

HS2

Annual Report and Accounts

2023 – 2024

HC 106



High Speed Two (HS2) Limited Annual Report and Accounts 2023 – 2024

Company number 06791686

Presented to Parliament pursuant to the
Government Resources and Accounts Act 2000
(Audit of Non-profit-making Companies) Order
2009 as amended by the Government Resources
and Accounts Act 2000 (Audit of Public Bodies
Order 2012).

Ordered by the House of Commons to be printed
on 29 July 2024.



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ISBN 978-1-5286-5051-9

(E) E03157319 07/24



Printed on paper containing 100% recycled fibre content minimum

Printed in the UK by HH Associates Ltd on behalf of the Controller of His Majesty's Stationery Office

Contents

Introduction	4
Executive chair's introduction	5
Highlights of the year	7
Strategic Report	9
Business model	10
Financial review	13
Key performance indicators	14
Environmental Sustainability Progress Report	18
Non-financial information	25
Section 172 (1) statement	31
Corporate Governance Report	32
Directors' Report	33
Statement of Directors' and Accounting Officer's Responsibilities	35
Governance Statement	36
Remuneration and Staff Report	55

The Certificate and Report of The Comptroller and Auditor General	65
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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	65
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Financial Statements	75
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Statement of comprehensive net expenditure	76
Statement of financial position	77
Statement of cash flows	78
Statement of changes in taxpayers' equity	79
Notes to the financial statements	80

Introduction

Executive chair's introduction	5
Highlights of the year	7

Executive chair's introduction



Sir Jon Thompson, executive chair, HS2 Ltd.

**“
We must take
responsibility for
delivering value
for money.”**

There have been considerable changes to the scope of HS2 in the past year, which have, in turn, triggered changes to the way HS2 Ltd is run, operated and governed. The government's decision in October 2023 to cancel Phase Two of HS2 and deliver a new station at London Euston through private finance has had a big impact on our activities. HS2 is no longer a multi-phase programme but rather a project to deliver a high-speed line between London and the West Midlands, built in a single stage. Euston station will no longer be delivered by HS2 Ltd.

Like all long-term infrastructure projects, we've been affected by economic conditions with inflation, instability in the global supply chain and the changes to HS2's scope making delivery increasingly challenging. Unprecedented increases to the price of construction materials such as steel and concrete and the rising cost of labour have squeezed the sector. In some areas, the management of delivery pressures experienced in our supply chain has not been effective; and the situation has been particularly challenging for HS2 Ltd due to the commercial arrangements in place with our supply chain. Unsurprisingly, these factors have driven up the cost of delivery, which was a driving force behind the government's decision to cancel later phases of the railway.

HS2 is a public-funded project and managing cost remains a priority. Although the impacts of inflation are largely unavoidable, we must take responsibility for delivering value for money, by continuing to learn, evolve and adapt to changing market conditions.

In January 2024, we provided advice to the government on how to best streamline activity, boost productivity and proceed with delivery of HS2 between London and the West Midlands. We've strengthened our board oversight with a new finance and performance sub-committee, and put in place new governance, controls and management systems to bear down on cost. We're also working with our delivery partners to draw up contracts that spread risk, incentivise delivery and identify areas where efficiencies can be made.

This focus on delivery has also reshaped our organisational structure. We have appointed a chief railway officer to act as a 'guiding mind' for the end-state railway, responsible for overseeing the complex integration of our track, signals, power, rolling stock and other systems. A wider organisational restructure will ensure that HS2 Ltd is the right size, with the right people in the right places, to complete HS2 for the lowest achievable cost consistent with the quality required.

We've also developed plans to safely close out work on Phase Two. We will continue to work closely with the Department for Transport to support the government's decision-making on the resale of land no longer needed for HS2. We will do this in a way that balances the interests of all parties and achieves maximum return for the public purse.

Throughout this period of change for the organisation and the programme, we remain focused on building the railway safely and on time, while achieving value for money for the UK taxpayer.

Executive chair's introduction

Health and safety remain central to our values and are at the heart of everything we do. We were all affected by the death of a colleague who was injured while working for a subcontractor in the West Midlands in April 2023. An investigation concluded the death was accidental and identified measures that could reduce the likelihood of future accidents. These measures are being put into practice and we will continue to work with our construction partners to raise safety standards through training, education and advances in technology.

On the ground, we are making good progress building the railway between London and the West Midlands. Over the past 12 months, we've hit major milestones, with our supply chain partners working hard to build the tunnels, viaducts and embankments that will carry the high-speed track. We've made huge strides in our complex programme of tunnelling, which is now over 50% complete. Our longest tunnel, which will carry passengers for 10 miles under the Chilterns, is fully bored. We have also launched the tunnel boring machines that will bring high-speed trains into Birmingham city centre.

On the outskirts of London, we've passed the halfway point on the Colne Valley viaduct. Once complete, this stunning structure will be the UK's longest rail bridge, spanning 2.1 miles. Elsewhere, work continues on HS2's new super-connected station at Old Oak Common in west London, which will also serve the Elizabeth line and the Great Western Railway. We've almost completed

excavating the huge underground 'box' that will house the concourse and platforms, and over the next few years infrastructure above ground will begin to rise. In Birmingham, we've started construction on Curzon Street station, the first new intercity rail terminus to be built outside London since the 19th century. The station will be zero carbon in operation and will act as a new landmark for the city. Hundreds of workers, from our apprentices to industry veterans, will have a hand in building it.

The key performance indicators we measure our performance against are designed to stretch our capabilities, a challenge made even greater given the backdrop of change and market volatility over the past financial year. Although not every objective has been met, it's important to note that our budget for the year, alongside our environmental and sustainability goals for the London to West Midlands route, have all been achieved. We have also achieved our targets for how we work with the communities affected by construction activity. How we build HS2, our respect for local people and communities and our commitment to delivering the right way remain a central focus.

As the completion of our civil engineering programme starts appearing on the horizon, we are engaging the firms that will lead the track, power systems and technology programmes to allow HS2 trains to run. We will learn lessons from Crossrail and other projects to ensure the transition from civils to systems delivery through to operation is as smooth and efficient as possible.

Over the coming months we look forward to welcoming our new CEO, Mark Wild, who will lead HS2 Ltd in our new strategic direction. Mark's experience in leading the successful delivery of major rail infrastructure programmes, specifically in railway systems delivery, will be a great asset to the team.

Despite the challenges of the past year, I'm extremely proud of the progress we've made. As we onboard Mark, I will return to my role as chair and I want to thank the hardworking staff of HS2 Ltd who it has been my pleasure to lead as executive chair. HS2 remains the UK's biggest and most ambitious engineering project of a generation. Over the coming years, we must ensure we continue to focus on costs, safely build Britain's new high-speed railway and leave a legacy we can all be proud of.

Sir Jon Thompson

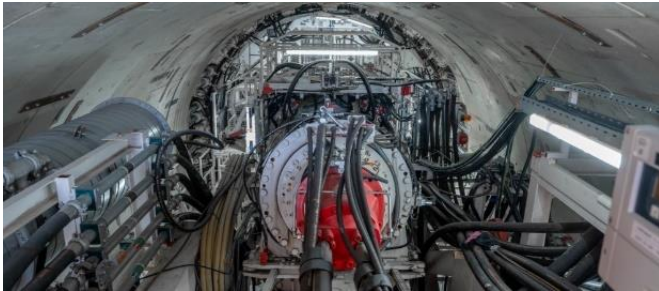
Executive chair, High Speed Two (HS2) Ltd



Construction progress at Curzon Street viaduct, Birmingham.

Highlights of the year

April 2023



Tunnelling machine Lydia begins an 853-metre journey to build a logistics tunnel from North Acton to HS2's Old Oak Common site.

May 2023



Carbon target achieved to transport 10 million tonnes of construction site material by rail.

June 2023



More than 3,000 previously unemployed people supported into work on HS2.

July 2023



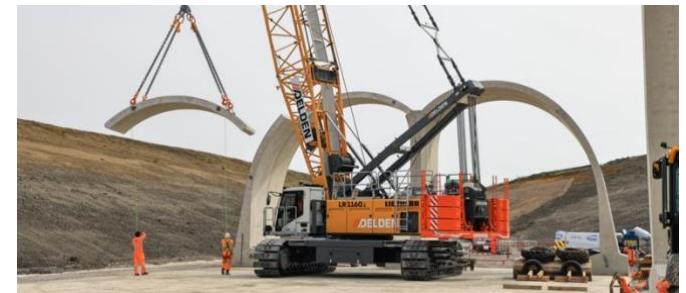
The UK's heaviest bridge drive – at 6,200-tonnes – is carried out under the West Coast Main Line.

August 2023



First pier for the two 1,400-metre-long Water Orton viaducts in Warwickshire completed.

September 2023



Work begins on the 1.6-mile (2.7km) Greatworth 'green' tunnel – the longest of its type on the route.

Highlights of the year

October 2023



The first of 72 giant beams is lifted into position on the Thame Valley viaduct.

November 2023



Construction of the UK's longest rail bridge, the Colne Valley viaduct, passes halfway point.

December 2023



Highfurlong Brook viaduct in Northamptonshire becomes the first HS2 bridge to have all deck beams installed.

January 2024



Building work starts on Curzon Street station in Birmingham.

February 2024



New research reveals that HS2 will drive £10 billion of economic growth in the West Midlands.

March 2024



Tunnel boring machines Florence and Cecilia complete 10-mile breakthrough under the Chiltern Hills.

Strategic Report

Business model	10
Financial review	13
Key performance indicators	14
Environmental Sustainability Progress Report	18
Non-financial information	25
Section 172 (1) statement	31

Business model

Remit and scope

HS2 Ltd is classified as a central government organisation by the Office for National Statistics and the HM Treasury classifications team. It has been administratively classified by the Cabinet Office as an executive non-departmental public body (NDPB). 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.

HS2 Ltd has been established by the Department for Transport (DfT) to develop, build and bring into service High Speed Two (HS2), a high-speed railway linking London and the West Midlands, allowing services to connect to the existing rail network to serve destinations further north.

HS2 Ltd is responsible for designing, constructing and managing HS2's infrastructure, with a connection to the West Coast Main Line at Handsacre, near Lichfield, Staffordshire.

The authority to build HS2 has been granted. The Phase One railway between London and the West Midlands is well underway. Main works construction officially started in 2020 and there are 350 active sites. In October 2023, the government announced its decision to cancel HS2 Phase Two in the Network North command paper. HS2 Ltd is responsible for

bringing the work on Phase Two to a stop in a safe and efficient way while ensuring value for money.

On 25 March 2024, the Secretary of State for Transport announced the hybrid Bill for the western leg of Phase 2b, linking Crewe to Manchester, is to be adapted to seek approval for part of the Northern Powerhouse Rail (NPR) route into Manchester. The DfT has instructed HS2 Ltd to act as the scheme promoter for the adapted hybrid Bill for scope north of the parish of Millington and Rostherne for NPR.

Network North also set out a new approach to build HS2's Euston station as part of the redevelopment of the wider Euston area. This followed a pause in construction activities at Euston to explore a more affordable station design. The 10-platform design exceeded the agreed budget and it was not accepted by the government. The Network North decision to reduce the scope of HS2 also removed the need for a 10-platform station to support the available frequency of services. The Euston scheme will now be led by a new development company separate from HS2 Ltd. The DfT is considering delivery models, financing mechanisms and the scope of the HS2 station based on six platforms. HS2 Ltd continues to deliver enabling works and support the DfT in assessing options for the HS2 station. HS2 Ltd is working with the DfT to review

and refine the scope of Phase One to ensure delivery of the scope required for the reduced HS2 programme.

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 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 HS2 Ltd Framework Document was updated and published in August 2022 and can be found here: [Framework Document - High Speed Two \(HS2\) Limited \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/114444/HS2-Ltd-Framework-Documents-2022.pdf)

Business model

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 SoST 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:

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

- managing the operation of 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.

Company strategy

HS2 is a unique major government infrastructure programme. It provides a once-in-a-generation investment in the UK's transport infrastructure, building a new high-speed railway linking London and the West Midlands, with a connection to the existing rail network to allow HS2 services to call at destinations further north. HS2 will significantly improve connectivity between London and the West Midlands, creating additional jobs and homes around HS2 stations.

HS2 Ltd's purpose is to build the railway safely and on time, and ensure value for money for the taxpayer. Tight cost control is one of our four strategic priorities together with safety, project delivery and organisational fitness.

- **Safety:** Keeping everyone safe, both our workforce and the people affected by construction.
- **Delivery:** Sustaining momentum as the project evolves, moving from the construction phase to rail systems and the operational railway.
- **Cost:** Ensuring value for taxpayers' money, managing cost pressures and being more cost efficient.
- **Organisation:** Making sure we are fit for delivery, with the right people and skills.

Corporate and business plans

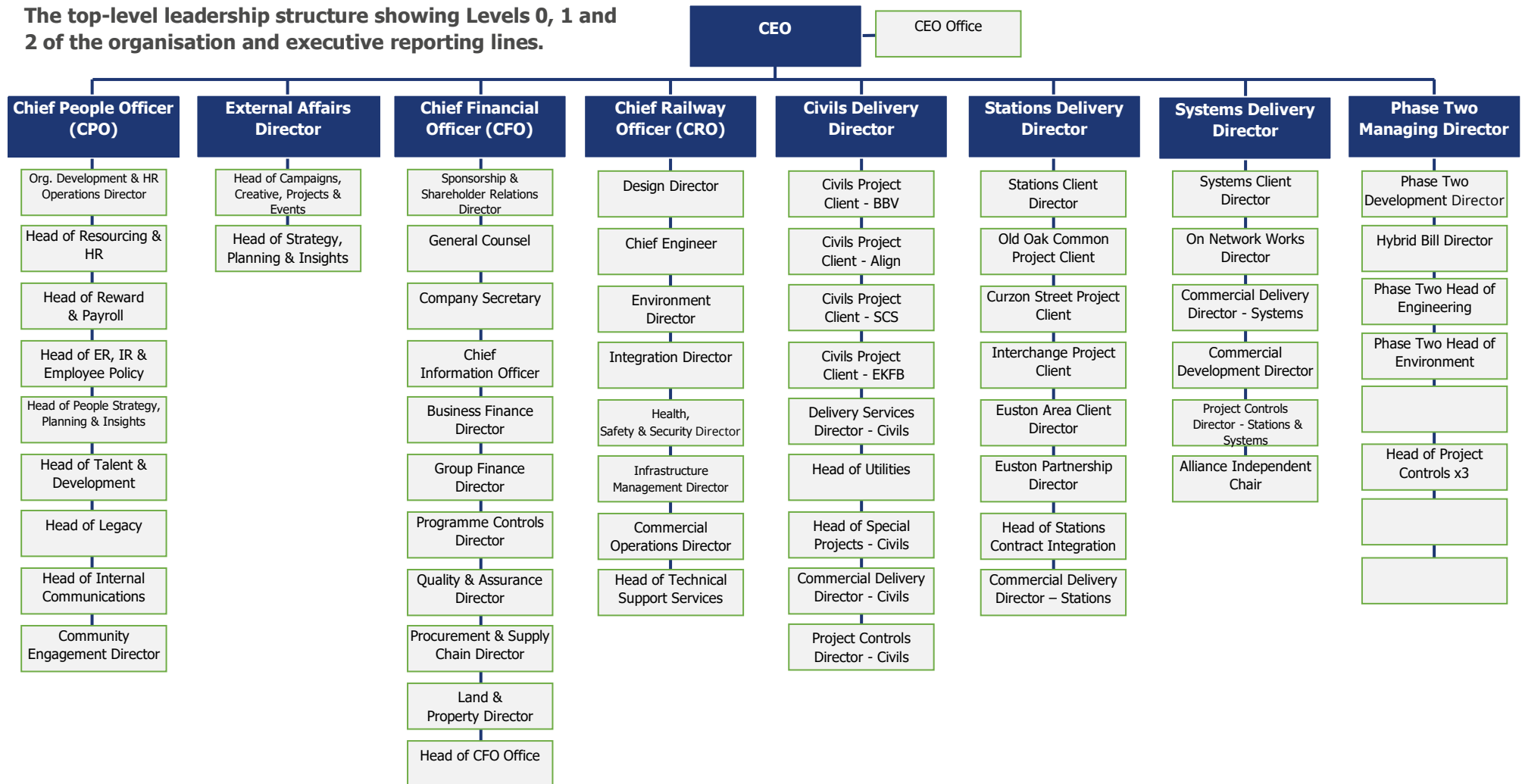
As required in the Framework Document, HS2 Ltd produces an annual Corporate Plan demonstrating how the HS2 railway is being delivered, including the key performance indicators and milestones against which performance will be assessed annually. The 2023/24 financial year is covered by the 2023 – 2026 Corporate Plan.

Business model and organisational development

HS2 Ltd's head office is in Birmingham and about two-thirds of our staff are based there. Most of our London-based staff are located at our offices at Euston.

Business model

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



Financial review

Company financial performance for the year ended 31 March 2024

HS2 Ltd is entirely funded by the DfT. Combined capital and resource expenditure in 2023/24 amounted to £8,560.7 million (2022/23: £6,960.9 million). Capital expenditure primarily comprises the cost in the year of Phase One. Expenditure on Phase 2a and 2b West was reported as capital until the Network North announcement in October 2023 and thereafter as resource expenditure.

The financial statements for the year ended 31 March 2024 show the following results.

- Capital expenditure of £7,411.6 million (2022/23: £6,917.2 million).
- Resource expenditure of £1,149.0 million (2022/23: £43.7 million).
- Net assets of £26,599.5 million (2022/23: £20,468.3 million).

The increase in capital expenditure reflects ongoing works following Notice to Proceed for Phase One especially in relation to the progression on Phase One main works civils. The resource expenditure in year increased compared with the previous year due to the cancellation of Phase Two in October 2023. Accordingly, this resulted in the expenditure on Phase 2a (£713.0 million) and 2b West (£136.9 million) to be reported as resource expenditure

(non-cash impairment) instead of capital as all previously capitalised expenditure has been impaired. 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 75 to 104). The land and property acquired for the construction and operation of the railway are purchased by HS2 Ltd as agent for the SoST and are recognised as assets in the DfT's financial statements. They are therefore not included in HS2 Ltd's financial statements.

Going concern

In October 2023, the government's announcement on Network North confirmed HS2 Phase One would be completed, with a rescope Euston station. The work planned to deliver Phases 2a, 2b and HS2 East would not proceed.

The revised scope is being incorporated into the Development Agreement which details HS2 Ltd's role in developing, building and operating the new high-speed railway. The development and delivery of the revised scope remains part of the

government's wider high-speed rail agenda and is in accordance with the aims of DfT as our sponsor.

HS2 is funded entirely by capital contribution from the DfT as provided by Section 6 of the Railways Act 2005, the High Speed Rail (Preparation) Act 2013 and section 63 of each of the High Speed Rail (London to West Midlands) Act 2017 and High Speed Rail (West Midlands to Crewe) Act 2021, and the funding provisions in the Development Agreement, Framework Document and annual delegation letters from DfT to HS2 Ltd.

The government-wide Spending Review 2021 made clear HS2 is a multi-year capital programme. The DfT has agreed budget allocations for the HS2 programme for financial year 2024/25 giving a reasonable expectation that the company is able to continue as a going concern for at least that period. No material uncertainties were identified when undertaking the going concern assessment.

Consequently, in line with the Notice to Proceed for Phase One, confirmed on 15 April 2020, and the revision to scope announced in October 2023, it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Key performance indicators

Performance in 2023 – 2024

Our key performance indicators (KPIs) measure our progress on the journey to build HS2.

The government's decision to cancel Phase 2a and Phase 2b in October 2023 changed the programme scope and means several KPIs in some areas are no longer relevant. As such, KPIs relating to Phase Two are no longer reported on.

Our performance

Of our 12 KPIs measures:

- five have been met;
- four have not been met;
- two relate to Phase 2a and Phase 2b elements that are no longer reported on; and
- the Lost Time Injury Frequency Rate is reported as a KPI but does not have an associated target to meet.

Are we safe?

Safety is one of our core values. It means caring for our workforce, future passengers and the public. We successfully met, and exceeded, the overall health and safety performance target, as well as seeing a reduction in the Lost Time Injury Frequency Rates for the year.

Are we on time?

As construction activity continues to increase, we have achieved important milestones needed to ensure HS2 opens on schedule. For Phase One, 14 of our 20 'in-year' schedule milestones were achieved.

For the delivery into service date (DIS), the forecast for initial services between Birmingham and Old Oak Common remains in the range 2029 – 2033 despite some schedule pressure within that range.

Are we on budget?

In March 2023, the government moved the HS2 programme to fixed annual spending profiles, which reflected the pressure inflation had put on capital budgets. Throughout the year, we have effectively managed ongoing inflation challenges and supply chain pressures to remain in our allocated budget limits for 2023/24.

HS2 Ltd issued formal early warning notice advice to the DfT in November 2023, setting out that the estimate at completion for Phase One exceeded the available funding envelope. This set out the likely costs for Phase One in a range of £49 billion to £57 billion (2019 prices) against the pre-Network North Phase One scope. As set out in the Network North command paper, DfT officials have estimated

a provisional range of £45 billion to £54 billion using different assumptions on how much remaining cost risk remains addressable. HS2 Ltd and the DfT are continuing to work to review and agree the cost of delivering the remainder of Phase One following the Network North scope changes.

Are we a good neighbour?

Environmental sustainability remains an important part of the design, construction and future operation of HS2. Our KPI targets continue to drive our supply chain to innovate to seek biodiversity gains where this is practical.

In 2023/24, we improved our Phase One biodiversity position across all three measures compared with 2022/23. We are now reporting a net gain position for two of the measures, for hedgerows and watercourses, with further positive progress for area-based habitats. We will continue to work with contractors to improve our designs for biodiversity benefit and explore partnership working for stakeholders.

We have also performed well against our Phase One carbon emissions reduction target, forecasting a 32.5% reduction against the baseline.

Key performance indicators

Delivering for communities along the route

We know that planning and building HS2 is disrupting the lives of local people. We always try to do the right thing and reduce disruption as much as we can. This includes quickly and positively supporting people who have urgent construction queries and complaints. In 2023/24, we were able to respond to 100% of urgent helpdesk queries and complaints in two working days. This measure ensures that when someone is affected by our work, we respond quickly and effectively.

Our organisation

We are committed to developing and maintaining a supportive and inclusive workforce culture. Our goal from a people perspective focuses on our diversity mix as an organisation. We are not complacent and we will continue to strive to do even better. Our aim is to maintain our momentum on equality, diversity and inclusion (EDI). At the end of March 2024, we recorded the following.







- 38% of our workforce identified as women. This fell just short of our goal for female employees this year. However, this remains significantly higher than construction and industry standards, which are between 21% and 23%.
- 29% of our workforce were from ethnic minority backgrounds, considerably above industry standards. In both construction and infrastructure, there have traditionally been low levels of ethnic diversity, less than 15%.



HS2 Ltd staff at Snowhill in Birmingham.


Key performance indicators

A summary of our progress against each of the key performance indicators for 2023/24 is presented in the following table.

Targets	Status	How we performed
Are we safe?		
Safety, health and wellbeing		
1. Maintain a Health and Safety Performance Index (HSPI) score of ≥ 2.20	Met 	Our overall enterprise score of 2.35 at the end of Q4 outperformed the target of 2.20.
2. Lost Time Injury Frequency Rate (LTIFR)	n/a 	12-month LTIFR (per 1,000 hours worked) reduced by 0.02 over the period. Note: LTIFR does not have a defined 'target' associated with it under existing text for 12-month LTIFR.
Are we on time?		
Phase One progress		
3. Delivery Into Service (DIS) Target Date (initial services from Birmingham to Old Oak Common) maintained	Not Met 	The DfT set HS2 Ltd a specified Target Date for DIS of Phase One services between Birmingham and Old Oak Common stations. HS2 Ltd has reported pressure on the specified DIS Target Date. However, the forecast for initial HS2 services between Birmingham Curzon Street and Old Oak Common remains within the overall ranges of 2029 to 2033.
4. Achieve the key Phase One Config C. (3 trains per hour service) delivery	Not Met 	14 out of 20 Business Plan milestones have been achieved in the year. Out of the 6 remaining milestones, 4 are scheduled to be completed in the coming months with no impact to the overall critical path; and 2 milestones have now been rescheduled to later in the programme as priorities from scope deferment and refinement have led to change. The most critical of these milestones is associated with the rolling stock design. However, options exist to mitigate the programme impact to allow this to proceed as intended.
Phase 2a progress		
5. Appoint Phase 2a design delivery partner in Q4 2023/24	n/a 	Following the Network North announcement, a design and delivery partner is no longer required and will not be progressed.
Are we on budget?		
Phase One cost		
6. Current Observable Cost (Tangible Risk) below Target Cost for Phase One	Not Met 	HS2 Ltd issued formal Early Warning Notice advice to the DfT in November 2023, setting out that the estimate at completion for Phase One exceeded both the Target Cost (£40.6 billion) and the available Funding Envelope (£44.6bn). This set out the likely costs for Phase One in a range of £49 billion to £57 billion (2019 prices) against the pre-Network North Phase One scope. This is significantly higher than the DfT's own projection of £45 billion – £54 billion.




Key performance indicators

Annual budget


7. Year End outturn not to exceed 2023/24 delegated budget and to be no more than 2.5% below Supplementary Estimate unless otherwise agreed with DfT	Met 	The year end outturn for 2023/24 was £7,868 million – 0.6% below HS2’s delegated budget of £7,917 million.
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Are we a good neighbour?

Environmental


8. Achieve a 2% improvement in Biodiversity No Net Loss position, on our journey to deliver 0 NNL for Phase One	Met 	We have met the KPI for biodiversity accounting by improving our position in all three of the measures compared with what was reported in 2022/23.
9. Achieve a 2% improvement in Biodiversity No Net Loss position, on our journey to deliver 0 NNL for Phase 2a	n/a 	No further reporting following the rescoping of Phase Two.
10. Forecast 31% reduction in carbon emissions against the carbon baseline for Phase One and Phase 2a by end of March 2024	Met 	All Phase One Main Works Civils Contracts Joint Ventures reported a reduction in carbon compared with the baseline for the period, forecasting a 32.5% reduction against the baseline, exceeding the Phase One forecast KPI for the period. The government announcement to cancel Phase Two in October 2023 resulted in no further carbon reductions being forecast for Phase 2a.

Community experience

11. Resolve 80% of urgent construction queries and complaints in two working days of them being reported to the HS2 Ltd Helpdesk	Met 	We outperformed our corporate commitment of addressing urgent construction-related enquires and complaints being resolved in two working days. 100% of urgent enquires and complaints were resolved in two working days.
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Our organisation

Equality, diversity and inclusion

12. Achieve EDI workforce diversity for HS2 Ltd employees of 40% women and 23% ethnic minority representation	Partially met 	At the end of March 2024: <ul style="list-style-type: none"> • 38% of our workforce identified as women, just short of our goal for female employees. However, this remains significantly higher than construction and industry levels, which are between 21% and 23%. • 29% of our workforce were from ethnic minority backgrounds, considerably above industry levels.
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Environmental Sustainability Progress Report

HS2 Ltd's performance contributes to the DfT's Greening Government Commitments (GGCs) and we report against the requirements for our corporate activities in this section. The nature of HS2 means the targets of the GGCs do not apply directly to HS2 Ltd.

In addition to reporting on our corporate activities, we publish an Environmental Sustainability Progress Report (ESPR) each year to provide a full account of data for our project delivery through our supply chain. These can be found [here](#).

Our performance against the GGC goals in 2023/24 is shown below. We also include other reporting requirements including Taskforce on Climate Related Financial Disclosures (TCFD) reporting from the [HM Treasury Sustainability Reporting Guidance: 2023/24](#).

HS2 Ltd collates relevant quantities of data centrally, and consumption/generation data from HS2 premises. The data is submitted to DfT's diligent reporting portal, from which the emissions data is obtained for use in our Annual Report and Accounts.

GGC goal: Mitigating climate change – working to net zero by 2050

Emissions (CO2e in tonnes) ¹	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18
Scope 1: Direct emissions	272	297	234	255	279	371	318
Gas	272	297	234	255	279	371	318
Fugitive emissions from air conditioning	-	-	-	-	-	-	-
Fleet	0	0	0	0	0	0	0
Scope 2: Indirect emissions (electricity consumption): Market-based	359	391	393	337	468	751	891
Electricity	359	391	393	337	468	751	891
Scope 2: Indirect emissions (electricity consumption): Location-based	205	216	231	234	345	557	803
Electricity	205	216	231	234	345	557	803
Scope 3: Indirect emissions	340	335	199	68	372	529	533
Domestic air travel	0.7	-	-	-	-	-	-
Rail / underground / tram	129.1	-	-	-	-	-	-
Bus / Coach	0.1	-	-	-	-	-	-
Hire car usage / Taxi	77.7	-	-	-	-	-	-
Private vehicle - owned by staff	95.7	-	-	-	-	-	-
International rail travel / Eurostar	n/a	-	-	-	-	-	-
International air travel	16.1	-	-	-	-	-	-
Water supply	1.24	1.2	0.8	0.9	2.8	5.9	7.2
Mixed municipal waste – Recycling - Closed Loop	0.59	-	-	-	-	-	-
Mixed municipal waste – Energy Recovery - Combustion	0.5	-	-	-	-	-	-
Electricity	17.77	-	-	-	-	-	-
Total emissions (market-based method)	970	1023	826	661	1120	1652	1742
Total emissions (location-based method)	817	848	664	558	996	1458	1654

¹Some figures have been reinstated. Consumption figures provided are correct at the time the report is produced. However, some bills have been estimated. Figures are subject to amendment later as part of the reconciliation process when final invoices are received.

Environmental Sustainability Progress Report

Related consumption ¹	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18
Scope 1: Direct emissions							
Gas (kWh)	1,334,909	1,329,118	1,279,229	1,388,157	1,518,623	2,019,489	1,727,948
Scope 2: Indirect emissions (electricity consumption)							
Electricity (kWh)	992,127	1,109,370	1,119,676	1,032,789	1,278,207	2,014,070	2,408,080
Scope 3: Indirect emissions ²							
Domestic air travel (air miles)	2634	-	-	-	-	-	-
Rail / underground / tram (passenger miles)	2,263,395	-	-	-	-	-	-
Bus / coach (passenger miles)	704	-	-	-	-	-	-
Hire car usage/ Taxi (vehicle miles)	342,810	-	-	-	-	-	-
Private vehicle -owned by staff usage (vehicle miles)	356,766	401,186	169,645	33,689	30,476	40,184	35,860
International rail travel / Eurostar (passenger miles)	0	-	-	-	-	-	-
International air travel- short haul, economy (air miles)	75,274	-	-	-	-	-	-
International air travel- long haul, economy (air miles)	9,580	-	-	-	-	-	-
International air travel- short haul, premium economy (air miles)	0	-	-	-	-	-	-
International air travel- long haul, premium economy (air miles)	84,854	-	-	-	-	-	-
International air travel- short haul, business (air miles)	0	-	-	-	-	-	-
International air travel- long haul, business (air miles)	0	-	-	-	-	-	-
International air travel- short haul, first (air miles)	0	-	-	-	-	-	-
International air travel- long haul, first (air miles)	0	-	-	-	-	-	-

¹Some figures have been reinstated. Consumption figures provided are correct at the time the report is produced. However, some bills have been estimated. Figures are subject to amendment later as part of the reconciliation process when final invoices are received.

²Apart from private vehicle mileage, data is only available from 2023/24.

Environmental Sustainability Progress Report

Financial information	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18
Gross expenditure on the purchase of energy	£269,000	£393,000 ¹	£213,000	£156,000	£241,000	£198,000	£118,000
Expenditure on accredited offset purchases	£0	£0	£0	£0	£0	£0	£0
Total expenditure on official business travel	£1,873,000	-	-	-	-	-	-
Expenditure on reported areas of energy	£269,000	-	-	-	-	-	-

¹The increase in direct spend on utilities is due to a new CCS energy tariff at Eversholt Street, causing a x5 jump in costs from October 2022, after the previous tariff ended.

Corporately, we collect data on our emissions and are working to reduce them. In 2023/24, we have worked with our total facilities management supply partner to identify options to reduce emissions. This includes an upgrade of our lighting at the Two Snowhill office to LED, which will take place in 2024/25.

We have a project environmental sustainability vision to provide zero carbon rail travel for a cleaner, greener future. We report on our project carbon emissions and activities in our ESPR.

GGC goal: Minimising waste and promoting resource efficiency

Waste	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18
Total waste generated (tonnes)	53.8	78	58	28	116	186	120
Waste recycled (tonnes)	28	50	30	14	57	119	65
Waste composted/food waste (tonnes)	0	0	0	0	0	0	0
Waste incinerated with energy recovery (tonnes)	23	28	28	14	59	66	50
Waste incinerated without energy recovery (tonnes)	0	0	0	0	0	0	0
Waste to landfill (tonnes)	0	0	0	0	0	1	5
ICT waste recycled, reused and recovered (externally) (tonnes) ²	2.8	-	-	-	-	-	-

²2023/24 is our first year reporting ICT waste.

Environmental Sustainability Progress Report

Financial information	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18
Expenditure on waste disposal	£97,779 ¹	-	-	-	-	-	-

¹£95,800 is for all waste teams at Snowhill and Podium (general, recycling, hazardous, medical, confidential and sanitary). £2,000 is for collection of an ICT plotter. We are unable to split it by disposal method and 2023/24 is our first year of reporting.

Paper consumption (reams)	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18
A5	0	0	0	5	25	0	n/a
A4	924	799	155	356	810	4755	n/a
A3	0	0	0	23	125	445	n/a

Corporately, our waste data is shown above. In 2023/24 we did not send any waste to landfill. HS2 Ltd has continued to work towards the government commitment to remove all consumer single use plastics with nearly all items removed from the estate in 2020. Where possible, all items are redistributed or reused including stationery and furniture.

We report on our project waste data and activities in our ESPR.

GGC goal: Reducing our water use

Water	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18
Estates water (cubic meters, m ³)	6996	8074	5330	3075	8252	17033	20813

Corporately, we collect data on our water consumption and are working to reduce it. In 2023/24 we have started a bathroom upgrade programme at Podium office to include more water efficient fittings which will reduce water use. We report on our project water use in our ESPR.

Environmental Sustainability Progress Report

GGC goal: Procuring sustainable products and services

HS2 strategic goals include creating an environmentally sustainable solution. It is embedded with environmental and social value policies into HS2 procurement procedures. For example, during a procurement the procedures require application of relevant Government Buying Standards; work with environmental subject matter experts to define and incorporate relevant sustainability requirements into specifications; use of Sustainability and Environmental Minimum Requirements Works Information where appropriate; consideration of whole life value; subsequent evaluation of tender submissions against agreed sustainability, environmental and social value criteria and then managing the contracts to ensure environmental, economic and social sustainability obligations are delivered.

GGC goal: Nature recovery and biodiversity action planning

Our corporate estate is small and leased, so we have limited scope for nature recovery and biodiversity action planning. However, HS2 can have a significant effect on nature recovery and our ESPR sets out our biodiversity accounting data and activities on HS2's Green Corridor.

GGC goal: Adapting to climate change

As a corporate entity, adapting to climate change is not a significant risk for HS2 Ltd. However, adapting to climate change is key to the design, construction

and operation of the railway and we are undertaking extensive work in this area. We set out our approach in the third round of the climate adaptation reporting, which can be found [here](#). We're preparing a report for the fourth round of the climate change Adaptation Reporting Power.

GGC goal: Reducing environmental impacts from Information and Communication Technology (ICT) and digital

Our information and technology strategy has sustainability as a core principle: "Sustainability is a key factor in all government projects to help meet our targets for net zero. We will prioritise technology choices, suppliers and solutions that help reduce carbon emissions, aiming to minimise our environmental impact while embracing innovative and efficient technologies."

We are reducing our environmental impact through several information and technology initiatives in 2024, including the following.

- Office space rationalisation: As our organisation contracts, we'll reduce our use of office space and associated hardware.
- No device refresh programme: We will use ICT hardware to end-of-life dates, swapping for existing spare hardware salvaged from office space rationalisation.
- Print removal: We've already moved to a managed print solution but will continue to push

towards a 'no-print culture', further reducing our environmental footprint.

- Data reduction programme: We're instilling a culture of data excellence, which covers storing data. We are removing a legacy file share solution and rationalising data.
- Application rationalisation: We're exploring opportunities to reduce our application portfolio. We will consolidate on fewer applications and reduce our environmental footprint with economies of scale.

Sustainable construction

Sustainable construction is embedded in our way of working. We have rigorous requirements on our supply chain to build an environmentally sustainable railway. This is covered in more detail in our ESPR.

Environmental incidents

There were three corporate environmental incidents reported in 2023/24. They related to property purchased as part of the project. They were:

- a fly tipping incident
- an oil spill relating to an attempted oil theft, and
- planned work on property with a potential bat roost.

Project environmental incidents are reported in the ESPR.

Environmental Sustainability Progress Report

Taskforce on Climate-related Financial Disclosures (TCFD) report

Climate change presents unprecedented challenges and the actions we take now will fundamentally affect our lives and the lives of future generations. HS2 is being built to be resilient to climate change and we are cutting emissions at every opportunity. HS2 Ltd is committed to minimising the carbon footprint of HS2 towards a goal of net zero carbon emissions, building a railway that is climate resilient for the long term and provides zero carbon journeys from day one of operation.

HS2 Ltd has reported on climate-related financial disclosures consistent with HM Treasury's TCFD-aligned disclosure application guidance, which interprets and adapts the framework for the public sector.

We believe climate is a key risk and we have complied with the TCFD recommendations and recommendations disclosures around:

- governance – recommended disclosures (a) and (b); and
- metrics and targets – recommended disclosures (b).

This is in line with the government's TCFD-aligned disclosure implementation timetable for Phase One – Governance Focus. We plan to provide recommended disclosures for risk management and strategy in future reporting periods in line with the government implementation timetable.

Environmental Sustainability Progress Report

The table below provides an overview of the Phase One – Governance Focus climate-related financial disclosures consistent with HM Treasury’s TCFD-aligned disclosure application guidance.

Governance

<p>a) Describe the board’s oversight of climate-related risks and opportunities.</p>	<p>The HS2 Ltd board provides oversight on environmental sustainability, which includes climate-related risks and opportunities. There are two board sub-groups for environment: the Health, Safety, Security and Environment (HSSE) Committee and the Environmental Sustainability Committee (ESC).</p> <p>Our governance regime for environmental sustainability was covered in our 2022/23 progress report and remained the same in 2023/24.</p>	<p>HS2 Adaptation Reporting Power Report (2021) Pages 10 to 11 ESPR (2022/23)¹ Pages 12 to 13 HS2 Net Zero Carbon Plan Page 13</p>
<p>b) Describe management’s role in assessing and managing climate-related risks and opportunities.</p>	<p>Our carbon and climate change team ensures carbon and climate change risk, adaptation and resilience is embedded across the business.</p> <p>The team develops guidance for addressing carbon and climate change risk in construction, design and operation and raises awareness of climate change across the organisation. Key developments and items for decision are presented to the ESC.</p> <p>Carbon and climate risks are managed via HS2’s risk management and opportunity realisation processes in conjunction with governance processes as described above.</p> <p>HS2 Ltd’s Climate Change Adaptation and Resilience Forum meets bi-annually and brings together engineers, designers and senior environmental managers.</p> <p>HS2 Ltd’s Steering Group (CSG) provides operational leadership and guidance to manage and improve the delivery of our net zero target.</p> <p>HS2 Ltd also has Carbon and Climate Change Collaboration Forum with key contractor organisations.</p>	<p>HS2 Adaptation Reporting Power Report (2021) Pages 10 to 11 ESPR (2022/23)¹ Pages 12 to 13 HS2 Net Zero Carbon Plan Page 13</p>

Metrics and Targets

<p>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks</p>	<p>Scope 1, 2 and 3²GHG emissions calculated in line with GHG Protocol are provided in both the ESPR 2023/24 (supply chain) and ARA 2023/24 (corporate).</p>	<p>Annual Report and Accounts (2023/24) Pages 18 to 19</p>
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¹ Our governance regime for environmental sustainability was covered in our 2022/23 ESPR and remained the same in 2023/24.

² Scope 3 emissions limited to business travel.

Non-financial information

Health, safety, security and wellbeing

We publish an annual review detailing progress against our health, safety and wellbeing commitments to date, including case studies and performance information.

It is published to provide an update on progress in achieving our Health and Safety Strategy, which continues to put health and safety at the heart of our organisation as we move through peak construction.

As well as plans and progress, the documents reflect on innovations and lessons learned, in which the scale and breadth of our delivery activity has grown significantly.

We have seen the number of hours worked increase from 62 million in financial year 2022/23 to 65 million in financial year 2023/24. This means we continue to have large numbers of people onsite in high-risk environments.

The risks inherent in any major infrastructure programme are heightened during the peak construction phase. This was tragically brought home to us when a supply chain worker died following an industrial incident at an HS2 site in the West Midlands on 27 April 2023. It was the first fatality since work on the project began. The principal contractor has concluded its investigation

and key findings are being briefed in the project and improvements with industry suppliers are being progressed. The inquest into the death was concluded in January 2024, with the coroner sending his 'report to prevent future deaths' to industry stakeholders including the Pipeline Industries Guild and the British Drilling Association regarding learning from the event. Such tragedies are a stark reminder of why safety must continue to be at the heart of everything we do.

Our risk profile remained similar to the previous year as we continue to deliver work at scale. Lifting operations and working at height remain key risks although each area of the railway is at varying stages of the project lifecycle. Previous risks remain such as earthworks, which will continue into the forthcoming year.

We continue our commitment to health and safety by working closely with our supply chain, occupational health and safety leadership forums and working groups to drive best practice in identifying, understanding and managing risk.

Despite the level of risk brought about by thousands of people working in high-risk environments, we've exceeded our target, achieving a final index of 2.35 against our Health and Safety Performance Index (HSPI) target of 2.20. HS2 has seen a rise in the number of injuries from the previous year, in line

with the number of hours worked, from 465 to 493. We also track our Lost Time Injury Frequency Rate (LTIFR) which allows us to benchmark our performance with others. Our LTIFR is 0.14 which has improved on the previous year rate of 0.16 at the end of March 2023. The actual LTI numbers decreased from 101 in 2022/23 to 91 in 2023/24.



Main works construction at Old Oak Common, west London.

Non-financial information

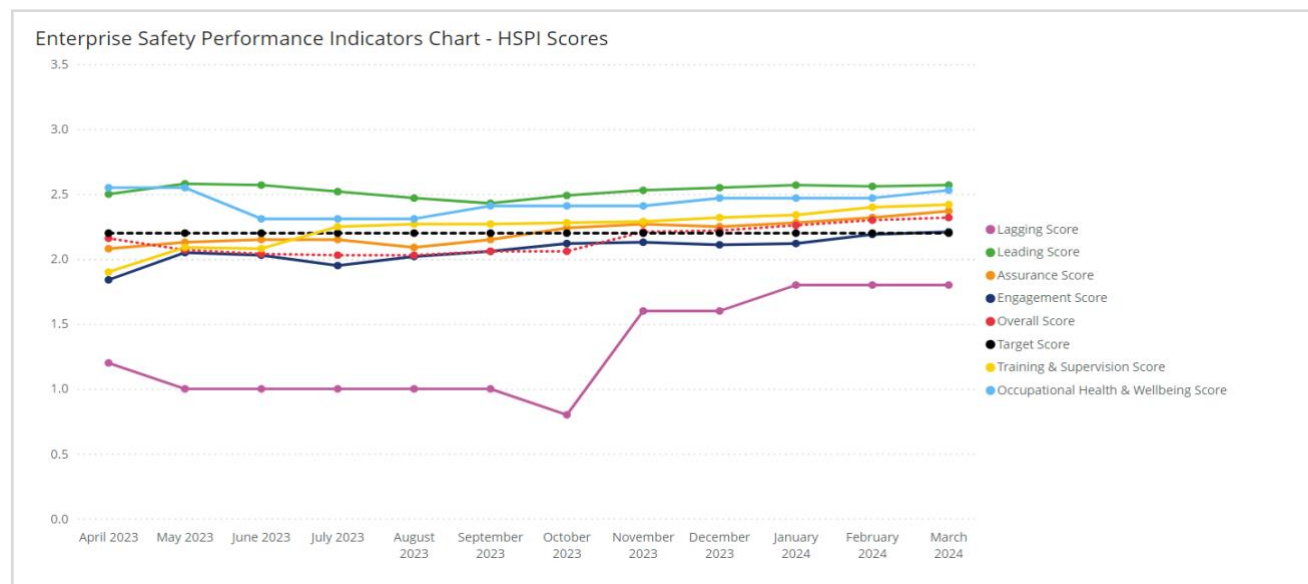
We also track High Potential (HiPo) and No Harm No Loss (NHNL) events.

Our HiPo rate increased to 0.27 (comprising 178 HiPos) in 2023/24, up from 0.22 (133 HiPos) in 2022/23. Our NHNL rate increased to 0.99 (comprising 640 NHNLs) in 2023/24, up from 0.97 (601 NHNLs) in 2022/23. We believe the increase in reporting of potential incidents, given the decrease in actual incident numbers, demonstrates an increase in safety culture and a willingness to learn a free lesson without suffering harm or loss.

We review our Health and Safety Performance Index (HSPI) measures annually. Following the review, we have identified areas to improve some of our measures for 2024/25. The chart opposite shows the HSPI scores by each measure, and total for the financial year 2023/24. From a positive perspective, all five of our leading HSPIs met our target. The key lagging indicator, Injury Weighted Index (IWI), saw a significant deterioration following the fatality in April 2023 and has seen a steady recovery throughout the year ending on 2.00, although did not meet the target of 2.2.

Progress in delivering our health and safety strategy

In May 2023, we published our refreshed Health and Safety Strategy, which sets out our priorities for keeping everyone safe and well and leaving a legacy of improved standards. Our approach to health and safety is underpinned by our Safe at Heart philosophy, built around the three pillars of I care; you count; we matter.



Our seven risk focus areas and a suite of deliverables known as our Safe at Heart commitments form the backbone of our health and safety strategy, defining where we can make the biggest improvements in health and safety performance. We hold ourselves to account for delivering progress against each of our focus areas year-on-year. Key progress over the past year includes the following.

Occupational health and wellbeing

- HS2 Ltd has started to collect occupational hygiene monitoring data to enable a more informed approach to understanding and addressing occupational health hazards.
- A study looking at fatigue across HS2 to understand where and when fatigue risk increases. Data is being collected from our joint ventures (JVs) on working patterns,

and other construction-specific job characteristics to build a reliable model of fatigue risk.

- Our supply chain has proactively raised awareness of the top five health hazards through initiatives such as health videos and regular briefing of health hazards.
- Placements for occupational health practitioners have been set up and further engagement with the National Society of Occupational Health (NSOH) is helping to shape learning for future occupational health professionals.

Workforce safety

- The Safe at Heart culture programme is developing through initiatives like Align Safety Culture and Balfour Beatty VINCI SYSTRA (BBVS) Making Safety Personal.

Non-financial information

- The adoption of a health and safety maturity framework underscores our commitment to prioritising occupational health and operational resilience, driving continuous improvement and ensuring sustained compliance with industry standards.
- Supervisor recognition through awards such as the Safe at Heart Inspiration award and technological and supply chain initiatives are enhancing safety practices.
- Working with our supply chain, we have focused on improving management of lifting activities, sought to apply a consistent approach to exclusion and restricted zone management and the establishment of common supervisor safety leadership principles across the programme.

Informed learning and assurance

- Comprehensive integrated assurance procedures have been developed for health and safety across all delivery areas.
- These procedures will ensure cohesive monitoring and evaluation of safety measures throughout 2024/25.

Supply chain management

- Health and safety messages are now seamlessly integrated into our strategic market engagement process.
- Supplier relationship management has actively promoted safety initiatives during relevant supply forums, encouraging small

and medium-sized enterprises (SMEs) to focus on specific safety-related areas.

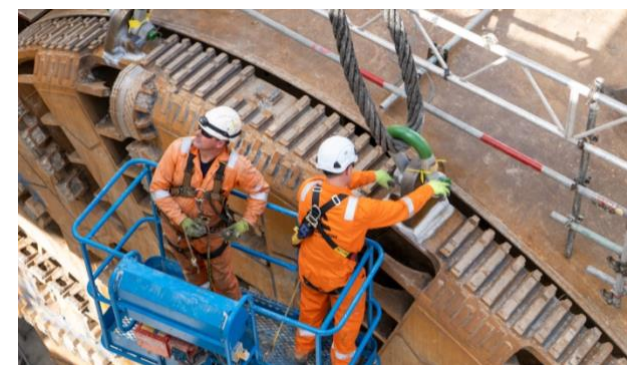
- Newly implemented Tier 2 quarterly performance scorecard now includes safety metrics with HS2 commercial leads receiving regular updates, ensuring transparency and accountability in safety performance.

Public and community health and safety

- Developed management information for specialist support services, focusing on our most vulnerable people.
- Put in place administrative systems to handle special cases, including advocacy and translation.
- Actively implementing the latest Special Cases Policy and Procedures, fostering a safe at heart culture.
- Our Respecting People, Respecting Places strategy guides our engagement efforts as we build the railway. A major part of this is the dedicated HS2 Helpdesk, handling over 38,000 enquiries last year, and available 24/7 to address questions or concerns related to HS2's impact including health, safety and security.
- Awarded the Specialist Security Services contract to maintain robust security measures for our activities.

Health and safety by design

- Actively engaged the temporary works forum, to ensure HS2 alignment with best practices.
- Frontline workers are actively participating in constructability reviews.
- Key lessons learned from these reviews are being shared with designers.
- Contractors are establishing a process to relay feedback between site staff and designers.
- Supervisors are tracking the number of changes from the design office to the constructed 'field design' with the relationship between field design changes being proactively reviewed.
- Contractors and designers are collaboratively developing examples of good practice for circulation through regular forums such as the design director's call.



Tunnel boring workers at Long Itchington Wood, Warwickshire.

Non-financial information

Safe operations

- Ergonomics assessments are now integrated into the Design for Functional and Dynamic Development (DFDD) assurance packs.
- Rail systems contractors now have critical ergonomic information.
- System safety and ergonomics workstreams are harmonised, reinforcing our commitment to future safe operations.
- The Railway System Safety Strategy has been aligned with the latest HS2 organisational updates and the rolling stock interface system safety management plan has undergone development and review.
- Innovations such as the use of drone technology have also been investigated as ways to enable targeted trackside maintenance visits.

Physical security and protester activity

Our focus has continued to be on reducing the risk of illegal protest, violence and crime against the project, along with embedding our incident management arrangements to ensure we can respond effectively to any challenges. Through a range of measures, including a route-wide injunction, we have been able to dramatically reduce the volume and impact of illegal protester activity against the project and to local communities. This has resulted in a significant reduction in costs to the taxpayer and enabled most sites to be free from disruption. However, we continue to observe hostile sentiment from groups

and individuals who have previously disrupted the project and we have experienced a range of criminal acts against our land and property holdings resulting in additional security expenditure.

During the year, we have sustained our collaboration with the resilience community, working closely with the emergency services and local resilience forums and continue to have a close working relationship with the British Transport Police. We have not been significantly affected by any serious information security breaches but we remain alert to the risks and will continue to develop and mature our cyber defences.

Conclusion

The fatal accident on HS2 has strengthened our resolve never to be complacent when it comes to keeping our people safe and well. We have worked closely with the supply chain and identified critical lessons that will allow us to drive positive change in the industry.

We have also seen our HSPIs evolve as learning has been sought from benchmarking exercises and consultation with the supply chain. The aim of the HSPIs is to improve our health and safety performance. We strive relentlessly to achieve our HSPIs to create an environment where no one gets hurt.

The last financial year has seen solid health, safety and security performance, which should be considered alongside the risk profile we are seeing

in the forthcoming year surrounding heavy equipment, lifting operations and working at height.

We will continue to interrogate beyond our indicators, investigating each significant incident and high-potential event to get to the root cause and continually improve how we manage risk. Working with the supply chain, we look to share learning across contracts, apply improvements programme-wide and remain diligent about the health, safety and wellbeing of our workforce.

Non-financial information

Fraud, corruption and whistleblowing

The counter fraud and business ethics function is overseen by the chief financial officer and a senior officer and is governed by the Audit and Risk Assurance Committee.

HS2 continues to enhance its counter fraud, bribery and corruption response by building its detection, prevention and management capabilities. This is being achieved in several ways.

Detection

- We are building the capability of our data analytics function by obtaining better quality data from our supply chain, creating greater insight into areas of unusual activity and increased identification of potential fraud and error.
- We are refining our fraud indicators/algorithms as a result of greater awareness and understanding of the landscape.
- We are building a platform for future improvement using AI.
- We have increased our in-house data science capability to enhance our visibility and understanding of data across the project and identify unusual trends, patterns and anomalies.
- We are taking advantage of increased access to supply chain data by being more proactive in targeting fraud and error in higher spend areas.
- We continue to use our Speak Out whistleblowing function to encourage

employees, contractors and the public to report potential fraud and malpractice.

Prevention

- As a result of expansion, we are increasing the visibility and awareness of the counter fraud and business ethics team and its operations both within HS2 and the supply chain.
- We are obtaining greater visibility of contractors and the supply chain through access to additional data sets.
- Through proactive measures, we are increasing transparency in the supply chain and setting a deterrent to fraud being committed.

Management

- Through expansion of the counter fraud and business ethics team, we have increased the capacity to investigate high-risk activity/anomalies identified by data analytics together with bribery, corruption and other ethical issues brought to light through whistleblowing procedures and intelligence gathering.
- We continue to develop our investigation and case handling processes to measure and increase efficiency.
- Working with the Public Sector Fraud Authority, the DfT and other partners, we aim to continue to identify opportunities to improve the detection, prevention and management of fraud, bribery and corruption and share knowledge where

appropriate to help build the counter fraud response in the construction sector.

Whistleblowing: Speak Out policy

Everyone working on the HS2 programme is responsible for reporting any concerns when they believe that something is wrong. The company seeks to maintain high standards of business behaviour and for everyone to act ethically and with integrity. At HS2 Ltd, whistleblowing falls under the Speak Out policy, which sets out how concerns should be raised.

The company recognises that some people may prefer to raise their concerns anonymously and we have engaged an independent organisation to operate a telephone and secure web-based service called Speak Out. Any concerns can be reported on a named, confidential or anonymous basis. All cases are investigated by the HS2 counter fraud and business ethics team reporting into the Audit and Risk Assurance Committee. In 2023/24, there were 173 cases raised and investigated with 91 concluded in the year. As a result of the investigative work, there have been several improvement actions implemented to strengthen policies and processes.

Community engagement

We aspire to deliver HS2 in the right way. Planning and building the railway disrupts the lives of local people. We will always try to reduce disruption as much as we can. Our approach is set out in our community engagement strategy, Respecting

Non-financial information

People, Respecting Places: HS2 Ltd's Community Engagement Strategy - GOV.UK (www.gov.uk).

Our community engagement annual reports set out our progress against our strategy: Community Engagement Progress Reports - HS2.

Residents' Charter and Commissioner

The Residents' Charter is our promise to communicate as clearly as possible with people who live along or near the route: HS2 residents' charter - GOV.UK (www.gov.uk).

Information requests

HS2 Ltd's performance in meeting its obligations under the Freedom of Information (FOI) Act 2000 and Environmental Information Regulations (EIR) during 2023 – 2024 is set out here:

	FOI	EIR	FOI and EIR	Total
Requests received	126	345	3	474
Requests responded to on time	109	321	3	433
Requests responded to outside statutory timeframes	17	23	0	40
Requests received in 2023/24 that remained open at the end of the reporting period	0	1	0	1

The independent Residents' Commissioner ensures we keep to the promises we make in the charter, including to keep the charter under review: HS2 Ltd Residents' Commissioner - GOV.UK (www.gov.uk).

Construction Commissioner

The Construction Commissioner's role is to mediate and monitor the way HS2 Ltd manages and responds to construction complaints: HS2 Independent Construction Commissioner - GOV.UK (www.gov.uk).

In 2023/24, 73% of requests were classified as requests under the Environmental Information Regulations. In 2023/24, 91% of requests were responded to in the statutory timeframe. HS2 Ltd continues to streamline its processes to maintain its performance against the Information Commissioner's Office standard of 90 per cent in 2024/25.

Disclosure of Confidentiality Agreements

HS2 Ltd has committed to disclosing in the Annual Report how many confidentiality agreements HS2 Ltd has entered in the relevant period (1 April 2023 to 31 March 2024). HS2 Ltd enters into confidentiality agreements with a wide array of organisations and persons, often to allow the 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 19 confidentiality agreements were entered by HS2 Ltd.



OnSite Support, a Crawley-based business which provides PPE for HS2.

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 26 June 2024 and signed on 25 July 2024 on its behalf by:

A handwritten signature in black ink that reads "Jonathan Thompson". The signature is written in a cursive, flowing style.

Sir Jon Thompson
Executive chair, High Speed Two (HS2) Ltd

Corporate Governance Report

Directors' Report	33
Statement of Directors' and Accounting Officer's responsibilities	35
Governance Statement	36
Remuneration and Staff Report	55

Directors' Report

The directors present their report together with the financial statements of the company for the year ended 31 March 2024. The company is registered in England and Wales and has registration number 06791686.

Directors who have held office on the board between 1 April 2023 and 31 March 2024 are as follows.

- Joanna Davinson, non-executive director (appointed 1 June 2023).
- Alan Foster, chief financial officer, executive director (appointed 1 May 2023).
- Dame Judith Hackitt¹, non-executive director (until 31 January 2024).
- Thomas Harris, non-executive director.
- Elaine Holt (deputy chair), non-executive director.
- Stephen Hughes, non-executive director.
- Ian King, non-executive director.
- Roger Mountford², non-executive director (until 18 May 2023).
- Nelson Ogunshakin, non-executive director (appointed 1 October 2023).
- Keith Smithson, non-executive director (appointed 1 June 2023).
- Sir Jon Thompson (HS2 Ltd chair), non-executive chair (appointed as executive chair 13 September 2023).

- Mark Thurston, chief executive officer, executive director (until 30 September 2023).
- Ruth Todd CBE, chief commercial officer, executive director (until 21 December 2023).

¹Dame Judith Hackitt was appointed as independent chair to Health, Safety and Security Committee for 18 months.

²Roger Mountford was appointed as adviser to the board on 01-Jun-2023 for two years.

Conflicts of interest – the 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.

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

Duty to promote the success of the company

Through their roles, the directors act in line with their duty to promote the success of the company. The best interests of the company as a whole are paramount in decisions taken by the 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: [Framework Document - High Speed Two \(HS2\) Limited \(publishing.service.gov.uk\)](https://publishing.service.gov.uk).

Principal activities

The principal activities of HS2 Ltd are set out in the Strategic Report under the business model section on page 10.

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

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 2024 shows that 89% of approved invoices were paid within 30 days of invoice date (2022/23: 89%). No claims were made against HS2 Ltd in 2023/24 (2022/23: 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 staff may use their volunteering days to support these charities. HS2 Ltd provides no financial contributions to either partner.

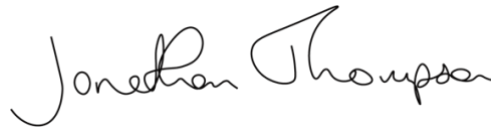
Likely future developments

Likely future developments are included in the business model section on page 10.

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 26 June 2024 and signed on 25 July 2024 on its behalf by:



Sir Jon Thompson

Executive chair, High Speed Two (HS2) Ltd

Statement of Directors' and Accounting Officer's Responsibilities

Summary

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.

The accounts 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, Statement of Financial Position and cash flows for the financial year. In preparing accounts, the directors and accounting officer are required to comply with the requirements of the Government Finance Reporting Manual (FReM) and the Companies Act 2006, and in particular to:

- observe the accounts direction issued by the SoST, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a consistent and reasonable basis;
- confirm that applicable accounting standards as set out in the Government FReM have been followed and disclose and explain any material departures in the financial statements;
- ensure that the Annual Report and Accounts 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 officer¹. This includes the responsibility for the propriety and regularity of the public finances for which the accounting officer is answerable, for keeping proper records and for safeguarding HS2 Ltd's assets, as set out in Managing Public Money published by the HM Treasury.

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.

¹ Mark Thurston, chief executive officer, resigned on 30-Sep-2023 and Sir Jon Thompson was appointed as executive chair on 13-Sep-2023 and accounting officer from 01-Oct-2023.

Governance Statement

Accounting officer's introduction

Role of the accounting officer

The accounting officer's (AO) role is set out in the Framework Document. The AO signs the financial statements, supported by the 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 Ltd Board following board approval. The AO ensures that HS2 Ltd has effective complaints procedures. These are available through the following link: [How to complain - HS2](#)

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 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 timed 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 board typically meets monthly, or otherwise as required. The role of the board is as follows.

- 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.
- Shape, challenge and direct the agenda for the company to ensure delivery of the strategic aims and objectives of HS2 Ltd.
- Monitor performance and risk, making choices, or recommendations to ministers, on the company's priorities and 'risk appetite' to meet its strategic objectives.
- Oversee relations with stakeholders and commercial partners.

- Ensure that HS2 Ltd delivers the core benefits of the HS2 programme and makes best efforts to deliver the wider benefits.
- Ensure that HS2 Ltd carries out the HS2 programme economically and efficiently, offering best value for money for taxpayer funds, and delivers to the defined schedule.

The non-executive directors of the board are appointed by the SoST as sponsor and sole member of HS2 Ltd. The HS2 Ltd chair and the non-executive directors are independent directors. The chief executive officer, chief commercial officer and chief financial officer are executive directors.

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

Board commitment and attendance

Biographies of board members are published on the gov.uk website. The appointment and resignation or retirement dates of board members are set out below and details of their contractual commitments and remuneration are disclosed in the Remuneration and Staff Report on pages 55 to 64.

Governance Statement

Attendance at the board and sub-committees

If a non-executive director's number of eligible meetings is showing lower than the total number of meetings convened during the period, this indicates membership changes during that time. It reflects the maximum number of meetings they could have attended.

Board member	HS2 Ltd Board (10 meetings convened)	Audit and Risk Assurance Committee (5 meetings convened)	Remuneration Committee (8 meetings convened)	Commercial and Investment Committee (7 meetings convened)	Health, Safety and Environment Committee (6 meetings convened)	Environmental Sustainability Committee (4 meetings convened)	Finance and Performance Committee (4 meetings convened)
Joanna Davinson , non-executive director	8/8		3/3	5/5			4/4
Alan Foster , executive director	9/9						
Tom Harris , non-executive director	8/10					4/4	2/4
Elaine Holt , non-executive director	10/10		8/8		6/6		4/4
Stephen Hughes , non-executive director	10/10	5/5		6/7			3/4
Dame Judith Hackitt , non-executive director ¹	7/8		6/7		6/6	3/3	2/2
Ian King , non-executive director	8/10		2/2			4/4	3/4
Roger Mountford , non-executive director ²	1/1	1/1		7/7			
Nelson Ogunshakin , non-executive director	4/5			0/1			3/4
Keith Smithson , non-executive director	8/8	4/4				1/1	4/4
Sir Jon Thompson , HS2 Ltd chair ³	8/10	2/2					3/4
Mark Thurston , executive director ⁴	5/5						
Ruth Todd , executive director ⁵	5/7						

¹Dame Judith Hackitt resigned as non-executive director on 31-Jan-2024 and was appointed as independent chair to Health, Safety and Security Committee on 01-Feb-2024 for 18-months.

²Roger Mountford retired as a non-executive director 18-May-2023 and was appointed on 01-Jun-2023 an adviser to the board for two years.

³Sir Jon Thompson was appointed as executive chair on 13-Sep-2023.

⁴Mark Thurston resigned as chief executive on 30-Sep-2023.

⁵Ruth Todd resigned as chief commercial officer on 21-Dec-2023.

Note: Alan Foster, Mark Thurston and Ruth Todd attended various sub-committee meetings during 2023/24 but this is not reported in the table above as they are not classified as members of those sub-committees.

Governance Statement

Changes to board membership

In the reporting year, the following changes occurred to the board membership.

Joanna Davinson was appointed as non-executive director on 1 June 2023.

Dame Judith Hackitt resigned as non-executive director on 31 January 2024.¹

Roger Mountford retired as non-executive director on 18 May 2023.²

Dr Nelson Ogunshakin was appointed as non-executive director on 1 October 2023.

Keith Smithson was appointed non-executive director on 1 June 2023.

Sir Jon Thompson was appointed executive chair on 13 September 2023.

Alan Foster, chief financial officer, was appointed as executive director on 1 May 2023.

Mark Thurston, chief executive officer, executive director, resigned on 30 September 2023.

Ruth Todd, chief commercial officer, executive director, resigned on 21 December 2023.

¹Dame Judith Hackitt resigned as Non-Executive Director on 31-Jan-24 and was appointed as Independent Chair to Health, Safety and Security Committee on 01-Feb-24 for 18-months.

²Roger Mountford retired as a Non-Executive Director 18-May-23 and was appointed on 01-Jun-23 an advisor to the Board for two years.

Personal data related incidents

There have been no personal data related incidents requiring notification to the Information Commissioner's Office (ICO) in the 2023/24 period.

Corporate governance principles

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

Compliance with the UK Corporate Governance Code 2018

HS2 Ltd believe that adopting the principles of the [UK Corporate Governance Code 2018](#) is a way of recognising and embedding best practice in corporate governance. In the event the company does not comply with the code, it should explain any non-compliance in this document.

The board considers that, for the financial year ending 31 March 2024, HS2 Ltd was compliant with the code, except for the following three provisions of Composition, Succession and Evaluation Provision, which do not apply to the organisation.

17: The provision states the board should establish a nomination committee to lead the process for appointments, ensure plans are in place for orderly succession to both the board and senior management positions, and oversee the development of a diverse pipeline for succession. A majority of members of the committee should be independent non-executive directors. The chair of the board should not chair the committee when it is dealing with the appointment of their successor.

18: The provision states all directors should be subject to re-election and the board should set out the specific reasons why each director should be elected, outlining why their contribution is and continued to be important for the company's long-term success. All non-executive director appointments, extension or terminations are confirmed by the SoST as our company's sole shareholder. However, HS2 Ltd provides comprehensive evidence to support all re-elections, outlining why the non-executive director's contribution is and continues to be important for the company's long-term success.

23: The provision states the role of a nomination committee, concerning matters such as appointments, diversity and inclusion, gender balance and board evaluation. The remit of the Remuneration Committee and board consider matters such as appointments, diversity and inclusion, gender balance and board evaluation, so the creation of a nomination committee would duplicate this.

Although not compliant with these three provisions under [principles J, K, and L of the code](#), HS2 Ltd adheres to the spirit of these principles. For the specific circumstances above, the approach serves as a justified alternative to full compliance with the provisions.

The board seeks to uphold the seven key principles of public life: selflessness, integrity, objectivity,

Governance Statement

accountability, openness, honesty and leadership to deliver the long-term success of the company.

The composition of the board on 31 March 2024 is two 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 chair and non-executive board members.

As identified in the Framework Document, the SoST has delegated authority to the board to appoint up to three executive directors, in addition to the chief executive, to sit on the board. There is currently one executive director 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. It includes introductory meetings with the executive 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.

The executive chair continues to review board membership, composition and effectiveness to ensure it has the appropriate level of skills and

experience for the programme, including actively seeking to improve diversity at board level.

Board decision-making

Effective, structured decision-making is crucial as the company progresses construction of the railway. In 2023/24, the board covered several regular agenda items including the following.

- Updates from chief executive officer/executive chair.
- Updates from the chair.
- Updates from DfT senior responsible owner.
- Updates from each meeting of the board sub-committees.
- Updates from health and safety, finance, human resources, land and property, programme review (including quarterly and annual business reviews), and environmental sustainability.
- Investment and change approvals.
- Approval of the 2023–2024 Annual Report and Accounts.
- Approval of the 2023–2026 Corporate Plan.

Other key areas of consideration for the board during the financial year included the following.

- Review and approval of 2023/24 corporate key performance indicators.
- Birmingham Curzon Street main works contractor – notification to Stage 2.
- Euston station recovery plan.
- Contract and cost management of joint ventures.
- Civils performance measurement baseline (PMB).

- Review and monitor strategic risks.
- Review of commitments and contingency provisions.
- Chief executive officer recruitment, remuneration and incentives.
- Executive incentive scheme.
- Health and Safety Strategy and progress.
- Programme reset – revised baselines for Phase One and Phase 2a.
- Reputation planning and strategic communications approach.
- Phase One overview.
- Systems and stations overview.
- Fiscal settlement and specific quarter forecast.
- Green asset management and maintenance.
- Status on Covid-19 costs.
- Phase Two closure implications.
- Phase One cost associated activities.
- MWCC commercial reset.

Copies of the minutes of board meetings for 2023/24 are available on the Gov.uk website.

In addition to the board meetings, the board also attends informal briefings when required, affording board members an opportunity to participate in 'deep dives' into aspects of the programme in advance of decisions being required.

Management information and quality of data

We have recently undertaken a refresh of our strategic reporting, ensuring high quality management information continues to be supplied

Governance Statement

to the executive and board. At an operational level, our Power BI system remains the source of management information to support delivery and functional teams, integrating comprehensive data from both the supply chain and HS2 teams. HS2 Ltd's management information and reporting arrangements are subject to review and continuous improvement in order that we make the most effective use of our data and technology to better support delivery of the programme.

Board effectiveness

Given the changes to the composition of the board during this financial year, the chair and company secretary agreed to undertake an internal board effectiveness review in the latter stages of the year to permit onboarding of new non-executive directors to conclude. The results of the review and agreement of the action plan were discussed in detail during the March 2024 board meeting. The seven actions were as follows.

- Think about the board's role in early-stage development/shaping to avoid being presented with proposals which are too advanced to change. Also consider informal board working groups to provide advice to the executive on specific areas that will reoccur to test, shape and challenge.
- Take a forward-looking view of the different phases that HS2 may go through and how the board would need to adapt to these.
- Create an action plan for the programme reset over the next six months, mapping out the role of the board, its working groups

and any delegations required on an ad hoc basis to accommodate this.

- Think about the role of the board in stakeholder engagement and clarify principles and boundaries.
- Continue to build trust and relationships between the board and executive, with the board being more explicit about the levels of input from the executive and at what point they would like it.
- Time to be created for the board and executive to spend further time together outside the meeting cadence.
- Revisit the role of the board once project and organisational changes have embedded.

It is the intention to conduct an external board effectiveness review in the financial year 2024/25, the results of which will be published in the appropriate annual report and accounts.

Board sub-committees

There are six 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) supports the board and accounting officer by reviewing the comprehensiveness and reliability of assurances 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 Stephen Hughes (committee chair), Sir Jon Thompson, Roger Mountford and Keith Smithson. Representatives from the DfT's Project Representative (P-Rep), Government Internal Audit Agency (GIAA) and National Audit Office (NAO) also 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, including annual opinion reports. The committee also reviews internal and external audit plans, advises the board on accounting policies and challenges and monitors the annual reporting process including significant accounting judgments and recommends the accounts for approval by the board.

The chair of ARAC reports to the board and the accounting officer following each meeting and provides them with an annual report. This is timed to support finalising the annual accounts and the Governance Statement, summarising its conclusions from the work it has done during the fiscal year.

The committee has considered the following significant matters in addition to standing items during the year.

- Review and challenge of risk, control and assurance reporting.
- Review and assurance of HS2 Ltd Integrated Assurance and Approvals Plan (IAAP).
- Quarterly Strategic Risk Management updates.

Governance Statement

- Six-monthly counter fraud and business ethics updates.
- Six-monthly update on senior information risk owner reports.
- Review and endorsement of the Management Assurance Statement (MAS) to DfT.
- Approval and monitoring of the Risk Management Improvement Plan.
- Review and endorsement of the senior accounting officer (SAO) tax certificate to HMRC.
- Review of the cyber and innovation maturity assessment.
- Review of design costs increase.
- Review of cost verification assurance.

Remuneration Committee

The Remuneration Committee makes recommendations and decisions in relation to the framework for the remuneration of all employees and, specifically, the remuneration of the chief executive officer and their direct reports. The remuneration of non-executive directors is a reserved matter for the non-executive chair and the DfT.

The Remuneration Committee acts in accordance with the workforce and remuneration annex, HS2 Ltd Senior Pay Controls Framework and HM Treasury's Guidance for Approval of Senior Pay.

The Remuneration Committee meets quarterly or as matters arise and its members in this period were

non-executive directors Elaine Holt (committee chair), Dame Judith Hackitt and Joanna Davinson.

The terms of reference of the committee allow for an observer from the DfT to attend meetings. The DfT observers in this period have been senior civil servants:

- Nathan Phillips
- Michelle Kennard, and
- Helen Kershaw.

The committee has considered the following significant matters during a difficult year that has seen significant wage inflation and scarcity of key skills in a highly competitive infrastructure and construction sector.

- Regular review of the Human Resources Balanced Scorecard analytics (including workforce and equality, diversity and inclusion data).
- Regular review of organisational capability.
- Review of organisational capability and future operating model.
- Review, endorsement of, and progress against, CEO, CFO and CCO objectives.
- Review of proposed executive incentive scheme.
- Review of talent and succession plans and initiatives.
- Review of executive and employee performance and pay.
- Monitoring of senior roles and quota tracking.
- Review of executive and senior leadership team talent and succession planning.

- Consideration and recommendation of changes to the Workforce and Remuneration Annex.
- Consideration and approval of senior role business cases.
- Review and endorsement of the HS2 Reward Strategy.
- Review and endorsement of equal pay audit findings.
- Review and endorsement of the gender pay gap reporting.

Due to the importance of reward and people issues, HS2 Ltd has decided to extend the scope of the Remuneration Committee to become a People Committee. Key focus will be on remaining competitive within the constraints of Workforce and Remuneration Annex and public sector guidelines while also ensuring HS2 Ltd is able to attract and retain critical talent to deliver the railway. The People Committee's purpose is to help drive performance against organisational KPIs and operational milestones and retain people whilst future-proofing pay structures to, as far as is possible, ensure equity in pay and reward programmes.

Governance Statement

Commercial and Investment Committee

The Commercial and Investment Committee (CIC) is an advisory function to enhance the board's scrutiny of major procurement, investment and change decisions. Its function is to review procurement and investment proposals, including major programme change proposals in more 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 a clear and well evidenced proposal.

The CIC meets monthly, or as matters arise and its members in the period were non-executive directors Roger Mountford¹(committee chair), Stephen Hughes and Joanna Davinson. Other non-executive directors with specific expertise are also invited to attend subject to agenda topics.

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

The committee has scrutinised the following topics prior to submission to the board. The committee has also, on occasions, received delegations from the board to approve decisions on its behalf to permit a more agile approach.

Package Procurement Plans

- Green Asset Management and Maintenance Package Procurement Plan.
- Supply of a fleet of on-track machines, package Procurement Plan, Package One.

Invitation To Tender (ITT) release/updates

- Specialist security services – ITT release.
- Railway systems ITT update.

Contract Award

- On Network Works, Old Oak Common station.
- Software asset management as a service contract award.
- Rail systems contract award.

Other Decisions

- Birmingham Curzon Street station Stage Two notification.
- Euston station – interim funding request.
- Secretary of State Change Notice – Interchange station.
- Settlement of Covid contract obligations.
- MWCC programme contingency and investment authority uplift to March 2024 for EKFB and Align.
- Integrated rail conservation zone.
- MWCC commercial intervention.
- Old Oak Common station commercial strategy.

¹Roger Mountford was appointed as adviser to the board on 01-Jun-2023 for a period of two years.

Governance Statement

Health, Safety and Security Committee

The Health, Safety and Security (HSS) Committee provides independent assurance to the board that effective arrangements are in place for the management of Health, Safety and Security matters. The HSS committee is required to satisfy itself as to the adequacy and effectiveness of the company's corporate health, safety and security policies and strategies, including the principles, policies and practices adopted in complying with statutory and regulatory requirements in relation to health, safety and security matters affecting the activities of the company and of its supply chain partners. The committee also provides assurance to the board that the executive team is effectively managing health, safety and security risks.

The committee meets bi-monthly and as matters arise. Its members in this period were non-executive directors Dame Judith Hackitt¹ (committee chair) and Elaine Holt.

The committee has also been attended by the chief executive and receives standing updates from senior leadership groups at each meeting encompassing delivery, civils, stations and systems, technical services, Phase Two, land and property, people health and wellbeing.

The committee has also invited external guests to attend meetings to share lessons learned, provide briefings, and provide a diverse lens on HSS matters as appropriate.

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

- Regular review of the Enterprise Health, Safety and Security Performance Report.
- Regular review of the Health and Safety Improvement Plan.
- Review and endorsement of Health and Safety Operational Plan.
- Monitoring and review of the HS2 Health and Safety Performance Index (HSPI) and endorsement of proposals for measures and targets annually.
- Regular review of security and resilience activity.
- Update on the annual Safety Climate Tool Survey.
- Review of health and safety risks.
- Review of end of year health and safety risk performance review.

¹Dame Judith Hackitt was appointed as independent chair to Health, Safety and Security Committee for 18-months from 01-Jan-2024.

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

- In depth review of serious incidents including one fatality.
- Rail systems design management.
- Readiness to manage systems safety through rail systems.
- Road risk safety.
- High-risk event review – tunnelling mobilisation lessons learned for future tunnel drives.
- Review of emerging trends from lifting incidents and an update from the Lifting Working Group.

- Temporary works management assurance.

Environmental Sustainability Committee

The Environmental Sustainability Committee (ESC) provides governance, scrutiny and strategic direction to the project in support of delivering HS2's commitment on the environment and biodiversity.

The committee meets bi-monthly and as matters arise and its members in the period were non-executive directors Ian King (committee chair), Dame Judith Hackitt, Tom Harris and Keith Smithson. Membership is also extended to executive directors from Technical Services, Civils, Phase Two and Communications and Stakeholder Engagement. The terms of reference for this committee also allow for the attendance of representatives from the DfT and statutory bodies such as the Environment Agency, Natural England and the Committee on Climate Change to provide the company with information, ideas and opinions from expert, external sources.

The committee provides governance and scrutiny on the project's delivery of environmental sustainability through reviewing performance, including into the supply chain. The committee also provides strategic direction on how the project can realise the wider environmental benefits of HS2, including 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.

Governance Statement

The committee has considered the following significant matters in addition to its standing items.

- Review and endorsement of HS2 biodiversity metrics (including Phase 2a biodiversity).
- Update on HS2 ancient woodland compensation commitments.
- Review of annual performance against 2023/24 environment key performance indicators.
- Review and endorsement of the Environmental Sustainability Progress Report.
- Monitoring of stakeholder engagement and updates on public perception.
- Update on environmental implications of project rescope.

The committee has also conducted several deep dives in the following areas.

- Climate change.
- Operational noise.
- Environmental performance across civils contracts, including an update on diesel-free sites, contractor green plans and supply chain case studies.

The committee also received briefings on Phase One consenting strategy.

Finance and Performance Committee

The Finance and Performance Committee convened its first meeting in November 2023 and its remit is to provide scrutiny of the HS2 core programme to scope, to budget and to schedule. Non-financial oversight and scrutiny is also undertaken where these are not within the remit of another board committee for example, the health and safety, environment sustainability and remuneration committees. The committee also provides scrutiny and oversight of indirect costs.

The committee meets monthly and its members in the period were non-executive directors Keith Smithson (committee chair), Sir Jon Thompson, Elaine Holt, Ian King, Dame Judith Hackitt, Tom Harris, Stephen Hughes, Joanna Davinson and Dr Nelson Ogunshakin.

The committee is also attended by Roger Mountford, adviser to the board. Attendance is also extended to the chief financial officer and chief railway officer and to other executives where appropriate for specific agenda items.

The committee has received finance and performance management information at each meeting and provided oversight of its development and has also considered the following significant matters in the period.

- Review and approval of its own terms of reference.
- Programme overview and identification of areas for further attention and monitoring.
- Update on strategic risk position.

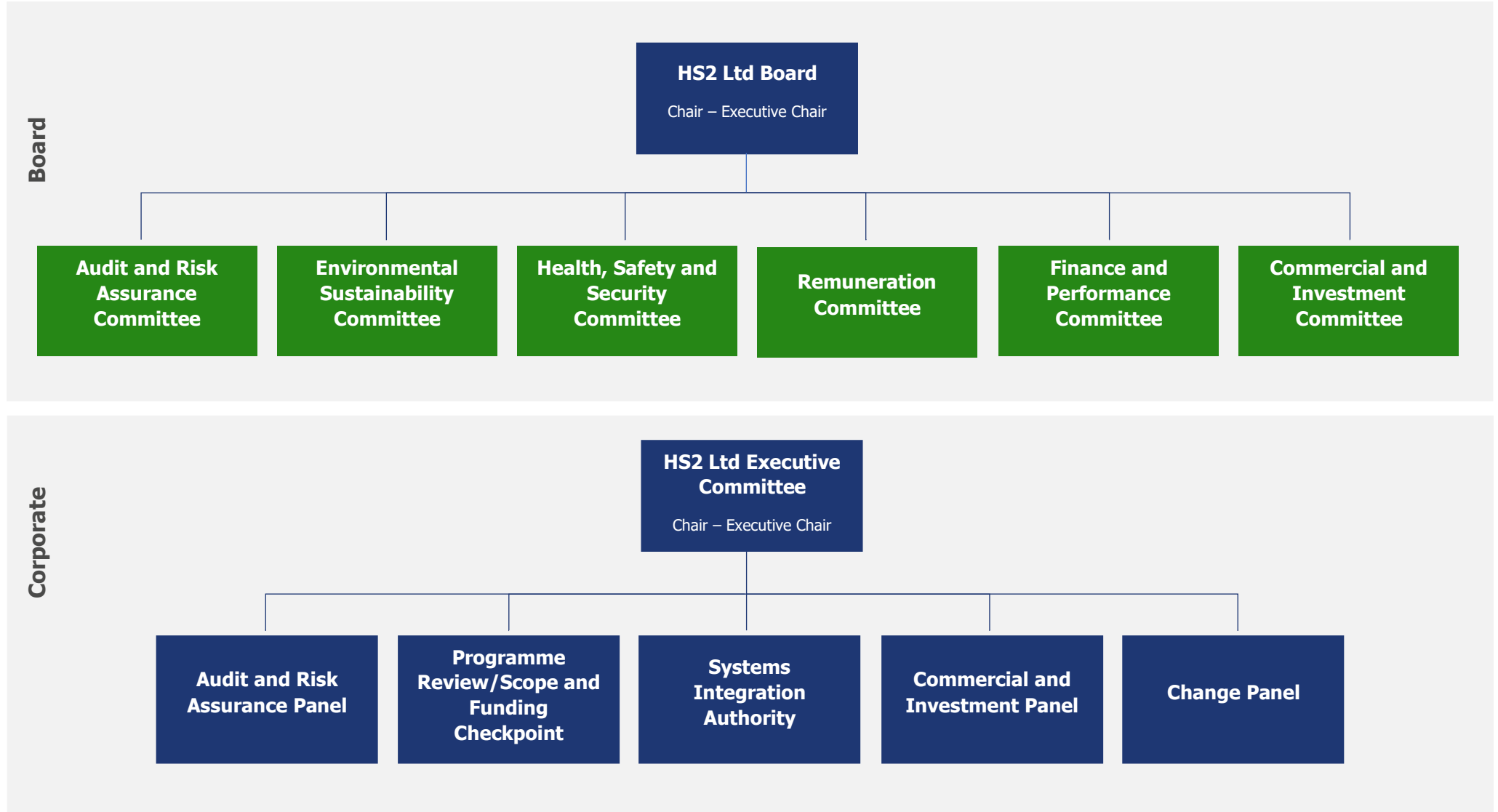
The committee has also received the following deep dives in the period.

- Old Oak Common station project.
- Main works civils contracts.
- Euston station design options.
- Systems integration.

Governance Statement

Governance structure

The diagram below shows the HS2 Ltd governance structure at board and corporate level as at 31 March 2024.



Governance Statement

Executive team

The executive team manages the day-to-day management and operations of HS2 Ltd and in 2023/24 comprised the personnel listed in the table below. Unless otherwise stated, the relevant executive member served throughout the year.

Executive	Position	Started	Ceased Role
In post (alphabetical order)			
Huw Edwards	Delivery director – stations	01-Jan-2024	
Alan Foster	Chief financial officer	01-May-2023	
James Gray	External affairs director (interim)	01-Jan-2024	
Emma Head	Chief railway officer		
Shira Johnson	Chief people officer		
Chris Rayner	Delivery director – systems		
Jackie Roe	Delivery director – civils (interim)	25-Mar-2024	
Tim Smart	Managing director Phase Two		
Sir Jon Thompson	Executive chair	13-Sep-2023	
No longer in post (leave date order)			
Phil Brown	Phase 2a delivery director		30-Jun-2023
Mark Thurston	Chief executive officer		30-Sep-2023
Aileen Thompson	Director communications and stakeholder management		12-Dec-2023
Ruth Todd	Chief commercial officer		21-Dec-2023
Peter Sollitt	Phase 2a delivery director		31-Jan-2024
David Speight	Delivery director – civils (interim)	01-Apr-2023	22-Mar-2024

Governance Statement

Risk management

Managing uncertainty and risk is critical to the activities of HS2 Ltd. The organisation is tasked with delivering Britain's new high-speed railway safely and on time, in a complex environment.

HS2 Ltd is committed to implementing an enterprise-wide approach to risk management, adopting best practice in the identification, assessment and effective management of uncertainty and risk.

Everyone at HS2 Ltd has a role to play in managing uncertainty and risk, but the board is ultimately accountable for establishing a sound system of control.

HS2 Ltd's Enterprise Risk Management (ERM) framework aligns with the ISO31000:2018 Risk Management standard. ISO defines risk in relation to organisational objectives, thereby allowing the identification, assessment and management of principal and emerging risks, as well as supporting the achievement of corporate KPIs. This approach is also consistent with the UK Government's 'The Orange Book: Management of Risk – Principles and Concepts', and the risk management component of HMT's 'Corporate governance in central government departments: code of good practice'.

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 below.

Purpose

To manage the risks facing HS2 Ltd's programme and organisation, and maintain risk exposure within risk appetite thresholds, the following risk management goals have been set.

- Support delivery: Reducing the influence of threats and maximising the influence of opportunities; enabling the achievement of cost, time and quality objectives to maximise value.
- Provide assurance: Providing evidence to internal and external stakeholders that the programme understands its significant risks and is actively managing them.
- Inform decision-making: Providing an understanding of uncertainty and risk to inform BAU management and key decisions.

Applicability, implementation and resources

HS2 Ltd recognises that its risk profile will change significantly over time. In addition to being driven by moving through the different stages of programme lifecycle across the phases, the dynamic nature of external events, for example the political and economic climate, need to be reflected.

Working with its partners, stakeholders and growing supply chain, HS2 Ltd has a strong risk

management capability, operating model and delivery approach to maintain risk exposure within appetite.

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

Corporate Governance Report

HS2 Ltd 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, governance and process compliance.

Our Risk-Control-Assure (RCA) approach integrates risk management with the corporate control framework and assurance/audit activities. Under RCA, operational risks are directly correlated with our control framework, which has seen ongoing development as we move across different stages of the programme as well as the delivery of different parts of the scope.

The company's strategic-level risks

HS2 Ltd's strategic risks are mapped across six key categories. The board has identified a set of risks which could impact the organisation's strategic objectives. Responsibility for managing these risks sits with the executive team. Each strategic risk has an executive risk owner with well-defined mitigations in place with clearly assigned action owners.

Governance Statement

The strategic risks are identified against the following categories.

- Programme delivery.
- Integration.
- Supply chain capacity.
- People.
- Health and safety.
- HS2's impact on stakeholders and environment.

We have a 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 board. As part of our overall

governance, we reviewed and updated our strategic risks with the board in March 2024.

There are 14 strategic risks, the cumulative impact of which are on cost, schedule and benefits realisation. The summary of HS2 strategic risks that sit under each of the categories are as shown in the table below.

Category	Key risks/uncertainties	Mitigation
Programme delivery	Lack of stability provided by short-term fiscal settlement	<ul style="list-style-type: none"> • HMG may be unable to provide stable and predictable cash funding for the programme, leading to inefficient delivery and increased overall costs to complete.
	Old Oak Common to Euston funding	<ul style="list-style-type: none"> • Failure to secure funding to deliver Euston tunnels and station could impact the organisation's ability to safely operate and maintain Old Oak Common Station and train services across HS2, Great Western Main Line and Elizabeth line.
	Sufficient budget/forecast	<ul style="list-style-type: none"> • DfT may not provide a revised funding settlement which covers the Phase One Estimate at Completion with sufficient contingency, hindering HS2 Ltd's ability to deliver the programme.
		<ul style="list-style-type: none"> • Review and renegotiate contractual terms as part of the Commercial Reset Settlement. • Enhance capability of annual planning and ability to be more agile with 'dial up' and 'dial down' options to limit their cost impact. • Early negotiation of annual settlement with HMT / DfT to optimise interventions at lowest reasonable cost. • Work with DfT to: 1) understand the enabling works scope and delivery model as well as the station delivery model; 2) agree scope assumptions around impacts of Network North particularly with relation to Euston. • Obtain written confirmation from the DfT to proceed with the Euston tunnels tunnel boring machine assembly and launch by September 2024. • Executive engagement with Civils Joint Ventures on their control of costs. • Lowest Cost Action Plan including value management and risk management. • Implement the People and Organisation Programme to review our organisation size, structure and culture.

Governance Statement

Category	Key risks/uncertainties	Mitigation
	<p>Ability to control cost</p> <ul style="list-style-type: none"> The organisation may be unable to effectively control costs given the volume of change, constraints presented by existing commercial frameworks, timescales for achieving consents, or poor performance of the supply chain. 	<ul style="list-style-type: none"> Establish plan for baseline strategy to support full funding agreement. Pending completion of baseline strategy work, engage with DfT to agree: 1) use of contingency; and 2) authorisation to uplift budgets and investment authority beyond the target price on an interim basis if required. Increased focus on cost validation and assurance across all construction contracts.
Integration	<p>Integration of infrastructure, systems and rolling stock</p> <ul style="list-style-type: none"> The organisation may be unable to achieve the timely integration of infrastructure, systems and rolling stock required to bring the railway into service. 	<ul style="list-style-type: none"> Chief railway officer in post to provide an overarching view to ensure the railway is delivered safely, sustainably and right first time. Actively drive integration and cross-programme trade-off decisions through the Programme Integration Unit, as part of the Prime System Integrator model. Ongoing integration between civils/stations and rail systems requirements during the Rail Systems Procurement to minimise impact.
Supply chain capacity	<p>Fraud</p> <ul style="list-style-type: none"> As a high-profile infrastructure programme, it is likely that HS2 will be the target of fraud, bribery and corruption. 	<ul style="list-style-type: none"> Robust controls in place to manage procurement contract management and financial accounting activities, including cost verification. Well-publicised whistleblowing process, allowing staff and members of the supply chain to highlight concerns.
	<p>Legal challenges to procurement</p> <ul style="list-style-type: none"> Legal challenge to procurement award decision or modification of an existing contract could add delays to the critical path. 	<ul style="list-style-type: none"> Comprehensive control environment with regular risk-based compliance reviews across procurements and contract management to measure compliance. Applying lessons learned to set up railway systems supply chain for success.
	<p>Supply chain factors (such as cost inflation, capacity/skills shortfall)</p> <ul style="list-style-type: none"> Supply chain factors such as materials cost inflation, limited capacity and skills shortfalls could impact delivery to schedule and cost. 	<ul style="list-style-type: none"> Supplier strategy for HS2's key suppliers to comprehend specific resource constraints or shortages in materials that affect each of the suppliers and their contracts. Market engagement, including sharing of procurement timelines with peer projects, inviting the market to input into procurement strategies, minimising tender overlap.

Governance Statement

Category	Key risks/uncertainties	Mitigation	
People	Capability, knowledge and skills	<ul style="list-style-type: none"> There is a risk that we do not have the right organisational capability, knowledge and skills at the right time to deliver our milestones. 	<ul style="list-style-type: none"> Strategic workforce planning to align with business priorities. Maintain regular drumbeat of employee surveys to listen to employee voice. Talent and leadership development to identify, nurture and retain top talent across the organisation.
	Organisational readiness across delivery and operating models	<ul style="list-style-type: none"> The organisation may not be able to achieve the multiple transitions in organisational capability that will be required to deliver the end state operational railway. 	<ul style="list-style-type: none"> Enterprise Capability Model and Roadmap, with ongoing review to ensure present and future fit aligned with HS2's requirements. Readiness portfolio management to provide a process, framework and governance for the planning and delivery of organisational change. Assurance on readiness provided by independent bodies.
Health and safety	Health, safety, security and environment performance	<ul style="list-style-type: none"> A catastrophic consequence event could occur due to HS2 activities. 	<ul style="list-style-type: none"> Health and safety experts supporting in regular risk reviews. Monthly Health and Safety Risk Management Group set up and reports through monthly performance management and improvement project set up to improve risk identification and reporting. Alignment of root cause classification in reporting systems.
	Information security breach	<ul style="list-style-type: none"> An information security breach or attack by external party could result in the compromise of HS2 data, information and systems. 	<ul style="list-style-type: none"> Suite of technological, process and behavioural controls aligned with ISO 27001. Cyber security tooling programme run in conjunction with a continuously functioning Security Operations Centre. Thorough testing cycle to provide ongoing assurance.
HS2's impact on stakeholders and environment	Stakeholder support	<ul style="list-style-type: none"> The organisation may be unable to build support and reduce opposition to the programme resulting in lack of cooperation which could impact progress. 	<ul style="list-style-type: none"> Engagement programme with ministers and senior officials through executive chair, non-executive directors, DfT, HS2 Ltd sponsorship team.
External events	Political and economic climate	<ul style="list-style-type: none"> The ongoing uncertainty around the economic and political climate might result in changing priorities for management and leadership which could impact progress. 	<ul style="list-style-type: none"> Proactive ongoing engagement with supply chain to monitor, identify and plan response to areas of possible cost increases. HS2 Ltd continues to provide high-quality scope advice to DfT that is clearly remitted to inform unambiguous and timely scope decisions by ministers.

Governance Statement

As anticipated, events such as high inflation rates, the pace of economic recovery and international conflict have continued to provide an uncertain operating environment for HS2. At the same time, the government's decision to cancel Phase Two of the programme has added a layer of internal complexity, with commercial and stakeholder implications to the previous scope needing to be assessed, understood and responded to. We have been working closely with our supply chain to address these challenges, as well as the new realities of deferred activities to spread spending and single-year fiscal settlements. Further activity to understand and quantify the impacts associated with the various events and uncertainties continues in order that the best for programme decisions can be taken.

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 principles. Our internal controls are risk-based, regularly reviewed 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 DfT's requirements under the Development Agreement, other requirements arising from the Parliamentary process, and legal and regulatory requirements. HS2 Ltd's IMS is independently certified by the external certification body, BSI, to the international standards ISO 9001 (Quality Management), ISO 14001 (Environmental Management) and ISO 45001 (Occupational Health and Safety). The company maintains risk registers at corporate, programme, individual project and directorate levels.

Our risk, control and assurance functions continue to work together to support HS2 Ltd and the programme providing monthly reporting and insights to help drive improved performance. This year, we have initiated an improvement project to further mature and connect our risk, control and assurance management information and provide leading indicators of where intervention may be required.

There is an established process for cost control and cost verification for the construction contracts. This includes validation and certification of monthly costs by the HS2 commercial team and technical experts. This is followed by a secondary, more detailed, independent assurance process which provides a

retrospective review of costs and commercial challenge to suppliers. Any costs identified from this process as disallowable under the contract are then credited by the supplier and removed from the asset under construction balance.

Three lines of defence

HS2 Ltd operates the three lines of defence approach as recommended by HM Treasury's guidance on assurance frameworks. The key elements and their application in HS2 Ltd are outlined below.

Governance

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

Integrated Assurance and Approvals Plan

Each year the Audit and Risk Assurance Committee (ARAC) approve an Integrated Assurance and Approvals Plan (IAAP), which directs assurance activity of HS2 Ltd's internal control environment and key programme milestones. The IAAP defines the approved plan for the next 12 months, and in outline for the following six months with the overall plan subject to review after the first six months.

Governance Statement

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.	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.	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.

Governance Statement

The outcomes of these assurance activities are reported to the executive-level Audit and Risk Assurance Panel (ARAP) and board-level ARAC. We continue to make improvements to our operational assurance environment, particularly supporting delivery. A new central operational assurance team has been established to drive improvements and support change in how assurance in delivery interacts with our supply chain to assist the programme to keep to time, cost, quality and safe delivery.

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 and a report is submitted to our Audit and Risk Assurance Panel each year.

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, subjected to a challenge panel of relevant subject matter experts before the MAS is endorsed by ARAP and ARAC and submitted to the DfT. Of the 36 self-assessments applicable to HS2 Ltd, 17 substantial, 19 moderate and no limited or unsatisfactory self-assessment declarations have been made in relation to the effectiveness of HS2 Ltd's control environment.

Head of internal audit opinion

In their annual audit opinion for financial year 2023–2024, the head of internal audit concluded that overall, the company has maintained sound systems of governance, internal control and risk management. Good practice continues to be noted across a range of business and financial reviews. Internal audit highlighted progress being made in managing programme efficiencies and further developing risk management.

Structural and operational changes made, and being made, following the Network North announcement were also recognised. The proportion of moderate and substantial opinion reports increased in 2023/24

while the number of limited opinion audits fell. The report did, however, highlight that there is scope for improvement, and this is reflected in the overall level of assurance which is moderate. Undertakings and Assurances, which received a limited opinion, remains an important area for focus.

External certifications

In March 2024, the company was recertified 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, is accredited by the Chartered Institute of Purchasing and Supply (CIPS) and the Association for Project Management (APM) and has achieved Clear Assured 'Platinum' Standard accreditation for EDI.


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

Governance Statement

Conclusion

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 2023/24 and, in relation to significant balance sheet events, to the date of signing.

Approved by the board on 26 June 2024 and signed on 25 July 2024 on its behalf by:

A handwritten signature in black ink that reads "Jonathan Thompson". The signature is written in a cursive style with a large initial 'J'.

Sir Jon Thompson

Executive chair, High Speed Two (HS2) Ltd

Remuneration and Staff Report

Summary

The Remuneration and Staff Report for HS2 Ltd includes the salaries of members of the board. Changes in the composition of the board and a summary of its members' attendance at scheduled meetings in 2023/24 are shown in the Governance Statement on pages 37 and 38.

Remuneration policy

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

In line with the government's policy on transparency, details are published of those staff with salaries of more than £150,000 per annum on the Gov.uk website at: [Cabinet Office senior officials 'high earners' salaries - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/collections/cabinet-office-senior-officials-high-earners-salaries)

Total remuneration: Directors (subject to audit)

Non-executive board members are contracted to work an average of two days per calendar month as a minimum. They are engaged on service contracts and are paid a fixed fee per day worked, or pro rata. This fee is set by DfT. The travel expenses of board members are reimbursed in line with the rates allowed under HS2 Ltd's business expenses policy. All non-executive board members have fixed-term appointments.

There are two executive directors on the board. Both directors are salaried, one of whom has a bonus element as part of their total remuneration package, which was approved by the SoST (under which a maximum payment of 20% of salary, as applicable, may be paid subject to performance). The executive director receives the bonus in the next financial year, which is subject to performance bonus criteria being met. Bonus payments are set against individual and corporate objectives agreed by the Remuneration Committee at the start of the performance year. Achievements against those objectives are presented to the committee at the end of the performance year to agree performance outcomes against the objectives and any potential payments that are to be made.

The Remuneration Committee, which is comprised of three non-executive directors, has the role of approving for the 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.

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, for example, the director becoming bankrupt. Otherwise, the SoST is required to give three months' notice of termination of such service contracts. Contract end dates for non-executive directors on the board as of 31 March 2024 are as set out in the table.

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.

Remuneration and Staff Report

Non-executive directors during 2023 – 2024

Board member	Name	Title	Appointment date	Re-appointment date/ due date	Appointment end date
Non-executive chair	Sir Jon Thompson	Chair	01-Feb-2023 ¹	31-Mar-2024 Superseded by 12-month fixed term appointment for executive chair role starting 13-Sep-2023	-
Executive chair		Executive chair	13-Sep-2023		30-Sep-2024
Non-executive director	Ian King	N/A	01-Jul-2020	30-Jun-2023 Re-appointment 30-Jun-2023 – 30-Jun-2027	30-Jun-2027
Non-executive director	Tom Harris	N/A	01-Jul-2020	30-Jun-2021 Re-appointment 01-Jul-2021 – 30 Jun-2024	30-Jun-2024
Non-executive director	Elaine Holt	N/A	01-Jul-2020	30-Jun-2023 Re-appointment 01-Jul-2023 – 30-Jun-2027	30-Jun-2027
Non-executive director	Roger Mountford	N/A	19-Feb-2015	18-Feb-2019 Re-appointment 19-Feb-2019 – 18-May-2022 Re-appointment 18-May-2022 – 18-May-2023	18-May-2023
Non-executive director	Dame Judith Hackitt	N/A	01-Apr-2019	31-Mar-2023 Re-appointment 01-Apr-2023 – 31-Mar-2026	31-Mar-2026 Resigned in late 2023 and stepped down on 31-Jan-24
Non-executive director	Stephen Edward Hughes	N/A	01-Apr-2019	31-Mar-2023 Re-appointment 01-Apr-2023 – 31-Mar-2026	31-Mar-2026
Non-executive director	Joanna Davinson	N/A	01-Jun-2023	31-May-2026	31-May-2026
Non-executive director	Keith Smithson	N/A	01-Jun-2023	31-May-2026	31-May-2026
Non-executive director	Nelson Ogunshakin	N/A	01-Oct-2023	30-Sep-2026	30-Sep-2026

¹Sir Jon Thompson was appointed non-executive director from 01-Apr-2021.

Remuneration and Staff Report

Board members pay during 2023 – 2024

Full Name	Fees and salary (£)		Bonus payment (£)		Taxable benefit (£)		Pension benefit (£)		Total (£)		Board role
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	
Sir Jon Thompson	401,226	38,889	-	-	964	-	30,012	-	432,202	38,889	Chairman 01-Feb-2023 – interim executive chairman 13-Sep-2023
Sir Jon Thompson	-	46,550	-	-	5,157	1,742	-	-	5,157	48,292	Non-executive director until 31-Jan-2023
Alan Foster	306,176	370,449	-	-	983	-	25,790	-	332,949	370,449	Chief financial officer – joined 01-May-2023
Ian King	32,838	32,775	-	-	63	-	-	-	32,901	32,775	Non-executive director
Tom Harris	25,650	25,650	-	-	3,365	1,591	-	-	29,015	27,241	Non-executive director
Elaine Holt	68,163	45,600	-	-	1,667	3,362	-	-	69,830	48,962	Non-executive director
Roger Mountford	22,562	42,275	-	-	-	81	-	-	22,562	42,356	Non-executive director – adviser to the board 01-Jun-2023
Dame Judith Hackitt	23,750	22,800	-	-	1,863	851	-	-	25,613	23,651	Non-executive director – moved to independent panel member 01-Feb-2024
Stephen Hughes	22,800	22,800	-	-	789	235	-	-	23,589	23,035	Non-executive director
Joanna Davinson	21,488	-	-	-	113	-	-	-	21,601	-	Non-executive director – joined 01-Jun-2023
Keith Smithson	31,291	-	-	-	653	-	-	-	31,944	-	Non-executive director – joined 01-Jun-2023
Nelson Ogunshakin	11,400	-	-	-	-	-	-	-	11,400	-	Non-executive director – joined 01-Oct-2023
Leavers 2023/24											
Mark Thurston	618,195	635,814	34,345	39,958	29	991	-	-	652,569	676,763	Chief executive – left 30-Sep-2023
Ruth Todd	204,569	259,200	31,104	21,760	43	991	23,741	31,104	259,457	313,055	Chief commercial officer – left 21-Dec-2023

Remuneration and Staff Report

Board members pay during 2023 – 2024 (continued)

Notes:

1. Sir Jon Thompson was appointed interim executive chair from 13-Sep-2023; full-year equivalent as interim executive chair of £530,000. Previous appointment as non-executive chair from 01-Feb-2023 had a full-year equivalent of £280,000 based on three days per week.
2. Alan Foster joined the board on 01-May-2023 as an executive director on HS2 Ltd's payroll; full-year equivalent of £275,000. Prior to this, Alan Foster joined HS2 Ltd as interim CFO on 24-Jul-2022. His full-year equivalent for 2022/23 would equate to £512,930. 2023/24 fees and salary amount includes Alan Foster's payment as interim CFO for April 2024 of £45,597 and his payrolled amount of £256,579.
3. For all non-executive directors full-year equivalent is £22,800; amounts shown include additional days worked.
4. Joanna Davinson joined the board as non-executive director on 01-Jun-2023.
5. Roger Mountford was appointed as adviser to the board on 01-Jun-2023 for a period of two years. He left the board on 18-May-2023; his full-year equivalent would have equated to £22,800.
6. Keith Smithson joined the board as non-executive director on 01-Jun-2023.
7. Nelson Ogunshakin joined the board as non-executive director on 01-Oct-2023.
8. Mark Thurston left the board on 30-Sep-2023; full year equivalent would have equated to £593,237.
9. Before leaving HS2 Ltd on 30-Sep-2023, Mark Thurston received £289,621, which includes amounts for a payment in lieu of notice and annual leave adjustments. This is shown in fees and salary for 2023/24.
10. Additionally, Mark Thurston received payments in lieu of pension after reaching the threshold for pension benefits. These amounts are disclosed in Mark Thurston's fees and salary. In 2022/23, this equated to £68,123; in 2023/24, this equated to £35,594.
11. Ruth Todd left the board on 21-Dec-2023; full year equivalent would have equated to £272,160.

Remuneration and Staff Report

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 2024, employers' contributions were £15.3 million (2022/23: £13.8 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 (CSoP) – known as 'alpha'. The scheme is an unfunded defined benefit scheme and liability rests with their employer, and not HS2 Ltd. Staff on secondment from other commercial entities are covered by the provisions of that entity's scheme, where applicable, and liability rests with the seconding company and not HS2 Ltd.

Payments under compensation schemes – exit packages

HS2 Ltd has delegated authority from the DfT, set out in its Framework Agreement, for termination/exit payments up to but not exceeding £95,000 without prior approval from its sponsor. The cost of exit payments includes payments in lieu of notice paid for contractual notice periods.

Statutory redundancy payments 2023 – 2024

No external approval is required for redundancies made on statutory terms. The payments for statutory redundancy are included in the table below: Payments under compensation schemes – exit packages – and statutory redundancy payments. There were seven redundancies payments for 2023/24, which included six compulsory redundancies and one voluntary redundancy. The redundancy payments totalled £34,435. The number of payments and associated costs are also reflected in the table.

Enhanced redundancy payments

No enhanced redundancy payments were made during 2023/24.

Relocation payments

HS2 Ltd did not make any relocation payments to employees during 2023/24.

Payments under compensation schemes – exit packages – and statutory redundancy payments

	Number of compulsory redundancies ¹		Number of other departures agreed ²	
	2023/24	2022/23	2023/24	2022/23
< £10,000	-	-	12	4
£10,000 - £25,000	4	2	4	1
£25,000 - £50,000	-	-	1	2
£50,000 - £100,000	2	1	6 ³	6
£100,000 - £150,000	-	-	-	-
£150,000 - £200,000	-	-	-	-
£200,000 - £250,000	-	-	-	-
£250,000 - £300,000	-	-	1	-
Total number of exit packages	6	3	24	13
Total cost	£180,973.20	£100,689.68	£869,683.73	£575,911.54

¹Costs include redundancy payments made on statutory terms and payments in lieu of notice (PILON) paid for contractual notice periods.

²Costs include permitted exit payments and PILON paid for contractual notice periods.

³Figure includes one redundancy made under statutory redundancy payment.

Remuneration and Staff Report

Fair pay disclosures (subject to audit)

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.

The total annualised remuneration of the highest paid director of HS2 Ltd on 31 March 2024 was £530,000, which was 7.4 times the median salary of the workforce. The median is determined as the mid-point of all salaries comprising employees, secondees and temporary staff. HS2 Ltd continued to have normal activity of attrition / attraction / promotions within the financial period, all of which are reflected in the median pay change.

The previously reported highest paid director left the business during the financial year. The ratios are reflective of the reduced full-year equivalent for the highest paid director at 31 March 2024 and has proportionally decreased to the HS2 median.

Total remuneration includes annualised salary, performance-related pay and taxable allowances. 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 (2022/23: none). Actual staff remuneration (on an annualised basis) for full-time work on 31 March 2024 (including the highest paid Director) ranges from £24,500 to £520,993 per annum (2022/23: £24,416 to £676,763, including the highest paid director).

Year	Highest paid director	25 th percentile ratio	Median pay ratio	75 th percentile pay ratio
2023/24	£530,993	10.2	7.4	5.6
2022/23	£676,763	13.0	9.5	7.2
2021/22	£618,144 ¹	11.9	8.8	6.8
2020/21	£510,832 ² (£621,064)		7.4 (9.0)	
2019/20	£659,416		9.8	

Year	Pay category	25 th percentile pay	Median pay	75 th percentile pay
2023/24	Total pay including benefits	£52,210	£71,737	£94,501
	Salary Component	£51,460	£69,902	£89,034
2022/23	Total pay including benefits	£52,175	£71,232	£94,504
	Salary component	£50,367	£67,687	£85,000
2021/22	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 ³	Year
2023/24	Salary and allowances	(-21.7%)	(-0.3%)	2023/24
	Performance pay and bonuses	(-100%)¹	n/a	
2022/23	Salary and allowances	3.1%	1.4%	2022/23
	Performance pay and bonuses	100% ²	n/a	
2021/22	Salary and allowances	21.9%	(-0.6%)	2021/22
	Performance pay and bonuses	n/a	n/a	
2020/21	Salary and allowances	(-22.5%)	1.8%	2020/21
	Performance pay and bonuses	n/a	n/a	

¹Highest paid director did not receive a bonus for 2023/24.

²Highest paid director received a bonus for 2022/23.

³Average percentage change from the previous year in respect of employees of the entity taken as a whole.

Remuneration and Staff Report

Staff numbers and costs

Audited staff numbers and costs are in Note 4 of the Financial Statements on page 89. Permanent staff turnover for the period 1 April 2023 to 31 March 2024 was 14.1%.

Staff composition 2023 – 2024

The overall proportion of female staff on 31 March 2024 was 37% compared with 37% reported on 31 March 2023. The below figures for staff composition include non-executive directors and contingent resource toward the figures shown. Additionally, we collect and monitor HS2 Ltd employee diversity and representation. This is reported externally through our annual EDI report and within our corporate KPIs.

Level	Male	Female	Total
Director	8	3	11
Senior Manager	252	74	326
Employee	1,042	691	1,733
Total	1,302	768	2,070

Staff composition 2022-23

Level	Male	Female	Total
Director	7	3	10
Senior Manager	237	81	318
Employee	1,032	671	1,703
Total	1,276	755	2,031

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: SCS1 to SCS4.

Employees: Any staff member below SCS1.

Sickness absence data

Recorded staff absence due to sickness equated to an average of 4.5 days per employee during the year (2022/23: 3.95 days) for direct employees of HS2 Ltd.

Staff policies for disabled persons

HS2 Ltd have an established and embedded Accessibility Policy, the first of its kind in the engineering and construction industries. The policy is supported by an Accessibility Working Group to ensure HS2 provides equal access to our workplaces, digital services and in the built environment.

In 2023/24, we addressed issues from access audits of our physical offices and conducted new accessibility audits of our websites and digital environment.

HS2 Ltd's Clear Talents tool enables staff to request specific adjustments, including ergonomic or workspace display screen equipment, to support their employment. A total of 23% of HS2 Ltd employees have workplace adjustments at a moderate/substantive level.

In 2023/24, HS2 Ltd maintained its Disability Confident Leader status for exemplar disability related policies and practices.

We monitor representation of disabled staff, and those who require adjustments monthly, and report on this externally through our published annual EDI report. We also monitor the representation of disabled staff in our wider supply chain every six months, and report on this through our annual EDI report. The EDI annual report includes case studies sharing good practice in this area.

Other employee matters

HS2 Ltd is committed to equality, diversity and inclusion in all aspects of recruitment and employment. In 2023/24, this has included the following.

- Continuing to align 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.
- Continuing our successful reverse mentoring programme.
- Continuing to provide training, support and encouragement to employees and workers so that they can develop their careers and enhance their contribution to the organisation, including our Dignity at Work training programme to help employees identify and address bullying, harassment and victimisation, ensuring HS2 is an inclusive and safe working environment.

Remuneration and Staff Report

- 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 embedding this requirement in job descriptions.
- Continuing to create empowering and informative events in conjunction with our staff diversity networks and employee representatives, driving greater collaboration and understanding and across the organisation.

HS2 Ltd has maintained and continues to lead the Clear Assured Platinum Standard for EDI accreditation. We are one of a handful organisations in the UK to date to achieve this level of accreditation of over 450 organisations assessed by Clear Assured.

Employee consultation

HS2 Ltd continues to work constructively with its employee workplace representatives via regular meetings of the Workplace Forum (WPF) and its recognised trade union, Transport, Salaried Staffs Association (TSSA). WPF is the primary mechanism for collective consultation, ensuring that the interests of the business and those employed in it are best 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 union workplace representatives nominated by the TSSA.

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 company Health, Safety and Wellbeing Committee (HSWC) comprised of employee workplace health and safety representatives and members of senior management.

Health and safety at work

Across the programme, 31 Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) reportable injuries occurred during 2023/24. This is a decrease from 37 in 2022/23, with the reporting rate for RIDDORs per 100,000 hours worked also decreasing marginally from 0.06 in 2022/23 to 0.05 in 2023/24, which remains well below other industry benchmarks.

In 2023/24, there was a 5% increase in hours worked compared with 2022/23. The rate of total injuries has increased from 0.75 in 2022/23 to 0.76 in 2023/24. The Lost Time Injury Frequency Rate (LTFIR) decreased: the LTFIR rate was 0.16 in 2022/23 and 0.14 in 2023/24. The level of reported 'near misses' has increased in 2023/24 by 6%. There has been a 21% decrease in the levels of observations reported because of contracts slowing down or finishing and a drive for quality rather than quantity of observations.

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

Health and safety statistics	2023/24	2022/23	2021/22	2020/21
Total RIDDOR injuries	31	37	28	8
Total lost time injuries	91	101	75	34
Total injuries	493	465	307	161
Total near misses	640	601	407	329
Total observations	58,831	74,390	63,203	25,266
Total hours worked	64,791,265	61,783,123	46,777,760	30,170,599

Notes: Some figures have been revised where we have been provided additional information that has adjusted the category, where a late report has occurred or an investigation has concluded. In addition, observation data has been revised to only include health and safety observations.

Remuneration and Staff Report

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 a 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.
- 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 the following.

- Health, safety and wellbeing (through the Health, Safety and 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.
- 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. Joint working to date has included the development of the Managing Organisational Change Process, an agreed framework for managing change lawfully and effectively within the organisation.

Managing our people

With the cancellation of Phase Two, the biggest challenge facing our people remains to deliver the revised railway as announced by the Prime Minister in October last year. Our people are the single most important element of its delivery. We are focusing on ensuring we have the right people with the right skills on board, from as diverse a talent pool as possible, to successfully build the railway.

The construction of HS2 will showcase the best of British skills, innovation and ambition. During the last year, we have invested in our people with management training which received the prestigious Princess Royal Training Award from HRH The Princess Royal and City and Guilds.

We are developing the most diverse talent in UK infrastructure, and this extends beyond HS2 Ltd, out into our wider supply chain and local communities.

This is evidenced by the fact we remain the only organisation in the UK to have achieved and retained the Clear Assured Platinum Standard, recognising our exceptional commitment to EDI in the workforce.

Some of our people achievements are as follows.

- About 31,000 jobs are supported by HS2.
- More than 1,500 apprenticeships have been started.
- More than 4,000 people who were previously out of work have secured jobs with HS2.
- Above industry average gender and ethnic minority workforce diversity across our Tier 1 supply chain.

Our regular engagement survey is a critical barometer check of how people are feeling. Our latest survey, conducted following the cancellation of Phase Two, showed an engagement score of 60%. This is a drop in recent years from our previously excellent scores, but still within benchmarks. We continue to listen and act on employee feedback on what it's like working at HS2 Ltd.

There are undoubtedly challenges ahead, but we remain committed to retaining highly skilled and experienced people and maintaining a culture of safety, inclusivity and performance.

Remuneration and Staff Report

HS2 Ltd off-payroll appointees, consultancy and temporary staff

As part of the review of the 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.

Expenditure in relation to consultancy and contingent labour for the year ended 31 March 2024 was £20.0 million (2022/23: £25.8 million) and £22.4 million (2022/23: £19.9 million) respectively. The average headcount for consultancy year-on-year has decreased; for contingent labour, it has remained virtually the same. All expenditure incurred has been with recruitment agencies.

The report does not include independent panel members. This data is shown in the following tables.

Off-payroll engagements as of 31 March 2024, costing more than £245 per day

Less than 1 year at the reporting date	80
Between 1 and 2 years at the reporting date	57
Between 2 and 3 years at the reporting date	26
Between 3 and 4 years at the reporting date	10
More than 4 years at the reporting date	10
Total engagements at the reporting date	183

Off-payroll engagements during the period 1 April 2023 to 31 March 2024, costing more than £245 per day

Not subject to off-payroll legislation	2
Subject to off-payroll legislation and determined in scope of IR35	320
Subject to off-payroll legislation and determined as out of scope of IR35	17
Engagements reassessed for compliance or assurance purposes during the year	10
Engagements which saw a change in IR35 status following reassessment	0
Total engagements during the reporting period	339

Off-payroll engagements of board members and/or senior officials with significant financial responsibility between 1 April 2023 and 31 March 2024

The off-payroll engagements of senior officials with significant financial responsibility during the financial year included:


- Chief financial officer to 30 April 2023, at which point the incumbent transitioned to a payroll employee;
- Delivery director – civils from 01 March 2023 to 22 March 2024 with the incumbent leaving the organisation; and
- Delivery director – civils from 25 March 2024 on a six-month temporary basis.

All appointments had approval granted by HS2 Ltd's accounting officer.

Total number of individuals that have been deemed board members, and/or senior officials with significant financial responsibility, during the financial year	34
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NB. This figure includes both on-payroll and off-payroll engagements.

Approved by the board on 26 June 2024 and signed on 25 July 2024 on its behalf by:



Sir Jon Thompson
Executive chair, High Speed Two (HS2) Ltd

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 have audited the financial statements of High Speed Two (HS2) Limited for the year ended 31 March 2024 which comprise High Speed Two (HS2) Limited's:

- Statement of Financial Position as at 31 March 2024;
- 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 the UK adopted International Accounting Standards.

In my opinion the financial statements:

- give a true and fair view of the state of the High Speed Two (HS2) Limited's affairs as at 31 March 2024 and of the net expenditure after taxation for the year then ended;
- have been properly prepared in accordance with the 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 (UK) (ISAs (UK)), applicable law and Practice Note 10 'Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I am independent of the 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.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of Authorities

Authorising legislation	Companies Act 2006
HM Treasury and related authorities	The Framework Document and Remuneration Framework between the Department for Transport and High Speed Two (HS2) Limited

Conclusions relating to going concern

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

My evaluation of the director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included an assessment of:

- implications arising from the Network North announcement on 4 October 2023 ("the Network North announcement"), including the cancellation of Phase Two of the HS2 programme, and the decision to set up a new Development Corporation to deliver a re-designed Euston station;
- future cash requirements; and
- potential legislative changes.

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

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.

In relation to the entities reporting on how they have applied the UK Corporate Governance Code, I have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the director's considered it appropriate to adopt the going concern basis of accounting.

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

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit

strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified though the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around management override of controls, the completeness and accuracy of capital commitments and the classification of subsequent expenditure on Phase Two and Euston following the Network North announcement. These are areas where my work has not identified any matters to report.

The key audit matters were discussed with the Audit and Risk Assurance Committee; their report on matters that they considered to be significant to the financial statements is set out on pages 40 to 41.

Impairment of assets under construction

Description of risk

High Speed Two (HS2) Limited holds assets under construction (AUC) in relation to the programme

valued at cost. At 31 March 2024, total assets under construction were valued at £27,232m.

The cancellation of Phase Two of the programme and decision to change the design of Euston station from 10 to 6 platforms triggered the need for an impairment assessment. As set out in Note 3 and Note 19, High Speed Two (HS2) Limited have identified total impairments of £1,003m relating to the Network North announcement comprising £713m relating to Phase 2a, £137m relating to Phase 2b West and £153m relating to Euston station. These impairments are also disclosed as a constructive loss in Note 19, along with £1,073.7m costs previously incurred on Phase Two which were not capitalised.

Management was required to make significant judgements to assess:

- the value of impairments required in respect of Euston station and Phase Two assets; and
- whether there are indicators of impairment on Phase One.

Management were also required to obtain approval from HM Treasury for constructive losses arising in line with Managing Public Money.

The risk, therefore, is that impairments are incomplete, inaccurate, or have not obtained appropriate approval in line with Managing Public Money.

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

How the scope of my audit responded to the risk

In respect of the impairments of Phase Two and Euston, I have:

- Reviewed the accounting treatment of the impairment against the requirements of accounting standards, 'IAS 36 – Impairment of Assets';
- Evaluated the appropriateness of management's judgement to impair Phase Two costs in full;
- Tested the accuracy of impairment by reperforming management's calculations;
- Tested the completeness of Phase Two costs identified through analysis of the accounting records;
- Tested the valuation of the Euston impairment including the assumptions and a review of the model. I also tested a sample of costs impaired to ensure that assumptions had been correctly applied; and
- Tested the completeness of Euston costs impaired by seeking evidence to support the valuation of a sample of costs not impaired, and analysing the underlying accounting records.

I sought evidence from a wide range of sources to support and challenge the judgements made by management.

In addition, I performed procedures over management's judgement that no impairment of

Phase One assets is required. To test management's impairment assessment, I:

- Tested a sample of AUC projects to ensure projects are proceeding as planned and there are no design changes that would require impairment;
- Reviewed relevant minutes from meetings including the Board, Executive Committee and the High Speed Two (HS2) Limited's Change Panel to identify any plans for major design or scope changes; and
- Posed challenge on the completeness of management's assessment which focused on certain aspects of the project and substantiated management's judgements against external evidence.

I have also made enquiries of the Department for Transport and reviewed submissions to HM Treasury on the High Speed Two programme to identify any information that would contradict management's judgements.

Regarding constructive loss disclosures I have confirmed approvals were obtained from HM Treasury and that the High Speed Two (HS2) Limited has included required disclosures in line with Managing Public Money.

Key observations

Management's key judgements on impairment of Phase Two and Euston, and impairment assessment

on Phase One assets are consistent with the evidence I have obtained.

The losses disclosed within the 'Losses and Special Payments' disclosure are consistent with the findings of my audit work.

Euston accounting treatment

Description of risk

The balance of £27,232m of assets under construction includes material costs relating to the design and construction of Euston station. The Network North announcement included that a development company, separate from HS2 Ltd, would be appointed to manage the delivery of Euston Station.

Management were therefore required to make judgements around the appropriate accounting treatment of residual Euston costs included in the asset under construction, after the impairments described above. In particular, whether it is appropriately classified as an asset under construction.

The risk is that the Euston asset is not appropriately classified at 31 March 2024.

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

How the scope of my audit responded to the risk

In responding to this risk, I have:

- Evaluated management's judgements against the requirements of relevant accounting standards, including 'IAS 16 – Property, plant and equipment', IFRS 5 – Assets Held for Sale and Discontinued Operations, and IAS 2 – Inventories;
- Sought evidence to corroborate or contradict management's judgement, such as relevant government policy and wider information made available by the Department for Transport regarding future plans for the development of Euston;
- Monitored events throughout my audit that would require management's position to be re-assessed; and
- Made enquiries of the Department for Transport and HM Treasury regarding progress setting up a Development Corporation.

Key observations

The accounting treatment adopted by management is consistent with the evidence I have obtained.

Completeness of provisions and contingent liabilities

Description of risk

Following the Network North announcement, management were required to assess whether

additional liabilities existed which would require inclusion in the financial statements. My risk assessment identified risk of unidentified liabilities for:

- Remediation of land along the Phase Two route, where there is a legal or constructive obligation to make good damage to land.
- Legal challenge from suppliers arising from any contractual disputes.
- Any significant internal restructure or redundancy schemes if announced.
- Onerous contracts where the costs legally due under the contract exceed the economic benefit expected to be obtained from it.

High Speed Two (HS2) Limited have identified provisions of £33.5m relating to the Network North announcement. In identifying and valuing these liabilities, management were required to:

- make judgements about whether future costs are discretionary, or whether a constructive or legal obligation exists; and
- estimate the value of the costs required for a safe cessation of activities and close down of the programme.

The risk is that management have not identified material provisions and contingent liabilities following the Network North announcement.

Linked to provisions and contingent liabilities, management are also required to make a

judgement as to whether any losses or special payments require HM Treasury approval.

How the scope of my audit responded to the risk

In responding to this risk I have:

- Made enquiries of management, HS2's Phase Two Commercial team, in-house legal counsel, the Department for Transport;
- Inspected key Phase Two contracts and evaluated whether they had become onerous;
- Reviewed minutes from the Remuneration Committee, Board, Executive Committee and Audit and Risk Assurance Committee;
- Tested management's key judgements against the requirements of relevant accounting standards, including 'IAS 37- Provisions and Contingent Liabilities', seeking corroboratory and contradictory evidence;
- Tested management's workings for remediation provisions to ensure constructive and legal obligations had been identified. This included reviewing the Performance Measurement Baseline and performing testing on planned costs which had not been included in the provision, to confirm no legal or constructive obligation existed at the reporting date; and
- Tested completeness of losses and special payments disclosures and approvals linked to issues considered as part of our provisions and contingent liabilities work

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

Key observations

My audit work did not identify any material misstatement.

Capital expenditure additions

Description of risk

High Speed Two (HS2) Limited incurred £7,384m of expenditure on capital additions to the Assets under Construction balance in 2023-24 (2022-23: £6,915m), of which, £816m relates to accrued capital expenditure.

Expenditure is recognised based on invoices and application for payments submitted by contractors, usually on a monthly basis. Given the overall values involved, and that individual invoices are high value, my risk assessment identified significant risk that:

- expenditure may be recognised for work that has not been completed by the contractor.
- accrued expenditure, based on estimated cost of work done at 31st March 2024, may be recognised at incorrect amounts.
- application for payments may include costs that are not allowable under the contract.

Management have controls in place to identify any error or overcharging on these contracts. These include initial checks prior to payment followed by post-payment checks through cost verification audits. Where disallowed costs are identified, management make an adjustment to expenditure.

How the scope of my audit responded to the risk

In responding to this risk I have:

- Evaluated the design and implementation of controls around capital expenditure, focusing on pre-payment controls;
- Considered the results of post-payment cost verification exercises performed on HS2's main works civils (MWC) contracts as evidence of the effectiveness of management's controls;
- Tested a sample of capital expenditure additions, and traced to supporting evidence including application for payments, invoices and key internal approvals. I have also verified that the work related to the 2023-24 financial year;
- Traced a sample of capital accruals to third party evidence to support the cost of work done. I have also reviewed post-year end application for payments and invoices to verify the accruals were raised at appropriate amounts; and
- I have reviewed the results of cost verification audits undertaken throughout the year to ensure that disallowable costs are correctly adjusted for in the financial statements and that there is no risk of material irregularity in the capital expenditure incurred by High Speed Two (HS2) Limited.

Key observations

My sample testing of capital expenditure and capital accruals did not identify any material misstatement or irregularity.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

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

Based on my professional judgement, I determined overall materiality for the High Speed Two (HS2) Limited’s financial statements as a whole as follows:

	Audited Entity
Materiality	£63m
Basis for determining materiality	Approx. 0.75% of gross expenditure (including capital) of £8,560m (2022-23: £67m, approx. 1% of gross expenditure of £6,959m)
Rationale for the benchmark applied	Gross expenditure is the total capital plus revenue spend in year and the area that attracts the most interest from users of the accounts. I considered selecting the value of assets or assets under construction as an alternative benchmark and concluded this would not be appropriate as these balances are not depreciated, as the railway is not yet in use. This would lead to a materiality which would increase year on year, and implication that risk is reducing, which is inconsistent with my view.

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance

materiality was set at 65% of materiality for the 2023-24 audit (2022-23: 75%). In determining performance materiality, I have also considered the uncorrected misstatements identified in the previous period.

Other Materiality Considerations

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in the Related Parties note in the financial statements. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing audit work to support my opinion on regularity and in evaluating the impact of any irregular transactions, I considered both quantitative and qualitative aspects that would reasonably influence the decisions of users of the financial statements.

Error Reporting Threshold

I agreed with the Audit and Risk Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £300k, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

Total unadjusted audit differences reported to the Audit and Risk Committee have decreased net expenditure by £16.2m.

Audit scope

The scope of my audit was determined by obtaining an understanding of the High Speed Two (HS2) Limited’s and its environment, including the entity wide controls, and assessing the risks of material misstatement.

Other Information

The other information comprises the information included in the Annual Report but does not include the financial statements and my auditor’s report thereon. The directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

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

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

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

In my opinion the part of the Remuneration and Staff 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 information given in the Strategic Report and Corporate Governance Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Corporate Governance Report have been prepared in accordance with applicable legal requirements; and
- the information about internal control and risk management systems in relation to financial reporting processes, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- Information about High Speed Two (HS2) Limited's corporate governance code and practices and about its administrative, management and supervisory bodies and their

committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which I report by exception

In the light of the knowledge and understanding of the High Speed Two (HS2) Limited and its environment obtained in the course of the audit, I have not identified material misstatements:

- in the Strategic Report or the Corporate Governance Report; or
- the information about internal control and risk management systems in relation to financial reporting processes, given in compliance with rules 7.2.5 and 7.2.6 of the FCA rules.

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
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Remuneration and Staff 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
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Corporate governance statement

The Listing Rules require me to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the High Speed Two (HS2) Limited's compliance with the provisions of the UK Corporate Governance Code specified for my review.

Based on the work undertaken as part of my audit, I have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or my knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified [set out on page 13];
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate [set out on page 13];
- Directors' statement on fair, balanced and understandable [set out on page 35];
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks [set out on page 48];
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems [set out on pages 47 to 54]; and
- The section describing the work of the audit committee [set out on pages 40 to 41].

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

Responsibilities of the Directors for the financial statements

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

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the [audited entity] from whom the auditor determines it necessary to obtain audit evidence;
- Preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006 and HM Treasury's Financial Reporting Manual;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing the Annual Report, which includes the Remuneration and Staff Report, in accordance with the Companies Act 2006 and HM Treasury's Financial Reporting Manual; and
- 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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the applicable law and International Standards on Auditing (UK) (ISAs (UK)).

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

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, I:

- considered 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.
- inquired 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 on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the High Speed Two (HS2) Limited's controls relating to High Speed Two (HS2) Limited's compliance with the Companies Act 2006, Managing Public Money and Government Resources and Accounts Act 2000.

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

- inquired of management, High Speed Two (HS2) Limited's head of internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations; and
 - they had knowledge of any actual, suspected, or alleged fraud;
- considered the findings of High Speed Two (HS2) Limited's cost verification work during the year which identified costs recoverable from suppliers.
- considered the outcome of High Speed Two (HS2) Limited's investigations into whistleblower allegations during the year.
- discussed with the engagement team 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: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of High Speed Two (HS2) Limited's framework of authority and other legal and regulatory frameworks in which High Speed Two (HS2) Limited operates. I focused 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 included Companies Act 2006, Managing Public Money, employment law and tax legislation.

I considered 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 Framework Agreement with the Department for Transport, and the Remuneration Framework.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed 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;
- I enquired of management, the Audit and Risk Committee and in-house legal counsel

concerning actual and potential litigation and claims;

- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports; and
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including 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 report.

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

Other auditor's responsibilities

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income 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.

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 I identify during my audit.

Gareth Davies

25 July 2024

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

Financial Statements

Statement of comprehensive net expenditure	76
Statement of financial position	77
Statement of cash flows	78
Statement of changes in taxpayers' equity	79
Notes to the financial statements	80

Statement of comprehensive net expenditure

	Note	Year ended 31 Mar 2024 £'000	Year ended 31 Mar 2023 £'000
Income			
Other income		(30,220)	-
Total income for the year		(30,220)	0
Expenditure			
Staff costs	4	15,978	5,269
Other expenditure	5	84,032	24,991
Impairment	5	1,026,583	-
Non-cash items	5	49,226	13,415
Total expenditure for the year		1,175,819	43,675
Net expenditure before taxation		1,145,599	43,675
Taxation	6	-	-
Net expenditure after taxation		1,145,599	43,675
Other comprehensive expenditure			
Items that will not be reclassified to net operating costs:			
No other transactions to be recorded		-	-
Total comprehensive net expenditure for the year		1,145,599	43,675

The accounting policies and notes on pages 80 to 104 form part of these financial statements.

The majority of the company's expenditure is capitalised, following the principles in Note 2.10.

Notes 3 and 5 provide a breakdown of expenditure which includes both capitalised and non-capitalised items.

The other income relates to cost reimbursements from various third parties for works that are being undertaken along the route of the railway.

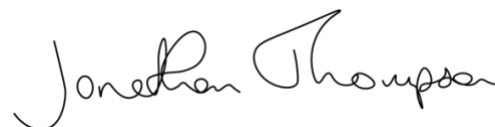
Statement of financial position

	Note	Year ended 31 Mar 2024 £'000	Year ended 31 Mar 2023 £'000
Non-current assets			
Intangible assets	7	14,059	17,515
Property, plant and equipment	8	27,274,400	20,927,132
Total non-current assets		27,288,459	20,944,647
Current assets			
Financial assets	9	-	1,618
Trade and other receivables	10	289,985	290,427
Cash and cash equivalents	11	54,755	128,601
Total current assets		344,740	420,646
Total assets		27,633,199	21,365,293
Current liabilities			
Trade and other payables	12	(928,794)	(820,929)
Provisions	13	(59,322)	(54,480)
Borrowings	14	(3,317)	(3,233)
Financial liabilities	15	(923)	-
Total current liabilities		(992,356)	(878,642)
Non-current liabilities			
Borrowings	14	(14,874)	(18,286)
Financial liabilities	15	(248)	(72)
Provisions	13	(26,234)	-
Total non-current liabilities		(41,356)	(18,358)
Total liabilities		(1,033,712)	(897,000)
Total net assets		26,599,487	20,468,293
Taxpayers' equity			
General reserve		26,599,487	20,468,293
		26,599,487	20,468,293

The HS2 Ltd (company registration number 06791686) 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 80 to 104 form part of these financial statements.

The financial statements on pages 76 to 79 were approved by the board on 26 June 2024 and signed on 25 July 2024 on its behalf by:



Sir Jon Thompson
Executive chair, High Speed Two (HS2) Ltd

Statement of cash flows

	Note	Year ended 31 Mar 2024 £'000	Year ended 31 Mar 2023 £'000
Cash flows from operating activities			
Net operating cost per Expenditure Statement		(1,145,599)	(43,675)
(Increase) / decrease in trade and other receivables	10	4,337	(398)
Increase / (decrease) in trade and other payables	12	(3,422)	1,035
Increase / (decrease) in borrowings	14	-	(20)
Phase One impairment	5	176,667	-
Phase 2a impairment	5	713,011	-
Phase 2b West impairment	5	136,905	-
Adjustment for remaining non-cash items	5 & 13	48,259	47,594
Adjustment for euro bank balance revaluation	5	6	348
Net cash outflow from operating activities		(69,836)	4,884
Cash flows from investing activities			
(Increase) / decrease in trade and other receivables	10	(3,895)	(63,000)
Increase / (decrease) in trade and other payables	12	111,286	163,901
Increase / (decrease) in borrowings	14	(3,328)	(3,243)
Purchase of property, plant and equipment	8	(7,383,887)	(6,916,582)
Purchase of intangible assets	7	(979)	(655)
Net cash outflow from investing activities		(7,280,803)	(6,819,579)
Cash flows from financing activities			
Capital contribution from DfT		7,276,793	6,871,392
Net cash inflow from financing activities		7,276,793	6,871,392
Net increase / (decrease) in cash and cash equivalents		(73,846)	56,697
Cash and cash equivalents at the beginning of the year	11	128,601	71,904
Cash and cash equivalents at the end of the year	11	54,755	128,601

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

The accounting policies and notes on pages 80 to 104 form part of these financial statements.

Statement of changes in taxpayers' equity

	General Reserve £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 1 April 2022	13,640,576	-	13,640,576
Changes in Taxpayers' equity for 2022/23			
Net operating cost for the year	(43,675)	-	(43,675)
Capital contribution from DfT	6,871,392	-	6,871,392
Balance at 31 March 2023	20,468,293	-	20,468,293
Changes in Taxpayers' equity for 2023/24			
Net operating cost for the year	(1,145,599)	-	(1,145,599)
Capital contribution from DfT	7,276,793	-	7,276,793
Balance at 31 March 2024	26,599,487	-	26,599,487

The General Reserve serves as the chief operating fund used to account for all financial resources.

The accounting policies and notes on pages 80 to 104 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 SoST 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 Snow Hill, 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 and the West Midlands. The period covered by these accounts is 12 months to 31 March 2024 and forms part of the DfT group consolidated accounts.

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 NDPB, the company also adopts the interpretations of IFRS and additional disclosure requirements contained in the Government Financial Reporting Manual (FRoM) for 2023/24, 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 any new accounting standards, amendments and interpretations of standards that are effective during the period ending 31 March 2024 and have adopted the relevant changes that impact the company's financial statements.

- IAS 1 Presentation of Financial Statements requires entities to disclose material accounting policy information instead of just significant information.
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors defines accounting estimate as a monetary amount in financial statements that are subject to measurement uncertainty. This is to help entities distinguish between accounting policies and accounting estimates.
- IFRS 17 Insurance Contracts requires a discounted cash flow approach to accounting for insurance contracts. The company considers that at present it has no contracts that fall within the scope of IFRS 17.

2.4. New or amended accounting standards and interpretations not yet adopted

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

Notes to the financial statements

2.5. Going concern

In October 2023, the government's announcement on Network North confirmed Phase One of HS2 between London and the West Midlands would be completed, with a rescope of Euston station. The work planned to deliver Phases 2a, 2b and HS2 East would not proceed.

The revised scope is being incorporated into the HS2 Development Agreement which details HS2 Ltd's role in developing, building and operating the new high-speed railway. The development and delivery of the revised HS2 scope remains part of the government's wider high-speed rail agenda and is in accordance with the aims of DfT as our sponsor.

HS2 is funded entirely by capital contribution from the DfT as provided by Section 6 of the Railways Act 2005, the High-Speed Rail (Preparation) Act 2013 and section 63 of each of the High-Speed Rail (London to West Midlands) Act 2017 and High Speed Rail (West Midlands to Crewe) Act 2021, and the funding provisions in the Development Agreement, Framework Document and annual delegation letters from DfT to HS2 Ltd.

The government-wide Spending Review 2021 made clear HS2 is a multi-year capital programme. The DfT has agreed budget allocations for the HS2 programme for financial year 2024/25 giving a reasonable expectation that the company has the ability to continue as a going concern for at least that period. No material uncertainties were identified when undertaking the going concern assessment.

Consequently, in line with the Notice to Proceed for Phase One, confirmed on 15 April 2020, and the revision to scope announced in October 2023, it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

2.6. Critical accounting judgments and estimates

The company applies the following significant estimation techniques.

- The company performs an annual impairment review to determine if there are any internal or external indicators of impairment that will have an adverse impact on the construction of the railway asset. As part of the review, any significant government announcements have been considered for the financial year ended 31 March 2024. The Network North announcement in October 2023 covered the cancellation of Phase Two and changes to the design of Euston station. These changes have had an adverse effect on the value of the assets held in the Statement of Financial Position. The judgments applied in determining the revised valuation are based on policy decisions as at 31 March 2024 and instructions from the DfT, for example, the specification for Euston station has been changed from a 10-platform station to a 6-platform station. The company has recognised an impairment in respect of this change in specification and below are the key judgments used in determining this:
 - Majority of the design expenditure incurred between April 2021 and October 2024 is no longer applicable to the 6-platform design. Any expenditure incurred that is partially recoverable, such as management costs that cover both design and non-design works, have been apportioned based on management's assessment of the recoverable cost.
 - Expenditure such as site clearance, site preparation and utilities diversions remain relevant regardless of the final design.
 - Despite the uncertainty surrounding the final design of the station, the impairment has been determined based on the DfT instructions. Management does not believe there is any material uncertainty regarding the reported impaired value.

Regarding Phase Two, judgments have been used in assessing the remaining value which include consideration of a number of scenarios such as whether the work will transfer out of the company. There will not be any economic benefits received by HS2 Ltd as the company has been instructed to cease construction and HS2 Ltd are not able to sell those assets. Additional consideration has also been taken into account in relation to potential impact of the Phase Two cancellation on elements of Phase One such as Curzon Street station and Handsacre Junction. As optionality has been retained and no formal policy decisions have been made, there are no indicators of impairment in Phase One. Furthermore, as at 31 March 2024

Notes to the financial statements

there is little uncertainty in these judgments as they are based on instruction from the DfT.

The financial impact of the above is detailed in notes 3 Expenditure by operating segment and 19 Losses and special payments.

- 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 on cost of work done, applications for payment, and any disputed costs in measuring the value of works performed at the year-end date. Further cost verification is undertaken after the point of payment through a more detailed independent assurance process which provides a retrospective review of costs and commercial challenge to suppliers. Any costs identified from this process as disallowable under the contract are then credited by the supplier and removed from the asset under construction balance. Refer to Note 2.17 Cost of Work Done (COWD) for further information. If any formal disputes are recognised, as defined per the contracts, these will be accounted for in line with IAS 37 Provisions.
- Estimates of the contribution of each business unit are used to allocate costs inclusive of administration and some overhead costs as directly attributable to the phases of the HS2 programme. Allocation drivers include headcount and expenditure. Refer to Note 2.10 as to whether costs are expensed or capitalised.
- Undertakings and assurances classified 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 judgment and estimation of the potential liability and appropriate classification. Following the Network North announcement detailing the cancellation of Phase Two, the expenditure in relation to curtailment, remediation and safely closing down

has been considered for appropriate accounting treatment. The announcement itself has created a constructive obligation for HS2 Ltd to perform the works and an externally assured Performance Measurement Baseline has been produced to ensure a reliable estimate is reported.

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.

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.

Recognition: lease term

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

Notes to the financial statements

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.

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

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.

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.

2.9. 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.

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.

Amortisation

The company reviews and updates the remaining useful economic life (UEL) of all its intangible assets each year. This is the period for which the asset provides economic benefits that will flow to the company from its use. The typical UEL for intangible assets is in the range of three to five years or for the length of the licence.

Disposals

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

2.10. 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.

Notes to the financial statements

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 passing of the second reading of the hybrid Bill for a phase of the HS2 programme as the second reading establishes the principles and need for the scheme.

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 SoST (DfT) incurs directly and recognises and is therefore not listed in these accounts. Please refer to Note 2.11.

Due to the nature of operations at HS2, some administration and overhead costs are capitalised as they are directly attributable to business activity. An allocation model is used to apportion costs as capital and revenue based on the nature of the costs, headcount and expenditure.

Measurement

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

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

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

- All property, plant and equipment, other than railway infrastructure assets and right-of-use assets are considered to be relatively short-life or low-value assets and are valued on the basis of depreciated historic cost as an approximation of fair value.
- Railway infrastructure assets, when complete and available for their intended purpose, will be valued in accordance with IFRS and any compatible interpretations in the FReM. During the construction period, such assets are valued at cost because they are not fully complete and ready for use. The hybrid Bill second readings are the recognition point when costs are classified as railway infrastructure assets and so are capitalised from this point onwards. See table below for more information. Due to the Network North announcement, Phase Two no longer meets the criteria of being capitalised.

Phase	Date of second reading
Phase One	April 2014
Phase 2a	January 2018
Phase 2b West	June 2022

Notes to the financial statements

Phase 2b East did not reach the stage of second reading, therefore the costs were expensed as incurred. See Note 3 for further information.

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 value of the railway assets under construction, the company recognises that design work on major projects is by nature iterative, including from a fair value perspective, the 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	3 years
Plant and equipment	3 years
Leasehold improvements	Up to the expected date of exit (either lease break or end date)

Disposals

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

2.11. Land and property

Properties acquired to bring the railway asset into operational condition are purchased on behalf of the SoST 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 SoST 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.

Notes to the financial statements

2.12. 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.

2.13. 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.

2.14. 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.

2.15. 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.

2.16. 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 to mitigate risk.

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

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

2.17. Cost of work done

The additions to property, plant and equipment are valued using an estimate of the cost of work done (COWD) in the year to 31 March 2024. To the extent that the COWD is greater than the invoiced amount, a property, plant and equipment addition and a corresponding accrual in Note 12 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 assessment. See Note 2.6 for further information.

2.18. VAT

Under the HMRC Manual (VAT Government and Public Bodies, Contracted Out Services Heading 82), HS2 Ltd can recover VAT on non-business goods and services necessary for the purpose of the development and delivery of the HS2 high speed railway network. HS2 Ltd can also recover VAT on rolling stock as a business activity for VAT purposes. Following the Network North announcement, HMRC have ruled that VAT costs incurred on Phase Two activities required as a result of the cancellation (exit costs) cannot be reclaimed.

Notes to the financial statements

3. 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 2.10, Phase Two costs were treated as capital where a particular stage of Parliamentary approval has been reached (as for Phase 2a and Phase 2b West), and otherwise as revenue (as for Phase 2b East). The government's announcement in relation to Network North on 4 October 2023 regarding the cancellation of Phase Two and design change to Euston station (see note 19 for further information) resulted in subsequent expenditure for Phase Two to be reported as resource expenditure. This also resulted in an impairment of £1,026.5 million to be reported within resource expenditure as follows:

- Phase One (Euston station £152.9 million and grant expenditure £23.7 million)
- Phase 2a (£713.0 million)
- Phase 2b West (£136.9 million).

Notes to the financial statements

3. Expenditure by operating segment continued

Year ended 31 Mar 2024	Capital Expenditure £'000	Resource Expenditure £'000	Total £'000
Phase One	7,229,568	176,667	7,406,235
Phase 2a	107,797	777,414	885,211
Phase 2b West	46,810	163,533	210,343
Phase 2b East	-	3,951	3,951
Cost reimbursements	22,066	8,154	30,220
Grant expenditure	4,704	5	4,709
Other capital	644	-	644
Exchange (gain) / loss	47	2	49
Unrealised exchange (gain) / loss	-	(6)	(6)
Fair value (gain) / loss	-	2,716	2,716
Depreciation and amortisation	-	14,471	14,471
Finance costs	-	422	422
Administration	-	1,720	1,720
Total expenditure	7,411,636	1,149,049	8,560,685
Analysed as to:	£'000	£'000	£'000
Programme costs	7,411,636	1,147,329	8,558,965
Administration costs	-	1,720	1,720
Total expenditure	7,411,636	1,149,049	8,560,685

Year ended 31 Mar 2023	Capital Expenditure £'000	Resource Expenditure £'000	Total £'000
Phase One	6,616,803	-	6,616,803
Phase 2a	207,996	-	207,996
Phase 2b West	90,086	27,036	117,122
Phase 2b East	-	1,807	1,807
Other Capital	2,354	-	2,354
Exchange (gain) / loss	(2)	-	(2)
Unrealised exchange (gain) / loss	-	(348)	(348)
Fair value (gain) / loss	-	(1,320)	(1,320)
Depreciation and amortisation	-	14,646	14,646
Finance costs	-	488	488
Administration	-	1,366	1,366
Total expenditure	6,917,237	43,675	6,960,912
Analysed as to:	£'000	£'000	£'000
Programme costs	6,917,237	42,309	6,959,546
Administration costs	-	1,366	1,366
Total expenditure	6,917,237	43,675	6,960,912

Notes to the financial statements

4. Staff numbers and costs

	Direct employee 2024	Other personnel 2024	Year ended 31 Mar 2024 Total	Year ended 31 Mar 2023 Total
Full-time equivalent persons employed – average for staff costs comprise:	1,933	153	2,086	1,941
	£'000	£'000	£'000	£'000
Wages and salaries	136,724	23,696	160,420	148,654
Social security costs	15,525	-	15,525	14,591
Other pension costs	15,339	-	15,339	13,754
Chairman and non-executives fees	440	-	440	407
Total staff costs	168,028	23,696	191,724	177,406
Non-cash items include:				
Capitalised expenses (staff costs)			(175,746)	(172,137)
Total non-cash costs			(175,746)	(172,137)
Total staff costs in statement of net expenditure			15,978	5,269

Fees and salaries paid to the directors are set out in the Remuneration Report, pages 55 to 64.

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

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

Notes to the financial statements

5. Other expenditure

The expenditure in engineering services primarily relates to construction works and professional services primarily relates to design works.

Included in the above is expenditure related to external audit services £0.28 million (2022/23: £0.23 million), internal audit services £1.20 million (2022/23: £1.2 million) and taxation compliance services £0.05 million (2022/23: £0.06 million).

Expenditure in relation to Phase One third party contributions and grant expenditure of £22.1 million and £4.7 million respectively has been expensed via the SoCNE. These amounts are included within capital expenditure above.

Other capital expenditure of £0.6 million (2022/23: £2.35m) is not included in the above as these amounts are reported in Note 7 and 8.

	Year ended 31 Mar 2024 Capital £'000	Year ended 31 Mar 2024 Resource £'000	Year ended 31 Mar 2023 Capital £'000	Year ended 31 Mar 2023 Resource £'000
Non-staff expenditure includes:				
Professional services	603,915	38,182	525,646	16,577
Engineering services	6,525,304	651	5,997,420	123
Environmental services	4,155	1,099	5,492	63
Design - utilities	33,954	3,581	96,742	-
Licences and surveys	325	144	820	124
Communication and information technology	25,875	5,442	37,999	3,934
Accommodation costs	10,438	1,470	7,599	387
Property advice and valuation	15,571	3,690	20,711	1,940
Legal costs	(147)	(231)	9,209	45
Travel and subsistence	2,418	189	1,901	65
Grant expenditure	4,704	5	-	-
Auditors' remuneration and expenses	-	275	-	230
Recruitment fees	962	397	1,442	138
HMRC costs	5,047	1,251	9	-
Finance costs	-	422	-	488
Other costs	3,645	695	3,578	877
	7,236,166	57,262	6,708,568	24,991
Non-cash items include:				
Depreciation of tangible assets	-	10,036	-	10,218
Increase/ (Decrease) in Provisions	(968)	32,043	34,181	437
Exchange (Gain) / Loss	47	2	(2)	-
Unrealised Exchange (Gain) / Loss	-	(6)	-	(348)
Fair Value (Gain) / Loss	-	2,716	-	(1,320)
Amortisation of intangible assets	-	4,435	-	4,428
Impairment	-	1,026,583	-	-
Total non-cash costs	(921)	1,075,809	34,179	13,415
Total other expenditure	7,235,245	1,133,071	6,742,747	38,406

Notes to the financial statements

6. Taxation

HS2 is not within the charge to corporation tax on its core activity of developing and building high-speed rail, while ancillary activities such as loan relationships remain within the charge to corporation tax.

The current corporation tax rate is 25% (2022/23: 19%). It increased to 25% from 1 April 2023.

No asset has been recognised for the tax losses accruing in the year on the grounds that taxable profits do not exist. If any profits were to arise in the future, the tax losses worth £0.6 million (2022/23: £0.6 million) may be utilised against them. The tax loss has been carried forward from the corporation tax return for 2023 and these losses do not expire whilst HS2 has a potential source of taxable income.

	Year ended 31 Mar 2024 £'000	Year ended 31 Mar 2023 £'000
Current taxation		
UK corporation tax	-	-
Total UK corporation tax	-	-
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 25%.		
The differences are explained below:		
Net expenditure before taxation	(1,145,599)	(43,675)
Tax at the standard rate of corporation tax in the UK 25% (2023: 19%)	(286,400)	(8,298)
Income and expenditure not subject to corporation tax	286,400	7,834
Unrecognised tax losses		464
Total taxation charge	-	-

Notes to the financial statements

7. Intangible assets

	Website £'000	Software £'000	Total £'000
Cost or valuation			
At 1 April 2023	164	32,219	32,383
Additions	-	979	979
	-	-	-
At 31 March 2024	164	33,198	33,362
Depreciation			
At 1 April 2023	164	14,704	14,868
Charged in year	-	4,435	4,435
At 31 March 2024	164	19,139	19,303
Net book value at 31 March 2024	-	14,059	14,059
Net book value at 31 March 2023	-	17,515	17,515

	Website £'000	Software £'000	Total £'000
Cost or valuation			
At 1 April 2022	164	31,564	31,728
Additions	-	655	655
At 31 March 2023	164	32,219	32,383
Depreciation			
At 1 April 2022	164	10,276	10,440
Charged in year	-	4,428	4,428
At 31 March 2023	164	14,704	14,868
Net book value at 31 March 2023	-	17,515	17,515
Net book value at 31 March 2022	-	21,288	21,288

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

Notes to the financial statements

8. Property, plant and equipment

	Assets under construction railway £'000	Right-of-use £'000	Leasehold improvements, plant and equipment £'000	IT equipment £'000	Total £'000
Cost or valuation					
At 1 April 2023	20,874,179	60,995	22,027	20,088	20,977,289
Additions	7,384,221	-	-	645	7,384,866
Reclassification	-	-	-	(979)	(979)
Impairment	(1,026,583)	-	-	-	(1,026,583)
At 31 March 2024	27,231,817	60,995	22,027	19,754	27,334,593
Depreciation					
At 1 April 2023	-	25,024	11,138	13,995	50,157
Charged in year	-	6,444	1,819	1,773	10,036
At 31 March 2024	-	31,468	12,957	15,768	60,193
Net book value at 31 March 2024	27,231,817	29,527	9,070	3,986	27,274,400
Net book value at 31 March 2023	20,874,179	35,971	10,889	6,093	20,927,132

	Assets under construction railway £'000	Right-of-use £'000	Leasehold improvements, plant and equipment £'000	IT equipment £'000	Total £'000
Cost or valuation					
At 1 April 2022	13,959,295	60,995	22,027	18,390	14,060,707
Additions	6,914,884	-	-	1,698	6,916,582
Impairment	-	-	-	-	-
At 31 March 2023	20,874,179	60,995	22,027	20,088	20,977,289
Depreciation					
At 1 April 2022	-	18,580	9,319	12,040	39,939
Charged in year	-	6,444	1,819	1,955	10,218
At 31 March 2023	-	25,024	11,138	13,995	50,157
Net book value at 31 March 2023	20,874,179	35,971	10,889	6,093	20,927,132
Net book value at 31 March 2022	13,959,295	42,415	12,708	6,350	14,020,768

Notes to the financial statements

8. Property, plant and equipment continued

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 £2.0 million which are not available for use at the year end, and therefore have not yet been depreciated (2022/23: £2.4 million).

The impairment value of £1,026.5 million is in relation to Phase One and Phase Two as detailed in Note 3. Further information around the key estimates and judgments applied in determining this value are detailed in Note 2.6.

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 3 and Note 5.

9. Financial assets

The derivative relates to the net exposure on foreign currency forward purchase contracts denominated in euros. Please see Note 15 Financial Liabilities for further information.

	Year ended 31 Mar 2024 £'000	Year ended 31 Mar 2023 £'000
Amounts falling due within one year:		
Derivative Forward Purchase Programme Financial Asset	-	1,618
	-	1,618
Amounts falling due after more than one year:		
Derivative Forward Purchase Programme Financial Asset	-	-
	-	-
Total Financial Assets	-	1,618
Analysis of expected timing of flows:		
Not later than one year	-	1,618
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	1,618

Notes to the financial statements

10. Trade receivables and other current assets

The VAT receivable amount for the year ending 31 March 2024 relates to February and March 2024 VAT Returns, similar to prior year where the VAT receivable amount related to February and March 2023.

	Year ended 31 Mar 2024 £'000	Year ended 31 Mar 2023 £'000
Amounts falling due within one year:		
VAT receivable	231,762	222,515
Other receivables	23,912	24,541
Prepayments	34,311	43,371
	289,985	290,427

11. Cash and cash equivalents

Included within cash held with the government banking service is land and property funding totalling £21.0 million (2022/23: £21.2 million) transferred to the company by the DfT for compulsory purchase orders (CPOs) and for non-compulsory purchase orders (non-CPOs). These purchases belong to and are accounted for by the DfT for the reasons outlined in Note 2.11, so the cash held is offset by short-term creditors included in Trade payables, Note 12. Also included in cash held with the government banking service is foreign currency (euro) translated to sterling to the amount of £11.4 million (2022/23: £27.7 million).

	Year ended 31 Mar 2024 £'000	Year ended 31 Mar 2023 £'000
Balance at 1 April	128,601	71,904
Net change in cash and cash equivalent balances	(73,846)	56,697
Balance at 31 March	54,755	128,601
Analysis of cash and cash equivalents:	31 Mar 2024 £'000	31 Mar 2023 £'000
Cash held with the government banking service	50,691	123,269
Cash held in commercial bank account	4,064	5,332
	54,755	128,601

12. Trade payables and other current liabilities

The trade payables value below includes short-term creditors relating to CPOs and non-CPOs as referenced in Note 11.

The accruals value includes professional and engineering services related to the constructions works on Phase One. See Note 2.17 for further information.

	Year ended 31 Mar 2024 £'000	Year ended 31 Mar 2023 £'000
Amounts falling due within one year:		
Trade payables	50,943	63,313
Accruals	877,851	757,616
	928,794	820,929

Notes to the financial statements

13. Provisions

	Petition undertakings and assurances £'000	Phase Two Remediation Works £'000	Other £'000	Total £'000
Balance at 31 March 2023	44,156		10,324	54,480
Provided in the year	14,954	33,483	130	48,567
Provisions utilised in the year	(667)		(6,168)	(6,835)
Provisions not required written back	(6,500)		(4,156)	(10,656)
Provisions reclassified to accruals	-	-	-	-
Balance at 31 March 2024	51,943	33,483	130	85,556
Balance at 31 March 2022	10,240	-	9,623	19,863
Provided in the year	46,438		6,201	52,639
Provisions utilised in the year	(2,705)		(5,500)	(8,205)
Provisions not required written back	(9,817)		-	(9,817)
Provisions reclassified to accruals	-	-	-	-
Balance at 31 March 2023	44,156	-	10,324	54,480
At 31 March 2024	Petition undertakings and assurances £'000	Phase Two Remediation Works £'000	Other £'000	Total £'000
Analysis of expected timing of flows:				
Not later than one year	51,943	7,249	130	59,322
Later than one year and not later than five years	-	26,234	-	26,234
Later than five years	-	-	-	-
	51,943	33,483	130	85,556
At 31 March 2023	Petition undertakings and assurances £'000	Phase Two Remediation Works £'000	Other £'000	Total £'000
Analysis of expected timing of flows:				
Not later than one year	44,156	-	10,324	54,480
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
	44,156	-	10,324	54,480

Notes to the financial statements

13. Provisions continued

Petition undertakings and assurances

As part of the legislative process for the High Speed Rail (London – West Midlands) Act 2017, individuals and organisations were able to raise their objections to the HS2 scheme as petitions. As a result, a number of assurances were given to petitioners that will inform the planning, design and future construction of Phase One. In certain cases, the company is required as nominated undertaker to meet these assurances.

A form of compensation must be provided to those directly affected by the construction and operation of the railway which does not form part of the design and plans for the railway. As set out in our company strategy, the company aspires to be a 'good neighbour' and will continually seek to reduce the impact of the railway. Some of the commitments the company has entered into are recognised as provisions as defined by IAS 37, since at year-end there is a present obligation, with a probable outflow of resources which can be reliably estimated. Those where a present obligation is not recognised are reported as contingent liabilities in Note 17.

In relation to Phase 2a, there is one assurance which meets the criteria of IAS 37 and is included within the value detailed above.

Phase Two remediation works

The Network North announcement detailed the cancellation of Phase Two and further instruction was received from DfT to cease construction in a safe and orderly manner. This has resulted in remediation works being required to comply with legal, health and safety and environmental regulations for which a provision has been reported. This provision value of £33.4 million for the year ended 31 March 2024 is based on an externally assured performance measurement baseline.

Other

In 2022/23, the company made a provision for £10.2 million for tax that could have been due to HM Revenue and Customs (HMRC) in relation to the Off Payroll Working Legislation (IR35) introduced in April 2017. HMRC have now undertaken a compliance review covering the historic assessment of contractor's employment status resulting in the company making a payment of £6.2 million to cover the full value of the identified liability. The HMRC review has now been formally concluded and accordingly, there is no provision included for the year ended 31 March 2024.

The company has made a provision for £0.13 million to cover potential redundancy costs resulting from a senior level organisational restructuring. An exercise is underway to deliver the organisational changes required to address the change in scope resulting from the Network North announcement and to make sure HS2 Ltd is set up to deliver the next stage of the programme.

Notes to the financial statements

14. Borrowings

The borrowings shown below are lease liabilities created under IFRS 16. 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.

In some cases, the underlying lease with the third party is in the name of the SoST 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 (2022/23: £3.8 million).

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.

	Year ended 31 Mar 2024 £'000	Year ended 31 Mar 2023 £'000
Amounts falling due within one year:		
Borrowings	3,317	3,233
	3,317	3,233
Amounts falling due after more than one year:		
Borrowings	14,874	18,286
	14,874	18,286
Total Borrowings	18,191	21,519
Analysis of expected timing of flows:		
Not later than one year	3,317	3,233
Later than one year and not later than five years	13,619	14,063
Later than five years	1,255	4,223
	18,191	21,519

15. Financial liabilities

	Year ended 31 Mar 2024 £'000	Year ended 31 Mar 2023 £'000
Amounts falling due within one year:		
Derivative Forward Purchase Programme Financial Liability	923	-
	923	-
Amounts falling due after more than one year:		
Derivative Forward Purchase Programme Financial Liability	248	72
	248	72
Total Financial Liabilities	1,171	72
Analysis of expected timing of flows:		
Not later than one year	923	-
Later than one year and not later than five years	248	72
Later than five years	-	-
	1,171	72

Notes to the financial statements

15. Financial liabilities continued

The derivative relates to the net exposure on foreign currency forward purchase contracts denominated in euros (gross amount invested of €41.36 million for 2023/24 and €143.8 million for 2022/23), converted to sterling at the reporting date and measured at fair value using the published HMRC exchange rate as at 31 March 2024. 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 1% increase applied to the HMRC exchange rate at 31 March 2024 represents a financial impact to the SoCNE of £0.4 million (2022/23: £1.3 million) and SoFP of £(0.4) million (2022/23: £1.3 million). A 1% 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.

16. Financial commitments

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

	Year ended 31 Mar 2024 £'000	Year ended 31 Mar 2023 *As restated £'000
Financial commitments (excluding capital commitments)	10,225	4,763
Property, plant and equipment	2,943,513	2,858,861
Contracted capital commitments	2,943,513	2,858,861

Payments related to the financial commitments are £10.2 million (2022/23: £4.0 million) within one year and £nil (2022/23: £0.7 million) between one to five years. Material items in regards to property, plant and equipment have not been disclosed due to being commercially sensitive. *For the financial year ended 31 March 2023, property, plant and equipment commitments were restated by £104.7 million. This was primarily due to an omission of a single contract and also, the process in determining the commitment value was reviewed and updated.

17. Contingent liabilities

Contingent liabilities do not represent a current liability for the company at 31 March 2024, 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 an undertaking and assurance that leads to a contingent liability totalling £30.2 million (2022/23: £30.0 million).

Note to the financial statements

17. Contingent liabilities continued

- 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 (PPAs) 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, tax or disputed supplier costs where the likelihood of the company making payments in the future is less than probable as at 31 March 2024. Where applicable, the values have not been disclosed as they have a potentially prejudicial impact on the outcome of any proceedings or claims.
- 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 2024 or where the assessment of payment is less than probable have not been provided for. The values for these incentives have not been disclosed due to being commercially sensitive in nature.
- A possible obligation to pay additional premium in relation to an Owners Controlled Insurance Programme (OCIP) contract dated July 2017, with the company as policyholder.
- As set out in Note 2.11, 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 SoST along the HS2 route. Any such contingent liability will be reported in the DfT's financial statements.

Notes to the financial statements

18. Related-party transactions

HS2 Ltd is an executive NDPB sponsored by the DfT. 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 2024 amounted to £7,277 million (2022/23: £6,871 million).

During the year, the company had a number of transactions with the DfT with the amount paid and payable at year-end totalling £27.1 million (2022/23: £22.1 million) and receivable at year-end totalling £7.5 million (2022/23: £7.0 million).

The company had a number of IFRS16 transactions with the DfT for leasehold assets between both parties. These included £4.3 million for depreciation and finance cost charges (2022/23: £4.4 million) and £0.8 million reduction in the outstanding lease liability at the year-end.

All of the transactions with the DfT are carried out on an arm's-length basis. In total there were transactions with other central government bodies totalling £222.6 million (2022/23: £265.3 million) with all transactions also carried out on an arm's length basis. Most of these transactions have been with Network Rail Infrastructure Limited.

Other than their remuneration and business-related expenses (refer to Remuneration and Staff Report, pages 55 to 64), 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.

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 DfT and his engagement was agreed on the basis that a suite of controls is in place to address the conflicts of interest.

Dr Nelson Ogunshakin joined the company in October 2023 as a non-executive director of the company. Dr Ogunshakin also holds the position of board member for Transport for London (TfL). The amounts paid and payable at year-end to TfL was £14.9 million (2022/23: £11.5 million).

Sir Jon Thompson joined the company in April 2021 as a non-executive director of the company. In February 2023, Sir Jon became chair of the board. In September 2023, Sir Jon took over as interim executive chair. Until 31 July 2023, Sir Jon was the chief executive officer of The Financial Reporting Council Ltd. The company makes a regular payment to The Financial Reporting Council Ltd to cover the FRC Preparers Levy. The amounts paid and payable at year-end was £0.0 million (2022/23: £nil).

Notes to the financial statements

18. Related-party transactions continued

David Speight was engaged as the interim delivery director with a place on the HS2 Ltd Executive Committee between 1 March 2023 and 22 March 2024. The engagement was in the form of a contract between Jacobs and HS2 Ltd.

Accordingly, Mr Speight remained an employee of Jacobs during the period of the contract. It was acknowledged that Mr Speight had a conflict of interest with respect to contracts and procurements involving Jacobs and his engagement was agreed on the basis that a suite of controls was in place to address the conflicts of interest.

Additionally, Jackie Roe was engaged as the interim civils delivery director, with a place on the HS2 Ltd Executive Committee starting on 25 March 2024. The engagement is in the form of a contract between Jacobs and HS2 Ltd. Accordingly, Jackie Roe remains an employee of Jacobs during the period of the contract. It was acknowledged that Jackie Roe has a conflict of interest with respect to contracts and procurements involving Jacobs and her 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 Jacobs were £0.3 million (2022/23: £0.4 million).

Emma Head, the chief railway officer 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 has also engaged it 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 £0.7 million (2022/23: £0.3 million).

19. 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.

Losses statement	31 Mar 2024	31 Mar 2023
Total number of cases	4	6
Total amount (£000)	2,171,532	2,800
Special payments	31 Mar 2024	31 Mar 2023
Total number of cases	1	2
Total amount (£000)	61	5,025

On 4 October 2023, the government announced that Phase Two would no longer proceed and that the design of Euston station would be rescope. This change in policy has resulted in a constructive loss to the company of £2,171.4 million in 2023/24. The loss includes an impairment of the capital value of the assets for both Euston station and Phase Two and also a loss of resource expenditure incurred on Phase Two before and after the cancellation of the phase. The elements of this constructive loss are set out in the table below and further information is detailed in Notes 3, 5 and 8.

Notes to the financial statements

19. Losses and special payments continued

Area of loss	Nature of loss	Value of loss (£m)	Explanation of loss
Euston station	Impairment of an asset resulting from rescoping of Euston station	£152.9	The government announced that Euston station will be completed but that the design will be changed from the current 10-platform station to a 6-platform station. The company is no longer expected to gain an economic benefit from the specific design work already completed on the 10-platform station. Accordingly, the company has impaired the value of the work that can no longer be used by reducing the asset value and declaring the expenditure as a loss.
Phase 2a	Impairment of asset resulting from the cancellation of Phase Two	£713.0	The government announced the cancellation of Phase 2a and 2b West and therefore the company is no longer expected to gain an economic benefit from the preparatory work required to build these phases. All capital expenditure incurred on both Phase 2a and 2b West is no longer expected to provide an economic benefit and accordingly the asset has been impaired and the expenditure declared as a loss.
Phase 2b West	Impairment of asset resulting from the cancellation of Phase Two	£136.9	
Phase Two	Resource expenditure on cancelled phase (pre-cancellation)	£1,073.7	Resource expenditure was incurred on Phase 2a, 2b West, and 2b East prior to the cancellation of the Phase in October 2023. For Phase 2a and 2b West these costs were incurred prior to each Phase reaching the point of capitalisation, specifically the second Reading in Parliament of the hybrid Bills in January 2018 and June 2022 respectively. After capitalisation the costs were accounted as Asset under Construction and impaired accordingly. Phase 2b East had not reached the point of capitalisation at the date of the government announcement in October 2023 and therefore all costs to date on Phase 2b East have been resource expenditure. The resource costs included in the loss are the design, preparation of the hybrid Bill, enabling works, and environmental works.
Phase Two	Resource expenditure on cancelled phase (post-cancellation)	£94.9	Resource expenditure was incurred on Phase Two since the government announcement in October 2023 to cancel the phase. These resource costs include remediation, reinstatement, and costs of exiting the phase with an orderly, regular, and safe cessation of activities.
Total		£2,171.4	

Notes to the financial statements

20. Events after the reporting period

These financial statements are laid before the Houses of Parliament. The International Accounting Standards (IAS10) require the company to disclose the date on which the accounts are authorised for issue. This is the date on which the Comptroller and Auditor General signs the audit certificate (pages 65 to 74).

An HMRC judgment was received after the reporting date 31 March 2024 relating to the application of landfill tax by a construction contractor on spoil being extracted during the tunnelling process. HMRC agreed that while it considered the ruling, the contractor should continue to apply the lower rate of landfill tax on its returns. If HMRC had ruled that standard rate was applicable this would have resulted in a material impact on the financial statements. HMRC has now confirmed that the lower rate can be applied subject to meeting the specified criteria.

Aside from the above, there have not been any significant post-reporting period events, whether adjusting or non-adjusting, at the date of signing these financial statements.

21. Ultimate controlling party

The ultimate controlling party is considered to be the SoST.

HS2

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(E) E03157319 07/24

ISBN 978-1-5286-5051-9

CS2618