

HS2

Annual Report and Accounts

2020–2021



HS2

ALIGN Working in partnership with HS2

High Speed Two (HS2) Limited Annual Report and Accounts 2020 – 2021

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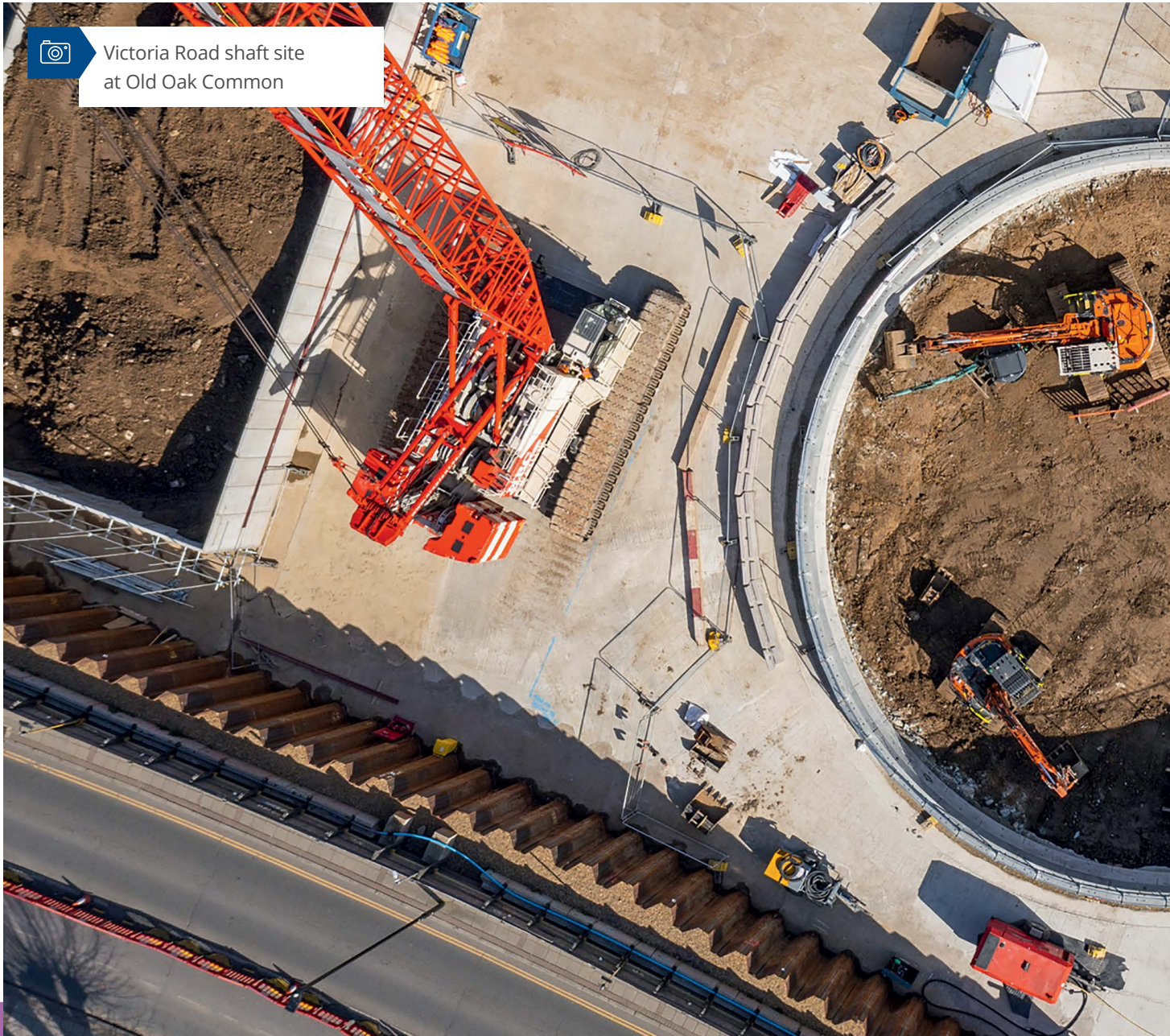


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Victoria Road shaft site at Old Oak Common

Introduction



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Chair's introduction



The past year has seen our lives change beyond recognition. We have all had to adjust to the threats posed by Covid-19, the impact on our families and friends, our working lives and the long-term economic challenges for the whole of the UK. For HS2 Ltd and our stakeholders it has been, and continues to be, a formidable challenge. However, the importance of building a truly transformational railway system has never been more critical.

We are building the vital artery of Britain's social and economic future and, in doing so, we are playing a major role in the Government's ambition to 'build back better'. HS2 remains at the forefront of the Government's plans to level up the economy, creating the low-carbon infrastructure of a national transport system that will create more jobs, careers and opportunities – unlocking the full potential of the skills, talent and innovation of the UK.

The Government's determination to realise this ambition and deliver HS2 was re-confirmed by the Prime Minister in the past 12 months. First, in April 2020, with approval to begin construction of Phase One between the West Midlands and London, and second, with Parliamentary approval in February 2021 for Phase 2a, extending the line north to Crewe.

The complete role of HS2 in providing connectivity will be informed by the publication of the Integrated Rail Plan (IRP). In line with its commitment to build back better and deliver economic benefits and improved transport links to the North quicker, the Government intends to deposit a hybrid Bill for the western leg of HS2 Phase 2b early in 2022 or sooner.

Meeting this ambition requires HS2 Ltd to remain focused on meeting our commitments on schedule, cost and scope of the programme. We have adapted our working practices to meet the major milestones of the Project in the face of the pandemic. Inevitably, Covid-19 has had an impact on productivity but we remain on schedule. Pressures and risk remain but the stability of the Project has been hard-earned and over the next decade we are determined to meet our targeted commitments.

The collaboration between our joint venture partners and our wider supply chain to put in place safe working practices means that all our construction sites are open. Keeping this workforce safe is, and always has been, our highest priority and we are proud of the fact that, even through these challenging times, our health and safety performance has been exemplary. We have improved on our performance in 2020/21.

Over 16,000 jobs are now supported by HS2 with the workforce growing by more than 6,000 in the last year alone. This includes 650 apprentices starting their careers with us. The construction of HS2 will support economic recovery throughout the UK. The workforce is expected to double in the next few years and some 400,000 new contract opportunities are becoming available to businesses up and down the country.

**“
Some 400,000 new contract opportunities are becoming available to businesses up and down the country.”**

As construction for Phase One progresses, we appreciate, now more than ever, the impact that the programme has on personal lives, businesses and the community. We have a duty to manage this impact and work closely with communities and our partners to build our railway in a responsible manner. This goes above and beyond consulting and informing. It has resulted in specific, concrete actions, such as putting in place the remaining recommendations from the HS2 Minister’s Land and Property Review and investing in the local community through our community funds. More than £9 million has been granted to date through these community funds.

By providing a cleaner, greener way to travel, HS2 will help cut the number of cars and lorries on our congested roads, cut demand for domestic flights and help the country’s ambition to reduce carbon emissions. All of this will support the UK’s transition to net zero by 2050.

Our Green Corridor will run alongside the railway, creating a network of bigger, better-connected, climate-resilient habitats and new green spaces for people to enjoy. Before a single train has started running, we have already started planting new woodlands and created new ponds, grasslands and meadows, with many new habitats flourishing.

We understand these environmental matters are at the forefront of everyone’s minds. That is why, this year, we have established the HS2 Environmental Sustainability Committee, a formal sub-committee of the Board and accountable to it. I chair this committee, which is attended by HS2 executives, Non-Executive Directors and independent external expert advisers. We are determined to strengthen our commitment to the environment and are working with stakeholders to deliver a new environmental vision. This will form part of our inaugural Environmental Sustainability Report which we will publish later this year.

This will be my final HS2 Annual Report – I step down as Chair at the end of July 2021. It has been an absolute privilege to serve as Chair of HS2 Ltd. I will continue to follow the success of the Project in the coming years.

Allan Cook
Chair

CEO's review



Over the past year the HS2 programme has continued to make significant progress, in challenging circumstances. Our enabling works contractors, who have been completing demolitions and preparing the way on site, have now handed over the baton to our Main Works Civils supply chain partners (MWCCs).

Reflection on 2020 – 2021

In April 2020, the Full Business Case for Phase One was published, which included the updated budget and delivery into service date ranges. Following this the Government authorised us to issue Notice to Proceed (NtP) to our MWCCs – injecting about £12 billion of contracts into the UK market to support businesses and job creation.

As the Project has matured over the past year, so has our organisation. It has been one of my priorities as CEO to ensure we are a fit-for-purpose delivery body, with the right capabilities in place to succeed. A condition of us being able to give Notice to Proceed to our contractors last year, was that we were able to demonstrate such capabilities to the Government. Since then, we have continued to strengthen our systems and processes, which will see us adapt the organisation as the programme requirements change through the years ahead.

“The Government authorised us to issue notice to proceed to our Main Works Contractors – injecting around £12 billion of contracts into the UK.”

The key to our capability as an organisation is the talent of the people who work here. The global pandemic and remote working has been difficult for many. We've worked hard to ensure we support the wellbeing of our people. They have shown remarkable resilience, with an ability to deliver, innovate and adapt as circumstances change.

We have mobilised on-site at an unprecedented scale over the past year to get the massive programme of civils and earthworks underway, with more than 300 active work sites now open.

Challenges

With a project of the scale and complexity of HS2 there will always be a need for us to find and deliver on efficiencies in how we design and build the railway. The HS2 Minister's six-monthly reports have supported us in ensuring Parliament has clear visibility of our progress and performance against our target cost and schedule. The reports also highlight where our areas of focus should be as we move forward with construction and identify areas across the Project with cost pressures. Our efficiencies programme has an important part to play to ensure we deliver value for money and deliver the Project within budget.

We've all had to come to terms with the impacts of Covid-19 over the past year. This has presented significant challenges in how we work at HS2, how we engage with our stakeholders and communities, and how we operate our sites. Our first priority has been to ensure the safety and wellbeing of both the people working on site and in the communities affected by our works.

In March 2020, we halted work at our sites while we undertook a review of site safety arrangements to ensure we could operate in line with the emerging guidance on construction sector site operating procedures. Thanks to the support of our delivery partners, we were quickly able to open the majority of our sites in a way that kept our people safe and allowed construction to progress.

Since then, we have continued to follow guidance and implement new ways of working and technology which has meant all of our sites are safely operating in line with the guidance.

We have also seen a notable increase in protester activities and the lengths some activists will go to try and disrupt the Project. The safety of our people, local communities and the protesters themselves has been at the centre of our approach. Even with some notable disruption around Euston, our ability to manage the activists safely and effectively has meant we have not seen any significant delays to the construction programme over the past year. Managing the situations, however, has inevitably led to an increase in security costs to keep people safe.

“Our first priority has been to ensure the safety and wellbeing of both the people working on site and in the communities affected by our works.”

Euston station has also been an area of focus over the past 12 months and delivering the new HS2 station within its existing funding envelope presents a significant challenge. Following the Oakervee Review, we have worked closely with the Department for Transport (DfT) to optimise the station's design and delivery strategy. We have been looking at design options which reduce cost and speed up delivery by building the station in a single construction stage.

In parallel with concept design, we have been identifying further opportunities, efficiencies and scope reductions to address residual cost pressures. We've stood up our Euston Integrated Project Team (IPT) with our construction partner Mace Dragados Joint Venture (MDJV) and the supply chain is now fully involved in the cost-saving exercises, generating and delivering opportunities to optimise scope and programme.

CEO's review continued

This design optimisation process is also providing opportunities to refine the masterplan being developed for Euston and enhance wider placemaking opportunities. To support this goal, The Euston Partnership (TEP) has been established to bring together delivery partners and stakeholders including DfT, HS2 Ltd, Network Rail (NR), Transport for London, London Borough of Camden and Lendlease, the Master Development Partner, to facilitate greater design integration between projects and better campus-wide decision-making.



We worked hard to ensure that our Helpdesk could continue to operate all day, every day.”

As our teams have become more visible, and construction activities have ramped up, so has our obligation to our communities. Unfortunately, the impact of the pandemic meant we had to suspend all our face-to-face engagement activities. This was at a time when many people were spending more time at home due to the lockdown and inevitably they were more aware of our presence. We worked hard to ensure our Helpdesk team could continue to operate all day, every day, to respond to an increased level of enquiries. Alongside this, local engagement teams have continued to work with communities online and over the phone to ensure they feel informed and supported. Our fifth Community Engagement Progress Report was published at the end of December 2020; this set out our progress and our commitments to keep striving to improve the community experience.

The Key Performance Indicators we set and agreed with the DfT this time last year have stretched us. While we have not achieved all of our targets, there are clear successes to recognise in light of the pandemic. More details of our performance against our KPIs is set out on pages 19 to 24.

Key achievements

Despite the challenges over the past year, we've continued to gain momentum across the programme. There are many successes but some particularly stand out for me as CEO.

We've completed acquisitions of over 90% of the 70 square kilometres of land we need to deliver Phase One of the railway – including completing all of the Euston Estate acquisitions. We plan to acquire all the remaining land across Phase One by February 2022.

We have also seen notable progress in the route north of Birmingham. The Phase 2a legislation was approved by Parliament in February 2021, the culmination of over three years of work. This approval signals clear and continuing support in Parliament for HS2 and will enable us to start delivering the benefits of high-speed rail to the North West as soon as possible.

Our procurement activities have continued at pace, supporting UK jobs and businesses with a pipeline of opportunities. More than 2,000 businesses have delivered work on the Project so far; 70% of those have been SMEs and 97% are UK-based. HS2 has also supported 16,000 jobs and we've announced 22,000 further jobs, with more big contracts and jobs to come.

Key contracts for rail systems, slab track and our Curzon Street station delivery partner were awarded over the past year, along with early contracts for Phase 2a environmental works and ground investigations. With Royal Assent for Phase 2a we are now ready to go out to market to tender for the Design and Delivery Partner (DDP) to support the next stage of the programme to Crewe. We are also intending to award the contract to build the initial fleet of rolling stock later this year.

**“
Across the programme, our ambition is to achieve at least a 50% reduction in whole life carbon emissions from construction.”**

HS2 is a crucial part of the country realising its net-zero target carbon ambition, both as a new low-carbon transport network and through low-carbon construction practices. As such, we have an obligation to act as a leader for our sector and demonstrate that we are committed to reducing whole life carbon emissions. I am proud we've achieved a near 25% reduction in forecast emissions against our baseline. However, we should and can do more. Across the programme, our ambition is to achieve at least a 50% reduction in whole life carbon emissions from construction.

Looking ahead

HS2 remains a national endeavour and we are fully committed to making it a success. It is clear that HS2 has huge momentum and we can expect to see the pace of delivery continue to increase over the coming years.

The Government has been clear on the role HS2 has to play in the country's economic recovery as we come out of the pandemic. It is also clear the responsibility we have to create a positive legacy – not just for the construction sector but also for the environment and our communities.

That is why we have continued to act as a leader for the industry, supporting innovation, health and safety and wellbeing, and low-carbon initiatives that will benefit the construction sector for years to come.

Mark Thurston

Chief Executive and Accounting Officer

Highlights of the year

Key milestone achievements

**April
2020**



Notice to Proceed issued, giving the green light to the four MWCCs to start detailed design and construction of the main civils works for Phase One.



Full Business Case for Phase One published, including updates to the funding envelope, Target Cost and 'delivery into service' date range.

**May
2020**



Curzon Street station in Birmingham became the first HS2 station to receive planning permission, followed by Old Oak Common station.

**August
2020**



Interchange station was given planning permission by Solihull Metropolitan Borough Council and became the first ever railway station to win BREEAM 'outstanding' certification for eco-friendly design.

**September
2020**



The Prime Minister and HS2 Ltd announced the formal start of construction on the Project, highlighting the large number of jobs that will be created in the coming months and years. This announcement signalled the move from enabling works, scheme design and preparatory work, to full construction of the railway.

**December
2020**



The final parts for two tunnel boring machines arrived at the South Portal, ready to assemble the first of the 10 machines needed to build the 140-mile Phase One route between the West Midlands and London.

**February
2021**



The Phase 2a hybrid Bill received Royal Assent, approving the extension of HS2 from Fradley in Staffordshire to Crewe.

Latest facts and figures

There are

16,000

jobs supported by the Project.



More than **2,000**

businesses have won work on HS2.



The HS2 supply chain is more than

95%

UK-based, with all regions benefiting.



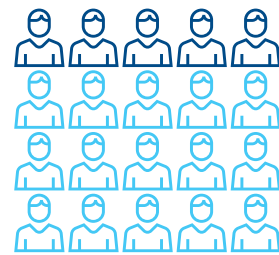
We've completed acquisitions for more than



of the 70 square kilometres of land we need to deliver Phase One.

We've already taken on

650



of the target of 2,000 apprentices.

More than

£9 million

of funding has now been awarded to more than 100 Community and Environment Fund and Business and Local Economy Fund projects along the Phase One route.





Drone footage of South Portal site near South Heath in Buckinghamshire



Strategic Report



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Business model

Remit and scope

HS2 Ltd is a company limited by guarantee, wholly funded by the Secretary of State for Transport (SoST), represented by the DfT. The Company has a single shareholder, the SoST. It is classified as a Non-Departmental Public Body (NDPB) by the Cabinet Office and is treated as part of the central Government sector by the Office for National Statistics.

Established by the DfT to develop, build and operate a high-speed rail network to link London, Birmingham, Leeds and Manchester, and onwards to services on the existing rail network, HS2 Ltd's responsibilities include developing sustainable proposals for the route and working with the DfT to secure the necessary Parliamentary approvals and powers for the new railway and then constructing and operating that railway.

The authority to build railway infrastructure for the high speed network has been granted for Phase One and Phase 2a, and approval will be sought from Parliament to build the western leg of Phase 2b shortly. The high-speed network is being delivered in phases:

- Phase One between London and the West Midlands. The Phase One legislation received Royal Assent in February 2017, and enabling works have continued throughout the year including site clearance, ecological surveys and ground investigations. Notice to Proceed was issued to the MWCCs in April 2020 to authorise main civils construction works to start. Contracts have also been awarded for the design and construction of Birmingham Curzon Street, Euston and Old Oak Common stations.

- Phase Two infrastructure is being delivered in two parts: the West Midlands to Crewe section (Phase 2a), with timescales to be scheduled to align more closely with Phase One; and the western leg of Phase 2b, Crewe to Manchester, is anticipated to open between 2036 and 2040. The Phase 2a hybrid Bill received Royal Assent in February 2021. HS2 Ltd can now begin accessing land for the necessary construction works on Phase 2a, as well as taking forward early environmental and enabling works, and land acquisitions. The Government has instructed HS2 Ltd to progress development of a hybrid Bill for the western leg of Phase 2b, to be deposited in Parliament by the first quarter of 2022. Government is developing the Integrated Rail Plan for the North and Midlands, including: how best to integrate HS2 Phase 2b and wider transport plans in the North and Midlands; how to deliver benefits from investments more quickly; and improving efficiency and reducing costs, by drawing on Phase One lessons learnt.

When the new HS2 railway is finished, it will deliver the necessary infrastructure for the full high-speed network and will integrate with the existing rail network to provide a seamless railway experience for passengers travelling beyond HS2 stations.

Relationship with the DfT

The relationship between HS2 Ltd and the SoST (as represented by the DfT) is managed through a Framework Document and a Development Agreement.

The Framework Document

The Framework Document sets out the requirements and expectations on HS2 Ltd as an arm's length public body and covers issues such as the appointment of the Board, risk management protocols, expectations for financial management, and controls on expenditure. The Framework Document can be found through the following link: [gov.uk/government/publications/hs2-ltd-framework-document-may-2018](https://www.gov.uk/government/publications/hs2-ltd-framework-document-may-2018)

The Development Agreement

The Development Agreement sets out HS2 Ltd's role in developing, building and operating the new railway and the SoST role as sponsor and client.

Under the terms of the Development Agreement, the SoST agrees to:

- set the scope of the Programme;
- provide the necessary funding to HS2 Ltd;
- be held accountable for both the business case and delivery of the benefits;
- be responsible for gaining the necessary Acts of Parliament;
- own the relationships with Ministers and Government bodies; and
- decide how the railway will be operated.

HS2 Ltd agrees to:








- deliver an operational high-speed railway to the agreed specification, cost and timetable;
- provide support functions to the SoST, including policy development, Bill design, stakeholder engagement and communications;
- seek to design commercial opportunities into hybrid legislation whenever it is practical and affordable to do so and where those opportunities are consistent with delivering value for money and its legal obligations;
- seek to maximise proceeds when disposing of surplus land and seek to make strategic land acquisitions when appropriate and consistent with our legal obligations;
- cooperate with and support the Master Development Partner (Lendlease Euston Development LLP) to realise development and regeneration at Euston;

- work with the West Coast Partner, Avanti, who is acting as the shadow operator for Phase One and Phase 2a, and act as the proxy operator for Phase 2b; and
- act as the future infrastructure manager for the infrastructure.

Company strategy

HS2 Ltd is about more than just building a new railway line. We are already acting as a catalyst for growth across Britain and will be an integral part of a modern integrated transport network. This is a transformational investment for the UK. The new high-speed railway being built will better connect people across Britain. As a high performing, innovative organisation, we deliver value for money by applying world-leading design and construction techniques.

Our seven strategic goals are:

-  We will be a catalyst for economic growth.
-  We will create a step-change for rail capacity and connectivity.
-  We will be good neighbours and protect the natural environment.
-  We will foster skills and create new employment opportunities.
-  We will set new standards for health, safety and security for the construction and operation of the railway.
-  We will deliver value for money to the taxpayer.
-  We will set new standards for customer experience.

HS2 Ltd is continuing to deliver on these goals.

Business model continued

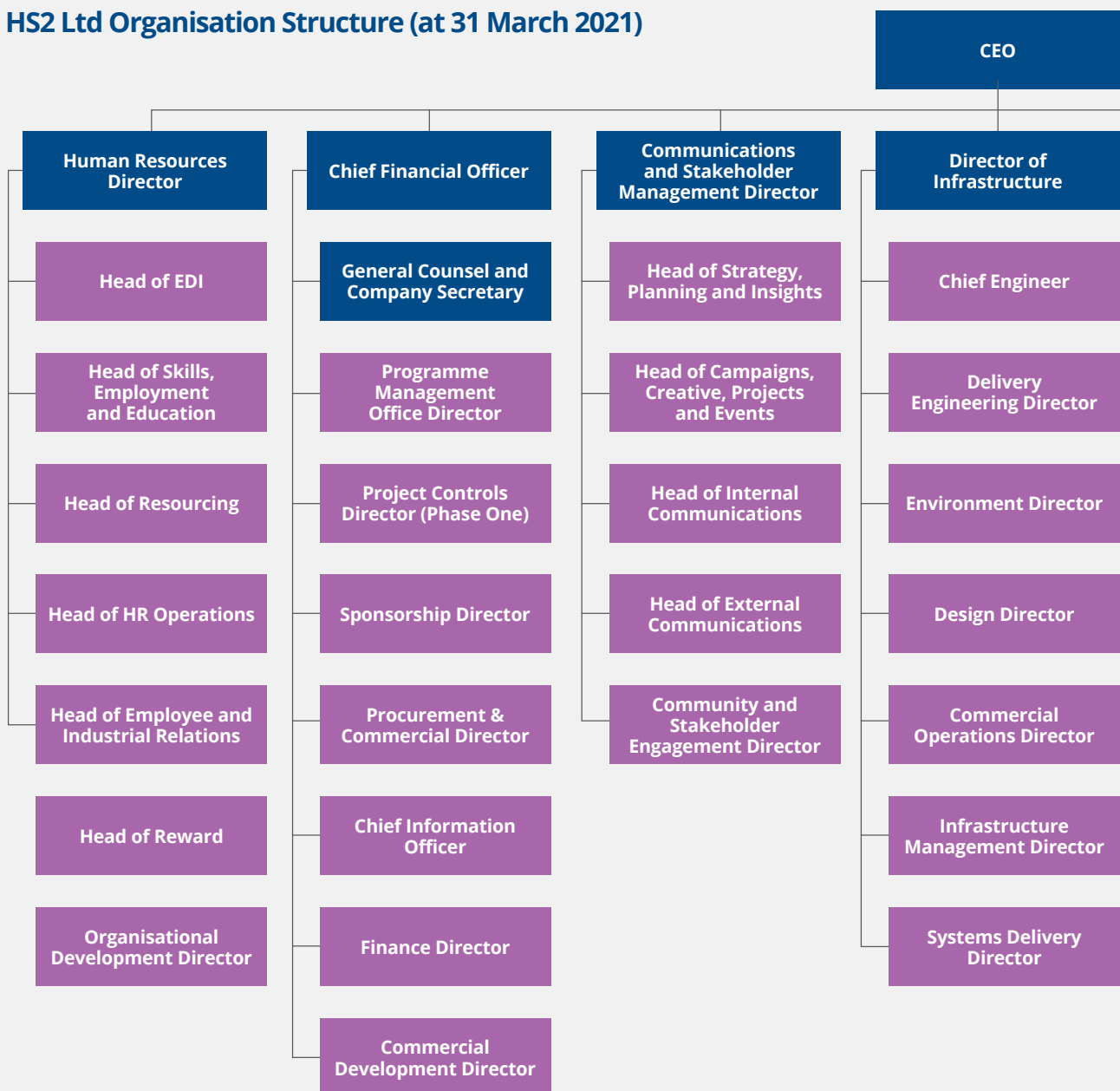
Corporate and business plans

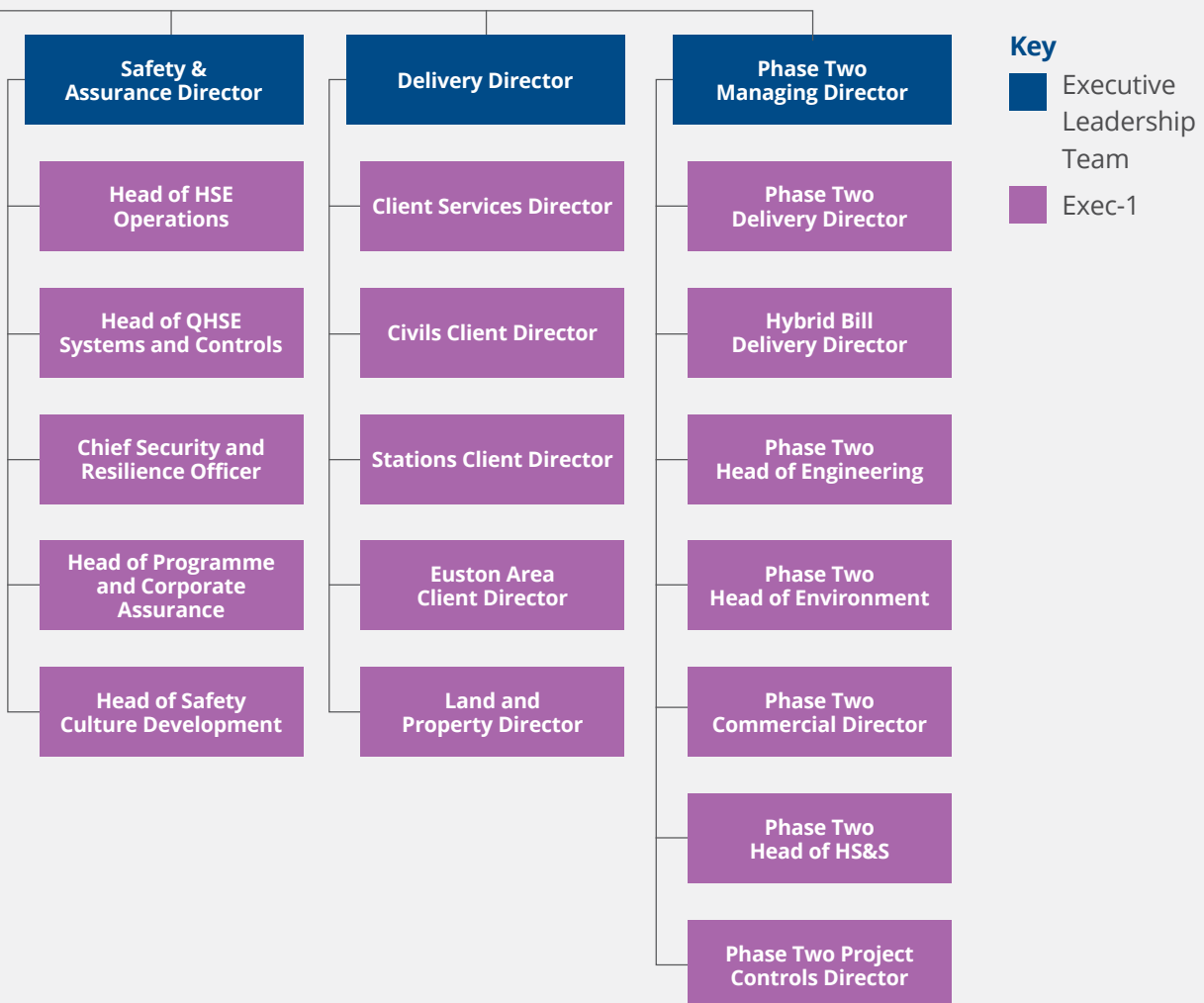
As required in the Framework Document, HS2 Ltd produces an annual Corporate Plan providing a forward look and a review of the previous year against the Plan. The 2020 – 2021 financial year is covered by the 2020 – 2023 Corporate Plan, which can be found through the following link: hs2.org.uk/documents/hs2-ltd-corporate-plan-2020-to-2023/

Business model and organisational development

HS2 Ltd’s head office is in Birmingham, at the heart of the high-speed network. About two-thirds of our staff are based there. The majority of our London-based staff are located at our offices at Euston, at the heart of the Euston station transformation area.

HS2 Ltd Organisation Structure (at 31 March 2021)





Financial review

Company financial performance for the year ended 31 March 2021

HS2 Ltd is entirely funded by the DfT. Combined capital and resource expenditure in 2020/21 amounted to £3,361.8 million (2019/20: £2,539.5 million). Capital expenditure comprises the cost in the year of Phase One and Phase 2a, which are being capitalised in accordance with HS2 Ltd's accounting policy, and the cost of the development and/or acquisition of HS2 Ltd's leasehold office premises and IT assets. Resource expenditure includes the costs of Phase 2b which have not yet reached the point at which capitalisation can occur.

The financial statements for the year ended 31 March 2021 show the following results:

- capital expenditure of £3,252.5 million (2019/20: £2,309.6 million);
- resource expenditure of £109.3 million (2019/20: £229.9 million); and
- net assets of £8,800.8 million (2019/20: £5,654.2 million).

The increase in capital expenditure reflects ongoing works following Notice to Proceed for Phase One.

A detailed account of HS2 Ltd's finances is provided in the financial statements (pages 68 to 97).

The land and properties acquired for the construction and operation of the railway are purchased by HS2 Ltd as agent for the Secretary of State and are recognised as assets in the DfT's financial statements. They are therefore not included in HS2 Ltd's financial statements.

Going concern

The development and delivery of HS2 as part of the Government's wider high-speed rail agenda is in accordance with the aims of SoST (represented by the DfT) as our sponsor and is funded entirely by capital contributions from the DfT as provided by Section 6 of the Railways Act 2005 and the High Speed Rail (Preparation) Act 2013. The Development Agreement, outlined further in the Strategic Report on page 15, remains in force and details the Company's current and future role in developing, building and operating the new railway.

The Government-wide Spending Review 2020 made clear HS2 is a multi-year capital programme and funding was allocated to 2025. In addition, a one-year resource expenditure settlement for 2021/22 has been approved and future funding allocations for the period after 2021 are expected to be confirmed in future Spending Reviews.

Notice to Proceed was confirmed on 15 April 2020 following the statement from the Prime Minister on 11 February 2020 to give "high-speed rail the green signal". Royal Assent for Phase 2a was granted on 11 February 2021 and progress continues on development of the hybrid Bill for the western leg of Phase 2b. Consequently, it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Key Performance Indicators (KPIs)

Performance vs 2020/21 KPIs

The 2020/21 KPIs were set early in the financial year, as the Covid-19 pandemic was taking hold. Therefore, targets were set without the foresight of the pandemic challenges that lay ahead.

Despite what has been a difficult year for the country and for the construction industry, we have achieved significant progress in building Britain's new high-speed railway and realising the benefits it will bring to the UK. We have worked with our supply chain to keep construction sites safely open and to contribute to economic recovery. The Phase One programme is being managed within its overall budget and schedule, with the delivery into service date being maintained. However there is no room for complacency. Risks to the programme are constantly monitored and we plan for likely contingencies.

Our organisation

More than 16,000 jobs are now being supported across HS2. We are proud of the record we are achieving on equality, diversity and inclusion in our own HS2 Ltd workforce. HS2 Ltd is outstripping industry averages on gender and racial diversity with the HS2 Ltd workforce now measuring 38% women and 21% BAME. But there is a lot more to do – especially in our supply chain where female representation is only meeting industry averages rather than exceeding them.

Through these difficult circumstances, our health and safety performance has been encouraging, improving on 2019/20. We have also achieved significant progress in improving capability within our organisation, to ensure we are well-equipped to meet future challenges as the programme develops.

Delivery progress

The HS2 construction programme remains highly complex. It draws together a number of partners and relies on collaboration and teamwork for delivery. HS2 Ltd and our contractors work with the wider supply chain and stakeholders including DfT, Network Rail, utility companies and local authorities to meet the in-year milestones we have set ourselves. The impact of the pandemic has affected each of our stakeholders in different ways. Inevitably, Covid-19 has had an impact in some areas, notably around productivity and performance. This is reflected in our annual Cost Performance Index and Schedule Performance Index, both of which are reported lower than the respective targets we set ourselves.

For a project with a decade or more of delivery ahead, we are seeking to mitigate schedule impacts so that, overall, we maintain the critical path to meet in-service dates.

About 70% of the annual business plan milestones across our Phase One and Phase 2a programmes have been met. Phase One construction has seen huge leaps forward with: planning approvals for stations at Old Oak Common and Curzon Street; the preparations for tunnelling under the Chilterns completed; and detailed designs for critical structures such as the Colne Valley viaduct put in place.

However demolition works at Saltley depot were delayed as we worked with Network Rail to release the site. Our Rolling Stock Contract Award has also been deferred till the autumn. These delays are not expected to impact the programme in the long term.

Key Performance Indicators (KPIs) continued

Parliament has now provided permission for the construction of Phase 2a with Royal Assent granted in February 2021. Early works and ground investigations packages have been awarded and environmental surveys started. However, the appointment of a DDP for Phase 2a has been delayed while the Government ensures the business case for the appointment is robust and delivers value for money.

Delivering the right way

Despite challenging external circumstances, our Land and Property programme has performed well, meeting or exceeding targets on payments and possession. We have stayed ahead of the development of the railway although further lockdowns could impede progress.

We are determined that our programme progresses safely and respectfully, making sure communities are kept informed and involved. Nearly a quarter of impacted residents do not believe we are fulfilling our commitment to deliver the right community experience and around a third are neutral. We have a long-term aspiration for 60% of local residents to consider HS2 a good neighbour and we are falling short of our own expectations. We are focused on improving the experience for communities, whether it is cutting the time it takes to settle compensation claims, or resolving construction queries and concerns more quickly. For example, our new specialist teams organised along the Phase One route will help to improve our performance, making sure that we listen and respond quickly, effectively and respectfully.

Carbon

HS2 is a key part of the Government's strategy to reduce carbon emissions from the transport sector, which is the UK's biggest carbon polluter. Journeys on HS2 will be low carbon, emitting 17 times less carbon than planes, and seven times less than cars. HS2 will help deliver a net-zero economy by 2050.

The immediate challenge is to reduce the carbon impact of construction. While the full life-time carbon impact of both construction and operation of HS2 is less than a single month's road traffic, we must make sure we continue to reduce carbon in everything we do.

In October 2020, HS2 Ltd achieved PAS 2080 accreditation from the Carbon Trust, which measures carbon management in infrastructure projects. We are only the second client organisation in the world to achieve PAS 2080 and we can be proud of the progress we are making. Accreditation to the standard demonstrates that HS2 Ltd has a robust carbon management system in place – aligned with international best practice – and the right capabilities to effectively manage and minimise carbon emissions.

We have also set a target for our MWCCs to reduce the carbon footprint of their contracts by 50% by the end of Phase One construction. To reach this goal, our contractors report on carbon reduction performance annually against a baseline profile. During 2020/21, we reached a forecast of 24.6% reduction across Phase One, surpassing the target for the year and continuing our good progress towards meeting the overall target of 50%.

A summary of our progress against each of the Key Performance Indicators for 2020/21 is presented in the following table:

Are we safe?

KPI	Target(s)	Status	How we performed
1. Improve Health and Safety Performance Index (HSPI) score	HSPI \geq 1.80	Achieved Target	<p>The Health and Safety Performance Index is an aggregation of a number of health and safety related performance measures, including: leadership and behaviour; design; communications; workplace health and safety; and performance improvement.</p> <p>The overall Enterprise HSPI score finished the year at 2.24, above the 2020/21 target.</p> <p>Our improvement can be attributed to an increased level of engagement, focus and understanding from the supply chain throughout the year.</p> <p>We will be re-baselining our HSPI in 2021/22 to ensure our measures are achievable, but stretching, against a new Target of 2.20.</p>

Are we on time?

2. Phase One Delivery Into Service (DIS)	DIS Target Date maintained	Achieved Target	Threats exist but at the end of March 2021 the DIS Target Date remains achievable and is being maintained.
3. Phase One Progress	Achieve the key Phase One delivery milestones for 2020/21	Partially Achieved Target	Nine of the 14 key Phase One milestones were delivered in year, the remaining five have been deferred to 2021/22.
4. Phase 2a Progress	Achieve the key Phase 2a delivery milestones for 2020/21	Partially Achieved Target	Five of the six key Phase 2a milestones were delivered in year, the remaining one has been deferred to 2021/22.
5. Phase 2b Progress	Achieve the key Phase 2b delivery milestones for 2020/21	Achieved Target	Two out of two milestones delivered against target.

Are we on budget?

6. Annual Budget Performance	Year-end out-turn to not exceed Q3 Forecast by more than 1% and to be no more than 4% less than forecast for capital spend and 1% for resource spend	Partially Achieved Target	<p>Full-year targets were updated at Q3 to inform HS2 Ltd's Supplementary Estimate.</p> <p>Capital spend was 0.2% more than the Supplementary Estimate, within the tolerance range.</p> <p>Resource spend was 7.9% less than the Supplementary Estimate, outside of the tolerance range. This was driven by underspends on Phase 2b utilities and ground investigations.</p> <p>The overall out-turn of £3,361 million however was just £0.7 million or 0.02% more than the Supplementary Estimate, indicating a strong in-year financial performance.</p>
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Key Performance Indicators (KPIs) continued

Are we on budget? continued

KPI	Target(s)	Status	How we performed
7. Anticipated Final Cost (AFC) Performance	AFC at or below Target Cost	Achieved Target	At the end of March 2021, AFC for Phase One was in line with Target Cost, with some emerging cost pressures under active management.
8. Earned Value Performance	Cost Performance Index (CPI) score for Phase One ≥ 1.0 (Earned Value measured against Target Cost)	Missed Target	<p>Our cumulative CPI through March 2021 was 0.86. This relates to Phase One Contracts only and includes Earned Value Measured against the Current Point Budget element of the Target Cost. It excludes forecasted contingency expenditure. Euston Station is excluded from this measure.</p> <p>Earned Value Management is used to measure if we are delivering efficiently to plan and is reported cumulatively to date. The outputs produced are used to independently validate current cost performance.</p> <p>The Cost Performance Index compares the Budgeted Cost of Work Performed (the value of work completed) against the Actual Cost of Work Performed (what was actually spent on undertaking the work). A figure of 1.0 would indicate that the value of work accomplished is equal to the amount of money spent to earn it.</p>
	Schedule Performance Index (SPI) score for Phase One ≥ 1.0 (Earned Value measured against Target Date)	Missed Target	<p>Our cumulative SPI through March 2021 was 0.88. This relates to Phase One Contracts only and includes Earned Value Measured against the Current Point Budget element of the Target Cost. It excludes forecasted Contingency expenditure. Euston Station is excluded from this measure.</p> <p>Earned Value Management is used to measure if we are delivering efficiently to plan and is reported cumulatively to date. The outputs produced are used to independently validate current schedule performance.</p> <p>The Schedule Performance Index compares the Budgeted Cost of Work Performed (the value of work completed) against the Budgeted Cost of Work Scheduled. A figure of 1.0 would indicate that work is being accomplished as planned.</p>

Are we a good neighbour?

KPI	Target(s)	Status	How we performed
9. Land and Property Performance	≥ 80% of Advance Payments ready to be paid on time	Achieved Target	'Ready to be paid' represents the point at which HS2 Ltd has issued deeds to the claimant and funds are available to be paid. The proportion of Advance Payments ready to be paid on time for the full year was 84%.
	≥ 90% of land possessions for Phase One taken on time	Achieved Target	The proportion of land possessions taken on time was 90.3%.
10. Carbon Emissions	Forecast 23% reduction in carbon emissions against the carbon baseline for Phase One by March 2021	Achieved Target	Forecast carbon reduction in March 2021 was 24.6%, exceeding the in-year target.
	Achieve PAS 2080 (carbon management in infrastructure) accreditation by March 2021	Achieved Target	HS2 Ltd successfully secured accreditation to PAS 2080 in October 2020. HS2 Ltd is only the second client organisation in the world to achieve accreditation to PAS 2080, and the first UK transport sector client. Accreditation was secured following an independent three-stage audit process conducted by Lloyd's Register Quality Assurance.
11. Public Survey Performance	Improve the survey score for 'Being a Good Neighbour' by 10%, achieving 60% recognition for Being a Good Neighbour from communities along the line of route	Missed Target	This was a new stretch target for 2020/21, with recognition that this is a long-term aim and aspiration. Improvement towards 60% will be incremental. Performance has improved over time from the baseline measurement of 33% in January 2019, to 42% cumulatively by March 2021. There is an opportunity for future gains given the significant proportion of neutral responses (36% in 2020/21) which have increased over time, whereas negative responses have steadily decreased.

Key Performance Indicators (KPIs) continued

Organisational Capability

KPI	Target(s)	Status	How we performed
12. Improve Enterprise Capability	Deliver 'Level 4' maturity against 13 organisational capability areas by March 2021	Achieved Target	<p>Level 4 maturity (measured against a scale of 1–5) was targeted for our enterprise capability improvement programme, across 13 capability areas by the end of 2020/21. The number of capability areas grew from 13 to 14, as Risk Management and Assurance which had initially been grouped into one capability area were split into individual capability areas to ensure that each area had a specific focus on what was required to reach Level 4.</p> <p>The Level 4 Enterprise Capability Programme is now closed, with 13 of 14 Capability areas confirmed as having achieved Level 4 maturity. Close-out actions are in place for the one remaining area, Risk Management.</p>
13. Equality, Diversity and Inclusion	Improve the EDI balance for HS2 Ltd employees to 40% women and 21% BAME representation	Partially Achieved Target	<p>The organisation's EDI balance of 38% women and 21% BAME meant that we met the BAME target but not the Gender Target. Analysis has identified that a low percentage of job applications from women undermined our ability to reach the gender balance target in 2020/21.</p>

Environmental Sustainability Report

This year, HS2 Ltd has continued to deliver on its Environmental Policy commitments which contribute towards our strategic goal of creating an environmentally sustainable solution and being a good neighbour to local communities.

The policy sets out five objective areas that seek to guide and manage our potential environmental impacts:

- Green Corridor;
- climate change;
- community experience;
- historic environment; and
- responsible consumption and production.

To provide strategic direction to the Project, an Environmental Sustainability Committee was established in November 2020. The committee is a sub-group of the HS2 Ltd Board, and its initial priority is to set an Environmental Vision for HS2 that we hope to publish as part of our inaugural Environmental Sustainability Report in autumn 2021. That report will provide a full update on how we are delivering our environmental commitments, associated data, and carbon net-zero and biodiversity action plans. We include an overview of performance in 2020/21 for the policy objectives below.

Green Corridor

Our policy commitment is to create a green corridor for both nature and people that will conserve and enhance habitats, and seek to achieve no net loss in biodiversity, while designing mitigations that will integrate into the character of the landscape.

In December 2020, we published our Green Corridor prospectus¹ that gives an overview of the programme and provides detail about how we are already delivering projects up and down the Phase One route and how communities can benefit further by getting involved. The prospectus is accompanied by a web-based mapping tool² that allows users to

actively track development of the Green Corridor by showing both mitigation projects and environmental and community projects in conjunction with our partners.

Within ecology, we have made progress on the Phase One no net loss in biodiversity position. The change in biodiversity units of area habitats between the pre-construction and post-construction stages as of October 2020 was -3.17%. This represents an improved figure from the 2017 baseline report which reported a deficit of -7.14%, and we continue to work to close the gap. This includes areas where significant biodiversity gains have been made, such as the Colne Valley Western Slopes where 127 hectares of species rich calcareous grassland, wood pasture and wetland habitats are planned.

Ancient woodlands are irreplaceable habitats and in 2020/21 we have continued to work to reduce impacts, including actively engaging with stakeholders such as the Woodland Trust. We expect to reduce the loss of ancient woodland compared with what is permitted in the Environmental Statement and originally planned in our Phase One ancient woodland strategy; we will provide more information in our forthcoming report on ancient woodland impacts later in 2021.

The challenges around ancient woodlands continued in 2020/21 with disruption caused by anti-HS2 protesters resulting in delays to the programme, such as at Jones Hill Wood. There is also added cost, ultimately on the public purse, to manage protester action safely. Natural England more recently in April 2021 successfully defended a legal challenge by a protester on its decision to issue a licence to allow tree-felling at Jones Hill Wood. This confirms the HS2 policy that all HS2 ecological work should be designed to protect wildlife. At Jones Hill Wood, as across the whole HS2 route, we ensure that all works are carried out in accordance with legal requirements.

¹ hs2.org.uk/documents/green-corridor-prospectus/

² hs2.org.uk/building-hs2/hs2-green-corridor/

Environmental Sustainability Report *continued*

This year we have further allocated more than £404,000 from the £5 million Woodland Fund (for Phase One of HS2) and planted over 137,000 trees. This comprises 51 hectares of woodland creation and 34 hectares of Planted Ancient Woodland Sites (PAWS). A further £2 million has been allocated for a Phase 2a Woodland Fund which will be open for applications in due course.

During 2020/21, the contract to provide trees and shrubs (awarded in 2017) has successfully delivered over 270,000 trees and shrubs to sites along the Phase One route, delivering landscape and ecology benefits. This brings the total plantings to date to more than 700,000, although we have suffered some tree losses due to adverse weather conditions.

Furthermore, with a focus on delivering against the objectives of the Water Framework Directive, we have been working with designers and the Environment Agency to ensure that design elements that interact with surface waters maximise the opportunities for net gain in biodiversity, using the latest tools that link design and ecological benefit in a quantifiable way. Resulting mitigation measures such as improvements in channel form not only benefit the dependant ecology but provide enhancement to the overall landscape.

Climate change

Our policy commitment is to build a network that is resilient for the long term, minimises the carbon footprint of HS2 and delivers low-carbon, long distance journeys that are supported by low-carbon energy. This includes the design, construction and operation of HS2. During operation, HS2 will provide a clean way to travel, offering some of the lowest carbon emissions per passenger kilometre, significantly less than cars and domestic air travel. However, we are aware the build of the railway will generate carbon emissions. We therefore employ a Carbon Management System (CMS) to manage and minimise carbon emissions throughout delivery.

A key achievement this year was our CMS being independently verified as being in accordance with the best practice standard PAS 2080: Carbon Management in infrastructure. HS2 is the first UK transport sector client to achieve this global carbon management standard.³ Key components of our CMS include: carbon reduction targets, measured against carbon baselines; carbon quantification, monitoring and reporting; and continual improvement.

HS2 has partnered with the Carbon Literacy Project to raise awareness of the carbon reduction agenda and to provide the motivation and ability to take carbon reduction action. In February and March 2021, members of the HS2 Board and Executive Committee undertook carbon literacy training. HS2 Ltd has been awarded carbon literate Organisation 'Bronze' accreditation. The Carbon Literate Organisation (CLO) accreditation recognises our commitments to establish a carbon literate workforce and support our people to develop and maintain a low-carbon culture. Carbon literacy training will be rolled out further across the organisation.

In terms of climate change adaptation and resilience, contractors, designers, architects, engineers and environmental leads are working together and innovating across the whole of HS2's programme to deliver the new climate-resilient and adaptable railway network. We have carried out high-level climate change resilience assessments to identify the range of potential risks and to assess the railway's resilience and capacity to cope with these, as part of our environmental impact assessment process. In 2020/21, we completed a review of our climate change design impacts for Phase One, in relation to new climate change projections, UKCP18, to identify if there are any areas where we might potentially require further design or a change in HS2 standards in relation to anticipated future climate.

³ See press release here: mediacentre.hs2.org.uk/news/hs2-becomes-first-uk-transport-sector-client-to-achieve-global-carbon-management-standard

We also continued to collaborate with industry this year and as part of academic partnerships to advance knowledge of climate change adaptation and resilience. One example has been working with the Institute for Environmental Management and Assessment on their recent guidance for climate change resilience and adaptation in Environmental Impact Assessment.⁴

Community experience

Our policy commitment is to manage the impact of HS2 construction and operation on people and the environment, including effects from air pollution, flooding, noise and vibration. We recognise there is disruption caused to our local communities and throughout 2020/21 we have continued to work to reduce these impacts.

We have set strict requirements for all construction vehicles (HGVs and light-duty vehicles) and Non-Road Mobile Machinery (NRMM) across the route, which goes above and beyond national best practice, steering the construction industry towards a cleaner future. We had excellent compliance rates across all contracts in 2020/21, achieving 99.0% compliance with Euro VI HGV emission standards and 99.8% compliance with the NRMM emission standards across Phase One.

Further, 64% of all NRMM deployed in 2020 exceeded the HS2 emission requirements, thus further reducing emissions on site, limiting exposure to our workforce and surrounding communities. We continue to monitor emissions and dust with monitoring data being reported in monthly and annual monitoring reports published at gov.uk/government/collections/monitoring-the-environmental-effects-of-hs2

Through our innovation programme we are developing, trialling and deploying a range of low and zero-emission construction equipment across our sites. We are also exploring the use of hydrogen in construction vehicles. A series of example case studies can be found at hs2.org.uk/building-hs2/hs2-environment-facts/hs2-and-air-quality/

We work closely with the Environment Agency (EA) and this year we have been identifying the most critical areas for managing flood risk and ensuring that we have the necessary evidence base for making design decisions and obtaining EA approval. This screening has provided a framework for pragmatic but effective decision-making, but challenges remain around managing uncertainty. Detailed flood modelling has been undertaken at numerous locations in order to determine the compliance of our designs with the commitment not to increase flood risk.

Our Phase One contractors are also working hard to reduce noise from their construction works and this is leading to a reduction in the number of properties requiring noise insulation, compared with the hybrid Bill scheme. For operational noise and vibration, we have continued to work with our designers to optimise design. This has been reflected in our Schedule 17 consent submissions this year that have again demonstrated material improvements compared to the hybrid Bill design. This year we look forward to the award of our rolling stock contract which includes commercial incentives to reduce operational noise to a higher performance than mandated by UK technical specifications for interoperability.

To help offset the disruption of constructing the Phase One and 2a routes on local communities and businesses, a combined £45 million is available from the Community and Environment Fund (CEF) and Business and Local Economy Fund (BLEF). This funding is administered on behalf of HS2 Ltd by the charity Groundwork UK. In 2020/21 alone, we awarded £2.91 million to 52 projects along the Phase One route.

⁴ Available at: iema.net/resources/reading-room/2020/06/26/iema-eia-guide-to-climate-change-resilience-and-adaptation-2020

Environmental Sustainability Report **continued**

Throughout the Covid-19 pandemic, we have worked with applicants if they needed to alter their activities or pause the delivery of their projects due to difficulties presented. Where possible, Groundwork UK have also tried to prioritise the assessment of any applications which have been submitted that specifically aim to support communities at this difficult time. We have funded a wide variety of projects including a food bank, an outdoor adventure playground, the creation of nature reserves and peace/healing gardens, the restoration of a windmill and the refurbishment of a village hall which has recently been used as a Covid-19 test centre. For more information on the projects that have received funding grants to date, please see the online interactive map hs2funds.org.uk/home/projects-funded-by-hs2-funds/

We aim to ensure a fair share of funding investment in the areas where the scheme is operational. There are still some communities which have received below average levels of funding to date. We plan to undertake targeted engagement in these areas to encourage applicants to come forward. We have published specific 'priority areas' so that communities know from which areas we are seeking project applications.

Over the year there have been a number of appeals under the special town planning regime established by Schedule 17 to the Phase One Act, as a result of certain authorities interpreting the legislation in a different way to HS2 Ltd. All of the planning appeals were determined in HS2 Ltd's favour, However, one planning decision was the subject of a successful judicial review, which related to the depth of information to be provided to a planning authority. Following this decision, HS2 Ltd worked with the DfT and the Phase One planning authorities to revise Statutory Guidance and protocols on the implementation of Schedule 17. These are now being implemented.

Historic environment

We are committed to reducing harm to the historic environment and delivering a programme of heritage mitigation, including knowledge creation through investigation, reporting, engagement and archiving.

Across Phase One, the evaluation stage is substantively complete and for those locations that require investigation, significant progress has been made. We expect handover to MWCCs by the end of 2021 and fieldwork scope being integrated with their activities. A particular success has been making remote engagement possible for site input by stakeholders and specialists. At Wellwick Farm, an osteological specialist at the University of York worked with the on-site team as they live-streamed the excavation of a lead coffin, ensuring that during the site work, they had the benefit of expert knowledge, provided remotely.

Several discoveries have captured the public imagination and have received considerable media attention and academic interest. Notable discoveries include a ceremonial landscape near Wendover, the world's oldest railway roundhouse adjacent to the old Curzon Street station, and one of the best-preserved late 16th century gardens ever discovered in this country at Coleshill in Warwickshire. At the roundhouse site, working with the University of Bradford, 3D reconstructions have been used to capture the roundhouse more efficiently and effectively; this enables the site team, researchers, and the wider public to begin to understand the roundhouse and its context. We worked collaboratively with all interested parties, including Historic England to assure its preservation in situ.

Autumn 2020 saw the airing of a three-part BBC Two series called the Biggest Dig, focusing on the archaeological excavations of the post-medieval burial grounds at Park Street Gardens in Birmingham and St James's Gardens in London. The series provided an insight into the logistical undertakings of the work, the archaeological

research and some of the inhabitants who help to tell the story of these two cities. It received over two million views per episode.

We have shared our learning and have embraced changing methods of engagement during the pandemic such as online conferences with partners like the Buckinghamshire Archaeological Society. We held a series of webinars and talks during the national Heritage Open Days and the Festival of Archaeology, as well as lectures to community groups, societies and schools, where we have supported STEM subjects and career paths. Academic and professional engagement continues including a contribution to the Chartered Institute for Archaeologists conferences, publications and professional practice papers.

The historic environment works on Phase 2a have started with the development of the bespoke strategy for this phase, building on the lessons learnt during implementation of the programme on Phase One. The focus for Phase 2b has been our specialist input to the environmental impact assessment process, stakeholder engagement and the scoping of the historic environment strategy for the western leg.

Responsible consumption and production

We are committed to circular economy principles, to source responsibly and make efficient use of sustainable resources, reduce waste and maximise the proportion of material diverted from landfill.

This year we have continued to embed our circular economy principles,⁵ with Calvert Depot in particular acting as our test bed. At the design stage, as well as having requirements such as being designed for deconstruction, we are working with the design team to identify further opportunities to embed circular thinking.

Given the stage of the Project, material procurement is still in the relatively early stages, so our focus has been on engagement with the supply chain, including the formation of a responsible sourcing working group.

In all contracts we have set challenging performance targets of 95% both for diversion from landfill of construction and demolition waste and for beneficial reuse of excavated material (including reuse on-site and off-site). To date, across all contracts, we have achieved 97% landfill diversion for construction and demolition waste and 95% beneficial reuse of excavated material. We work closely with the Environment Agency to ensure that any required environmental permits for waste activities are obtained and that our supply chain partners remain in compliance with all operating conditions imposed by the permits.

The efficient and sustainable use of water has been at the centre of preparations for the start of construction of the Chilterns tunnel and the Colne Valley viaduct. Water availability is restricted in this area. Through working closely with water companies and the Environment Agency, an approach that maximises the recycling and reuse of water, particularly for the tunnelling process, is in place. The water that we do require will be sourced from existing supplies, rather than putting additional strain on the environment, and HS2's investment in the infrastructure for this solution will lead to the potential for improved water supply resilience between the relevant water companies.

⁵ [gov.uk/government/publications/hs2-circular-economy-principles](https://www.gov.uk/government/publications/hs2-circular-economy-principles)

Environmental Sustainability Report *continued*

Estates and facilities reporting

The scope of this reporting covers accommodation occupied by HS2 Ltd, as well as the corporate travel requirements of HS2 Ltd, in accordance with Greening Government Commitment requirements.

The table below details energy consumption at HS2 offices, including corporate travel.

		2020/21	2019/20	2018/19	2017/18
Non-financial indicators (CO₂e in tonnes)	Scope 1: Direct emissions	251	279	371	318
	Scope 2: Indirect emissions (electricity consumption): market	0	12	155	not reported
	Scope 2: Indirect emissions (electricity consumption): location	241	348	570	847
	Scope 3: emissions (business travel emissions)	69	375	477	463
	Total emissions (market-based method)	320	666	1004	n/a
	Total emissions (location-based method)	561	1002	1419	1628
Related energy consumption (kWh)	Gas	1,367,722	1,518,623	2,019,489	1,727,948
	Electricity including renewables	1,032,789	1,361,262	2,014,070	2,408,080
Related car use consumption data (road miles)	Private car usage	33,689	30,476	40,185	35,860
	Hire car usage	208,079	206,582	185,623	126,553
Financial indicators	Total expenditure on energy	£156k ¹	£241k	£198k	£118k

¹ February and March expenditure estimated for Snow Hill as actual information not yet available.

Waste generation

The table below details waste charges incurred across the HS2 Office estate. Charges are calculated based either on direct measured totals, or on a percentage of overall building charges, as defined in the individual lease. All HS2 offices are in multi-tenanted buildings.

		2020/21	2019/20	2018/19	2017/18
Non-financial indicators (tonnes)	Total waste arising	28	116	186	120
	Waste recycled/reused (recycled, composted, internal or external re-used)	14	57 ²	119	66
	Waste incinerated/energy from waste	14	59	66	50
	Waste – Landfill	0	0	1	5

² Amended due to revised information post previous submission.

Water consumption

The table below shows water consumption across the HS2 Ltd's office estate. All HS2 Ltd's offices are in multi-tenanted buildings. Charges are based on a percentage of the overall building water costs, as per the lease for each building.

		2020/21	2019/20	2018/19	2017/18
Non-financial indicators (water)	Water consumption m ³	3,355³	8,261	17,033	20,813
	Water consumption CO ₂ e in tonnes	1	3	6	7

³ Estimated consumption used for Snow Hill from August 2020 due to faulty meter.

Paper consumption

The table below shows total paper ordered from HS2's stationery supplier. All paper used in HS2 offices is made from recycled content and then recycled at the end of use.

		2020/21	2019/20	2018/19	2017/18
Non-financial indicators (reams)	A5	5	25	0	N/A
	A4	356	810	4,755	N/A
	A3	23	125	445	N/A

Intensity metrics

The table below shows the total number of occupants at HS2 offices, including direct employees, agency staff and staff directly contracted to HS2.

		2020/21	2019/20	2018/19	2017/18
Non-financial indicators	Total occupancy at HS2 Offices	2608	2448	2387	2274
	Electricity (kWh per occupant)	396	556	844	1059
	Waste Arisings (kg per occupant)	11	47 ⁴	78	53
	Water Consumption (m ³ per occupant)	1	3	7	9

⁴ Amended due to revised information post previous submission.

Environmental Sustainability Report **continued**

Biodiversity action Planning

Not applicable to the corporate estate as HS2 does not own any of the office buildings.

Please see page 25 for how we are applying biodiversity principles into the design and construction of the railway.

Sustainable procurement

All items procured via Facilities are sourced in line with HS2's Procurement Policy, which includes Sustainability credentials as part of the Procurement Process. The facilities team have also worked with suppliers throughout the last year to eliminate the use of Consumer Single Use Plastics by the end of 2019 in line with Government requirements.

Climate change adaptation

HS2 occupies only tenanted offices and thus abide by the landlords' arrangements for climate adaptation.

Please see page 26 for how we are applying climate adaptation into the design and construction of the railway.

Rural proofing

Not applicable as (for HS2's corporate estate) HS2 does not decide where any office buildings are built.

Sustainable construction

Not applicable for the corporate estate as HS2 does not own any buildings and as such has no major refurbishment activity to undertake, and we do not intend to purchase any buildings.

Please see page 29 for how we are applying sustainable thinking into the design and construction of the railway.

Non-financial information

Health, Safety, Security and Environmental (HSSE) management

There is no doubt that 2020/21 has been a hugely challenging year, having faced some form of Covid-19 restrictions or lockdown throughout the year, hampering progress in some areas. In HSSE, this has mainly impacted planned face-to-face events such as Construction Design and Management (CDM) Training and Safe at Heart commitment workshops. But more positively, the restrictions have led our Health and Safety Team to be innovative in their approach to delivering these events, with different ways to get messages across, including pursuing blended learning approaches which may continue once restrictions are fully lifted.

Covid-19 has presented many learning opportunities within the year and we have embraced the need to change our approach in how we manage several aspects of HSSE. We have delivered various new ways of working and been diligent in considering the health and wellbeing of our employees. We have also learnt from the emerging trends around incidents involving overturning vehicles, and how to prevent similar instances from occurring in the future. We undertook a review of our health and safety performance indicators, which provided an opportunity to re-assess our position through benchmarking against other major programmes and clients. This has fed into a reset of our key indicators for 2021/22, targeting improvements and measuring those things most relevant to the stage of construction. Lessons learned following the successful, safe removal of protesters at Euston also provided both tactical and strategic opportunities to improve.

As with all major construction programmes, as the volume of work and intensity increases, so do HSSE risks. Hours worked in the year have increased significantly from 20.7 million in 2019/20 to 30.2 million in 2020/21, which in turn has led to a higher potential for incidents, and we have seen an increase in numbers of incidents.

But overall, given the challenges we have faced in the year and current performance levels, we must conclude that, although there are still areas for improvement, it has been a successful year with zero serious injuries.

The performance highlights for 2020/21 in the HSSE area were as follows:

- Enhanced health and safety performance (achieving a health and safety performance index, HSPI, score of 2.24).

We have seen a great improvement in our HSPI Index score through the year, moving from 1.50 at the end of 2019/20 to 2.24 (on a 0-3 scale) against a target of 1.80. This demonstrates an increased level of HSSE maturity amongst our supply chain.

Furthermore, the three Phase One Enabling Works Contracts have now achieved the significant milestone of 20 million hours worked without a RIDDOR* reportable accident. This is testament to the proactive safety culture developed by the supply chain delivery teams.

- Managing the risk of Covid-19 and providing support at an individual, organisational and industry level.

An Incident Management Team was set up in response to Covid-19 which provided organisational advice and guidance to support Public Health England advice to make HS2 Covid-19 secure. The overall number of Covid-19 outbreaks on HS2 sites was low, with no outbreaks at HS2 Ltd offices.

We also delivered 66 wellbeing webinars during 2020/21 which saw 2,900 in attendance, as well as delivering targeted wellbeing programmes for those impacted by Covid-19 and psychological resilience.

* RIDDOR – Reporting of Injuries, Diseases and Dangerous Occurrences Regulations which require certain types of specified injury to be reported to the Health & Safety Executive (HSE)

Non-financial information continued

- Embedding health by design understanding through research, technology, and skills to design out future health hazards.

The Safety, Health, Wellbeing Leadership Team (SHWeLT), ran a competition to raise awareness around Health by Design. This attracted 35 entries from across the supply chain. An event was held where the winner (Skanska, Costain and STRABAG JV) was announced.

- Undertaking a review of the Health and Safety Performance Indicators to ensure that they are appropriate and effective, including a benchmarking review against comparable companies and projects.

The review was carried out over the latter part of the financial year, which included external benchmarking with Crossrail, Thames Tideway, EDF Energy, Openreach, Highways England and North London Heat and Power Project, to understand which health and safety measures they report on.

The review concluded there should be some changes to the HSPI indicators for 2021/22. These will be progressively rolled out over the year and our overall target will be increased to 2.20. The new indicators will be tracked and included in the Monthly HSSE Report.

- Preparing for the start of Main Works Civils Construction by achieving a step change in our Safe at Heart approach to health, safety and wellbeing:

Transformation workshops were delivered to over 200 leaders across HS2 Ltd and supply chain partners. This led SHWeLT (Safety, Health, Wellbeing Leadership Team – with project director representation from across the HS2 supply chain) through a strategic vision and planning process, relaunching the Safe at Heart approach to refocus the hearts and minds of the HS2 family through the ‘I Care, You Count, We Matter’ campaign.

Overall this has led to a step change in the way leaders think about safety, increased engagement and understanding of Safe at Heart across the HS2 family, and driven significant interest and participation in developing our safety legacy.

- Reducing the impact of protests against the Project, through the establishment of the Protester Management Group to coordinate cross-functional activities at all levels.

The establishment of the Protester Management Group (PMG) has improved how we coordinate our response to the growing issue of protests against the Project, including activities that may be dangerous. The PMG has helped to raise the profile of this issue, with strategic leadership being provided by a sub-group of the Executive Leadership Team, and issues raised up to the HS2 Ministerial Task Force as appropriate.

- Defining and further developing environmental performance metrics, and automating environmental performance reporting.

Improvements in environmental reporting have been a huge success in the year but there is still some way to go before this work reaches full capability.

Automated reporting of the latest project management requirements from the supply chain via our Horace system was achieved in November 2020. This has aligned our environmental reporting to the latest legal requirements and enables the production of monthly dashboards at both corporate and programme levels.

Fraud, Corruption and Speak Out

HS2 Ltd is committed to the strongest possible response to fraud, bribery and corruption risk. We have a dedicated Counter Fraud and Business Ethics function, responsible for preventing, detecting and deterring all instances of fraud and bribery. We run annual mandatory awareness training for all employees, as well as enhanced, targeted training for those employees we consider are working in a higher risk environment.

In addition, our trained and experienced investigators work together with our supply chain partners to investigate fully all 'Speak Out' referrals received from employees, the supply chain or the general public. Our Speak Out service is widely publicised both internally and externally and has the full support of our Board, who are regularly appraised on status via the Audit and Risk Assurance Committee.

Community Engagement report

Our aspiration is to deliver HS2 in the right way, respecting the people and communities we impact. The Community Engagement Team acts as the voice of the local communities within HS2 Ltd, working throughout HS2 Ltd and our supply chain. Through our Residents' Charter we have identified 10 community commitments, which we use as the basis for measuring our progress.

We publish regular reports to demonstrate our progress against these 10 commitments, to provide transparency about our performance across a range of indicators and to demonstrate how we are continuously learning. The reports draw on case studies, along with data (such as figures from the Helpdesk on the numbers of complaints and enquiries we received and managed, and the numbers of people we reached through funding awards and events).

To date we have published five reports. These are available on the HS2 Ltd website at:

hs2.org.uk/documents/collections/community-engagement-progress-reports/

Residents' Charter and Commissioner

The Residents' Charter is our promise to communicate as clearly as possible with people who live along or near the HS2 route. This is available via the link below:

gov.uk/government/publications/hs2-residents-charter

The independent Residents' Commissioner ensures we keep to the promises we make in the Charter (including to keep the Charter under review).

You can access the Residents' Commissioner's reports at: gov.uk/government/collections/hs2-ltdresidents-commissioner

Construction Commissioner

The Construction Commissioner's role is to mediate and monitor the way in which HS2 Ltd manages and responds to construction complaints.

Non-financial information continued

Information Requests

HS2 Ltd's performance in meeting its obligations under the Freedom of Information (FOI) Act 2000 and Environmental Information Regulations (EIR) during 2020/21, is set out in the table below.

	FOI	EIR	FOI and EIR (combined)	Grand total
Total number of requests received of which:	243	279	6	528
Requests responded to on time	227	250	6	483
Requests responded to outside of statutory timeframes	15	26	0	41
Requests received in 2020/21 that remained open at the end of the financial year	1	3	0	4

There was a 42% increase in the total number of requests received compared with 2019/20. Despite this, 91% of requests were responded to within the statutory timeframe. HS2 Ltd continues to streamline its processes to maintain its performance against the Information Commissioner's Office standard of 90% in 2021/22.

Disclosure on Confidentiality Agreements

As part of the progression of the Phase 2a hybrid Bill through Parliament, HS2 Ltd agreed to disclose in this report how many confidentiality agreements HS2 Ltd has entered into in the relevant period (1 April 2020 to 31 March 2021). HS2 Ltd enters into confidentiality agreements with a wide array of organisations and persons, often to allow such organisations/ persons to provide HS2 Ltd with information without the risk that such information will end up in the public domain.

During the relevant period, HS2 Ltd has recorded that 40 confidentiality agreements were entered into by the Company.

Section 172(1) Statement

This statement sets out that the Directors of the Company have acted in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, as required under the Companies Act 2006.

In exercising their duties to promote the success of the Company, the Directors have considered:

- a) the likely consequences of any decision in the long term;
- b) the interests of the company's employees;
- c) the need to foster the company's business relationships with suppliers, customers and others;
- d) the impact of the company's operations on the community and the environment;
- e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly between members of the company.

Further detail around how the Directors have met these requirements can be evidenced in the Environmental Sustainability Report, Community Engagement Report and Key Performance Indicators sections of the Strategic Report, as well as in the Directors' Report and Governance Statement within the Corporate Governance Report.

Approved by the Board on 30 June 2021 and signed on its behalf by:



Mark Thurston

Chief Executive and Accounting Officer



Mitigation site at Coleshill
in Warwickshire



Corporate Governance Report



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Directors' Report

The Directors present their report together with the financial statements of the Company for the year ended 31 March 2021. The Company is registered in England and Wales and has registration number 06791686.

Directors who have held office on the HS2 Ltd Board between 1 April 2020 and 31 March 2021 are:

- Michael Bradley, Chief Financial Officer, Executive Director;
- Allan Cook, Non-Executive Chairman;
- Mel Ewell, Non-Executive Director;
- Dame Judith Hackitt, Non-Executive Director;
- Tom Harris, Non-Executive Director;
- Elaine Holt, Non-Executive Director;
- Stephen Hughes, Non-Executive Director;
- Ian King, Non-Executive Director;
- Roger Mountford, Non-Executive Director;
- Ed Smith, Non-Executive Senior Independent Director; and
- Mark Thurston, Chief Executive Officer, Executive Director.

Conflicts of interest – Board

Board Members update HS2 Ltd on conflicts of interest on appointment and if and when they arise. All business interests are disclosed and recorded in the Register of Board Members' Business Interests, which is maintained and published periodically on the Gov.uk website:

assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/869221/HS2_Ltd_Register_of_Business_Interests_200226.pdf

Should a conflict be identified, Members are excluded from the affected part of the meeting and prevented from receiving any relevant materials where appropriate.

Duty to promote the success of the company

Through their roles, the Directors act in line with their duty to promote the success of the company. The best interests of the company as a whole are paramount in decisions taken by the HS2 Ltd Board, and the Directors also recognise their collective responsibility to foster the company's business relationships with suppliers and other stakeholders, through their decision making. Further information is provided on the role of the Board and Board decision-making within the Governance Statement section, and is also set out in the Framework Document (see page 14).

Principal activities

The principal activities of HS2 Ltd are set out in the Strategic Report under the Remit and Scope section on page 14.

Dividends

As a company limited by guarantee it is not permissible to pay a dividend.

Directors' third party indemnity provisions

The Government's standard indemnity for Board members applies, as set out in Managing Public Money, Annex 5.4. This states: "The Government has indicated that an individual board member who has acted honestly and in good faith will not have to meet out of his or her personal resources any personal civil liability, including costs, which is incurred in the execution or the purported execution of his or her board functions, save where the board member has acted recklessly."

Company policy on payment of creditors

HS2 Ltd observes the principles of the Confederation of British Industry's Prompt Payment Code and aims to pay all approved invoices within stated payment terms or otherwise within 30 days of invoice date.

Monitoring of payments made during the year ended 31 March 2021 shows that 90% of approved invoices were paid within 30 days of invoice date (2019/20: 92%). No claims were made against HS2 Ltd in 2020/21 (2019/20: zero) for the late payment of invoices under the Late Payment of Commercial Debts (Interest) Act 1998.

Charitable and political contributions

During the year, HS2 Ltd made no charitable or political contributions. We have two charity partners that the company works with and promotes to staff. Staff may use their volunteering day to support these charities. HS2 Ltd provides no financial contributions to either partner. HS2 Ltd also has an employee chosen charity for which employees raise funds.

Likely future developments

Likely future developments are included in the Remit and Scope section on page 14.

Disclosure of information to auditors

As far as the Directors and the Accounting Officer are aware, there is no relevant audit information of which the auditors are unaware. The Directors and Accounting Officer have taken all necessary steps required to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Approved by the Board on 30 June 2021.



Mark Thurston

Chief Executive Officer and Accounting Officer

Corporate Governance Report

Statement of Directors' and Accounting Officer's responsibilities

The Directors and Accounting Officer are responsible for ensuring that the Annual Report and financial statements are prepared in accordance with applicable law and regulations and for ensuring that proper accounting records are maintained that disclose, with reasonable accuracy at any time, the financial position of HS2 Ltd and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors and Accounting Officer are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Under the Railways and Transport Safety Act 2003, the SoST has also directed HS2 Ltd to prepare for each financial period a set of financial statements in the form and on the basis set out in the relevant Accounts Direction. The financial statements are prepared on an accruals basis and must give a true and fair view of the state of affairs of HS2 Ltd and of its income and expenditure, changes in equity and cash flows for the financial period.

In preparing accounts, the Directors and Accounting Officer are required to comply with the requirements of the Government Finance Reporting Manual (FReM) and the Companies Act 2006, and in particular to:

- observe the Accounts Direction issued by the SoST, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a consistent and reasonable basis;

- confirm that applicable accounting standards as set out in the Government FReM have been followed, and disclose and explain any material departures in the financial statements;
- ensure that the Annual Report and Accounts as a whole are fair, balanced and understandable; and
- prepare the financial statements on a going concern basis.

The DfT's Principal Accounting Officer, acting on behalf of HM Treasury, has designated the Chief Executive Officer of HS2 Ltd as its Accounting Officer. The duties of an Accounting Officer, as set out in HM Treasury's publication 'Managing Public Money', include responsibility for the propriety and regularity of public finances, keeping proper records and safeguarding HS2 Ltd's assets.

Fair, balanced and understandable requirement

The Accounting Officer confirms that the Annual Report and Accounts as a whole are fair, balanced and understandable and takes personal responsibility for the Annual Report and Accounts and the judgments required for determining that they are fair, balanced and understandable.

Corporate Governance Report

Governance Statement

Accounting Officer's Introduction

As Chief Executive Officer and designated Accounting Officer (AO) of HS2 Ltd, I am personally responsible for safeguarding the public funds under my control, for ensuring propriety, regularity and value for money in the handling of those public funds, for keeping proper records, for safeguarding the company's assets, and for the day-to-day operations and management of HS2 Ltd. I am required to ensure that HS2 Ltd as a whole is run on the basis of the governance, decision-making and financial management standards that are set out in HM Treasury's 'Managing Public Money'. This Governance Statement sets out how I have discharged my responsibilities during 2020/21.

Role of the Accounting Officer

The AO's role is set out in the Framework Document. The AO signs the financial statements, supported by the HS2 Board and Audit and Risk Assurance Committee, and ensures that proper records are kept and that the accounts are properly prepared and presented in accordance with directions issued by the SoST.

The AO also signs the Strategic Report, the Directors' Report and the Remuneration and Staff Report on behalf of the HS2 Board following Board approval. The AO ensures that HS2 Ltd has effective complaints procedures. These are available through the following link:

hs2.org.uk/how-to-complain

The Audit and Risk Assurance Panel (a sub-committee of the Executive Committee chaired by the Chief Financial Officer) oversees the effective management of Risk and Assurance using 'fit for purpose' regimes that reflect an appropriate and proportionate level of audit and assurance activities. It makes a number of decisions on behalf of the HS2 Ltd Executive Committee (as expressly described in its Terms of Reference) and monitors the performance and effectiveness of HS2 Ltd's controls environment.

In addition, six-monthly Accounting Officer meetings are held to discuss any matters that are not discussed at the Panel. Such meetings are diarised to follow the Audit and Risk Assurance Committee to avoid duplication of topics and add an extra opportunity for discussion of dischargeable Accounting Officer duties.

The HS2 Ltd Board

The HS2 Ltd Board meets on a monthly basis (or otherwise as required). Its role is to:

- ensure that HS2 Ltd delivers its obligations under the Development Agreement;
- contribute external skills and best practice to the activities of HS2 Ltd;
- shape the strategic aims and objectives of HS2 Ltd;
- monitor performance and risk, making choices (or recommendations to ministers) on our priorities and 'risk appetite' (the amount and type of risk we are willing to take in order to meet our strategic objectives);
- oversee healthy relations with our stakeholders and commercial partners;
- ensure that HS2 Ltd delivers the core benefits of the HS2 Project and makes best efforts to deliver the wider benefits;
- ensure effective governance of the company so that the company makes decisions at the right time with the best available information and properly manages risks; and
- ensure that HS2 Ltd carries out the HS2 Project economically and efficiently, offering best value for money for taxpayer funds, and to schedule.

The Non-Executive Directors of the Board are appointed by the SoST as sponsor and sole member of HS2 Ltd. The Chair and the Non-Executive Directors are independent Directors. The Chief Executive Officer and Chief Financial Officer are Executive Directors.

Governance arrangements were reviewed by both the Executive and the Board (and adjustments have been implemented) in the reporting year.

Corporate Governance Report

Governance Statement *continued*

Board commitment and attendance

Biographies of the current Board members are published on the Gov.uk website. The appointment and resignation or retirement dates of Board members are set out below and details of their contractual commitments and remuneration are disclosed in the Remuneration and Staff Report on pages 56 to 63.

Attendance at the HS2 Ltd Board and sub-committees

Board Member	HS2 Ltd Board	Audit and Risk Assurance Committee	Remuneration Committee	Commercial and Investment Committee	Health, Safety and Environment Committee	Environmental Sustainability Committee
Michael Bradley CB Executive Director	14/14					
Allan Cook CBE Chairman	14/14				6/6	2/2 ¹
Mel Ewell Non-Executive Director	14/14		5/5	10/10		
Dame Judith Hackitt Non-Executive Director	14/14		5/5		6/6	
Tom Harris Non-Executive Director	10/10					2/2 ¹
Elaine Holt Non-Executive Director	10/10		3/3 ^{**}		2/3 [*]	
Stephen Hughes Non-Executive Director	13/14	8/8		10/10		
Ian King Non-Executive Director	9/10					
Roger Mountford Non-Executive Director	14/14	8/8		10/10		
Ed Smith Non-Executive Director	14/14	8/8				2/2 ¹
Mark Thurston Executive Director	14/14					

¹ New Committee commenced 3 November 2020

^{*} Member of Health, Safety and Environment Committee 19 October 2020 onwards

^{**} Member of Remuneration Committee since 21 October 2020

Note:
Mark Thurston and Michael Bradley both attended various sub-committee meetings during 2020/21 but this is not reported in the table above as they are not classified as 'Members' of these sub-committees

Changes to Board membership

In the reporting year, the following changes occurred to the Board Membership:

- Elaine Holt was appointed as Non-Executive Director on 1 July 2020;
- Ian King was appointed as Non-Executive Director on 1 July 2020; and
- Tom Harris was appointed as Non-Executive Director on 1 July 2020.

Personal data related incidents

In the 2020/21 period, no incidents met the criteria for reporting to the Information Commissioner's Office (ICO).

Corporate Governance Principles

As a Non-Departmental Public Body, HS2 Ltd seeks to comply with the principles of HM Treasury 'Corporate Governance in Central Government Departments: Code of Good Practice 2017'.

assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/609903/PU2077_code_of_practice_2017.pdf

In summary and in line with the Code of Good Practice and the UK Corporate Governance Code 2018:

- The Board seeks to uphold the seven key principles of public life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership in order to deliver the long-term success of the Company.
- The composition of the Board at 31 March 2021 is two Executive Directors and nine independent Non-Executive members who have a range of appropriate skills and experience, with the SoST responsible for the appointment of the Board Chair and Non-Executive Board members.
- As identified in the Framework Document, the SoST has delegated authority to the HS2 Ltd Board to appoint up to three Executive Directors (in addition to the Chief Executive) to sit on the Board. There is currently one Executive Director, in addition to the Chief Executive, on the Board.

- The remit of the Board and the roles and responsibilities of its members have been clearly defined, including the role and responsibilities of the Accounting Officer.
- An induction process is in place for new Board members (in line with Cabinet Office and UK Corporate Governance Code guidance), which includes introductory meetings with the Chair followed by briefings with the Chief Executive and other members of the Executive and Senior Leadership team and key stakeholders from the DfT.
- The Chairman continues to review Board membership, composition and effectiveness, to ensure it has the appropriate level of skills and experience for the programme, including actively seeking to improve diversity at Board level.
- The Board receives and reviews actions and recommendations received from Stakeholders including:
 - National Audit Office; and
 - Major Projects Review Group.

Board decision-making

Effective, structured decision-making is crucial as the Company progresses construction of the railway. In 2020/21, the Board of Directors covered a number of regular agenda items including:

- updates from each meeting of the Board Sub-Committees, and on health and safety, finance, HR, programme highlights (including land and property), Covid-19 response, corporate affairs and strategic and stakeholder engagement;
- investment and change approvals;
- approval of the 2020/21 Supplementary Estimate, the 2020/21 Business Plan and the Outlook to 2024/25 for onward submission to the Department for Transport;
- approval of the 2019/20 Annual Report and Accounts; and
- approval of the 2020–2023 Corporate Plan.

Corporate Governance Report

Governance Statement *continued*

Other key areas of consideration for the Board during the financial year were:

- Phase One Quantitative Risk Assessment;
- Enterprise Capability to achieve Level 4 maturity;
- Corporate Key Performance Indicators (KPIs);
- Strategic Risks;
- Phase 2a progress of the hybrid Bill;
- Phase 2a Delivery Strategy and Market Engagement;
- Phase 2a Baseline 2 Cost Model and Schedule;
- Phase 2b Baseline 2 Cost Model and Schedule;
- Protester Activity;
- Rolling Stock procurement updates;
- Euston station updates;
- Integrated Rail Plan update;
- HS2 Ltd response to the Covid-19 pandemic and subsequent risks; and
- Land and Property updates.

Copies of the minutes of HS2 Ltd Board meetings for 2020/21 are available on the gov.uk website:

[gov.uk/government/organisations/high-speed-two-limited/about/our-governance](https://www.gov.uk/government/organisations/high-speed-two-limited/about/our-governance)

Management Information and Quality of Data

Improvements in our systems and processes for the collection and reporting of data have continued over the financial year with the delivery of the collaborative data ingestion platform, which now provides information directly from external partners via the enterprise data platform. Further automated validation checks take place within the system, and Power BI, which is used regularly by around 230 employees, provides refined management information to the Executive and Board. HS2 Ltd's management information and reporting arrangements remain under continuous review.

In addition to the Board meetings, the Board also attends informal briefings each month, providing Board members an opportunity to participate in 'deep dives' into aspects of the programme, sufficiently in advance of decisions being required. Briefings provided to the Board in the year included:

- Systems Integration;
- Rolling Stock Procurement;
- Rail Systems Procurement;
- Installation, Testing, Commission Partnership/ Commercial Model for Rail Systems;
- Infrastructure Management;
- Earned Value;
- Phase 2b Design Refinement Consultation;
- Phase 2b Western Leg Hybrid Bill;
- HR – Skilled for Success;
- Efficiency Challenge Programme; and
- Delivery Units.

Board effectiveness

In the financial year 2020/21, the appointment of three Non-Executive Directors took place in July 2020 and it was therefore felt appropriate to defer the next formal review until 2021/22 to permit time for the new Board members to become established.

Board sub-committees

There are five sub-committees of the Board with advisory or decision-making delegations, as set out in their Terms of Reference.

Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee (ARAC) provides assurance to the Board and Accounting Officer that effective arrangements are in place throughout the Company for risk management, assurance and internal controls. The committee meets every two months or as matters arise and its Members are Non-Executive Directors (Ed Smith, Committee Chair, Roger Mountford and Stephen Hughes). Representatives from the DfT's Project Representative (P-Rep) and National Audit Office also regularly attend ARAC meetings.

ARAC oversees assurance on the Company's risk frameworks, internal and external audit outcomes and receives regular updates from the Company's internal and external auditors. The committee also reviews internal and external audit plans, advises the Board on accounting policies and monitors the annual accounts process in order to recommend the accounts for approval by the Board.

The chair of the committee reports to the Board and the Accounting Officer after each meeting, and provides them with an annual report. This is timed to support the finalisation of the annual accounts and the Governance Statement, summarising its conclusions from the work it has done during the financial year.

The committee has considered the following significant matters during the year:

- review and challenge to actions arising from audit and assurance activity;
- regular Counter-Fraud and Senior Information Risk Owner reports;
- review and endorsement of the Management Assurance Statement (MAS) to DfT;
- review and challenge of risk, control and assurance reporting;
- review of the assurance approach to Phase 1 Full Operating Capability;
- review and assurance of Phase 2b Baseline 2 Cost Model and Schedule;
- review of actions from strategic lessons from Crossrail;
- review of the annual Requirements Status Report, a condition of securing Government approval to issue Notice to Proceed in April 2020;
- review and monitor Cyber Security Penetration Testing exercises;
- review of HS2 Ltd's compliance with IR35 Legislation; and
- review of HS2 Ltd's compliance with Corporate Criminal Offences legislation.

During the year, ARAC has met as a Challenge Panel on certain designated matters, in order to conduct deep dives on behalf of the Board in advance of decisions being required.

The committee conducted a Self-Effectiveness Review in early 2020 and has continued to review the actions and themes identified in the intervening period. This focused on the following topics:

- membership, independence, objectivity and understanding;
- skills;
- the role and scope of the Committee;
- communication and reporting; and
- forward look themes.

Remuneration Committee

The Remuneration Committee reviews the Company's pay policy and advises on matters concerning the remuneration of senior executives. The committee determines and agrees with the Board, within the guidelines delegated by HM Treasury and the DfT, the framework and broad policy for the remuneration of the Company's employees. The remuneration of Non-Executive Directors is a reserved matter for the Board Chair and the DfT.

The committee meets quarterly or as matters arise. Members of the Remuneration Committee are Non-Executive Directors (Mel Ewell, Committee Chair, Dame Judith Hackitt and Elaine Holt). The Terms of Reference of this committee allow for an Observer from the Department for Transport to attend meetings. The DfT Observer is currently Nick Joyce, Director General, Resources and Strategy.

The committee has considered the following significant matters during the year:

- regular review of the Human Resources dashboard;
- endorsement of and progress against CEO and CFO objectives;

Corporate Governance Report

Governance Statement *continued*

- review of Executive and Employee performance related pay;
- review pay budgets for financial year;
- review of Gender Pay Gap reporting;
- review of talent and succession planning;
- review and track senior pay and roles quota; and
- review Equality, Diversity and Inclusion data.

Commercial and Investment Committee

The Commercial and Investment Committee (CIC) was established in 2016 to enhance the Board’s scrutiny of major procurement and investment decisions. Its function is to review procurement and investment proposals in detail and at an earlier stage than the Board, to assess the readiness of that decision for consideration by the Board and to ensure the Board is presented with clear and well evidenced proposals. During 2020/21, the Board delegated its authority to the committee for all decisions valued between £20 million and £100 million for Phase 2a and Phase 2b (for onward submission to DfT) and for all change decisions on awarded contracts for Phase One to support more efficient decision-making. During this financial period, the committee reviewed its terms of reference and subject to minor changes, agreed that these would also be reviewed as part of the wider governance review that took place in the period and as part of the periodic update to the Delegations framework.

The CIC meets monthly and its Members are Non-Executive Directors (Roger Mountford, Committee Chair, Mel Ewell and Stephen Hughes). Other Non-Executive Directors with particular expertise are also invited to attend subject to agenda items.

The CIC reports to the Board on all matters it considers and identifies key issues for consideration by the Board when proposals for investment/ procurement or change are presented for the Board’s approval.

Health, Safety, Security and Environment Committee

The Health, Safety, Security and Environment (HSSE) Committee provides independent assurance to the Board that effective arrangements are in place for the management of Health, Safety, Security and Environment matters. The HSSE Committee is required to satisfy itself as to the adequacy and effectiveness of HS2 Ltd’s Health, Safety, Security and Environment policies and strategies, as detailed in its Terms of Reference. The committee must satisfy itself of the principles, policies and practices adopted in complying with statutory and regulatory requirements in relation to Health, Safety, Security and Environment matters affecting the activities of the Company. It provides assurance to the Board that the Executive team is effectively managing Health, Safety, Security and Environment risks and exercising suitable controls with respect to HSSE matters.

The committee meets bi-monthly and as matters arise. The Chief Executive chairs the committee, with three Non-Executive Directors (Allan Cook, Dame Judith Hackitt and Elaine Holt), the committee members.

The committee has considered the following significant matters during the year:

- regular review of the Enterprise Health, Safety, Security and Environment report;
- regular review of Safe at Heart Transformation plan;
- regular review of Health and Safety performance;
- Phase 2a readiness for construction; and
- Protestor activity lessons learned.

The committee has also commissioned a series of deep dives and good practice sessions during the year, with topics covered in the period including:

- air quality best practice and innovation;
- plant safety innovations best practice;
- people health and wellbeing in the context of Covid-19;

- catastrophic risk integrated plan and reduction of probability;
- people and plant interface innovation;
- land and property readiness; and
- mental health in construction.

Environmental Sustainability Committee

The Environmental Sustainability Committee provides scrutiny and strategic direction to the project in support of delivering HS2’s strategic goal to create an environmentally sustainable solution.

The committee was established in November 2020 and meets bi-monthly and as matters arise. Its Members are Non-Executive Directors (Allan Cook, Committee Chair, Ed Smith, Dame Judith Hackitt and Tom Harris). The Terms of Reference for this committee also allow for the attendance of representatives from statutory bodies such as the Environment Agency, Natural England and the Committee on Climate Change in order to provide the Company with information, ideas and opinions from expert, external sources.

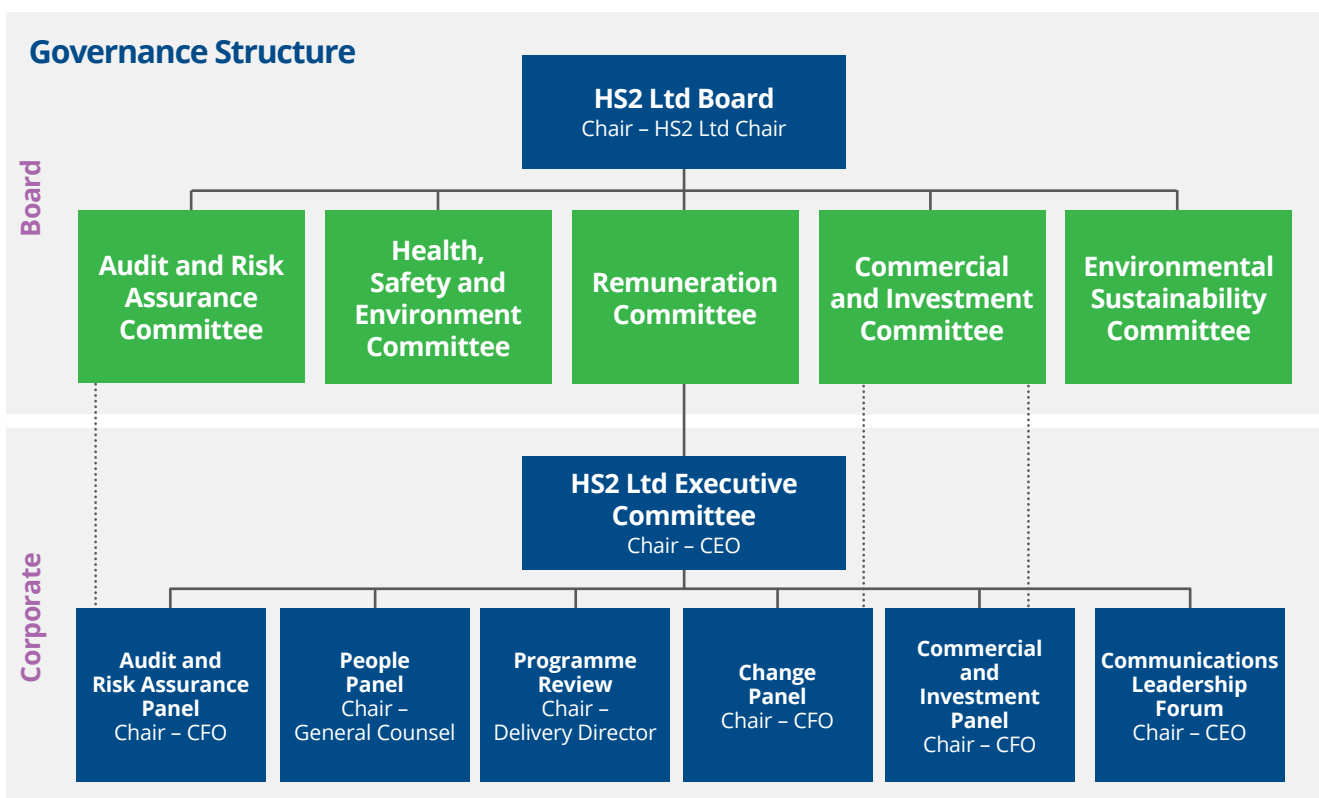
The committee provides vision and strategic direction on environmental sustainability policies, objectives and targets, including how the project can realise the wider environmental benefits of HS2, which would include those on the HS2 Benefits Register. The committee also considers strategic issues affecting delivery on environmental sustainability objectives and oversees preparation of HS2 Ltd’s annual Environmental Sustainability Report.

The committee has considered the following significant matters since its inception:

- carbon management progress (and carbon in construction);
- Green Corridor update;
- Infrastructure Sector Environmental Comparative study conclusions; and
- progress on bio-diversity related work.

Governance Structure

The diagram below shows the HS2 Ltd Governance Structure at 31 March 2021.



Corporate Governance Report

Governance Statement *continued*

Executive Team

The Executive Team manages the day-to-day management and operations of HS2 Ltd and in 2020/21 comprised the personnel listed in the table below (unless otherwise stated, the relevant Executive member served throughout the year).

Position	Executive	Started	Ceased to be an Executive member
Chief Executive Officer	Mark Thurston		
Chief Financial Officer	Michael Bradley		
Delivery Director (interim)	David Bennett		
Safety and Assurance Director	Emma Head		
Safety and Assurance Director (interim)	Kevin McGreal		30-Nov-20
HR Director	Neil Hayward		
General Counsel	Nicole Geoghegan		
Managing Director Phase Two	Tim Smart		
Infrastructure Director	Chris Rayner		
Strategic Director of Stakeholder Engagement	Aileen Thompson		

Risk Management

HS2 Ltd’s enterprise risk management (ERM) framework aligns with HM Treasury Guidance, the Cabinet Office Framework for the Management of Risk in Government and ISO31000:2018 Risk Management.

The Company’s Risk Management Strategy and associated procedures provide clarity on the principles, accountabilities, responsibilities and methodology for the effective implementation of risk management in accordance with our Risk Appetite Statement as set out below:

HS2 Ltd aspires to have a best in class approach to risk management, and to be a high performing, innovative organisation, delivering value for money by applying the best in worldwide design and construction techniques, while deploying exemplar practices in health, safety and security, equality, diversity and inclusion, community relations and environmental control.

HS2 Ltd’s risk appetite definition is embedded within the company’s risk assessment and response scheme. It indicates the number and nature of risks the organisation is willing to bear to deliver a successful world-class railway.

The Company puts safety at its heart and therefore we strive to achieve our highest levels of risk management capability in respect of risks that could result in injury to or loss of the public, passengers or our workforce. We also recognise that our reputation is influenced by our ability to manage public funds wisely to deliver HS2 to programme and within its funding envelope while delivering to quality expectations. We will therefore seek to reduce risk to as low as reasonably practicable levels in respect of the achievement of programme objectives.

In pursuit of excellence the Company is prepared to accept commercial and operational risks which stimulate innovation both within the Company and its supply chain to test established norms and introduce best practice that may accelerate programme delivery, reduce cost or enhance the passenger experience. In doing so, the Company will carefully monitor and assess the individual and compound implications of this approach, both for HS2 and for our stakeholders, to minimise their exposure to risk.

Our risk appetite is embedded within our assessments of risks and the associated responses.

HS2 Ltd recognises that its risks change over time as each phase of the Project moves from design, consultation and approvals, to construction and delivery. Our risk appetite is regularly reviewed.

HS2 uses its ERM framework to integrate and monitor its strategic risks with emerging delivery risks and inherent risks such as business disruption, fraud and bribery, governance and process compliance.

Our ‘Risk-Control-Assure’ (RCA) approach integrates risk management with the corporate control

framework, and assurance and audit activities. Under RCA, a set of ‘Core Risks’, to which all other risks are linked, are directly correlated with our Control Framework.

The Company’s main strategic-level risks are listed below.

Risk description

There is a risk that...

Mitigation action

HS2 is a high profile scheme and is the target for protest and obstructive activity affecting construction sites and also vacant possessions. In addition, public hostility at certain locations is high along with reduced or insufficient security arrangements.

There is a risk that HS2 works are disrupted by unlawful protest, affecting schedule, cost and reputation.

Proactive management actions are in place to carefully monitor and mitigate the risks. Key actions that are in place include:

- proactive environmental media campaign, and liaison with local stakeholders e.g. local authorities and landowners, are ongoing;
- monitoring of protester activity and security threats, and mitigations (additional fencing, anti-tunnelling mitigations, patrols and drone surveillance, etc.) increased according to risk, e.g. where there is potential that time-critical works could be delayed;
- closely coordinated working between HS2 Ltd Phase One and contractor security teams being undertaken;
- incident management plans and teams, and briefings on managing protester situations;
- options for legal action where appropriate are being considered;
- enhanced training for and engagement with communities being undertaken;
- process and measures for success, and post-incident review and lessons learned captured by Phase One and communicated to corporate HSSE team for wider adoption by Phase One contractors;
- planning for potential for re-sequencing of works, etc. in the event of an incident occurring; and
- impact assessment being undertaken to forecast and understand direct cost and also schedule implications.

The UK supply chain’s total capacity for the delivery of Infrastructure projects, including capacity, solvency, skills and other resource shortfalls may prevent HS2 Ltd from achieving its strategic goals and benefits.

This may also impact on HS2 Ltd’s ability to meet schedule timelines or result in increased cost pressures not anticipated.

A HS2 Supplier Relief Working Group has been established (led by the Procurement Operations Director) in response to a Cabinet Office Procurement Policy Note, ‘Supplier relief due to Covid-19’. The group interprets Government policy, liaises with DfT, Network Rail and Highways England on approach and oversees supply chain monitoring, including representation from HS2 Ltd Policy and Process, Corporate Contract Management, Construction, Phase 2, Client Services, Supply Chain and Finance teams.

The emergence of Covid-19, and its potential economic impact, represents a new challenge facing HS2 Ltd. We have increased focus on supply chain financials and capacity. The Procurement and supply chain team undertake regular assessments of the status of key suppliers and where necessary prepare contingency plans in the event of supply chain distress.

Our Skills, Employment and Education Strategy (SEES) focuses on securing the skills and labour to build the railway, adding to capacity in the UK and creating a legacy of a highly skilled and diverse workforce.

Corporate Governance Report

Governance Statement *continued*

Risk description

There is a risk that...

Mitigation action

The scale and complexity of HS2's programme increases the risk of a serious or catastrophic incident occurring on the programme resulting in significant harm, delay to the programme and loss of confidence in HS2's ability to deliver the Programme safely.

Our Safe at Heart campaign remains a key enabler, and we will continue to engage with the supply chain to promote a culture which prioritises health, safety, security and environmental management.

Safe at Heart's strategic goals, objectives and strategic principles underpin our approach to Health, Safety and Wellbeing.

HS2 continues engagement with SHWeLT and the supply chain on catastrophic risks, to develop a consistent approach to the identification and management of MWCCs' catastrophic risks. Peer review assurance is undertaken.

HS2 Ltd carefully oversees integrated geographic works and also at periodic intervals undertakes a forward look of potential high risk events.

A competitive marketplace means that talent becomes scarce and more expensive. HS2 Ltd may be unable to build, develop and maintain the requisite organisational leadership, talent, capability and culture required to deliver our objectives because of inability to attract and retain the right skills and capabilities.

HS2 Ltd approved a People Strategy – Skilled for Success – in April 2018. This defined how capacity and capability would be built for HS2 Ltd over time linked to Key Transition states during the programme lifecycle (defined by a Capability Roadmap). This ensures both delivery of the railway, and the expected legacy beyond the railway. The implementation of this strategy was accelerated through the Enterprise Capability Programme and at the year end the maturity of the organisation was assessed (via three levels of assurance) with 13 out of the 14 identified capabilities met.

The HS2 Leadership Framework has now been established and embedded in recruitment processes and development programmes. This also includes the launch of the Leadership and Management discovery programmes.

External political or other unexpected external events, legal standard changes and supply chain events outside of HS2 Ltd's control may change significantly, which could impact on the current or future scope of the HS2 programme and hinder achieving the programme's objectives.

HS2 Ltd, like the rest of the construction sector, continues to monitor the implications of external events including the impact of Covid-19, BREXIT and its impact on supply chain. The Board and Management regularly consider other potential or emerging risks.

A regular engagement programme is in place with the HS2 Minister via the HS2 Ltd Chair, CEO, DfT and HS2 sponsorships teams.

Global monitoring of international, national and regional media; brainstorming with Board members at regular frequencies.

Quarterly review of national and line of route stakeholder emerging themes, and analysis of complaints and queries.

Our Strategic Risk Register contains both threats and opportunities. Each strategic risk has both an Executive Risk Owner and Board Champion. We have a well-defined process for managing our Strategic Risks and track the profile of each risk every quarter to review its status, gauge the effectiveness of its controls against our defined appetite, and to identify where management responses need to be strengthened: we do this through a strategic risk review cycle involving senior leadership committees, panels and the HS2 Board.

The Covid-19 pandemic, which emerged in March 2020, has created significant challenges across the construction industry and its supply chain. This uncertainty is likely to continue well into financial year 2021/22. However our supply chain has responded well to the challenges, including implementing new ways of working. Further activity to understand and quantify the impacts of Covid-19 continues.

Internal control

HS2 Ltd’s internal controls are designed to assure delivery of our Strategic Goals and Objectives in a compliant, effective and efficient manner, while safeguarding the funds and assets of the organisation in accordance with HM Treasury’s ‘Managing Public Money’. Our internal controls are risk-based and proportionate to our risk appetite and risk tolerance.

The HS2 Ltd Integrated Management System (IMS) defines our key control frameworks; each one sets out how we operate to achieve our overall objectives. HS2 Ltd’s policies, strategies, plans, processes, procedures, forms, work instructions and guidance documents are maintained in line with our quality and document control procedures.

The IMS helps to make sure that our activities are carried out in a consistent and efficient manner, complying with the SoST’s requirements under the Development Agreement, other requirements arising from the Parliamentary process, and legal and regulatory requirements. The Company maintains risk registers at corporate, programme, individual project and directorate levels.

Three Lines of Defence

The Company adopts the ‘three lines of defence’ approach as recommended by HM Treasury’s guidance on assurance frameworks. The key elements and their application are outlined below.

HS2 Ltd – Three Lines of Defence Model

Level	Operational Assurance	Business Assurance	Strategic Assurance
Outcomes of Assurance activity	Oversight of Right First Time (RFT) Delivery, routine controls and process effectiveness.	Oversight of operational assurance and line management activities.	Independent assessment of the operating environment including governance, risk management, assurance and internal controls.
Who commissions the Assurance activity?	Delivery functions – line management.	Central functions and/or specialist Assurance functions.	HS2 Ltd Board or Audit and Risk Assurance Committee.
Who delivers the Assurance activity?	Delivery teams and line management as part of business as usual (BAU) controls and management monitoring.	Assurance practitioners, peer reviewers and/or external experts independent of the line management delivering the activity being assured.	Internal audit and external independent assurance providers.
Where are the outcomes of the Assurance activity reported?	Management and Leadership Team meetings.	Management and Governance Panels.	HS2 Ltd Board and/or sub-committees including the Audit and Risk Assurance Committee.
Examples of Assurance activities	Management assessments, surveillance and monitoring, compliance statements, management information and performance data, process evaluations.	Compliance audits, Operational Assurance effectiveness reviews, Contract Management reviews, IMS assurance reviews, management information and performance data, policy and standard reviews.	Internal Audits, Head of Internal Audit annual opinion, Independent Assurance Panels, ISO Certification.

Corporate Governance Report

Governance Statement *continued*

Governance

The Company's governance regime includes the HS2 Board, Board sub-committees, the Executive Committee, Executive sub-committees and a regime of individual delegations (executed on a '2-key' basis where there is a financial commitment) to ensure that the right decision is made at the right time with best available information. Individual delegations are clear and have been structured to align with role accountabilities.

Integrated Assurance and Approvals Plan

The HS2 Ltd Integrated Assurance and Approvals Plan (IAAP) provides a consolidated view of risk-based assurance activity associated with key milestones and decision points identified within the forward plan for the next 12 months, and in outline for the following 12 months. The IAAP covers both the HS2 programme (Phases One, 2a and 2b) and the enterprise-wide capabilities required to manage the organisation. The IAAP includes the yearly programme of internal audits and corporate assurance activities, which are reported to the executive-level Audit and Risk Assurance Panel (ARAP) and ARAC.

Analytical modelling

Economic and commercial modelling remains essential to the work of HS2 Ltd. It ensures that the costs, benefits and revenues included in the HS2 business case are based on best evidence, including estimates of future transport demand. A register of business-critical models is maintained. Assurance of these models is undertaken in line with the DfT's Strength in Numbers analytical assurance framework.

Management Assurance

HS2 Ltd completes an annual Management Assurance review, resulting in the production of a MAS which is signed by the Accounting Officer and is submitted to the DfT. The purpose of the review is to provide a self-assessment of the effectiveness of our systems of internal control; to identify areas where controls may not be operating effectively; and to identify (where relevant) actions for improvement.

Evidence is gathered from internal stakeholders across the organisation and the MAS is endorsed by ARAP and ARAC before being submitted to the DfT. Actions arising from the review are tracked and reported to ARAP and ARAC on a regular basis.

Head of Internal Audit opinion

In his annual opinion, the independent Head of Internal Audit observed that audit work through the year evidenced a mature control environment with a high proportion of 'substantial' and 'moderate' conclusions. A few high priority issues were raised; the issues found in each review were responded to appropriately by HS2 management.

From the end of March 2020, HS2 Ltd office-based staff have largely worked from home in the Covid-19 lockdown, which continues into 2021-22. The Head of Internal Audit noted that HS2 Ltd management made an active decision to accept a different risk profile and adapt the control environment to enable progress on the programme to be maintained. There have been no material control failings or weaknesses identified by HS2 management, Internal Audit or other assurance providers during the year. Normal business activity has been maintained. In addition, the Enterprise Capability Project has raised maturity levels for 14 key capabilities.

Internal Audit work is often directed towards the effectiveness of controls in place, and whether effective risk management is in place. As HS2 has matured, the Head of Internal Audit noted that work has been increasingly directed towards additionally assessing the outcome of processes or the readiness of HS2 to move into delivery. He noted that this sort of Internal Audit work is only possible when the company has an effective control foundation.

While a few high priority issues were raised, the overall tone has been that a number of medium priority issues have been found in most reviews which have been responded to appropriately by HS2 management. In his opinion last year, the Head of Internal Audit emphasised the need for the Company to continually change as the HS2 Project moves through various stages of development. This continues to be an important caveat. He concluded that major corporate change initiatives can carry a high risk of associated management and control failures in the time after their introduction.

Based on his findings, it is the Head of Internal Audit's view that a 'moderate' assurance rating for 2020/21 was appropriate, meaning that there were 'some improvements required to enhance the adequacy and effectiveness of the framework of governance, risk management and control'. He noted the need to continually change to meet the development of HS2, including the ongoing movement of the Phase One programme into the delivery stages, Phase 2a to selection of the DDP and progress on the hybrid Bill for the western leg of Phase 2b.

External Certifications

The Company is certified to ISO 9001 (Quality Management), ISO 14001 (Environmental Management) and ISO 45001 (Occupational Health and Safety Management) standards and is accredited by the Chartered Institute of Purchasing and Supply (CIPS) and the Association for Project Management (APM).

HS2 Ltd works with a number of professional bodies, such as the Association for Project Management (APM) and the Institution of Civil Engineers (ICE), as well as a number of capital project delivery organisations, such as Network Rail and Highways England. The work undertaken with these organisations enables HS2 Ltd to learn lessons from other major projects, collaborate and share good practice.

Conclusion

HS2 Ltd has continued to mature as an organisation, adapting as programme requirements have changed. Since demonstrating we have the required capabilities in place to succeed, allowing us to give Notice to Proceed to our MWCCs last year, we have further strengthened our processes, systems and controls.

As Accounting Officer, I am confident that there is a sound system of internal control that supports the achievement of the Company's policies, aims and objectives. In arriving at my conclusion, I have taken into account the annual audit opinion of the Head of Internal Audit, the report of ARAC and the management letter of the NAO.

This report is for the financial year 2020/21 and, in relation to significant balance sheet events, to the date of signing.

Approved by the Board on 30 June 2021 and signed on its behalf by:



Mark Thurston
Chief Executive and Accounting Officer

Remuneration and Staff Report

The Remuneration and Staff Report for HS2 Ltd includes the salaries of the Chair and other members of the Board. Changes in the composition of the Board and a summary of its members' attendance at scheduled meetings in 2020/21 are shown in the Governance Statement on pages 43 to 55.

Remuneration policy

As a NDPB, HS2 Ltd is required to apply the Government's approach to public sector pay policy, to ensure that pay awards are fair to public sector workers and to the taxpayer. However, in recognition of the scale and complexity of the programme, HM Treasury has granted HS2 Ltd some limited flexibility (for those remunerated at less than £150,000 per annum) to assist in the recruitment of a workforce with the skills and experience needed to manage the HS2 programme, whilst specifying clear limits and controls and added disclosures.

In line with the Government's policy on transparency, details are published of those staff with salaries of more than £150,000 per annum, most recently at 30 September 2020 on the GOV.UK website at:

[gov.uk/government/publications/senior-officials-high-earners-salaries](https://www.gov.uk/government/publications/senior-officials-high-earners-salaries)

Total Remuneration – Directors (Audited)

The Chair, Allan Cook, is contracted to work for an average time commitment of three days per week on a per annum fee. Non-Executive Board members are contracted to work an average of two days per calendar month as a minimum. They are engaged on service contracts and are paid a fixed fee per day worked (or pro rata). This fee is set by DfT. The travel expenses of Board members are reimbursed in line with the rates allowed under HS2 Ltd's business expenses policy. All Non-Executive Board members have fixed-term appointments.

There are two Executive Directors on the HS2 Board. These Directors are salaried and have a bonus element as part of their remuneration package, which was approved by the SoST (under which a maximum payment of 10% or 20% of salary, as applicable, may be paid subject to performance). The HS2 Remuneration Committee (which comprises three Non-Executive Directors) has the role of approving for the two Executive Directors:

- their performance objectives for the upcoming Financial Year;
- how each Director has performed against such objectives (and hence the bonus that such Director is entitled to); and
- any salary adjustment for each Director¹.

Executive Directors are permanent employees of HS2 Ltd. Their contracts of employment have no fixed end date but certain termination provisions which may be exercised (in certain circumstances on specified notice) by the Director or HS2 Ltd respectively. Non-Executive Directors are engaged under service contracts for a defined period of no longer than four years, on initial appointment. Certain significant events entitle the SoST to terminate the relevant service contract immediately (e.g. the Director becoming bankrupt). Otherwise, the SoST is required to give three months' notice of termination of such service contract. Contract end dates for Non-Executive Directors on the HS2 Board as at 31 March 2021 are as follows:

¹ If the proposed adjustment is >9%, it must also be approved by the Secretary of State.

Board Member	Name	Title	Appointment	(Re) Appointment date/ due date	Appointment end date
Non-Executive -Chair	Allan Cook	Chairman	05-Dec-18	05-Dec-21	04-Dec-21
Non-Executive Director	Mel Ewell	N/A	01-Sep-16	31-Aug-19 Re-appointment 01-Sep-19 – 31-Mar-23	31-Mar-23
Non-Executive Director	Roger Mountford	N/A	19-Feb-15	18-Feb-19 Re-appointment 19-Feb-19 – 18-May-22	18-May-22
Non-Executive Director	Ed Smith	N/A	01-Aug-18	31-Jul-19 Re-appointment 01-Aug-19 – 31-Jul-22	31-Jul-22
Non-Executive Director	Dame Judith Hackitt	N/A	01-Apr-19	31-Mar-23	31-Mar-23
Non-Executive Director	Stephen Hughes	N/A	01-Apr-19	31-Mar-23	31-Mar-23
Non-Executive Director	Elaine Holt	N/A	01-Jul-20	30-Jun-23	30-Jun-23
Non-Executive Director	Tom Harris	N/A	01-Jul-20	30-Jun-21	30-Jun-21
Non-Executive Director	Ian King	N/A	01-Jul-20	30-Jun-23	30-Jun-23

The Executive Directors are senior managers. It is HS2 Ltd's policy for six-month notice provisions to apply in such circumstances. If any redundancies have to be made, HS2 Ltd may pay statutory redundancy terms only. Where appropriate, HS2 Ltd is also entitled to pay salary in lieu of the notice period².

² If any proposed exit payment (including payment in lieu of notice) is greater than £95,000, it must be approved by DfT and HM Treasury. No such payments were made in 2020/21.

The fees or salaries that were paid to the Directors during the year are shown below:

Full name	Fees and salary (£)		Bonus payment (£)		Benefits in kind (£)		Pension benefit (£)		Total (£)	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Allan Cook	214,667	230,000	-	-	-	36,770	-	-	214,667	266,770
Mark Thurston	580,172	617,296	-	36,743	4,907	5,376	-	-	585,079	659,416
Michael Bradley	275,400	274,125	-	15,975	3,579	31,629	33,048	32,940	312,027	354,669
Roger Mountford	39,663	33,275	-	-	-	3,179	-	-	39,663	36,454
Mel Ewell	22,800	22,800	-	-	-	755	-	-	22,800	23,555
Ed Smith	36,450	30,700	-	-	-	-	-	-	36,450	30,700
Dame Judith Hackitt	23,513	25,300	-	-	-	2,049	-	-	23,513	27,349
Stephen Hughes	22,800	22,800	-	-	-	-	-	-	22,800	22,800
Tom Harris	17,100	-	-	-	-	-	-	-	17,100	-
Elaine Holt	22,800	-	-	-	-	-	-	-	22,800	-
Ian King	17,100	-	-	-	-	-	-	-	17,100	-

The Chief Executive has reached the threshold for Pension Benefit and is therefore exempt from pension deductions. As compensation, he receives an additional £65,000 per annum in lieu of pension – which is included within Fees and Salary.

Remuneration and Staff Report *continued*

In light of the broader market conditions in 2020, the Chair and Chief Executive took a voluntary reduction in their base salary of 20% for four months, from 1 November 2020 to 31 March 2021.

The Chief Executive did not receive an increase to his base salary in April 2020.

The 2020/21 bonus payments (none) shown for Mark Thurston and Michael Bradley relate to their performance for the Financial Year 2019/20. Both Mark Thurston and Michael Bradley elected to forego payment of performance related bonuses for the Financial Year 2019/20, which would have otherwise been paid in the 2020/21 financial year.

Directors who left the Board during 2020/21

No Directors left the board during 2020/21

Pension entitlements

Employees of HS2 Ltd are eligible to participate in a defined contribution pension scheme, in which the Company matches the employee contributions rate on a 2:1 basis to a maximum of 6% which means the maximum employer contribution is 12%. The HS2 Ltd pension scheme is managed on the Company's behalf by Legal & General Ltd. For the year ended 31 March 2021, employers' contributions were £10.3 million (2019/20: £10.1 million).

Enhanced redundancy payments

Band	2020/21		2019/20		2018/19	
	Number of compulsory redundancies	Number of other departures agreed	Number of compulsory redundancies	Number of other departures agreed	Number of compulsory redundancies	Number of other departures agreed
Band	-	-	-	-	-	-
<£10,000	-	-	-	-	-	-
£10,000 – £25,000	-	-	-	-	1	-
£50,000 – £95,000	-	-	-	-	-	-
>£95,000	-	-	-	-	-	-
Total payments	-	-	-	-	1	-
Total cost	-	-	-	-	22,186	-

Staff on secondment from DfT and other Government entities are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) or the Civil Servant and Other Pension Scheme (CSoPS) – known as 'alpha'. The Scheme is an unfunded defined benefit scheme and liability rests with their employer, and not HS2 Ltd.

Staff on secondment from other commercial entities are covered by the provisions of that entity's scheme, where applicable, and liability rests with the seconding company and not HS2 Ltd.

Payments under compensation schemes (Audited)

HS2 Ltd did not make any payments under compensation schemes to employees during 2020/21.

Relocation Payments

HS2 Ltd did not make any relocation payments to employees during 2020/21.

No enhanced redundancy payments were made during 2020/21.

Statutory redundancy payments 2020/21

Band	
<£10,000	35
>£10,000	0
Total number of payments	35
Total cost	£96,204

Payments were made as a result of restructuring activities within the delegations granted to HS2 Ltd. No external approval is required for redundancies made on statutory terms.

Fair pay disclosures (Audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid Director in the organisation and the median remuneration of the Company's workforce. The total annualised remuneration of the highest paid Director of HS2 Ltd at 31 March 2021 was £510,832 (2019/20: £659,416), which was 7.4 times the median salary of the workforce. The median is determined as the mid-point of all salaries comprising employees, secondees and temporary staff.

Financial year	CEO	Median	CEO ratio
2020/21	£510,832	£67,987	7.4
2019/20	£659,416	£67,072	9.8
2018/19	£651,448	£67,062	9.7

Total remuneration includes annualised salary, performance-related pay and benefits-in-kind. It does not include employer pension contributions or the cash equivalent transfer value of pensions. No employees, secondees or temporary staff have received remuneration in excess of the highest paid Director in the year (2019/20: none). Actual staff remuneration (on an annualised basis) for full-time work at 31 March 2021 (excluding the highest paid Director) ranges from £23,244 to £454,000 per annum.

In light of the broader market conditions in 2020, the Chair and Chief Executive took a voluntary reduction in their base salary of 20% for four months, from 1 November 2020 to 31 March 2021.

The Chief Executive did not receive an increase to his base salary in April 2020. The Chief Executive's fair pay disclosure is based on their full-time equivalent remuneration at 31 March 2021, which was the final day of the Chief Executive's voluntary reduction.

Four Senior Executives, including the Chief Executive, were entitled to a bonus for the 2020/21 performance year but these were all voluntarily declined. As part of the April 2020 pay review, it was agreed that there would be no annual pay adjustment to staff salaries for 2020/21.

Staff numbers and costs

Audited staff numbers and costs are in Note 5 of the Financial Statements on page 84.

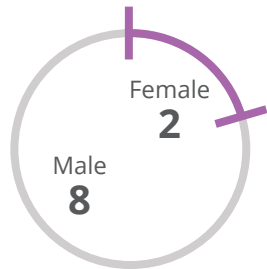
Remuneration and Staff Report *continued*

Staff composition

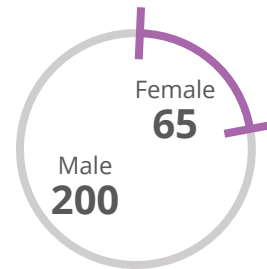
2020/21 staff composition

The overall proportion of female staff at 31 March 2021 is 37% compared to 39% reported at 31 March 2020.

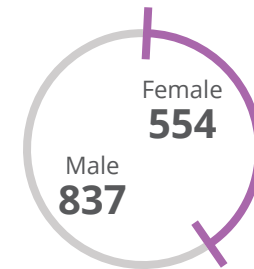
Directors



Senior Managers



Employees



Notes:

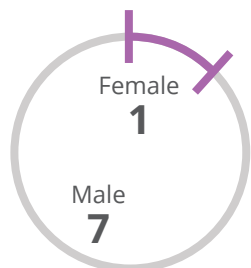
Directors – Board Members – Inclusive of Executive Directors and Non-Executive Directors

Senior Managers – Any staff member not on the board who is civil service grade: SCS 1 to SCS 4

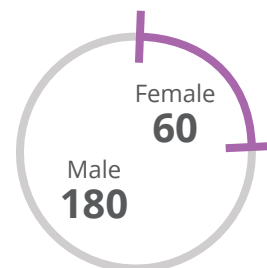
Employees – Any staff member below SCS1 (Grade 19 or below)

2019/20 staff composition

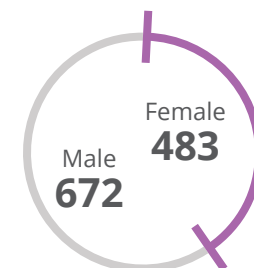
Board Directors



Senior Managers



Employees



Sickness absence data

Recorded staff absence due to sickness equated to an average of 2.9 days per employee during the year (2019/20: 4.3 days) for direct employees of HS2 Ltd.

Staff policies for disabled persons

HS2 Ltd has been awarded Disability Confident Leader status for exemplar disability related policies and practices, which ensures the full and fair consideration of applications for employment made by disabled persons.

HS2 Ltd's Clear Talents tool enables staff to request specific adjustments to support their employment. 35% of HS2 Ltd employees have workplace adjustments at a moderate/substantive level. All HS2 Ltd staff have access to appropriate

training for their role. HS2 Ltd's digital environment meets the Government's Web content Accessibility Guidelines and level AA accessibility requirements.

Other employee matters

HS2 Ltd is committed to equality, diversity and inclusion in all aspects of recruitment and employment. To achieve this, in 2020/21 we:

- developed and implemented an 'Everyone plays their part' recruitment campaign including data insights, training, employee profiles and using a variety of inclusive selection tools;
- continued our successful Reverse Mentoring programme;

- promoted an environment free from discrimination, harassment, bullying and victimisation and tackled any behaviour that breached this;
- provided training, support and encouragement to employees and workers so that they can develop their careers and enhance their contribution to the organisation;
- made all employees and workers aware of their responsibility for promoting equality, diversity and inclusion in their work via specific EDI objectives for all staff; and
- involved staff diversity networks and employee representatives in the development, implementation, monitoring and review of human resources policies, procedures and flexible working arrangements.

HS2 Ltd has been awarded Clear Assured Platinum Standard for EDI accreditation – the only organisation in the UK to date to achieve this level of accreditation from over 450 organisations assessed by Clear Assured.

Employee consultation

HS2 Ltd believes that the interests of the business and those employed in it are best served by there being a shared understanding of the objectives, strategy and performance of the business, of its operating environment and of other matters of genuine and mutual interest. One of the ways the Company achieves this is through the operation of its companywide Workplace Forum (WPF).

The WPF is comprised of a minimum of one elected/ appointed employee representative for each business directorate located in Birmingham and London. The objectives of the WPF are to:

- develop and maintain a progressive, constructive approach to employee relations;
- ensure collective engagement via regular dialogue with staff representatives;
- provide for the timely exchange of relevant and appropriate information;

- facilitate regular, planned, meaningful and timely two-way communication; and
- foster and sustain an inclusive approach to the management of change.

The WPF is also a Health & Safety forum, in line with our duties under the Health and Safety (Consultation with Employees) Regulations 1996. As such, Health & Safety is a standing agenda item at all bi-monthly meetings of the WPF.

Health and safety at work

Across the Project, including all contractors on site, nine RIDDOR reportable injuries occurred during 2020/21. Whilst this is an increase on 2019/20, the reporting rate for RIDDORs per 100,000 hours worked increased only slightly from 0.02 in 2019/20 to 0.03 in 2020/21, which is well below other industry benchmarked companies.

2020/21 saw a 50% increase in hours worked compared to 2019/20 (which reflects Notice to Proceed in April 2020). The increase in total injuries is broadly in line with 2019/20, with the rates 0.53 in 2019/20 and 0.54 in 2020/21. The increase in lost time injuries is slightly higher than 2019/20, when taking into consideration the additional hours worked, with the LTI rate 0.08 in 2019/20 and 0.11 in 2020/21.

Although the level of reported 'near misses' has not significantly increased, the level of observations has continued to increase. This demonstrates a continued improvement in engagement and reporting culture.

Remuneration and Staff Report *continued*

The following table sets out the comparative statistics relating to health and safety.

	2020/21	2019/20
Total RIDDOR injuries	9	5
Total lost time injuries	33	17
Total injuries	163	111
Total near misses	372	314
Total observations	27208	11926
Total hours worked	30,151,239	20,726,034

Trade union relationships

In 2016, HS2 Ltd and the Trades Union Congress (TUC) signed an Initial Framework Agreement (IFA). The IFA describes the parties' shared purpose, and their values, for effective joint working; and recognises the positive role that trade unions can play in supporting the delivery of HS2.

The following principles reflect a commitment by the parties to shared values and common purpose:

- potential of partnership at work;
- commitment to equality, diversity and inclusion;
- commitment to exemplary health, safety and wellbeing;
- commitment to legacy, maximising economic and social regeneration; and
- commitment to environmental and social responsibility.

Transport Salaried Staffs' Association (TSSA)

HS2 Ltd has a single union recognition agreement with the Transport Salaried Staffs' Association (TSSA). The National Collective Engagement Framework (CEF) 2019 sets out joint commitments on:

- health, safety and wellbeing;
- respect at work;
- exemplary equality, diversity and inclusion policies;

- fair and decent terms and conditions;
- opportunities to develop skills, experience and qualifications to enhance employability; and
- consultation and negotiation at an early stage when there are proposals for change.

Managing our people

Our People Strategy, Skilled for Success, was launched in May 2018. Skilled for Success considers the needs of HS2 Ltd at different stages of its lifecycle, as well as the support that our staff and stakeholders need and expect, and sets wide-ranging priorities that directly support the aims of HS2 Ltd.

The four key priority themes are developing an effective organisation with the right skills and capabilities; realising the HS2 skills legacy; developing a high-performing and diverse workforce with an inclusive culture; and delivering proactive, professional, innovative HR support. Each strategic theme is being delivered through projects and targets to ensure HS2 Ltd has the necessary organisational capability and maturity.

Supporting our people through the Covid-19 pandemic has been a key priority for HS2 Ltd. Over the course of the last 12 months, we have conducted five wellbeing surveys that asked staff to rate their physical, mental, financial and social wellbeing. We have used this information to make adjustments, where necessary. In November 2020 we conducted a full employee engagement survey which showed 76% employee engagement across our organisation, an increase of 19% on the last survey in 2018.

HS2 Ltd off-payroll appointees, consultancy and temporary staff

As part of the review of tax arrangements of public sector appointees, published by the Chief Secretary to the Treasury on 23 May 2012, bodies have been asked to report on their off-payroll engagements and related tax arrangements for the periods and scope outlined by HM Treasury. The report does not include independent panel members. This data is shown in the following tables.

Off-payroll engagements as at 31 March 2021, costing more than £245 per day**Number of existing engagements which have lasted for:**

less than one year at the reporting date	103
between one and two years at the reporting date	49
between two and three years at the reporting date	25
between three and four years at the reporting date	15
more than four years at the reporting date	13
Total engagements at the reporting date	205

Off-payroll engagements during the period 1 April 2020 to 31 March 2021, costing more than £245 per day

Not subject to off-payroll legislation	0
Subject to off-payroll legislation and determined in scope of IR35	251
Subject to off-payroll legislation and determined as out of scope of IR35	30
Engagements reassessed for compliance or assurance purposes during the year	13
Engagements which saw a change in IR35 status following reassessment	13
Total engagements during the reporting period	281

Off-Payroll Engagements of board members and/or senior officials with significant financial responsibility between 1 April 2020 and 31 March 2021

Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility during the financial year	1*
Total number of individuals that have been deemed 'board members', and/or, senior officials with significant financial responsibility, during the financial year	33

* Phase Two Delivery Director (27/11/2018 – 25/06/2020) – The Manager Director of Phase Two and a senior member of that leadership team had resigned at the same time. This role was required to ensure that there was additional business resilience. The position has been reviewed and it was decided that the role will have less accountabilities with financial delegated authority removed. The grade of the role was downgraded to SCS1, with effect from 26 June 2020, and consequently since 26 June 2020 both the role and the post holder no longer hold significant financial responsibilities.

Approved by the Board on 30 June 2021 and signed on its behalf by:



Mark Thurston

Chief Executive and Accounting Officer

The Report of the Comptroller and Auditor General to the Sole Member of High Speed Two (HS2) Limited

Opinion on financial statements

I have audited the financial statements of High Speed Two (HS2) Limited for the year ended 31 March 2021 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayer's Equity and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the International Financial Reporting Standards, as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2006.

I have also audited the information in the Remuneration and Staff Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and its net expenditure for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I am independent of High Speed Two (HS2) Limited in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the High Speed Two (HS2) Limited's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included reviewing the Spending Review 2020, and HM Treasury's settlement letter, and I considered the Notice to Proceed for Phase One and Phase 2a Royal Assent. I reviewed the announcement to consider Parliament's intentions regarding High Speed Two (HS2) Limited's future.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the High Speed Two (HS2) Limited's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises information included in the Annual Report but does not include the parts of the of the Remuneration Report described in that report as having been audited, the financial statements and my auditor's report thereon. The directors are responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Remuneration Report to be audited have been properly prepared in accordance with the Government Financial Reporting Manual;
- the information given in the Strategic Report or the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the High Speed Two (HS2) Limited and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report or the Directors' Report.

I have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires me to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- a corporate governance statement has not been prepared by the company; or
- I have not received all of the information and explanations I require for my audit.

The Report of the Comptroller and Auditor General to the Sole Member of High Speed Two (HS2) Limited *continued*

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for:

- the preparation of the financial statements and for being satisfied that they give a true and fair view.
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board and the Accounting Officer anticipates that the services provided by High Speed Two (HS2) Limited will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to High Speed Two (HS2) Limited's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including High Speed Two (HS2) Limited's controls relating to the Government Resource and Accounts Act 2000, Managing Public Money, the High Speed Rail (London–West Midlands) Act 2017 and the High Speed Rail (West Midlands – Crewe) Act 2021.
- discussing among the engagement team and involving relevant internal specialists, including IT audit regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals;
- obtaining an understanding of High Speed Two (HS2) Limited's framework of authority as well as other legal and regulatory frameworks that High Speed Two (HS2) Limited operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the High Speed Two (HS2). The key laws and regulations I considered in this context included the Government Resource and Accounts Act 2000, Managing Public Money, Employment Law, and Tax Legislation; and

In addition to the above, my procedures to respond to identified risks included the following:

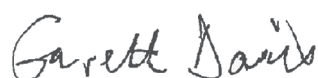
- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- other audit procedures responsive to the risk of fraud, non-compliance with laws and regulation or irregularity as appropriate.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [frc.org.uk/auditorsresponsibilities](https://www.frc.org.uk/auditorsresponsibilities). This description forms part of my report.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Gareth Davies
Comptroller and Auditor General
16 July 2021

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP



Heave monitoring site at Southam
in Warwickshire



Financial statements



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Statement of comprehensive net expenditure

	Note	Year ended 31 Mar 2021 £'000	Year ended 31 Mar 2020 £'000
Income			
Interest income	3	-	(109)
Total income for the year		-	(109)
Expenditure			
Staff costs	5	15,717	14,453
Other expenditure	6	78,961	212,290
Non-cash items	6	14,611	3,223
Total expenditure for the year		109,289	229,966
Net expenditure before taxation		109,289	229,857
Taxation	7	(21)	21
Net expenditure after taxation		109,268	229,878
Other comprehensive expenditure			
Items which will not be reclassified to net operating costs:			
No other transactions to be recorded		-	-
Total comprehensive net expenditure for the year		109,268	229,878

The Accounting Policies and Notes on pages 74 to 97 form part of these financial statements.

The majority of the Company's expenditure is capitalised, following the principles set out in Note 2.11.

Notes 5 and 6 provide a breakdown of expenditure which includes both capitalised and non-capitalised items.

Statement of financial position

	Note	Year ended 31 Mar 2021 £'000	Year ended 31 Mar 2020 £'000
Non-current assets			
Intangible assets	8	20,015	18,723
Property, plant and equipment	9	9,130,645	5,891,122
Financial assets	10	2,522	3,087
Total non-current assets		9,153,182	5,912,932
Current assets			
Financial assets	10	–	–
Trade and other receivables	11	134,381	22,709
Cash and cash equivalents	12	154,336	63,097
Total current assets		288,717	85,806
Total assets		9,441,899	5,998,738
Current liabilities			
Trade and other payables	13	(600,564)	(304,219)
Provisions	14	(10,255)	(9,253)
Borrowings	15	(3,071)	(2,198)
Financial liabilities	16	(1,998)	–
Total current liabilities		(615,888)	(315,670)
Non-current liabilities			
Borrowings	15	(24,909)	(28,918)
Financial liabilities	16	(331)	–
Total non-current liabilities		(25,240)	(28,918)
Total liabilities		(641,128)	(344,588)
Total net assets		8,800,771	5,654,150
Taxpayers' equity			
Revaluation reserve		–	–
General reserve		8,800,771	5,654,150
Total		8,800,771	5,654,150

These accounts are exempt from the requirements of Part 16 of the Companies Act under section 482 of that Act (non-profit-making companies subject to public sector audit). They are subject to audit by the Comptroller and Auditor General under section 25(6) of the Government Resources and Accounts Act 2000.

The Accounting Policies and Notes on pages 74 to 97 form part of these financial statements.

The financial statements on pages 68 to 97 were approved by the Board on 30 June 2021 and were signed on its behalf by:



Mark Thurston
Chief Executive and Accounting Officer

Statement of cash flows

	Note	Year ended 31 Mar 2021 £'000	Year ended 31 Mar 2020 £'000
Cash flows from operating activities			
Net operating cost per Expenditure Statement		(109,268)	(229,878)
(Increase)/decrease in trade and other receivables	11	(3,630)	5,210
Increase/(decrease) in trade and other payables	13	9,632	(54,770)
Increase/(decrease) in borrowings	15	(102)	-
Adjustment for non cash transactions	6	14,611	3,223
Adjustment for euro bank balance revaluation	6	(1,028)	-
Net cash outflow from operating activities		(89,785)	(276,215)
Cash flows from investing activities			
(Increase)/decrease in trade and other receivables	11	(108,042)	52,341
Increase/(decrease) in trade and other payables	13	286,713	(550,310)
Use of provisions	14	(3,306)	(16,844)
Increase/(decrease) in borrowings	15	(3,034)	-
Deferred rent accrual adjustment		-	4,911
Purchase of property, plant and equipment	9	(3,248,463)	(2,237,244)
Lease payments not posted through SoCNE		-	(4,337)
Purchase of intangible assets	8	(4,036)	(10,678)
(Increase)/decrease in loan receivables	10	-	(109)
Adjustment for other non cash transactions	14	5,304	6,413
Net cash outflow from investing activities		(3,074,864)	(2,755,857)
Cash flows from financing activities			
Capital contribution from DfT		3,255,889	3,028,664
Net cash inflow from financing activities		3,255,889	3,028,664
Net increase/(decrease) in cash and cash equivalents		91,239	(3,408)
Cash and cash equivalents at the beginning of the year	12	63,097	66,505
Cash and cash equivalents at the end of the year	12	154,336	63,097

Movements on trade and other receivables and trade and other payables are shown above under operating and investing activities based on the percentage allocation of resource and capital expenditure.

The Accounting Policies and Notes on pages 74 to 97 form part of these financial statements.

Statement of changes in taxpayers' equity

	General reserve £'000	Revaluation reserve £'000	Total reserves £'000
Balance at 31 March 2019	2,824,911	–	2,824,911
Changes in taxpayers' equity for 2019/20			
Net operating cost for the year	(229,878)	–	(229,878)
IFRS 16 opening balance adjustment	30,453	–	30,453
Capital contribution from DfT	3,028,664	–	3,028,664
Balance at 31 March 2020	5,654,150	–	5,654,150
Changes in taxpayers' equity for 2020/21			
Net operating cost for the year	(109,268)	–	(109,268)
Capital contribution from DfT	3,255,889	–	3,255,889
Balance at 31 March 2021	8,800,771	–	8,800,771

The Accounting Policies and Notes on pages 74 to 97 form part of these financial statements.

Notes to the financial statements

1. General information

HS2 Ltd (the Company) is a private company without share capital (company registration number 06791686), domiciled in the United Kingdom and registered in England and Wales under the Companies Act 2006.

The Secretary of State for Transport is the Company's sole member and undertakes to contribute £1 towards the Company's debts in the event that it is wound up.

The registered office and principal place of business of the Company is Two Snowhill, Queensway, Birmingham B4 6GA, and the Company's principal activities are to develop proposals, design, build and operate a high speed rail network between London, Birmingham, Leeds and Manchester. The period covered by these accounts is 12 months to the 31 March 2021.

2. Statement of accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and IFRIC interpretations and with the requirements of the Companies Act 2006 applicable to companies reporting under IFRSs. As a Non-Departmental Public Body (NDPB), the Company also adopts the interpretations of IFRS and additional disclosure requirements contained in the Government Financial Reporting Manual (FRoM) for 2020/21, where these are compatible with the requirements of the Companies Act.

Where this framework permits a choice of policy, the accounting policy judged to be most appropriate to the particular circumstances of the Company for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Company are described below and have been applied consistently in dealing with matters considered material to the accounts.

2.2 Accounting convention

These financial statements have been prepared on a going concern basis as outlined in Note 2.5 and under the historical cost convention unless stated otherwise.

2.3 New or amended accounting standards and interpretations adopted

The Company has reviewed all new accounting standards, amendments and interpretations of standards that are effective during the period ending 31 March 2021 and does not consider a material impact on the Company's financial statements.

2.4 New or amended accounting standards and interpretations not yet adopted

- IFRS 17 Insurance Contracts requires a discounted cash flow approach to accounting for insurance contracts. Subject to EU adoption, after the expected effective date has now been deferred to annual reporting periods on or after 1 January 2023 and should be included in the 2023/24 FRoM. The Company considers that at present it has no contracts that fall within the scope of IFRS 17.

The Company does not consider that any other new, or revised standard, or interpretation will have a material impact.

2.5 Going concern

The development and delivery of HS2 as part of the Government's wider high speed rail agenda is in accordance with the aims of DfT as our sponsor and is funded entirely by capital contribution from the DfT as provided by Section 6 of the Railways Act 2005 and the High Speed Rail (Preparation) Act 2013. The Development Agreement, outlined further in the Strategic Report on page 15, remains in force and details the Company's current and future role in developing, building and operating the new railway.

The Government-wide Spending Review 2020 made clear HS2 is a multi-year capital programme and funding was allocated to 2025. In addition, a one

year resource expenditure settlement for 2021/22 has been approved and future funding allocations for the period after 2021 are expected to be confirmed in future Spending Reviews.

Notice to Proceed for Phase One was confirmed on 15 April 2020 following the statement from the Prime Minister on 11 February 2020 to give 'high speed rail the green signal'. Royal Assent for Phase 2a was granted on 11 February 2021 and progress continues on development of the Phase 2b hybrid Bill. Consequently, it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

2.6 Estimation techniques used and changes in accounting estimates

The Company applies the following significant estimation techniques.

- The recognition and valuation of accrued liabilities for work done by its professional service contractors is based on the Company's best estimates of the work done at the balance sheet date. The value of work done is certified, invoiced and paid only when all issues regarding the valuation of work done have been resolved to the Company's satisfaction. Accruals are based on the Company's view of application for payment and other information provided by the contractors leading up to certification. When accruing the Company takes a view of any disputed amounts.
- Estimates of the contribution of each business unit are used to allocate costs to the phases of the HS2 programme. Allocation drivers include headcount and expenditure. Refer to Note 2.11 as to whether costs are expensed or capitalised.
- Estimates relating to classifying undertakings and assurances as either a contingent liability or a provision is based on applying IAS 37. Each undertaking and assurance is considered on a case-by-case basis and involves some degree of judgement and estimation of the potential liability and appropriate classification.

2.7 Financing

The Company is funded by capital contribution from the DfT as its sole controlling party. Funds are credited to reserves in accordance with the FReM and IFRS framework.

2.8 Leases (the Company as a lessee)

Low value and short-term leases

IFRS 16 includes recognition exemptions for lessees – leases of 'low value' assets and 'short-term' leases (i.e. leases with a lease term of 12 months or less). Low value is not defined under the standard so is assessed on a lease-by-lease basis. The costs for these types of operating leases are charged as an expense as incurred. No leased asset or lease liability is recognised for these leases.

Leased assets (classified as right-of-use assets) and lease liabilities (classified as borrowings)

Recognition – identification of leases

IFRS 16 defines a lease as a contract that 'conveys the right to control the use of an identified asset for a period of time in exchange for consideration'. This definition applies both to lessees and lessors.

For peppercorn leases, where the consideration paid is nil or nominal, the lessee shall still account for the right-of-use asset and the lease liability in accordance with IFRS 16.

There are two aspects of the definition of a lease for which IFRS 16 provides guidance:

- whether a contract depends on the use of an identified asset; and
- whether a customer has the right to control the use of that identified asset.

The Company does not have any other leases aside from building leases.

Notes to the financial statements *continued*

Recognition – lease term

IFRS 16 defines the lease term as the non-cancellable period for which a lessee has the right to use an underlying asset, together with both i) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and ii) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

For building leases, the lease end date is used when setting the lease term. This is because, in management's view at the reporting date, any break clauses are unlikely to be exercised.

Recognition – lease payments

IFRS 16 requires the right-of-use asset, and the lease liability, to be initially measured at the present value of unavoidable future lease payments. The following payments are included in the initial measurement of the right-of-use asset and lease liability:

- fixed payments (including in-substance fixed payments);
- variable lease payments that depend on an index or a rate (for example, payments linked to a consumer price index or market rental rates);
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising a termination option.

Rent payments for building leases fall within the scope of IFRS 16 and are classified as fixed payments. Consistent with DfT, for the Company building leases, service charges and rates payable do not fall within the scope of IFRS 16 and so are expensed as incurred.

Recognition – discount rate

IFRS 16 requires the lease liability to be discounted using the rate implicit in the lease, or where this is not readily determined, the lessee's incremental rate of borrowing at the point of lease commencement. The incremental rate of borrowing is defined as the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The Company has used the central internal rate of borrowing issued by HM Treasury of 1.99% as the discount rate for leases adopted on 1 April 2019, as the implicit discount rate could not be determined. Any new leases use the rate that is applicable at the time of signing the lease. The discount rate adjustment is classified as finance costs in the financial statements.

Subsequent measurement - lease liability

After the commencement date (the date that the lessor makes the underlying asset available for use by the lessee), a lessee shall measure the liability by:

- increasing the carrying amount to reflect interest (referred to as finance costs);
- reducing the carrying amount to reflect lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in substance fixed lease payments.

The Company measures lease liabilities in accordance with the treatment above.

Subsequent measurement – right-of-use asset

After initial recognition, right-of-use assets are valued using the cost model as an appropriate proxy for fair value. Depreciation is charged on a straight-line basis over the remaining lease term. Remeasurement of the lease liability for any lease modifications or reassessments will be reflected in the right-of-use asset under the cost model.

Peppercorn leases – recognition and subsequent measurement

The Company applies the principles of IFRS 16 when recognising and measuring peppercorn leases where right-of-use is identified.

When a right-of-use asset is recognised, it is initially measured at its current value in existing use or fair value, depending on whether the right-of-use asset will be held for its service potential. The Company values peppercorn leases initially at fair value.

The lessee recognises a lease liability in accordance with IFRS 16.

The Company recognises any difference between the carrying amount of the right-of-use asset and the lease liability as income as required by IAS 20 as interpreted in the FReM.

Subsequent measurement of the right-of-use asset then follows the principles of IFRS 16 as adapted and interpreted in the FReM.

2.9 Financial assets**Recognition and measurement**

Financial assets are covered by the standard IFRS 9 Financial Instruments.

The Company currently has one financial asset being a loan receivable from The National College for Advanced Transport & Infrastructure (NCATI). Upon recognition and up to 2019/20 the loan was valued at amortised cost, defined as principle amounts plus accrued interest.

The loan agreement was amended on 31 March 2021 to support the merger of NCATI into the University of Birmingham (UoB) group in April 2021. The aim of the merger is to create a highly successful, financially sustainable and inclusive National College. The amended agreement no longer has fixed repayment dates, as repayments are now based on a profit share arrangement, and no interest income will accrue from the current year onwards.

In accordance with IFRS 9, the financial asset is now measured at fair value through profit and loss (FVTPL). The loss arising from the difference between the previous amortised cost and the closing fair value has been recognised in profit or loss in the year of reclassification. The fair value (gain)/loss movements in subsequent reporting periods will also be recognised in profit or loss.

Fair value equates to the present value of the estimated future cash flows, discounted using a discount rate appropriate to the credit-worthiness of your counterparty and adjusted for any other risk factors deemed necessary. A discount rate of 1.99% has been applied for 2020/21.

Impairment

At each reporting date, the Company assesses whether the credit risk on a financial asset has increased significantly since initial recognition and subsequently measures an expected credit loss allowance. If the credit risk is deemed low then the 12-month expected credit loss allowance is applied. If a significant increase in credit risk is foreseen, then the lifetime expected credit loss allowance is applied.

For the loan, the credit risk has been assessed as low and the 12-month expected credit loss allowance has been measured for the portion of the loan commitment that will be drawn down within 12 months of the reporting date.

No credit loss allowance has been charged in 2020/21 (2019/20: nil).

Notes to the financial statements *continued*

2.10 Intangible assets

Recognition

Expenditure on intangible assets which are non-monetary assets without physical substance and identifiable are capitalised where the cost is £1,000 or more and this is applied on a grouped basis using the threshold of £1,000 where the elements in substance form a single asset.

Subsequent acquisitions of less than £1,000 value which are of the same nature as existing grouped assets are appended. Otherwise, expenditure on intangible assets which fall below £1,000 is charged as an expense in the SoCNE.

Measurement

Intangible assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. All intangible assets are valued on the basis of amortised historic cost as an approximation of fair value.

Impairment

Intangible assets are monitored throughout the year as to whether there is any indication that an asset may be impaired. At the end of each reporting period, tests for impairment are carried out on all assets.

Where impairment indications exist, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised in the SoCNE.

Where an impairment loss is subsequently reversed, the reversal is credited in the SoCNE, up to the amount of the original loss, adjusted for amortisation that would have been charged if the loss had not been recognised.

Amortisation

Amortisation is provided on all intangible assets from the date at which they are available for their intended use at rates calculated to write off the cost of each asset (less any estimated residual value) on a straight-line basis over its useful economic life (UEL). The Company reviews and updates the remaining UEL of all its intangible assets each year. This is the period for which the asset provides economic benefits that will flow to the Company from its use. The typical UEL for intangible assets is in the range of three to five years or for the length of the license.

Disposals

When scrapping or disposing of an intangible asset, the carrying amount is written off to the SoCNE and a loss (or gain) is recognised and reported net of any disposal proceeds.

2.11 Property, plant and equipment

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

A capitalisation threshold of £1,000 is applied to all asset classes other than the railway infrastructure asset, which has no minimum limit. Expenditure below this value is charged as an expense in the SoCNE.

Property, plant and equipment usually comprises single assets. However, capitalisation is applied on a grouped basis using a threshold of £1,000 where the elements in substance form a single asset. Further, where an item includes material components with significantly different useful economic lives, those components are capitalised separately and depreciated over their specific useful economic lives.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense as incurred.

The railway infrastructure asset is capitalised on an accruals basis, provided that it is probable that the economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The trigger point at which these criteria are satisfied is considered separately for each phase of the railway, and is taken to be met at the point when key enabling legislation is substantively enacted. This is defined as the second reading of the hybrid Bill for a Phase of the HS2 project.

For the recognition treatment of right-of-use assets, refer to Note 2.8.

Note that land and property acquisitions and compensation schemes are required to bring the railway asset into operational condition. This is an expense that the Secretary of State (DfT) incurs directly and recognises and is therefore not listed in these accounts. Please refer to Note 2.12.

Measurement

Property, plant and equipment, including railway assets under construction, are valued in accordance with IAS 16 Property, Plant and Equipment and initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located where an obligation to dismantle or remove the asset arises from its acquisition or usage.

Assets are thereafter carried in the balance sheet using the following measurement bases:

- All property, plant and equipment, other than railway infrastructure assets and right-of-use assets, are considered to be relatively short-life or low-value assets and are valued on the basis of depreciated historic cost as an approximation of fair value.
- Railway infrastructure assets, when complete and available for their intended purpose, will be valued in accordance with IFRS and any compatible interpretations in the FReM. During the construction period, such assets are valued at cost because they are not fully complete and ready for use. The hybrid Bill second readings are the recognition point when costs are classified as railway infrastructure assets and so are capitalised from this point onwards. For Phase One the second reading took place in April 2014 and for Phase 2a this took place in January 2018. As Phase 2b has not yet reached this stage, the costs are expensed as incurred.
- For the subsequent measurement of right-of-use assets, refer to Note 2.8.

Impairment

Property, plant and equipment are monitored throughout the year as to whether there is any indication that an asset may be impaired. At the end of each reporting period, tests for impairment are carried out for all assets.

In assessing the recoverable value of the railway assets under construction, the company considers fair value as permitted by IFRS 13 from the perspective of costs a potential buyer would assess as avoided in not building the asset themselves. Recognising that design work on major projects is by nature iterative, including from a fair value perspective, review for impairment indicators is restricted to significant changes in the planned location, nature or capability of major asset components.

Notes to the financial statements **continued**

Where impairment indications exist the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised in the SoCNE.

Where an impairment loss is subsequently reversed, the reversal is credited in the SoCNE, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided on all non-current assets, apart from assets under construction, from the date at which they are available for their intended use at rates calculated to write off the cost of each asset (less any estimated residual value) on a straight-line basis over its UEL. Assets that are under construction, including the railway assets under construction, are not depreciated until such time as they are available for their intended use.

The Company reviews and updates the remaining UEL of all its assets each year. This is the period for which the asset provides economic benefits that will flow to the Company from its use. The typical UEL for the different assets is detailed below:

Asset Type	Typical UEL
IT equipment	three years
Plant and equipment	three years
Leasehold improvements	Up to the expected date of exit (either lease break or end date)

Disposals

When scrapping or disposing of an asset classified as property, plant and equipment, the carrying amount is written off to the SoCNE and a loss (or gain) is recognised and reported net of any disposal proceeds.

2.12 Land and Property

Properties acquired to bring the railway asset into operational condition are purchased on behalf of the Secretary of State and are recognised as assets in the DfT's financial statements. Consequently, the Company does not accrue or make provision for the acquisition of property. Activities undertaken on behalf of the Secretary of State include Compulsory Purchase Orders (CPO's), Non-Compulsory Purchase Orders (Non CPO's), Compensation Schemes and Safeguarding Schemes. Cash is held by HS2 Ltd on behalf of the DfT to fulfil both CPO and Non CPO payments. These purchases belong to and are accounted for by the DfT so the cash held is offset by short-term creditors included in Trade Payables.

The Company manages the portfolio of rental properties acquired as an agent for the DfT for the HS2 programme and recovers its external management costs from and remits net rental income to the DfT. The Company is acting as an agent as it does not have exposure to the significant risks and rewards associated with the rendering of its services and as such does not recognise the revenue.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise bank balances held with the Government banking service and commercial bank accounts. The carrying amount of these assets approximates to their fair value.

2.14 Taxation

The tax credit is in respect of current corporation tax. The current tax liability is calculated using the tax rates that have been enacted or substantively enacted at the Balance sheet date.

2.15 Provisions

The Company makes provision for liabilities and charges in accordance with IAS 37 where a legal or constructive liability (i.e. a present obligation arising from past events) exists, the transfer of economic benefits is probable and a reasonable estimate can be made. Where the effect of the time value of money is material, the estimated risk-adjusted cash flows are discounted using the rates set by HM Treasury. When the discount is unwound, the adjustment is recognised as an interest expense.

2.16 Contingent liabilities

In accordance with IAS 37, the Company discloses, as a contingent liability, those possible obligations arising from past events, whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within its control; and those present obligations arising from past events not recognised because it is either not probable that an outflow of resources will be required to settle the obligation or the amount cannot be measured with sufficient reliability. Where the time value of money is material, contingent liabilities disclosed under IAS 37, are stated at discounted amounts.

2.17 Derivatives held at fair value through profit and loss

The Company's financial instruments held at fair value through profit and loss (FVTPL) in accordance with IFRS 9 comprise foreign currency forward purchase contracts. These contracts have been transacted with the Bank of England (BoE) to manage foreign exchange risk along the supply chain and are held with HS2 Ltd in order to mitigate risk.

These contracts are initially recognised at fair value. The transaction amount is deemed to be the best evidence of fair value at initial recognition. Any transaction costs are expensed as incurred.

They are re-stated to fair value at the end of each reporting period. The change in fair value is recognised in SoCNE as an unrealised loss (or gain). The net derivative outstanding at the reporting date is disclosed as either a financial asset or financial liability in the SoFP.

2.18 Cost of Work Done (COWD)

The additions to property, plant and equipment are valued using an estimate of the cost of work done in the year to 31 March 2021. To the extent that the COWD is greater than the invoiced amount, a PPE addition and a corresponding accrual in Note 13 are recognised on the basis of expected amounts required to settle contractual obligations. COWD assessments are based on information readily available to project managers on the status of works, but some estimation uncertainty is involved in the year-end measurement, in respect of the evaluation of how contractual dispute positions are likely to resolve and in measuring the value of works performed at the year-end date.

Notes to the financial statements *continued*

3. Income

	Year ended 31 Mar 2021 Capital £'000	Year ended 31 Mar 2021 Resource £'000	Year ended 31 Mar 2020 Capital £'000	Year ended 31 Mar 2020 Resource £'000
Income includes:				
Interest income	-	-	-	109
Total income	-	-	-	109

4. Statement of expenditure by operating segment

The Executive Team and Board receive a monthly programme report which sets out expenditure against the allocated budgets for the financial year. The report covers the results of both the Company and the HS2 programme and reflects the way in which the programme is managed.

The figures below relate to the Company only and show a summary of capital and resource expenditure for the year, including expenditure on tangible and intangible assets.

Under the principles disclosed in Note 2.11, Phase Two costs are treated as capital where a particular stage of Parliamentary approval has been reached (as for Phase 2a), and otherwise as revenue (as for Phase 2b).

Year ended 31 Mar 2021	Capital Expenditure £'000	Resource Expenditure £'000	Total £'000
Phase One: between London and the West Midlands	3,172,418	-	3,172,418
Phase Two: between Birmingham and Leeds and Manchester	73,413	91,091	164,504
Other capital	6,657	-	6,657
Provision for interest on VAT	-	-	-
Exchange (gain)/loss	11	-	11
Unrealised exchange (gain)/loss	-	1,028	1,028
Fair value (gain)/loss	-	2,894	2,894
Depreciation and amortisation	-	11,685	11,685
Finance costs	-	615	615
Administration	-	1,955	1,955
Total net expenditure	3,252,499	109,268	3,361,767

Analysed as to:	£'000	£'000	£'000
Programme costs	3,252,499	107,313	3,359,812
Administration costs	–	1,955	1,955
Total net expenditure	3,252,499	109,268	3,361,767

Year ended 31 Mar 2020	Capital Expenditure £'000	Resource Expenditure £'000	Total £'000
Phase One: between London and the West Midlands	2,142,281	–	2,142,281
Phase Two: between Birmingham and Leeds and Manchester	91,712	225,269	316,981
Other capital	75,637	–	75,637
Provision for interest on VAT	–	(8,570)	(8,570)
Exchange (gain)/loss	–	–	–
Unrealised exchange (gain)/loss	–	–	–
Fair value (gain)/loss	–	–	–
Depreciation and amortisation	–	10,793	10,793
Finance costs	–	351	351
Administration	–	2,035	2,035
Total net expenditure	2,309,630	229,878	2,539,508

Analysed as to:	£'000	£'000	£'000
Programme costs	2,309,630	227,843	2,537,473
Administration costs	–	2,035	2,035
Total net expenditure	2,309,630	229,878	2,539,508

Notes to the financial statements *continued*

5. Staff numbers and costs

	Direct employees 2021	Other personnel 2021	Year ended 31 Mar 2021 Total	Year ended 31 Mar 2020 Total
Whole time equivalent persons employed – average for the year	1,347	132	1,479	1,415
Staff costs comprise:	£'000	£'000	£'000	£'000
Wages and salaries	97,451	19,024	116,475	113,468
Social security costs	10,513	-	10,513	10,340
Other pension costs	10,299	-	10,299	10,044
Chairman and Non-Executives fees	365	-	365	324
Total staff costs	118,628	19,024	137,652	134,176
Non-cash items include:			£'000	£'000
Capitalised expenses (Staff costs)			(121,935)	(119,723)
Total non-cash costs			(121,935)	(119,723)
Total staff costs in statement of net expenditure			15,717	14,453

Fees and salaries paid to the Directors are set out in the Remuneration and Staff Report (pages 56 to 63).

The Remuneration Report also details pension entitlements in a specific section, which covers both direct employees and other personnel.

Staff seconded from other bodies, together with contract and agency personnel, are shown under 'Other personnel'.

6. Other expenditure

	Year ended 31 Mar 2021 Capital £'000	Year ended 31 Mar 2021 Resource £'000	Year ended 31 Mar 2020 Capital £'000	Year ended 31 Mar 2020 Resource £'000
Non-staff expenditure includes:				
Professional services	1,227,622	55,228	863,929	152,250
Engineering services	1,767,621	1,100	748,220	977
Environmental services	5,834	846	5,453	403
Design – utilities	46,319	601	63,414	3,302
Licences and surveys	1,675	799	2,289	2,439
Communication and information technology	26,272	9,922	20,290	4,522
Accommodation costs	8,462	1,663	12,656	1,181
Property advice and valuation	25,311	6,852	21,515	8,834
Legal costs	7,117	411	4,395	70
Travel and subsistence	530	49	2,807	537
Auditors' remuneration and expenses	-	195	-	195
Recruitment fees	943	440	648	154
VAT costs	(3,910)	(382)	364,214	35,300
Finance costs	-	615	-	351
Other costs	8,105	622	2,385	1,775
Total	3,121,901	78,961	2,112,215	212,290
Non-cash items include:				
Depreciation of tangible assets	-	8,941	-	8,973
Provisions	1,998	(996)	2,055	(7,570)
Exchange (gain)/loss	11	-	-	-
Unrealised exchange (gain)/loss	-	1,028	-	-
Fair value (gain)/loss	-	2,894	-	-
Amortisation of intangible assets	-	2,744	-	1,820
Total non-cash costs	2,009	14,611	2,055	3,223
Total other expenditure	3,123,910	93,572	2,114,270	215,513

Included in the above is expenditure in relation to short term leases of £0.7 million (2019/20: £1.4 million) and low value leases of £0.04 million (2019/20: 0.04 million). These leases do fall within the scope of IFRS 16, but practical exemption has been applied.

In the 2019/20 accounts Professional services and Engineering services were classified under Professional services. For this year's accounts Professional services have been split to provide enhanced disclosure of the main expenditure types. As a result, the 2019/20 figures have been split for comparative purposes.

Notes to the financial statements *continued*

7. Taxation

	Year ended 31 Mar 2021 £'000	Year ended 31 Mar 2020 £'000
Current taxation		
UK corporation tax	(21)	21
Total UK corporation tax	(21)	21
Factors affecting the tax charge for the period		
The effective rate of tax for the period is equal to the standard rate of corporation tax in the UK of 19%.		
The differences are explained below:		
Net expenditure before taxation	(109,289)	(229,858)
Tax at the standard rate of corporation tax in the UK 19% (2019: 19%)	(20,765)	(43,673)
Income and expenditure not subject to corporation tax	20,657	43,694
Unrecognised tax losses	87	–
Total taxation charge	(21)	21

Capital contributions receivable from DfT are not chargeable to corporation tax and the expenditure therefore is not deductible for corporation tax purposes. The tax charge for the year ended 31 March 2020 is in respect of interest receivable.

The current corporation tax rate is 19% which came into effect from 1 April 2017. The corporation tax rate will remain at 19% from 1 April 2021.

8. Intangible assets

	Website £'000	Software £'000	Total £'000
Cost or valuation			
At 1 April 2020	164	28,421	28,585
Additions	–	4,036	4,036
Disposals	–	(6,164)	(6,164)
Reclassification	–	–	–
At 31 March 2021	164	26,293	26,457
Depreciation			
At 1 April 2020	164	9,698	9,862
Charged in year	–	2,744	2,744
Disposals	–	(6,164)	(6,164)
Reclassification	–	–	–
At 31 March 2021	164	6,278	6,442
Net book value at 31 March 2021	–	20,015	20,015
Net book value at 31 March 2020	–	18,723	18,723

	Website £'000	Software £'000	Total £'000
Cost or valuation			
At 1 April 2019	164	17,743	17,907
IFRS16 opening balance adjustment			
Additions	–	10,678	10,678
Disposals	–	–	–
Reclassification	–	–	–
At 31 March 2020	164	28,421	28,585
Depreciation			
At 1 April 2019	164	7,878	8,042
Charged in year	–	1,820	1,820
Disposals	–	–	–
Reclassification	–	–	–
At 31 March 2020	164	9,698	9,862
Net book value at 31 March 2020	–	18,723	18,723
Net book value at 31 March 2019	–	9,865	9,865

All assets are owned and there are no intangible assets under a lease.

9. Property, plant and equipment (PPE)

	Assets under construction railway £'000	Right-of-use £'000	Leasehold improvements, plant and equipment £'000	IT equipment £'000	Total £'000
Cost or valuation					
At 1 April 2020	5,812,915	60,995	22,080	17,802	5,913,792
Additions	3,245,842	–	22	2,599	3,248,463
Disposals	–	–	(234)	(1,349)	(1,583)
Reclassification	–	–	–	–	–
At 31 March 2021	9,058,757	60,995	21,868	19,052	9,160,672
Depreciation					
At 1 April 2020	–	5,692	5,949	11,029	22,670
Charged in year	–	6,444	1,798	698	8,940
Disposals	–	–	(234)	(1,349)	(1,583)
Reclassification	–	–	–	–	–
At 31 March 2021	–	12,136	7,513	10,378	30,027
Net book value at 31 March 2021	9,058,757	48,859	14,355	8,674	9,130,645
Net book value at 31 March 2020	5,812,915	55,303	16,131	6,773	5,891,122

Notes to the financial statements *continued*

	Assets under construction railway £'000	Right-of-use £'000	Leasehold improvements, plant & equipment £'000	IT equipment £'000	Total £'000
Cost or valuation					
At 1 April 2019	3,578,922	–	27,401	14,620	3,620,943
IFRS16 opening balance adjustment	–	60,995	–	–	60,995
Additions	2,233,993	–	69	3,182	2,237,244
Disposals	–	–	(5,390)	–	(5,390)
Reclassification	–	–	–	–	–
At 31 March 2020	5,812,915	60,995	22,080	17,802	5,913,792
Depreciation					
At 1 April 2019	–	–	9,556	9,531	19,087
Charged in year	–	5,692	1,783	1,498	8,973
Disposals	–	–	(5,390)	–	(5,390)
Reclassification	–	–	–	–	–
At 31 March 2020	–	5,692	5,949	11,029	22,670
Net book value at 31 March 2020	5,812,915	55,303	16,131	6,773	5,891,122
Net book value at 31 March 2019	3,578,922	–	17,845	5,089	3,601,856

All assets are owned aside from the right-of-use assets that have been acquired as leased assets that fall within scope of IFRS 16. The IT equipment headings include assets under construction amounting to £5.9 million which are not available for use at the year end, and therefore have not yet been depreciated (2019/20: £5.4 million).

Given the interdependency of the assets comprising the railway network, the Company has concluded that the railway network is considered as a single class of asset. The railway network is currently under construction, is valued at historic cost and is analysed within Capital Expenditure in Note 4 and Note 6.

10. Financial assets

	31 Mar 2021 £'000	31 Mar 2020 £'000
Amounts falling due within one year:		
Derivative Forward Purchase Programme Financial Asset	–	–
Loan to National College for Advanced Transport and Infrastructure	–	–
	–	–

	31 Mar 2021 £'000	31 Mar 2020 £'000
Amounts falling due after more than one year:		
Derivative Forward Purchase Programme Financial Asset	-	-
Loan to National College for Advanced Transport and Infrastructure	2,522	3,087
Total financial assets	2,522	3,087

	31 Mar 2021 £'000	31 Mar 2020 £'000
Analysis of expected timing of flows:		
Not later than one year	-	-
Later than one year and not later than five years	333	-
Later than five years	2,189	-

The loan receivable relates to a working capital loan to the National College for Advanced Transport and Infrastructure (NCATI). In line with the Company's accounting policy, refer to Note 2.9, the fair value of the asset was assessed using FVTPL at the reporting date and an adjustment of (£0.6) million was recognised in the current financial year to reflect present value of £2.5 million; this measurement method used is different to the amortised cost method of £3.1 million used in the prior year. The discount rate and future cash flows applied is reflective of the counterparty being part of the University of Birmingham group, as the merger completed after the year end was probable at the reporting date.

11. Trade receivables and other current assets

	31 Mar 2021 £'000	31 Mar 2020 £'000
Amounts falling due within one year:		
VAT receivable	111,142	-
Other receivables	11,469	16,708
Prepayments	11,770	6,001
	134,381	22,709

A Statutory Instrument has been in place since 1 April 2020 that allows the Company to reclaim VAT, hence the VAT receivable amount which relates to the February and March 2021 VAT Returns.

Notes to the financial statements *continued*

12. Cash and cash equivalents

	31 Mar 2021 £'000	31 Mar 2020 £'000
Balance at 1 April	63,097	66,505
Net change in cash and cash equivalent balances	91,239	(3,408)
Balance at 31 March	154,336	63,097

	31 Mar 2021 £'000	31 Mar 2020 £'000
Analysis of cash and cash equivalents:		
Cash held with the Government Banking Service	150,746	55,765
Cash held in commercial bank account	3,590	7,332
	154,336	63,097

Included within Cash held with Government Banking Service is land and property funding totalling £27.4 million (2019/20: £9.0 million) transferred to the Company by the Department for Transport (DfT) for compulsory purchase orders (CPO's) and £16.7 million (2019/20: nil) for non-compulsory purchase orders (Non CPO's). These purchases belong to and are accounted for by the DfT for the reasons outlined in Note 2.12, so the cash held is offset by short-term creditors included in Trade payables, Note 13. Also, within Cash held with the Government Banking Service there is foreign currency (euro) converted to sterling to the amount of £24.5 million (2019/20: nil).

13. Trade payables and other current liabilities

	31 Mar 2021 £'000	31 Mar 2020 £'000
Amounts falling due within one year:		
Trade payables	67,982	25,604
Taxation liability	–	19
Accruals	532,582	278,596
	600,564	304,219

In 2019/20 the note above reported values for Borrowings due within one year, which are now disclosed in Note 15.

14. Provisions

	Petition undertakings and assurances £'000	Other £'000	Total £'000
Balance at 31 March 2020	8,253	1,000	9,253
Provided in the year	4,249	1,812	6,061
Provisions utilised in the year	(3,306)	-	(3,306)
Provisions not required written back	(747)	(1,006)	(1,753)
Provisions reclassified to accruals	-	-	-
Balance at 31 March 2021	8,449	1,806	10,255

At 31 March 2021

Analysis of expected timing of flows:

Not later than one year	8,449	1,806	10,255
Later than one year and not later than five years	-	-	-
Later than five years	-	-	-
	8,449	1,806	10,255

At 31 March 2020

Analysis of expected timing of flows:

Not later than one year	8,253	1,000	9,253
Later than one year and not later than five years	-	-	-
Later than five years	-	-	-
	8,253	1,000	9,253

Petition undertakings and assurances

As part of the legislative process for the High Speed Rail (London – West Midlands) Act 2017, individuals and organisations were able to raise their objections to the HS2 scheme as petitions.

As a result, a number of assurances were given to petitioners which will inform the planning, design and future construction of Phase One. In certain cases, the Company is required as 'nominated undertaker' to meet these assurances. A form of compensation must be provided to those directly affected by the construction and operation of the railway which does not form part of the design and plans for the railway. As set out in our Company strategy, the Company aspires to be a 'good neighbour' and will continually seek to reduce the impact of the railway. Some of the commitments the Company has entered into are recognised as provisions as defined by IAS 37, since at year-end there is a present obligation, with a probable outflow of resources which can be reliably estimated. Those where a present obligation is not recognised are reported as Contingent liabilities in Note 19.

Notes to the financial statements *continued*

Other

The Company has provided for supplier incentive and fee moderation costs (£1.72 million) that are payable dependent on specific criteria being met, in addition to legal cases and disputed supplier costs (£0.09 million). These are for amounts where the likelihood of payment has been assessed as probable.

15. Borrowings

	31 Mar 2021 £'000	31 Mar 2020 £'000
Amounts falling due after one year:		
Borrowings	3,071	2,198
	3,071	2,198
Amounts falling due after more than one year:		
Borrowings	24,909	28,918
	24,909	28,918
Total borrowings	27,980	31,116
Analysis of expected timing of flows:		
Not later than one year	3,071	2,198
Later than one year and not later than five years	13,516	13,184
Later than five years	11,394	15,734
	27,980	31,116

The borrowings shown above are lease liabilities created under IFRS 16. Further narrative on leases arrangements is disclosed in Note 17.

The Company has no other borrowings and is solely funded by capital contribution from the DfT, hence using the HM Treasury discount rate is most appropriate when measuring lease liabilities.

16. Financial liabilities

	31 Mar 2021 £'000	31 Mar 2020 £'000
Amounts falling due after one year:		
Derivative Forward Purchase Programme Financial Liability	1,998	–
	1,998	–
Amounts falling due after more than one year:		
Derivative Forward Purchase Programme Financial Liability	331	–
	331	–
Total financial liabilities	2,329	–
Analysis of expected timing of flows:		
Not later than one year	1,998	–
Later than one year and not later than five years	331	–
Later than five years	–	–
	2,329	–

The derivative relates to the net exposure on foreign currency forward purchase contracts denominated in euros (gross amount invested of €58.5m for 2020/21 and nil for 2019/20), converted to sterling at the reporting date and measured at fair value using the published HMRC exchange rate as at 31 March 2021. This is a Level 2 fair value measurement which are inputs other than quoted prices within an active market, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

A Sensitivity Analysis has been performed based on the exposure to foreign exchange rate for the derivative instrument. A one percent increase applied to the HMRC exchange rate at 31 March 2021 represents a financial impact to the SoCNE of £0.5m (2019/20: nil) and SoFP of £(0.5)m (2019/20: nil). A one percent decrease to this rate would have an equal and opposite effect.

The Company is considered to have no material credit, liquidity, interest rate and market risk, or any collateral arrangements in place either.

Notes to the financial statements *continued*

17. Lease arrangements

At the balance sheet date, the Company had outstanding commitments under non-cancellable leases, which fall due as follows:

	31 Mar 2021 £'000	31 Mar 2020 £'000
Not later than one year	3,071	2,198
Later than one year and not later than five years	13,516	13,184
Later than five years	11,394	15,734
	27,980	31,116

The Company occupies business premises in Birmingham and London and these arrangements are treated as lease obligations as shown above, valued in accordance with IFRS 16. The maturity analysis above is consistent with the borrowings disclosed in Note 15.

In some cases the underlying lease with the third party is in the name of the Secretary of State for Transport rather than the Company, but the substance of the transactions means the Company ultimately bears the risks and rewards of these agreements.

The total cash outflow in respect of the leases for the current financial year was £3.8 million (2019/20: £3.8 million).

18. Financial commitments

Financial commitments, which were contracted but not provided for in the financial statements were as follows:

	31 Mar 2021 £'000	31 Mar 2020 £'000
Financial commitments (excluding capital commitments)	–	103
Property, plant and equipment	425,390	179,582
Intangible assets	1,389	5
Contracted capital commitments	426,779	179,587

19. Contingent liabilities

Contingent liabilities do not represent a current liability for the Company at 31 March 2021, but some will result in an obligation to transfer cash in the future, depending on one or more relevant events occurring. They are not recognised in the Statement of Financial Position, but are monitored to ensure that, where a possible obligation or a transfer of economic benefits has become probable, a provision will be made. As such, these are contingent liabilities within the definition of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

Contingent liabilities arise from the following sources:

- As part of the legislative process for the High Speed Rail programme, individuals and organisations were able to raise their objections to the HS2 scheme as petitions. As a result, a number of assurances were given to petitioners which will inform the planning, design and future construction of Phase One and Phase 2a. In certain cases, the Company is required as ‘nominated undertaker’ to meet these assurances. The Company has identified a number of undertakings and assurances which lead to contingent liabilities totalling £344.0 million (2019/20: £280.1 million) for Phase One and £38.1 million (2019/20: nil) for Phase 2a. These are undertakings and assurances where there is uncertainty over whether a ‘present obligation’ (as defined by IAS 37) exists at year-end which is likely to lead to expenditure by the Company.
- As part of its normal course of business, the Company has given indemnities to individuals and companies who could be impacted by the construction of HS2. In all cases, no claims have arisen. It is not possible to quantify the liabilities that may arise in the future with any reliability:
 - A Framework Asset Protection Agreement with Network Rail dated 13 January 2015. The agreement includes an uncapped indemnity in relation to all losses suffered by Network Rail because of the Company’s works.
 - A number of Protective Provisions Agreements (“PPA”) with either special status or utility companies that include indemnities in relation to the Company’s work as Nominated Undertaker for constructing HS2. These agreements go no further than the provisions made in the High Speed Rail programme that provide for protection, repair, compensation and indemnification for valid third party claims.
- Agreements providing for access to land and property owned by private individuals and businesses prior to the construction phase. Such agreements provide an indemnity to the property owners for loss or damage caused by the Company in the course of its work.
- Potential legal or disputed supplier costs where the likelihood of the Company making payments in the future is less than probable as at 31 March 2021.
- Employment Legislation (IR35), introduced in April 2017, requires public sector bodies to make an assessment of off-payroll workers employment status for tax and makes them liable for ensuring the correct tax is applied. We use HM Revenue and Customs’ own Check of Employment Status for Tax tool (CEST) and accompanying guidance to make those assessments. During 2020, internal checks and additional HM Revenue and Customs’ guidance highlighted some cases to address. Early discussions have commenced with HM Revenue and Customs on the historic assessment of some contractor’s employment status. The work will seek to confirm whether there is any liability for additional tax the Company may incur once the compliance work planned with HM Revenue and Customs is concluded.
- The Company has supplier-incentive costs that are payable dependent on specific performance criteria being met. The amounts relating to the period after 31 March 2021 or where the assessment of payment is less than probable have not been provided for.
- A possible obligation to pay additional premium in relation to an Owners Controlled Insurance Programme (OCIP) contract dated July 2017, with the Company as policyholder.

As set out in Note 2.12, the Company does not have any contingent liability in respect of the potential cost of property that may be acquired in the name of the Secretary of State along the HS2 route. Any such contingent liability will be reported in the DfT’s financial statements.

Notes to the financial statements **continued**

20. Related-party transactions

HS2 Ltd is an Executive Non-Departmental Public Body sponsored by the DfT Core Department. The DfT is regarded as a controlling related party. The Company's primary source of funding is through the DfT, based on approved expenditure that is voted on by Parliament. The total amount of funding received from the DfT for the year ended 31 March 2021 amounted to £3,255.9 million (2019/20: £3,028.7 million).

During the year, the Company had a number of transactions with the DfT Core Department with the amount paid and payable at year-end totalling £90.3 million (2019/20: £8.2 million) and receivable at year-end totalling £7.3 million (2019/20: £14.5 million).

The Company had a number of IFRS16 transactions with the DfT Core Department for leasehold assets between both parties. These included £4.4 million for Depreciation and Finance cost charges (2019/20: £4.0 million) and £0.8 million reduction in the outstanding lease liability at the year-end. All of the transactions with the DfT Core Department are carried out on an arm's-length basis.

In total there were transactions with other central government bodies totalling £247.2 million (2019/20: £286.7 million) with all transactions also carried out on an arm's-length basis.

Other than their remuneration and business-related expenses, none of the Board Members or Executive staff have undertaken any material transactions with the Company or its related parties during the year, except as disclosed below, and none has a financial interest in the activities of the Company such as to influence their work with the Company.

Neil Hayward, the HR Director of the company, took up positions on the Corporation Board for the National College for Advanced Transport & Infrastructure (NCATI) in November 2019 and the Board of the National Skills Academy for Rail (NSAR) Board in January 2020. The Company has in the past, when NCATI was started, provided funding in the form of a repayable loan for the value of £2.8 million. The amounts paid to NCATI and loan interest charged to NCATI in 2020/21 was £nil and £nil respectively (2019/20: £nil and £0.1 million respectively). Other transactions paid and payable at year-end to NCATI were £nil (2019/20: £0.02 million).

The loan agreement was amended at the 31 March 2021 to support the merger of NCATI with the University of Birmingham (UoB) in April 2021, refer to Note 2.9. The loan was therefore subsequently remeasured at fair value through profit and loss (FVTPL), giving rise to a fair value adjustment transaction in 2020/21 of £0.6 million.

David Bennett was engaged on 2 September 2019 as the interim Delivery Director with a place on the HS2 Executive Committee. The engagement is in the form of a contract between CH2M and HS2 Ltd. Accordingly, Mr Bennett remains an employee of CH2M during the period of the contract. It is acknowledged that Mr Bennett has a conflict of interest with respect to contracts involving CH2M/Jacobs and his engagement was agreed on the basis that a suite of controls is in place to address the conflicts of interest. Other transactions paid and payable at year-end to CH2M were £0.8 million (2019/20: £1.3 million).

Stephen Hughes, Non-Executive Director of the Company, holds the position of Non-Executive Director for the Valuation Office Agency (VOA). The VOA provide valuations and advice on land and property acquisitions to the Company. The amounts paid and payable at year-end to VOA was £1.2 million (2019/20: £1.3 million).

Mel Ewell, Non-Executive Director of the Company, holds the position of Non-Executive Director for the Manufacturing Technology Centre Limited (MTC). The Company holds an annual membership to MTC.

The MTC membership provides benefits to the company including access to research. The amounts paid and payable at year-end to MTC was £0.2 million (2019/20: £0.2 million).

Ian King joined the Company in July 2020 as a Non-Executive Director of the Company. Mr King also holds the position of Lead Non-Executive Director for the Department for Transport. It is acknowledged that Mr King has a conflict of interest with respect to transactions involving Department for Transport and his engagement was agreed on the basis that a suite of controls is in place to address the conflicts of interest.

21. Losses and special payments

Managing Public Money requires the Company to provide a statement showing losses and special payments by value and by type where they exceed £300,000 in total and those that, individually, exceed £300,000.

	31 Mar 2021 £'000	31 Mar 2020 £'000
Losses statement		
Total number of cases	4	6
Total amount (£000)	347	12,525
Special payments		
Total number of cases	3	2
Total amount (£000)	39	13

There was one case above £300,000 during the reporting period under Losses. £0.3m of interest income due under the original agreement, net of corporation tax savings at the current rate, has been foregone covering the period 2021/22 to 2024/25 as part of supporting the NCATI merger as detailed further in Note 10. The loan principle and historic interest accrued is expected to be recovered in full.

22. Events after the reporting period

These financial statements are laid before the Houses of Parliament. The International Accounting Standards (IAS10) require the Company to disclose the date on which the accounts are authorised for issue. This is the date on which the Comptroller and Auditor General signs the audit certificate (pages 64 to 67).

23. Ultimate controlling party

The ultimate controlling party is considered to be the Secretary of State for Transport.

HS2

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