

Meeting minutes

HS2 Ltd Board

Meeting date Wednesday, 28 July 2021

Meeting location [REDACTED]

Meeting time 09:00 - 16:00

Members	Attendees	Apologies
Allan Cook (Chairman) Non-Executive Director	[REDACTED] Phase 2 Controls Director	
Michael Bradley Chief Financial Officer	David Bennett (items 4 & 5) * Delivery Director	
Mel Ewell Non-Executive Director	[REDACTED] Civils Delivery Director	
Judith Hackitt Non-Executive Director	[REDACTED] Phase 2b Delivery Director	
Tom Harris Non-Executive Director	[REDACTED] Phase One Controls Director	
Elaine Holt Non-Executive Director	Nicole Geoghegan General Counsel	
Stephen Hughes Non-Executive Director	[REDACTED] Senior Project Manager - Baseline	
Ian King (items 1 to 5) * Non-Executive Director	[REDACTED] [REDACTED]	
Roger Mountford Non-Executive Director	[REDACTED] DfT Senior Responsible Officer	
Ed Smith Senior Independent Non-Executive Director	Non Owen Company Secretary	
Mark Thurston Chief Executive Officer	Tim Smart (item 6 & 7) Phase 2 Managing Director	
Jon Thompson* (excluding 11.30- 12.15pm) Non-Executive Director	Emma Head (item 3) * Safety & Assurance Director	
	[REDACTED] Benefits Strategy and Capability Manager	

**attendance via Videoconference*

1 Quorum, Declarations of Interest and Values Moment

1.1 The Chair welcomed Ruth Todd (HS2's Chief Commercial Officer) to the Board.

- 1.2 Judith Hackett noted that she was about to join the Carbon Capture & Underground Storage Working Group. The Board confirmed that there were no additional conflicts of interest to be declared.
- 1.3 The Board received a values moment from the Board Chair in relation to the All Staff Event on 13 July, at which he had discussed HS2 Ltd values, which caused him to consider which value was most critical. He then described why, in his view, integrity was paramount.
- 1.4 The Board Chair also reflected on his near-3yrs leading the HS2 Ltd Board. He noted that site visits had been restricted during the COVID period but that some Board members had visited Long Itchington recently, with such visits highlighting the size, scale and complexity of the project (quoting some statistics from the N1/N2 civils package). He noted the expertise of the people on the project and how much he had learned.

2 Minutes of the Previous Meeting and Matters Arising (HS2B_21-049)

- 2.1 The minutes of the meeting held on 30 June 2021 were approved as an accurate record of that meeting.
- 2.2 The Board noted the status of the actions.

3 Chair Report including SRO Update (HS2B_21-050)

- 3.1 The Department for Transport (DfT) Senior Responsible Officer (SRO) and the Director of Safety and Assurance then joined the meeting.
- 3.2 The Board reviewed and noted the Chairman's Board Update for July 2021, as included in the meeting papers. The Chair highlighted his recent meeting with the HS2 Minister, noting his support for the project.
- 3.3 [REDACTED] joined the meeting to discuss the recent Board effectiveness review. The Board noted the observations, as included in the meeting pack and noted the Chair's comments as to the timing of such review. The Reviewer noted that the Board has continued to evolve since the previous review. While conversations continue to be probing and thoughtful, clarity was recommended as to the purpose of the Board, with greater time suggested on strategic risks.
- 3.4 The Board noted the opportunity to reflect roles and responsibilities more clearly in the upcoming review of the Development Agreement (including the role of ministers, the DfT, HM Treasury and Cabinet Office, the CEO as Accounting Officer, and the HS2 Board).
- 3.5 The Reviewer noted that significant time is spent on reviewing operational information, with a query as to whether this was the best use of the Board's time, with the CEO noting the strategic risk workshop which had taken place the previous afternoon as a Board Briefing.

- 3.6 The review will be provided to the new Board Chair who will have a view on the Reviewer's findings and potential actions.
- 3.7 It was noted that an update to Framework Document was scheduled (being the main 'shareholder' document as between HS2 and the DfT), which could/should reflect latest thinking on roles/responsibilities.
- 3.8 In relation to one of the findings, the Reviewer noted there was a [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] It was noted that the setting of the Target Price for Phase 1 had placed an indirect limitation on the Board's authority/purpose, as had a new Cabinet Office Policy on contracts.
- 3.9 There was discussion regarding Sub-Committees of the Board, noting that whilst the Communications Leadership Forum is not a formal Board sub-committee and had not been considered as part of the effectiveness review scope, it had been recognised as a necessary Forum.
- 3.10 It was noted that the Board does and should continue to review the Sub-Committee structure including whether a new Programme Sub-Committee would be beneficial (while also noting how this had worked previously) and the evolving purpose of the Commercial and Investment Committee in relation to change decisions was discussed.
- 3.11 It was noted that the role of such Sub-Committees must not overlap with each other, or with the Executive's purpose.
- 3.12 **It was agreed that the CEO and Company Secretary would reflect further on the themes for discussion to be held with the new Chair and Board members.**

Action: Mark Thurston and Non Owen

- 3.13 The Reviewer left the meeting.
- 3.14 The Director of Safety and Assurance noted the outcomes of the Safe at Heart Board workshop conducted on 27 May 2021 and introduced the paper and 'Commitment' document included in the meeting pack, which had received input from some Board members.
- 3.15 It was agreed that the Board's Commitment needs to be aligned with the Executive's approach and objectives.
- 3.16 **The Board approved the 'Safe at Heart' Commitment set out in the meeting pack and requested that now that the principles had been agreed, there should be a further session for how the Board can deliver the commitment. This will be scheduled for either a briefing session or formal meeting.**

Action: Emma Head

- 3.17 The DfT SRO provided a verbal update, discussing:

3.17.1 The cost information being presented to the Ministerial Task Force.

3.17.2 Initiatives being implemented in connection with protestor action.

3.17.3 The status of the workstreams relating to Euston [REDACTED]

3.17.4 The areas being reviewed by DfT in connection with [REDACTED]
[REDACTED]
[REDACTED]

3.18 The Board discussed the process and timing of governance for the Phase 2b Western Leg Baseline and how this may impact on the proposed hybrid Bill deposit date. The Board noted that there needed to be clarity around the role of the Major Projects Review Group (MPRG) in undertaking its proposed review at such an early stage of Phase 2b.

3.19 The DfT SRO and Safety and Assurance Director left the meeting.

4 Quarterly Business Review Update (HS2B_21-051)

4.1 The Delivery Director joined the meeting.

4.2 The CEO introduced the update and summarised his key observations.

4.3 The Board discussed a recent safety incident and why it had occurred, with multiple contributing factors. The site had been stood down to allow full safety briefings to occur for all supply chain members, with investigations continuing with a fair culture approach.

4.4 The key points highlighted by the CEO in particular were:

4.4.1 Work was ongoing to agree methodology for calculating the Anticipated Final Cost (AFC) for Phase 1.

4.4.2 Considerable information was now available as to the achievement of benefits.

4.4.3 The status of performance against the KPIs.

4.4.4 The note that a Management project to benchmark indirect costs is in progress and will inform the Efficiency Review that had recently been initiated.

4.4.5 [REDACTED] provided by the General Counsel.

4.4.6 The progress of enabling works, with the utilities team now overseeing both Phase 1 and 2a utilities delivery (ensuring consistency with those Utility companies who are common to both Phases).

4.4.7 The governance decisions that are required from Government for [REDACTED]
[REDACTED]
[REDACTED]

4.5 The CFO discussed the cost performance update, including:

- 4.5.1 The current point estimate, noting contingency draw-downs since the previous Quarterly Business Review (QBR) in March '21 and since BL7.1 approval, noting that any COVID costs, and costs incurred in dealing with other Secretary of State (SoS) held risks, are expected to be paid from DfT held contingency.
- 4.5.2 The key components of the trends position and that certain costs have not yet been accounted for in the calculation of available DfT contingency.
- 4.5.3 Potential savings opportunities from certain asset areas in the Phase 1 programme.
- 4.5.4 The extent to which the data reflects the outputs of the Efficiency Challenge Programme.
- 4.6 The CEO and CFO referenced the bottom up forecast (BUF) workstream underway with the Phase 1 Main Works Civils Contractors (MWCC).
- 4.7 Work is underway to better understand the estimates and the assumptions, with the outcome to be shared with the Board in September. The Board discussed how this timing would interface with the expectations from Government on when cost updates would be given and also how inflation risk was treated.
- 4.8 The CEO raised the design and consents workstream and the number of applications that still need to be made (and granted) to maintain the Phase 1 programme.
- 4.9 The CEO summarised the status of Phase 2a delivery, including the work to update the cost and schedule baseline, and what are the key deliverables for the HS2 programme over the next 3 months and focus areas.

5 Phase 1 Schedule Mitigation and Control (HS2B_21-052)

- 5.1 The Civils Delivery Director and the Phase One Controls Director joined the meeting.
- 5.2 The CEO introduced the work that has been undertaken to mitigate a number of schedule pressures. The Board reviewed and noted the paper and the slides that were provided in the meeting pack.
- 5.3 The Phase One Controls Director set out the 'asks' of the Board (as set out in the cover paper) and explained that a mitigation exercise had commenced in late 2020 to seek to address certain schedule pressures that arose after BL7.1 was approved.
- 5.4 The Board noted the work to date and the mitigations achieved to date, noting the current schedule estimate, without further mitigation/opportunities.
- 5.5 It was noted that with a significant amount of Phase 1 still to complete, there were opportunities to mitigate the remaining pressure.
- 5.6 The Board noted:

- 5.6.1 The approach to schedule and cost mitigation, noting that Management wished to continue to set a stretch target for the schedule and that there is an explicit relationship between schedule and cost.
- 5.6.2 It is critical that the systems integration activities are not compromised and that a watching brief is required at the appropriate time on how these activities are overseen by the Board. The CFO noted that the durations of such activities have thus far been maintained.
- 5.6.3 The relationship between the strategic risks and the programme now being recommended.
- 5.6.4 That more explanation would be provided as to the delays that have been avoided because of this work, noting that the programme now proposed for Board approval, is more informed compared to the BL7 programme as a result of the ongoing maturation of Phase 1.

5.7 The Board discussed [REDACTED]

5.8 The Board endorsed the [REDACTED]

Action: Mark Thurston

5.9 **The Board also acknowledged that the cost workstream was less mature, with further discussion/decisions to take place at the September Board.**

Action: Company Secretary to add to September Board agenda

5.10 The Board noted the meeting as the final Board meeting prior to the Delivery Directors retirement and thanked him for his significant efforts and contribution.

5.11 The Delivery Director, Civils Delivery Director and the Phase One Controls Director left the meeting.

6 ARAC Phase 2b Assurance Statement (HS2B_21-053)

6.1 The Phase 2 Managing Director, Phase 2b Delivery Director, Phase 2 Project Controls Director, Senior Project Manager (Baseline) and Benefits Strategy and Capability Manager joined the meeting.

6.2 The Audit and Risk Assurance Committee (ARAC) Chair outlined the assurance steps that had been undertaken in connection with the proposed Phase 2b Baseline 2.1W, with no significant findings raised.

6.3 [REDACTED]

6.4 The Board discussed:

6.4.1 The level of preliminaries that have been adopted compared to Phase 1 and the basis for this.

6.4.2 That while learnings from earlier Phases have been accounted for in building up the Baseline, there are fundamental differences between Phase 1, 2a and 2b, with many of the core tasks not repeatable between the Phases.

6.4.3 That it was important for HS2 Ltd to be fully transparent as to its views on cost and schedule and to not be over-optimistic at this early stage of Phase 2b.

6.4.4 That there is limited information available in connection with ground conditions.

6.5 The Board noted that an improved narrative could appear in the Management submission to the DfT, so that HS2 Ltd perspective was better explained.

6.6 The Board noted the assurance findings for Phase 2b Baseline 2.1W.

7 Phase 2b Baseline 2.1W (HS2B_21-042)

7.1 The Phase 2 Managing Director introduced the paper, explaining the changes made to the Baseline since the briefing to the Board on 02 June 2021.

7.2 The Board is being asked to endorse Baseline 2.1W onto the DfT and to approve the Benefits Baseline v0 submitted.

7.3 It was noted that the current level of design maturity is fit for environmental impacts to be assessed but is not engineering design at this early stage. By way of example, there are 1,700 drawings to accompany the Phase 2b Western Leg Hybrid Bill, while a contractor on Phase 1 alone currently has circa 1.7 million drawings to inform design.

7.4 The Board noted the topography for the Phase 2b Western Leg is unique and that there is a significant interface with highways.

[REDACTED]

7.6 There was a discussion about the rolling stock savings referred to in the paper and what train types this was based on.

7.7 The Benefits Strategy and Capability Manager introduced the Benefits Baseline section of the paper, explaining that the target benefits would be cascaded into the supply chain contracts, and

reported on, as part of the Phase 2b procurement programme. Under the Development Agreement, HS2 is required to have a Benefits Baseline in place for each Phase.

7.8 The Board noted the assurance activities that had been undertaken in connection with the Benefits Baseline, which had followed a similar approach to earlier Phases.

7.9 It was confirmed that [REDACTED]
[REDACTED]

7.10 The Board noted that the Benefits Baseline assumes in connection with bio-diversity 'no net loss' rather than a net gain, to align with the other baseline products.

7.11 The CEO took the Board to the slides relating to the Phase 2b Delivery Strategy. The Management Case is the part of the Phase 2b Western Leg Business Case that would set out such Strategy, with significant further work to be undertaken when the Phase has greater maturity.

7.12 The optimal Strategy will inevitably be impacted by the progress/completion of Phases 1 and 2a.
[REDACTED]
[REDACTED]

7.13 The Board noted that [REDACTED]
[REDACTED] The Board had recognised this in 2020 as being sub-optimal, though it was noted that HS2 Ltd had already invested considerable effort/cost in working to DfT's requested timings. **It was agreed that the CEO would write to the SRO in this regard.**

Action: Mark Thurston

7.14 The Board endorsed the Phase 2b v2.1 Western Leg baseline and the Benefits Baseline v0, for onward submission to DfT.

7.15 The Phase 2 Managing Director, Phase 2b Delivery Director, Phase 2 Project Controls Director, Senior Project Manager (Baseline) and Benefits Strategy and Capability Manager left the meeting

8 Report from the Commercial & Investment Committee (CIC) from 15 July 2021 (HS2B_21-058)

8.1 The Chair of the Commercial and Investment Committee (CIC) explained the matters considered by the CIC at its July meeting, which had focussed on the 3 Rail Systems ITTs, which were noted by CIC as part of the bespoke governance regime agreed for Rail Systems at the April Board.

8.2 The Chair of CIC had attended the 'super-hot start' held on 21 July 2021 and provided some observations about this.

[REDACTED] It was noted that Management had refreshed the cost estimates for the Rail Systems packages and had obtained HM Treasury consent to the refreshed position [REDACTED]
[REDACTED]

- 8.4 The CIC had additionally considered and approved, in line with delegations, certain scope changes to the Rail Systems packages [REDACTED]
- 8.5 The Board noted the report from the CIC Chair.

9 Report from Remuneration Committee from 15 July 2021 (HS2B_21-044 and HS2B_21-059)

- 9.1 The Chair of the Remuneration Committee noted that most of the Board had attended the 15 July Committee meeting, at which the Committee had reviewed HS2 Ltd talent and succession planning processes which has been recognised by the DfT as best in class.
- 9.2 [REDACTED]
- 9.3 The CEO appraised the Board of the cessation of a long-term services contract and appraised the Board as to the proposed arrangements for the replacement of the HR Director.
- 9.4 The Board noted the update.

10 Report from Environmental Sustainability Committee (HS2B_21-060)

- 10.1 The Chair introduced the paper in the meeting pack.
- 10.2 The Chair noted that a conflict issue had arisen, with the result that the Committee's special adviser has stepped down, with a replacement now being sought.
- 10.3 The Committee had also discussed COP26 and the preparation of the Environmental Sustainability Report, which would come to the Board for approval.
- 10.4 The Board noted the update.

11 Forward Look (HS2B_21-061)

- 11.1 The Committee reviewed the Forward Look paper, as included in the meeting pack, and noted the items scheduled for discussion at future meetings.
- 11.2 It was noted that delegation would be granted to CIC to consider, on behalf of the Board, the [REDACTED] with the Board agreeing that Ed Smith should also consider the paper.
- 11.3 It was noted that there was not currently expected to be an August Board meeting, also noting that some Board Members would be on annual leave.

11.4 It was agreed that the potential topics for Board briefings would be reviewed and revised as appropriate. The CEO requested any feedback from Board members in this regard.

Action: Mark Thurston / Non Owen

12 Any Other Business

12.1 The Board discussed:

12.1.1 The need for papers to include some of the verbal insights that are provided during the Board meeting where papers are going onwards to DfT.

12.1.2

[REDACTED]

12.1.3 The evolving role of the CIC in connection with change approvals.

12.1.4 The launch of the story of HS2 Ltd now available on the organisational interchange pages.

12.2 The Board formally thanked Allan Cook for this contribution and the leadership he has provided to HS2 Ltd during his tenure as Chairman.

12.3 There being no further business to discuss, the meeting was closed.