

Meeting minutes

HS2 Ltd Board

Meeting date Wednesday, 25 September 2019
Meeting location Room 6.1, Two Snowhill, Birmingham
Meeting time 09:00 – 16:00

Members	Attendees	Apologies
Allan Cook Non-Executive Chairman	David Bennett (item 09) Delivery Director	Mel Ewell Non-Executive Director
Michael Bradley Chief Financial Officer	[REDACTED] [REDACTED]	
Judith Hackitt Non-Executive Director	[REDACTED] HS2 Independent Review	
Stephen Hughes Non-Executive Director	[REDACTED] Phase One Project Controls Director	
Roger Mountford Non-Executive Director	Nicole Geoghegan General Counsel	
Ed Smith Non-Executive Director	[REDACTED] DfT Observer	
Mark Thurston Chief Executive Officer	[REDACTED] PMO Director	
	[REDACTED] HS2 Independent Review	
	[REDACTED] HS2 Independent Review	
	Non Owen Company Secretary	
	[REDACTED] MWCC Negotiation Lead	
	[REDACTED] Phase Two Commercial Director	
	Tim Smart (item 10) Phase Two Managing Director	

Signed

Chair Allan Cook

Date

1 Welcome, Declarations of Interests and Values Moment

- 1.1 The Board noted apologies from Mel Ewell.
- 1.2 There were no additional declarations of interest to record on the register.
- 1.3 The Board received a values moment from the Chairman regarding respect and his reflection of initially joining the business. A key area of focus was, and continues to be, engagement with the community with openness and transparency.
- 1.4 The Board noted the work in progress with communities to manage levels of disruption including displacement.

2 Minutes of the previous meeting and matters arising (HS2B_19-071 and HS2B_19-072)

- 2.1 The Board agreed the minutes of the meeting on 28 August 2019 as a true record subject to correction of minute 6.1 to reflect that the summary update was provided by Mel Ewell.
- 2.2 The Board noted the status of the actions. The following key points were raised and noted:
 - 2.2.1 Action 19/022 – the Board discussed the wider governance project which is being developed and agreed this as a briefing topic for a future Board meeting; and
 - 2.2.2 Action 19/058 – the Board noted the Collaboration Agreement for the [REDACTED] and that a Board meeting item or briefing will be scheduled.

3 Chair Report

- 3.1 The Chairman gave the Board an overview of his engagement activities over the month.
- 3.2 **The Board noted an update slide on costs and efficiencies to provide visibility of progress with this Stocktake recommendation.**
- 3.3 **It was agreed that a more detailed update will be provided to the Board in October.**

Action: Mark Thurston/Company Secretariat

- 3.4 Work progresses with commercial opportunities as part of the Baseline 7 work for Phase 1. It was noted that this work is intended to be delivered to the Department for Transport (DfT) alongside Baseline 7 products to give the Client options to offset commercial opportunities.

3.5 It was agreed that Roger Mountford will be involved to give expertise on private financing options.

3.6 The Board voiced the importance of using experience in the Department to communicate quantifiable benefits.

3.7 An update will be agreed for presentation to the Client Board.

3.8 The Board reviewed the recommendations and actions resultant from the Board Effectiveness Review which will be progressed and updated to the Board on a quarterly basis.

3.9 The following key updates were noted:

3.9.1 The Board will have a planning conference scheduled into the annual calendar;

3.9.2 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;

3.9.3 The Board noted that the latest iteration of Management Information as reported to the September meeting. Further review of requirements between Management, the Board and the Client will be discussed with the Department;

3.9.4 There is an aspiration to move the frequency of Board meetings to alternate months and this will be kept under review as appropriate. It was agreed that at this point in the programme, this was not desirable or possible;

3.9.5 Wider site visits for Board Members will be planned into the calendar for exposure to projects such as Hinkley Point and Thames Tideway;

Action: Company Secretariat

3.9.6 The Board welcomed the appointment of Ed Smith as Senior Independent Director to the Board; and

3.9.7 The Board agreed that it would be beneficial to have visibility of the Williams Review and that an invitation would be extended to Keith Williams for a future Board meeting.

Action: Company Secretariat

3.10 The Board noted that they would be joined by [REDACTED] at the end of the Board meeting.

3.11 The Board noted the verbal update from the DfT Board Observer.

3.12 The Board Observer commented on the deferral of full Baseline 7 approval to the October 2019 Board meeting and requested detail and assurance from Management on the work streams due to be completed for Notice to Proceed, including when levels of existing approvals expire.

3.13 Management are currently reviewing the company position [REDACTED].

3.14 Timing for conclusion of internal and Government reviews require agreement and visibility of any consequences.

3.15 The Board noted the updated timescales for the National Audit Office review.

4 CEO Report (HS2B_19-073 and HS2B_19-074)

4.1 The Board noted the Management Information and report from the CEO for activity over August.

4.2 The following key points were raised and noted:

4.2.1 As the format of the Board report and Management Information continues to evolve, the Chief Executive Officer updates which are reported to the Board will remain under review to reduce levels of duplication;

4.2.2 A full review of Health, Safety, Security and Environment issues reported in the month will be taken to the Health, Safety, Security and Environment Panel;

4.2.3 Weekly Notice to Proceed calls continue to be held with Management and Senior Leaders;

4.2.4 The Board offered additional support to Management, advising that flexibility can be accommodated if required, for progression and close out of activities;

4.2.5 The Board noted the update provided on Strategic Stakeholder Engagement over the month following the arrival of the new Director of Strategic and Stakeholder Engagement;

4.2.6 It was agreed that the topical headlines snapshot is helpful for Board Members and it might be appropriate for attendance by the Director of Strategic and Stakeholder Engagement to report on this activity and how the Board might become more involved with community engagement; and

4.2.7 The above links to the output of the Board and Executive Effectiveness Reviews, including what information is reported to the Board and how Board Members are best engaged to shape and deliver the strategy and planning of the business.

4.3 Ed Smith joined the meeting.

4.4 The Board noted the Programme highlights in the month as presented by the Chief Financial Officer.

4.5 The Board noted the updates.

5 Update from Audit and Risk Assurance Committee 4 September 2019 (HS2B_19-081)

5.1 The Board received a verbal update from the Chair of the Audit and Risk Assurance Committee following the meeting on 4 September 2019.

5.2 **It was agreed that a copy of the monthly report from Project Representative will be shared with the Board.**

Action: Company Secretariat

5.3 The Board noted the update.

6 HS2 Improvement Programme (HS2B_19-075)

6.1 The Board received and noted the paper presented to the Board, noting this as conclusion of 18 months of work with Deloitte as our partner.

6.2 The following key points were raised and noted:

6.2.1 An update has been tabled for the Client Board on organisational capability of HS2 Ltd. The Board Observer noted the Improvement Programme assurance as very useful to this wider review;

6.2.2 The HS2 Ltd Board confirmed acceptance of the [REDACTED] and [REDACTED] assurance;

6.2.3 Management outlined to the Board the further assurance required following conclusion and implementation of [REDACTED]. The Board accepted Management recommendation not to utilise the [REDACTED] of [REDACTED] and agreed for discharge of this activity be overseen by the Audit and Risk Assurance Committee and the review would be reported to the Board;

6.2.4 An annex was requested to the CEO Summary to provide visibility of closure of actions;

Action: Mark Thurston

6.2.5 Non-Executive Directors will be invited to join the Improvement Programme steering groups periodically for additional scrutiny of check points;

6.2.6 The Board requested clarification with the Department as to their requirement to review and provide visibility of their own capability;

Action: [REDACTED]

6.2.7 The current evaluation and assessment review was agreed by the Board noting that this will be required as an iterative review area;

6.2.8 The HS2 Ltd Board approved and commended the report and work of Management on the capability assessment of the organisation; and

6.2.9 Management will review how this work will be used for roll out to wider programmes and the Department.

6.3 The HS2 Ltd Board:

6.3.1 Noted the completion of both [REDACTED] and [REDACTED] regarding the HS2 Improvement Programme, including the progress made against [REDACTED]

6.3.2 Endorsed the [REDACTED] in relation to the HS2 Improvement Programme;

6.3.3 Noted the recommendations in the [REDACTED], in particular the further assurance recommended with regards to [REDACTED]; and

6.3.4 Endorsed the recommended approach to [REDACTED] relating to [REDACTED]

7 Strategic Risk Update (HS2B_19-076)

7.1 The Board received and noted the proposed organisational Strategic Risks following review by the Executive Committee and Board of the risk descriptions and ownership at workshops in July 2019.

7.2 The Board reviewed and confirmed approval of the descriptions and owners allocated to each risk subject to amendment of:

7.2.1 Risk 3: Health, Safety, Security Environment Performance for clarification of the risk description; and

7.2.2 Risk 4: External 'events' to reallocate Board Champion ownership.

7.3 The Board confirmed it appropriate for - *Risk 9: External Context materialising* - to be included in the list of Strategic Risks.

7.4 It was agreed that the updated Strategic Risks list will be shared with the Board to confirm the above changes.

Action: Company Secretariat

8 Report from Commercial and Investment Committee 19 September 2019

- 8.1 The Board received an update from the Chair of the Commercial and Investment Committee.
- 8.2 The Board noted that the Committee had considered a paper in correspondence for an uplift in the [REDACTED]
[REDACTED]
- 8.3 The Board had previously delegated decision making authority on this item to the Commercial and Investment Committee.
- 8.4 The Committee provided financial management approval for an uplift to the [REDACTED]
[REDACTED]. This interim uplift allows Management time to undertake a deep dive on the overall extent of the full uplift required and to negotiate an effective discount with [REDACTED] and an update will be taken to the Commercial and Investment Committee towards the end of the calendar year.
- 8.5 The Board noted the update.

9 Phase 1 Baseline 7 (HS2B_19-077)

- 9.1 The Board noted the update regarding Baseline 7 products for Phase 1 noting that full Board approval will be sought from the Board in October 2019.
- 9.2 The Board noted that an update will be provided to the Department Board Investment and Commercial Committee in October.
- 9.3 Board Members who had been able to attend had received an additional detailed briefing the previous day on the Baseline content.
- 9.4 The following key points were raised and noted:
 - 9.4.1 The Board noted the Baseline (BL) 7 timeline;
 - 9.4.2 BL7 product delivery has concluded;
 - 9.4.3 [REDACTED] has completed;
 - 9.4.4 Maturing of BL7 products includes but is not limited to development of Baseline Delivery Schedule (BDS) Milestones, Client schedules, "give/ get" dates within the schedule and Milestone Definition Sheets;
 - 9.4.5 BL7 products have been finalised with the exception of the Executive Report, which will be completed by October 2019;

- 9.4.6 The Board noted the July 2019 position versus the September 2019 position;
- 9.4.7 The Board welcomed [REDACTED] to the Board meeting who provided a presentation with regard to Reference Class Forecasts;
- 9.4.8 The Board noted the basic logic of reference class forecasting and the deliverable outcome of the approach;
- 9.4.9 [REDACTED] maintains a Reference Class of circa projects (based on continued research at [REDACTED] containing 137 conventional rail projects, 134 fixed links (tunnels, aqueducts, bridges), 46 high-speed rail projects, 1369 road projects, 5 station new builds and 209 urban rail projects;
- 9.4.10 The Board noted data to compare the percentage of projects requiring differing levels of contingency;
- 9.4.11 Management requested visibility of HS2 Reference Class for schedule;**
- 9.4.12 The Board requested visibility of Reference Class Forecasting for the Euston component;**
- Action:** [REDACTED]
- 9.4.13 Lessons from previous major projects have uncovered issues where there has been materialisation of a lot of risks in a small timescale and the compound effect of this;
- 9.4.14 Lessons from previous major projects have shown success with simplistic governance structures, appropriate risk planning and contingency and scenario testing to deal with risks. Organisations dealing with air traffic, submarines and nuclear were given as good examples of preparedness for high risks and required recovery functions;
- 9.4.15 The Board noted the September Estimate position noting that some items previously held in risk allocation have materialised into the point estimate;
- 9.4.16 The Board noted that negotiations with [REDACTED] [REDACTED] deliver the works;
- 9.4.17 It is important that there is continued focus to drive costs down; and
- 9.4.18 Progress on activities with Main Works Civils Contracts and [REDACTED] [REDACTED] was noted, however with the emerging cost position it is key for the Board to continue to see maturity of opportunities to deliver on savings.

9.5 The Board noted the update.

10 Phase 2a Delivery Strategy and Market Engagement (HS2B_19-078)

- 10.1 The Board received a briefing on the delivery strategy for Phase 2a and the sequence of market engagements to support these options.
- 10.2 The Board noted that there is opportunity to change the approach of the delivery strategy, however doing so would mean closer alignment to the approach undertaken in Phase 1.
- 10.3 The Board discussed the “make or buy” decisions which factor into the delivery strategy, highlighting the challenges for recruitment and retention, of made solutions, in the current review climate.
- 10.4 The packaging options are proposed so to support market engagement and procurement via the best available method.
- 10.5 **The Board noted the update and requested a working session with the Board following market engagement.**

Action: Company Secretariat

11 Minor Updates to HS2 Ltd Governance (HS2B_19-079)

- 11.1 The Board received and noted the paper providing update and proposals for the governance project that is currently underway to ensure HS2 Ltd has a governance regime that is fit for purpose, taking account of the increased volume of activity expected in 2020 and also the organisational changes arising from the adoption of Integrated Project Teams (IPTs) structure for Phase 1 main works civils).
- 11.2 The Board noted that a further briefing and paper will be taken to a future Board meeting with more material changes in October or November 2019.
- 11.3 The Board noted that the list of matters reserved for the Board will be formalised into Terms of Reference which will be subject to a review by the Board following the outcome of the Board Effectiveness Review.
- 11.4 The Board noted that the Board Chair has appointed the Chair of the Audit and Risk Assurance Committee as the senior Board Member with overall responsibility for whistleblowing arrangements.
- 11.5 The Board approved that decisions between [REDACTED] on both Phase 2a and 2b are delegated to the Commercial and Investment Committee and then

onwards to DfT, where required (without having to be submitted to the full HS2 Ltd Board).

11.6 The HS2 Ltd Board will actively consider (for each procurement decision that is made early in the procurement process by the Board) whether any future decisions in connection with that procurement could be more efficiently made by the Commercial and Investment Committee.

11.7 The Board approved a change to the Governance Policy so that the application of the company seal can be witnessed by any member of the HS2 (internal) legal team who holds a valid practising certificate, with an effective date of 1 September 2019.

12 [REDACTED] / Panel Discussion

12.1 The Board welcomed [REDACTED] to the meeting.

12.2 The Chairman and the Board asked [REDACTED], the Panel Chair, whether there was any outstanding information required from the organisation to assist with the review and whether there any engagement or support required from the Board. It was confirmed that there were no outstanding requests to date.

12.3 The Panel Chair explained to the Board that at the time of reporting activities had focussed on evidence and material gathering, visits along the line of route and meetings with the supply chain.

12.4 The Panel Chair and the Board discussed themes identified from supply chain meetings, allocation of risk, potential efficiencies, comparisons and differences with other major projects and working relationships between the industry and supply chain.

12.5 The Panel will review work from the organisation with regard to the proposed integrated structure to support the next stage of Main Works Civils Contracts.

12.6 The Board noted the timetable for the Panel review however reconfirmed the desire for the Board to have a conclusion as a matter of urgency to allow the organisation to have and provide clarity on the programme to be delivered.

13 Priorities for October Board to be agreed with the Chair and CEO (HS2B_19-080)

13.1 The Board noted the forward look of topics to be considered by the Board. Content for the October Board will be considered and agreed with the Chairman.

14 Any Other Business and Close

14.1 The Board noted the resignation of the Chief Operating Officer and that Companies House details will be updated to reflect this.

14.2 Following the conclusion of the Board meeting, each of the Non-Executive Directors in attendance had a one to one session with [REDACTED].