

High Speed Two (HS2) Ltd Board Meeting

Minutes
04 May 2017

Boardroom, One Canada Square, Canary Wharf

Members	In Attendance	Apologies
David Higgins Chairman	Nicole Geoghegan General Counsel and Company Secretary	██████████ ██████████ Assistant Company Secretary
Jo Valentine Non-executive Director	Andrew McNaughton Technical Director	David Prout Department for Transport, Observer
Steve Allen Chief Financial Officer	Jim Crawford (item 06) Managing Director, Construction	
Richard Brown Non-executive Director	██████████ Strategic Communications Advisor	
Christine Emmett Non-executive Director	██████████ ██████████ Commercial & Sponsorship Director	
Mel Ewell Non-executive Director	██████████ Department for Transport (DfT) on behalf of David Prout	
Mark Thurston Chief Executive Officer		
Neil Masom Non-executive Director		
Roger Mountford Non-executive Director		
Alison Munro Managing Director, Development		
Duncan Sutherland Non-executive Director		

1. WELCOME AND DECLARATION OF INTEREST

- 1.1 The Board noted Duncan Sutherland's previous declaration of interest and confirmed that Duncan would leave the meeting for any discussion in relation to the M18/Meadowhall route for Phase 2b (scheduled as part of the Board's afternoon briefing session).

2. MINUTES OF THE PREVIOUS MEETING 06 APRIL 2017 AND MATTERS ARISING

- 2.1 The minutes of the meeting 06 April 2017 were agreed as a true record.
- 2.2 The Board requested further detail in relation to action 675. This will be provided at the June Board meeting.
- 2.3 In relation to action 680, it was confirmed that further information will be provided at the July Board Briefing (Stations).

3. HEALTH AND SAFETY REPORT AND UPDATE FROM THE SHE COMMITTEE

- 3.1 The Board noted the Health and Safety report for March 2017.
- 3.2 The Board discussed the present status of a safety culture at HS2 Ltd and the need to eliminate gaps with respect to mandatory safety training.
- 3.3 The Chair of the SHE Committee summarised the agenda of the most recent Committee meeting, including the close out of the National Temperance Hospital incident and the importance of a robust cascade of HS2 Ltd's environmental requirements to the supply chain.

4. CEO MONTHLY REPORT AND MANAGEMENT INFORMATION

- 4.1 The Board noted the CEO Summary and the March Monthly Report.
- 4.2 The CEO noted his tour of the Phase 2b route, the status of finalisation of the FY16/17 accounts, the establishment of two new subcommittees of the Executive (People Panel and Stakeholder Panel, in place of the existing Management Panel), the impending award of the Phase 2b Development Partner contract and summarised certain staff changes.
- 4.3 The Technical Director summarised work that was ongoing in relation to the Operations section of the report (considering Network Rail, current and future franchisees, freight requirements and HS2's own requirements).
- 4.4 The CEO noted the relocation of 400 staff to Triton Square at Euston and that Benefits management would be discussed at a future Board.
- 4.5 The Board discussed the progress at [REDACTED]

Action: Chief Executive Officer

- 4.6 The Board noted that the April Monthly Report would be aligned with Baseline Cost Model [REDACTED] and that the FY17/18 budget was not yet approved. A paper on contingency levels, allocation and utilisation of contingency was scheduled to be submitted to the June board.
- 4.7 The Board commented that the new presentation of the Monthly Report was an improvement on previous versions.

5. REPORT FROM PROGRAMME COMMITTEE MEETING, HELD 03 MAY 2017

- 5.1 Items 5 and 6 of the agenda were discussed together.
- 5.2 The Board noted the verbal update provided by the Chair of the Programme Committee, who advised that the Committee had received a general update on Phase 1 and that DfT's BICC had approved [REDACTED]

5.3 Jo Valentine and David Higgins left the meeting while Michael Hurn updated the Board on the status of the important negotiations with [REDACTED] (and returned when such discussions were complete).

5.4 In relation to the capability of HS2 Ltd to manage Stage One of the seven soon-to-be-awarded Main Works Civils Contracts, the Chair of the Committee noted that the final assurance steps would shortly be concluded, an internal audit was underway by the Government Internal Audit function and that IT interfaces and volume of transactions appeared to be the key concerns. Management noted that Stage One had been deliberately structured to have a low level of compensation events, which is expected to translate to a lower demand on HS2's IT systems. The Board will receive a briefing on HS2's IT architecture at the June Board meeting. Management noted that it was key to success that the appointed contractors work collaboratively. The Board will receive a briefing on the cultural relationship between HS2 and the appointed contractors in 6-9 months' time, preferably using an independent assessor.

Action: Managing Director (Phase 1)

5.5 Management noted that the Stage One duration would remain a challenge.

5.6 The Board approved the release of the paper on readiness of HS2 Ltd to manage Stage One of the Main Works Civils Contracts to the 'Project Assessment Review' (scheduled in the week commencing 22 May) subject to: (i) receipt of a briefing on HS2's overall IT infrastructure; (ii) the formation of a 'project manager' community to ensure shared understanding and lessons learned; and (iii) the action on the HS2/contractors cultural relationship set out at para 5.4.

6. MAIN WORKS CIVILS CONTRACTS: READINESS TO AWARD (CAPABILITY REVIEW)

6.1 See item 5 above.

7. REPORT FROM THE COMMERCIAL AND INVESTMENT COMMITTEE (CIC) 19 APRIL 2017

7.1 The Chair of the Committee summarised the key findings from the Committee's most recent meeting. The Chair emphasised the need for HS2 Ltd to proactively manage the relationships with key landowners and also flagged a number of lessons learned from recent procurements. A paper will be presented to the Board on the key learnings from those procurements undertaken to date, with the Committee to provide guidance on the topics that should ideally be covered in such paper.

Action: Chief Financial Officer/Commercial Director

8. NEUTRAL VENDOR: CONTRACT AWARD

8.1 The Board noted the comments from the CIC in relation to the outcome of this procurement and made the following observations:

8.1.1 That the significant customization of the proposed specification by HS2 Ltd may have resulted in a number of framework contractors not participating in the procurement;

8.1.2 That the cost savings quoted in the paper be clarified [REDACTED]

8.2 The Board approved the award of the Contract to [REDACTED] under the terms and conditions of the [REDACTED] Framework [REDACTED] for a two year duration to carry out the scope of services described in the Board paper.

9. PHASE 2 LAND AND PROPERTY PROFESSIONAL SERVICES CONTRACTS: CONTRACT AWARD

9.1 The Board noted the comments from the CIC in relation to the outcome of this procurement.

9.2 The Board approved the award of three framework contracts for the performance of the professional services stated in the paper (to Lambert Smith Hampton, Carter Jonas and The Valuation Office Agency respectively) and the call-off of the following discrete work packages under the terms of the said framework contracts:

Contractor Name	Work Package	Name	Length (km)	Est. Property Count	Est. Value
[REDACTED]	Work Package 1	Manchester Leg	132.3	440	[REDACTED]
[REDACTED]	Work Package 2	Leeds leg South	80.3	861	[REDACTED]
[REDACTED]	Work Package 3	Leeds Leg Central	56.3	1396	[REDACTED]
[REDACTED]	Work Package 4	Leeds Leg North	48.4	1106	[REDACTED]

10. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

11. UPDATE ON DEVELOPMENT OF CORPORATE PLAN

11.1 The Board received an update on the development of the Corporate Plan for 2017-20.

11.2 Management intends to seek full approval of the final version of the Plan at the June Board meeting. The Board discussed the need for the final version to include lessons learned, progress in development of Management Information and IT systems, an achievements section, challenges and how HS2 Ltd plans to work with the public who are affected by the route/construction.

12. UPDATE ON GRADIENT, GEOTECHNICAL AND GW REVIEW

12.1 The Board received a presentation from the Technical Director in connection with the [REDACTED] gradient issue. Stresses are applied to the train/track interface due to the trains traversing a curve and a gradient simultaneously and leading to potential for increased maintenance (and consequent impacts on train availability). The technical solution is to individually design each track. The Technical Director advised that minimal savings would be obtained by seeking to further mitigate the gradient.

12.2 The Board then discussed the independent review with respect to groundworks stability (in connection with the utilisation of track slab). The Board discussed the need for an independent verifier role (rather than self-assurance) because of the need for the earthworks to be very robust. The Board discussed the risk of heaving in cuttings if compaction isn't done to HS2's requirements, but this is being mitigated via certain initiatives. The Board noted this update.

12.3 In relation to the NAO report on the Great Western Modernisation Programme, the Chair of Programme Committee briefed the Board in April on this paper. The Board noted the paper, which had now been provided for completeness. **A letter will be written to the DfT setting out those lessons learned from the report that are relevant to the DfT's role in connection with the HS2 Project.**

Action: Chief Executive Officer

12.4 The Board discussed that scope development of the HS2 Project was ongoing, especially for Stations. The Board agreed that the programme for Stations is ambitious and that issues remain in connection with operational matters (such as passenger flows). These matters are to be further discussed at the proposed briefing to the Board in July.

13. VERBAL REPORT FROM THE NOMINATIONS COMMITTEE 27 APRIL 2017

13.1 The Chair of the Committee provided a verbal update on the Committee's activities, confirming that the Board members will be undertaking a self-appraisal which will include a 'light touch' skills audit to support, and ensure best value from, the process for recruitment of further non-executive directors. It is intended to provide this feedback to DfT within 3-4 weeks.

14. VERBAL REPORT FROM THE REMUNERATION COMMITTEE 28 APRIL 2017

14.1 The Chair of the Committee provided a verbal update on the Committee's activities, confirming that the Committee considered (and endorsed) the paper at item 15 of the Board's agenda and also considered (and approved) the bonus structure/objectives for the CEO.

15. 2017 PAY REVIEW

15.1 The Board noted the paper which sets out HS2 Ltd's proposed approach to the pay review for all HS2 Ltd staff (other than the Executive).

15.2 The Board discussed the position of like companies and the differences in bonus/pension arrangements between HS2 Ltd and those like companies. The Board noted the suggestion that teamwork be included as an objective in future years.

15.3 The Board approved the pay review principles set out in the paper, on the basis of the proposed percentage being a 'not to exceed' allowance.

16. CORPORATE AFFAIRS REPORT

16.1 The Board noted the report from Corporate Affairs for March-mid April 2017.

16.2 The Strategic Communications Adviser informed the Board that the Mace matter was now resolved.

16.3 There was a discussion about the potential impacts of the General Election on 8 June (including the timing for tabling the Phase 2a Hybrid Bill in parliament).

16.4 It was confirmed that HS2 Ltd had received permission to develop its own website, outside of the constraints imposed by the 'gov.uk' format.

17. BOARD FUTURE WORKLOAD

17.1 The Board noted the forward workload for the Board.

17.2 It was agreed that the Chair would consider further with the Company Secretary.

18. CHAIRS REPORT

18.1 The Chairman had no further points to add.

19. ANY OTHER BUSINESS

19.1 The Chair of the Audit and Risk Committee gave an update on the progress of the development of the Annual Accounts, which were reviewed by the Committee on 3 May 2017. It was expected that the final version would be considered by the Board in June. The Committee members agreed that the drafting was an improvement on FY16/17.

Signed:

Date: