

High Speed Two (HS2) Ltd Board Meeting held on 12 June 2014

Minutes

HS2 Ltd Board Room, Eland House, Bressenden Place, London, SW1E 5DU

Present:

David Higgins, Chair
Alison Munro, Chief Executive
Richard Brown
Andrew McNaughton, Technical Director
Duncan Sutherland
Mike Welton
Beth West, Commercial Director

Apologies: XXXX, General Counsel and Company Secretary

In Attendance:

Simon Kirby, Chief Executive – Construction
XXXX, Department for Transport (DfT) Observer
Kieran Rix, Director of Finance and Corporate Services
Tom Kelly, Director of Communications
Patrick O'Connell, Programme and Strategy Director (item 17)
Roy Hill, Phase One Director (item 8)
XXXX, Head of Project Controls (item 8)
XXXX, Head of Parliamentary Management (item 12)
XXXX, Assistant Company Secretary

1. Declarations of Interests

- 1.1 The Chair advised that he has been appointed as a Non Executive Director of the Commonwealth Bank of Australia, effective 1 September 2014.
- 1.2 There were no other changes to the previously declared interests.

2. Minutes of Previous Meeting and Matters Arising

- 2.1 The minutes of the meeting held on 22 May 2014 were agreed as a true record and signed by the Chair.
- 2.2 The Board discussed the list of actions arising from previous meetings and noted progress to date.
- 2.3 There were no further matters arising.

Regeneration Company

- 2.3.1 The Board received an update on work in progress in conjunction with London and Continental Railways (LCR) for the establishment of a Regeneration Company ('RegenCo').
- 2.3.2 The Board noted work is ongoing over the next weeks to establish a funding package to attract investment to the RegenCo.
- 2.3.3 The Board endorsed the progress made to date and noted that a business plan for the RegenCo would be received in the autumn.

Action: Commercial Director

3. Chair's Report

- 3.1 The Board received a verbal update from the Chair on key developments since the last Board meeting.

4. Update from 6 June and 12 June Audit and Risk Assurance Committee meetings

- 4.1 The Chair of the Audit and Risk Assurance Committee briefed the Board on the most recent meetings of the Committee which had taken place on 6 June and 12 June 2014.
- 4.2 The Board was advised that the Committee had reviewed the draft annual Financial Statements of the Company for 2013/14 ('accounts') at its meeting on 6 June and a final draft of the accounts on 12 June.

- 4.3 It was noted the Committee had received the audit completion report of the Company's external auditor, the National Audit Office (NAO), at its meeting on 12 June. The NAO had advised the Committee that it had completed its audit inspection and had no major concerns to report.
- 4.4 It was noted that the Committee had received a progress update on the tracking of outstanding internal audit recommendations and had noted developments on recommendations in relation to business continuity, flexibilities and procurement.
- 4.5 The Board noted the update.

5. Chief Executive's Report

- 5.1 The Board received an update from the Chief Executive on key developments since the last Board meeting.
- 5.2 The Board was updated on proposals regarding delivery of the revised Euston scheme envisaged in HS2 Plus and as reported to the previous Board meeting. The Board noted discussions were continuing between the Company and Network Rail as to their respective roles in the delivery of the revised scheme.
- 5.3 The Board received an update on work in progress on Phase Two.
- 5.4 The Board received an update on the Land and Property budget and noted discussions are continuing with DfT.
- 5.5 The Board noted the report.

6. Health and Safety Report

- 6.1 The Board received an update on Health and Safety matters.
- 6.2 It was noted an update would be brought to the next Board meeting on the numbers of staff who have completed Health and Safety training.
- 6.3 The Board noted the importance of board members and senior management completing the Health and Safety training in order to set an example to the rest of the organisation.
- 6.4 The Board noted the report.

7. 2013/14 Financial Statements

- 7.1 The Board received the Company's Financial Statements 2013/14 ('accounts') for approval.
- 7.2 The Chair of the Company's Audit and Risk Assurance Committee advised the Board that the Committee had reviewed the accounts at its meeting prior to the Board meeting and the Committee was content to recommend the accounts to the Board for approval.
- 7.3 The Board noted the report and approved the 2013/14 Financial Statements.

8. Rebaselined Programme

- 8.1 The Board received a presentation from the Phase One Director and the Head of Project Controls regarding the review of the baseline for the HS2 project.
- 8.2 The Board was briefed on proposals for the Company to adopt a rebaselined programme (Baseline 5) following the submission of additional provisions to the hybrid Bill.
- 8.3 The Board noted the expectation that in the future, changes to the Programme of a certain level would be taken to the HS2 Ltd Board for approval prior to onward submission to DfT.
- 8.4 The Board endorsed the proposals and noted it would receive an update at the next meeting on the main issues discussed during the presentation and how these issues had progressed during the intervening time.

Action: Phase One Director /
Head of Project Controls

- 8.5 The Board noted the report and:

- Asked the Executive to report back to the Board on the issues raised in the discussion
- Noted arrangements for approving Baseline 4
- Gave agreement in principle to the rebaselining of the programme (Baseline 5) following submission of a second Additional Provision to the hybrid Bill

9. Development Agreement

9.1 The Board received an update from the Commercial Director on progress with a Development Agreement (DA) which will formalise the relationship between the Company and the DfT.

9.2 It was noted that there had been good progress in recent weeks in progressing the DA and a further update would be brought back to the next Board meeting.

Action: Commercial Director

9.3 The Board noted that current issues under discussion include a proxy operator for the railway, rolling stock issues and regeneration.

9.4 The Board noted the principle enshrined in the agreement, linked to a series of review points (which are in turn linked to the key points in the progress of the hybrid Bill and construction); for the Company to receive greater operational and financial delegations, as the Company strengthens its staffing, processes and systems.

9.5 The Board noted the proposals and endorsed the direction of travel including the key issues to be agreed during the next phase of the work.

10. Phase One Utilities: Treasury Approval

10.1 The Board received an update on a proposal for the Company to submit a proposal to HM Treasury for the Company to incur expenditure by engaging with utilities companies.

10.2 It was noted the proposal will be submitted in line with the High Speed Rail (Preparation) Act 2013 and would relate to the diversion of existing utilities in preparation for the construction of the HS2 Phase One railway.

10.3 The Board was advised that the proposal would also set out the approach, management and cost estimates associated with the utility activities; including how the Company will control, manage and deliver the survey, design and material procurements for utility diversion works and the outline procurement requirements for utility companies.

10.4 The Board noted the importance of setting out key controls, checks and balances in the proposal and how costs will be controlled.

10.5 The Board agreed that further engagement would take place with DfT including briefing other parts of government as necessary of the nature of the works to be carried out.

10.6 It was noted an update would be brought to the next Board meeting.

Action: Commercial Director

10.7 The Board:

- Noted submission of the proposal to HM Treasury
- Noted that further approvals would be required from the financial year 2016/17 onwards

11. Ground Investigations

11.1 The Board received an update giving details of the latest position with regard to Ground Investigations (GI) work.

11.2 The Board noted proposals for the Company to seek the necessary further authorisations from the DfT and Treasury (HMT) to progress GI works pursuant to the High Speed Rail (Preparation) Act 2013 ('Paving Act').

11.3 As part of the proposals to be submitted it was noted that specific approval would be sought in relation to (i) to issue GI framework Invitations to Tender to the pre-qualified GI work tenderers; (ii) to commence the procurement process, including the issuing of an ITT, for the GI Delivery Agent.

11.4 In discussion the Board noted the timing of the commencement of GI works, the potential scope for breaking down the overall package, the manner in which the Company will present itself 'on the ground' and how the Company would be an exemplar in its use of Small and Medium Enterprises (SMEs) and use of apprentices.

11.5 The Board agreed the approach to the delivery of the GI work and agreed to delegate to the CEO and CEO – Construction the final approval of the proposal to be submitted for approval to DfT and HMT.

12. Petitioning Update and Preparations for Committee Stage

12.1 The Board received an update from the Head of Parliamentary Management on the number of petitions received under the hybrid Bill and preparations for the commencement of the Select Committee stage.

12.2 The timings for the programming of the Select Committee and detailed preparations for conferences with counsel were among the points noted in the discussion.

12.3 The Board noted the report.

13. High Speed Rail to the North of England and Scotland – Progress Update

13.1 The Board received a progress update on work carried out to date by the Company to identify options for capacity and journey time improvement on intercity routes to northern England and Scotland.

13.2 The Board noted the report.

14. Response to Growth Task Force

14.1 The Board received an update on proposals for the Company to issue a detailed response to the findings of the Growth Task Force ('High Speed 2: Get Ready – A report to the Government by the HS2 Growth Taskforce') which had been published in March 2014.

14.2 The Board discussed the implementation of the recommendations, and considerations to be taken into account for the future structure of the organisation.

14.3 The Board noted the report and approved:

- The responses to the specific recommendations as described in the report
- The launch plan for the response
- Proposed reporting against the actions detailed in the responses

15. Finance Report

15.1 The Board received an update on the Company's financial performance for May 2014.

15.2 The Board discussed the agreed funding envelope for the Company during the 2014/15 financial year and the reallocation of any underspends where these were likely to emerge during the financial year.

15.3 The Board noted the report.

16. Communications Report

16.1 The Board noted the Communications update.

17. Management Information

- 17.1 The Board received a presentation from the Programme and Strategy Director for the presentation of updated Management Information to be reported to the Board.
- 17.2 The Board endorsed the proposals and approved the adoption of enhanced Management Information with effect from the next meeting.

18. Commercial Report

- 18.1 The Board received an update from the Commercial directorate for the period May 2014.
- 18.2 The Board discussed progress on its market engagement activities and noted a good response had been received.
- 18.3 The Board noted the report.

19. Risk report

- 19.1 The Board noted the report.

20. Date of next meeting – 17 July 2014

21. Any Other Business

21.1 Operational Property

- 21.1.1 The Board received an update on Operational Property.

21.2 Board Strategy Awayday

- 21.2.1 The Board received an update on the Board Strategy Awayday and noted proposals for the agenda and timings for the day.
- 21.2.2 It was noted that the evolution of the organisational structure over the next three years would be among the topics included for discussion.

21.3 Agreement of Standing Orders and Adoption of Company Seal

- 21.3.1 The Board confirmed its approval of the Standing Orders of the Company which had been circulated to the Board by e-mail on 21 May 2014.
- 21.3.2 The Board approved the adoption of the common seal of High Speed Two (HS2) Limited, an impression of which appears alongside this minute.

Signed: