

## High Speed Two (HS2) Ltd Board Meeting

### Minutes

02 February 2017

The Boardroom 2 Snowhill, Queensway, Birmingham

Members	In Attendance	Apologies
David Higgins Chairman	Nicole Geoghegan General Counsel and Company Secretary	Jo Valentine Non-executive Director
Andrew Adonis Non-executive Director	[REDACTED] Strategic Communications Advisor	
Steve Allen Chief Financial Officer	[REDACTED] Assistant Company Secretary	
Richard Brown Non-executive Director	David Prout Department for Transport (DfT), Observer	
Christine Emmett Non-executive Director		
Mel Ewell Non-executive Director		
Roy Hill Interim Chief Executive Officer		
Neil Masom Non-executive Director		
Roger Mountford Non-executive Director		
Alison Munro Managing Director, Development		
Duncan Sutherland Non-executive Director		

#### 1. Declaration of Interest

- 1.1 The deputy Chair to the Board highlighted that he chairs the Rail Franchise Advisory Panel. This has been previously recorded and there was no conflict during the course of the meeting.
- 1.2 There were no additional declarations.

#### 2. Minutes

- 2.1 The minutes of the meeting 12 January 2017 were agreed as a true record subject to correction of the location of the meeting.

#### 3. Verbal Update from the Health, Safety and Environment Committee

- 3.1 The Chair of the Health, Safety and Environment (SHE) Committee provided a verbal update following the meeting of 24 January 2017.

- 3.2 The following key points were raised:
- 3.2.1 There is an ongoing level two review of health and safety focussing on the contractible arrangements to assure behaviours and culture through the tiers;
  - 3.2.2 An assurance deep dive is underway for grounds investigations (GI);
  - 3.2.3 The aspired level for near miss reporting for a good organisation is between 100-200 reports for every 100,000 hours. HS2 Ltd.'s level of reporting is being reviewed in line to increase this with this best practice aspiration;
  - 3.2.4 **The Board had a wider discussion on board training needs and proposal for a training day with be circulated.**

**Action: Emma Head**
  - 3.2.5 The SHE Committee had received an update on the proposed health and safety performance indicators (HSPIs) and the Board were advised that a pilot of this will be run with enabling works contracts (EWC). It is anticipated that the pilot will help to understand the cost (financial and time) and the value of the indicators;
  - 3.2.6 A lessons learnt report for the incident management event will be presented to the SHE Committee in April 2017 and another exercise will be conducted in June 2017;
  - 3.2.7 **The Board noted that the SHE Committee had been presented with HS2 Ltd Construction (Design and Management) Policy and requested that this be presented to the Board.**

**Action: Company Secretariat to add to the forward look/ Emma Head**
  - 3.2.8 Display screen equipment (DSE) training needs and checks have been conducted for all HS2 staff and employees. Management have been asked to bring a response to ensure the training is completed;
  - 3.2.9 The SHE Committee further discussed the required training map so that employees and staff receive the right training to perform their roles;
  - 3.2.10 The Board discussed the duty of care to the third party noting that part of this is contained in the public and neighbour policy. General Counsel advised that work is ongoing for insight and compliance for the legal obligations.

#### **4. Health and Safety Report**

- 4.1 The Board were informed about the initiative "Time to Talk day 2017" to promote and encourage discussions on mental health wellbeing and recognised its importance.

- 4.2 The CEO updated the Board on the recent health and safety incident where the direction of focus given to the Executive has been to look at what HS2 Ltd has done so far, what has been achieved and what HS2 Ltd can do to improve. The Board were asked to consider how confident they would have felt to respond should the incident have been a fatality.
- 4.3 It was agreed that the Managing Director from the organisation of the injured party will be invited to an informal session before the Board meeting in March 2017 to discuss lessons learnt and what support HS2 Ltd can offer.
- 4.4 As recognised by the SHE Committee, focus will also be given to near miss reporting to increase the level of reporting.
- 4.5 The CEO confirmed that HS2 Ltd are actively engaged with the Health and Safety Executive.
- 4.6 The Board were informed of and discussed another health and safety incident which had occurred the previous day in an office.
- 4.7 The Board noted the Health and Safety Report including 2016 year end summary report.

#### **5. Remuneration Committee meeting Update**

- 5.1 The Board received an update from two meetings of the Remuneration Committee which were held to discuss the new CEO package.
- 5.2 The package has been agreed at £535,000 per annum plus payment in lieu of pension at 12%. There will be a 10% performance bonus subject to agreement from the Remuneration Committee and HS2 Ltd Chair.
- 5.3 The Board noted that the CEO is to be based in Birmingham.
- 5.4 **The Board agreed that the criteria for the incentive package should be shared with Treasury and should also allow for alignment should incentivisation be cascaded to the rest of the organisation.**

**Action: Christine Emmett**

- 5.5 **It was agreed that the minutes of the meetings will be issued promptly following the Board meeting.**

**Action: General Counsel and Company Secretary**

- 5.6 The Board noted that the newly appointed CEO will resign from his current role and will take up the position with HS2 Ltd on 03 March 2017.
- 5.7 The Board discussed the initial delivery expectations for the CEO noting that for the first six months the focus will be heavily on internal capability and development.

**6. Report from the Commercial and Investment Committee and rolling stock update**

- 6.1 The Board noted the report provided by the Chair of the Commercial and Investment Committee (CIC) covering the meeting of 17 January 2017.
- 6.2 The Board noted that the report had been redacted to deal with the conflict of interest for Roy Hill and the Phase 2b item referred in the report.
- 6.3 The Board agreed that only the rolling stock aspect of the report needed to be discussed in the meeting.
- 6.4 The Chair of the CIC acknowledged the hard work of the rolling stock team and thanked them for their quick responses to comments. At the date of the Board meeting the CIC were not content to recommend the paper to the Board members for consideration.
- 6.5 The Chair of the CIC summarised as below:
- 6.5.1 The CIC were content with the high level principles and feel comfortable to endorse most, however referred to some unanswered areas following the 3 lines of defence (LOD) and independent assurance panel (IAP);
  - 6.5.2 The CIC note that not all of the open issues are due to be answered but requested a clear timeline of the actions and decisions which need to be made over the next 2 years;
  - 6.5.3 The CIC recommend this allows foresight to be able to make decisions early enough for competitive tension;
  - 6.5.4 HS2 Ltd as a company have interest in the depth and security of the supply chain for manufacturing and maintenance and also the obligation for UK industry;
  - 6.5.5 The CIC noted that the technical specification and supply chain issues illustrate that we are dealing with distinct but interrelated matters: the technical specification, the procurement plan and the industry strategy; and
  - 6.5.6 Due to the interrelation of these matters the CIC are keen that HS2 Ltd don't approve steps in the procurement which are not compatible with the other strands and therefore close out the best outcomes.
- 6.6 The Board received an update from the rolling stock team and noted the following key points:
- 6.6.1 The Board have previously received and agreed the rolling stock and depot strategy which covers specifications which are material information for bidders.
  - 6.6.2 All decisions for the customer facing environment have been deliberately held off.

- 6.6.3 The Board had a discussion around the on balance sheet or off balance sheet treatments of the assets on sale which needs to be dealt with for the paper submission due to the BICC meeting on 20 February 2017.
- 6.6.4 The position of HS2 Ltd currently should be for an on balance sheet recommendation, supported by the previous lessons learnt from private financing used on comparable examples and the risks encountered. The Board discussed the optionality for private financing at a future date but which cannot be qualified at the moment and so HS2 would want to do so at a more logical point.
- 6.7 It was agreed that:
  - 6.7.1 The HS2 Ltd Board recommendation to the financing option is to publicly finance with the option to refinance privately. The Board will be cited on this element of the paper to BICC.
  - 6.7.2 The HS2 Ltd Board will meet following the CIC on 15 February 2017 to consider the rolling stock procurement strategy.
  - 6.7.3 The CIC members will meet with the rolling stock team to agree the scope and content of the revised paper to the 15 February 2017 Board meeting.

## **7. Corporate Plan**

- 7.1 The Board noted the paper outlining the approach to the HS2 Ltd corporate plan.
- 7.2 The corporate plan will set out what HS2 Ltd wants to achieve and covers priorities, resourcing (both financial/cash and workforce) and set the key performance indicators (KPIs) as to how HS2 will monitor the performance.
- 7.3 The Board discussed the importance of bringing the document to life and holding people to account.
- 7.4 The corporate plan will be provided in the context of the accommodation strategy and workforce plan.
- 7.5 The Board commented that section four of the plan "managing the company" is too narrow. The organisation needs to address that it is in build-up phase and develop on what it needs will change and evolve, including indicating to staff what is expected of them.
- 7.6 The corporate plan will tie this into how we report in the Annual Report and Accounts and drew comparison to listed companies who elect to report on the progress points and not just achievements. HS2 should address the risks and challenges faced and they are planned to dealt with and mitigated.
- 7.7 It was agreed that internal communications will be asked to advise on how this will be communicated.

- 7.8 The Board requested a pictorial view of the differing elements: corporate plan, business plan, performance regime, culture and the cascading down to objectives.
- 7.9 The Board agreed that the plan provided a good starting point for the discussion of how to shape this at a turning point for the organisation and this is the opportunity to reset the cultural model to package with a strategic human resources view and internal communications plan.
- 7.10 The Board also discussed this will be the point to provide a baseline view of where the organisation is now and where we anticipate being over one, two and three years.
- 7.11 The Board can use this as a tool to hold the executive to account in what it feels is important to receive i.e. management planning, staff engagement.
- 7.12 The Board agreed that as the document should be owned by the CEO, that Mark Thurston should be given the time and opportunity to influence and shape the plan.
- 7.13 In the meantime any drafts which are required for submission should be done so clearly identified as a working draft subject to changes.
- 7.14 The Board asked for the capability to be included in the flavour of the plan to increase confidence to shareholders of the assurance processes used.
- 7.15 The Board noted that the plan lets local authorities and businesses to see what HS2 Ltd can help them to achieve.
- 7.16 The Board noted the corporate plan and will review this again when the new CEO has become involved.

## **8. ARAC**

- 8.1 The Chair of the Audit and Risk Assurance Committee (ARAC) gave an update on the financial year end position. The following points were raised:
  - 8.1.1 The Annual Reports and Accounts (ARA) process considering the two opinions giving qualified or unqualified accounts.
  - 8.1.2 The Board noted the meeting due on 07 February 2017.
  - 8.1.3 The Chair of the ARAC updated that the Integrated Assurance and Approvals Plan (IAAP) seeks to deliver a holistic view of all audits.

## **9. Martineau**

- 9.1 Duncan Sutherland provided a verbal update supporting the paper on the Martineau galleries and the criticality of a scheme such as this to create value out of infrastructure for government.
- 9.2 The Board noted that this is a positive pilot and example of how HS2 Ltd can deliver elsewhere across the line for value and benefit.

- 9.3 The Board requested further papers to come to the Board on like matters as and when appropriate

**Action: Company Secretariat to add to forward planner**

- 9.4 The Board discussed the opportunities for self-financing options which should be tracked to evidence the contribution, noting that design competitions will return to the Board at a future date.

**10. Community and Environment Fund and Business and Local Economy Fund update**

- 10.1 The Board noted the first update from the independent Chair of the Community and Environment Fund (CEF) and Business and Local Economy Fund (BLEF).

**11. Land and Property Update**

- 11.1 The Board noted the land and property update paper.

- 11.2 **The Board raised the question of capability and timeliness for the DfT to process all of the land and property matters.**

- 11.3 **The Board requested an update on the accounting position of spending rate forecast at financial year end.**

**Actions: Steve Allen/ [REDACTED]**

- 11.4 **The Board requested, for all papers they receive, that any use of acronyms be spelt out in the first instance.**

**Action: Company Secretariat to review on paper submission.**

**12. Board Future Workload**

- 12.1 The Board noted the forward workload of planned items.

- 12.2 The Board noted that the Euston update will come to the March Board as detailed in the actions.

- 12.3 The Board requested an update on the benefits to be included in the forward look.

- 12.4 It was clarified that the rolling stock and pre-qualification pack item will outline the position on the rolling stock industrial strategy.

**13. Chairs Report**

- 13.1 The Chairman updated that the DfT will start the process for the appointment of two new Non-executive Directors which will follow utilising the Hs2 Ltd Nominations Committee.

- 13.2 It was agreed that the Board will be involved in determining the scope for the required criteria of the appointees.

**14. CEO's Summary and Programme Dashboard**

- 14.1 The Board noted the CEO Summary and Board Report.
- 14.2 The Board commented on the improved standard of the Board report and the papers.
- 14.3 The Board discussed the carbon targets in the report and noted this was positive. The targets have been benchmarked and will focus on future improvements. The Board noted that targets will also be developed for rolling stock.
- 14.4 The Board discussed the phase 2b consultation and process.
- 14.5 The Board requested a pre-briefing on the phase 2 matters at the April 2017 Board in advance of the anticipated June 2017 Board item.

**Action: Company Secretariat to add to the forward look.**

- 14.6 The Board noted that the main works civils contractors for each of the seven packages are due to return to give their estimates on the market view which will be a key check point for the organisation. This will return to the Board following a validation period.

**15. Corporate Affairs Report**

- 15.1 The Board noted the report from Corporate Affairs for December 2016.
- 15.2 The Board noted the positivity that there was no speculation around the implications of the process for Royal assent.

**16. Any Other Business**

**16.1 General Counsel and Company Secretary Annual Leave**

- 16.1.1 General Counsel and Company Secretary informed the Board that she will be on leave for the week commencing 06 February 2017 and returning to work on Monday 20 February 2017. During this time the Assistant Company Secretary will delegate in her absence for Company Secretarial matters.

**16.2 Nominations Committee and Programme Committee**

- 16.2.1 General Counsel and Company Secretary advised that the draft Terms of Reference have been produced and the setup of the inaugural meeting will follow.

- 16.3 There were no further additional items discussed.

**Signed:**

**Date:**