

High Speed Two (HS2) Ltd Board Meeting

Minutes
08 June 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	David Prout Department for Transport, Observer	Andrew McNaughton Technical Director
Steve Allen Chief Financial Officer	██████████ ██████████ Managing Director, Construction	
Richard Brown Non-executive Director	██████████ Strategic Communications Advisor	
Christine Emmett Non-executive Director		
Mel Ewell Non-executive Director		
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 in relation to South Yorkshire/Meadowhall and confirmed that Duncan would leave the meeting for the discussion in relation to item 5.

2. MINUTES OF THE PREVIOUS MEETING 04 MAY 2017 AND MATTERS ARISING

- 2.1 The minutes of the meeting 04 May 2017 were agreed as a true record.
- 2.2 The Matters Arising were noted.

3. CEO MONTHLY REPORT AND MANAGEMENT INFORMATION

- 3.1 The Board noted the CEO Summary and the April Monthly Report.
- 3.2 The CEO distributed a hard copy of the April Health & Safety Report. The CEO identified the following key initiatives:
- 3.2.1 A session was held with a number of Executives and Non-Executives on 7 June 2017, providing training in relation to the Directors and senior management's health and safety duties;

- 3.2.2 significant progress had been made on DSE assessments;
- 3.2.3 safety passport systems goes live at the end of this month in connection with EWC. The Board queried whether the system could be extended to the Highways Agency and/or Thames Tideway.

Action: Chief Executive Officer

- 3.2.4 the outcome of the Health and Well-Being Survey was noted. A future paper will be bought to the Board setting out Management's response to the outcomes of this Survey, once actions have been agreed.

Action: Chief Executive Officer

- 3.3 The Board was given access to the April Monthly Report on 23 May 2017. Further commentary on finances/in-year costs/spending by Phase is to be included in future reports. Greater visibility is to be given on L&P expenditure and programme for spend, given that there is now a robust baseline for this expenditure. Variations to date have been influenced by the willingness of sellers to engage with HS2 Ltd pre-Royal Assent and discretionary schemes.

- 3.4 There was a discussion in relation to potential delays in some components of the works and whether any security impacts had arisen in connection with the recent terrorist incidents. The Board requested advice as to whether a further incident response test (similar to the pre-Xmas test) was planned and, if so, the date for this test.

Action: Chief Executive Officer

- 3.5 The Board agreed that the Management Information is much improved.

- 3.6 The CEO updated the Board on:

- 3.6.1 senior management changes [REDACTED]
[REDACTED]
[REDACTED] The Board requested that more structured communications be provided to the Board on senior leavers and joiners.

Action: Chief Executive Officer

- 3.6.2 the potential value in the Board allocating time to consider HS2 Ltd's strategic risks and the Corporate Plan

Action: Company Secretary to arrange

- 3.6.3 the launch of the new organisational structure
- 3.6.4 depending on the outcome of the General Election, the potential for a further spending review within the next 6 months and the likely impacts on HS2 Ltd.

- 3.7 The Board received a verbal presentation from the Phase 1 Managing Director on the progress of HS2 Ltd's capability in readiness for the award of the Main Works Civils Contract in late July. The following matters were discussed:

- 3.7.1 Significant lessons learned had been taken from previous PAR reviews
[REDACTED]
- 3.7.2 In relation to the Enabling Works Contracts, a formal review was scheduled for 7 July, which would be reported to the August Board, and work was ongoing to define the optimal work allocation between the Enabling Works Contractors and Statutory Undertakers (Utilities).
- 3.7.3 In relation to Stations Procurement, the BICC and Treasury Approval Point meetings have gone well, with the Procurement Plans for the Construction Phase of the Stations, Euston MDP and Railway Systems to be discussed at a future Board. The railway operations impacts of the Railway Systems procurement was expressly noted.
- 3.7.4 In relation to the land and property acquisition programme, it was noted that some land had been acquired that was no longer needed and that work was ongoing to refine the Phase 1 requirements to better inform the acquisition programme. There was a discussion in relation to the [REDACTED] and the need for this to be handled sensitively.

4. ANNUAL ACCOUNTS – VERBAL UPDATE

- 4.1 The Board noted the verbal update provided by the Chair of the Audit and Risk Committee. A number of emerging issues were being proactively discussed with the National Audit Office (NAO) (in control to controls and HS2's redundancy schemes). The redundancy issue is a regularity matter that is likely to be flagged by NAO in their report. There is likely to be a report from the Comptroller General, which may lead to a Public Accounts Committee. Each redundancy was approved by HS2 Ltd and was within the business case. There was a discussion about the need for retrospective approval. A further ARAC is scheduled for 23 June, with report to Board on 6 July 2017 containing details of costs incurred, payments made and progress against Business Case.
- 4.2 The other issues being discussed with the NAO were in relation to VAT, accruals and certain other control points, which will be flagged in a detailed letter that will enable HS2 Ltd to form clear actions in response.

5. PHASE 2B FINAL ROUTE DECISION

- 5.1 Duncan Sutherland declined to participate in the discussion on conflicts of interest grounds.
- 5.2 The Board noted the paper in relation to Phase 2b final route decision.
- 5.3 Two route changes have been made that have a cost impact of [REDACTED] which are in response to significant community consultation.

5.4 Management flagged the [REDACTED] and preparations are being made just in case.

5.5 No recommendation is being made at this juncture on a [REDACTED] as this is a matter for the Department for Transport (DfT) because of [REDACTED]. Further work is being done on this aspect.

5.6 The Board received a verbal update from the Managing Director Phase 2 on property impacts as a result of the recommendations. When the government makes the route announcements, certain properties should cease to be blighted.

5.7 The Board approved the Phase 2b route recommendations for onward submission to the DfT.

6. CORPORATE PLAN

6.1 The Board noted the paper in relation to the contents of the Corporate Plan for 2017-20. The CEO noted that work was ongoing in relation to the KPIs to ensure that the right matters were being measured as a robust barometer of corporate health.

6.2 The Board discussed the interface between KPI performance and future Annual Reports, HS2 Ltd's approach to external communications (including hard copies at public meetings), the communications plan for the cascade of the Corporate Plan emphasis in the Corporate Plan on capacity compared to speed and whether it would be helpful to add capacity numbers, the balance to be struck between a public-facing document and a document produced only for internal purposes, the 'strategic context' section (where capacity information could be added) and the specificity of the KPIs.

6.3 Subject to the identified amendments being made, the Board approved the Corporate Plan

7. BENEFITS MANAGEMENT

7.1 The Board received a presentation from the CFO setting out proposals for a trial on the measurement/reporting of a number of benefits, drawn from HS2's Strategic Goals and Objectives.

7.2 In response to the presentation, the Board discussed:

7.3 Whether benefits of business relocation to Birmingham (e.g. HSBC) should be included;

7.4 Whether overall employment should be measured or skills/location aspects of employment;

7.5 Whether the list could be reduced to enable more targeted monitoring/reporting;

7.6 The Board noted the importance of capturing the benefits of apprenticeships and utilisation of small-to-medium enterprises so as to demonstrate the value of the taxpayers' investment in the new railway.

7.7 The Board will receive a further briefing once the trial has been in operation for six months, so that any lessons learned can be considered and built into the future approach.

8. CONTINGENCY TREATMENT FY17/18

8.1 The Board noted the verbal update given by the CFO as to the status of the paper, which will be coming to the Board in July.

9. ROLLING STOCK PROCUREMENT AND OPERATIONAL CONCEPT

9.1 The Board received a presentation from the Managing Director Railway Operations in response to the queries raised by the Board on 6 April 2017 as to the approach to [REDACTED] and progress on development of rolling stock interiors. Management noted that the responses are based on the e [REDACTED] [REDACTED] and relate to decisions already made, but there remains some flexibility into the future (e.g. design of Phase 2 rolling stock).

9.2 The Board discussed the average load factor and what should be the goal for the new train service, noting that feedback from future customers was that assured seating was important for the majority of anticipated journeys on the new train service. Most overseas high speed operators have assured seating (including on safety grounds). Phase 1 has been based on this model (including estimated passenger flow through the four Phase 1 Stations). [REDACTED] [REDACTED] HS2 Ltd to write to the Department setting out its proposed involvement in [REDACTED] [REDACTED]

Action: Chief Executive Officer

9.3 The Board then discussed the approach to specification of the rolling stock interiors. Generally, aspects affecting bodyshape and structure of the train will need to be determined by contract award (e.g. catering and toilets), while fit-out aspects (e.g. number of seats) can be addressed during concept design after contract award.

9.4 The Board was advised on the decisions that would be the subject of future Board papers over the next 6-9 months. The Board asked for how the passenger experience is being addressed. The ITT is proposed to be designed so that the train interiors will be designed [REDACTED] subject to instructions received via DfT, budget and schedule considerations and related matters.

10. CORPORATE AFFAIRS REPORT

10.1 The Board noted the report from Corporate Affairs.

- 10.2 The Strategic Communications Adviser discussed the General Election trends with the Board. All four major political parties had included the construction of HS2 Ltd in their Manifestos, which was helpful, with Labour and SNP including the extension to Glasgow/Edinburgh.
- 10.3 An update was also given in relation to the development of the new website and branding during the next six months. The Board was advised of the BBC archaeology programme that is being planned. The Board noted the importance of aligning local authority/LEP activities to invest to best benefit from HS2 Ltd's own activities.
- 10.4 The Board noted the importance of the new railway considering all age groups and the benefits of the 'hack' and the need to communicate as soon as possible the type of pricing/services that will be delivered.

11. BOARD FUTURE WORKLOAD

- 11.1 The Board noted the forward workload for the Board.

12. CHAIRS REPORT

- 12.1 The Chairman had no further points to add.

13. ANY OTHER BUSINESS

- 13.1 The Chair of the Nominations Committee thanked Board members for their prompt response to the self-assessment process and noted that feedback from the process had been provided to DfT. The DfT Observer added that one of the essential skills that is required is railways expertise, in addition to the major projects experience. The Chair of the Committee noted that DfT's appointment search firm (Russell Reynolds) was expected to speak with a sample of Board Members to seek feedback on behaviours.
- 13.2 The Company Secretary reminded the Board about the appointment on 14 June 2017, being a farewell for David Prout and Andrew Adonis.
- 13.3 Due to the significant agenda at the 6 July 2017 meeting, it was agreed that the Board meeting would start at 9 am.

Signed:

Date: