



Department
for Transport

Framework Document

High Speed Two (HS2) Limited

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Department for Transport
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1. Introduction and background

Background

- 1.1 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 and Scotland. HS2 will significantly improve connectivity in the North and Midlands and will also integrate the existing network serving stations into Scotland, creating additional jobs and homes around HS2 stations.

Purpose of document

- 1.2 This Framework Document (the Framework Document) has been drafted by the Department for Transport (the Department) in consultation with High Speed Two (HS2) Limited (HS2 Ltd) in accordance with HM Treasury's handbook Managing Public Money (MPM) (as updated from time to time) and has been approved by HM Treasury. This Framework Document supersedes and replaces earlier versions.
- 1.3 This Framework Document sets out the governance framework within which HS2 Ltd and the Department operate. It sets out HS2 Ltd's responsibilities with respect to the governance and accountability framework that applies between the roles of the Department and HS2 Ltd in relation to the HS2 rail programme. It also sets out how the day-to-day relationship works in practice, in relation to roles and responsibilities, HS2 Ltd governance and structure, management, financial responsibilities and controls, Business Plans, financial reporting and management information and audit arrangements.
- 1.4 The Secretary of State and HS2 Ltd have also entered into a Development Agreement, which is the principal mechanism for managing the relationship between the Secretary of State 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.
- 1.5 This 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 sole shareholder and sponsor, the Secretary of State for Transport.

- 1.6 This Framework Document does not convey any legal powers or responsibilities but both parties agree to operate within its terms. References to HS2 Ltd include any of its subsidiaries and joint ventures that are classified as the public sector and central Government for national accounts purposes. Should HS2 Ltd receive approval to establish a subsidiary or joint venture, there shall be a document setting out the arrangements between the parties and HS2 Ltd. This document must be approved by the Department in advance of the arrangement being entered into. Such subsidiaries should only be established in line with appropriate delegations.
- 1.7 Copies of this document and any subsequent amendments have been placed in the Libraries of both Houses of Parliament and made available to members of the public on the HS2 Ltd pages of the GOV.UK website.
- 1.8 This Framework Document will be reviewed regularly and updated at least every three years unless there are exceptional reasons that render this inappropriate that have been agreed with HM Treasury and the Principal Accounting Officer of the Department. It is expected that the next review would be concluded by end August 2025.

Objectives

- 1.9 The Department and HS2 Ltd share the common objective of delivering the UK's high-speed rail network. To achieve this HS2 Ltd and the Department will:
 - Work together in recognition of each other's roles and areas of expertise;
 - Provide an open, honest and effective environment for HS2 Ltd to achieve its objectives through the promotion of a trust-based partnership with constructive challenge and support; and
 - Ensure that HS2 Ltd supports the strategic aims and objectives of the Department and wider Government and the Department supports HS2 Ltd in delivering these.

Classification and ownership

- 1.10 HS2 Ltd has been 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 as the sole shareholder.

2. Purpose, aims and duties

Purpose

- 2.1 Government formed HS2 Ltd as the dedicated delivery body for the HS2 programme. HS2 Ltd contracts with the supply chain and must ensure it has the capability needed to deliver the high-speed rail infrastructure into service.

Powers and duties

- 2.2 HS2 Ltd, as the nominated undertaker, has powers and duties conferred on it under the High Speed Rail (London – West Midlands) Act 2017 and The High Speed Rail (London-West Midlands) (Nomination) Order 2017 in relation to activities for Phase One of HS2 and the High Speed Rail (West Midlands – Crewe) Act 2021 and The High Speed Rail (West Midlands-Crewe) (Nominations) Regulations 2021 in relation to activities for Phase 2a of HS2. This information is correct at the time of publishing, other Acts of Parliament conferring powers and duties on HS2 Ltd may be enacted at a later point.
- 2.3 HS2 Ltd also has duties conferred by the Companies Act 2006 as well as its constitution (which is available from Companies House) and in the Development Agreement.
- 2.4 HS2 Ltd shall comply with all applicable legislation in relation to its activities (including where this is amended or replaced). Any reference to legislation or a legislative provision in this Framework Document shall include all subordinate legislation made from time to time under that legislation or legislative provision. A reference to legislation, a legislative provision or subordinate legislation in this Framework Document is a reference to it as amended, extended, re-enacted or replaced from time to time.

Aims

2.5 HS2 Ltd's role is set via the Development Agreement, the key roles in relation to the HS2 programme will include (and using the same definitions below for capitalised terms as are set out in the Development Agreement):

- the delivery of the Railway;
- the execution and completion of the Works;
- acting as a Proxy Operator in respect of all Phases until the WCP Shadow Operator Start Date;
- the acquisition, management and disposal of all interests in, or rights over, Land;
- the performance of the Functions;
- the performance of the Operations (including acting as Infrastructure Manager for the Infrastructure);
- 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.

2.6 HS2 Ltd's role may be amended from time to time.

2.7 HS2 Ltd's Articles of Association (last amended in November 2014) set out its objectives.

2.8 From time to time, the Secretary of State or officials from the Department, may write to HS2 Ltd to provide updated objectives which HS2 Ltd will be responsible for delivering. Where this impacts the Development Agreement and changes to the Development Agreement are required, these will be agreed between the Department and HS2 Ltd in accordance with the Change Procedure set out in that document.

2.9 HS2 Ltd sets out its high-level delivery plans to meet its aims, priorities, and objectives in its Corporate Plan and reviews its performance annually against this.

3. Role of the Department for Transport (as sole shareholder and sponsor)

Responsible Minister

3.1 The Secretary of State will account for HS2 Ltd on all matters concerning HS2 Ltd and the HS2 programme in Parliament.

3.2 As sole shareholder in HS2 Ltd, the Secretary of State has specific shareholding responsibilities. The Shareholder's rights and responsibilities include (but are not limited to):

- Ensuring that HS2 Ltd is guided and monitored in the public and taxpayer interest;
- Approving the amount of capital contribution to be paid to HS2 Ltd and securing Parliamentary or HM Treasury approval if necessary;
- Holding the HS2 Ltd Board to account for its governance of HS2 Ltd and its performance;
- Appointing the HS2 Ltd Chair and annually reviewing their performance and appointing Non-Executive Directors of the HS2 Ltd Board;
- Removing a member of the HS2 Ltd Board from their position if given due cause in accordance with the relevant provisions of the Companies Act 2006 and/or subject to the terms of their appointment letter. The Secretary of State's right to remove Directors is also set out in the Development Agreement;
- Exercising the right to amend the Memorandum and Articles of the Company at any time; and
- Ensuring that HS2 Ltd has the approvals and resources required by Government to deliver the programme into service and integrate it into the wider transport network.

- 3.3 In fulfilling these responsibilities, the Secretary of State is supported by the HS2 Minister. The HS2 Minister also supports the Secretary of State with keeping Parliament up to date on the progress of the HS2 programme, supporting the alignment of priorities between the Chair of the HS2 Ltd Board, the Principal Accounting Officer, Senior Responsible Owner and HS2 Ltd's Chief Executive Officer. The HS2 Minister chairs the Ministerial Task Force for HS2 Phase 1 and 2a when the Secretary of State is absent and maintains a close relationship with the Board of HS2 Ltd, supporting the Secretary of State in timely decision making by Government.
- 3.4 In practice, many of these functions are managed day-to-day by the Shareholder Function within the Department in consultation with the Responsible Minister, with input from the Senior Responsible Officer (SRO) and the Sponsor Function within the Department.

Shareholder reserved matters

- 3.5 HS2 Ltd are required to secure approval from the Secretary of State on the following Shareholder Reserved Matters:
- To the annual publication of HS2 Ltd's Corporate Plan (as defined in paragraph 6.2);
 - To the Key Performance Indicators (KPIs) for the relevant financial year;
 - To the annual publication of the Environmental Sustainability report¹;
 - Spending approvals, acquisitions, disposals, and joint ventures in line with delegations as set out in the annual delegation letter to the Accounting Officer for HS2 Ltd;
 - Senior remuneration (over £150,000 and/or performance related pay over £17,500) where no delegations are provided to HS2 Ltd;
 - All appointments to the HS2 Ltd Board (paragraph 4.12); and
 - Any matters which are stated to be subject to the agreement or consent of the Secretary of State in the Development Agreement.
- 3.6 The Department shall engage with HS2 Ltd, and notify in writing in advance, of any updates to the list of shareholder reserved matters, as it may be from time to time.
- 3.7 It is expected that there will be regular ongoing engagement between the Responsible Minister (and their officials) and HS2 Ltd. However, at the reasonable request of the Secretary of State, the Directors of HS2 Ltd shall:

¹ The report describes HS2 Ltd's environmental performance over the previous year and sets out HS2 Ltd's future plans.

- Meet the Secretary of State/HS2 Minister, the Shareholder Function or Sponsor Function to discuss the affairs of HS2 Ltd; and
- Provide such information in relation to the affairs of HS2 Ltd as the Secretary of State may reasonably require for the purpose of carrying out their role as shareholder.

3.8 The Secretary of State is committed to giving the Board the freedom to operate HS2 Ltd in line with the spirit of this Framework Document. Decisions on the day-to-day management of HS2 Ltd, except for those that are Shareholder Reserved Matters or specified by the Sponsor Function through the Development Agreement, will be taken by the Chief Executive Officer (and their Executive team) in accordance with their statutory, regulatory, common law and fiduciary duties and report to the HS2 Ltd Board.

Principal Accounting Officer

3.9 The Principal Accounting Officer is the Permanent Secretary of the Department.

3.10 The Principal Accounting Officer (PAO) of the Department is accountable for ensuring HS2 Ltd operates effectively and to a high standard of probity (acting in line with the principles of Managing Public Money). The PAO designates the Chief Executive Officer as HS2 Ltd's Accounting Officer (AO) and ensures they are fully aware of their responsibilities. The PAO issues a letter appointing the Accounting Officer, setting out their responsibilities and delegated authorities.

3.11 The respective responsibilities of the PAO and Accounting Officer are set out in Chapter 3 of Managing Public Money. The PAO is accountable to Parliament for the issue of any capital contributions to HS2 Ltd.

3.12 The PAO shall ensure that any capital contribution provided to HS2 Ltd is within the ambit and the amount of the Request for Resources and that Parliamentary authority and/or HM Treasury approval has been sought and given.

3.13 The PAO is responsible for ensuring the Responsible Minister receives appropriate advice on:

- The appropriate framework of objectives and targets for HS2 Ltd in the light of the Department's wider strategic aims and priorities;
- The appropriate budget for HS2 Ltd in the light of the Department's overall public expenditure priorities;
- How well HS2 Ltd is achieving its strategic objectives and whether it is delivering value for money;
- How effectively HS2 Ltd is operating and meeting a high standard of probity; and
- The integration of HS2 into transport systems at national level.

3.14 The Investment, Portfolio and Delivery Committee (IPDC) is the Department's most senior investment committee and supports the PAO through providing advice, assurance, taking decisions (within its delegations) and making recommendations to Ministers and HM Treasury Ministers.

Senior Responsible Officer

3.15 The HS2 programme within the Department is led by a Senior Responsible Officer (SRO). The SRO is accountable to the Responsible Minister and Parliament for enabling the successful delivery of the HS2 programme. The SRO's main responsibilities include:

- Supporting Ministers to define the vision, objectives, strategy and policy intent for HS2 (as a programme), including the frameworks within which it operates, such as its cost and schedule targets and its other performance indicators;
- Ensuring continued alignment between the Responsible Minister's priorities and the plans and strategies of HS2 Ltd;
- Ensuring the Sponsor's Requirements are adequately articulated, and are reviewed and updated as appropriate;
- Ensuring the business case is kept up to date and the benefits described in it can be realised, that value for money is being demonstrated across the programme, and that HS2 improves transport for the user;
- Providing confidence and assurance that HS2 Ltd has appropriate capability and capacity;
- Working with HS2 Ltd to provide effective support and challenge. Ensuring arrangements are in place to monitor HS2 Ltd's activities, performance and programme risks to judge if interventions by Government are necessary.
- Ensuring effective integration into the wider transport network and resolving integration issues that interact with the programme; and
- Ensuring that there is a capability in the Department to deliver the Sponsor Function.

3.16 The SRO is responsible, on behalf of the PAO, for ensuring arrangements are in place to effectively support and monitor HS2 Ltd's activities and performance including:

- Addressing any significant problems in HS2 Ltd, making such interventions as are judged necessary;
- Periodically carrying out an assessment of the risks both to the Department and to the delivery of HS2 Ltd's objectives and activities in line with the wider Departmental risk assessment process;

- Informing HS2 Ltd of relevant Government policy in a timely manner;
- Bringing Ministerial or Departmental concerns about the activities of HS2 Ltd to the HS2 Ltd Board's attention, and, as appropriate, to the wider Department and Government, with explanations and assurances that appropriate action has been taken; and
- Engage with other Government Departments on the HS2 programme.

3.17 The SRO can hold delegations on behalf of Ministers, HM Treasury and the PAO. They can delegate responsibilities to the Accounting Officer in HS2 Ltd.

Sponsor Function

3.18 The SRO has put in place the Sponsor Function to support the programme and meet the SRO's obligations. The Sponsor Function manages the Development Agreement and Sponsor Board. In broad terms the Sponsor Function's role is to provide support, challenge, assurance, advice and advocacy.

3.19 The Sponsor Function has specific responsibility for:

- Ensuring timely decision-making by Government;
- Ensuring Parliamentary approvals for the HS2 programme;
- Keeping the business case for the HS2 programme up to date;
- Ensuring the funding structure is in place for the programme;
- Defining and updating the Sponsor's Requirements (including requirements for cost and schedule) and the supporting data and information that is required to effectively monitor and oversee delivery;
- Setting and communicating the Sponsor's requirements and the statement of work delegated to HS2 Ltd;
- Establishing performance targets for HS2 Ltd;
- Supporting decision making for approval of delivery strategies, such as procurement;
- Ensuring the Sponsor Function has the appropriate behaviours and ways of working for the successful delivery of the HS2 programme;
- Providing constructive challenge and support to support the HS2 programme's success; and
- Advocacy of the HS2 programme within and outside Government (including with Devolved Administrations).

3.20 In addition, the Sponsor Function provides advice to the SRO, PAO and Ministers on associated policy considerations (such as route, capacity, stations, services, and wider benefits) to utilise the HS2 infrastructure to best advantage. This includes remitting the shadow operator.

3.21 The Project Representative (P-Rep) function is a dedicated team that provides independent assurance and advice on all aspects of the HS2 programme.

Shareholder Function

3.22 The Shareholder Function supports the Secretary of State to manage their relationship with HS2 Ltd and its Board. This includes ensuring that roles, responsibilities, the supporting framework of corporate controls and governance are clearly defined and alignment between Ministerial priorities and HS2 Ltd's objectives building confidence in HS2 Ltd. The Shareholder Function has day to day responsibility for the Department's corporate relationship with HS2 Ltd.

3.23 The Shareholder Function manages this Framework Document and the Shareholder Board, which exists to ensure the effective discharge of the responsibilities and duties set out in the Framework Document. The Shareholder Board will consider corporate governance and company related issues and make recommendations to the Responsible Minister to ensure effective corporate governance and the success of the HS2 programme.

3.24 In undertaking their role, the Shareholder Function aims to ensure:

- That HS2 Ltd has a Board, a Chair and appropriate strategies in place to drive an aligned, capable and effective organisation, appropriately holding the HS2 Ltd Executive to account including a forward plan for how this capability will need to evolve over time;
- That HS2 Ltd is aligned to the Shareholder's objectives and priorities through mechanisms such as the Corporate Plan and the setting of Key Performance Indicators;
- That the Board is satisfying its accountability to the Secretary of State on alignment of their strategic objectives and HS2 Ltd's performance;
- That there are effective relationships and interactions at all levels between the shareholder and HS2 Ltd;
- That there are clear roles and effective collaboration across the Department and in its interactions with HS2 Ltd; and
- That the Shareholding Function supports both the Shareholder and HS2 Ltd in delivering their respective roles (including clarifying roles and responsibilities) and supports timely and robust decisions from Ministers on matters requiring approvals outside of HS2 Ltd's delegations related to this Framework Document.

Resolution of disputes between HS2 Ltd and the Shareholder

3.25 Subject to paragraphs 3.26 and 3.28 'Disputes' means disputes between the Department and HS2 Ltd arising out of or in connection with this Framework Document or the breach thereof, including (but not limited to):

- any question regarding its existence, validity or termination of this Framework Document; and
- the application, relevance or interpretation of any policy or guidance or other document which is referred to in this Framework Document; or
- the application, relevance or interpretation of any policy or guidance or other document which the Framework Document imposes an obligation on HS2 Ltd to apply or take into account.

3.26 Disputes does not include:

- Disputes regarding the order of precedence between this Framework Document and the Development Agreement (i.e. discrepancy, inconsistency, or divergence) which shall be resolved in accordance with paragraph 3.28.
- Disputes regarding the terms of the Development Agreement only, where the disputes provisions in the Development Agreement should apply.

3.27 Any Disputes between the Department and HS2 Ltd will be resolved in as timely a manner as possible. The Department and HS2 Ltd will seek to resolve any Disputes through an informal process in the first instance. If this is not possible, then a formal process, overseen by the Secretary of State, will be used to resolve the issue. The Permanent Secretary may be requested by the Secretary of State to nominate a Non-Executive Director of the Department's Board to review the Dispute, mediate with both sides and make a decision, in consultation with the Secretary of State.

3.28 Subject to paragraph 5.15, in the event of any discrepancy, inconsistency or divergence within or between any provisions in this Framework Document and the Development Agreement, the Secretary of State (acting reasonably and taking into account any representations made by HS2 Ltd) shall at their sole discretion be entitled to determine which provision takes precedence. The Secretary of State may also consult with Cabinet Office and/or HM Treasury as part of their determination.

Freedom of Information requests

3.29 Where a request for information is received by either party under the [Freedom of Information Act 2000](#), [Environmental Information Regulations 2004](#) or the [Data Protection Act 1998](#) or 2018 (as may be amended from time to time), the recipient of the request shall be responsible for determining whether information is exempt under the relevant legislation and for determining what information will be disclosed in response to an Information Request in accordance with the relevant legislation. The roles and responsibilities related to handling Freedom of Information requests on

the HS2 programme are detailed in the Communications Protocol agreed between the Department and HS2 Ltd and are defined in the Development Agreement.

4. HS2 Ltd Governance and structure

Governance

- 4.1 HS2 Ltd shall operate corporate governance arrangements that, so far as practicable and in the light of the other provisions of this Framework Document or as otherwise may be mutually agreed, accord with good corporate governance practice and applicable regulatory requirements and expectations.
- 4.2 In particular (but without limitation), HS2 Ltd must:
- Comply with the principles and provisions of the Financial Reporting Council's UK Corporate Governance Code (as amended and updated from time to time) to the extent relevant to Executive Non-Departmental Public Bodies, the Development Agreement and this Framework Document;
 - Comply with the principles and provisions of the Corporate Governance in Central Government Departments Code of Good Practice to the extent appropriate to HS2 Ltd;
 - Comply with Managing Public Money;
 - In line with Managing Public Money have regard to the relevant Functional Standards² as appropriate and in particular those concerning Finance, Commercial and Counter Fraud; and
 - Consider and comply with, the codes of good practice and guidance set out in Appendix 1 of this Framework Document, as they apply to central Government companies.
- 4.3 It is expected that HS2 Ltd's governance arrangements that HS2 Ltd are in accordance with Managing Public Money. HS2 Ltd shall provide an account of corporate governance in its annual governance statement including the HS2 Ltd Board's assessment of its compliance with the Corporate Governance Code to the

² <https://www.gov.uk/government/collections/functional-standards>

extent relevant to Executive Non-Departmental Public Bodies, the Development Agreement and this Framework Document.

The HS2 Ltd Board

- 4.4 The HS2 Ltd Board should operate effectively and in line with good standards of Corporate Governance and the codes of good practice and guidance as set out in Appendix 1. The Board is responsible for ensuring alignment between the objectives of HS2 Ltd and the Responsible Minister's priorities, supporting HS2 Ltd to deliver these in accordance with the Companies Act 2006. Non-Executive Directors of the Board have a duty under their public appointments to scrutinise and challenge HS2 Ltd, including the Executive Board Directors, and advise and assure the Department. The internal HS2 Ltd Governance Framework describes how the Board holds the highest level of delegation within HS2 Ltd. The HS2 Ltd Board also provides a highly valuable line of assurance on decisions and provides confidence to the HS2 Ltd Chief Executive, PAO, SRO and Ministers. HS2 Ltd's Board is accountable to the Responsible Minister for HS2 Ltd's performance (including efficient and effective project delivery, management of risk, cost and schedule, capability to deliver through the supply chain, and statutory duties).
- 4.5 The detailed responsibilities of the HS2 Ltd Board shall be set out in the Board terms of reference. Remuneration of the HS2 Ltd Board will be disclosed in line with the guidance in Government financial reporting manual.
- 4.6 In line with the Government's 'Corporate governance in central departments: code of good practice'³, the HS2 Ltd Board will consist of a Chairperson, Non-Executive Directors, a Chief Executive and up to three Executive Directors that collectively offer a balance of skills and experience appropriate to directing HS2 Ltd's business. This should include, but not be limited to, experience of project delivery, transport and infrastructure delivery, systems integration, design, health and safety, procurement and commercial, and finance. The HS2 Ltd Board's membership will include an Executive, voting, Director who is an appropriately qualified Finance Director (as described in Annex 4.1 of Managing Public Money). The Board should include a majority of independent Non-Executive Directors to ensure that Executive Directors are supported and constructively challenged in their role. The SRO may nominate a standing representative of the Department with observer status on the HS2 Ltd Board. Representatives of the Department may attend the Board or its Sub-Committees under terms agreed with the Chair of the Board or the relevant Sub-Committee.
- 4.7 The Government may appoint Non-Executive Directors to act as Government Representatives (these are referred to as Special Directors in relation to HS2 Ltd but they can also be referred to as Shareholder Directors in other Government-owned companies). These individuals can participate freely in the business of the Board and its sub-committees. They will work to ensure alignment of expectations and

³ <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments>

objectives between the Shareholder, Sponsor and Funder and therefore have a close relationship with the representatives of these Functions in Government.

Board Committees

- 4.8 The HS2 Ltd Board may set up such committees as necessary for it to fulfil its functions. It is expected as a minimum it should include an Audit and Risk Committee, Remuneration Committee and Health and Safety Committee. Each committee shall be chaired by independent and appropriately qualified Non-Executive Directors of the HS2 Ltd Board, unless otherwise agreed with the Department.
- 4.9 While the HS2 Ltd Board may make use of committees the Chair should ensure that sufficient time is allowed at the Board for committees to report on the nature and content of discussion, on recommendations, and on actions to be taken.
- 4.10 Where there is disagreement between the relevant committee and the Board, adequate time should be made available for discussion of the issue with a view to resolving the disagreement. Where any such disagreement cannot be resolved, the committee concerned should have the right to report the issue to the Sponsor Function, Shareholder Function, SRO, Principal Accounting Officer and Responsible Minister. They may also seek to ensure the disagreement or concern is reflected as part of the report on its activities in the annual report.
- 4.11 The Chair should ensure Board committees are properly structured with appropriate terms of reference. The terms of each committee should set out its responsibilities and the authority delegated to it by the Board. The Chair should ensure that committee membership is periodically reviewed and that individual independent Non-Executive Directors are not over-burdened when deciding the chairs and membership of committees.

Board Appointments

Chairperson and Non-Executive Directors

- 4.12 Board appointments is a reserved matter for the Shareholder. All Non-Executive Directors of the Board are appointed by the Secretary of State, subject to agreement by the Chief Secretary to HM Treasury and the Prime Minister.
- 4.13 All Non-Executive, public appointments, are made in line with the 'Code of Practice for Ministerial Appointments to Public Bodies' for up to five-year terms.
- 4.14 The appointment, re-appointment or extension of the HS2 Ltd Chair and Non-Executive Directors are regulated by the Commissioner for Public Appointments and made in accordance with the Government's 'Governance Code for Public Appointments.' Special Director(s) are not regulated and do not fall within the scope of the Office of the Commissioner for Public Appointments (OCPA) Governance Code.

Duties of the Board

4.15 The HS2 Ltd Board's high-level duties are:

- Ensuring there is alignment between Ministerial priorities and objectives to HS2 Ltd's objectives and delivery plans and supporting HS2 Ltd to deliver these;
- Provide oversight and governance of HS2 Ltd on behalf of the Department, including its performance, along with challenge and support to the HS2 Ltd Executive;
- Providing effective leadership of HS2 Ltd within a framework of prudent and appropriate controls including ensuring that fit-for-purpose arrangements are in place to provide assurance on risk management, governance and internal control.

4.16 The HS2 Ltd Board should also:

- Develop the Board's strategy, annual plan and priorities;
- Ensure the Executive fulfil the statutory duties and functions of HS2 Ltd, as stated under the Companies Act, by setting objectives for, and appraising, the HS2 Ltd Chief Executive and the Executive on meeting these objectives;
- Ensure the financial⁴ and human resources are in place for the HS2 Ltd to meet its objectives subject to the terms of the Development Agreement and this Framework Document;
- Review management performance;
- Review financial and management information concerning the management of HS2 Ltd and the delivery of the HS2 programme;
- Ensure that it is kept informed of any changes which are likely to impact on the delivery of the HS2 Programme, and determining the steps needed to deal with such impacts and where appropriate bringing such matters to the attention of the Responsible Minister and SRO;
- Ensure that any statutory or administrative requirements for the use of public funds are complied with; that the Board operates within the limits of its statutory authority and any delegated authority agreed with the Department, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the HS2 Ltd Board takes into account guidance issued by the Department;
- Ensure that as part of the above compliance they are familiar with:

⁴ Noting that HS2 Ltd are exclusively funded by Government.

- this Framework Document;
 - the Development Agreement;
 - the responsibilities and accountabilities of the SRO (and PAO);
 - any delegation letter issued to HS2 Ltd;
 - any elements of any settlement letter issued to the Department that is relevant to the operation of HS2 Ltd;
 - conditions set by Parliament; and
 - the internal mechanisms for the monitoring, governance and external reporting.
- Demonstrate high standards of corporate governance at all times, including by using the independent audit committee to help the Board to address key financial and other risks;
 - Set the performance objectives and remuneration terms for the Chief Executive Officer and provide scrutiny of the Chief Executive Officer's setting of performance objectives and remuneration for other senior executives in the company. This may be delegated by the HS2 Ltd Board to the relevant Board sub-committee;
 - Put in place mechanisms for independent appraisal and annual evaluation of the performance of the HS2 Ltd Chair by the Deputy Chair or a Non-Executive Board Director, ensuring that the views of relevant stakeholders including Special Directors, the SRO, HS2 Ltd employees, and the Sponsorship/Shareholding Teams are sought and considered. The outcome of that evaluation should be made available to the Responsible Minister and PAO; and
 - Determine all such other things which the Board considers ancillary or conducive to the attainment or fulfilment by HS2 Ltd of its Objectives.

4.17 The HS2 Ltd Board should make a strategic choice about how risk is managed within HS2 Ltd and should hold the HS2 Ltd Executive to account regarding the assessment and management of opportunity and risk. The HS2 Ltd Board should ensure that effective arrangements are in place to provide assurance over the design and operation of risk management, governance and internal control in line with the Management of Risk – Principles and Concepts (The Orange Book). The Board must set up an Audit and Risk Assurance Committee chaired by an independent and appropriately qualified Non-Executive Director to provide independent advice and ensure that the Department's Audit and Risk Assurance Committee are provided with routine assurances with escalation of any significant limitations or concerns. The HS2 Ltd Board is expected to assure itself of the adequacy and effectiveness of the risk management framework and the operation of internal control. This may be delegated by the HS2 Ltd Board to the relevant Board sub-committee, subject to any requirements or obligations imposed by the Companies Act 2006 (as amended).

Chair of the HS2 Ltd Board

4.18 The Chair is responsible for leading the HS2 Ltd Board and ensuring its effective operation on behalf of the Secretary of State as sole shareholder. The Chair will focus the Board's attention and time on the Responsible Minister's objectives, directing and leading the other members of the Board and its Sub-Committees accordingly. Such responsibility should be exercised in the light of their duties and responsibilities as set out in the appointment letter and subsequent annual Chair letters as well as the statutory authority governing HS2 Ltd, this Framework Document and any other documents and guidance referred to within this Framework Document. The Chair also carries the same responsibilities as Non-Executive Board Directors.

4.19 The Chair is bound by the [Code of Conduct for Board Members of Public Bodies](#)⁵, which covers conduct in the role and includes the [Nolan Principles of Public Life](#).⁶

4.20 The Chair provides a critical conduit between HS2 Ltd and the Department and provides a vital sounding board for Ministers, PAO, SRO and the HS2 Ltd CEO. The Chair should build effective relationships and networks with key stakeholders within and outside Government, the supply chain, and Ministers to successfully communicate the vision for the HS2 programme and HS2 Ltd's work. Formal communications between HS2 Ltd's Board and the HS2 Minister should normally be through the Chair.

4.21 In addition, the Chair is responsible for:

- Ensuring, including by monitoring and engaging with appropriate governance arrangements, that HS2 Ltd's affairs are conducted with probity;
- Ensuring that policies and actions support the Secretary of State's strategic objectives and where appropriate, these objectives and actions should be clearly communicated and disseminated throughout HS2 Ltd;
- Ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the Responsible Minister or the Department;
- Appointing the HS2 Ltd Chief Executive Officer (subject to the approval of the Shareholder);
- Promoting the efficient and effective use of staff and other resources;
- Delivering high standards of regularity and propriety; and
- Providing the public face of HS2 Ltd and its work.

4.22 The Chair also has an obligation to ensure that:

⁵ <https://www.gov.uk/government/publications/code-of-conduct-for-board-members-of-public-bodies>

⁶ <https://www.gov.uk/government/publications/the-7-principles-of-public-life>

- The work of the Board and its Directors are reviewed and are working effectively including ongoing assessment of the performance of all individual Board directors with a formal annual evaluation and more in-depth assessments of the performance of individual Board directors when being considered for re-appointment. The Chair should consider whether more frequent reviews are required for those Board Directors that are new to the role;
- A formal evaluation is carried out annually, in line with the Corporate Governance in Central Government Departments: Code of Good practice, of the Board's performance and that of its committees and of individual Board Directors. An independent evaluation must be conducted every 3 years, by an independent reviewer, to evaluate the effectiveness of the Board. The Chair should ensure that each year a light touch review is carried out to assess whether the recommendations from the formal evaluation have been implemented. The Chair should consider whether a copy of the proposed scope of any evaluation is sent to the Shareholding Function to provide an opportunity to input as appropriate;
- In conducting assessments and evaluations that the view of relevant stakeholders including employees and the Department's Sponsor/Shareholder Functions are sought and considered;
- The Secretary of State is kept informed of the Chair's views on the balance of skills appropriate for directing HS2 Ltd's business including how representation that reflects the diversity in society within the HS2 Ltd's Board membership could be achieved;
- That all Board directors including the Chair and Chief Executive continually update their skills, knowledge, and familiarity with HS2 Ltd to fulfil their role both on the Board and committees. This will include but not be limited to skills and training in relation to financial management and reporting requirements, risk management and the requirements of Board membership within the public sector, and the differences with the private sector;
- Board directors are fully briefed on terms of appointment, duties, rights and responsibilities;
- The Secretary of State is advised of HS2 Ltd's needs when Board vacancies arise;
- There is a Board Operating Framework in place setting out the role and responsibilities of the Board consistent with the Government Code of Good Practice for Corporate Governance;
- There is a code of practice for Board members in place, consistent with the Cabinet Office Code of Conduct for Board Members of Public Bodies.

Deputy Chair of the HS2 Ltd Board

- 4.23 The Secretary of State may invite a Non-Executive Director to serve as Deputy Chair of the HS2 Ltd Board. The HS2 Ltd Chair and Nominations Committee can make recommendations for the role to the Secretary of State.
- 4.24 The role, responsibilities and priorities of the Deputy Chair should be clearly defined in writing by the Chair of the HS2 Ltd Board and agreed with the Responsible Minister. These roles and responsibilities shall be reviewed annually by the Chair and any changes agreed with the Responsible Minister.

Individual Board Directors' responsibilities

4.25 Individual Board directors must:

- For Non-Executive Directors, act in accordance with the terms contained in their Letter of Appointment from the Department (on behalf of the Responsible Minister);
- Comply at all times with the Code of Conduct for Board Members of Public Bodies, which covers conduct in the role and includes the Nolan Principles of Public Life as well as rules relating to the use of public funds and to conflicts of interest;
- Demonstrate adherence to the 12 Principles of Governance for all Public Body Non-Executive Directors as appropriate and not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- Comply with the Board's rules on the acceptance of gifts and hospitality, and of business appointments;
- Ensure they are familiar with any applicable guidance on the role of Public Sector Non-Executive Directors and Boards that may be issued from time to time by the Cabinet Office, HM Treasury or wider Government;
- Act in accordance with their statutory, regulatory, common law and fiduciary duties; and
- Act in good faith and in the best interests of HS2 Ltd, the Department and the HS2 programme, subject to the terms of this Framework Document.

Special Directors

- 4.26 Special Director(s) are direct appointments by the shareholder to Non-Executive Director positions on HS2 Ltd's Board. The Special Director(s) have a particular focus on representing the interests of the Government, PAO and SRO as well as holding all the fiduciary duties as a Non-Executive Directors of a Companies Act company. Special Director(s) do not have any additional voting rights. The Special

Director(s) is not conflicted or constrained by their status as a Special Director, however, should a conflict of interest arise it should be dealt with in the same way as for other HS2 Ltd Directors. Special Directors can participate on Sub-Committees of the HS2 Ltd Board. As part of the role, the Special Director(s) shall regularly brief the Responsible Minister on matters related to HS2 Ltd's activities and may carry out deep dive projects on the Responsible Minister's behalf.

The Chief Executive Officer

4.27 The Chief Executive Officer (CEO) is responsible for the delivery of the programme including discharge of responsibilities described in the Development Agreement and the Annual Delegation letter issued by the SRO. The CEO has specific responsibilities under this Framework Document to the Responsible Minister and the Chair/HS2 Ltd Board in respect of the day-to-day leadership of HS2 Ltd. The appointment of a CEO shall be made following an open and fair competition led by the HS2 Ltd Chair and with representation from the Department throughout the selection process. The appointment of the Chief Executive of HS2 Ltd is a matter reserved for the Shareholder (Responsible Minister).

Responsibilities of the Chief Executive to the Department for Transport

4.28 The Chief Executive is accountable for ensuring the delivery of HS2 programme in line with the Sponsors Requirements, as set out in the Development Agreement, within the budget and schedule parameters set, including ensuring that HS2 Ltd has the appropriate capability, capacity behaviours and ways of working to do so. The Chief Executive must also comply with this Framework Document.

4.29 Responsibilities of the Chief Executive to the Department also include:

- Establishing, in agreement with the Department, HS2 Ltd's Corporate Plan in the light of the Responsible Minister's objectives;
- Informing the Department of progress in the delivery of the programme and in discharging the Development Agreement and demonstrating how resources are being used to achieve those;
- Informing the Department of an issue, or an emerging issue, which has potential to cause reputational damage to HS2 Ltd and any consequential impact on the reputation of the Department or Government more generally;
- Ensuring that timely forecasts and monitoring information on performance and finance are provided to the Department including as required under the Development Agreement;
- Ensuring that the Department is notified promptly if over or under spends are likely and that corrective action is taken;
- Ensuring that any significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the Department in a timely fashion; and

- Explaining HS2 Ltd's operating model to the sponsor and shareholder.

Responsibilities of the Chief Executive Officer as Accounting Officer

4.30 The Chief Executive Officer, as Accounting Officer (AO), is accountable to Parliament and the SRO for safeguarding the public funds for which they have charge; for ensuring propriety, regularity, value for money and feasibility in the handling of those public funds. In addition, they should ensure that HS2 Ltd is run based on the standards, in terms of governance, decision-making and financial management that are set out in Box 3.1 of Managing Public Money. The Chief Executive Officer's responsibilities and accountabilities are set out at a high-level below and in the Accounting Officer appointment letter (issued by the PAO of the Department).

Responsibilities of Chief Executive to the HS2 Ltd Board

4.31 The Chief Executive is responsible for:

- Advising the HS2 Ltd Board on HS2 Ltd's performance;
- Ensuring that financial considerations, including affordability, are taken fully into account by the HS2 Ltd Board at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed; and
- Advising the HS2 Ltd Board on the discharge of its responsibilities as set out in this document, the Development Agreement, HS2 Ltd's Articles of Association and any other relevant instructions and guidance that may be issued from time to time.

Responsibilities of the CEO for accounting to Parliament

4.32 The accountabilities include:

- Signing the accounts and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Secretary of State;
- Preparing and signing a Governance Statement covering corporate governance, risk management and oversight of any local responsibilities, for inclusion in the annual report and accounts;
- Ensuring that effective procedures for handling complaints about HS2 Ltd are established and made widely known within HS2 Ltd;
- Acting in accordance with the terms of Managing Public Money and other instructions and guidance issued from time to time by the Department, HM Treasury and the Cabinet Office;
- Ensuring that as part of the above compliance they are familiar with and act in accordance with:

- their fiduciary duties under the Companies Act;
 - any governing legislation;
 - any conditions set by Parliament;
 - the Development Agreement;
 - any delegation letter issued;
 - any elements of any settlement letter issued to the Department that is relevant to the operation of HS2 Ltd; and
 - any separate settlement letter that is issued to HS2 Ltd from the Department; and
 - this Framework Document
- Ensuring they have appropriate internal mechanisms for the monitoring, governance, and external reporting regarding compliance with any conditions arising from the above documents; and
 - Giving evidence, normally with the PAO, when summoned before the Public Accounts Committee on HS2 Ltd's stewardship of public funds.

Managing conflicts

4.33 The Chief Executive should follow the advice and direction of the Board, except in very exceptional circumstances with a clear cut and transparent rationale for not doing so.

4.34 HS2 Ltd's Accounting Officer must take care that their personal legal responsibilities do not conflict with their duties as a Board member. In particular, the Accounting Officer should vote against any proposal which appears to cause such a conflict; it is not sufficient to abstain.

4.35 If the Chair of the HS2 Ltd Board is minded to instruct the Accounting Officer to carry out a course inconsistent with their duties as Accounting Officer, then the Accounting Officer should make their reservations clear, in writing. If the Board is still minded to proceed HS2 Ltd's Accounting Officer should then:

- Ask the PAO of the Department to consider intervening to resolve the difference of view, in writing;
- If the Board's decision stands, seek its written direction to carry it out, asking the Department to inform HM Treasury;
- Proceed to implement without delay; and
- Follow the routine in paragraph 3.4.5 of Managing Public Money.

5. Management and financial responsibilities and controls

Delegated authorities

- 5.1 HS2 Ltd's delegated authorities are set out in the Development Agreement and annual delegation letter that is sent from the SRO to the AO. The delegation letter may be updated from time to time at the discretion of the Department (in agreement with HM Treasury, where appropriate).
- 5.2 In line with Managing Public Money Annex 2.2, delegations in the delegation letter that is sent from the SRO to the AO are reviewed on an annual basis.
- 5.3 HS2 Ltd shall obtain the Department's and, where required, HM Treasury's prior written approval before:
- Entering into any undertaking to incur any expenditure that falls outside the delegations or which is not provided for in HS2 Ltd's annual budget as approved by the Department;
 - Incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;
 - Making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the Department;
 - Making any change of policy or practice which has wider financial implications that might prove repercussive or which might significantly affect the future level of resources required; or
 - Carrying out policies that go against the principles, rules, guidance and advice in Managing Public Money.

Spending authority

- 5.4 Once the budget has been approved by the Department and subject to any restrictions imposed by Spending Review settlements that are communicated to HS2

Ltd by the Department, statute, the Secretary of State, Government policy, the Development Agreement and its annexes or this Framework Document, HS2 Ltd shall have authority to incur expenditure approved in the budget without further reference to the Department, on the following conditions:

- HS2 Ltd complies with the delegations set out in the Development Agreement and annual delegation letter. These delegations shall not be altered without the prior agreement of the Department and as agreed by HM Treasury and Cabinet Office as appropriate;
- HS2 Ltd complies with Cabinet Office and Departmental control frameworks, including, Managing Public Money regarding novel, contentious or repercussive proposals;
- Inclusion of any planned and approved expenditure in the budget shall not remove the need to seek formal departmental approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed; and
- HS2 Ltd provides the Department with such information about its operations, performance, individual projects or other expenditure as the Department may reasonably require.

Banking and managing cash

- 5.5 HS2 Ltd must maximise the use of publicly procured banking services (accounts with central government commercial banks managed centrally by Government Banking).
- 5.6 HS2 Ltd should only hold money outside Government Banking Service accounts where a good business case can be made for doing so and HM Treasury consent is required for each account to be established. Only commercial banks which are members of relevant UK clearing bodies may be considered for this purpose.
- 5.7 Commercial Accounts where approved should be operated in line with the principles as set out in Managing Public Money.
- 5.8 The Accounting Officer is responsible for ensuring HS2 Ltd has a Banking Policy as set out in Managing Public Money and ensuring that policy is complied with.

Procurement

- 5.9 Goods, services, and works should be acquired by competition. Proposals to let single-tender or restricted contracts shall be limited and by exception and supported by a business case, consistent with HS2 Ltd's policies and procedures.
- 5.10 Procurement by HS2 Ltd of works, equipment, goods, and services shall be based on a full option appraisal (fitness for purpose). HS2 Ltd shall ensure that its procurement activity complies with relevant UK or other international procurement rules, in particular the Utilities Contracts Regulations 2016 as amended or replaced from time to time.

- 5.11 HS2 Ltd will produce and adhere to its own procurement and commercial policies which will take account of any policies⁷ or guidance issued by the Cabinet Office and the Department's own procurement and commercial policies and follows the Department's governance process and co-operate fully with initiatives to improve the availability of procurement data to facilitate the achievement of Value for Money.
- 5.12 HS2 Ltd's shall work collaboratively with the Department's Group Commercial Directorate to contribute information and data, as agreed between the Department and HS2 Ltd, to support the Department's Group Operating Model and other associated Group Commercial Strategies and objectives via the Group Commercial Board.
- 5.13 HS2 Ltd shall also comply with the Commercial⁸ and Grants⁹ standards. These apply to the planning, delivery, and management of government commercial activity, including management of grants in all departments and delivery bodies, regardless of commercial approach used. They also form part of a suite of functional standards that set consistent expectations across Government.
- 5.14 In procurement activities where HS2 Ltd is likely to exceed its delegated authority limit, approval must be sought from the Department in line with the process set out in the Development Agreement and in line with the Annual Delegation Letter.
- 5.15 In the event of any discrepancy, inconsistency or divergence within or between any provisions in paragraph 5.9 to 5.14 of this Framework Document and the Development Agreement in relation to procurement, the clauses within the Development Agreement shall take precedence.

Contractual delegations

- 5.16 Delegated authorities within HS2 Ltd must be clearly defined in a manual or equivalent instruction and must be consistent with any governance and regulatory requirements set by HM Treasury or the Department. Delegation of Authority is granted to the Chief Executive of HS2 Ltd through the Development Agreement and the annual delegations letter. The Accounting Officer has the authority to sub-delegate where there is a business need. The exercise of such delegated authorities must be in line with the financial limits delegated to the Accounting Officer on an annual basis and must not exceed this.
- 5.17 HS2 Ltd must have a delegated authorities regime that distinguishes between procurement decisions, financial management/payment decisions and change decisions (to reflect the delegation of authority granted to HS2 Ltd in the Development Agreement). Under this regime, any decision that would create a financial commitment for HS2 Ltd must be taken on a 2-key basis. No single person can act as both keys. Certain persons should be granted authority to sign documents

⁷ Including Procurement Policy Notes.

⁸ <https://www.gov.uk/government/publications/commercial-operating-standards-for-government>

⁹ <https://www.gov.uk/government/publications/grants-standards>

on behalf of HS2 Ltd. Delegations and signing authority should be set out in HS2 Ltd's 'Register of Delegations'.

Risk management

- 5.18 HS2 Ltd shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and develop a risk management strategy, in accordance with the HM Treasury guidance 'Management of Risk: Principles and Concepts',¹⁰ referred to as 'The Orange Book'.
- 5.19 HS2 Ltd will have regard, where appropriate, to the Department's Risk Management Policy and Guidance. This will include working with relevant teams within the Department to implement and operate the 'Delivery Body Risk Escalation Protocol'. In accordance with the Protocol, HS2 Ltd shall share its top risks with the Department on a monthly basis following the 'Inform, Warn and Consult' principle.

Counter-fraud and bribery

- 5.20 HS2 Ltd should adopt and implement policies and practices to safeguard itself against fraud and theft.
- 5.21 HS2 Ltd should comply with the minimum Government Counter Fraud Functional Standards and work with the Department on compliance activity.
- 5.22 HS2 Ltd should act in line with guidance as issued by the Counter Fraud Function in Cabinet Office and in compliance with the procedures and considerations as set out in Managing Public Money Annex 4.9 and the Counter Fraud Functional Standard¹¹. It should also take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter a contract or to provide grant or grant-in-aid.
- 5.23 HS2 Ltd should keep records of and prepare and forward to the Department an annual report on fraud, bribery and error suffered by HS2 Ltd and notify the Department including the Department's Group Financial Control (counter fraud) team of any unusual or major incidents as soon as possible. HS2 Ltd should also report detected loss from fraud, bribery, corruption and error, alongside associated recoveries and prevented losses, to the Department's Group Financial Control (counter fraud) team of expertise in line with the agreed Government definitions as set out in Counter Fraud Functional Standard.
- 5.24 The HS2 Ltd Board will also operate a Non-Executive Director chaired Audit, Risk and Assurance Commitment (ARAC) to provide independent advice and assurance to the AO and the Department.

¹⁰ http://www.hm-treasury.gov.uk/orange_book.htm

¹¹ <https://www.gov.uk/government/publications/government-functional-standard-govs-013-counter-fraud>

5.25 To enable staff to raise awareness of suspected fraud and/or theft, HS2 Ltd will also ensure appropriate whistleblowing and grievance procedures are in place (consistent with the Public Interest Disclosure Act 1998).

5.26 HS2 Ltd must comply with the rules relating to the use of public funds, acceptance of gifts and hospitality, and to conflicts of interest.

Staff

Broad responsibilities for staff

5.27 Consistent with arrangements approved by the Responsible Minister and HM Treasury, HS2 Ltd will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:

- The rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued; appointment and advancement is based on merit, following fair and open competition: there is no discrimination on grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;
- The level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness;
- The performance of its staff at all levels is satisfactorily appraised annually and the HS2 Ltd performance measurement systems are reviewed from time to time;
- Its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve HS2 Ltd's objectives;
- Proper consultation with staff takes place on key issues affecting them;
- Adequate grievance and disciplinary procedures are in place;
- Whistle-blowing procedures consistent with the Public Interest Disclosure Act are in place;
- Code(s) of conduct/policies for staff are in place that are consistent with the Cabinet Office's Model Code for Staff of Executive Non-departmental Public Bodies¹²;

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/690948/Public_Bodies_-_a_guide_for_departments_-_chapter_5.pdf

- Have appropriate processes in place to manage the recruitment of contingent labour and consultancy resource (in line with Cabinet Office controls) and be compliant with intermediaries (IR35) legislation; and
- HS2 Ltd may enter into settlement agreements with individuals, in line with Cabinet Office Guidance¹³.

Staff costs

5.28 Subject to its delegated authorities, HS2 Ltd shall ensure that the creation of any additional posts does not incur forward commitments that will exceed its ability to pay for them. HS2 Ltd shall agree an annual headcount budget as part of its business plan described in paragraph 6.4 and codified in the annual delegation letter.

Pay and conditions of service

5.29 HS2 Ltd's staff are subject to levels of remuneration and terms and conditions of service (including pensions, redundancy and compensation) within the general pay structure approved by the Department and HM Treasury. These are set out in the HS2 Ltd Workforce and Remuneration Framework. HS2 Ltd has no delegated power to amend these terms and conditions.

5.30 Staff terms and conditions should be set out in an Employee Handbook or through equivalent materials, which should be provided to the Department together with subsequent amendments.

5.31 HS2 Ltd shall abide by public sector pay controls and the requirements set out in the HS2 Ltd Workforce and Remuneration Framework, including the relevant approvals process dependent on the organisations classification as detailed in the Guidance for Approval of Senior Pay¹⁴ and the public sector pay and terms guidance¹⁵.

5.32 The travel expenses of Board Directors shall be tied to the rates allowed to senior staff of HS2 Ltd or Departmental rates. Subject to this, reasonable actual costs shall be reimbursed.

Pensions, redundancy and compensation

5.33 Compensation scheme rules and pension scheme rules should reflect legislative and HM Treasury guidance requirements regarding exit payments.

5.34 HS2 Ltd staff shall normally be eligible for a pension. Staff may opt out of the occupational pension scheme provided by HS2 Ltd, but that employers' contribution

¹³ <https://www.gov.uk/government/publications/civil-service-settlement-agreements-special-severance-payments-and-confidentiality-clauses>

¹⁴ <https://www.gov.uk/government/publications/senior-civil-service-pay-and-reward>

¹⁵ <https://www.gov.uk/government/publications/public-sector-pay-and-terms-guidance-note>

to any personal pension arrangement, including stakeholder pension shall normally be limited to the national insurance rebate level.

- 5.35 Any proposal from HS2 Ltd to deviate from the requirements set out in the Workforce and Remuneration Framework in terms of pension arrangements, redundancy or compensation for loss of office requires the prior approval of the Department, who will liaise with HM Treasury as necessary. Proposals on severance must comply with the rules in Chapter 4 of Managing Public Money.

6. Business plans, financial reporting and management information

Corporate and business plans

- 6.1 Following approval from the Board, HS2 Ltd shall submit its annual Corporate Plan to the Department for approval and agreement to publish. The Plan should cover three years ahead. HS2 Ltd shall agree with the Department, in advance of seeking approval, the issues to be addressed in the Plan, the timetable for its preparation, and the key performance indicators (KPIs). The Plan shall demonstrate how HS2 Ltd contributes to the achievement of the Responsible Minister's objectives including the Sponsor's requirements, how the HS2 railway is being delivered, and include the key performance indicators and milestones (as set by the Sponsor and Shareholder), against which performance will be assessed annually. Subject to any commercial considerations, the Corporate Plan should be published on the HS2 Ltd pages on the GOV.UK website and separately be made available to staff.
- 6.2 The following key matters should be included in the Plan:
- Key objectives and associated key performance targets that relate to the priorities of the Secretary of State for the years ahead, and the strategy for achieving those objectives;
 - Key non-financial performance targets including KPIs and key milestones;
 - A review of performance in the preceding financial year, together with comparable outturns for the previous three years (where applicable), and an estimate of performance in the current year;
 - Medium term financial projections for the forthcoming three years;
 - Resource allocation and budgetary spend;
 - Alternative scenarios and an assessment of the risk factors that may significantly affect the execution of the plan but that cannot be accurately forecast; and

- Other matters as agreed between the Department and HS2 Ltd.
- 6.3 The main elements of the Plan, including the KPIs, must be agreed between the Department and HS2 Ltd in the light of the Department's decisions on policy and resources taken in the context of the Government's wider public expenditure plans and decisions.
- 6.4 HS2 Ltd should also produce an annual Business Plan that describes the key targets and milestones for the year ahead and set out how those are linked to budgeting information and resource allocated. This should be agreed by the Accounting Officer and made available to the SRO and Responsible Minister.

Budgeting procedures

- 6.5 Each year the Department will send to HS2 Ltd:
- A formal statement of the annual budgetary provision allocated by the Department and of any forecast income approved by the Department; and
 - A statement of any planned change in policies affecting HS2 Ltd.
- 6.6 The approved annual Business Plan will take account of both of the approved funding provision and any forecast receipts and will include a budget of estimated payments and receipts together with a profile of expected expenditure and of draw-down of any departmental funding and/or other income over the year.

Capital contributions and ring-fenced grants

- 6.7 HS2 Ltd's resource and capital expenditure forms part of the Department's Resource DEL and Capital DEL respectively (DEL control totals). HS2 Ltd is funded by capital contributions on a periodic basis.
- 6.8 Any capital contribution provided by the Department for the year in question will be voted in the Department's Supply Estimate and be subject to Parliamentary control.
- 6.9 The capital contribution will normally be paid in regular instalments based on written applications showing evidence of need. HS2 Ltd will comply with the general principle, that there is no payment in advance of need. Cash balances accumulated during the year from capital contribution or other Exchequer funds shall be kept to a minimum level consistent with the efficient operation of HS2 Ltd. Capital contribution not drawn down by the end of the financial year shall lapse. Subject to approval by Parliament of the relevant Estimates provision, where capital contribution is delayed, to avoid excess cash balances at the year-end, the Department will make available in the next financial year any such capital contribution that is required to meet any liabilities at the year end, such as creditors.
- 6.10 HS2 Ltd will retain a capital buffer sourced from the monthly capital contributions provided by the Department, which will ensure a more resilient payments system. The size of the capital buffer will be approved by the Department. HS2 Ltd will inform

the Department if the buffer necessitates to be increased in order to adequately meet emerging challenges.

- 6.11 In the event that the Department provides HS2 Ltd with a separate capital contribution for a specific ring-fenced activity or purpose, it will issue the contribution as and when HS2 Ltd needs it on the basis of a written request. HS2 Ltd must provide evidence that the contribution was used for the purposes on which it was authorised by the Department.
- 6.12 No grant or capital contribution can be paid into any reserve held by HS2 Ltd. Funds in any reserve may be a factor for consideration when the need for a capital contribution is determined.
- 6.13 Any additional income, for example interest earned, income from disposal of assets, gifts or bequests received, income from the European Union, rental income, or income from third parties must be managed in accordance with the HM Treasury guidance Managing Public Money.
- 6.14 Grants to third parties should be managed in line with Cabinet Office Functional Standards and guidance to ensure compliance.
- 6.15 No money can be borrowed nor loaned by HS2 Ltd, other than that reasonably required for efficient day-to-day management and operation of HS2 Ltd's duties (such as corporate credit cards).
- 6.16 HS2 Ltd must not, without the Department's prior written consent, provide grants, lend money, charge any asset or security, give any guarantee or indemnity (except, in the case of indemnities, those given in the normal course of business), or letter of comfort (except in the normal course of business), whether or not in a legally binding form.
- 6.17 Managing Public Money considers foreign currency transactions to be novel, contentious and repercussive. Therefore, HS2 Ltd requires the Department and HM Treasury's approval for each Hedging Strategy. Subject to this approval, HS2 Ltd can forward purchase foreign currencies via the agreed hedging instrument and according to internal HS2 Ltd policy. The purchase represents a private contract between the Bank of England and HS2 Ltd for one party to buy and the other party to sell an agreed amount of foreign currency at an agreed price for settlement of both sides of the transaction at a specified future date.
- 6.18 HS2 Ltd will report foreign currency spending through the supporting documentation attached to the regular capital contribution request and include its monthly hedging performance and analysis in the Finance Section of the HS2 Ltd Monthly Report.

Annual report and accounts

- 6.19 HS2 Ltd must publish an annual report of its activities together with its audited accounts after the end of each financial year. HS2 Ltd shall provide the Department its finalised (audited) accounts each year in order for the accounts to be consolidated within the Departmental accounts. A draft of the report should be submitted to the

Department in advance of the publication date. The accounts should be prepared in accordance with the relevant statutes in particular the Companies Act 2006 and specific accounts direction issued by the Department as well as HM Treasury's Financial Reporting Manual (FReM).

6.20 The annual report must:

- Cover any corporate, subsidiary, or Joint Ventures under its control.
- Comply with the FReM and have regard to the illustrative statements for an NDPB¹⁶;
- Outline main activities and performance during the previous financial year and set out in summary form forward plans.

6.21 Information on performance against key financial targets is within the scope of the annual report and should be included in the notes to the accounts. The report and accounts shall be laid in Parliament and made available on HS2 Ltd's website, in accordance with the guidance in the FReM.

Reporting performance to the Department for Transport

6.22 HS2 Ltd shall operate management information and accounting systems that enable it to report in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in the corporate and business plans to the frequency and format specified in the Development Agreement.

6.23 The Department will liaise regularly with HS2 Ltd to review its financial performance against plans, achievement against targets and expenditure against its Departmental Expenditure Limits and Annually Managed Expenditure allocations.

6.24 The Development Agreement defines the purpose and scope of Management Information and Reporting for the delivery of the Programme. The Department may, by exception, request further ad hoc reporting from HS2 Ltd, including on its supply chain's operations and performance, as it may reasonably require. Where requests fall outside the scope of the Development Agreement, the Department shall agree with HS2 Ltd, the proposed ad hoc reporting prior to a formal request being issued. If either party has concerns regarding the scope or any other elements of the request which cannot be resolved between the relevant teams, then the issue shall be escalated in parallel to SRO and the CEO to resolve.

Information sharing

6.25 The Department has the right of access to all HS2 Ltd's records and personnel for any purpose.

6.26 The Department and HM Treasury may request the sharing of data held by HS2 Ltd in such a manner as set out in central guidance except insofar as it is prohibited by

¹⁶ <https://www.gov.uk/government/publications/government-financial-reporting-manual-2020-21>.

law. This may include requiring the appointment of a senior official to be responsible for the data sharing relationship.

6.27 HS2 Ltd shall provide the Department with information that will enable the Department to satisfactorily monitor:

- Performance against HS2 Ltd KPIs;
- The management, development and delivery of the Core Programme in accordance with the Management Information and Reporting requirements as set out in the Development Agreement.
- Data as required in respect of its compliance with any Cabinet Office Controls pipelines or required to meet any condition as set out in any settlement letter;
- Data as required in respect of Central Government Corporate Transparency Commitments;
- Any reasonable information necessary to meet commitments to transparency (including but not limited to enabling the 6-monthly update to Parliament on the progress of the HS2 programme);

6.28 HS2 Ltd should provide the Department (the SRO and Shareholding Function) with copies of Board papers in parallel to papers being provided to HS2 Ltd Board Directors.

6.29 The process of exchanging information should be carried out in a manner that is consistent with the communication protocol, agreed between the Department and HS2 Ltd.

6.30 HS2 Ltd may enter into confidentiality agreements to facilitate the effective exchange of information with businesses, communities, and Local Authorities on issues on issues relating to the objectives of HS2 Ltd. Any such confidentiality agreements shall not prevent HS2 Ltd complying with its obligations under this Framework Document or the Development Agreement.

6.31 HS2 Ltd should disclose annually the number of agreements it has entered into; this would usually be through its Annual Report and Accounts unless otherwise agreed with the Department.

7. Audit

Internal audit

7.1 HS2 Ltd shall:

- Establish and maintain arrangements for internal audit in accordance with the Public Sector Internal Audit Standards¹⁷ (PSIAS) as adopted by HM Treasury and with regard to the Department's Group Internal Audit operating model;
- Operate an audit committee of its Board, in accordance with the Code of Good Practice for Corporate Governance and the Audit and Risk Assurance Committee Handbook;
- Share the annual internal audit plan, periodic audit plans and annual audit report, including the HS2 Ltd's Head of Internal Audit opinion on risk management, control, and governance, with the Shareholder and Sponsor Functions at least annually; and
- Share with the Department information identified during the audit process and the audit report where it is considered that this impacts the Department's responsibilities in relation to its governance framework or that of its Public Bodies.

External audit

7.2 The Comptroller & Auditor General (C&AG) audits HS2 Ltd's annual accounts and lays them before parliament, together with their report. The Department will engage HS2 Ltd to ensure their accounts are consolidated into the Department's Group Annual Report and Accounts prior to these being laid in Parliament.

7.3 In the event that HS2 Ltd has set up and controls subsidiary companies, HS2 Ltd will in the light of the provisions in the Companies Act 2006 ensure that the C&AG has the option to be appointed auditor of those company subsidiaries that it controls

¹⁷ <https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

and/or whose accounts are consolidated within its own accounts. HS2 Ltd shall discuss with the Department the procedures for appointing the C&AG as auditor of the companies.

7.4 The C&AG:

- Will consult the Department and HS2 Ltd on whom – the NAO or a commercial auditor – shall undertake the audit(s) on his behalf, though the final decision rests with the C&AG;
- Has a statutory right of access to relevant documents, including by virtue of section 25(8) of the Government Resources and Accounts Act 2000, held by another party in receipt of payments or grants from HS2 Ltd;
- Will share with HS2 Ltd and the Department information identified during the audit process and the audit report (together with any other outputs) at the end of the audit, in particular on issues impacting on the Department's responsibilities in relation to financial systems within HS2 Ltd
- Will consider requests from the Department and other relevant bodies to provide Regulatory Compliance Reports and other similar reports at the commencement of the audit. Consistent with the C&AG's independent status, the provision of such reports is entirely at the C&AG's discretion

7.5 The C&AG may carry out examinations into the economy, efficiency and effectiveness with which HS2 Ltd has used its resources in discharging its functions. For the purpose of these examinations the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, HS2 Ltd shall provide, in conditions to grants and contracts, for the C&AG to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

8. Reviews and winding up arrangements

Review of HS2 Ltd's status

8.1 In accordance with Cabinet Office guidance, HS2 Ltd shall be reviewed at appropriate dates as agreed with the Department.

Arrangements in the event HS2 Ltd is wound up

8.2 The Department shall put in place arrangements to ensure the orderly winding up of HS2 Ltd. In particular it should ensure that the assets and liabilities of HS2 Ltd are passed to any successor organisation and accounted for properly. In the event that there is no successor organisation, the assets and liabilities should revert to the Department. To this end, the Department shall:

- Have regard to Cabinet Office guidance on winding up of ALBs¹⁸.
- Ensure that procedures are in place in HS2 Ltd to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the wind-up effectively and to maintain the momentum of work inherited by any residuary body; specify the basis for the valuation and accounting treatment of HS2 Ltd.'s assets and liabilities;
- Ensure that arrangements are in place to prepare closing accounts and pass to the C&AG for external audit, and that, for non-Crown bodies funds are in place to pay for such audits. It shall be for the C&AG to lay the final accounts in Parliament, together with his report on the accounts; and
- Arrange for the most appropriate person to sign the closing accounts. In the event that another entity takes on the role, responsibilities, assets and liabilities, the succeeding entity's Accounting Officer should sign the closing accounts. In the event that the Department inherits the role, responsibilities, assets and liabilities, the PAO should sign.

¹⁸https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/690952/Public_Bodies_-_a_guide_for_departments_-_chapter_10.pdf

8.3 HS2 Ltd shall provide the Department with full details of all agreements where HS2 Ltd or its successors have a right to share in financial gains. It should also pass to the Department details of any other forms of claw-back due to HS2 Ltd.

Appendix 1 – Statutory guidance and relevant publications

Guidance referred to in this document:

Cabinet Office *Functional Standards*

<https://www.gov.uk/government/collections/functional-standards>

Cabinet Office *Code of Conduct for Board Members of Public Bodies*

<https://www.gov.uk/government/publications/board-members-of-public-bodies-code-of-conduct>

The Seven Principles of Public Life

<https://www.gov.uk/government/publications/the-7-principles-of-public-life>

Government Functional Standard: Commercial and Commercial Continuous Improvement Assessment Framework

<https://www.gov.uk/government/publications/commercial-operating-standards-for-government>

Government Functional Standard: Grants

<https://www.gov.uk/government/publications/grants-standards>

HM Treasury guidance *Management of Risk: Principles and Concepts* (referred to as *The Orange Book*)

<https://www.gov.uk/government/publications/orange-book>

Government Functional Standard: Counter Fraud

<https://www.gov.uk/government/publications/government-functional-standard-govs-013-counter-fraud>

Cabinet Office *Guidance on Settlement Agreements, Special Severance Payments on Termination of Employment and Confidentiality Clauses*

<https://www.gov.uk/government/publications/civil-service-settlement-agreements-special-severance-payments-and-confidentiality-clauses>

HM Treasury *Guidance for approval of senior pay*

<https://www.gov.uk/government/publications/senior-civil-service-pay-and-reward>

HM Treasury *Guidance Note: Public Sector Pay and Terms*

<https://www.gov.uk/government/publications/public-sector-pay-and-terms-guidancenote/guidance-note-public-sector-pay-and-terms>

Financial Reporting Council's *UK Corporate Governance Code*

<https://www.frc.org.uk/getattachment/88bd8c45-50ea-4841-95b0-d2f4f48069a2/2018-UK-Corporate-Governance-Code-FINAL.pdf>

HM Treasury guidance *Managing Public Money*

<https://www.gov.uk/government/publications/managing-public-money>

Cabinet Office *Corporate governance in central government departments: Code of Good Practice*

<https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments>

Code of Practice for Ministerial Appointments to Public Bodies

<https://39h2g54dv7u74bwyae2bp396-wpengine.netdna-ssl.com/wp-content/uploads/2017/01/Order-in-Council-April-2012.pdf>

Cabinet Office guidance *Governance Code for Public Appointments*

<https://www.gov.uk/government/publications/governance-code-for-public-appointments>

Commissioner for Public Appointments guidance *Code of Practice issued by the Commissioner for Public Appointments*

<https://publicappointmentscommissioner.independent.gov.uk/regulatingappointments/governance-code/>

HM Treasury's *Financial Reporting Manual (FReM)*

<https://www.gov.uk/government/publications/government-financial-reporting-manual-2021-22>

Government Commercial Function Guidance *Government Commercial Operating Standards*

<https://www.gov.uk/government/publications/commercial-operating-standards-for-government>

Cabinet Office's *Model Code for Staff of Executive Non-departmental Public Bodies*.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/690948/Public_Bodies_-_a_guide_for_departments_-_chapter_5.pdf

HM Treasury *Public Sector Internal Audit Standards*

<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

Cabinet Office Public Bodies: A Guide for Departments Chapter 10: Dissolving a Public Body

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/690952/Public_Bodies_-_a_guide_for_departments_-_chapter_10.pdf