

**High Speed Two (HS2) Ltd Board Meeting
Minutes
3 August 2017**

Boardroom, 19th Floor, One Canada Square, London

Members	In Attendance	Apologies
David Higgins Chairman	Nicole Geoghegan (minutes) General Counsel and Company Secretary	Andrew McNaughton Technical Director
Jo Valentine Non-Executive Director	Chris Rayner (Item 5) Railway Operations Managing Director	Christine Emmett Non-executive Director
Steve Allen Chief Financial Officer	[REDACTED] Commercial and Sponsorship Director	[REDACTED] Deputy Company Secretary
Richard Brown Non-Executive Director	[REDACTED] Finance Director	Duncan Sutherland Non-Executive Director
Mark Thurston Chief Executive Officer	[REDACTED] Community Engagement Director	Tom Kelly Strategic Communications Advisor
Mel Ewell Non-Executive Director	Michael Hurn Department for Transport, Observer	
Neil Masom Non-Executive Director	Jim Crawford (items 6 & 7) Phase One Managing Director	
Roger Mountford Non-Executive Director	[REDACTED] Director of Commercial Strategy & Rolling Stock Procurement	
Alison Munro Managing Director, Development	[REDACTED] Interim Head of Community Engagement Strategy	

1. WELCOME AND DECLARATION OF INTEREST

- 1.1 There were no additional declarations made to those previously recorded.
- 1.2 The Board noted that it was Alison Munro's final HS2 Board meeting. The Board thanked Alison for her extensive contribution to the HS2 project in the years since its inception and noted her proposed continuing involvement with the project on a part-time basis.

2. MINUTES OF THE PREVIOUS MEETING 6 JULY 2017 AND MATTERS ARISING

- 2.1 The minutes of the meeting 6 July 2017 were agreed as a true record of the meeting (subject to a minor change to the Rail Systems item which had been emailed to the Company Secretary).
- 2.2 The status of the actions were noted and the following updates were provided:
 - 2.2.1 The Train Services Specification paper (responding to an action from the May Board meeting) is a work in progress with a paper coming back to the Board in due course. The Chair has discussed the issue with the Permanent Secretary. There are weekly meetings taking place but only 1/3rd of the required information has been provided to date;
 - 2.2.2 Action 704: the terms have now been agreed and there will be a formal change to the Development Agreement to confirm HS2 Ltd's role;

- 2.2.3 Action 706: issues raised will be fed back into the Contract, which will also be informed by feedback from the market. The Board agreed that a close review will be needed after dialogue is completed to ensure [REDACTED]. The Company Secretary explained why the legal assurance letter was addressed to HS2 Ltd, rather than the contracting authorities.

3. CEO MONTHLY REPORT AND MANAGEMENT INFORMATION

- 3.1 The Board noted the CEO Summary and the June Monthly Report. The CEO noted the following:
 - 3.1.1 HS2 Ltd has now been formally notified of a Public Accounts Committee on 30 October 2017 in relation to the redundancy approvals issue. It was noted that a 'lessons learned' was to be conducted as to how DfT and HS2 Ltd conduct their relationship. The proposed GIAA audit will consider this also;
 - 3.1.2 Derogation has been given to regularise HS2 Ltd's position with respect to statutory notice periods in employment contracts (until the Framework Document is amended late in 2017); and
 - 3.1.3 The 7 Main Works Civils Contracts were signed on Monday.
- 3.2 Regarding the Hansford Review relating to Network Rail, the Board queried whether this will impact on the relationship with Network Rail. HS2 Ltd will be receiving a briefing on the findings and discussions are ongoing to see if there are alternative ways to perform the required work.
- 3.3 In relation to property compensation terms on Phase 2b, while this is a matter for DfT, HS2 Ltd has reputational exposure in relation to the scheme that DfT instructs HS2 Ltd to implement. It was confirmed that lessons learned from Phase 1 have informed the scheme/s for Phase 2b (e.g. as to the timing of commencement of the scheme/s). DfT must operate within Treasury guidelines, but this may have disproportionate prejudice to HS2 Ltd.
- 3.4 The Board discussed the challenge on the industry to have the capacity and competency to carry out the required works to meet the HS2 programme. A heat map will be provided to the Board (via Programme Committee) showing the workload of HS2's main supply chain members (including civils).

Action: Chief Executive Officer
- 3.5 It was confirmed that the Corporate Plan has been received well internally. The interim arrangements for leadership of Phase 2 and Land and Property will be confirmed during August.
- 3.6 In relation to the Monthly report, there was an issue with timing of land and property investment that was expected to be rectified in August. The Board discussed the impact of the high voltage cable incident. This is being considered further by the SHE

Committee but needs to be considered from the wider perspective, with the CEO to consider this further.

Action: Chief Executive Officer

- 3.7 It was noted the Minister would be visiting residents on the Shimmer estate (affected by the Phase 2b route), HS2 Ltd had written to DfT in relation to the timing of delivery of SoS Dependencies at [REDACTED] and that, while the Monthly Report measures progress against Baseline [REDACTED] no change has been made to HS2's target delivery dates.

4. REPORT FROM COMMERCIAL AND INVESTMENT COMMITTEE

- 4.1 The Board noted the summary from the Commercial and Investment Committee held on 17 July 2017, with the Committee's comments discussed under paras 5, 6 and 7 below.

5. ROLLING STOCK: EVALUATION PROCESS AND EVALUATION CRITERIA

- 5.1 The Board noted the paper and the comments made by the Commercial & Investment Committee (CIC).
- 5.2 In relation to the gateway tender assessment model, Management is aware of the risk of excluding a bidder and is actively mitigating the risk by ensuring the pass/fail criteria are genuinely critical to HS2 Ltd and by carrying out extensive market engagement. The market for this procurement is constrained. Speed is to be evaluated using a qualitative approach.
- 5.3 In relation to the [REDACTED] it is important that this is proportionately weighted and doesn't allow 'gaming'. The Board noted that a [REDACTED] (a position that is not yet confirmed with DfT). The value that can be generated by tenderers could be included in the technical component of the evaluation criteria, rather than in the whole-life model. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- 5.4 In relation to asset management, Management is currently considering whether, and to what extent, any trains will be fitted with equipment to monitor the infrastructure (including in connection with passenger experience).
- 5.5 In relation to noise, significant work is ongoing, both to consider train impacts, infrastructure impacts and potential mitigations (barriers, insulation, etc), in close consultation with Technical Directorate. Management will consider where this issue best sits from a governance perspective, with a briefing to be provided to the Board in due course.
- 5.6 Management will consider the weightings proposed to be given to [REDACTED] (see para [REDACTED] of the paper). As to whether there is a potential overlap between stage 3

and stage 4, it was confirmed that stage 4 gives the bidders an opportunity to [REDACTED]

- 5.7 In relation to the condition of the existing infrastructure (and what information is given to bidders), work was being done to assemble information for the bidders, but there was always a risk that such information doesn't actually represent the asset's condition.
- 5.8 Management confirmed that the value of the OJEU notice [REDACTED] includes the initial 12yr maintenance term, but further work is required to be done regarding the funding of the maintenance element (prior to Contract award in December 2019).
- 5.9 The Board approved the principles of the 4-stage evaluation framework for the Rolling Stock ITT, did not approve the [REDACTED] (requesting that further work be done) and noted the detail behind the [REDACTED] (with final recommendations being presented in December 2017).

6. STATIONS CONTRACTING PARTNER (SOUTH): PROCUREMENT PLAN

- 6.1 The Board noted the paper and noted the comments made by the CIC.
- 6.2 The Board noted that the [REDACTED] [REDACTED] Because the successful West Coast franchisee won't be appointed until 2019, the proxy operator function will provide inputs until then. It was queried whether [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- 6.3 In relation to the proposed lengthy time frame of 15yrs, HS2 Ltd will have four years of performance from the appointed supplier before deciding whether to continue with the B1 component.
- 6.4 The capacity of the industry needs to be closely considered in deciding how this procurement is structured and the optimal risk allocation between HS2 Ltd and the appointed contractor. The required service is both programme/project management and construction management. The proposed tender criteria needs to properly test the services that are required, with stronger emphasis during the PQQ stage, so that the market is not put to unnecessary bid costs.
- 6.5 Management confirmed that while the procurement is being run as a single procurement, there will be two separate components (Old Oak Common and Euston) that will be separately evaluated. Bidders don't have to bid for both lots. It was noted that there are some key differences between the two stations.

- 6.6 In relation to the proposed B2 component, the client for this work is Network Rail so Management has not included this work in the draft Procurement Plan.
- 6.7 Subject to the comments noted in this paragraph 6, the Board approved the Package Procurement Plan for the Stations Construction Partner (South Stations) Procurements.

7. STRATEGY FOR THE DEVELOPMENT AGREEMENT WITH TFL

- 7.1 The Board noted the paper and noted the comments made by the CIC.
- 7.2 Discussions are taking place between senior Management in TfL and HS2 Ltd as to the most suitable 'project lead' from TfL and the structure of the TfL team, given underground, streets, buses and Crossrail impacts. This will be covered in the Development Agreement that will be proposed later in CY17.
- 7.3 Work is ongoing to define how works are going to be allocated between HS2 Ltd and TfL. Unlike for Network Rail, there is no presumption in the TfL Protective Provisions Agreement about which party will do the work. Acceptance procedures need to be considered when making this decision.
- 7.4 In relation to betterment, it was acknowledged that HS2 Ltd should not be funding this. The issue is to be controlled by a robust definition of the works that must be delivered as a consequence of the HS2 project.
- 7.5 Once it is defined as to which party will adopt the new/improved asset, health and safety standards compliance will then be aligned to the applicable asset manager, so that there is clarity as to which standards will apply.
- 7.6 The Board approved the commercial principles contained within the TfL DA Contracting Strategy, noted the proposed engagement with TfL to agree the terms and conditions for the Development Agreement consistent with agreed Contracting Strategy, noted the proposed governance arrangements for the new Development Agreement and subsequent work packages and noted the proposed schedule for close out.

8. UPDATE FROM AUDIT AND RISK ASSURANCE COMMITTEE

- 8.1 The Board noted the update from the Chair of the Audit and Risk Assurance Committee (ARAC). At its July meeting, ARAC had reviewed an earlier draft of the papers at items 9 and 10 of the Board's agenda and approved the FY17/18 audit plan. It was proposed that any future 'deep dives' by ARAC would focus on HS2 Ltd's strategic risks. It is also proposed that an effectiveness review of ARAC would be conducted in the Autumn as per government/NAO guidance. It was noted that such review should be conducted alongside the Board Effectiveness review and review of the other Board Committees.

9. INTERNAL CONTROLS – MANAGEMENT RESPONSE

- 9.1 The Board noted the paper setting out Management's proposed actions in response to the NAO findings. The proposed actions were refined subsequent to being discussed with ARAC. While adequacy of systems is important, there is a behaviours/cultural

aspect that is to be addressed as part of the actions. The implementation of the new ERP system is part of the long-term solution.

- 9.2 The Board emphasised that the implementation of these actions is critical to HS2 Ltd. In relation to the resourcing of the actions, KPMG has been engaged to provide some root cause analysis and some existing team members have been freed up from their usual workload to focus on this project. Management advised that the loan made to the National College of High Speed Rail has now been repaid and that the Loan Agreement is close to finalisation. It is proposed that the HS2 Executive will receive a monthly report on progress, ARAC will receive an update at its scheduled meetings and the CEO will report on progress to the Board as part of his monthly update, with a further formal report in January 18. Checks will be made via internal audit at end of CY2017. One further learning is that Q3 audit performed by the NAO needs to be more rigorous. HS2 Ltd will also be implementing the new ERP system at the time of next year's NAO audit, which introduces a further potential risk.

10. PERIODIC REVIEW OF RISK APPETITE STATEMENT

- 10.1 The Board noted the paper and approved the amendments to the Risk Appetite Statement and Risk Policy.

11. COMMUNITY ENGAGEMENT STRATEGY

- 11.1 The Board noted the paper in relation to the development of HS2 Ltd's Community Engagement Strategy and received a presentation from the Community Engagement Director and the Interim Head of the Community Engagement Strategy. It was key to not over-promise and also to be proactive with communities affected by the HS2 project as to what we cannot action and why. The resourcing of the Stakeholder Engagement team is on track.
- 11.2 The way that engagement is conducted affects the HS2 brand. A community hub is being established in the SnowHill office. There is an opportunity to establish a 'control room' in Birmingham that could be utilised for basic, typical enquiries.
- 11.3 Management advised that the Community & Stakeholder Engagement Panel has now been established, providing expertise, monitoring and oversight to the delivery teams. A stakeholder mapping project is also underway, with further feedback to be sought from the Board as to how they can support these efforts.
- 11.4 The Board asked that the language used in the Strategy be further considered and suggested testing the language with a sample of community members. It would be useful to enhance the detail of what we are going to do, not just the principles (e.g. co-locating with local authorities). The Strategy will be distributed to our contractors, as they represent the project to the community.
- 11.5 The Board queried HS2 Ltd's social media strategy. An update will be given at the September Board, as part of the proposed 'visual identity' paper, with the need to be positive and pro-active.

12. SHE COMMITTEE UPDATE FOR 26 JULY 2017

- 12.1 The Board noted the update provided by the Chair of the SHE Committee as to the matters considered. The Committee had discussed the cable strike incident, the level of reporting of small environmental incidents and the fire review done on buildings under HS2 Ltd's management (as a result of the Grenfell tower fire), noting that two buildings in Birmingham are subject to further testing.
- 12.2 The Committee had also discussed the results of the Wellbeing Survey, which had provided feedback on a wide range of issues, like career development and 'organisational health' factors. It had been agreed that Level 1 and 2 incidents (which includes high potential incidents) would be reported to Board Members within 24 hours.

13. NOMINATIONS COMMITTEE UPDATE

- 13.1 The Board noted the update from the Chair of the Nominations Committee in relation to the progress of the recruitment for [REDACTED] and the process for same and the process for the internal Board Effectiveness Review for this year.

14. CORPORATE AFFAIRS REPORT

- 14.1 The Board noted the report from Corporate Affairs for July 2017.
- 14.2 The Board discussed the impending opening of the National College of High Speed Rail, which presented an opportunity to promote early benefits of the HS2 project.

15. BOARD FUTURE WORKLOAD

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

16. CHAIR'S REPORT

- 16.1 The Chair noted that there were no further items to report.

17. ANY OTHER BUSINESS

- 17.1 There was no other business.

Signed:

Date: