site will continue to support the importance of Euston to HS2 Ltd: Value for Money, respect for communities, teamwork and collaboration, and a positive legacy for Britain.

12.3 The Board thanked the Commercial Development Director for his work and the presentation.
13 Phase 1 Earthworks (HS2B_18-174)

13.1 The Board received a presentation on earthworks in Phase 1 including a fly through video which is a Building Information Modelling (BIM) product.

13.2 The following key points were raised and noted:

13.2.1 The Board commented on the complexities included in the route shown in the fly through video. The Board noted the route length shown in the presentation as approximately 15km in length. Within that there were a number of complexities with height of tunnels and interrelated utilities for example.

13.2.2 The Board received an update on specification and capacity requirements, including how HS2 compares to other countries which have delivered comparable projects. The Board noted an example of a change from slab track to ballast to reduce operational costs.

13.2.3 The Board noted the complexities of population density and the comparison of the number of interfaces involved with a number of utility companies.

13.2.4 The Board noted the geology aspect and the requirement for suitable materials and the various mitigation options being identified for beneficial reusage of spoil for example.

13.2.5 The deliverables of the work needs to meet reliability and longevity requirements.

13.2.6 The Board discussed the design iterations and components involved with cuttings and logistics of fill and also the opportunities involved with asset management, analysed on a value for money basis.

13.2.7 The Board noted the work to develop robust predictions for movement of earthworks including the numerical analysis which supports this work. This is an area which has been developed with the supply chain as part of the Integrated Project Teams working, following Gateway 4. The collaborative work has resulted in a better level of understanding.

13.2.8 Lessons from this will be passed into Phase 2.

13.2.9 There is ongoing review of what areas of innovation can be applied to earthworks to deliver the appropriate technical solutions.

13.2.10 Management contextualised further on the above points, that these issues are in one area of the route, which brings colour to the scale of the route and the issues which are being worked with the supply chain.

13.3 The Board expressed thanks to the team for their work and the presentation.

14 Priorities for April Board (HS2B_18-175)

14.1 The Board noted the forward look and the activity planned for April and that Company Secretariat will work with the Chairman and Chief Executive Officer to plan content to the April Board Meeting.
15 AOB and Close (HS2B_18-176)

15.1 The Board received a verbal update from General Counsel regarding [redacted]. Further updates will be given to the Board as and when required.