

Meeting minutes

HS2 Ltd Board

Meeting date Wednesday, 29 May 2019
Meeting location Room 6.1, Two Snowhill, Birmingham
Meeting time 09:00 – 15:45

Members	Attendees	Apologies
Allan Cook Non-Executive Chairman	Section 40 Project Director CCS and Communications	Dame Judith Hackitt Non-Executive Director
Michael Bradley Chief Financial Officer	Section 40 Head of Programme Interface, Area North	
Richard Brown Non-Executive Director	Section 40 Hybrid Bill Delivery Director	
Mel Ewell Non-Executive Director	Section 40 Project Director S4, Area South	
Stephen Hughes Non-Executive Director	Section 40 Programme Director Area Central	
Roger Mountford Non-Executive Director	Section 40 Managing Director Phase 1	
Richard Robinson Chief Operating Officer	Section 40 Consultant, Procurement and Supply Chain	
Ed Smith Non-Executive Director	Nicole Geoghegan General Counsel & Company Secretary	
Mark Thurston Chief Executive Officer	Tom Kelly Strategic Director Stakeholder Engagement	
	Section 40 Programme Director Area North	
	Section 40 DfT Observer	
	Section 40 Chairman's Office	
	Section 40 Deputy Company Secretary	
	Section 40 Procurement and Supply Chain Director	
	Section 40 Senior Project Manager, Area North	

	Chris Rayner (Item 8) Director of Infrastructure	
	Section 40 Phase 2 Commercial Director	
	Section 40 Senior Project Manager (MWCC), Area Central	
	Section 40 Sponsorship Directorate	

Signed

Chair

Allan Cook

Date

1 Welcome, Declarations of Interest and Values Moment

- 1.1 The Board noted apologies from Dame Judith Hackitt.
- 1.2 There were no additional declarations of interest to those recorded on the register.
- 1.3 The Board received a values moment from Ed Smith on leadership, respect and safety, referencing the “Hello my name is” campaign which generated circa two billion social media hits following the campaign launch. Ed referenced the fact that the campaign had led to a safer NHS, encapsulating the importance of doing the smaller things for organisations and the results these can yield.

2 Minutes of the previous meeting and matters arising (HS2B_19-016 and HS2B_19-017)

- 2.1 The minutes of the meeting of the 24 April 2019 were agreed as a true record.
- 2.2 The status of the actions was noted with the following updates:
 - 2.2.1 Action 19/002: Strategic risks. The Board noted that a session is due to be held with the Board in July and that dates have been canvassed from Board Members. The Chairman reiterated the importance of the session and requested that the Board Members make every effort to be available for the session.
 - 2.2.2 **It was noted that the response to action 19/003 will be shared with the Chairman following the Board meeting.**

Action: Section 40
 - 2.2.3 **The Board noted the response to action 19/017 on Skills and Education Taskforce, noting that such responses to actions will receive co-ordination with the Chair and Chief Executive Officer to control the length of documents submitted into Board packs.**

Action: Section 40

- 2.2.4 The Board noted that there will be a future item added to the Board agenda on the work and progress with skills and future workforce and this will be added to the forward look.

Action: Section 40

2.2.5

-----Section 31-----

3 Chair Report including assessment update (HS2B_19-018)

- 3.1 The Board received a verbal update from the Chairman.
- 3.2 As discussed at previous meetings, the Chairman framed the genesis of the review or “stocktake” which has been under development since the February 2019 Board meeting.
- 3.3 The Chairman advised that the current report remains an iterative draft and comments would be welcome from Board Members and the Board Observer following the Board meeting.
- 3.4 The output of the current report provides an overview from the Chairman of the current status of the programme. The Board will agree with the Department for Transport (DfT) as to the purpose of the recommendations and next steps.
- 3.5 The Board were reminded that the scope of the work had been set out March 2019 with Terms of Reference as to the purpose. The Stocktake had used existing work streams to establish whether HS2 has the ability to deliver value for money and consider whether it can meet the parameters agreed at the 2015 Spending Review in terms of cost, schedule and scope.
- 3.6 The following key points were raised and noted:
- 3.6.1 The Board commented that the calculation of the Benefit Cost Ratio (BCR) does not demonstrate the full value of the programme. This would be worth expanding on in recommendations;
- 3.6.2 The team who have supported the stocktake production confirmed that there was nothing material missing or withheld in producing the draft report, but that there could always be more information to add. The draft of the report was requested as an output for May 2019 following discussions with the Department of Transport.
- 3.6.3 The Board discussed the scale and complexity of HS2 Ltd and discussed that the perception needs to change with better information on the scale and the wider strategic benefits which will be delivered.
- 3.6.4 The Board discussed the challenges experienced with the supply chain-----Section 43-----and needs to meet very large skills requirement demands at the peak of

activity. The ability to recruit, retain, develop and motivate the workforce with the required skills is a critical success factor for the programme.

- 3.6.5 HS2 Ltd must continue to review, evolve and assess itself as a fit for purpose organisation.
- 3.6.6 Management suggested more explicit reference to coordination and integration required for the three Phases.
- 3.6.7 The Board discussed the original strategic decisions made on procurement and referenced the latest review from the organisation to test the suitability and robustness of packages, for example, the -----Section 43-----. The Board discussed that the original assumption had been that HS2 Ltd would act as a lean client and pass integration and risk into the supply chain. Following lessons learned, the organisation may now need to review what implications there might be for the size and skills to be managed as HS2 Ltd consider progressing work as a more engaged employer.
- 3.6.8 The Board discussed the chain of governance associated with decisions in the organisation and suggested this might be a level of review for the Chairman and the Board.
- 3.6.9 The Board discussed the remit of potential decisions which might be made in order to continue with works whilst minimising the impact and disruption to the public.
- 3.6.10 The Board discussed a further level of detail for the West Coast Main Line and capacity, linking this more strongly to the business case and reassuring travellers of the intention to mitigate and/or avoid travel disruption.
- 3.6.11 The Board requested further detail on benefits and for this detail to be monetised where possible. This is one of the five recommendations made in the stocktake.
- 3.6.12 The Board noted that any inclusion of figures will be under a level of scrutiny and so it is important to have a level of confidence against this information submitted.
- 3.6.13 The Board discussed the need to be prepared with public facing documentation.
- 3.6.14 The Board discussed the transformational impact and economic benefits which HS2 Ltd is already realising, for example job creation.
- 3.6.15 The Board discussed the challenge with limitations on the scale of the UK supply chain.
- 3.6.16 The Board agreed that the current draft of the stocktake was to provide a current view of the programme and organisation. The secondary stage to this work is to agree what needs to be done to respond and provide options to the recommendations.
- 3.6.17 Part of the response to recommendations will need to capture increasing public awareness of the programme.
- 3.6.18 The Board suggested more of a balanced position be included with recommendations to reflect the benefits and opportunities as well as the challenges as this might be an area of the report which readers will use as an Executive Summary and focus on first.
- 3.6.19 The Board and Board Observer confirmed that there was broadly a large level of agreement with the conclusions contained in the report, but that it should be made

clear that the company continues to make every effort to ensure that we are providing value for money.

- 3.6.20 The Board agreed that there should be ongoing work to drive down costs, whilst remaining focussed on a high level of efficiency and productivity.
 - 3.6.21 The Board agreed that the recent work of lessons learned for major projects will form part of this work as it progresses.
 - 3.6.22 The Board will work with the Board Observer as to how the draft of this report is taken forward and submitted to the Department.
 - 3.6.23 The Board will work with the DfT and Management to develop recommendations, themes and actionable plans, with recommendations remaining weighty enough to be mitigated/ resolved.
 - 3.6.24 It was formally noted that the work to produce this report also falls into the fiduciary duty of the Board.
- 3.7 The Board agreed with the draft update and the recommendations put forward in the stocktake. The support team were commended for the work carried out to produce the stocktake.

4 CEO Report (HS2B_19-019)

- 4.1 The Chief Executive Officer updated the Board on activity since the last meeting.
- 4.2 The following key points were raised and noted:
 - 4.2.1 Executive Directors have been continuing communications with the Department for Transport and providing briefings on the progress of work including conclusion of stage one with Main Works Civils Contractors.
 - 4.2.2 Preparation continues for the Project Assessment Review.
 - 4.2.3 There has been good progress made over Easter and the Bank Holidays at the Euston site. These changes have resulted in a fundamental alteration to the station.
 - 4.2.4 There has been a high level of activity over the month for the roadshow timetables and media engagement, which has received good levels of positivity and recognition.
 - 4.2.5 **The Board noted the Health and Safety Performance for the month, querying with Management what the next step and consequences for contractors was should there be incidents in the month. Management advised that this is an area of active review via the Health, Safety and Environment Panel and Committee, and that this can be added to the Board forward look as a topic for future briefing.**

Action: Emma Head
 - 4.2.6 The Board noted there has been good progress with external auditors for the Annual report and Accounts (ARA).

- 4.2.7 The Audit and Risk Assurance Committee (ARAC) continue oversight and review of the ARA ahead of Board approval in June 2019.
- 4.2.8 The ARAC will continue to oversee audit for this to evolve into a controls based audit environment.
- 4.2.9 **The Board noted there is due to be a paper circulated via correspondence to the Board with regard to the -----Section 42(1)-----.**
Action: Nicole Geoghegan
- 4.2.10 The Board noted that there has been resolution of an active legal dispute.
- 4.2.11 **The Board requested further detail of how Earned Value will be reported and escalated to the Board for a view of robust measurement of contract performance.**
Action: Richard Robinson
- 4.2.12 **The Board noted the summary page on Undertakings and Assurances (U&As). The Board asked for confirmation that where U&As were referenced as “no longer required” these were not to be calculated into the Baseline 7 position.**
Action: Mark Thurston
- 4.2.13 **The Board Observer requested detail on the delay referenced for design utilities in the Management Information pack – what was the implication of this delay on the overall programme?**
Action: Mark Thurston
- 4.2.14 The Board noted the update.

5 Report from Audit and Risk Assurance Committee 01 May 2019 (HS2B_19-020)

- 5.1 The Board received a verbal update from the Chair of the Audit and Risk Assurance Committee following the meeting held on the 01 May 2019.
- 5.2 The following key points were raised and noted:
- 5.2.1 There has been a high level of focus from the Committee at the last meeting to assess the progress to conclude year end accounts and audit opinions.
- 5.2.2 The Board noted that the current indication is for a moderate internal audit opinion and the Committee have requested details of any comparable Arms-Length Bodies who achieve substantial ratings.
- 5.2.3 The Committee had reviewed Management action plans to the Management Assurance Statement and received a good initial response, which continue to be developed with the subject matter experts through the business. The Committee have asked for detail on the prioritisation of the action plans to be presented at a future meeting.

5.2.4 Management confirmed that there is no letter of representation submitted with the Management Assurance Statement. A letter of representation is submitted with the Annual Report and Accounts.

5.2.5 **The Committee has been provided with a high-level timeline from the National Audit Office for the planned Value for Money Study. There will be continued line of sight on the work provided to the Board.**

Action: Section 40

5.2.6 The DfT will be engaged with the scope and work of the audit. Section 40 to be the lead and conduit of information on behalf of the DfT.

5.2.7 The Audit and Risk Assurance Committee will meet on 03 June 2019 for a further review of the Annual Report and Accounts and audit conclusion.

5.2.8 The Committee will receive a formal response from Management with regard to the recent lessons learned reports and the DfT led review of major projects.

5.2.9 The Board noted that the effectiveness of internal and external auditors is carried out as part of the remit of the Audit and Risk Assurance Committee.

5.3 The Board noted the update.

6 Report from the Commercial and Investment Committee 16 May 2019 (HS2B_19-021)

6.1 The Board noted the report from the Chair of the Commercial and Investment Committee following the meeting on 16 May 2019.

6.2 The Committee had considered items 07-10 on the Board agenda for the day and the Committee Chair made reference in the report to the summary of matters which had been considered at the Commercial and Investment Committee.

6.3 The Committee had provided comments to Management in order to clarify some areas of the papers, as well as reduce the length and number of annexes submitted in support of the requests.

6.4 **It was agreed that the relevant summaries and conclusions from the Commercial and Investment Committee will be prefixed to future Board papers.**

Action: Section 40

7 Acceptance of Bilateral Connection Agreement for Parkgate Grid Supply Point (GSP) Connection (HS2B_19-022)

7.1 The Board received the paper requesting:

7.1.1 Investment authority of Section 43 (1Q2018) in order for Phase 2a to accept an offer from National Grid Electricity System Operator (NG); and

- 7.1.2 Agreement to sign the executed Bilateral Connection Agreements (BCA) and Construction Agreements for Parkgate Grid Supply Point (GSP) to implement an unbalanced connection for the future supply of traction power required for Phase 2a of the HS2 the railway.
- 7.2 The Board were asked to:
 - 7.2.1 Approve the requested investment authority for **Section 43**
 - 7.2.2 Approve entering into and signing the above-mentioned Bilateral Connection and Construction Agreements; and
 - 7.2.3 Approve the structure of future assurance and governance.
- 7.3 The Board noted that the paper has been taken through governance to the Board due to the fact that this decision is pre-Royal Assent, noting flexibility in the contract to cease within seven working days should this mechanism be required.
- 7.4 The request is included in Baseline costing and estimates.
- 7.5 The Board noted the proactive benchmarking of the offer, assuring the accuracy of the estimate.
- 7.6 The Board approved the paper.

8 Rail Systems Packages (HS2B_19-023)

- 8.1 The Board noted the paper on the proposed changes to the strategy, the supporting rationale and the key steps required to execute the revised strategy.
- 8.2 The Board noted this as a change to the approach set out in the Rail Systems (RSY) Category Procurement Plan approved by HS2 Board in July 2017.
- 8.3 The Board were asked to approve:
 - 8.3.1 The changes to the RSY Category Procurement Plan, formalising the results from the Rail Systems Review.
- 8.4 In providing this approval, the Board were asked to note:
 - 8.4.1 The revised strategy from the Rail Systems Review can be delivered in accordance with the emerging BL7 programme; and
 - 8.4.2 The scope, commercial model and procurement approach for each package, will be detailed in subsequent Package Procurement Plans which will be subject to HS2 Assurance and presented through HS2 governance for approval prior to commencement of any new procurement activity.
- 8.5 A number of Board Members had attended a briefing session from the rail systems team which was received positively.

- 8.6 The Chair of the Commercial and Investment Committee explained that there had been some discussion with regard to the combination of some packages, ~~-----~~
~~-----Section 43-----~~.
- 8.7 The Committee had discussed the importance of management of ~~-----~~
~~-----Section 43-----~~.
- 8.8 The Board noted that this is part of ongoing activity following lessons learned to ensure that systems and integration remain key themes for Board attention.
- 8.9 The Board discussed the provision which has been estimated for the potential resources required to manage interfaces. It was noted that whilst this was an initial provision, it was not yet quantified, and the Board requested that Management continue to keep this under review to challenge the level of provision.
- 8.10 The Board tested Management on the packages with larger cost estimates, with Management confirming there has been market research to test the remit and appetite. It was agreed the position will be escalated back to the Board should this position change.
- 8.11 The Board requested that there is challenge applied to the specifications of the packages to allow for the most cost-effective requirements to be included, without this being over burdensome for the supply chain.
- 8.12 Private financing opportunities are being assessed for suitability to the procurements.
- 8.13 The Board approved the changes to the RSY Category Procurement Plan.

9 ~~-----~~Section 43~~-----~~ ~~-----~~ (HS2B_19-024)

- 9.1 The Board noted the paper requesting authority to include ~~-----~~
Section 43~~-----~~ into the Main Works Station Contract (MWSC) Scope ~~-----~~Section 43~~-----~~. This is subject to HS2 and ~~S.43-~~ signing an appropriate Funding Agreement. When negotiations on the Funding Agreement are complete a paper will return to the HS2 Ltd Board seeking approval to sign the Funding Agreement.
- 9.2 ~~---S.43---~~ have been generated in response to Assurances provided to ~~S.43-~~ during the Hybrid Bill petitioning process and support the ~~Section 43-~~, outlining how the ~~-----~~Section 43~~-----~~
~~-----~~, will fund and maximise the growth and development of the plan ~~S.43-~~ are submitting an outline business case to the ~~S.43-~~ in June 2019 which will be based on a HS2 LOD assured estimate.
- 9.3 The Board were asked to provide approval to change the MWSC scope at ~~-----~~Section 43~~-----~~ by including the ~~-----S.43-----~~, provided that the Funding Agreement is negotiated in line with HS2's commercial principles.

- 9.4 The Board asked whether there might be an opportunity for -----Section 43-----to make payments and reclaim any VAT element.
- 9.5 Management confirmed that there are good working relationships between -----Section 43----- and HS2 Ltd and that there is continual sharing of information.
- 9.6 The Board approved the change to MWSC scope at -----Section 43----- by including the ---S.43---, provided at that the Funding Agreement is negotiated in line with HS2's commercial principles.

10 Main Works Civils Contracts -----Section 43- (HS2B_19-025)

- 10.1 The Board noted the paper on the -----Section 43----- for MWCC Stage Two, setting out the plan to engage and negotiate with the supply chain until September 2019 for Gateway 6. The principles are based upon those approved by the Board in November 2018, and align with developments noted in subsequent Main Works Civils Contractors (MWCC) Board updates.

- 10.2 The Board were asked to consider and approve the following for submission to Board Investment and Commercial Committee (BICC):

10.2.1 -----Section 43-----
-----;

10.2.2 The timeline and key negotiation activities with the MWCCs; and

10.2.3 -----Section 43-----

- 10.3 The following key points were raised and noted:

10.3.1 -----Section 43-----

10.3.2 -----Section 43-----

10.3.3 -----Section 43-----

10.3.4 -----Section 43-----

10.3.5 -----Section 43-----

10.3.6 -----Section 43-----

10.3.7	-----Section 43-----
10.3.8	-----Section 43-----
10.3.9	-----Section 43-----
10.3.10	-----Section 43-----
10.3.11	-----Section 43-----

10.4 The Board approved the principles of the commercial model and adoption of -----
-----Section 43-----; the timeline and key negotiation activities
with the MWCCs; -----Section 43-----.

11 Briefing on Enabling Works Contracts including earned value performance, scope and schedule, and efficiencies (HS2B_19-026)

11.1 The Board received a briefing from the Enabling Works Contractors (EWC) from areas South, Central and North.

11.2 The Board were provided with the background for EWC following award in November 2016.

11.3 The Board were last asked to provide approval in December 2018 which reset the approved budget at --Section 43---, however deferred approval of -----
-----Section 43-----.

11.4 The Board had noted that --Section 43--- of work was transferred to MWCC, without any budget, to see if these works could be more efficiently delivered by MWCC as part of Gateway 5 process and to deliver economies of scale.

11.5 The following key points were raised and noted:

11.5.1 The Board discussed Cost Performance Indicators (CPI) and Schedule Performance Indicators (SPI) querying as to what level of consistency in approach is being applied to the three EWCs and what Baseline position this is based from.

11.5.2 Management confirmed that the measurement of EWC is on the contracted work, and so measures contractor performance at the time the order was placed, and is reported as approved Baseline 6.1 plus change budget.

11.5.3 The Board discussed the emergent Baseline 7 position as at the beginning of May, noting that the portfolio is undergoing Line of Defence assurance.

- 11.5.4 The Board discussed the potential for a future governance paper submission to the HS2 Ltd Board to allow further awards of EWC packages which were still to be let.
- 11.5.5 The Board requested Management provide information with any further request as to whether the work is part of Baseline 6.1 scope and if robust tests of the level of approvals is required.
- 11.5.6 The Board noted that any further request will be reviewed by Management and the Commercial and Investment Committee.
- 11.5.7 The Board requested that any requirement for long lead items be factored in.
- 11.5.8 The Board suggested that future waterfall charts also include narrative for the reasons for change/ movement.

11.6 The Board noted the update.

12 Briefing on Phase 2a Select Committee progress and next steps (HS2B_19-027)

- 12.1 The Board welcomed and congratulated the Hybrid Bill director and his team for the success of the progress at the Select Committee and the outcome of the process.
- 12.2 The Board received a presentation summarising on the background of the hybrid Bill, the Parliamentary process and a high-level organisation chart of the hybrid Bill team.
- 12.3 The Board noted that without petitioning, the Bill process would still take 12 months to proceed through Parliament.
- 12.4 The Board noted that the resources engaged in the current hybrid Bill account for a high percentage of the UK standard resource and so it is key to have a balance of retention and capability. It was noted that comparable arm's length bodies and organisations are being engaged to allow for sharing and engagement of skills.
- 12.5 The Board noted part of lessons learned have been to review the size, complexity and activities for Phase 2a compared to Phase 1 and what that means heading into Phase 2b.
- 12.6 The Board noted the timing and next steps.
- 12.7 The Board noted the update.

13 Strategic & Stakeholder Engagement report (HS2B_19-028)

- 13.1 The Board noted the update on key activities of the Strategic & Stakeholder Engagement Department in the previous month.

14 Priorities for June Board (HS2B_19-029)

- 14.1 The Board noted the forward look and the activity planned for June and that Company Secretariat will work with the Chairman and Chief Executive Officer to plan content for the next meeting.

15 AOB and Close

- 15.1 The Board agreed to the change in Company Secretary as part of a role transition for the Deputy Company Secretary.
- 15.2 The Board thanked the General Counsel for her role in effecting the transition.
- 15.3 The Board were reminded of the all staff events taking place on 19 and 20 June 2019.
- 15.4 The Board Observer briefed the Board with regard to the DfT work on scope as output from the steering group which has been meeting over the last few months.
- 15.5 The Board noted that the timescale to conclude the work is anticipated in June or July 2019 and will be dependent on the spending review work.
- 15.6 The Chairman reiterated that HS2 Ltd will continue to work with the DfT to evolve the position on the draft interim Stocktake report.
- 15.7 The Chairman invited comments and feedback from the Board Members and DfT Observer on the meeting and the Stocktake.

16 Non-Executive Director only session

- 16.1 A post Board meeting with Non-Executive Directors and the DfT observer only was held to discuss the day's meeting.