

Meeting minutes

HS2 Ltd Board

Meeting date Thursday, 03 May 2018

Meeting location Room 6.1, 2 Snowhill

| Members (those who make the quorum of the forum) | Attendees (presenters/additional attendees) | Apologies |
|--|--|---------------------------|
| Richard Brown (acting Chair) Non-executive Director | [REDACTED] Phase 2B Senior Sponsor, | David Higgins Chairman |
| Christine Emmett Non-executive Director | Jim Crawford (items 13 and 14) Phase 1 Managing Director | |
| Mel Ewell Non-executive Director | [REDACTED] Finance Director | |
| Neil Masom Non-executive Director | Paul Griffiths (items 16-19) Phase 2 managing Director | |
| Roger Mountford Non-executive Director | Neil Hayward (items 04-06 and 09) HR Director | |
| Duncan Sutherland Non-executive Director | Emma Head (item 10) HSE Director | |
| Mark Thurston Chief Executive Officer | [REDACTED] Phase One Commercial Director | |
| Jo Valentine Non-executive Director | Tom Kelly Director Strategic Engagement and Communications | |
| | [REDACTED] Community Engagement Director | |
| | Clive Maxwell Department for Transport, Observer | |
| | [REDACTED] Head of Promotion & Campaigns | |
| | [REDACTED] Deputy Company Secretary | |
| | Chris Rayner (item 10) Railway Operations Managing Director | |
| | [REDACTED] Commercial Development Director | |

Signed

Chair

David Higgins

Date

1 Welcome, Declarations of Interest and Values Moment

- 1.1 The Board noted a declaration from Richard Brown following appointment to the Rail Expert Advisory Panel and advised that at some point this may have reference to HS2 Ltd. This declaration was not considered a conflict to any items of discussion. A note of the appointment will be recorded.
- 1.2 The Board noted the values moment provided by Duncan Sutherland on the application of all values whilst dealing with the fallout of a tragedy, including a heightened requirement for sensitivity to deal with the community in an appropriate way.

2 Minutes of the previous meeting and matters arising (HS2B_18-19 and HS2B_18-20)

- 2.1 The minutes of the meeting of 05 April 2018 were agreed as a true record.
- 2.2 The status of the actions was noted with the below updates provided:
 - 2.2.1 Action 773 – OCIP– The Board noted the update that at the time of procuring OCIP insurance, the best approach was to leave PI with the supply chain. It was agreed to close the action.
 - 2.2.2 Action 18/004 – NED contracts – This action is ongoing. The request and position has been noted by the Department who are reviewing succession plans. HS2 Management will raise this matter at the Shareholder Board.
 - 2.2.3 The Chair of the Nominations Committee provided an update to the Board regarding the Chair recruitment process, advising that interviews are to be held on 17 May and insight will be sought on the shortlist position.
 - 2.2.4 Action18/005 – The Board noted that the DfT Observer has written to the CEO and that there is further update to follow in due course. Action remains open.
 - 2.2.5 **Action 18/012 - The Board noted the helpfulness of the Crossrail comparison briefing note. The Board requested detail around the resource to conduct the required works.**

Action: Jim Crawford

3 CEO Report (HS2B_18-21 and HS2B_18-22)

- 3.1 The Board noted the monthly management information. The following key points were raised from the Chief Executive's report to the Board:

3.1.1 Safety performance continues to be positive with 1 million hours worked in the month;

3.1.2 There will be a Health and Safety conference held in October, to which the Board will receive invitation;

Action: Company Secretariat/ Emma Head

3.1.3 The Board discussed the behaviours and challenges involved in community and stakeholder engagement and mitigations through training and exposure;

3.1.4 The Board noted that the recruitment process for the Chief Financial Officer and Chief Operating Officer continues to progress;

3.1.5 The Board noted the status of the National Audit Office audit and Internal Audit actions.

3.1.6 The Board noted that correspondence has been issued to the DfT on the work streams and approach to Notice to Proceed. A copy of this letter was shared with the Board.

3.1.7 The Board commented on the potential for pressures to capacity in the supply of required equipment (TBMs etc.) especially at the peak of activity. The Board requested a review at Programme Committee to return to the Board

Action: Company Secretariat/ [REDACTED]

3.1.8 The Board requested an update on the West Coast Partnership procurement. It was agreed that the DfT will provide advice on timing together with a track access update.

Action: Clive Maxwell/ DfT

3.1.9 The Board suggested a review of environmental planning applications and risks be taken to a Programme Committee. The Board noted that the Chairman has requested a session on risks around [REDACTED].

Action: Company Secretariat [REDACTED]

4 Organisational Design Update (HS2B_18-23)

4.1 The Board noted the paper seeking:

4.1.1 Approval of three identified organisational changes;

4.1.2 To give the Board visibility of other planned organisational changes over the next year, as part of the Forward Transition Plan, aligned to our review of enterprise wide capability;

4.1.3 Approval of delegated authority for the oversight and execution of these identified changes projects to the Executive Committee, subject to a number of conditions, namely:

- 4.1.4 A total cap on the number of people impacted, which if exceeded the Executive Committee must refer back to the Board for further approval; and
- 4.1.5 Monthly reporting on progress to the Board as part of the CEO Monthly Report;
- 4.2 It was noted that any redundancies would be based on statutory terms and the Department for Transport would be notified of the programme. HS2 will endeavour to redeploy impacted employees in all cases.
- 4.3 The Board noted the proposal to work within the rules and boundaries of statutory redundancy and approved the delegation, noting that the forward plan and controls.
- 4.4 **The Board requested that the Terms of Reference for the planned internal audit be reviewed to ensure that the above points are covered.**

Action: Neil Hayward

5 2018 performance related pay budget for Employees (all roles below Executive) (HS2B_18-24)

- 5.1 The Board noted the paper and approved the pay budget equivalent to 1.5 per cent of employment costs for 2018, as endorsed by the Remuneration Committee on 22 March 2018.

6 Skilled for Success — HS2 People Strategy (HS2B_18-25)

- 6.1 The Board noted the update on the People Strategy Document 'Skilled for Success' due for publication in May 2018.
- 6.2 The Board noted the detailed implementation plan is to follow covering the next 12-18 months activity.
- 6.3 The Board noted that the budget allocation for training is yet to be confirmed, and will follow the holistic review of the HR offering, whilst introducing behavioural and values assessments.
- 6.4 The Executive have approved the Skills, Employment and Education strategy which will develop an integrated approach to learning and development.
- 6.5 The Board were pleased to note the work including retention of skilled staff between the phases and transition states.
- 6.6 The Chair of the Remuneration Committee highlighted the expiration of the Freedoms and Flexibilities later in the year and it was agreed that this will be raised at Shareholder Board.

7 Update on Enterprise Capability Baseline Assessment (HS2B_18-26)

- 7.1 The Board noted the update on the outcome of the baseline assessment and the areas identified which require targeted interventions to drive continuing strengthening change in capabilities.
- 7.2 The Board noted the next steps and action plan to undertake work in these areas.
- 7.3 **The Board requested the Programme Committee review the capability maturity progression for assurance.**

Action: Company Secretariat/ [REDACTED]

8 HS2 Strategic Risks (HS2B_18-27)

- 8.1 The Board noted the paper seeking endorsement of the Strategic Risks for use in future reporting, in the Corporate Plan and Annual Report, noting the approach taken to develop and determine principal risks.
- 8.2 The Board requested further consideration to the risks below:
 - 8.2.1 Social impact during construction
 - 8.2.2 Ongoing Political support
 - 8.2.3 Avoidance of scope creep
 - 8.2.4 Constraints of Government expenditure
 - 8.2.5 Ensuring effective relationships with the DfT
- 8.3 **It was noted that this will be reviewed by the Executive, with advice from the Risk team, as to whether these should be included.**

Action: Mark Thurston

9 Enterprise Resource Planning summary (HS2B_18-28)

- 9.1 The Board noted the paper providing an update for the Board following request for visibility of progress and assurance of delivery.
- 9.2 The Board raised the following key points:
 - 9.2.1 **The Board requested the Executive review integration of the ERP, particularly into processes covering multiple systems e.g. procure to pay.**

Action: Neil Hayward

- 9.2.2 The Board Observer requested visibility of the current budget and timescales compared to the originals, together with detail on any potential for impact to the programme.
- 9.2.3 A lessons learned exercise was suggested.

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- 10.1 The Board noted the paper providing [REDACTED]
- 10.2 The Board noted that this review has concluded that a [REDACTED]
- 10.3 **The Board requested visibility of a business case to proceed with [REDACTED] before this returns to the Board.**

Action: Chris Rayner/ Emma Head

11 Communications Strategy (HS2B_18-30)

- 11.1 The Board noted the updates on the Communications Strategy, Activating the Green Corridor Vision and Local Integrated Plans.
- 11.2 The following points were raised and noted:
 - 11.2.1 There is value in focussing on some issues, for example air pollution, and how these are mitigated to maximum effect as well as the contribution to solve. Management agreed that the language can be reviewed to bring out this point.
 - 11.2.2 The Board are keen that there is communication to those affected in a timely and transparent manner but there should also be the same level of communication on the good news stories HS2 Ltd delivers.
 - 11.2.3 The Board noted that engagement with stakeholder groups including Woodland Trust, Forestry Commission etc. have informed the work.
 - 11.2.4 The Board suggested inclusion of before and after photographs to demonstrate the intervention value.

12 Report from the Commercial and Investment Committee 25 April 2018 (HS2B_18-31)

- 12.1 The Board noted the update from the Commercial and Investment Committee and the verbal introduction from the Committee Chair to items 13 – 17.

13

13.1

13.2 The HS2 Ltd Board:

13.2.2

13.2.3 Approved raising Works Orders under the terms of the Design & Construction Agreement and the issue of Purchase Orders.

13.3 The Board reiterated the importance of lessons learned from Phase 1 into Phase 2a and 2b.

14 Railway Systems: Procurement Plan and PQP Pack for Package 3 (HV Power Distribution and Traction Power) (HS2B_18-33)

14.1 The Board noted the paper seeking decision on the approach to

The recommended approach was that of a Strategy.

14.2 The following key points were discussed by the Board:

14.2.1 The Commercial and Investment Panel and the Commercial and Investment Committee noted the paper to the Board of the Strategy and discussed looking ahead to identify opportunities for private financing, in good time to avoid schedule pressures ruling out use of private finance.

14.2.2 There will also be work to explore refinancing of the rolling stock on Phase 2b; and

14.2.3 The Board discussed the

14.3 The Board approved

1

15

[REDACTED]

15.1 The Board noted the paper seeking approval [REDACTED]
[REDACTED] The purpose of the land deal is to:

15.1.1 [REDACTED]
[REDACTED]

15.1.2 [REDACTED]
[REDACTED]

15.1.3 [REDACTED]
[REDACTED].

15.2 The Board approved the Heads of Terms and subsequently that:

15.2.1 [REDACTED]

15.2.2 [REDACTED]
[REDACTED]
[REDACTED]

15.2.3 [REDACTED]
[REDACTED]

15.2.4 [REDACTED]
[REDACTED]
[REDACTED]

15.2.4.1. [REDACTED]

15.2.4.2. [REDACTED]
[REDACTED]
[REDACTED]

15.2.4.3. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

16 Phase 2a Utilities DWA and DCA Strategy (HS2B_18-35)

16.1 The Board noted the paper seeking endorsement of the DWA & DCA Strategy, detailing how HS2 will collaboratively engage Utility Companies enabling transparency in the

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

coordination, management and delivery of utility asset protection and diversionary works. This will ensure the delivery of works to the HS2 Delivery Programme and Policies and achieving value for money; via a Design Agreement (DWA) or Design & Construction Agreement (DCA).

16.2 The Board noted that the DWA and DCA are Frameworks and that Work Orders raised under the DWA and DCA will undergo the required governance/approvals for spend.

16.3 The HS2 Ltd Board:

16.3.1 Approved the engagement strategy for Utility Companies via a bespoke DWAs and DCAs;

16.3.2 Approved the commercial principles to be agreed with Utility Companies (as identified within the Topics of Negotiation); and

16.3.3 Approved the delegation of authority to General Counsel and the Procurement and Supply Chain Director for entering into a DWA or a DCA with each Utility Company (where an agreed position aligns to the Topics of Negotiation).

16.3.4 The Board requested that focus be applied to competitive pricing and that this should be monitored at the appropriate intervals at the Programme Committee.

17 Phase 2a Outline Procurement Strategy and Category Procurement Plan Development (HS2B_18-36)

17.1 The Board noted the paper providing update and seeking approval to the outline procurement strategy for Phase 2a. The Board were asked to note the update with regards to the developing detailed Category Procurement Plan, due to return through governance in quarter 2 of the financial year.

17.2 The Board were asked to approve the [REDACTED]

17.2.1 [REDACTED]

17.2.2 [REDACTED]

17.2.3 [REDACTED]

17.2.4 [REDACTED]

17.2.5

17.2.6

17.3 The Board approved the paper and recommendations made.

18 Update from the Programme Committee Chair (HS2B_18-37)

18.1 Items 18 and 19 of the agenda were covered together

19 Phase 2b: Baseline Cost Model 1.0 (HS2B_18-38)

19.1 The Chair of the Programme Committee had attended a working session with the team to review progress on materials for the Baseline (a summary note from which was included in the Board pack).

19.2 The Programme Committee Chair provided a summary explaining that there had been good progress and a conservative approach applied to the cost waterfall following previous feedback.

19.3 Management discussed the scope book produced which was supported and informed by assumptions and exclusions.

19.4 The Board suggested that there was a split out of HS2 and DfT assurance in the presentation of information.

19.5 **It was agreed that the presentation should clarify that the residual tranches 2 and 3 recommendation from the Periodic Update are included within the HS2 Phase 2b Baseline 1.0 estimate.**

Action: Paul Griffiths

19.6 The DfT Observer and Board discussed the need for the information to be transparent and avoiding duplications with any potential future opportunities and efficiencies.

19.7 Management confirmed that there will be continuation to identify and maximise opportunities and mitigations as part of the IPED process.

19.8 Subject to the presentational points made, ensuring that these are captured in the supporting suite of information, the Board endorsed the Baseline 1.0 Report and associated materials and approved the release of these materials to DfT, for presentation to the DfT Board Investment and Commercial Committee (BICC) on 21 May, and subsequent review by the Infrastructure and Projects Authority and Major Projects Review Group.

20 Corporate Affairs Report (HS2B_18-39)

20.1 The Board noted the Corporate Affairs Report.

21 Board Future Workload (HS2B_18-40)

21.1 The Board noted the future workload.

22 Chair's Report (HS2B_18-41)

22.1 There were no additional items raised by the Chair.

23 Any Other Business

23.1 There were no additional items of business raised.