

# Meeting minutes

## HS2 Ltd Board

**Meeting date** Wednesday, 30 October 2019

**Meeting location** Room 6.1, Two Snowhill

**Meeting time** 09:00-16:00

Members	Attendees	Apologies
Allan Cook (Chairman) Non-Executive Director	[REDACTED] Phase Two Project Controls Director	Stephen Hughes Non-Executive Director
Michael Bradley Chief Financial Officer	[REDACTED] Delivery Director	
Mel Ewell Non-Executive Director	[REDACTED] Phase One Project Controls Director	
Judith Hackitt Non-Executive Director	Nicole Geoghegan General Counsel	
Roger Mountford Non-Executive Director	[REDACTED] Sponsorship Director	
Ed Smith Non-Executive Director	[REDACTED] DfT Observer	
Mark Thurston Chief Executive Officer	Non Owen (minutes) Company Secretary	
	Tim Smart (item 10) Phase 2 Managing Director	
	Aileen Thompson (item 04) Strategic Director of Stakeholder Engagement	

## 1 Welcome and Declaration of Interest and Values Moment

- 1.1 The Board noted apologies had been received from Stephen Hughes who had shared comments on the Board papers in advance of the meeting.
- 1.2 The Chairman declared that he had accepted a position on the Advisory Board of Heriot-Watt for Civil Engineering. The position had been disclosed and agreed prior to acceptance with the Department for Transport. The Chairman will disclose in the event of any conflict arising during the term.
- 1.3 The Board received a values moment from Roger Mountford regarding safety and integrity following experiences of injury and illnesses in and outside of the workplace.

## 2 Minutes of the previous meeting and matters arising (HS2B\_19-082 and HS2B\_19-083)

2.1 The Board agreed the minutes of the meeting on 25 September 2019 as a true record.

2.2 The Board noted the status of the actions. The following key points were raised and noted:

**2.2.1 Action 19/050: Health and Safety Passport – Management will return to the Board with an update on this procurement and any involvement or escalation with the relevant regulators.**

**Action: Emma Head**

2.2.2 Action 19/054: Organisational and Governance structures – The Board noted that meetings have been ongoing and there needs to be conclusion on a number of work streams covering organisation, delegations and governance.

**2.2.3 It was agreed that the HS2 Ltd response to Strategy Lessons from Crossrail will be tabled at the next Board meeting.**

**Action: Emma Head**

**2.2.4 Action 19/064: Williams Review - It was agreed that a discussion on the Williams Review would be scheduled before the close of the calendar year if possible.**

**Action: Non Owen**

**2.2.5 It was agreed that the Company Secretary will work with the Chair of the Audit and Risk Assurance Committee and Chairman to progress focus on Key Performance Indicators reporting to the Board and this will be tracked as an action.**

**Action: Non Owen**

**2.2.6 Action: 19/059: Point Estimate - The Board noted the Management response to define Point Estimate and requested that the definition be considered more widely than with a Phase 1 perspective.**

**Action: [REDACTED]**

**2.2.7 Action 19/071 – Strategic Risk Update - The Board requested detail on the logistics to review and implement the strategic risks now that the register of risk descriptors had been agreed.**

**2.2.8 The Board requested visibility of how updates will be managed/ escalated in the interim of the planned 6-monthly updates.**

**Actions: Michael Bradley**

2.3 The Board noted the updates.

## 3 Chair Report

3.1 The Chairman gave the Board an overview of his engagement activities over the month.

- 3.1.1 HS2 Ltd and the Department for Transport await the finalisation and conclusion(s) of the Oakervee Review.
  - 3.1.2 The Board discussed the Non-Executive Director recruitment campaign which has been paused pending the conclusion of the Oakervee Review. The Board discussed the previously agreed skills, qualities and experience of suitable candidates.
  - 3.1.3 The Board discussed a recommendation of the independent Board Effectiveness Review and agreed that engagement between the Board Members, Executive and Senior Leadership teams will be reviewed together with opportunities to engage with Community Engagement events.
  - 3.1.4 The Company Secretary will liaise with the Chief Executive Officer and Management with regard to streamlining the management information pack and supporting reports submitted to the Board on a monthly basis.
  - 3.1.5 Board Members stressed the importance of being able to receive required information to enable optimum decision making.
- 3.2 The Board received a verbal update from the Board Observer and noted the following key points:
- 3.2.1 Preparatory work for the budget has been paused following the conclusion of the Oakervee Review and in light of the transitory political environment.
  - 3.2.2 It was noted that the Spending Review and timings will be reset following the General Election.
  - 3.2.3 Timings and handling for publications of various Governmental Reviews are to be agreed. The Department will continue liaison with HS2 Ltd on emerging updates.
  - 3.2.4 It was confirmed that the Department for Transport Board Investment and Commercial Committee will continue to meet during the pre-election period.

## **4 CEO Report (HS2B\_19-084 and HS2B\_19-085)**

- 4.1 The Board noted the Management Information and report from the CEO for activity over September.
- 4.2 The Board received an update on the previous month's activity and noted the following key points:
  - 4.2.1 The National Audit Office have shared an interim first draft of the Value for Money study. At the time of the meeting it was anticipated that the Public Accounts Committee will be deferred until January 2020.
  - 4.2.2 Progress continues with the Main Works Civils Contractors and the [REDACTED] will proceed through governance in November 2019.
  - 4.2.3 An investment proposal will be brought to the HS2 Ltd Board in November 2019 in order to continue momentum for Notice to Proceed with the Main Works Joint Ventures.

- 4.2.4 The Board discussed any potential implications of Government delays for decision making, due to the developing political arrangements. The Board discussed the level of delays and any implications on seasonality requirements for works.
- 4.2.5 Management confirmed that seasonality requirements and impacts are being assessed.
- 4.2.6 The Board requested that Management consider presenting both aggressive and pessimistic plans.
- 4.2.7 Progress continues internally in the organisation on [REDACTED]. Reporting to the Board will continue with fuller updates on a quarterly basis.**
- Action: Mark Thurston**
- 4.2.8 The Board noted the further update on the HS2 Ltd Improvement Programme including the conditions precedent.
- 4.2.9 The Board requested that a Management response and any interim mitigation solutions be included with the conditions precedent information.**
- Action: Mark Thurston**
- 4.2.10 The Board discussed the progress to respond to the Chairman's Stocktake on the priority matters including engagement across the stakeholder grid and capturing further benefits.
- 4.2.11 The Board discussed the appetite to change the assessment criteria of benefits reporting however noted that the current reporting parameters are in line with other Arm's Length Bodies (ALB's) and there is requirement to align to this.
- 4.3 The Board received an update from the Chief Financial Officer on the finances in the reporting month.
- 4.3.1 The Board noted underspend reported in the month against Land and Property however noted the progress in month on land take. Delays to Land and Property performance has been associated with land owner or occupier issues.
- 4.3.2 It was agreed that a quarterly update on Land and Property will be scheduled in for Board reporting.**
- Action: Company Secretariat to schedule forward look.**
- 4.3.3 The Board requested permanent possessions be reported in the Management Information.**
- Action: Land and Property Directorate**
- 4.3.4 The Board noted that following a previous VAT position HMT has laid a Statutory Instrument in order to stop future VAT implications. The introduction of this is anticipated in January 2020.
- 4.4 The Board received an update from the Delivery Director with regard to programme performance in the month.

- 4.4.1 The Delivery Director highlighted the key issues in the month including winter clearances and implications of instructions to assess the approach to ancient woodlands during the Oakervee Review.
- 4.4.2 Further to reporting at the previous Board meeting with regard to High Potential Health and Safety incidents, there have been further investigations and responses which has promoted expectation discussions with the supply chain.
- 4.4.3 It was agreed that there would be an offline session between Dame Judith Hackitt and the Delivery Director to explore what more can be done in this area, including a review of other industries.
- 4.4.4 The Board noted the importance to embed this work and expected approach with the Integrated Project Teams. It was agreed that a further update will be brought to the Board.**

**Action:** [REDACTED]

- 4.4.5 The Board noted reports of difficulty to recruit, querying as to whether this was received due to the climate of reviews for the programme, or whether a review of Terms and Conditions might be beneficial. Management will conduct a peer review and escalate to the Board if required.
- 4.5 The Board received an update from the Strategic Director of Stakeholder Engagement with regard to community and stakeholder engagement during the month.
- 4.5.1 The Board noted the positive level of support from advocates for HS2 Ltd in the previous month during the Oakervee Review period.
  - 4.5.2 The Board noted that communications and messaging will be even more heavily restricted during the pre-election period. The company awaits final advice on the pre-election rules from the Department for Transport.
  - 4.5.3 The Board noted the challenge for those colleagues who are operating at 'ground level' along the line of route and at Community Engagement events whilst communications are restricted.
  - 4.5.4 The Board noted the update on recent public opinion work by Ipsos MORI.
  - 4.5.5 A further update will be provided to the Board in November and there will be a further update on how core messages will be shared with Board Members.

## **5 Phase 1 Baseline 7 Approval including Update from Extraordinary Audit and Risk Assurance (HS2B\_19-086)**

- 5.1 The Board received and noted the paper seeking approval of Phase 1 Baseline 7, presenting the final position on the delivery of products (scope, schedule, cost and risk), following interim draft submissions presented to the Board on 31 July 2019 and further, more detailed information, on 30 September 2019.

- 5.2 The Board noted that the Baseline 7 is subject to closeout of commercial negotiations on Main Works Civils Contractors within the envelope of the Baseline, and subject to the closeout of the commercial model assurance. The Board noted that:
- 5.2.1 All Baseline 7 products have been completed;
  - 5.2.2 There are a small number of scope, schedule, cost and risk items to note;
  - 5.2.3 [REDACTED] assurance has been completed; and
  - 5.2.4 [REDACTED] have been addressed by management responses.
  - 5.2.5 The Board noted the proposed ranges for approval within the paper as subject to ongoing discussion with Department for Transport, and as at the time of reporting views were not aligned.
  - 5.2.6 The Board noted that work to review a "[REDACTED]" is not included in Baseline 7.
  - 5.2.7 The Board discussed the [REDACTED] [REDACTED]. There are ongoing weekly meetings to agree a target at a consolidated point.
- 5.3 The Board discussed the assurance activities which have been running in parallel to produce Baseline 7, including [REDACTED].
- 5.4 The Chair of the Audit and Risk Assurance Committee (ARAC) summarised that [REDACTED]. This has been subject to review by management, together with a number of supporting assurance activities, over the two weeks prior to the Board, resulting in a moderate business assurance statement.
- 5.5 The Chair of the ARAC commended the amount of work from Management as exceptional in order to deliver with [REDACTED].
- 5.6 An extraordinary ARAC meeting was held on 17 October 2019, with an overall assessment from the Committee, produced following the meeting, [REDACTED]. The Committee had given direction with regard to [REDACTED].
- 5.7 The following key points were raised and noted:
- 5.7.1 The Board discussed risk and the level of contingency allocation [REDACTED].
  - 5.7.2 [REDACTED].
  - 5.7.3 The Board discussed the concern in relation to the maturity of the risk products and risk process, specifically that "black swans" – unknown unknowns - have not been

included in the model outcomes. The Board requested that on submission of the Baseline to the Department for Transport, clarification of the assumptions made are fully disclosed.

5.7.4 The Board noted the approach taken by Management for schedule prolongation impact, and the presentation of the run rates for the coming years. The information presented had been stress tested to determine whether the risk model could cater for various threat eventualities.

5.8 The Board Observer will share issues raised by Project Representation with management.

5.9 The DfT Observer highlighted a particular issue raised regarding the allocation of risk and whether this should instead sit in the point estimate. Management advised that risks have been assessed as genuine, with uncertainty of materialisation, and that Contractors are incentivised not to realise these risks.

5.10

[REDACTED]

5.11 The Board noted that Quantitative Cost Risk Analysis and Referencing Class Forecasting tools, together with consideration of optimism bias, have been used to support the recommendation and there has been no evidence to contradict the proposed risk exposure.

5.12 The Board will support the submission of Baseline 7 to the Department for Transport with clarity on the assumptions made to support the recommendation.

5.13 The Chair of the Audit and Risk Assurance Committee, and other Non-Executive Directors confirmed that due to work conducted since the extraordinary ARAC, that the supporting Strategic Assurance Statement, be [REDACTED]

5.14 The Board reiterated that the approval is caveated with the MWCC progress. Subject to this, Baseline 7.0 as presented by the Executive was approved for submission to the Department for Transport.

5.15 The Board commended the work over the previous two years to produce such a professional submission.

## **6 Report from Commercial and Investment Committee 17 October 2019 (HS2B\_19-087)**

6.1 The Board received an update from the Chair of the Commercial and Investment Committee following the meeting on 17 October 2019.

6.2 The Committee had considered the Station Common Components Package Procurement Plan for Lifts and Escalators following the approval of the Station Common Components Category Procurement Plan by the HS2 Ltd Board in December 2018.

- 6.3 Following the decision by the HS2 Ltd Board for delegations to be given to the Commercial and Investment Committee on relevant procurement decisions, it was agreed that the Lifts and Escalators Procurement Plan be dealt with in this way given the level of scrutiny this had already received by the Committee.
- 6.4 It was therefore confirmed that the Station Common Components Package Procurement Plan for Lifts and Escalators was approved.
- 6.5 The Board noted the report from the Chair of the Commercial and Investment Committee and the key points from the Committee's discussions.
- 6.6 The Board discussed [REDACTED] and it was agreed that this would come back to the Board at a future date [REDACTED]  
[REDACTED]

Action: Non Owen (for scheduling)

## **7 Stations Common Components Package Procurement Plan: Lifts & Escalators (HS2B\_19-088)**

- 7.1 This item was considered during agenda item 06: Report from Commercial and Investment Committee 17 October 2019.

## **8 Supplementary Estimate/ Business Planning and 5 Year Outlook (Q2 Forecast) (HS2B\_19-089)**

- 8.1 The Board noted the paper presenting the 2019/20 Supplementary Estimate (SE), 2020/21 Business Plan (BP) and Outlook to 2024/25 (collectively referred to as the Q2 forecast).
- 8.2 The Board noted that the Q2 forecast will be submitted to the Department for Transport.

## **9 Full Business Case Update and Phase 1 Benefits Baseline (HS2B\_19-090 and HS2B\_19-091)**

- 9.1 The Board received a briefing update on the Full Business Case.
- 9.1.1 The Full Business Case (FBC) is a deliverable to the Department for Transport, who are responsible for the product;
- 9.1.2 The last publication of the Economic Case was July 2017, with the Benefit Cost Ratio (BCR) included. This update is to brief the Board on the emerging BCR, based on the current FBC submission;
- 9.1.3 Management have been cognisant of the Chairman's stocktake recommendation that better methodologies should reflect the long-term changes brought about by programmes such as HS2.



9.1.4

[REDACTED]

9.1.5 The Board queried when there had last been a review of HMT's Green Book guidance for the residual value of the railway at 60 years, and passenger demand assumptions. Management advised that the application of the guidance must align across a number of transport initiatives and levels of accuracy beyond 60 years cannot be validated to the same extent.

9.1.6 The Board discussed the work ongoing to capture transformational benefits.

9.1.7 There should be reporting of current benefits to inform a comparator aspect to avoid the perception that the data is skewed. A secondary BCR might then be developed to explore recognition of wider benefit implications.

9.1.8 The Board expressed an interest in visibility of cost per passenger, and the release of capacity on the West Coast Mainline and resultant impact on motorway use.

**9.1.9 The Board requested visibility of the Strategic Case and the broader strategic benefits.**

**Action:** [REDACTED]

9.2 The Board noted the Full Business Case Update.

9.3 The Board received and noted the paper seeking approval of version 2.0 of the Phase One benefits baseline, which is a HS2 Ltd deliverable under the Development Agreement.

9.4 The Board noted that the benefits baseline will be submitted to the Department for Transport (DfT).

9.5 The baseline is a further development of version 1.0, which was approved by the HS2 Executive on 15 March 2018 and by Client Board on 27 April 2018.

9.5.1 The Board noted there will be further development into the third iteration into the Department for Transport.

9.5.2 The Board discussed the absence of international benefits captured. Management explained the difficulty to track and attribute international benefits but that this could be introduced.

9.6 The Board approved version 2.0 of the Phase One benefits baseline and noted future development in version 3.0 of the Phase One benefits baseline.

## **10 Phase 2b Cost Update (HS2B\_19-092)**

10.1 The HS2 Ltd Board noted and received an update on the emergent position for Control Point 2.1, which gives the direction of travel on Phase 2b cost and schedule for the completion of Baseline 2.

10.2 It was agreed that there would be further liaison with the Department for Transport to agree timings and next steps.

## 11 Priorities for November Board (HS2B\_19-093)

11.1 The Board noted the forward look of topics to be considered by the Board. Content for the November Board will be considered and agreed with the Chairman and Chief Executive.

## 12 AOB and Close

12.1 The Board received an update that a decision was required in order to make a change in signatory requirements.

12.2 [REDACTED]

12.2.1 [REDACTED] and

12.2.2 [REDACTED]

12.3 [REDACTED]

[REDACTED]

12.3.1 [REDACTED] and

[REDACTED]

12.4 There were no additional items of business raised.

12.5 The Chairman, Non-Executive Directors and the Board Observer had a closed meeting to discuss the day's business.