



HS2

Annual Report and Accounts

2021 - 2022

High Speed Two (HS2 Limited) Annual Report and Accounts 2021–2022

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Contents

Introduction	2	Corporate Governance Report	30
Deputy Chair's introduction	3	Directors' Report	31
CEO's review	5	Statement of Directors' and Accounting Officer's responsibilities	33
Highlights of the year	9	Governance Statement	34
Strategic Report	11	Remuneration and Staff Report	53
Business model	12	The Certificate and Report of The Comptroller and Auditor General	62
Financial review	15	The Certificate and Report of The Comptroller and Auditor General to the Sole Member of High Speed Two (HS2) Limited and the Houses of Parliament	62
Key Performance Indicators (KPIs)	16	Financial Statements	66
Environmental Sustainability Report	22	Statement of comprehensive net expenditure	67
Non-financial information	24	Statement of financial position	68
Section 172 (1) Statement	29	Statement of cash flows	69
		Statement of changes in taxpayers' equity	70
		Notes to the financial statements	71
		Endnotes	91

Front cover image: Construction worker inside the south portal at the Chiltern tunnel.

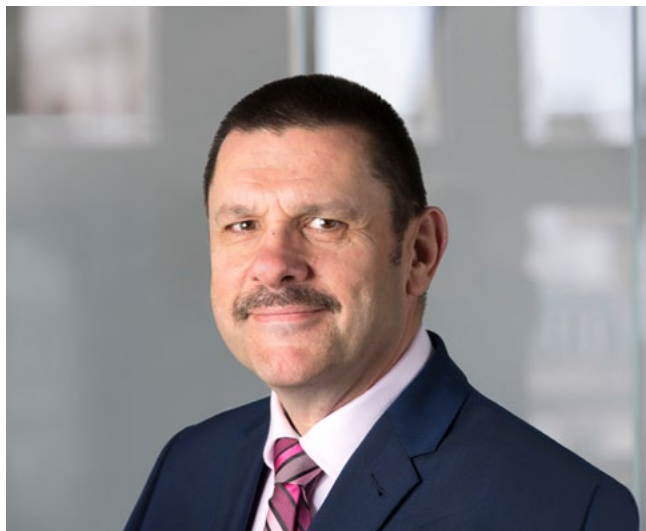


Introduction

Deputy Chair's introduction	3
CEO's review	5
Highlights of the year	9

Image: Inside HS2's Chiltern tunnel.

Deputy Chair's introduction



Sir Jon Thompson, Deputy Chair.

**“
HS2 provides an engine to help
kickstart economic recovery.
We are a fundamental part of the
Government's plans to level-up the
country, revolutionising the way
people travel and boosting growth
while decarbonising the transport
sector, the UK's largest emitter.”**

HS2 is an infrastructure project that is generational in its reach, forming the zero carbon, high-speed spine of our transport system for the rest of the century and beyond. The programme has matured through a decade of design, planning, engagement and approval of powers from Parliament. Construction of Phase One, from the West Midlands to London, is now well underway with 15 years or more of phased build ahead of us to complete the journey to Manchester, subject to Parliamentary approval. I'm incredibly proud of the way the organisation and our people have worked, continuing to deliver in a challenging environment.

For a programme of such longevity, the need to adapt and maintain momentum is constant. The last few years has seen many challenges, largely from the Covid-19 pandemic. I'm proud the HS2 programme has continued to make significant progress and provides a stable environment in which to create jobs, spread business opportunities and drive forward a cleaner, greener construction industry. HS2 is now supporting more than 24,000 jobs and our supply chain is made up of over 2,500 UK businesses, almost two-thirds of which are Small and Medium Enterprises (SMEs), covering every part of the UK.

This year's set of accounts is presented, however, in a different environment to last year's.

Government restrictions to manage the pandemic have now been lifted, but significant challenges remain ahead, not least the impact on the global economy of the Russian invasion of Ukraine.

HS2 provides an engine to help kickstart economic recovery. We are a fundamental part of the Government's plans to level up the country, revolutionising the way people travel and boosting growth while decarbonising the transport sector, the UK's largest emitter. Connecting four of our largest economic and population centres from Scotland to the South East with fast, clean, reliable railway services will boost productivity and regeneration across the Midlands and the North, opening new markets for business and providing more opportunities for people, bridging the gap between London and the rest of Britain.

Following its publication in November 2021, the Department for Transport's Integrated Rail Plan has provided more certainty on what HS2 Ltd is delivering and we are getting on with the job. Building on last year's Royal Assent of the Phase 2a Bill, extending the line to Crewe, we have deposited the hybrid Bill for Phase 2b (Crewe – Manchester). As well as being a crucial part of the HS2 network, this part of the route will also form part of Northern Powerhouse Rail, the new east-west line connecting Warrington with Yorkshire, underlining HS2's importance to transforming northern connectivity.



Deputy Chair's introduction continued

While our journey into Manchester is just beginning, progress along Phase One between the West Midlands and London is increasingly impressive. There are 340 active sites spanning 140 miles. In May last year, we were proud to launch our first tunnel boring machine (TBM), Florence, as she began her journey under the Chilterns, joined shortly after by a second machine, Cecilia. They are creating the longest tunnels on the entire HS2 route, 10 miles in length under the famous Chiltern Hills. At the time of writing, these TBMs have bored a collective 3.6 miles on their way to breaking through further north. In December, we launched Dorothy at Long Itchington in Warwickshire, meaning three of the total of 10 TBMs we'll use over the lifetime of the project are already in action.

It's inevitable that as construction moves up a gear, our potential impact on local communities along the route increases and we will always strive to respect people and places affected by our work building HS2. Our engagement has not always met our own expectations and we will continue to improve as Phase One construction and Phase 2a early works gather pace. We can always do more to support communities by working together with our supply chain to fulfil the commitments we've set out in our new strategy, 'Respecting people, Respecting places'.

Of course, we will also continue to be challenged by the two independent commissioners who hold us accountable during the planning and delivery of the railway.

Part of our plan to leave behind a positive legacy is through our community and business funds up and down the route. A total of £11 million has now been awarded to nearly 200 different groups and projects along Phase One and investment along Phase 2a is underway.

Our Green Corridor forms another significant part of our legacy plans for local communities and I'm pleased we have now successfully planted over 800,000 trees and shrubs to date, working towards our target of seven million. I was also delighted we announced in January that HS2 trains will be powered with zero carbon electricity from day one, another important step in the fight against climate change and yet again underscoring the importance of HS2's role in decarbonising the transport sector.

This commitment features in our new Environmental Sustainability Vision, which was published alongside our first Environmental Sustainability Progress Report, reviewing our work on both the natural environment and our carbon reduction targets. Integrity is one of our core HS2 values and this report is another way we are living those values, providing a clear and transparent assessment of how we are achieving the targets we have set out.

For the legacy of HS2 to be secure, we need to ensure the programme remains within the schedule agreed with the Government. We remain within that schedule, and this stability has been hard won. With a programme of this size, time and cost pressures will be ever present. As we face the challenges that this year will inevitably bring, we do so confident that the course now set is the right one and we are determined to deliver for Britain.

Sir Jon Thompson
Deputy Chair

CEO's review



Mark Thurston, Chief Executive and Accounting Officer.

“We continue to provide open and transparent reporting on the progress of the project through the HS2 Minister’s updates to Parliament. His reports continue to demonstrate our momentum and our disciplined approach to managing public money, as well as our commitment to mitigating emerging risks and issues.”

Reflections on 2021–2022

The HS2 programme is well underway with all three phases now ‘live’ and with main works along Phase One starting to enter peak construction. It is undeniable that the world has changed over the past 12 months, from the recovery out of the pandemic through to the conflict in Ukraine. Like many, we continue to work through the impacts of these events, and we are continuing to support the UK economy with opportunities and investment as momentum ramps up along the route.

We continue to assess the impact of Covid-19 on the cost of the programme, but we’re also working through some of the wider changes that the pandemic brought to our ways of working. A priority for me is making sure the organisation retains the capability to deliver the railway efficiently, while continuing to support our staff in the transition to hybrid working as more of our workforce embrace a new balance of office and home-based working.

I have been pleased to welcome Ruth Todd, our new Chief Commercial Officer, to my Executive Leadership Team, as well as Sir Jon Thompson in the new Deputy Chair role, which will provide stability and continuity on the Board as the recruitment of a new Chair continues.

We continue to provide open and transparent reporting on the progress of the project through the HS2 Minister’s updates to Parliament, and his reports continue to demonstrate our momentum and our disciplined approach to managing public money, as well as our commitment to mitigating emerging risks and issues. Identifying further efficiencies will play a significant part in ensuring we offset emerging cost pressures on Phase One where possible. We are feeling the effects of the global situation through inflation, and are working closely with our supply chain to assess the impact on the programme and to seek opportunities to mitigate market-driven cost pressures where possible.

Progress on Phase One and Phase 2a

Significant momentum along Phase One means that the majority of early works are now complete and our delivery partners are entering demobilisation. We’ve had a good first year on main works civils activity, which is increasing as we approach peak construction over the next few years.

This year we have launched three of our 10 tunnel boring machines (TBMs) that will bore a total of 64 miles of tunnels on Phase One, requiring 130 million tonnes of earth being excavated. Our two TBMs under the Chilterns have completed the first stage of their drives, meaning a combined total of over 3.6 miles has been dug by the two machines since they launched from the southern end of the tunnels last summer.



CEO's review continued

We've also started main construction work on our new station at Old Oak Common in west London, which will be the UK's best-connected railway superhub and the biggest station ever constructed in a single-stage build in the UK. At its peak, 2,300 jobs will be supported to build this transformational part of the project. More recently, we celebrated the start of construction on the UK's longest railway bridge, the Colne Valley viaduct, which at 2.1 miles in length will be one of the most visually striking pieces of engineering on the programme.

Earlier this year, we published a new updated design for the new railway terminus at London Euston, which will support 3,000 jobs at peak construction and offer hundreds of contract opportunities through the supply chain. The new designs show the revised proposal of a 10-platform station, to be built in a single stage, allowing construction to be completed more quickly and efficiently, minimising disruption to local communities. We are working with Network Rail, with support from The Euston Partnership, to develop a cost-effective design for Euston that provides integration between the HS2 station and the redevelopment of the Network Rail station, while delivering value for money for the taxpayer.

On Phase One, we also marked the end of our compulsory purchase powers, with a programme that issued over 123,000 legal notices in the largest acquisition programme since the Second World War. Completing this work in the period granted in the High Speed Rail (London – West Midlands) Act 2017 required a collaborative five-year effort across our business and I'm immensely proud of what we have achieved.

Across Phase One and now into parts of Phase Two, we have continued to witness targeted protester action; it has been an ongoing challenge to mitigate the effects to the programme and ensure the well-being of our staff. Since the successful removal of the trespasser site at Small Dean near Wendover in October and November 2021, we have seen a reduction in protester activity along Phase One. I welcome the opportunity that the application for a route-wide injunction may provide to avoid additional cost to the taxpayer and delay to the programme further up the route.

Key achievements

Our procurement is progressing well across the programme with over 2,500 businesses from all over the UK now part of our supply chain. I'm delighted 97% of these are UK-based, pumping investment and opportunity into the British economy, particularly in these challenging times.

We are working with Mace Dragados on our new Curzon Street station in Birmingham and we are also underway with the tender process for our second West Midlands station, Interchange at Solihull, ahead of the contract award due later this year.

We ended 2021 with the award of our rolling stock contract – a huge milestone for the programme. Hitachi-Alstom Joint Venture will build our fleet of 54 high-speed trains at factories in Derby, Crewe and County Durham, creating and supporting 2,500 jobs across the UK in a £2 billion contract.

We've awarded two of our 16 rail systems contracts, with 11 more in procurement. We'll welcome our first main rail systems contractor on board later this year and establish our Rail Systems Alliance, which takes learning from previous infrastructure programmes to integrate and coordinate our systems contracts to deliver an operational railway to customers on time.



CEO's review continued

Our work on the environment has featured heavily in our successes of the last 12 months. In January 2022, we published our first **Environmental Sustainability Progress Report** which looked at how we performed between April 2020 and March 2021, and the work we still need to do to hit the ambitious targets we have set. We've also reached some significant milestones as we have successfully planted more than 800,000 trees and shrubs and created over 100 new habitats along Phase One as part of our Green Corridor, the largest environmental project in Britain.

The publication of our Net Zero Carbon Plan at the beginning of 2022 outlined some of the significant commitments we've made to building a sustainable railway and becoming net zero by 2035, including the construction and operation of HS2 and the running of HS2 Ltd. All of our construction sites will be diesel-free from 2029, with our first diesel-free site already operational. We also announced that our trains will run on zero carbon electricity from day one of operation when Phase One opens between 2029 and 2033. These are serious targets for us to focus on in the coming years and I'm proud of the innovation happening on our project to decarbonise construction of the railway and champion decarbonisation across the construction industry.

Some of our industry-leading innovation was showcased at the COP26 climate change summit in Glasgow last November, with our experts sharing the good work we're doing. Our interactive environment exhibition, built for COP26, is still live on the **HS2 website**, which has more information about our role in tackling climate change.

On a local level, affected communities along the route have felt the benefits of the return to face-to-face meetings and in-person events, with over 16,000 members of the public attending more than 2,000 engagement events in 2021. We must remain committed to respecting people and places and mitigating the effects of construction on communities where we can. The relaunch of our community engagement strategy, 'Respecting people, respecting places', in October 2021, underlined our renewed focus on building the railway respectfully and what this means for our own teams and the wider supply chain.

We've seen local communities benefit from our Community and Environment Fund (CEF) and Business and Local Economy Fund (BLEF), which have provided funding for over 200 projects, totalling more than £11 million to date.

Progress on Phase 2b

The publication by the Government last year of the Integrated Rail Plan (IRP) for the North and Midlands was a significant step forward for the project, providing certainty on the scope HS2 Ltd is responsible for delivering. As well as confirming the new high-speed line from Crewe to Manchester, it laid out the Government's intention to take forward HS2 East, a new high-speed line between the West and East Midlands, transforming connectivity in the region. We are working closely with the Department for Transport on how best to progress this new section of line and in due course will look at options for running HS2 services to Leeds.

Shortly after publication of the IRP, we deposited the Phase 2b western leg hybrid Bill in Parliament, extending HS2 to Manchester. This new phase will deliver major benefits for passengers, doubling capacity between Manchester and London, more than trebling capacity between Manchester and Birmingham and easing overcrowding on the West Coast Main Line.



CEO's review continued

This is a clear commitment on HS2's role in levelling up the country, with Greater Manchester Combined Authority's HS2 growth strategy estimating that HS2 services will support 96,000 jobs and 16,800 homes locally, in addition to the 17,500 jobs that will be supported during the construction of the line.

Forward look

With over 75 million working hours planned onsite throughout 2022, retaining a high degree of focus on the safety of our operations remains of paramount importance. Despite making impressive progress, we are not complacent and a key focus for this year will be continuing to build a culture in our organisation and supply chain that prioritises safety above everything.

There are significant milestones in the year ahead. One of our TBMs will make the project's first tunnel breakthrough, at Long Itchington Wood in Warwickshire, in the next few months and later this year we'll also launch two more TBMs in London. Further north, we'll award our design delivery partner contract for Phase 2a. Alongside early environmental works on this part of the route, this is an important step towards the start of main works here.

I am immensely proud of the progress we are making across HS2, despite the ongoing challenges that we continue to work through. We remain committed to our mission to deliver the best railway in the world in the best way – providing value for money for the British taxpayer, leaving a lasting legacy and continuing to pump investment and opportunity in the British economy.

Mark Thurston

Chief Executive and Accounting Officer

Highlights of the year

April 2021



A £52 million early environmental works contract for Phase 2a, including new woodlands and wetlands, is signed with Balfour Beatty.

July 2021



New designs are unveiled for a green public space for residents, rail passengers and workers at HS2's Old Oak Common station in west London.

May 2021



HS2's first tunnel boring machine sets off on its 10-mile journey under the Chilterns.

August 2021



A new report reveals HS2 will support more than 34,000 jobs – about 4,000 more than previously forecast.

June 2021



Six HS2 funds supporting communities, nature and road safety are launched for the route between the West Midlands and Crewe.

September 2021



HS2 hits its 20,000 jobs milestone on the first anniversary of main works starting on Phase One.

Latest facts and figures

£11 million

awarded to community initiatives, including environmental, health, sport and wellbeing projects.

More than

24,000

 jobs are already supported as we build HS2.

923

apprentices are working on the project as we move towards our target of 2,000.

Highlights of the year continued

October 2021



Archaeologists uncover a set of rare Roman statues while excavating a Norman Church in Stoke Mandeville, Buckinghamshire.

November 2021



Innovative design and reducing the use of concrete and steel cuts the carbon footprint of the 2.1-mile Colne Valley viaduct by more than 28%.

December 2021



Hitachi-Alstom JV is awarded the £2 billion contract to build HS2's trains.

January 2022



A raft of announcements including the use of zero carbon energy to power HS2 trains underlines the railway's environmental sustainability credentials.

February 2022



HS2 becomes the first UK construction project to use fully electric giant crawler cranes, boosting our 'clean' construction drive.

March 2022



Updated designs for HS2's new station at Euston are unveiled following the release of work packages worth more than £500 million to help build the terminus.

Latest facts and figures

Seeking to achieve **10%** gain in biodiversity for the Phase 2b route to Manchester.

400,000 contract opportunities set to be available in the HS2 supply chain.

54 'bullet'-style trains are being designed in Britain – and will be built here.



Strategic Report

Business model	12
Financial review	15
Key Performance Indicators (KPIs)	16
Environmental Sustainability Report	22
Non-financial Information	24
Section 172 (1) Statement	29

Image: The reception pit at Long Itchington tunnel's south portal, Warwickshire.



Business model

Remit and scope

HS2 Ltd is classified as a central Government organisation by the Office for National Statistics/ HM Treasury Classifications team. It has been administratively classified by the Cabinet Office as an Executive Non-Departmental Public Body. HS2 Ltd has been incorporated under the Companies Act 2006 as a company limited by guarantee with the Secretary of State for Transport (SoST) as the sole shareholder.

HS2 Ltd has been established by the Department for Transport (DfT) to develop, build and operate a high-speed rail network to link London with the Midlands and the North of England, allowing services to link on to 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 construction of the railway is currently split into three phases:

- Phase One linking London and the West Midlands;
- Phase 2a linking the West Midlands and the North via Crewe; and
- Phase 2b western leg completing the railway to Manchester, and beyond.

The authority to build railway infrastructure for the high-speed network has been granted for Phase One and Phase 2a.

Following the deposit of a hybrid Bill – **the High Speed Rail (Crewe – Manchester) Bill** – on 24 January 2022, HS2 Ltd is now seeking approval from Parliament to build the western leg of Phase 2b linking Crewe to Manchester.

The Government has published **an Integrated Rail Plan for the North and Midlands**, to identify the most effective sequencing of relevant investments and how to integrate HS2, Northern Powerhouse Rail and other rail investments.

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 Secretary of State for Transport (SoST, as represented by the DfT) is managed through a Framework Document and a Development Agreement. The Framework Document and the Development Agreement are key governance documents of HS2 Ltd and should be considered together to understand the controls environment and the operational relationship between HS2 Ltd and its shareholder and sponsor.

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 sets out the requirement for HS2 Ltd to have regard to relevant UK Government Functional Standards as appropriate.

The Framework Document can be found [here](#).



Business model continued

The Development Agreement

The Development Agreement is the principal mechanism for managing the relationship between the SoST as funder and sponsor of the HS2 programme and HS2 Ltd as the special purpose vehicle formed by the Secretary of State to deliver the programme.

Under the terms of the Development Agreement, the SoST's role in relation to the HS2 programme is 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.

Under the terms of the Development Agreement, HS2 Ltd's key responsibilities in relation to the HS2 programme include:

- the delivery of the railway;
- the execution and completion of the works;
- the acquisition, management and disposal of all interests in, or rights over, land;
- the performance of specified functions;
- managing the operation of the infrastructure as the infrastructure manager;

- delivery of those Core Programme Benefits which are allocated to HS2 Ltd in the Benefits Baseline for the relevant phase;
- ensuring that station design takes account of the potential for future development and regeneration of adjacent local communities; and
- seeking to identify and secure continuous improvement opportunities.

Company strategy

High Speed Two (HS2) is a unique major Government infrastructure programme providing a once-in-a-generation investment in the UK's transport infrastructure, building a new high-speed railway linking London, the Midlands, the North of England and Scotland. HS2 will significantly improve connectivity in the North and Midlands, creating additional jobs and homes around HS2 stations.

We have seven strategic goals:

1. Be a catalyst for economic growth.
2. Create a step-change for rail capacity and connectivity.
3. Be good neighbours and protect the natural environment.
4. Foster skills and create new employment opportunities.
5. Set new standards for health, safety and security for the construction and operation of the railway.

6. Deliver value for money to the taxpayer.

7. Set new standards for customer experience.

HS2 Ltd is continuing to deliver on these goals.

Corporate and business plans

As required in the Framework Document, HS2 Ltd produces an annual Corporate Plan demonstrating how the HS2 railway is being delivered, including the key performance indicators and milestones against which performance will be assessed annually. The 2021 – 2022 financial year is covered by the 2021 – 2024 Corporate Plan, which can be found [here](#).

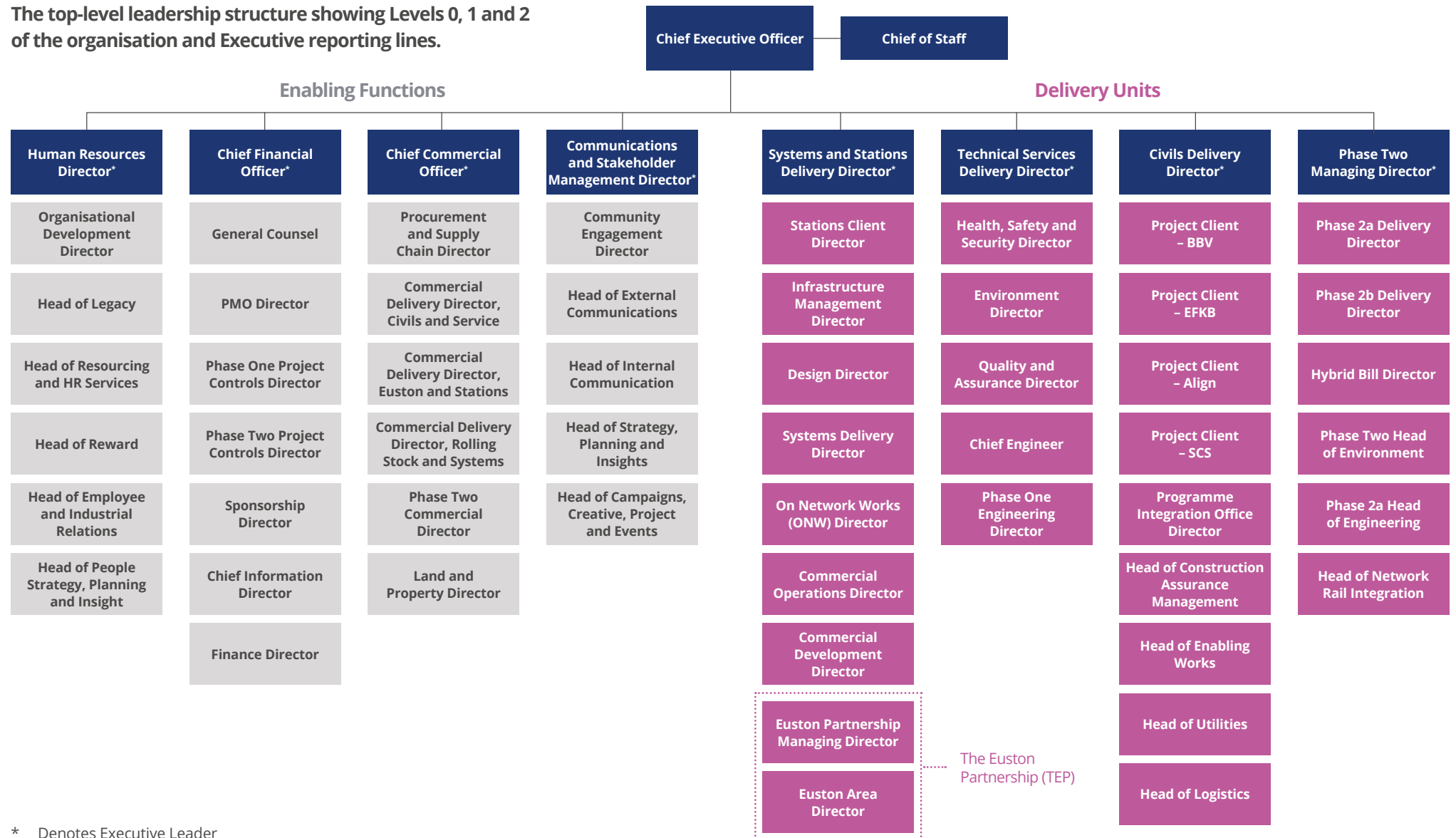
Business model and organisational development

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



Business model continued

The top-level leadership structure showing Levels 0, 1 and 2 of the organisation and Executive reporting lines.



* Denotes Executive Leader



Financial review

Company financial performance for the year ended 31 March 2022

HS2 Ltd is entirely funded by the DfT.

Combined capital and resource expenditure in 2021 – 2022 amounted to £5,234.0 million (2020 – 2021: £3,361.8 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 of development at which capitalisation can occur.

The financial statements for the year ended 31 March 2022 show the following results:

- Capital expenditure of £5,010.9 million (2020 – 2021: £3,252.5 million);
- resource expenditure of £223.1 million (2020 – 2021: £109.3 million); and
- net assets of £13,640.6 million (2020 – 2021: £8,800.8 million).

The increase in capital expenditure reflects ongoing works following Notice to Proceed for Phase One. In particular, this reflects progression on Phase One main works civils. The increase in resource expenditure relates predominantly to the recognition of resource costs relating to the Euston station design change for Phase One. The movement in net assets is driven by the same factors as the capital expenditure increase, as the railway infrastructure asset is measured at historic cost during construction.

A detailed account of HS2 Ltd's finances is provided in the financial statements (pages 66 to 90). 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 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 Business Model on pages 12 to 14, 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 2021 made clear HS2 is a multi-year capital programme and funding was allocated to 2024 – 2025.

Notice to Proceed for Phase One was confirmed on 15 April 2020. Royal Assent for Phase 2a was granted on 11 February 2021 and progress continues on approvals for the western leg of Phase 2b following hybrid Bill deposit. Consequently, it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.



Key Performance Indicators (KPIs)

Performance vs 2021 – 2022 KPIs

The programme to build Britain's new high-speed railway has continued to move forwards through 2021 – 2022, with our key performance indicators continuing to provide the measure of our progress on the journey to build HS2.

The year has seen significant progress as we moved for the first time into delivery across all three stages of the route: Phase One, Phase 2a and Phase 2b.

As the scale of delivery has increased, the pressure to maintain the cost and the schedule has mounted but we remain within the budget set by the Government and to our target schedule across all major areas of delivery.

We continue to set our targets high, setting a high bar for the Company and recognising our role in the industry and the legacy we are striving to create.

Our mission to build HS2, delivering more than a railway, continues and is critical to some of the measures and targets we set ourselves.

Delivering safely

Safety is one of our core values, and protecting the health, safety and wellbeing of our employees, supply chain partners and those who interface with HS2 remains our top priority. Given the scale of construction has significantly increased during the year and the number of people on site and total hours worked has increased in parallel, it is not surprising that we have seen a slight increase in the actual number of incidents across construction sites.

While no significant harm or loss has been caused, we still take these incidents seriously and investigate all high potential events, so we can take action as we go forwards.

Unfortunately, these incidents resulted in us finishing below our safety target for the year. We can take comfort in the fact that our Accident Frequency Rate (AFR), which we can benchmark against other companies and major construction programmes, remains low.

For the year ahead, we are looking at improvements and recalibration of measures to help ensure we are reporting accurately and are able to address any issues that occur.

Work is underway to relaunch and embed the safety strategy internally and across our supply chain partners, ensuring we are not just operating as safely as others but recognise our influence in the industry and share best practice across our supply chain.

Delivering to schedule

With three phases now live, we delivered more in 2021 – 2022 than any of our previous years and continue to be on track to meet our goal of having the first services running by 2030. We met 14 out of 15 milestones set for Phase One, met three out of four for Phase 2a and delivered the key milestone for Phase 2b, namely the deposit of the hybrid Bill.

As construction on Phase One intensifies, we saw tunnel boring machines progress under the Chiltern Hills and under woods at Long Itchington, both key target milestones on our schedule.

In December, we met another target milestone when the order for rolling stock was placed with Hitachi-Alstom Joint Venture.

A key requirement for the programme was to secure land along the line of route. We had a deadline for Phase One under the High Speed Rail (London – West Midlands) Act 2017 to complete this work by the end of February 2022, which we achieved.

The deposit of the hybrid Bill for the Phase 2b western leg, taking HS2 from Crewe to Manchester, was successfully delivered in January 2022. A single complete set of the hybrid Bill and Environmental Statement materials contains 36,000 pages and over 11 million words.

Covid-19 was still very much a factor at the start of the year, but as with the previous year we have been able to work in compliance with restrictions.



Key Performance Indicators (KPIs) continued

Performance vs 2021 – 2022 KPIs

Delivering to cost

Despite ongoing cost pressures, felt not just by HS2, we delivered within budget for 2021 – 2022. This has been and will remain challenging through the coming year. We remain within the overall budget for Phase One, as agreed with the DfT.

We set ourselves the goal of identifying over £1.5 billion of cost pressure reduction opportunities as part of an efficiencies programme and have found potential opportunities in the region of £5 billion. In the coming year, we will look to realise some of those opportunities, which will contribute towards delivery against the plan.

Delivering for the environment

We met a key milestone in the year to publish our first **Environmental Sustainability Progress Report**, which details HS2's impact on the environment and the work underway to both mitigate this and make a positive contribution through initiatives like HS2's Green Corridor. We fell slightly short of meeting our target in reducing our carbon impact in construction on Phase One. At the end of March 2022, we had projected a 24.8% reduction in carbon impact against the baseline, compared to a target of 28%. However, seeking improvements and carrying forward the 28% reduction target for the period through to March 2023 will keep us firmly on track to meet our overall 50% carbon reduction target by 2030.

Delivering for communities along the route

We know that all communities along the route are affected by construction and this was recognised in the refresh of our community engagement strategy, 'Respecting people, respecting places', in October 2021. Our 2021 – 2022 performance indicator focused on how we dealt with construction queries and complaints flagged as urgent, and 94% of these were resolved within two days. This measure has had its desired effect, which was to ensure that when someone is affected by our work, we respond quickly and effectively.

Enabling our people

Our goal from a people perspective was based on our diversity mix as an organisation.

Our diversity mix continues to be above average for the industry but fell short of our goal.

At Executive Committee level, we now have parity of gender, but across the organisation we still have more to do with our measures at the end of March 2022 showing 22% of our workforce being of BAME origin and 37% identifying as women.



Key Performance Indicators (KPIs) continued

A summary of our progress against each of the Key Performance Indicators for 2021 – 2022 is presented in the following table.

Target(s)	Status	How we performed	2020/21 comparison
Are we safe?			
1. Health and safety performance			
Improve Health and Safety Performance Index (HSPI) score to ≥ 2.20		The Health and Safety Performance Index (HSPI) is an aggregation of a number of health and safety related performance measures. While health and safety performance has improved throughout the year, the overall Enterprise HSPI score finished the year at 1.94, below the 2021 – 2022 target. Improvement activities and reviews of the measures are planned for the 2022 – 2023 reporting period.	The overall Enterprise HSPI score for 2020 – 2021 was 2.24.
Are we on time?			
2. Phase One progress			
Phase One Delivery Into Service (DIS) Target Date maintained		At the end of March 2022 the DIS Target Date of June 2030 remains achievable and is being maintained.	DIS Target Date of June 2030 remained achievable and was being maintained.
Achieve the key Phase One delivery milestones for 2021 – 2022		14 of the 15 key Phase One milestones were delivered in year, with the one remaining item being deferred to 2022 – 2023. The deferral of this particular item does not impact on the overall schedule.	Nine of the 14 key Phase One milestones were delivered in year, the remaining five were deferred to 2021 – 2022.
3. Phase 2a progress			
Achieve the key Phase 2a delivery milestones for 2021 – 2022		Three of the four key Phase 2a milestones were delivered in year, the remaining one has been deferred to 2022 – 2023.	Five of the six key Phase 2a milestones were delivered in year, the remaining one was deferred to 2021 – 2022.
4. Phase 2b progress			
Deposit the hybrid Bill for the Phase 2b western leg by end of February 2022		The hybrid Bill was deposited on 24 January 2022.	N/A



Key Performance Indicators (KPIs) continued

Target(s)	Status	How we performed	2020/21 comparison
Are we on budget?			
5. Anticipated Final Cost (AFC) performance			
AFC at or below Target Cost		At the end of March 2022, AFC for Phase One remains within budget, with emerging cost pressures and opportunities under active management to achieve the Target Cost.	At the end of March 2021, AFC for Phase One was in line with Target Cost, with some emerging cost pressures under active management.
6. Annual budget performance			
Year end out-turn to not exceed Supplementary Estimate by more than 1%, and to be no more than 3% below the Supplementary Estimate for capital spend and 1% for resource spend		<p>Capital spend was 0.3% more than the Supplementary Estimate, within the tolerance range.</p> <p>Resource spend was 6.2% above the Supplementary Estimate, outside of the tolerance range.</p> <p>The overall out-turn of £5,481.9 million however was just £29.2 million or 0.5% more than the Supplementary Estimate, indicating a strong in-year financial performance.</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.</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>



Key Performance Indicators (KPIs) continued

Target(s)	Status	How we performed	2020/21 comparison
Are we a good neighbour?			
7. Environmental performance: biodiversity			
Realise No Net Loss (0%) in biodiversity across the Phase One Main Works Civils contracts by end of March 2022		<p>HS2 Ltd is in a net gain position for two of the three measures (hedgerows, watercourses and area-based habitats) required to demonstrate an overall biodiversity net gain has been achieved on Phase One.</p> <p>Linear habitats, hedgerows and watercourses, are both showing overall gains in biodiversity units of 10.23% and 7.77% respectively. This indicates that it is possible to achieve a net gain position on linear habitats on large infrastructure projects.</p> <p>Area-based habitats are however reported at -2.93% (net loss). This is reflective of development of the contractors' designs, changing areas of land and increasing accuracy and confidence in the no net loss data. The data indicates the challenge in reaching a net gain position for area habitats on HS2.</p>	N/A
8. Environmental performance: carbon emissions			
Forecast 28% reduction in carbon emissions against the carbon baseline for Phase One by the end of March 2022		Forecast carbon reduction in March 2022 was 24.8%, below the in-year target. This was largely driven by carbon reduction performance across the civils portfolio receding by 1% in the year, caused by the re-emergence of assets which had previously been designed out (and the associated carbon reduction 'banked' and reported).	Forecast carbon reduction at March 2021 was 25.4%.
9. Community experience			
Resolve 70% of construction queries and complaints within two working days of them being reported to the HS2 Ltd Helpdesk		<p>HS2 Ltd recognises that communities along the route are impacted by construction and the Company is very focused on engaging with everyone who is interested or impacted as we deliver the programme. This was recognised in the relaunch of our community strategy, 'Respecting People, Respecting Places' in 2021.</p> <p>Our in-year measure for 2021 – 2022 was around how we dealt with construction queries and complaints that were flagged as urgent, and 94% of these were resolved within two days.</p>	N/A



Key Performance Indicators (KPIs) continued

Target(s)	Status	How we performed	2020/21 comparison
Our Organisation			
10. Equality, Diversity and Inclusion (EDI)			
Improve the EDI balance for HS2 Ltd employees to 40% women and 23% BAME representation		Our diversity mix continues to be above average for the industry, however the organisation's EDI balance was 37% women and 22% BAME at the end of March 2022.	The organisation's EDI balance of 38% women and 21% BAME meant that we met the BAME target but not the gender target in 2020 – 2021.



Environmental Sustainability Report

Later this year, we plan to publish our Environmental Sustainability Progress Report, which will provide a full account of our activities and data – and those of our supply chain – between April 2021 and March 2022.

We published our inaugural **Environmental Sustainability Progress Report** and **data appendix** covering the reporting period April 2020 to March 2021 in January 2022. This was accompanied by our commitment to a cleaner, greener future set out in our **Environmental Sustainability Vision** and our **Net Zero Carbon Plan**.

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.

As part of our Environmental Sustainability Vision, we committed to achieve net zero carbon emissions for HS2 Ltd by 2025. This covers the gas and electricity we need to heat and power our offices and further information on our corporate emissions is shown below.

	2021/22	2020/21	2019/20	2018/19	2017/18
Non-financial indicators (CO₂e in tonnes)					
Scope 1: Direct emissions	233	251	279	371	318
Scope 2: Indirect emissions (electricity consumption): market	0	0	12	155	not reported
Location	241	241	348	570	847
Scope 3: Indirect emissions (business travel emissions)	191*	69	375	477	463
Total emissions (market based method)	424	320	666	1,004	n/a
Total emissions (location based method)	665	561	1,002	1,419	1,628
Related energy consumption (kWh)					
Gas	1,274,035	1,367,722	1,518,623	2,019,489	1,727,948
Estates electricity	1,133,623	1,032,789	1,361,262	2,014,070	2,408,080
Related car use consumption data (road miles)					
Private car usage	169,645	33,689	30,476	40,185	35,860
Hire car usage	326,645	208,079	206,582	185,623	126,553

* This figure includes emissions for both domestic and international air travel. There were two domestic flights and four international flights during 2021 – 2022, equating to emissions of 0.27 and 0.36 CO₂e in tonnes respectively.



Environmental Sustainability Report continued

	2021/22	2020/21	2019/20	2018/19	2017/18
Financial indicators					
Total energy expenditure	£213k*	£156k	£241k	£198k	£118k
Waste					
Non-financial indicators					
Total waste arisings (tonnes)	56	28	116	186	120
Waste recycled/reused (recycled, composted, internal or external reused)	27	14	57	119	16
Waste incinerated/energy from waste	29	14	59	66	50
Waste – landfill	0	0	0	0	0
Water					
Non-financial indicators (water)					
Estates water (cubic meters (m ³))	5,330	3,355 ¹	8,261	17,033	20,813
Emissions from water consumption (tonnes CO ₂ e)	2	1	3	6	7
Paper consumption					
Non-financial indicators (reams)					
A5	0	5	25	0	N/A
A4	150	356	810	4,755	N/A
A3	0	23	125	445	N/A
Intensity metrics					
Non-financial indicators					
Total occupancy at HS2 Offices	2,958	2,608	2,448	2,387	2,274
Electricity (kWh per occupant)	383	396	556	844	1,059
Waste arisings (kg per occupant)	19	11	47	78	53
Water consumption (m ³ per occupant)	2	1	3	7	9

* Figure does not include any service charges.



Non-financial information

Health, Safety, Security and Environmental (HSSE) Management

Safety is one of our core values, it goes to the heart of everything we do, and it cannot be compromised as we strive to create an environment where no one gets hurt. During 2021 – 2022, there was a significant increase in the number of hours worked from nearly 30 million to 46.9 million as we saw a move from design to construction stage, with main works intensifying along the Phase One route. This meant more people were onsite in 'high risk' environments, and the increase of about a third in 'hours worked' came as the challenges of working safely during the pandemic remained.

Like all major construction projects, health and safety risks increase in line with the volume and intensity of the work being carried out and HS2 has seen a rise in the number of safety-related incidents. We track our Accident Frequency Rate (AFR), which allows us to benchmark our performance with others and we are recording an industry-leading AFR of 0.05.

Given the challenges we have faced, and our industry leading performance in AFR, we were disappointed not to achieve the 2021 – 2022 Health and Safety Performance Index (HSPI) target of 2.20. A final index of 1.94 was achieved. This has highlighted areas where we can improve and will drive our actions for 2022 – 2023. We have also taken the opportunity to recalibrate the HS2 HSPI

measures. Following external benchmarking, we now have a better understanding of the potential volume and severity of injuries for the work that is being delivered, and so we have set more appropriate targets and are able to measure performance more accurately in 2022 – 2023.

The graphic below shows the HSPI scores by each measure, and total for the financial year 2021 – 2022.

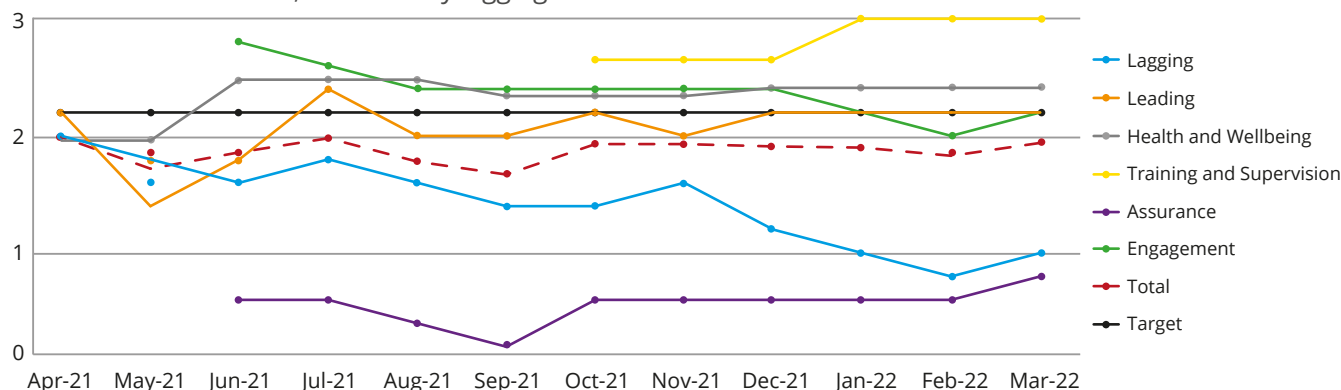
From a positive perspective, four indicators were on or above target: Training and Supervision; Engagement; Health and Wellbeing; and the Leading indicator – which captures near misses (including high potential – HiPo) incidents reported, investigations closed, and learnings shared within 28 days.

Unfortunately, we have seen an upturn in the numbers of incidents due to the increase in the scale and nature of our work, with the key lagging

indicator, Injury Weighted Index (IWI)*, seeing a movement in the rate from 3.07 in March 2021 to 5.40 in March 2022. Although the HS2 programme did not meet the IWI target, it has seen 46.9 million hours worked with thankfully zero life changing injuries or fatalities and it is an industry leading AFR.

The other indicator that was below target was Assurance findings not being closed by the supply chain within 28 days.

An in-depth review involving the supply chain and wider industry has taken place during the 2021 – 2022 financial year, to review the indicators in order to evolve and align targets to achieve safer delivery and continue to stretch and improve our performance, whilst engendering the right behaviours within the programme. These indicators were approved at the HSSE Committee in February 2022.



* The IWI gives a severity weighting to each incident, and counts all incidents rather than just those that result in a formal report under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR).



Non-financial information continued

Safety, health and wellbeing achievements

We have increased our focus on occupational health and wellbeing with the 'Health by Design' challenge, showcasing case studies across the programme. The Health Exposure Monitoring System trial started and we are researching psychological safety.

To help staff to cope with the impacts of the Covid-19 pandemic, we ran 63 wellbeing webinars focussing on mental, physical, financial and social wellbeing. Four 'Get active' programmes promoted ways to improve physical activity for staff affected by Covid-19 and resilience sessions were offered to support staff with change. Working with the supply chain, we produced new guidance and best practice standards for staff working from home and updated this for hybrid working.

The Safety, Health and Wellbeing Leadership Team (SHWeLT), made up of Senior Delivery Leadership from all of our supply chain partners, has developed minimum standards for managing key risk areas covering: 'Plant and People Interface'; 'Service Avoidance' (covering underground and overhead utilities); and 'Lifting Operations'. The SHWeLT have also mapped their maturity of managing common risk areas which has enabled the programme as a collective to target innovation in the key risk areas and share best practice across the supply chain.

The development of 'zero trim piles' by the SCS joint venture shows how HS2 is innovating to eliminate or significantly reduce risk to workers. The new vacuum excavation technique removes the need for works to 'break out' the excess concrete, which causes health problems including hand-arm vibration syndrome and hearing loss.²

Technology is being used to minimise risk when plant and equipment is moved onsite. Artificial Intelligence systems, sensors worn on the body and 'in-cab' fatigue monitoring equipment are being trialled.

We are boosting safety awareness as the supply chain increases site workforce by using actors, role play and immersive engagement techniques during onboarding and inductions. The BBV joint venture has set up a training skills centre to provide safer outcomes, delivering onsite upskilling and addressing the industry skills shortage.

HS2 has built a strong safety culture. We have piloted a safety climate tool (SCT), designed by the Health and Safety Executive. SCT showed we ran a baseline measurement in the 95th percentile for our main works and stations compared with other projects nationally. We repeated the process in spring 2022 across the whole programme and the results are being used to develop our safety culture.

We ran internal health and safety transformation workshops for main works partners and HS2's integrated project teams for stations. We have shaped leadership behaviours to keep safety at the top of the agenda.

Security and illegal protester activity

During 2021 – 2022, we have evolved our approach to mitigating the risk from protester action and enhanced our internal governance arrangements, creating an Illegal Protest Steering Group, chaired at Executive level. We have developed a strategy centred on prevention. This work will see greater use of data and analysis, focussing some of our stakeholder engagement efforts where protest is more likely, concentrating our proactive security specialists on hotspots, and working with the Government to ensure legislation properly reflects the significant impacts of illegal protest on major transport projects. Significantly, as part of this prevention strategy, we applied to the High Court in March 2022 for route-wide injunctions to ensure that we are better equipped to deal with illegal protest right across the project. We await the outcome of our application.



Non-financial information continued

Security Incident Response Teams are now part of our proactive security provision, and this has improved our response time and reduced programme delays. There is a framework to manage our fellow Civil Contingency Act responders. Partnership groups have been set up along the route and we have a presence on ResilienceDirect.³

Lessons learned from the removal of protesters from tunnels at Euston were successfully implemented into the Small Deans tunnelling removal operation, which was an operational success.

Alongside Covid-19, physical security was our overriding concern as we dealt with increased protester activity and a rising number of violent crimes. In 2021, we responded to 318 reports of protest and trespass on Phase One compared with 418 in 2020, a fall of 24%. During 2021, incidents of criminal damage decreased to 158 compared with 180 in 2020, a drop of 12%. However, physical assaults increased from 17 to 25.

Summary

In conclusion, 2021 – 2022 has seen solid HSSE performance, with four of our HSPI measures achieving target, with industry leading performance in AFR, while two of our HSPI measures did not meet the target, resulting in an overall index under the 2.20 target.

The programme did not meet the Injury Weighted Index (lagging indicator) target, as the programme saw a change in the risk profile and quantity of work being undertaken on site. Having undertaken external industry benchmarking and, noting our industry leading AFR of 0.05 with zero life-changing injuries, we will recalibrate our IWI targets for 2022 – 2023.

There have been a number of learning opportunities, in particular following some high potential events, like near misses that had the potential to cause significant harm. HS2 Ltd, working with the supply chain, has looked to share this learning across contracts and embed improvements programme-wide. This has led to us delivering new ways of working, and continuing to be diligent in considering the safety, health and wellbeing of all the workforce across the programme.

Fraud, corruption and whistleblowing

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. We are developing and engaging in a programme of data analytical strategies, to help us proactively detect anomalies which may be the result of fraud, waste or error.

In addition, our trained and experienced investigators work together with our supply chain partners to investigate fully all 'Speak Out' (whistleblowing) 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.



Non-financial information continued

Community engagement

Our aspiration is to deliver HS2 in the right way, respecting the people and places affected by HS2. Our approach to engagement is set out in our community engagement strategy, 'Respecting people, respecting places', which was refreshed in 2021 to reflect feedback received from local communities.

We have introduced improvements including:

- A unified single management system for community engagement and complaints handling across HS2 Ltd and the supply chain, so there is a single consistent record for all organisations operating in a single location.
- Additional proactive local communications to provide notice and raise awareness of HS2 activity in impacted communities.
- From April 2021 we have shortened HS2 Ltd helpdesk response times so that construction issues can be picked up, assessed and mitigated quickly.
- New area-based delivery unit managers with geographical responsibility for joining up construction contractors and communities to prevent and tackle local issues.

- New briefing materials to alert MPs and councillors of the agreed single points of contact along the Phase One and 2a routes so issues can be escalated if they are not resolved in the first instance.

Future public reporting will be geared towards the enhanced commitments set out in the refreshed strategy.

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](https://www.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-ltd-residents-commissioner](https://www.gov.uk/government/collections/hs2-ltd-residents-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.

Information requests

HS2 Ltd's performance in meeting its obligations under the Freedom of Information (FOI) Act 2000 and Environmental Information Regulations (EIR) during 2021 – 2022, is set out in the table below.

	FOI	EIR	FOI & EIR (combined)	Grand Total
Total number of requests received	207	236	6	449
of which:				
Requests responded to on time	181	215	6	402
Requests responded to outside of statutory timeframes	25	17	0	42
Requests received in 2021/22 that remained open at the end of the reporting period	1	4	0	5



Non-financial information continued

A total of 53% of requests received in 2021 – 2022 were classified as requests under the Environmental Information Regulations. In 2021 – 2022, 90% 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 2022 – 2023.

Disclosure on confidentiality agreements

HS2 Ltd has committed to disclosing in the Annual Report how many confidentiality agreements HS2 Ltd has entered into in the relevant period (1 April 2021 to 31 March 2022). HS2 Ltd enters into confidentiality agreements with a wide array of organisations and persons, often to allow such organisations and 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 24 confidentiality agreements were entered into by HS2 Ltd.



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:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- 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 29 June 2022 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Mark Thurston', written over a light blue horizontal line.

Mark Thurston
Chief Executive and Accounting Officer



Corporate Governance Report

Directors' Report	31
Statement of Directors' and Accounting Officer's responsibilities	33
Governance Statement	34
Remuneration and Staff Report	53

Image: Construction work at Willesden Euroterminal, the logistics hub for HS2 works in London.



Directors' Report

The Directors present their report together with the financial statements of the Company for the year ended 31 March 2022. 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 2021 and 31 March 2022 are:

- Michael Bradley, Chief Financial Officer, Executive Director;
- Allan Cook, Non-Executive Chair (until 31 July 2021);
- Melvyn Ewell, Non-Executive Director;
- Dame Judith Hackitt, Non-Executive Director;
- Thomas 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 (until 31 October 2021);
- Sir Jonathan Thompson, Non-Executive Director (since 1 April 2021);
- Mark Thurston, Chief Executive Officer, Executive Director; and
- Ruth Todd, Chief Commercial Officer, Executive Director (since 20 July 2021).

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](https://www.gov.uk).

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 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 which can be found [here](#).

Principal activities

The principal activities of HS2 Ltd are set out in the Strategic Report under the 'Remit and scope' section on page 12.

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."



Directors' Report continued

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 2022 shows that 85% of approved invoices were paid within 30 days of invoice date (2020 – 2021: 90%). No claims were made against HS2 Ltd in 2021 – 2022 (2020 – 2021: 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 12.

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 29 June 2022.

Mark Thurston

Chief Executive and Accounting Officer



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 that proper accounting records are maintained that disclose, with reasonable accuracy at any time, the financial position of HS2 Ltd and which 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 (FRM) 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 FRM have been followed, and disclose and explain any material departures in the financial statements;
- ensure that the Annual Report and Accounts 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 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.



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 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 2021–2022.

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/contact-us/how-to-complain/

The Audit and Risk Assurance Panel (a sub panel 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 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 typically meets on a monthly basis (or otherwise as required). Its role is to:

- ensure that HS2 Ltd delivers its obligations under the Development Agreement;
- ensure effective governance of the Company so that the Company makes decisions at the right time and properly manages risks;
- challenges and shapes 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; 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, Chief Financial Officer and Chief Commercial Officer are Executive Directors.

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

Board commitment and attendance

Biographies of the Board members are published on the [gov.uk website](https://www.gov.uk). 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 53 to 61.



Governance Statement continued

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	11/11					
Allan Cook CBE , Chairman	4/4				2/2	2/2
Mel Ewell , Non-Executive Director	11/11		5/5	8/9		
Dame Judith Hackitt , Non-Executive Director	10/11		3/5		6/6	5/5
Tom Harris , Non-Executive Director	11/11					5/5
Elaine Holt , Non-Executive Director	11/11		5/5		6/6	
Stephen Hughes , Non-Executive Director	11/11	6/7		8/9		
Ian King , Non-Executive Director	10/11					3/3**
Roger Mountford , Non-Executive Director	10/11	7/7		9/9		
Ed Smith , Non-Executive Director	4/5	5/5				3/3
Sir Jonathan Thompson , Acting Chairman	9/11	2/2*				
Mark Thurston , Executive Director	11/11				6/6	
Ruth Todd , Executive Director	7/7					

* Member of Audit and Risk Assurance Committee 2 December 2021 onwards.

** Member of Environmental Sustainability Committee 19 October 2021 onwards.

Note: Mark Thurston, Michael Bradley and Ruth Todd attended various sub-committee meetings during 2021 – 2022 but this is not reported in the table above as they are not classified as ‘members’ of those sub-committees.



Governance Statement continued

Changes to Board membership

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

- Sir Jonathan Thompson was appointed as Non-Executive Director on 1 April 2021;
- Ruth Todd was appointed as an Executive Director on 20 July 2021;
- Allan Cook resigned as Chair on 31 July 2021; and
- Ed Smith resigned as Non-Executive Director on 31 October 2021.

Personal data related incidents

In the 2021 – 2022 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'**.

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 2022 is three Executive Directors and eight 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 are currently two Executive Directors, 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. Visits to key areas along the line of route are also arranged to provide visibility of work in progress and liaison with key stakeholders.
- Following changes to the Board composition and the resignation of the HS2 Ltd Chair in July 2021, HS2 Ltd has worked with the DfT on interim arrangements, including the appointment of Sir Jonathan Thompson as the Deputy Chair in January 2022. At the time of reporting, the Deputy Chair is conducting a review of Board membership and composition, to ensure it has the appropriate level of skills and experience for the programme, including actively seeking to improve diversity at Board level for the 2022 – 2023 Financial Year and in readiness for the appointment of the permanent Chair.
- The Board receives updates and reviews actions and recommendations received from Stakeholders including:
 - National Audit Office;
 - West Coast Partnership; and
 - Rail Reform.



Governance Statement continued

Board decision-making

Effective, structured decision-making is crucial as the Company progresses construction of the railway. In 2021 – 2022, 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, human resources, programme review (including land and property), environmental sustainability, Covid-19 response, corporate affairs and strategic and stakeholder engagement;
- investment and change approvals;
- approval of the 2020 – 2021 Annual Report and Accounts; and
- approval of the 2021 – 2024 Corporate Plan.

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

- update to governance delegations to ensure continued efficacy of HS2 governance regime;
- Phase One delivery (including Schedule Mitigation and Control Exercise updates);
- Phase 2a delivery;
- Phase 2b western leg outline business case and final Baseline 2.1W;
- Rail Systems Alliance;
- revisions to the Development Agreement and Framework Document;
- Euston station updates;
- Rolling Stock Contract Award;
- Rail Systems Packages Contract Awards;

- Station Common Components Contract Award;
- review and approval of Corporate Key Performance Indicators (KPIs);
- strategic risks; and
- technical and programme integration.

Copies of the minutes of HS2 Ltd Board meetings for 2021 – 2022 are available on the [gov.uk website](https://www.gov.uk).

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 update;
- HS2 Rail Systems Alliance;
- West Coast Partnership;
- rail reform;
- Phase 2b west outline business case;
- schedule mitigation;
- Phase 2b Baseline 2.1W;
- strategic risks – workshop;
- virtual construction operations room – demo;
- Phase One costs and the efficiency Challenge Programme;
- Main Works Civils;
- commercial;
- rolling stock;
- technical and programme integration; and
- Phase 2a.

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. The Power BI system is now well embedded and used regularly by over 200 employees, producing refined management information for Executive and Board scrutiny. HS2 Ltd’s management information and reporting arrangements remain under continuous review.

Board effectiveness

In the financial year 2021 – 2022, an external Board effectiveness review was conducted. The Principles of Good Corporate Governance and The UK Corporate Governance Code 2018 were used as the architecture for the review, and aligned to suit HS2 Ltd’s priorities. Prior to commencing the review, a detailed scoping meeting was held with the HS2 Chair and Company Secretary, and reviews and opinions were sought from all Board Directors, Board Attendees, and Shareholder Observers.

The review focused on the Board’s effectiveness to fulfil its obligations to the shareholder, but also how it supports the Company to deliver safely and in line with cost and schedule expectations. It elicited themes and suggestions for the Board to consider, to enhance its ability to instil confidence, and provide the assurances required by the DfT and HM Treasury as the programme proceeds with construction for Phase One, and procurement and detailed planning for Phase 2a and Phase 2b.



Governance Statement continued

Additionally, the discussions explored the alignment between stakeholders and the Board, and the emerging priorities for the incoming Chair on appointment following the announced departure of Allan Cook as Chair.

Themes of the effectiveness review were presented to the Board on 28 July 2021 and further reviewed prior to completion of the Annual Report and Accounts in 2022.

Good progress is being made with addressing the required actions, following the review, including:

- The creation of a narrative document to set out the roles and responsibilities between HS2 Ltd and the DfT and the establishment of regular ways of working sessions.
- Investment to develop both formal and informal relationships with the DfT and HM Treasury, for alignment of expectations and information sharing.
- A review of the Terms of Reference for all Board sub-committees, to assure that these remain fit for purpose.
- Continuous review of the Board agenda and Management Information, to allow sufficient review of the multi-phase complexity and scale of the project(s).
- Review of Board composition to reflect the evolving needs of the programme, while gaining the optimum value from the cohort of Non-Executive Directors.

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 in this period were Non-Executive Directors Ed Smith (Chair until October 2021), Sir Jon Thompson (Chair since October 2021), Stephen Hughes and Roger Mountford. 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 following 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, including commercial assurance;
- six-monthly Counter-Fraud updates, including approval of the Counter Fraud Strategy;
- six-monthly update on 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 and assurance of Phase 2b Baseline 2.1 (western leg);
- update on lessons learned from Major Projects, including NAO updates on Crossrail;
- review and monitor Cyber Security Penetration Testing exercises;
- review of the annual Requirements Status Report; and
- review of HS2 Ltd's compliance with IR35 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.



Governance Statement continued

The committee conducted a Self-Effectiveness Review in early 2020 and has continued to review the actions and themes identified on a regular basis. These actions have focused on the following topics:

- membership, independence, objectivity and understanding;
- the role and scope of the committee;
- communication and reporting; and
- forward looking themes, specifically commissioning a series of deep dive topics for the year.

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 Remuneration Committee meets quarterly or as matters arise and its members 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 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 Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Commercial Officer (CCO) objectives;
- review of Executive and employee performance and pay;
- senior roles and quota tracking;
- review of Executive talent and succession planning; and
- review of Equality, Diversity and Inclusion data.

Commercial and Investment Committee

The Commercial and Investment Committee (CIC) enhances the Board's scrutiny of major procurement and investment decisions. Its function is to review procurement plans and specific 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 – 2021, the Board delegated its authority to the Committee for procurement decisions for Phase 2a and Phase 2b (for onward submission to DfT) and also for Phase One Change decisions on awarded contracts, to support more efficient decision-making.



Governance Statement continued

The CIC meets monthly, as required, and its Members are Non-Executive Directors (Roger Mountford, Committee Chair, Mel Ewell and Stephen Hughes). Other Non-Executive Directors with relevant expertise are also invited to participate in specific discussions.

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 material change(s) to existing contracts are presented for the Board's approval.

The committee has scrutinised the following topics prior to submission to the Board. The Committee has also held several briefings on some of these topics in advance of receiving the final submission. The committee has sometimes received delegations from the Board to approve decisions on its behalf to allow a more agile approach. They include the following:

- Rail Systems Commercial Modelling
- Rail Systems Alliance (and interim commercial submissions)
- Rail Systems – Packages
 - Track – Invitation To Tender (ITT) issue
 - Uninterruptible Power Supply – Pre-Qualification Questionnaire issue
 - Control, Command, Signalling – ITT issue
 - High Voltage Power – ITT issue
 - Switches and Crossings – Negotiation Strategy
- Station Common Components
 - Lifts and Escalator – Award Framework Agreement
- Birmingham Curzon Street Design and Build Contract – Contract Readiness
- Systems Delivery Portfolio Refresh
- Phase 2a Enabling Civils Works – Package 2 Stage One
- Phase 2a SoST Change Notice for additional Scope at Crewe
- Rolling Stock Contract Award
- Specialist Security Services Procurement Plan
- Property Acquisition, Manchester
- Euston Construction Partner
 - Contract Supplemental Agreement
 - Interim Funding.

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 and also provides assurance to the Board that the Executive Team is effectively managing Health, Safety, Security and Environment risks.

The Committee meets bi-monthly and as matters arise. Its members are the Chief Executive (committee Chair until February 2022) and three Non-Executive Directors (Allan Cook, until July 2021), Dame Judith Hackitt (Committee Chair since February 2022) and Elaine Holt.

The committee receives standing updates from Leadership Groups at each meeting covering Delivery, Civils, Stations and Systems, Technical Services, Phase Two, Land and Property, People, Health and Wellbeing.



Governance Statement continued

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

- regular review of the Health, Safety, Security and Environment performance report;
- regular review of Safe at Heart plan;
- regular review of health and safety performance;
- protester activity lessons learned; and
- environmental Core Risks.

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

- Mental Health in Construction;
- Safety Culture Survey Results and building the Safety, Health and Wellbeing Leadership Team (SHWeLT) Strategic Plan; and
- Fatigue Management.

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 until July 2021), Ed Smith, Judith Hackitt, Tom Harris and Ian King (committee Chair since October 2021)). 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 Progress Report**.

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

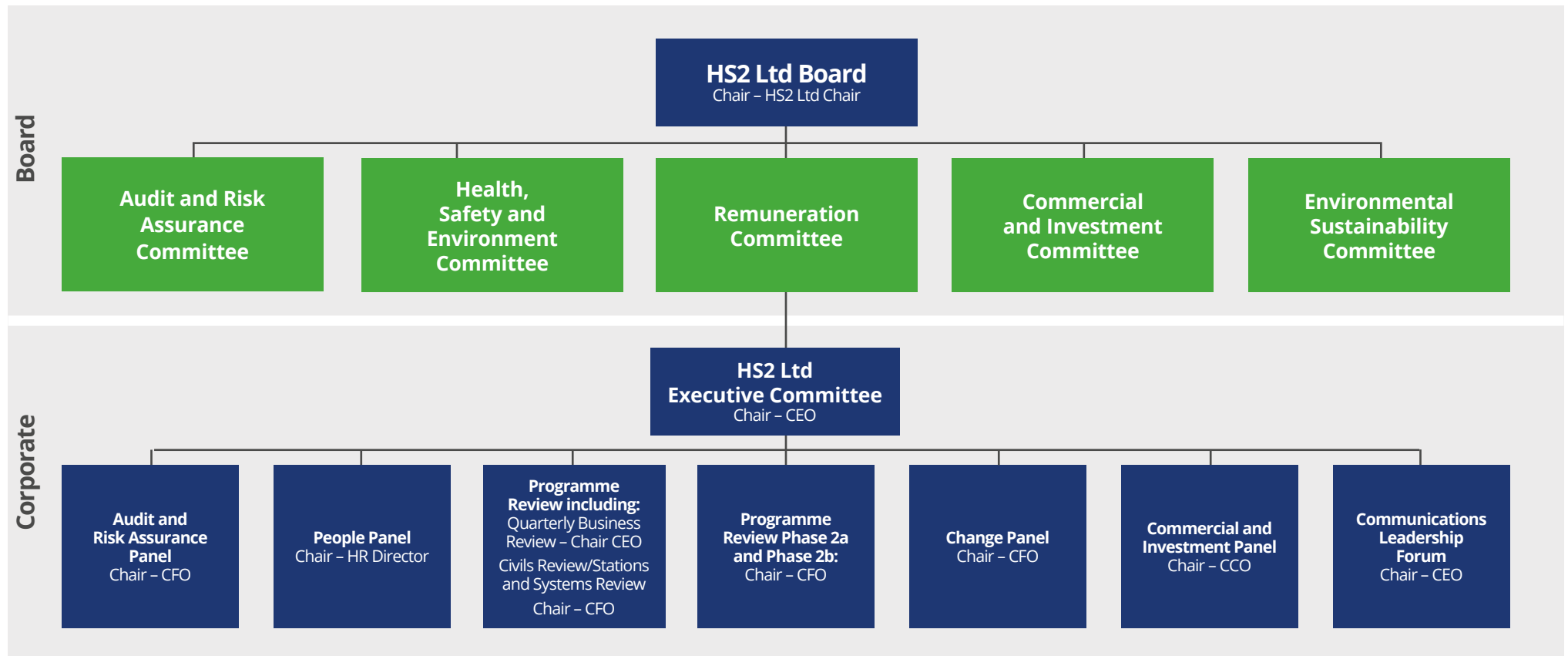
- HS2 Net Zero Carbon Plan;
- HS2 Biodiversity Action Plan;
- Phase 2b Biodiversity Action Plan;
- environment communications strategy; and
- COP26 updates.



Governance Statement continued

Governance structure

The diagram below shows the HS2 Ltd Governance Structure at 31 March 2022.





Governance Statement continued

Position	Executive	Started	Ceased to be an Executive member
Chief Commercial Officer	Ruth Todd	20/07/2021	
Chief Executive Officer	Mark Thurston		
Chief Financial Officer	Michael Bradley		
Delivery Director (interim)	David Bennett		27/08/2021
Delivery Director – Civils	Mike Lyons	09/08/2021	
Delivery Director – Stations and Systems	Chris Rayner		
Delivery Director – Technical Services	Emma Head		
Director, Communications and Stakeholder Management	Aileen Thompson		
General Counsel	Nicole Geoghegan		17/02/2022
HR Director	Neil Hayward		29/10/2021
HR Director (interim)	Shira Johnson	01/11/2021	
Managing Director Phase Two	Tim Smart		

Executive Team

The Executive Team manages the day-to-day management and operations of HS2 Ltd and in 2021 – 2022 comprised the personnel listed in the table opposite (unless otherwise stated, the relevant Executive member served throughout the year).

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 ISO 31000:2018 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 across the enterprise in accordance with our Risk Appetite Statement as set out on the following pages.



Governance Statement continued

Purpose

HS2 Ltd wants to be seen as having a best in class approach to risk management and to be respected within the UK for developing a world class railway whilst deploying exemplar practices in health and safety, equality diversity and inclusion, community relations and environmental control.

Principles

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.

To manage the inherent risks facing the HS2 project and organisation, and maintain risk exposure within risk appetite thresholds, HS2 Ltd has set the following risk management goals and capability priorities.

- We will operate a best in class approach to risk leadership, developing and maintaining enhanced risk management capabilities.
- We recognise our role in leading and facilitating effective risk management across all organisations working to deliver HS2. The Company will promote management of risks by those most capable to help realise the benefits of HS2 and enhance value for money.

- We will put safety at heart, and 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 know the Company's and our stakeholders' reputations and HS2 Ltd's licence to operate are influenced by our ability to spend public funds wisely, and deliver HS2 to programme and within available funding. We will therefore be realistic and transparent about project options and the potential impacts of internal and external risks on costs and benefits as they emerge.
- We strive for excellence in respect of managing and mitigating risks to achieving programme targets. This includes pursuing commercial and operational risks where they stimulate innovation that may accelerate delivery, reduce cost or enhance the passenger experience. We will identify the opportunities worth holding, and open options up to scrutiny.

Applicability, implementation and resources

HS2 Ltd recognises that its risk profile will change significantly over time as we move from consultation and approvals, to construction, delivery and operations.

- Our risk appetite will be reviewed as the programme develops.
- As we proceed, we will carefully monitor and review individual and compound exposures relative to our risk tolerances and appetite thresholds.
- Where we forecast differences, we will review the implications and options and proactively respond.

Working with its partners, stakeholders and growing supply chain, HS2 Ltd will develop its risk management capabilities, operating model and delivery approach to maintain risk exposure within appetite.

Governance Statement continued

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

HS2 Ltd recognises that its risks are changing over time as it moves across the various stages of programme lifecycle from consultation through to delivery and then into operations. Our risk appetite is regularly reviewed and updated to reflect the state of the programme.

HS2 uses its Enterprise Risk Management (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/audit activities. Under RCA, a set of Core Risks, to which all other risks are linked, are directly correlated with our Control Framework, which has seen further development as we move into the delivery stage of the project.



HS2 Ltd's risk appetite is embedded in our assessments of risks and the associated responses.



Governance Statement continued

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

Risk description: There is a risk that...	Mitigation action
<p>The external political, unexpected external events, legal, standard changes and supply chain context outside of HS2 control may change significantly which may impact on current or future scope of HS2 programme and hinder achieving the programme's objectives.</p>	<p>HS2 Ltd, like the rest of the construction sector, continues to monitor the implications of external events including the ongoing impact of Covid-19, EU exit, the war in Ukraine, inflation and its impact on supply chain. The Board and management regularly consider other potential or emerging risks.</p> <p>A regular engagement programme is in place with the Minister through the Chair, CEO, DfT and HS2 sponsorship team.</p> <p>Global monitoring of international, national and regional media; brainstorming with Board members at regular frequency with a strawman in place.</p> <p>A quarterly review is undertaken of emerging national and line of route stakeholder themes and complaint/query analysis.</p>
<p>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.</p> <p>There is a risk that HS2 works are disrupted by unlawful protest, affecting schedule, cost and reputation.</p>	<p>Proactive management actions are in place to carefully monitor and mitigate the risks. Key actions that are in place include:</p> <ul style="list-style-type: none"> • 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, for example potential to delay time-critical works; • closely coordinated working between HS2, 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 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 HSE team for wider adoption by Phase One contractors; • planning for potential for re-sequencing of works, etc. in event of incident; and • impact assessment being undertaken to forecast and understand direct cost and also schedule implications.



Governance Statement continued

Risk description: There is a risk that...

Mitigation action

The UK supply chain's total capacity for the delivery of infrastructure projects, including capacity, solvency, skills and other resource shortfalls may prevent HS2 from achieving its strategic goals and benefits. This may also impact on HS2's ability to meet schedule timelines or result in increased cost pressures not anticipated.

An HS2 Supplier Relief Working Group has been established (led by 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 the DfT, Network Rail and Highways England on approach, and oversees supply chain monitoring. The Group includes representation from Policy and Process, Corporate Contract Management, Construction, Phase Two, Client Services, Supply Chain and Finance teams. The continuing impacts of Covid-19, and its ongoing economic repercussions, remain a challenge for HS2 Ltd. We have continued our 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 U.K. and creating a legacy of a highly skilled and diverse workforce.

The scale and complexity of the HS2 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 Ltd'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 Safety, Health and Wellbeing Leadership Team (SHWeLT)/supply chain engagement on catastrophic risks, to develop a consistent approach and identification of JV top catastrophic risks. Catastrophic risks are identified and shared with the supply chain, peer review assurance is undertaken and catastrophic risks are identified as a thematic area for all SHWeLT working group meetings. HS2 carefully oversees integrated geographic works and also at periodic intervals undertakes a forward look at potential high risk events.

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.

The 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 by the Enterprise Capability Programme, where the maturity of the organisation was assessed (via three levels of assurance) with 14 identified capabilities achieved. The HS2 Leadership Framework has now been established and embedded in the recruitment process and development programmes. This also includes the launch of the Leadership and Management discovery programmes.



Governance Statement continued

Risk description: There is a risk that...

HS2's supply chain contractors are unable to deliver to their contracted milestones, due to a number of factors including performance issues, resulting in schedule overruns and unanticipated cost pressures.

Mitigation action

Proactive management actions are in place to carefully monitor and mitigate this risk. Key actions include the following.

- A review of the commercial model, focusing on the effectiveness of milestone-related contractual incentivisations is underway, led by our Chief Commercial Officer.
- Ongoing monitoring of supply chain capacity and knowledge sharing with other similar projects.
- Working collaboratively with contractors to smooth demand peaks and troughs.
- Regularly undertaking Capacity Constraint Analysis to improve understanding of market/supplier constraints, and to develop acquisition plans.



Governance Statement continued

Our strategic risks are owned and managed by the Board. Each strategic risk has an Executive risk owner with well-defined mitigations in place and clearly assigned action owners. We have a well defined process for managing our strategic risks and track the profile of each risk every quarter, to review its profile, 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. As part of our overall governance we reviewed and updated our strategic risks in 2021 – 2022. The review included 'Horizon Scanning' and identification of new strategic threats. The review process also enabled us to refine the definitions of threats, and our mitigation strategies, as well as identify a number of opportunities.

The Covid-19 pandemic, which emerged in March 2020 along with EU exit and significant inflation, has created major challenges across the construction industry and its supply chain. This uncertainty is likely to continue well into financial year 2022 – 2023. We are working closely with our supply chain, who have responded well to the challenges, including implementing innovative and newer ways of working. Further activity to understand and quantify the impacts associated with various external events and uncertainties 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.

The maturity of Risk and Assurance within HS2 Ltd has continued to develop, resulting in the achievement of Level 4 Capability during 2021 – 2022, measured in line with a recognised capability framework. Embedding and sustaining Level 4 is a key focus for the next financial year.

HS2 Ltd's risk profile changed in 2021 – 2022 with increased delivery pressure and competing priorities, e.g. resetting the plan for Phase One to stabilise Main Works Civils Contracts schedules and delivering against an aggressive Phase 2b schedule. The control environment needs to respond to this level of business change; some common opportunities have been identified relating to compliance monitoring, assurance arrangements relating to internal control, and visibility of supply chain controls. An Assurance Improvement Plan is in place to address these key areas and significant progress is already being made. A HS2 Ltd Assurance Map has been developed as a tool to support the Executive Leadership Team in determining whether they have sufficient assurance that the strategic risks are being appropriately managed and to support decisions on the allocation of assurances, resources and activities for each strategic risk theme.



Governance Statement continued

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.

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 opposite.

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 ‘two-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.



Governance Statement continued

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 programme and commercial milestones and decisions, and review of core corporate processes. The IAAP defines the forward plan for the next 12 months, and in outline for the following six months. The outcomes of these assurance activities are reported to the executive-level Audit and Risk Assurance Panel (ARAP) and Board-level ARAC.

The Construction Directorate Operational Assurance Matrix, prepared in 2021, represented the first time all construction-related Operational Assurance (LOD1) activities had been captured in a single place. During 2022 – 2023 we will extend the IAAP to include the Operational Assurance schedule, giving a consolidated mapping of cross-organisation assurance activities.

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 Management Assurance Statement (MAS) which is signed by the Accounting Officer and is submitted to the DfT. The review assesses the effectiveness of our systems of internal control; to identify areas where controls may not be operating effectively; and to develop (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.

HS2 Ltd has delivered a year-on-year improvement in the MAS outcomes, which covers more than 30 elements of the internal control framework.

Head of internal audit opinion

In their annual audit opinion for Financial Year 2021 – 2022, the Head of Internal Audit concluded that overall, the Company has maintained sound systems of governance, internal control and risk management. They did however highlight that there is scope for improvement, and this is reflected in their overall level of assurance which is Moderate.

Good practice was noted across a range of business and financial reviews, with the majority of areas exhibiting Moderate assurance levels, however, there was a significant increase in the proportion of Limited opinion reports when compared with previous years.

Two areas were highlighted as requiring improvements: embedding controls throughout the supply chain, and assuring the Company's control and compliance arrangements.

When formulating their opinion, they recognised that management have already taken steps to address many of the issues raised to bring the control framework back in line with good practice, via a concerted effort to address outstanding management actions.



Governance Statement continued

Looking ahead, embedding these improvements and the integrated assurance regime should be a key focus for the financial year 2022 – 2023.

Reflecting on the drivers for this trend towards more limited opinion reviews in 2021 – 2022, they noted that in previous years audits have focused strongly on controls design, as the programme was at an earlier stage. As HS2 Ltd expands construction activity, and onboards multiple additional suppliers, focus has turned to controls execution, which is inherently more challenging, and it is likely that this shift will hold, given the volume of change expected in the financial year 2022 – 2023 and beyond.

External certifications

The Company is certified to ISO 9001 (Quality Management), ISO 14001 (Environmental Management) and ISO 45001 (Occupational Health and Safety Management) standards. HS2 Ltd has also achieved PAS 2080 (Carbon Management in Infrastructure) accreditation, 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 is a maturing organisation, adapting as programme requirements have changed. HS2 Ltd's risk profile changed considerably in 2021 – 2022 with increased delivery pressure and competing priorities, and our internal control framework continues to be enhanced in response.

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, our Management Assurance self-assessment, our Capability Framework, and the management letter of the National Audit Office (NAO).

This report is for the financial year 2021 – 2022 and, in relation to significant balance sheet events, to the date of signing.

Approved by the Board on 29 June 2022 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 2021 – 2022 are shown in the Governance Statement on pages 35 to 36.

Remuneration policy

As a Non-Departmental Public Body (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 2021 on the [gov.uk website](https://www.gov.uk).

Total remuneration – Directors (audited)

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 currently three 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 Director.¹



Remuneration and Staff Report continued

Executive Directors are permanent employees of HS2 Ltd. Their contracts of employment have no fixed end date but certain termination provisions 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 2022 are as follows:

Board member	Name	Title	Appointment date	Re-appointment date/due date	Appointment end date
Non-Executive Director	Sir Jonathan Thompson	N/A	01-Apr-21	31-Mar-24	31-Mar-24
Non-Executive Director	Ian King	N/A	01-Jul-20	30-Jun-23	30-Jun-23
Non-Executive Director	Tom Harris	N/A	01-Jul-20	30-Jun-23	30-Jun-24
Non-Executive Director	Elaine Holt	N/A	01-Jul-20	30-Jun-23	30-Jun-23
Non-Executive Director	Roger Mountford	N/A	19-Feb-15	18-Feb-19 Re-appointment 19-Feb-19 – 18-May-22 Re-appointment 18-May-22 – 18-May-23	18-May-23
Non-Executive Director	Melvyn (Mel) Ewell	N/A	01-Sep-16	31-Aug-19 Re-appointment 01-Sep-19 – 31-Mar-23	31-Mar-23
Non-Executive Director	Dame Judith Elizabeth Hackitt	N/A	01-Apr-19	31-Mar-23	31-Mar-23
Non-Executive Director	Stephen Edward Hughes	N/A	01-Apr-19	31-Mar-23	31-Mar-23
Non-Executive Chair	Allan Edward Cook	Chair	05-Dec-18	05-Dec-21	31-Jul-21*
Non-Executive Director	Ed Smith	N/A	01-Aug-18	31-Jul-19 Re-appointment 01-Aug-19 – 31-Jul-22	31-Oct-21*

* Resigned prior to end of term.



Remuneration and Staff Report continued

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 must 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 period.²

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

In the light of the broader market conditions in 2020, the Chief Executive took a voluntary reduction in their remuneration 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.

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 – 2021 financial year. All those who were entitled to a bonus for the 2020 – 2021 performance year, payable in the 2021 – 2022 financial year, chose to voluntarily decline.

Full Name	Fees and salary (£)		Bonus payment (£)		Taxable benefit (£)		Pension benefit (£)		Total (£)		Board role
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	
Mark Thurston	£617,296	£580,172	-	-	£5,387	£4,907	-	-	£622,683	£585,079	Chief Executive
Michael Bradley	£275,400	£275,400	-	-	£3,312	£3,579	£33,048	£33,048	£311,760	£312,027	Chief Financial Officer
Ruth Todd	£168,308 (£240,000)	-	-	-	£6,119	-	£20,197	-	£194,624	-	Chief Commercial Officer
Sir Jonathan Thompson	£28,748	-	-	-	£547	-	-	-	£29,295	-	Non-Executive Director
Ian King	£68,400	£17,100	-	-	£154	-	-	-	£68,554	£17,100	Non-Executive Director
Tom Harris	£26,529	£17,100	-	-	£2,989	-	-	-	£29,518	£17,100	Non-Executive Director
Elaine Holt	£37,050	£22,800	-	-	£517	-	-	-	£37,567	£22,800	Non-Executive Director
Roger Mountford	£43,563	£39,663	-	-	£370	-	-	-	£43,933	£39,663	Non-Executive Director
Melvyn Ewell	£22,800	£22,800	-	-	-	-	-	-	£22,800	£22,800	Non-Executive Director
Dame Judith Hackitt	£23,888	£23,513	-	-	£546	-	-	-	£24,434	£23,513	Non-Executive Director
Stephen Hughes	£22,800	£22,800	-	-	£50	-	-	-	£22,850	£22,800	Non-Executive Director

Note: Full Year equivalent figures shown in brackets. The Chief Executive has reached the threshold for pension benefit and is therefore exempt from pension deductions. As compensation, he receives an additional £66,139 per annum in lieu of pension – which is included within Fees and salary.



Remuneration and Staff Report continued

Directors who left the Board during 2021–2022

Full Name	Fees and salary (£)		Bonus payment (£)		Taxable benefit (£)		Pension benefit (£)		Total (£)		Board role
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	
Ed Smith (31/10/21)	£22,325	£36,450	-	-	-	-	-	-	£22,325	£36,450	Non-Executive Director
Allan Cook (31/07/21)	£76,667 (£230,000)	£214,667	-	-	£3,148	-	-	-	£79,815	£214,667	Chair

In the light of the broader market conditions in 2020, the Chair took a voluntary reduction in their remuneration of 20% for four months, from 1 November 2020 to 31 March 2021. The calculations for taxable benefits cover: healthcare plan; Group Income Protection; life assurance; health assessment costs; and travel costs to Directors' principal place(s) of work. Non-Executive Directors are eligible for taxable travel benefit only.

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 2022, employers' contributions were £12.6 million (2021–2022: £10.3 million).

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'. Scheme liabilities do not sit with 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 2021–2022.

Relocation payments

HS2 Ltd did not make any relocation payments to employees during 2021–2022.

Enhanced redundancy payments

No enhanced redundancy payments were made during 2021–2022.

Statutory redundancy payments 2021–2022

Band	Number of payments
<£10,000	5
>£10,000	0
Total number of payments	5
Total Cost	£23,392

No external approval is required for redundancies made on statutory terms.



Remuneration and Staff Report continued

Fair pay disclosures (audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid Director in the organisation to the median, 25th and 75th percentile remuneration of the Company's workforce. This has been calculated in line with Option A of the Companies

Act. The Company is content that the ratios are consistent with pay, reward and progression policies taken as a whole.

The total annualised remuneration of the highest paid Director of HS2 Ltd at 31 March 2022 was £622,683 (2020 – 2021: £510,832), which was 8.9 times the median salary of the workforce.

The median is determined as the mid-point of all salaries comprising employees, secondees and temporary staff.

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 (2020 – 2021: none). Actual staff remuneration (on an annualised basis) for full-time work at 31 March 2022 (excluding the highest paid director) ranges from £23,859 to £408,600 per annum (2020 – 2021: £23,244 to £454,000, excluding the highest paid Director).

In light of the broader market conditions in 2020, the Chief Executive took a voluntary reduction in his base salary of 20% from 1 November 2020 to 31 March 2021 which explains the movement in median pay ratio from 7.4 to 8.9.

Four senior executives, including the Chief Executive, were entitled to a bonus for the 2020 – 2021 performance year, payable in the 2021 – 2022 financial year, but these were all voluntarily declined. As part of the April 2021 pay review, it was agreed that HS2 would be covered by the public sector pay freeze.

Year	Highest paid Director	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021/22	£622,683	11.9	8.9	6.8
2020/21	£510,832* (£621,064)		7.4 (9.0)	
2019/20	£659,416		9.8	

* Includes the highest paid Director's voluntary reduction to pay for 2020 – 2021.

Pay category	25th percentile	50th percentile	75th percentile
Total pay including benefits	£52,155	£70,039	£91,801
Salary component	£51,745	£69,207	£90,800

Year	Pay category	Highest paid Director % change	Mean % change
2021/22	Salary and allowances	21.9%	-0.6%
	Performance pay and bonuses	n/a	n/a
2020/21	Salary and allowances	-22.5%	1.8%
	Performance pay and bonuses	n/a	n/a



Remuneration and Staff Report continued

Staff numbers and costs

Audited staff numbers and costs are in Note 5 of the Financial Statements on page 79. Permanent staff turnover for the period 1 April 2021 to 31 March 2022 was 11.8%.

Staff composition

2021 – 2022 staff composition

The overall proportion of female staff at 31 March 2022 is 37% compared to 37% reported at 31 March 2021.

Level	Male	Female	Total
Director	8	3	11
Senior manager	220	68	288
Employee	1,006	645	1,651
Total	1,234	716	1,950

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 equivalent: SCS 1 to SCS 4.

Employees – Any staff member below SCS 1.

2020 – 2021 staff composition

Level	Male	Female	Total
Director	8	2	10
Senior manager	200	65	265
Employee	837	554	1,391
Total	1,045	621	1,666

Sickness absence data

Recorded staff absence due to sickness equated to an average of 3.5 days per employee during the year (2021 – 2022: 2.9 days) for direct employees of HS2 Ltd.

Staff policies for disabled persons

HS2 Ltd has maintained its 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 with consultation across the business have introduced an Accessibility Policy, the first of its kind in the Engineering and Construction industries.

HS2 Ltd's Clear Talents tool enables staff to request specific adjustments to support their employment. 34% 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 continues to meet 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 2021 – 2022 we:

- developed and implemented the 'Dignity at Work' training programme to support employees ensuring HS2 is an inclusive and safe working environment. To date over 600 members of staff have been trained;

- aligned EDI objectives with the Safe at Heart health and safety programme to ensure an environment free from discrimination, harassment, bullying and victimisation and tackled any behaviour that breached this;
- continued our successful Reverse Mentoring programme;
- 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
- created empowering and informative events in conjunction with our staff diversity networks and employee representatives, driving greater collaboration, understanding and change across the organisation.

HS2 Ltd has maintained and continues to lead the Clear Assured Platinum Standard for EDI accreditation – and are still the only organisation in the UK to date to achieve this level of accreditation of over 500 organisations assessed by Clear Assured.



Remuneration and Staff Report continued

Employee consultation

HS2 continues to work constructively with its Workplace Forum (WPF). WPF is the primary mechanism for collective consultation, ensuring that the interests of the business and those employed in it are served by ensuring 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.

The WPF is comprised of a minimum of one elected/appointed employee representative for each business directorate located in Birmingham and London alongside two workplace representatives nominated by the Transport Salaried Staffs' Association, our recognised Union. 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.

Consultation over health, safety and wellbeing is managed through the Health, Safety & Wellbeing Committee (HSWC) and remains a standing agenda item at all bi-monthly meetings of the WPF.

Health and safety at work

Across the programme, 28 Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) reportable injuries occurred during 2021 – 2022. Whilst this is an increase on 2020 – 2021, the reporting rate for RIDDORs per 100,000 hours worked increased slightly from 0.02 in 2020 – 2021 to 0.05 in 2021 – 2022, which is well below other industry benchmarked companies.

2021 – 2022 saw a 50% increase in hours worked compared to 2021 – 2022. The rate of total injuries has increased from 0.53 in 2021 – 2022 to 0.65 in 2021 – 2022. The increase in lost time injury rate is also slightly higher with the LTI rate at 0.11 in 2021 – 2022 and 0.15 in 2021 – 2022.

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.

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

Health and safety statistics	2021/22	2020/21	2019/20
Total RIDDOR injuries	28	9	5
Total lost time injuries	71	33	17
Total injuries	307	163	111
Total near misses	441	372	314
Total observations	52,553	27,208	11,926
Total hours worked	46,945,723	30,151,239	20,726,034



Remuneration and Staff Report continued

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 (through the Health, Safety & Wellbeing Committee);
- 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.

HS2 Ltd and TSSA are jointly committed to foster and maintain harmonious employee and industrial relations. Work to date has included the development of the Managing Organisational Change Process (MOCP), an agreed framework for managing change lawfully and effectively within the organisation.

Managing our people

Supporting our people through the Covid-19 pandemic has been a key priority for HS2 Ltd, and our People Strategy, Skilled for Success has never been more important. Over the course of the last 24 months, we have conducted several wellbeing surveys that asked staff to rate their physical, mental, financial and social wellbeing. We have used this information to make any necessary adjustments. We have introduced an innovative approach to flexible working that ensures the consistent, fair and lawful assessment of formal requests for flexible working, balancing the needs of individuals and the business and supporting the hybrid working model being trialled.

Skilled for Success, was launched in May 2018 and an update on progress was taken to the HS2 Ltd Board in November 2021. 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.

In November 2021 we conducted an engagement pulse survey which showed 73% employee engagement, a decrease of 3% against our baseline survey in October 2020 (76%).



Remuneration and Staff Report continued

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 2022, costing more than £245 per day

Number of existing engagements which have lasted for:	
less than 1 year at the reporting date	114
between 1 and 2 years at the reporting date	33
between 2 and 3 years at the reporting date	23
between 3 and 4 years at the reporting date	3
more than 4 years at the reporting date	6
Total engagements at the reporting date	179

Off-payroll engagements during the period 1 April 2021 to 31 March 2022, costing more than £245 per day

Not subject to off-payroll legislation	0
Subject to off-payroll legislation and determined in scope of IR35	274
Subject to off-payroll legislation and determined as out of scope of IR35	20
Engagements reassessed for compliance or assurance purposes during the year	13
Engagements which saw a change in IR35 status following reassessment	0
Total engagements during the reporting period	294

Off-payroll engagements of Board members and/or senior officials with significant financial responsibility between 1 April 2021 and 31 March 2022

Number of off-payroll engagements of Board members and/or senior officials with significant financial responsibility during the financial year	2
Total number of individuals that have been deemed 'Board members' and/or senior officials with significant financial responsibility during the financial year	35

Note:

This figure includes both on-payroll and off-payroll engagements.

Approved by the Board on 29 June 2022 and signed on its behalf by:

Mark Thurston

Chief Executive and Accounting Officer



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

Opinion on financial statements

I certify that I have audited the financial statements of High Speed Two (HS2) Limited for the year ended 31 March 2022 under the Government Resources and Accounts Act. The financial statements comprise High Speed Two (HS2) Limited's:

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

In my opinion the financial statements:

- give a true and fair view of the state of High Speed Two (HS2) Limited's affairs as at 31 March 2022 and its net expenditure after taxation for the year then ended; and
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of 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 for 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 certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities.

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 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, the Notice to Proceed for Phase 1, Royal Assent of High Speed Rail (West Midlands to Crewe) Act 2021; recent build instructions from DfT; and the government's Integrated Rail Plan for the North and Midlands.

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 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 directors with respect to going concern are described in the relevant sections of this certificate.



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

Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate 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 certificate, 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 the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the requirements of HM Treasury's Financial Reporting Manual.

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

- the Strategic Report and the Corporate Governance Report been prepared in accordance with applicable legal requirements; and
- the information given in the Strategic Report and the Corporate Governance Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of 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 Corporate Governance Report.

I have nothing to report in respect of the following matters which I report to you if, in my 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 Directors' 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
- I have not received all of the information and explanations I require for my audit.

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' and Accounting Officer's responsibilities, the directors are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as directors determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing High Speed Two (HS2) Limited'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 directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.



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

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify 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 certificate 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of High Speed Two (HS2) Limited's accounting policies, key performance indicators and performance incentives;
- inquiring of management, High Speed Two (HS2) Limited's 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 High Speed Two (HS2) Limited's compliance with the

Companies Act 2006, Government Resources and Accounts Act 2000, and Managing Public Money;

- discussing among the engagement team and involving relevant internal specialists, including our use of IT auditors to assess the operating effectiveness of general IT controls and purchase to pay controls, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within High Speed Two (HS2) Limited for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals, complex transactions, bias in management estimates and the calculation of impairment expense for assets under construction. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of High Speed Two (HS2) Limited's framework of authority as well as other legal and regulatory frameworks in which High Speed Two (HS2) Limited operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of High Speed Two (HS2) Limited. The key laws and regulations I considered in this context



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

included the Companies Act 2006, Government Resources and Accounts Act 2000, Managing Public Money, employment law, and tax law.

In addition, I considered a review of arrangements regarding forward exchange rates, losses and special payments and remuneration rewards to ensure appropriate approval for these transactions was obtained in line with High Speed Two (HS2) Limited's pay remit.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- 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

- a review of the completeness of approvals received from the Department for Transport and Her Majesty's Treasury for activities requiring such that were carried out by High Speed Two (HS2) Limited.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

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.

Report

I have no observations to make on these financial statements.

Gareth Davies

11 July 2022

Comptroller and Auditor General (Statutory Auditor)
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP



Financial Statements

Statement of comprehensive net expenditure	67
Statement of financial position	68
Statement of cash flows	69
Statement of changes in taxpayers' equity	70
Notes to the financial statements	71

Image: Deck segments for the Colne Valley viaduct at the south portal site.





Statement of comprehensive net expenditure

	Note	Year ended 31 Mar 2022 £'000	Year ended 31 Mar 2021 £'000
Income			
Interest income	3	-	-
Total income for the year		-	-
Expenditure			
Staff costs	5	16,501	15,717
Other expenditure	6	82,830	78,961
Non-cash items	6	123,730	14,611
Total expenditure for the year		223,061	109,289
Net expenditure before taxation		223,061	109,289
Taxation	7	-	(21)
Net expenditure after taxation		223,061	109,268
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		223,061	109,268

The Accounting Policies and Notes on pages 71 to 90 form part of these financial statements.

The majority of the Company's expenditure is capitalised, following the principles 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	As at 31 Mar 2022 £'000	As at 31 Mar 2021 £'000
Non-current assets			
Intangible assets	8	21,288	20,015
Property, plant and equipment	9	14,020,768	9,130,645
Financial assets	10	2,444	2,522
Total non-current assets		14,044,500	9,153,182
Current assets			
Financial assets	10	–	–
Trade and other receivables	11	227,029	134,381
Cash and cash equivalents	12	71,904	154,336
Total current assets		298,933	288,717
Total assets		14,343,433	9,441,899
Current liabilities			
Trade and other payables	13	(655,993)	(600,564)
Provisions	14	(19,863)	(10,255)
Borrowings	15	(3,151)	(3,071)
Financial liabilities	16	(1,568)	(1,998)
Total current liabilities		(680,575)	(615,888)
Non-current liabilities			
Borrowings	15	(21,631)	(24,909)
Financial liabilities	16	(651)	(331)
Total non-current liabilities		(22,282)	(25,240)
Total liabilities		(702,857)	(641,128)
Total net assets		13,640,576	8,800,771

	Note	As at 31 Mar 2022 £'000	As at 31 Mar 2021 £'000
Taxpayers' equity			
Revaluation reserve		–	–
General reserve		13,640,576	8,800,771
		13,640,576	8,800,771

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 71 to 90 form part of these financial statements. The financial statements on pages 66 to 90 were approved by the Board on 29 June 2022 and were signed on its behalf by:

Mark Thurston
Chief Executive and Accounting Officer

Statement of cash flows

	Note	Year ended 31 Mar 2022 £'000	Year ended 31 Mar 2021 £'000
Cash flows from operating activities			
Net operating cost per Expenditure Statement		(223,061)	(109,268)
(Increase) / decrease in trade and other receivables	11	(3,949)	(3,630)
Increase / (decrease) in trade and other payables	13	2,362	9,632
Increase / (decrease) in borrowings	15	(136)	(102)
Adjustment for non cash transactions	6	123,730	14,611
Adjustment for euro bank balance revaluation	6	(3,424)	(1,028)
Net cash outflow from operating activities		(104,478)	(89,785)
Cash flows from investing activities			
(Increase) / decrease in trade and other receivables	11	(88,699)	(108,042)
Increase / (decrease) in trade and other payables	13	53,067	286,713
Use of provisions	14	(4,173)	(3,306)
Increase / (decrease) in borrowings	15	(3,062)	(3,034)
Deferred rent accrual adjustment		-	-
Purchase of property, plant and equipment	9	(5,005,591)	(3,248,463)
Lease payments not posted through SoCNE		-	-
Purchase of intangible assets	8	(5,271)	(4,036)
(Increase) / decrease in loan receivables	10	(1)	-
Adjustment for other non cash transactions	14	12,908	5,304
Net cash outflow from investing activities		(5,040,822)	(3,074,864)

	Note	Year ended 31 Mar 2022 £'000	Year ended 31 Mar 2021 £'000
Cash flows from financing activities			
Capital contribution from DfT		5,062,866	3,255,889
Net cash inflow from financing activities		5,062,866	3,255,889
Net increase / (decrease) in cash and cash equivalents			
		(82,432)	91,239
Cash and cash equivalents at the beginning of the year	12	154,336	63,097
Cash and cash equivalents at the end of the year	12	71,904	154,336

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 71 to 90 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 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
Changes in Taxpayers' equity for 2021/22			
Net operating cost for the year	(223,061)	–	(223,061)
Capital contribution from DfT	5,062,866	–	5,062,866
Balance at 31 March 2022	13,640,576	–	13,640,576

The Accounting Policies and Notes on pages 71 to 90 form part of these financial statements.



Notes to the financial statements

1. General information

HS2 Ltd (the Company) is a private company limited by guarantee 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 2022.

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 2021/22, 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 2022 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 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 Business Model on pages 12 to 14, 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 2021 made clear HS2 is a multi-year capital programme and funding was allocated to 2024 – 2025.

Notice to Proceed for Phase One was confirmed on 15 April 2020. Royal Assent for Phase 2a was granted on 11 February 2021 and progress continues on approvals for the western leg of Phase 2b following hybrid Bill deposit. Consequently, it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.



Notes to the financial statements continued

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.

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.



Notes to the financial statements continued

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.



Notes to the financial statements continued

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).

In accordance with IFRS 9, the financial asset is measured at fair value through profit and loss (FVTPL). Any fair value (gain) / loss movement in the current reporting period are 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 the counterparty and adjusted for any other risk factors deemed necessary. A discount rate of 1.99% has been applied for 2021/22 (2020/21: 1.99%).

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 2021/22 (2020/21: nil).

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.



Notes to the financial statements continued

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 3 to 5 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.



Notes to the financial statements continued

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; and
- 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.

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.



Notes to the financial statements continued

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 (CPOs), Non-Compulsory Purchase Orders (Non CPOs), 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. The Company recovers any related 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 reimbursement of its costs as 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

There is no current tax liability, but any liability in future years would be 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.



Notes to the financial statements continued

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 2022. 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.

3. Income

	Year ended 31 Mar 2022 Capital £'000	Year ended 31 Mar 2022 Resource £'000	Year ended 31 Mar 2021 Capital £'000	Year ended 31 Mar 2021 Resource £'000
Income includes:				
Interest income	-	-	-	-
	-	-	-	-

The Company no longer accrues interest income as the financial asset, as outlined in Note 2.9, is held at FVTPL.

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).

Resource expenditure of £105.6 million (2020/21: nil) for Phase One below is in relation to a move to a more efficient design change for Euston station which encompasses a simpler 10 platform design built in a single stage. Included in this expenditure, there is £13.6 million of associated VAT costs. See Note 21 for further information.

	Capital Expenditure £'000	Resource Expenditure £'000	Total £'000
Year ended 31 Mar 2022			
Phase One	4,851,516	105,556	4,957,072
Phase 2a	154,578	-	154,578
Phase 2b	-	97,818	97,818
Other capital	4,769	-	4,769
Exchange gain / loss	(1)	-	(1)
Unrealised exchange gain / loss	-	3,424	3,424
Fair value gain / loss	-	(33)	(33)
Depreciation and amortisation	-	13,910	13,910
Finance costs	-	552	552
Administration	-	1,834	1,834
Total net expenditure	5,010,862	223,061	5,233,923
Analysed as to:	£'000	£'000	£'000
Programme costs	5,010,862	221,227	5,232,089
Administration costs	-	1,834	1,834
Total net expenditure	5,010,862	223,061	5,233,923



Notes to the financial statements continued

4. Statement of expenditure by operating segment continued

Year ended 31 Mar 2021	Capital Expenditure £'000	Resource Expenditure £'000	Total £'000
Phase One	3,172,418	–	3,172,418
Phase 2a	73,413	–	73,413
Phase 2b	–	91,091	91,091
Other capital	6,657	–	6,657
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

5. Staff numbers and costs

	Direct employees 2022	Other personnel 2022	Year ended 31 Mar 2022 Total	Year ended 31 Mar 2021 Total
Whole time equivalent persons employed – average for the year	1,668	143	1,811	1,479
Staff costs comprise:	£'000	£'000	£'000	£'000
Wages and salaries	117,311	20,664	137,975	116,475
Social security costs	12,682	–	12,682	10,513
Other pension costs	12,556	–	12,556	10,299
Chairman and Non-Executives fees	458	–	458	365
Total staff costs	143,007	20,664	163,671	137,652
Non-cash items include:			£'000	£'000
Capitalised expenses (Staff costs)			(147,170)	(121,935)
Total non-cash costs			(147,170)	(121,935)
Total staff costs in statement of net expenditure			16,501	15,717

Fees and salaries paid to the Directors are set out in the Remuneration and Staff Report (pages 53 to 61).

The Remuneration and Staff 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'.



Notes to the financial statements continued

6. Other expenditure

	Year ended 31 Mar 2022 Capital £'000	Year ended 31 Mar 2022 Resource £'000	Year ended 31 Mar 2021 Capital £'000	Year ended 31 Mar 2021 Resource £'000
Non-staff expenditure includes:				
Professional services	837,135	62,519	1,227,622	55,228
Engineering services	3,853,956	508	1,767,621	1,100
Environmental services	6,620	313	5,834	846
Design – utilities	80,528	1,593	46,319	601
Licences and surveys	969	650	1,675	799
Communication and information technology	23,736	8,698	26,272	9,922
Accommodation costs	1,606	1,157	8,462	1,663
Property advice and valuation	27,719	5,040	25,311	6,852
Legal costs	6,142	242	7,117	411
Travel and subsistence	694	98	530	49
Auditors' remuneration and expenses	-	210	-	195
Recruitment fees	1,561	661	943	440
VAT costs	9	1	(3,910)	(382)
Finance costs	-	552	-	615
Other costs	9,515	588	8,105	622
	4,850,190	82,830	3,121,901	78,961

	Year ended 31 Mar 2022 Capital £'000	Year ended 31 Mar 2022 Resource £'000	Year ended 31 Mar 2021 Capital £'000	Year ended 31 Mar 2021 Resource £'000
Non-cash items include:				
Depreciation of tangible assets	-	9,912	-	8,941
Provisions	8,735	873	1,998	(996)
Exchange gain / loss	(1)	-	11	-
Unrealised exchange gain / loss	-	3,424	-	1,028
Fair value gain / loss	-	(33)	-	2,894
Amortisation of intangible assets	-	3,998	-	2,744
Impairment	-	105,556	-	-
Total non-cash costs	8,734	123,730	2,009	14,611
Total other expenditure	4,858,924	206,560	3,123,910	93,572

Included in the above is expenditure in relation to short term leases of £0.3 million (2020/21: £0.7 million) and low value leases of £0.02 million (2020/21: 0.04 million). These leases do fall within the scope of IFRS 16, but practical exemption has been applied.

Other capital expenditure of £4.8 million (2020/21: £6.7 million) is not included in the above as these amounts are reported in Note 8 and 9.

The resource non-cash Impairment of £105.6 million shown above relates to the Phase One design change for Euston station (2020/21: nil). See Note 21 for further information.



Notes to the financial statements continued

7. Taxation

	31 Mar 2022 £'000	31 Mar 2021 £'000
Current taxation		
UK corporation tax	-	(21)
Total UK corporation tax	-	(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	(223,061)	(109,289)
Tax at the standard rate of corporation tax in the UK 19% (2019: 19%)	(42,382)	(20,765)
Income and expenditure not subject to corporation tax	42,367	20,657
Unrecognised tax losses	15	87
Total taxation charge	-	(21)

Capital contributions receivable from DfT are not chargeable to corporation tax and the expenditure therefore is not deductible for corporation tax purposes. The prior year tax credit is in respect of prior year corporation tax.

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 2022, but will increase to 25% from 1 April 2023.

8. Intangible assets

	Website £'000	Software £'000	Total £'000
Cost or valuation			
At 1 April 2021	164	26,293	26,457
Additions	-	5,271	5,271
Disposals	-	-	-
Reclassification	-	-	-
At 31 March 2022	164	31,564	31,728
Depreciation			
At 1 April 2021	164	6,278	6,442
Charged in year	-	3,998	3,998
Disposals	-	-	-
Reclassification	-	-	-
At 31 March 2022	164	10,276	10,440
Net book value at 31 March 2022	-	21,288	21,288
Net book value at 31 March 2021	-	20,015	20,015



Notes to the financial statements continued

8. Intangible assets continued

	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

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 equip £'000	IT equipment £'000	Total £'000
Cost or valuation					
At 1 April 2021	9,058,757	60,995	21,868	19,052	9,160,672
Additions	5,006,094	-	159	1,661	5,007,914
Disposals	-	-	-	-	-
Reclassification	-	-	-	(2,323)	(2,323)
Impairment	(105,556)	-	-	-	(105,556)
At 31 March 2022	13,959,295	60,995	22,027	18,390	14,060,707
Depreciation					
At 1 April 2021	-	12,136	7,513	10,378	30,027
Charged in year	-	6,444	1,806	1,662	9,912
Disposals	-	-	-	-	-
Reclassification	-	-	-	-	-
At 31 March 2022	-	18,580	9,319	12,040	39,939
Net book value at 31 March 2022	13,959,295	42,415	12,708	6,350	14,020,768
Net book value at 31 March 2021	9,058,757	48,859	14,355	8,674	9,130,645

Notes to the financial statements continued

9. Property, plant and equipment (PPE) continued

	Assets under construction railway £'000	Right-of-use £'000	Leasehold improvements, plant and equip £'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

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 (AUC) amounting to £1.8 million which are not available for use at the year end, and therefore have not yet been depreciated (2020/21: £5.9 million). The 'Reclassification' of £2.3 million is in relation to items that have subsequently been identified as revenue expenditure.

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 2022 £'000	31 Mar 2021 £'000
Amounts falling due within one year:		
Derivative Forward Purchase Programme Financial Asset	-	-
Loan to National College for Advanced Transport and Infrastructure	-	-
Amounts falling due after more than one year:		
Derivative Forward Purchase Programme Financial Asset	-	-
Loan to National College for Advanced Transport and Infrastructure	2,444	2,522
Total Financial Assets	2,444	2,522

Notes to the financial statements continued

10. Financial assets continued

	31 Mar 2022 £'000	31 Mar 2021 £'000
Analysis of expected timing of flows:		
Not later than one year	–	–
Later than one year and not later than five years	258	333
Later than five years	2,186	2,189
	2,444	2,522

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 £0.1 million was recognised in the current financial year to reflect present value of £2.4 million (2020/21: £2.5 million). The discount rate applied to future cash flows is reflective of the counterparty being part of the University of Birmingham group.

11. Trade receivables and other current assets

	31 Mar 2022 £'000	31 Mar 2021 £'000
Amounts falling due within one year:		
VAT receivable	183,466	111,142
Other receivables	9,498	11,469
Prepayments	34,065	11,770
	227,029	134,381

The VAT receivable amount for the year ending 31 March 2022 relates to February and March 2022 VAT returns, similar to the prior year where the VAT receivable amount related to February and March 2021.

12. Cash and cash equivalents

	31 Mar 2022 £'000	31 Mar 2021 £'000
Balance at 1 April	154,336	63,097
Net change in cash and cash equivalent balances	(82,432)	91,239
Balance at 31 March	71,904	154,336
Analysis of cash and cash equivalents:		
Cash held with the Government Banking Service	66,630	150,746
Cash held in commercial bank account	5,274	3,590
	71,904	154,336

Included within cash held with Government Banking Service is land and property funding totalling £23.1 million (2020/21: £27.4 million) transferred to the Company by the Department for Transport (DfT) for Compulsory Purchase Orders (CPOs) and £3.5 million (2020/21: £16.7 million) for Non-Compulsory Purchase Orders (Non CPOs). 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, included in Cash held with the Government Banking Service is foreign currency (euro) translated to sterling to the amount of £3.4 million (2020/21: £24.5 million).

Notes to the financial statements continued

13. Trade payables and other current liabilities

Amounts falling due within one year:	31 Mar 2022 £'000	31 Mar 2021 £'000
Trade payables	65,457	67,982
Taxation liability	-	-
Accruals	590,536	532,582
	655,993	600,564

The Accruals value above includes short-term creditors relating to CPO and Non CPO as referenced in Note 12.

14. Provisions

	Petition undertakings and assurances £'000	Other £'000	Total £'000
Balance at 31 March 2021	8,449	1,806	10,255
Provided in the year	4,450	9,554	14,004
Provisions utilised in the year	(2,659)	(1,515)	(4,174)
Provisions not required written back	-	(222)	(222)
Provisions reclassified to accruals	-	-	-
Balance at 31 March 2022	10,240	9,623	19,863

At 31 March 2022	Petition undertakings and assurances £'000	Other £'000	Total £'000
Analysis of expected timing of flows:			
Not later than one year	10,240	9,623	19,863
Later than one year and not later than five years	-	-	-
Later than five years	-	-	-
	10,240	9,623	19,863

At 31 March 2021	Petition undertakings and assurances £'000	Other £'000	Total £'000
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

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.



Notes to the financial statements continued

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. 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.

Other

The Company has provided £9.5 million (2020/21: nil) for tax that could be due to HM Revenue and Customs (HMRC) in relation to the Off-Payroll Working Legislation (IR35) introduced in April 2017. This legislation requires public sector bodies to make an assessment of off-payroll workers employment status to determine whether the Off Payroll Working rules apply and to inform the individual and organisation of the result. We use HMRC's own Check of Employment Status for Tax (CEST) tool and accompanying guidance to make those assessments. During 2020, internal checks and additional HMRC's guidance highlighted some cases of workers who were engaged through other suppliers that had not been appropriately reviewed. An estimated liability has been identified through an internal review of workers operating between April 2019 and March 2021 using a calculation of PAYE and National Insurance that would be due on assumed earnings. This figure has been extrapolated back to April 2017. As with any provision, there is inherent uncertainty in the amount and timing of the actual liability that will be incurred. There are a range of assumptions underpinning the estimate that include: the profit earned by the suppliers; days worked; and an extrapolation for the period 2017 to 2019.

These parameters will be agreed with HMRC. HMRC has confirmed that it will be undertaking a compliance review of the historic assessment of some contractor's employment status. The review started in May 2022 and will seek to confirm the additional liability for tax the Company will incur on payments for these workers. Once the review has been concluded, the Company will review whether there is cost that can be recovered from the suppliers to offset the tax liability.

15. Borrowings

	31 Mar 2022 £'000	31 Mar 2021 £'000
Amounts falling due within one year:		
Borrowings	3,151	3,071
	3,151	3,071
Amounts falling due after more than one year:		
Borrowings	21,631	24,909
	21,631	24,909
Total Borrowings	24,782	27,980
Analysis of expected timing of flows:		
Not later than one year	3,151	3,071
Later than one year and not later than five years	13,787	13,515
Later than five years	7,844	11,394
	24,782	27,980

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.



Notes to the financial statements continued

16. Financial liabilities

	31 Mar 2022 £'000	31 Mar 2021 £'000
Amounts falling due within one year:		
Derivative Forward Purchase Programme Financial Liability	1,568	1,998
	1,568	1,998
Amounts falling due after more than one year:		
Derivative Forward Purchase Programme Financial Liability	651	331
	651	331
Total Financial Liabilities	2,219	2,329
Analysis of expected timing of flows:		
Not later than one year	1,568	1,998
Later than one year and not later than five years	651	331
Later than five years	-	-
	2,219	2,329

The derivative relates to the net exposure on foreign currency forward purchase contracts denominated in euros (gross amount invested of €134.1 million for 2021/22 and €58.5m for 2020/21), converted to sterling at the reporting date and measured at fair value using the published HMRC exchange rate as at 31 March 2022. 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 2022 represents a financial impact to the SoCNE of £1.1 million (2020/21: £0.5 million) and SoFP of £(1.1) million (2020/21: £(0.5) million). 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.

17. Lease arrangements

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

	31 Mar 2022 £'000	31 Mar 2021 £'000
Not later than one year	3,151	3,071
Later than one year and not later than five years	13,787	13,516
Later than five years	7,844	11,394
	24,782	27,980

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 (2020/21: £3.8 million).

Notes to the financial statements continued

18. Financial commitments

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

	31 Mar 2022 £'000	31 Mar 2021 £'000
Financial commitments (excluding capital commitments)	-	-
Property, plant and equipment	1,142,795	425,390
Intangible assets	188	1,389
Contracted capital commitments	1,142,983	426,779

19. Contingent liabilities

Contingent liabilities do not represent a current liability for the Company at 31 March 2022, 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 £316.2 million (2020/21: £344.0 million) for Phase One and £35.3 million (2020/21: £38.1 million) for Phase 2a. These are undertakings and assurances where there is a 'possible obligation' (as defined by IAS 37) that 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 claims or disputed supplier costs where the likelihood of the Company making payments in the future is less than probable as at 31 March 2022.
- 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 2022 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 Owner Controlled Insurance Programme (OCIP) contract dated July 2017, with the Company as policyholder.



Notes to the financial statements continued

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.

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 2022 amounted to £5,062.9 million (2020/21: £3,255.9 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 £41.0 million (2020/21: £90.3 million) and receivable at year-end totalling £5.8 million (2020/21: £7.3 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 (2020/21: £4.4 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 £250.8 million (2020/21: £247.2 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 until 29 October 2021, held positions on the Corporation Board for the National College for Advanced Transport & Infrastructure (NCATI) until resigning the post on 30 November 2021 and continues to hold a position on the Board of the National Skills Academy for Rail (NSAR) Board. 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 2021/22 was £nil and £nil respectively (2020/21: £nil and £nil respectively). Other transactions paid and payable at year-end to NCATI were £nil (2020/21: £nil).

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 £0.1 million (2020/21 of £0.6 million).

David Bennett was engaged as the interim Delivery Director with a place on the HS2 Executive Committee for part of FY2021/22, resigning on 27 August 2021. The engagement was in the form of a contract between CH2M and HS2 Ltd. Accordingly, Mr Bennett remained an employee of CH2M during the period of the contract. It is acknowledged that Mr Bennett had a conflict of interest with respect to contracts involving CH2M/Jacobs and his engagement was agreed on the basis that a suite of controls was in place to address the conflicts of interest. Other transactions paid and payable at year-end to CH2M were £0.2 million (2020/21: £0.8 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 £1.0 million (2020/21: £1.2 million).

Melvyn Ewell, Non-Executive Director of the Company, holds the position of Non-Executive Director for the Manufacturing Technology Centre Limited (MTC).

Notes to the financial statements continued

The Company holds an annual membership to MTC Operations Limited (MTC Operations Limited is a wholly owned subsidiary of Manufacturing Technology Centre Limited). 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 (2020/21: £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 DfT. It is acknowledged that Mr King has a conflict of interest with respect to transactions involving the DfT and his engagement was agreed on the basis that a suite of controls is in place to address the conflicts of interest.

Emma Head, the Delivery Director for Technical Services for the Company, holds the position of Non-Executive Director for the Rail Safety and Standards Board (RSSB). RSSB is an industry body that requires Non-Executive appointments to be made from industry representatives. The Company pays a mandated annual membership fee to RSSB and have also engaged them for professional services work to provide independent expertise and validation on key rail safety challenges. The amounts paid and payable at year-end to RSSB was £0.2 million (2020/21: £nil).

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 2022 £'000	31 Mar 2021 £'000
Losses statement		
Total number of cases	6	4
Total amount (£000)	105,556	347
Special payments		
Total number of cases	4	3
Total amount (£000)	26	39

There was one case above £300,000 during the reporting period under Losses. There is a non-cash impairment charge of £105.6 million which relates to the design change for Euston station that was formally instructed by the DfT on 3rd September 2021 based on the advice from HS2 Ltd arising from the Senior Responsible Owner (SRO) study. This indicates that moving to a smaller, simpler 10 platform station design, which could be delivered in a single construction phase, would assist in addressing identified cost pressures relating to the baseline design. Any expenditure prior to HS2 being instructed to pause works on the baseline design has been fully impaired. Expenditure after this date has been subject to assessment for any nugatory value which is based on the expert opinions of the Design Team and consultations with the HS2 Design Engineers. The impact is shown in Note 4, 6 and 9.

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 (page 62).

23. Ultimate controlling party

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



Endnotes

Strategic Report

- 1 Estimated consumption used for Snowhill from August 2020 to March 2021 due to faulty meter.
- 2 mediacentre.hs2.org.uk/news/hs2-reveals-new-piling-innovation-with-huge-potential-benefits-for-the-construction-industry
- 3 ResilienceDirect is a private, digital network covering both the UK and overseas territories, where civil protection practitioners can work together in; preparing for; responding to; and recovering from, an event or emergency. This has increased our preparedness for a multi-agency incident response, and we run emergency exercises involving both 'blue lights' and local authorities at operational, tactical, and strategic levels.

Corporate Governance Report

- 1 If the proposed adjustment is >9%, it must also be approved by the Secretary of State.
- 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 2021–2022.

HS2

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