

# Meeting minutes

## HS2 Ltd Board

**Meeting date** Wednesday, 29 January 2020

**Meeting location** Room 6.1, Two Snowhill

**Meeting time** 09:00-15:40

Members	Attendees	Apologies
Allan Cook (Chairman) Non-Executive Director	Conrad Bailey (item 04) Director of Rail Reform, DfT	
Michael Bradley Chief Financial Officer	David Bennett (item 05) Delivery Director	
Mel Ewell Non-Executive Director	[REDACTED] DfT Observer	
Judith Hackitt (items 01-10) Non-Executive Director	Nicole Geoghegan General Counsel	
Stephen Hughes Non-Executive Director	[REDACTED] Phase One Sponsor	
Roger Mountford Non-Executive Director	[REDACTED] Sponsorship Director (Interim)	
Ed Smith (item 05 onwards) Non-Executive Director	[REDACTED] Programme Director (change programme)	
Mark Thurston Chief Executive Officer	[REDACTED] Programme Management Office Director	
	Non Owen (minutes) Company Secretary	
	[REDACTED] (item 11) MWCC Negotiations Lead	
	[REDACTED] Phase One Sponsor	
	Aileen Thompson (item 05) Strategic Director of Stakeholder Engagement	
	[REDACTED] Chair of Williams Rail Review	

## 1 Welcome, Declarations of Interest and Values Moment

1.1 The Board noted declarations from Judith Hackitt for:

- 1.1.1 Chair of the Grenfell Transition Board;
  - 1.1.2 Adviser to UK and Australian (Victoria) governments on Building standards; and
  - 1.1.3 Member of the Cambridge University Visiting Committee.
- 1.2 These declarations will be reflected in the Register of Business Interests.
- 1.3 The Board welcomed [REDACTED] (Director, HS2 Phase One, High Speed & Major Rail Projects Group) to the meeting in the capacity of Board Observer from the Department for Transport. The Board noted apologies from [REDACTED].
- 1.4 The Board received a values moment from Roger Mountford regarding all of our values, referencing old terminology for a profession on London Bridge as a 'holder-up' and how this is related to the working relationships with the Integrated Project Teams.

## **2 Minutes of the previous meeting and matters arising (HS2B\_19-116 and HS2B\_19-117)**

- 2.1 The Board agreed the minutes of the meeting on 18 December 2019 as a true record.
- 2.2 The Board noted the status of the actions and that those which have been marked as closed with future reporting dates, will be tracked on the Board Forward Look by the Company Secretary to confirm closure.

## **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 The Chairman and Roger Mountford had attended the Department for Transport (DfT) Non-Executive Engagement Event 2020 on 16 January;
  - 3.2.2 The DfT Event had been hosted by George Freeman, MP and Bernadette Kelly, Permanent Secretary at the Department for Transport;
  - 3.2.3 The event was well attended and had covered a number of topics including New Government, decarbonisation, sustainability and the environment, diversity of Non-Executive Boards and how to improve this, and an update on Operation Matterhorn;
  - 3.2.4 The Chairman reiterated positive feedback to the DfT Observer on the event, noting the topical items which were extremely well covered in the time available.
  - 3.2.5 The Board had received an update from the Chairman and the Chief Executive Officer at the Board sessions the day prior regarding the meeting with [REDACTED]
  - 3.2.6 It was noted that the HS2 Ltd Chairman has written to [REDACTED] following the meeting with an offer of any further briefings and/ or information; and

- 3.2.7 The Board noted the intention to reopen the Non-Executive Director recruitment campaign in order to strengthen the Board and noting the comments and recommendations of the Major Projects Authority Project Assessment Review (PAR).
- 3.3 The Board noted the updates.
- 3.4 The Board received a verbal update from the Department for Transport (DfT) Observer.
  - 3.4.1 The DfT continue to engage with HS2 Ltd pending the outcome and/ or publication of the Oakervee Review. At the time of the update, there is no further clarity on timings for outcomes or public release of the review;
  - 3.4.2 Discussions continue between the Department and HS2 Ltd as to potential recommendations and implications of the review, noting that there is a high level of complexity;
  - 3.4.3 There was positive feedback provided to HS2 Ltd in a follow up to the Phase 1 Baseline 7 submission and in anticipation of the Major Projects Review Group (MPRG); and
  - 3.4.4 The Board noted that areas of focus and review remain on the Integrated Project Teams and their readiness, supply chain mobilisation, [REDACTED] [REDACTED] (the funding level at which there is a 50% degree of confidence that the project can be delivered within its current scope at that cost).
- 3.5 The Board noted the updates.

## **4 Keith Williams White Paper: The Williams Rail Review**

- 4.1 The Board welcomed Keith Williams and [REDACTED] to the meeting.
- 4.2 The Board noted the summary and context of the Williams Rail Review as a Government commissioned Review with a requirement for independent chairing.
- 4.3 The Board noted exclusions to the Review including big infrastructure projects (e.g. HS2 Ltd and Crossrail), and noted that a case for change needed to have regard to cost restraints.
- 4.4 The Board noted that the Review has been completed and awaits a publication date.
- 4.5 The following key points were raised and noted:
  - 4.5.1 Rail fares reform is an area not reviewed since 1994;
  - 4.5.2 There should be a review of franchising which is unsustainable for the future and prospect of change will be considered following publication of the review;
  - 4.5.3 The Board discussed rationale to review franchising noting that franchise periods are not long enough to deliver required changes, proving to be suboptimal;
  - 4.5.4 It is important to have clarity of the role of the Department for Transport, and decision-making versus accountability;
  - 4.5.5 One aim of the Review will [REDACTED] and responsibilities between systems operators and the rail industry, with a more strategic role being identified for

the Department for Transport to act as a control point for a longer-term vision. Within this there is still need for recognition and cognisance of taxpayer views and requirements;

- 4.5.6 The Review refers to Network Rail roles and responsibilities as well as wider third parties including regional representation for rail and local authorities;
- 4.5.7 The Board discussed the role of regulatory frameworks with an opportunity of developing ways of working, reducing complexity, and providing reasonable levels of flexibility;
- 4.5.8 The remit of Government should be to set strategy and allow innovation within this approved strategy;
- 4.5.9 Implementation of recommendations and actions from the Review will be deliverable between the public sector, Department for Transport and the private sector and should be taken as an opportunity to reset relationships;
- 4.5.10 The Board noted that implementation will be a major Government programme;
- 4.5.11 Implementation will require parallel running to current arrangements for some time and commercial transition will need careful management;
- 4.5.12 The Board noted that case studies including failures and successes have been factored into the review;
- 4.5.13 Success of implementation will also enable culture review, skills review, infrastructure and customer delivery;
- 4.5.14 The Board discussed end state operations and performance risk and so a key target for any reform should be about performance, looking at the customer trust aspect and increasing passenger rail usage;
- 4.5.15 International examples and case studies including Europe and Japan have been factored into the Review;
- 4.5.16 The Board discussed the pros and cons of deliverability by public or private bodies;
- 4.5.17 The Board asked Keith and [REDACTED] whether there was any information or support required from HS2 Ltd and the Board;
- 4.5.18 The Board and Management will continue to work with the West Coast Partnership, Keith and [REDACTED] to help test and shape the implementation principles;
- 4.5.19 The Board discussed the skills agenda and evidence in industry showing the fragmented approach has impacted skills. This point reiterates the need for a guiding mind need to shape the agenda. It was felt that on the skills agenda the HS2 Ltd Board had considerable experience in this area. The board offered any assistance required to help in this area;
- 4.5.20 The Board discussed how the UK Plc market can support this workstream, noting the intention for a joint Council of interested parties to be established;
- 4.5.21 Rolling stock is currently out of scope for the Review but the work will need to plan and have long-term vision for this element of the railway; and

- 4.5.22 The Board discussed market testing and how this should encourage new entrants into the marketplace to challenge existing providers.
- 4.6 The Board thanked Keith and [REDACTED] for their time and insight. The Board reiterated the offer for any further information sharing.

## 5 CEO Report (HS2B\_19-118 and HS2B\_19-119)

- 5.1 The Board noted the Management Information and report from the CEO.
- 5.2 The Chief Executive Officer gave a verbal update on the key issues and activities occurring in the month:

**5.2.1 The Board discussed the National College for Advanced Transport and Infrastructure. Non-Executive Directors requested information on what level of activity is being undertaken to support students and apprentices. It was agreed that an update will be brought to a future Board meeting;**

**Action: Neil Hayward**

**5.2.2 The organisation continues to prepare for the Major Project Review Group (MPRG) including collation and agreement of what is required for organisational readiness and assurance from the company. It was agreed that this will be shared with the Board;**

**Action: Mark Thurston**

5.2.3 Meetings have been held with the Chief Executive Officers of the Main Works Civils Contracts Joint Ventures;

5.2.4 During these meetings Management took the opportunity to reiterate the scale, workload, investment and briefings to the HS2 Ltd Board, Department for Transport and wider government departments;

5.2.5 The Board noted that the [REDACTED]  
[REDACTED]  
[REDACTED]

5.2.6 The Board noted that all Client Director roles for the Joint Ventures have been successfully filled following a recruitment process;

**5.2.7 The Board noted the release of the National Audit Office (NAO) report and it was agreed that an invitation will be extended to the NAO to provide an update to the Board on the process and outcome of the report;**

**Action: Mark Thurston**

**5.2.8 The HR director will join the Board at the meeting of 26 February 2020 to provide an update on the HS2 Improvement Programme and any residual conditions precedent. The Board requested explanation on the process and evidence required to achieve level four capability and how this aligns to business maturity mapping;**

**Action: Mark Thurston**

- 5.2.9 The Board will receive an update on Phase 2 activities at the next formal meeting noting that the teams are working on the premise of Royal Assent before summer recess for Phase 2a; and
- 5.2.10 There has been demobilisation of consultancy contracts in Phase 2b whilst outcomes of the Oakervee Review are outstanding.
- 5.3 The Board noted the updates
- 5.4 The Board received a verbal update from the Chief Financial Officer. The following key points were raised and noted:
  - 5.4.1 The Board noted underspend in the month against the quarter 2 forecast;
  - 5.4.2 Underspend is attributable to Land and Property transactions which delivered outside of the reporting month;
  - 5.4.3 The Board noted the underspend reported against Programme, attributable to over reporting in November management information;
  - 5.4.4 The Board noted reporting as actual with a forecast element required, due to reporting timescales. In the report the forecast assumed placement of substantial contracts which then did not materialise. A correction has been made in the December reporting. The Board noted that this is an exception rather than a trend; and
  - 5.4.5 The Board noted the full year forecast has been reduced.
- 5.5 The Board noted the updates.
- 5.6 The Board received an update from the Delivery Director.
- 5.7 It was noted there had been [REDACTED] within the period. At the time of reporting Management were satisfied with the response and review from the Contractor.
- 5.8 The Board were [REDACTED]  
[REDACTED]
- 5.9 The Board reiterated the importance of environmental reporting and compliance with the same, together with health and safety.
- 5.10 Ed Smith joined the meeting.
- 5.11 The Board noted [REDACTED]  
[REDACTED]. The Board discussed the level of scrutiny for HS2 Ltd and being held accountable in such instances.
- 5.12 The Board noted continued feedback from the supply chain about inefficient ways of working whilst awaiting the outcome of the Oakervee Review.
- 5.13 The Board noted the updates.

- 5.14 The Board received an update from Strategic Director of Stakeholder Engagement.
- 5.15 The Board noted preparatory activity in anticipation of restrictions for media engagement being lifted.
- 5.16 The Board discussed taking on ambassadorial roles. This was accepted by the Non-Executive Board Members who reiterated their desire to become more involved in promoting HS2 once the press embargo is lifted following the publication of the Oakervee review.
- 5.17 The Board noted that environmental engagement is an area of focus for the Directorate.
- 5.18 **The Board noted that there will be all staff briefings held in March 2020 and it was agreed that the dates will be shared for coordination of attendance from the Non-Executive Directors.**

**Action: Non Owen**

- 5.19 The Board commended the report and plan from the Strategic Director of Stakeholder Engagement however citing the challenge to keep this “live” and fresh as aspects of the HS2 programme develop. This is particularly important leading up to the decision pending on the programme by the Prime Minister.
- 5.20 The Board noted the updates.

## **6 Report from Remuneration Committee 16 January 2020 (HS2B\_19-120)**

- 6.1 The Board received a verbal update from the Chair of the Remuneration Committee following the meeting held on 16 January 2020.
- 6.2 The following key points were raised and noted:
- 6.2.1 The Committee had received and reviewed working principles and discussed the current operational climate, where a number of reviews are pending conclusion. As such there is a timing point to take these matters forward for Departmental and Ministerial support;
  - 6.2.2 The Board discussed the importance of having ability in the organisation to incentivise, award and reward to enable the right levels of retention and attraction;
  - 6.2.3 The Board noted that the Committee had approved the Pay Policy following review and support from Management and the Executive Committee;
  - 6.2.4 The Board discussed transparency reporting for disclosure of salaries for senior staff earning £150,000; and
  - 6.2.5 The Board requested further information regarding Gender Pay gap reporting, noting that this will be reported to the Board via the March Remuneration Committee.
- 6.3 The Board noted the updates.

## **7 Report from the Health Safety and Environment Committee 20 January 2020 (HS2B\_19-121)**

- 7.1 The Board received an update from the Chair of the Health Safety and Environment Committee following the meeting on 20 January 2020.
- 7.2 The Committee had received a positive presentation from SCS on leading mental health in the industry.
- 7.3 The Committee had reviewed and discussed the Safe at Heart Transformation Plan, continuing momentum to the March 2020 conference.
- 7.4 The Committee had conducted a deep dive of supply chain incident management exercise, and the outcome and recommendations of this.
- 7.5 The Committee reviewed the assurance assessment of the impact to HS2 Ltd of the Grenfell Tower Report.
- 7.6 The Committee Members had noted updates however they had expressed caution to keep focus and scrutiny also on engineering safety.
- 7.7 The Board received an update on the [REDACTED]

## **8 Report from the Audit and Risk Assurance Committee 22 January 2020 (HS2B\_19-122)**

- 8.1 The Board noted and received the report from the Chair of the Audit and Risk Assurance Committee following the meeting on 22 January 2020.
- 8.2 The following key points were raised and noted:
  - 8.2.1 During the Committee meeting it had been noted by both the Head of Internal Audit and the National Audit Office the distinct improvement of process and rigour to control and assurance in the organisation;
  - 8.2.2 The Committee Chair was informed of the action for the National Audit Office to join the Board meeting in February to present the summary of their findings in their Report – “High Speed Two: A Progress Update”;
  - 8.2.3 The Board discussed the Independent Assurance Panel;
  - 8.2.4 The Board approved the suggested approach to the third line of defence for Integrated Project Team Readiness and Phase 2 Baseline 2; and
  - 8.2.5 Committee Members have agreed a series and sequencing of deep dives to be delivered to the Committee in 2020, namely: [REDACTED]



## 9 Functional Response (HS2B\_19-123)

- 9.1 The Board received and noted the revisions to the HS2 Ltd Functional Response, which is an HS2 Ltd deliverable under the Development Agreement (DA).
- 9.2 The Board noted that the revised version has been approved by the Executive Committee and reviewed by the accountable technical leads within HS2 Ltd.
- 9.3 Management explained to the Board the level of work to review the document over the previous six months, including sharing iterative updates with the Department for Transport.
- 9.4 The Board noted the Functional Response is a bridging document for what HS2 Ltd instructs to the supply chain and how HS2 Ltd discharges duties to the Department for Transport.
- 9.5 The Functional Response is also the driver for any change.
- 9.6 **The Board requested that following the necessary internal formatting/ processing requirements, the document will be added to the Admincontrol Reading Room for Directors.**

**Action: Non Owen**

- 9.7 **The Board requested visibility and update on what checks are made for organisational compliance with the document.**

**Action: Michael Bradley**

- 9.8 Management confirmed there is a requirement for a reasonable amount of flexibility and as such the Functional Response is not considered overly restrictive.
- 9.9 The Board approved the revised Functional Response and supported the onward submission of the document to the Department for Transport.

## 10 Change Management and Contingency and initial update on Phase One/ Delivery Delegations (HS2B\_19-124)

- 10.1 The Board received and noted a paper setting out:
  - 10.1.1 The provisional agreements reached with the Department for Transport (DfT) on phasing of access to contingency and delegations, noting that these agreements are subject to further discussion with DfT and require approval by HM Treasury (HMT); and
  - 10.1.2 The principles for change control and the proposed delegations for drawdown and payment of contingency for Main Works Civils Contracts (MWCC).
- 10.2 The Board had attended a workshop on 18 December 2019 where principles for MWCC change control and contingency were discussed.

10.3 Following the workshop, Management have worked the principles and levels with teams with a proposal that these will be reviewed on quarterly basis, in the first instance, to ensure they are optimally fit for purpose.

10.4 The Board received a presentation and discussed the provisional agreements and principles regarding:

10.4.1 Phasing of access to contingency;

10.4.2 Procurement delegations; and

10.4.3 Change delegations for cost and schedule

10.5 The following key points were raised and noted:

10.5.1 Currently, as per the Financial Annex, any unused annual contingency can be 'rolled forward' into the next financial year with a cap of up to 20%. The continuation or otherwise of this position is an area for further agreement at the time of reporting;

**10.5.2 The Board discussed the allocation of contingency to the Main Works Civils Contractors versus remaining trigger points, querying the rationale for the ratio. Management confirmed the position is due to spend already committed on MWCC. The Board requested that there is more narrative of this detail provided with further submissions;**

**Action:** [REDACTED]

10.5.3 Management confirmed that there is clarity of which risks are retained by the Secretary of State for Transport and that this is outlined in the Development Agreement;

10.5.4 Management will return to the Board regarding rationale and the agreed position on delegations for changes to live contracts;

10.5.5 Management confirmed that Management Information submitted to the Board will provide visibility of use and allocation of contingency;

10.5.6 The Board support the principle to build in review points to allow for optimum working solutions;

10.5.7 The Department for Transport Observer reiterated the shared view for less complexity; and

10.5.8 The Board discussed the approach of affordability versus whole life cost decisions noting that the Development Agreement gives affordability primacy. Through the right level of consultation in the business there will be a view of the whole life cost in impact assessments.

10.6 Judith Hackitt left the meeting.

10.7 The HS2 Ltd Board:

10.7.1 Noted the current provisional agreements reached with the DfT on the phasing of access to contingency and delegations;

- 10.7.2 Agreed that approval of any required revisions to the HS2 Ltd Development Agreement (DA) be delegated to the HS2 Ltd Chief Executive Officer, subject to them remaining aligned to the provisional agreements set out in the paper;
- 10.7.3 Approved the principles that set out how MWCC Project and Programme Contingency will be managed; and
- 10.7.4 Approved the proposed delegations for MWCC drawdown of contingency.

## 11 Main Works Civils Contract (HS2B\_19-125)

- 11.1 The Board received and noted an update on the progress to close out the Contracts with the Main Works Civils Contract Joint Ventures (MWCC JV).
- 11.2 The Board noted the update provided on the current [REDACTED].
- 11.3 The Board received a presentation and raised or noted the following key points:
  - 11.3.1 Negotiation conclusion on point, price and risk is still outstanding with one Joint Venture. This is anticipated to be resolved by week ending 07 February 2020;
  - 11.3.2 Actions to conclude prior to entering into revised contracts will be monitored daily and managed at Director level to conclude by 14 February 2020;
  - 11.3.3 The Board discussed [REDACTED];
  - 11.3.4 Management confirmed that point, cost and risk position is being aligned to Phase 1 Baseline 7 whilst noting scope for Baseline 7.1 will cover:
    - 11.3.4.1. Known changes since August 2019 data lock down;
    - 11.3.4.2. Changes to reflect emerging trends;
    - 11.3.4.3. Changes related to government decisions; and
    - 11.3.4.4. Changes resulting from MWCC submissions
  - 11.3.5 The Board discussed point estimate, project risk, programme risk and total point and risk position and the changes which have occurred between Baseline 7, reported in September 2019 and current;
  - 11.3.6 The Board challenged [REDACTED].
  - 11.3.7 Management advised the Board that [REDACTED].
  - 11.3.8 The Board discussed the mechanisms available for staggering Notice to Proceed to Joint Ventures so that any Joint Venture can be held accountable for agreed deliverables prior to being awarded their contract;

11.3.9 The Board referenced the briefing topic delivered the previous day regarding innovation noting that deliverables such as this, together with further assessment and sharing of best practice should continue to be a point of review and scrutiny;

**11.3.10 The Board requested that Management provide a narrative to summarise actions taken and rigour of process to get to the close of 18 months of Phase 1 programme activities, together with the rationale for why it is not recommended to the Board to [REDACTED];**

**Action: David Bennett**

11.3.11 The Board noted the timeline and submissions to the February Board: [REDACTED]; and Integrated Project Team Readiness; and

**11.3.12 The Board requested clarity in the next submission on [REDACTED]**

**Action: David Bennett**

11.4 The Board noted the updates.

## **12 Land and Property Sealed Offer Ratification (HS2B\_19-126)**

12.1 The Board received and noted a paper from the General Counsel containing legally privileged and commercially confidential information.

12.2 The Board approved the request to delegate the matter for closure to the Land and Property Director and General Counsel in line with the parameters provided in the paper.

## **13 Priorities for February 2020 Board (HS2B\_19-127)**

13.1 The Board noted the forward look of topics to be considered by the Board. Content for the February 2020 Board will be considered and agreed with the Chairman.

13.2 It was agreed that the Board would meet out of cycle in the week commencing 17 February to consider Phase 1 Baseline 7.1. Providing the HS2 Ltd Board approves Phase 1 Baseline 7.1 this will then progress for Departmental review on 24 February 2020.

## **14 AOB and Close**

14.1 The Board agreed that should there be a requirement to regroup following any public announcements, a session will be facilitated.

14.2 There were no additional items of business raised.

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