

# Meeting minutes

## HS2 Ltd Board

**Meeting date** Wednesday, 27 November 2019

**Meeting location** Room 6.1, Two Snowhill

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

Members	Attendees	Apologies
Allan Cook (Chairman) Non-Executive Director	David Bennett (item 04, 10 and 11) Delivery Director	
Michael Bradley Chief Financial Officer	[REDACTED] Programme Director Route Wide	
Mel Ewell Non-Executive Director	Nicole Geoghegan General Counsel	
Judith Hackitt (via phone, items 01-07) Non-Executive Director	Emma Head (item 09) Safety and Assurance Director	
Stephen Hughes Non-Executive Director	[REDACTED] Programme Director (change programme)	
Roger Mountford Non-Executive Director	[REDACTED] DfT Observer	
Ed Smith (item 06 onwards) Non-Executive Director	Non Owen (minutes) Company Secretary	
Mark Thurston Chief Executive Officer	[REDACTED] MWCC Negotiations Lead	
	[REDACTED] Phase One Commercial Director	
	Aileen Thompson (items 01 to 05) Strategic Director of Stakeholder Engagement	

## 1 Welcome and Declaration of Interest and Values Moment

- 1.1 There were no additional declarations of interest to record on the register.
- 1.2 The Board received a values moment from the CFO regarding leadership and the example which was required from the leadership in times of pressure.

## 2 Minutes of the previous meeting and matters arising (HS2B\_19-094 and HS2B\_19-095)

- 2.1 The Board agreed the minutes of the meeting on 30 October 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: 19/054 – The Board will consider a paper regarding high level principles of governance and delegations as part of the day's meeting. A further paper will set out the progress of the various other governance activities which were set out in the September Board paper.
  - 2.2.2 Action 19/064 – A date is being confirmed for attendance of Keith Williams (Independent chair of the Government supported Rail Review) to a Board meeting. **It was agreed that an invitation will be extended to Jim Steer (founder of Steer Global Business Consultancy for infrastructure and transport) for attendance at a future Board date.**

**Action: Mark Thurston**
  - 2.2.3 Action 19/073 – It was noted that the Board Effectiveness Review actions will report back to the December Board and this action will be part of this update.
  - 2.2.4 Action 19/050 – The Board noted that the future agreement of the Health and Safety Passport will be developed with the Office of Road and Rail (ORR) and the Department for Transport (DfT).
  - 2.2.5 Action 19/059 – A briefing with Management will be taken as an offline discussion on the point estimate definition and terminology.

## 3 Chair Report

- 3.1 The Chairman gave the Board an overview of his engagement activities over the month.
- 3.2 The following key points were raised and noted:
  - 3.2.1 Engagement has continued over the month with the various reviews: The Project Assessment Review (PAR), Major Projects Review Group (MPRG), and the National Audit Office (NAO) Value for Money Review. These reviews continue to run in parallel with workstreams in the organisation such as the preparation and approval of Phase 1 Baseline 7 (BL7). The Chairman commented on the level of resilience in the organisation and echoed the values moment raised by the CFO at the start of the meeting.
  - 3.2.2 The Chairman acknowledged the ask of people in the organisation to continue the momentum of the programme in the climate of these important reviews for the organisation.
  - 3.2.3 In light of the ongoing Political situation and the Oakervee Review, specific restrictions on the activity of civil servants have been implemented. As a public body, HS2 Ltd is subject to these strict rules.

- 3.2.4 The Board discussed the planned Board recruitment activity, which has been paused pending conclusion of the election period. The Board discussed the skills, experience and capabilities which would complement the current composition of the Board, including but not limited to:
- 3.2.4.1. Major construction/ engineering experience;
  - 3.2.4.2. Programme Delivery;
  - 3.2.4.3. Experience of large and complex railway operations and interoperability between different systems;
  - 3.2.4.4. Experience of property and regeneration of varying scale, delivered in partnership with multiple stakeholders and through a range of different and innovative funding and financing mechanisms;
  - 3.2.4.5. Human Resources/ people;
  - 3.2.4.6. Experience of strategic planning and organisational development;
  - 3.2.4.7. Commercial experience; and
  - 3.2.4.8. Digital technologies
- 3.2.5 The Board further suggested individuals with experience of complex systems and, railway operations, given confirmation of appointment of the West Coast Partner.
- 3.2.6 The Board discussed the tenures for Non-Executive Directors and that skills, qualities and experience should be holistically aligned with the stage of the programme and what skills would be useful for both medium- and long-term requirements of the Board.
- 3.2.7 The Chairman will continue to liaise with the Board and Executive noting that the requirements would never be able to be fulfilled collectively. The Board are searching for balance, wide ranging experience and common sense.
- 3.2.8 The Board discussed the current climate of reviews and political activity, noting this might result in a lower number of interested applicants.
- 3.3 The Board received a verbal update from the DfT Observer. The following key points were raised and noted:
- 3.3.1 The Department continue to prepare for the new Government including coordinating the imminence of decisions required for HS2 Ltd;
  - 3.3.2 The Full Business Case (FBC) and associated Baseline 7 will be discussed with the Permanent Secretary for the Cabinet Office and the Director General Public Spending at HM Treasury;
  - 3.3.3 Context and background has been shared in advance of the meeting and this will be circulated to the Board;**
- Action: Non Owen**
- 3.3.4 The Board noted the positive collaboration between HS2 and the DfT on these activities;

- 3.3.5 Discussions have continued between the Department and HS2 Ltd regarding the emergent Phase 2b Baseline 2. There will be a follow up on this activity and agreement of draft options over the coming weeks; and
  - 3.3.6 The West Coast Partner Shadow Operator has taken over the intercity west coast services following years of work.
- 3.4 The Board noted the updates.

## 4 CEO Report (HS2B\_19-096 and HS2B\_19-097)

- 4.1 The Board noted the Management Information and report from the CEO for activity over October.
- 4.2 The following key points were raised and noted:
  - 4.2.1 The Executive have been engaged with responses for the Project Assessment Review (PAR) and have begun preparations for any potential implications post-election and post Oakervee Review.
  - 4.2.2 There is continued progress on the Commercial Negotiations for the Main Works Civils Contracts (MWCC). The Board noted the scale of work to conclude contract negotiations and requested attendance from the teams at a future meeting to congratulate those involved.
  - 4.2.3 Bilateral readiness reviews run in preparation of Notice to Proceed (NTP).
  - 4.2.4 The Board noted the request from the Department to review the progress on Project Evolve monthly.
  - 4.2.5 The Board discussed the HS2 Improvement Programme, noting that Health, Safety, Security and Environment will be used as a test case for embedding capability to drive towards capability level four.
  - 4.2.6 The Board discussed the importance of maintaining focus on enterprise capability beyond NTP as the programme moves into being more “business as usual”.
  - 4.2.7 The Board discussed [REDACTED] the morale in the workplace and what the organisation will do in terms of staff surveys in 2020.
  - 4.2.8 **The Board requested visibility of any key themes/ common questions coming out of the [REDACTED]. The Board requested information on what [REDACTED]**

**Action: Mark Thurston**

- 4.3 The updates were noted.
- 4.4 The Board received a verbal update from the Chief Financial Officer regarding finances in the month, noting a reported underspend against the quarter 2 forecast.

- 4.5 The Board noted the drivers for the underspend in the month including utility and procurement delays to the Main Works Civils Contracts due to severe weather, and [REDACTED].
- 4.6 The Board queried whether [REDACTED]. Management responded that there has been positive engagement from the Joint Ventures and a sense of drive to deliver the programme, but the next 6 months performance would be a critical success factor.
- 4.7 The Board noted the response but advised that there should be preparation for the curve of mobilisation.
- 4.8 The Board noted the underspend in Land and Property for the month [REDACTED].
- 4.9 The Board received a verbal update from the Delivery Director regarding the programme highlights in the month.
- 4.10 The Board received an update on activity to close out High Potential Health and Safety incidents which have occurred in the month. The Board noted the refreshed approach to the Safe at Heart campaign which will be briefed with senior leaders and launched at the 2020 Health and Safety conference.
- 4.11 **The Board expressed the aspiration to have a forward view of the key challenges coming up in the future, as well as the current retrospective view of Health and Safety events. It was requested that this information be added into the programme highlight information reported to the Board.**

**Action: David Bennett**

- 4.12 The Board commented on the low level of reporting which has remained static regarding Undertaking and Assurance delivery. Management responded that the has been actioned with the supply chain to provide follow up on what this reporting means and how it will be developed.
- 4.13 The Delivery Director fed back that this period of uncertainty is [REDACTED].
- 4.14 Management continue to conduct weekly reviews of critical path activities which may create material delays in the current state of imposed reduced activity.
- 4.15 The Board Observer requested a full list of the practical implications of not having decisions made on a day by day basis for this to be communicated with stakeholders where possible.
- 4.16 The Board noted that there [REDACTED] – especially in the south of England.
- 4.17 The Board noted the updates.

## 5 Strategic & Stakeholder Engagement Assessment and Recommendations (HS2B\_19-098)

- 5.1 The Board received and noted the paper providing findings and recommendations from the incoming Strategic Director of Stakeholder at the end of her first 100 days in the business.
- 5.2 The following key points were raised and noted:
- 5.2.1 The Strategic and Stakeholder Engagement Department have undertaken a review of public opinion, including the proportion of those with No View Either Way (NVEW) and millennials;
  - 5.2.2 It is key for HS2 Ltd to engage effectively with the 'HS2 Generation' and develop a following and recognised understanding of all aspects of the programme;
  - 5.2.3 Following the Rugby World Cup in Japan and the recognition by UK users of the bullet trains' benefits, there is work in progress to draw in parallels and build momentum;
  - 5.2.4 It is key to surround information platforms with a consistent message;
  - 5.2.5 It is vital for HS2 Ltd to have a clear top level Political support which is clear, visible and active;
  - 5.2.6 This strategic level of Political support will enable more strategic engagement and discussions with other departments, agencies and public bodies;
  - 5.2.7 The approach to future stakeholder engagement will be consistent so that the impact is measurable;
  - 5.2.8 Management will engage with Board Members to participate in strategic forums to develop assessment and proactive mitigation to strategic reputational risks;
  - 5.2.9 The updated narrative covering core messages will be shared with the Board on the secure portal.**
- Action: Aileen Thompson**
- 5.2.10 The Board commented that there should be something deliverable which is collectively sustainable, including personal behaviours in the organisation;
  - 5.2.11 It is equally important to continue to deliver the messages regarding delivery of the 'day job' and the successes and progress on the programme;
  - 5.2.12 The narrative will reenergise discussions on rebalancing Britain;
  - 5.2.13 The HS2 and DfT teams have had a productive meeting and this collaborative approach will continue. This should continue in the spirit of the Communication Protocol between HS2 and the DfT;
  - 5.2.14 There should be caution not to encroach into national policy issues, for example environment, when developing this work;
  - 5.2.15 The Board requested visibility of how HS2 Ltd staff and Non-Executive Directors can be used as ambassadors; and
  - 5.2.16 The Board requested visibility of the timeline for activities.**

- 5.3 The Board confirmed support and endorsement of the approach and affirmed support to engage on this as the business required.

## **6 Report from the Remuneration Committee 30 October 2019**

- 6.1 The Board received a verbal update following the Remuneration Committee held on 30 October 2019.
- 6.2 During the meeting, the Committee had considered:
- 6.2.1 The Remuneration Annex, the terms of which are due to expire in January 2020. The Committee had a productive discussion with the Department for Transport Observer to the Committee about the appetite to revise and reformat the annex to make this more appropriate to the organisation;
  - 6.2.2 A proposal for principles for Executive Performance Related Pay was considered by the Committee and it was agreed that there needed to be a coordinated approach to present any revised approach for key, senior leadership attraction and retention to support optimum capability; and
  - 6.2.3 The Committee had reviewed the Management Information in the HR dashboard.
- 6.3 The Board noted the update.

## **7 Report from Commercial and Investment Committee 14 November 2019, including Phase One Route Wide Utilities Portfolio (HS2B\_19-099 and HS2B\_19-100)**

- 7.1 The Board noted and received the report from the Chair of the Commercial and Investment Committee which had met on 14 November 2019.
- 7.2 The Committee had considered only one matter at the meeting: Phase One Route Wide Utilities Portfolio. The following key points were raised and noted:
- 7.2.1 The Committee had noted [REDACTED] and were pleased to see the good progress of the commercial agreements. The Committee commended those involved and responsible for the work.
  - 7.2.2 The Board noted that Management were seeking authorisation for continuation of work involving an allocation [REDACTED]. Had the Phase 1 Baseline 7 already been approved, the sum would have been part of the Baseline 7 point estimate due to re-baselining.
  - 7.2.3 A key focus of the Committee in the meeting had been to test Management on the drivers and the need to commit to spend of this order now. Management had previously delayed the investment request pending the outcome of the Oakervee

Review, however the continued delay to this means the request is hinged on continuation of critical works.

7.2.4 The Board noted the recommendation of the Committee to the Board was that approval should be given and that this decision was an example of those which could in future be delegated to the Committee to make on behalf of the Board.

**7.2.5 The Board requested a change to the terminology in the paper to clarify that the potential impact of the Oakervee Review had been considered rather than “The above schemes have been assessed in line with the Oakervee review” since the Oakervee Review had not yet been released to the Company.**

**Action: David Bennett**

7.2.6 [REDACTED]

7.2.7 The Board noted that this is a budget request only and that all investment decisions will continue to follow the formal governance process on a scheme by scheme basis.

7.2.8 The request has been calculated, [REDACTED], then a further drawdown request would follow.

7.3 In line with the recommendation of the Commercial and Investment Committee the Board approved [REDACTED].

## **8 Governance and Delegations (HS2B\_19-101)**

8.1 The Board received and noted the principles for [REDACTED] and the approach to the management of change to the baseline across HS2 Ltd, focussing on the principles for change control, delegations and [REDACTED] for Main Works Civils Contracts (MWCC).

8.2 Following the approval of the Phase 1 Baseline 7 by the HS2 Ltd Board on 30 October, discussions have continued with the Department for Transport to reach a position on the target cost position.

8.3 The HS2 Ltd Board approved [REDACTED].

8.4 The Department for Transport have approved the Baseline for the purposes of monitoring and as a base for change control. Full approval and adoption into the Development Agreement will only happen once a new Funding settlement is agreed. [REDACTED]



[REDACTED]

8.5 The Board reviewed the high-level principles which were agreed but requested a working session at the next Board meeting for the Board to understand the implementation of the principles.

8.6 The following points were raised and noted:

8.6.1 The principles being suggested have been developed with advice from other programmes together with recognition of the Main Works Civils contract model so to develop a practical model for decision making;

8.6.2 The Quantitative Cost Risk Analysis is based on the current scope of Baseline 7;

8.6.3 The principles presented to the Board suggests allocation of [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

8.6.4 There is required to be an appropriate balance of management and accountability versus flexibility of agile decision making where required; and

8.6.5 The Board agreed that it should [REDACTED] rather than delegate this to the Executive.

## 9 HS2 Ltd response to Strategy Lessons from Crossrail (HS2B\_19-102)

9.1 The Board noted and received the update following a detailed a review of all documented lessons learned from Crossrail. HS2 Ltd had prepared an official response and action plan which was presented to the Audit and Risk Assurance Committee (ARAC) in September 2019. A further paper was requested to interpret this detailed analysis into the headline strategic lessons relevant for HS2 Ltd now.

9.2 The following key points were raised and noted:

9.2.1 [REDACTED]  
[REDACTED];

**9.2.2 It was agreed that there would be an offline session to provide detail to Board Members with root cause aspects of these lessons.**

**Action: Emma Head**

9.2.3 Whilst HS2 Ltd does not currently have any confusion over the Sponsorship of the programme it is still an important lesson to be cognisant of.

- 9.2.4 [REDACTED]
- 9.2.5 HS2 Ltd must continue to encourage transparency and personal accountability without the fear or blame culture;
- 9.2.6 It would be useful for the programme to have metrics for what kind of early indicators might need to be escalated;
- 9.2.7 There needs to be a correct balance of the metrics and milestones which are reported on and from a Board perspective to remain attentive of what it should be considering on behalf of the organisation;
- 9.2.8 It was agreed that this information would be provided to those attending the Major Project Review Group to provide assurance that this is a point of review following other works for improvements to projects;

9.3 **The Board noted the work and requested that Management consider how to report this work back to the Board on a six-monthly basis.**

**Action: Emma Head**

**10 MWCC Investment (HS2B\_19-103)**

- 10.1 The Board received and noted the paper seeking additional investment authority for Advanced Critical Works (ACW), additional Stage One costs and Commitment authority in the event of Notice to Proceed (NtP) being delayed.
- 10.2 The Board noted that in Baseline 7 (BL7), NtP is [REDACTED] however with the current political environment this is not possible.
- 10.3 The HS2 Executive have reviewed several scenarios and are recommending to the HS2 Ltd Board approval of an extension to Stage One Spend and Commitments for the period January to March 2020 to maintain the BL7 programme.
- 10.4 The Board discussed the [REDACTED].
- 10.5 The Board queried whether commitments undertaken to date have been factored in. Management confirmed this was the position.
- 10.6 Management confirmed [REDACTED].
- 10.7 The Board noted that PricewaterhouseCoopers (PwC) have been commissioned to complete a second Line of Defence (LoD) assurance review on the requested spend authority.

10.8 The Board received a verbal update on the LoD2 and advised the Board that this has highlighted that [REDACTED].

10.9 The Board queried whether short-term lease capability versus commitment had been considered. Management confirmed that this had been considered in advance of making the recommendation.

10.10 **The Board discussed the previous investment authority which was approved by the board in June 2019.** [REDACTED].

**Action: David Bennett**

10.11 The Board discussed the profiling of spend over each month of January to March 2020, noting commitment [REDACTED].

10.12 The Board discussed the timing requirements to inform the supply chain on the movement of NtP noting that there will be a lag on the formal approvals due to the position of the pre-election period.

10.13 The Board reiterated the need for stakeholders to have the information on [REDACTED].

10.14 The Board noted there needs to be further engagement with the Department for Transport and other government departments. The intention will be for Management to submit this proposal onto the Department for Transport Board Investment and Commercial Committee (BICC) in December 2019.

10.15 There is a requirement from an Accounting Officer point of view to support continuation of spend.

10.16 The HS2 Ltd Board:

10.16.1 [REDACTED].

10.16.2 It was noted that should NtP be earlier, then that instruction would take precedence.

10.16.3 [REDACTED].

10.16.4 [REDACTED].

## 11 MWCC Commercial Model (HS2B\_19-104)

- 11.1 The Board received and noted a paper seeking approval for the finalised Main Works Civils Contracts (MWCC) [REDACTED], the principles of which were approved by the HS2 Ltd Board in May 2019.
- 11.2 The Board noted the update on the final components which are currently being negotiated.
- 11.3 The following key points were raised and noted:
- 11.3.1 The approach for the Integrated Project Teams (IPTs) has been taken from best practice of other projects including the Olympics and aligns so that ways of working support the Commercial Model.
  - 11.3.2 The Board noted the drivers for [REDACTED]:
    - 11.3.2.1. Macro market factors;
    - 11.3.2.2. As scheme maturity has progressed, the complexity and constraints have resulted in cost increases to the estimates;
    - 11.3.2.3. [REDACTED]
    - 11.3.2.4. [REDACTED];
    - 11.3.2.5. Undertakings & Assurances impacts on logistics and methodology;
    - 11.3.2.6. [REDACTED]. Preliminaries and staff a real example;
    - 11.3.2.7. Desk based ground conditions versus those discovered through extensive Ground Investigation programme; and
    - 11.3.2.8. Contract size versus market appetite compounded by win 2 strategy, cost growth and market factors.
  - 11.3.3 The Board noted [REDACTED]
  - 11.3.4 The Board noted the overview of the incentivisation range. A correction to the paper was requested to reflect "...recognise an upside calculation on fee in a range of [REDACTED] for exceptional performance..."
  - 11.3.5 The Board received a legally privileged update and agreed with the recommendation of the Executive Committee.
- 11.4 The HS2 Ltd Board approved the Main Works Civils Contracts [REDACTED] for onward submission to Government.

## 12 Priorities for December Board (HS2B\_19-105)

12.1 The Board noted the forward look of topics to be considered. Content for the December Board will be considered and agreed with the Chairman.

## 13 AOB and Close

13.1 The Board received a verbal update regarding the [REDACTED]  
[REDACTED]  
[REDACTED]