

High Speed Two (HS2) Limited

Annual Report and Accounts 2022 – 2023

Company number 06791686

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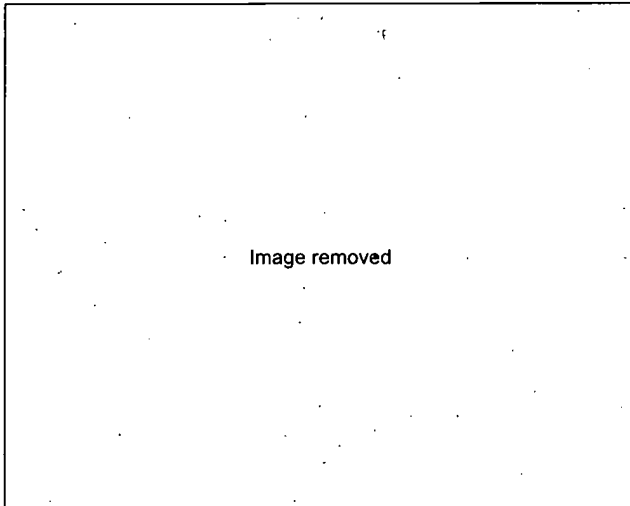
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Image: Rebar waiting to be used onsite.

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Chair's introduction



Sir Jon Thompson, Chair, HS2 Ltd.

**“
Over 28,500 people are now
working on HS2 and there are over
3,000 unique UK businesses in the
supply chain.”**

It has been an exciting year of progress for the HS2 project as we entered our period of peak construction along Phase One from London to Birmingham. Preparing for this level of intense civil engineering work has been years in the making and there is so much to be proud of as we see the railway beginning to take shape. We have undertaken important early works along Phase 2a between the West Midlands and Crewe and the hybrid Bill for the Phase 2b western leg, extending the line to Manchester, is now in Committee stage in the House of Commons.

Building Europe's largest infrastructure project is a complex challenge and like the rest of government we are facing financial pressures arising from global inflation. Construction costs are increasing at their highest rate since the 1970s and we have a responsibility to play our part in delivering sound public finances. Rephasing the timelines for certain parts of the route, such as Phase 2a and the stretch of railway in London between Old Oak Common and Euston will help us deliver this.

This rephasing does not impact progress on the rest of the project and that progress is creating economic growth today before a single train has started running. The Prime Minister has highlighted growing the economy as one of his priorities and I'm proud of the role our project is playing in helping deliver that. Over 28,500 people are now working on HS2 and there are over 3,000 unique UK businesses in the supply chain. Many of these are expanding their operations and taking on new staff as a result of the work they have won, providing confidence against an uncertain economic backdrop.

Speaking to leaders in the West Midlands, it's clear the effect HS2 is having on the region already, with companies either relocating or expanding their operations, citing improved connectivity as part of the reasoning. This new investment brings more jobs and more opportunity, helping to level up the country.

This is why maintaining our construction momentum is so important. While we've been hitting milestones, we have been pleased to be joined by both the Secretary of State and the Rail and HS2 Minister on sites up and down the Phase One route to demonstrate the fantastic progress being made by this game-changing project.

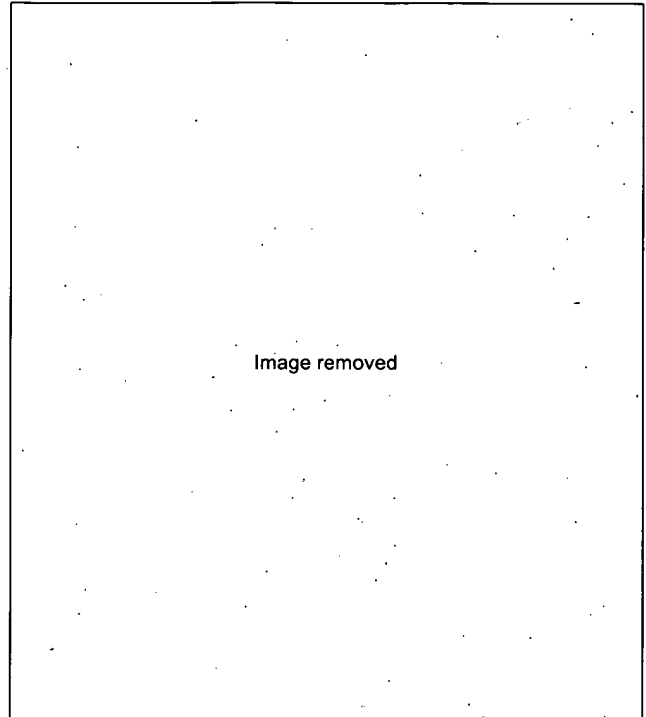
Chair's introduction

Meeting today's challenges does not mean we should lose sight of the prize on the horizon: a better connected country and a zero carbon transport system helping to spread opportunity and prosperity to the Midlands and the North, while helping tackle the global threat of climate change. As the home of rail, it is only right we join our international competitors in investing in clean, green high-speed rail to power our economy for the rest of this century and beyond.

It was a privilege to be asked to move into this job permanently by the Secretary of State and I will bring all my experience to bear as we continue to make great progress building Britain's future.

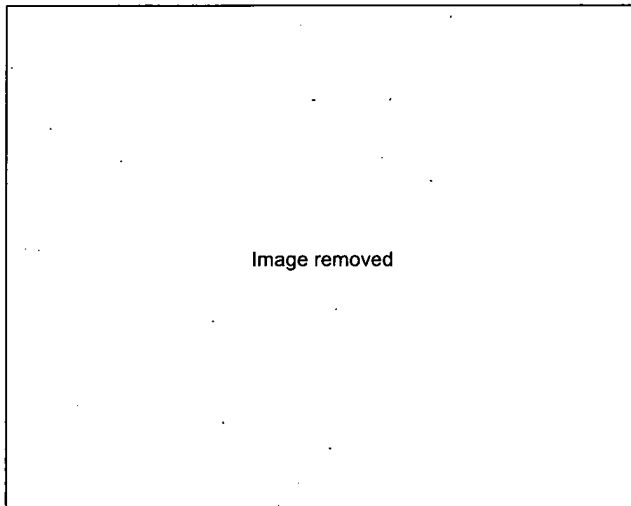
Sir Jon Thompson

Chair, High Speed Two (HS2) Ltd



Construction work at Old Oak Common station.

CEO's review



Mark Thurston, CEO, HS2 Ltd.

“

We continue to demonstrate our commitments to treat local communities with respect, limit our impact on the environment and use world-class engineering to build a railway that the country can be proud of.”

The HS2 programme is now at peak activity, with work intensifying and huge civil engineering structures taking shape along Phase One of the route. Over the last 12 months, we have achieved much to be proud of and go into the next 12 months with real momentum. The risks inherent in any major infrastructure programme are heightened during the peak construction phase. This was tragically brought home to all of us when a supply chain worker died following an incident at an HS2 site in the West Midlands on 27 April 2023. We are working with our construction partner and authorities to understand the cause of this incident.

I am pleased to welcome Sir Jon Thompson's appointment as Chair of the Board. Sir Jon's work as Deputy Chair over the last year has helped us build our momentum and his experience in other high-profile parts of the public sector will be of value to both me and the organisation.

When I joined the project in 2017, Phase One had just been granted Royal Assent and a lot of work has been necessary between then and now to reach this stage of construction. We have been granted the same approval for Phase 2a and have also deposited the Bill for Phase 2b, which will complete the route to Manchester, into Parliament.

We are supporting wider efforts by the Government to manage public finances during this period of global inflationary pressure. The more recent economic conditions have compounded the pressure we were already seeing on our Phase One budget. Set in early 2020, we've carefully navigated the programme budget through significant challenges introduced by the pandemic and wide-ranging supply chain impacts.

Notably, increased costs completing detailed design and delays securing local authority consents have added further cost pressure to our main civils contracts. In order to mitigate these impacts, we are actively implementing a comprehensive set of actions and are committed to working with the Department for Transport to reduce cost pressures. Additionally, we are deferring some parts of the project, for the next two years, but let's be clear, this does not affect the Government's commitment to build HS2 from Euston to Manchester and the East Midlands.

Towards the end of the year, the National Audit Office published its report into the HS2 Euston station. We will use the two-year pause on construction work at Euston to work with the Government and stakeholders to develop an affordable station that delivers value for money.

Our key performance indicators are always intended to be stretching, and despite not achieving all of our targets this year, I'm proud of the progress we are making. I have always said 'how' we build HS2 is as important as 'what' we build. As we maintain momentum in our construction programme, we continue to demonstrate our commitments to treat

CEO's review

local communities with respect, limit our impact on the environment and use world-class engineering to build a diesel-free that the country can be proud of.

The year began with work starting on the Colne Valley viaduct, which will become the UK's longest railway bridge. Since then, we have completed all of the foundation work and made progress on the first 500 metres of this iconic structure. I was pleased to welcome Rail and HS2 Minister Huw Merriman to take the first steps onto the viaduct at the start of 2023.

During the same month, we revealed the start of another viaduct at the other end of the Phase One route. The first iconic V-shaped pier for the Curzon viaduct in Birmingham will help take high-speed trains into the new city centre station. In using a by-product from the steel industry to build these structures, we are cutting the embedded carbon emissions by 60%.

Smarter design is a crucial part in reducing the project's carbon footprint, as is changing how our construction sites are powered. This year, we were proud to establish our first diesel-free site at Canterbury Road in north-west London and we now have 19 of these sites, well ahead of schedule as we work towards making all HS2 construction sites diesel-free by 2029.

As well as helping the fight against climate change, these sites will also improve air quality for local communities, as will reducing the number of lorries arriving at our sites. At Old Oak Common, a new 1.7 mile conveyor will take one million lorry movements off the roads, not just improving air quality, but also reducing traffic congestion.

Further innovation to reduce disruption for road users can be seen in Warwickshire, where we successfully completed the world's longest box slide, moving a 12,600 tonne bridge into place over the M42. Our approach to this challenge meant we needed just two one-week closures of the motorway over a 12-month period, significantly reducing the disruption to motorists.

Not far away at Long Itchington, our first tunnel boring machine (TBM) broke through in what was a landmark moment for the project. The machine, called Dorothy, completed two one-mile drives under Long Itchington Wood, preserving the ancient woodland above. I was delighted to show HS2's first completed tunnel to the Secretary of State, who visited the site to congratulate the team on their progress.

Not long after Dorothy's first breakthrough our two London TBMs, Sushila and Caroline, started their journeys towards the capital and we celebrated our first two TBMs, Florence and Cecilia, reaching the halfway point of their 10-mile journey underneath the Chilterns.

Image removed

An electric crawler crane at Canterbury Road vent shaft.

It's not just progress with our bored tunnels – we also started work on a pioneering 'green' tunnel in Northamptonshire. Built on the surface, but designed to blend into the landscape, this 1.5-mile tunnel is using innovative offsite manufacturing techniques to speed up construction and improve efficiency.

Integrating HS2 into the landscape is an important part of the HS2 Green Corridor programme, which will leave as a legacy 30% more wildlife habitat than existed before as we will plant seven million trees and shrubs. This year was our fifth year of tree planting, with an impressive 845,000 trees already planted along Phase One. These new green spaces won't just blend the railway into the local landscape, but will be there for people and communities to enjoy for generations to come. As our works progress, we know we have more to do to deliver on our commitment of ensuring no net loss of biodiversity on Phases One and 2a and a net gain of biodiversity on the Phase 2b western leg.

Our commitment to leaving a positive legacy for those affected by construction is unwavering. We have now funded over 200 projects through our community and business funds, providing £13.4 million to groups and organisations impacted by the railway.

Over 28,500 workers are helping to build Britain's future as we continue to achieve great things on this unique project. As someone who started their career as an apprentice, I am proud to say we have now had over 1,200 apprenticeship starts on HS2. Whether it's those taking their first career steps, or others taking up a new professional vocation, investing in the development of our workforce is delivering benefits for the country. The Chancellor of the Exchequer had an opportunity to meet some of the newest apprentices when he visited our Interchange station site in Solihull in November.

Looking forward, the hybrid Bill for Phase 2b western leg is making its way through the Select Committee stage in the House of Commons. This is an opportunity to refine the route design and ensure we minimise our impact on communities in Cheshire and Greater Manchester. Taking a Bill of this size through Parliament is a huge undertaking, as each line of the Bill is scrutinised and petitioners are heard. This is the third time we have gone through this process and I know the team will continue to do excellent work, drawing on this past experience.

This will be my final Annual Report and Accounts as Chief Executive of HS2 Ltd. The next 18-24 months will see the project move into an exciting new stage. I have agreed with the board that someone else should lead the organisation and programme through what will be another defining period for HS2.

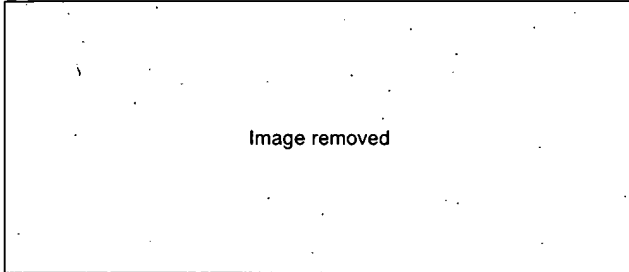
Delivery of a programme of the scale and complexity of HS2 will inevitably be stretching and pose challenges. How we are building HS2 today will leave a legacy for the industry. The year 2022 – 2023 is a year of progress and momentum as Britain's new zero carbon, high-speed railway begins to take shape.

Mark Thurston

Chief Executive Officer and Accounting Officer,
High Speed Two (HS2) Ltd

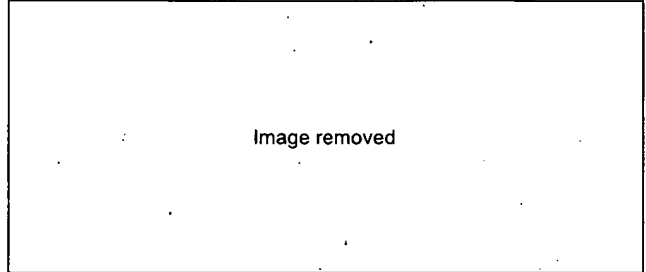
Highlights of the year

April 2022



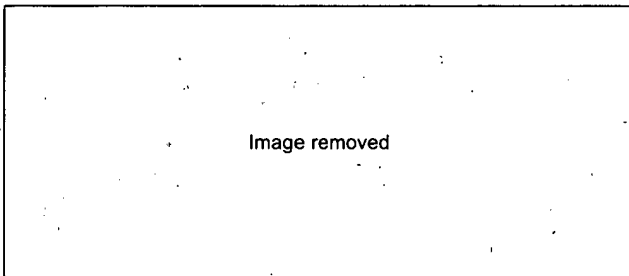
Final design for Thame Valley viaduct revealed, with carbon emission savings of 33%.

July 2022



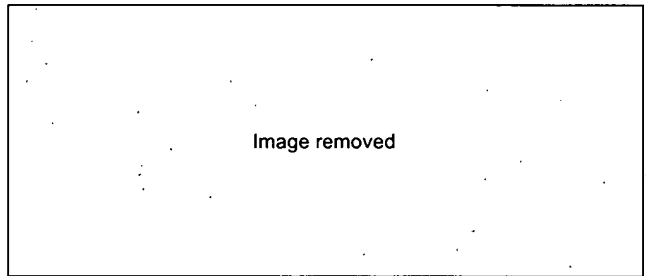
Dorothy becomes the first tunnelling machine to break through on HS2, tunnelling under Long Itchington Wood.

May 2022



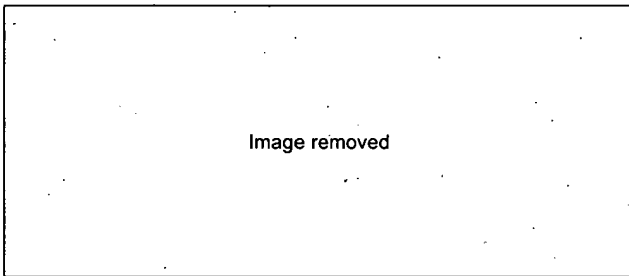
Work begins on Colne Valley viaduct which will become the UK's longest railway bridge.

August 2022



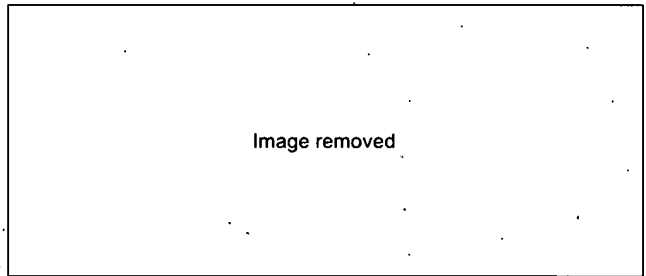
The Chiltern tunnel's first cross passage is complete, the first of 38 underground connections.

June 2022



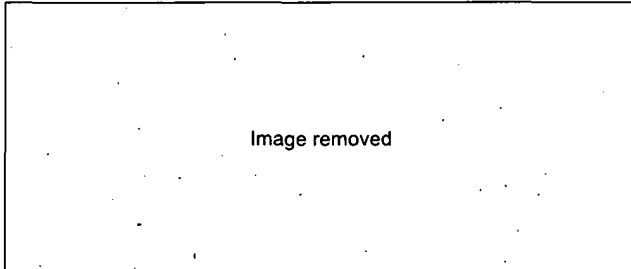
Over 200 local projects have now received funding from HS2's community and business funds.

September 2022



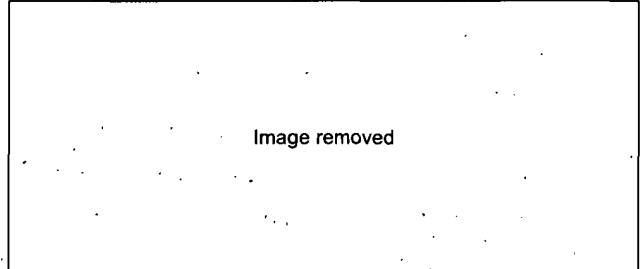
The project has now supported 2,200 previously unemployed people into work.

October 2022



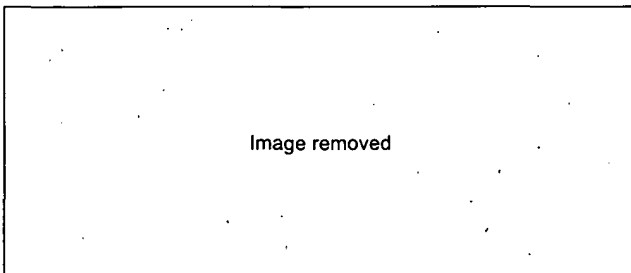
The first London tunnelling machine, Sushila, begins its journey towards the capital, shortly joined by Caroline.

January 2023



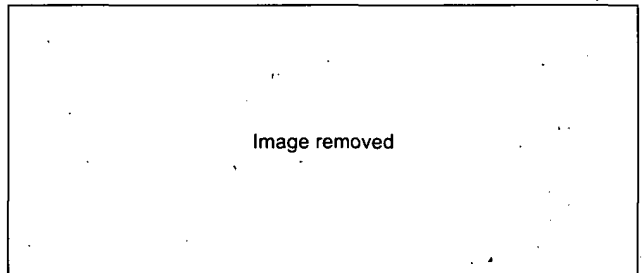
Over 1,200 apprentice starts now reached on the project, halfway to the target of 2,000.

November 2022



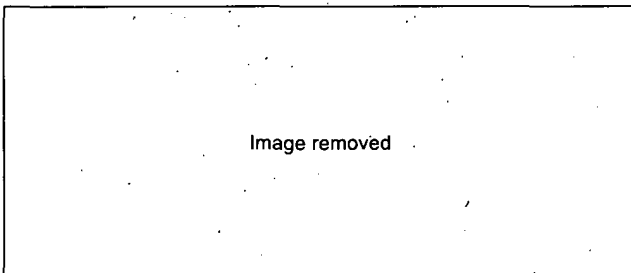
The fifth anniversary of tree planting reached on the project, as part of the creation of a new Green Corridor.

February 2023



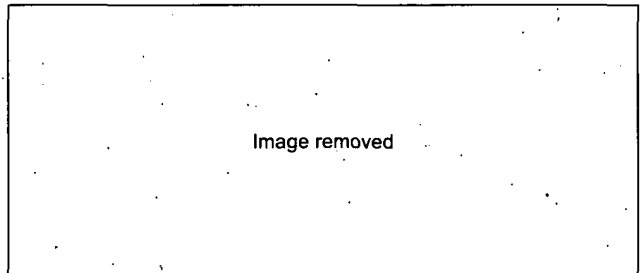
The two Chiltern tunnelling machines, Florence and Cecilia, reach the halfway point of their 10-mile journey.

December 2022



A bridge over the M42 is successfully slid into place, the longest box slide in the world.

March 2023



Dorothy completes her second drive under Long Itchington Wood to complete the twin tunnels.

Strategic Report

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Image: Kingsbury compound in Warwickshire.

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Business model

Remit and scope

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

HS2 Ltd has been established by the Department for Transport (DfT) to develop, build and operate a high-speed rail network to link London with the Midlands and the North of England, allowing services to link on to the existing rail network.

HS2 Ltd's responsibilities include developing sustainable proposals for the route and working with the DfT to secure the necessary Parliamentary approvals and powers for the new railway, and then constructing and operating that railway.

The construction of the railway is split into three phases:

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

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

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

Following the Government's publication of an Integrated Rail Plan for the North and Midlands in November 2021, HS2 Ltd has been tasked with supporting and providing advice to the DfT to identify the most effective sequencing of relevant investments and how to integrate HS2, Northern Powerhouse Rail and other rail investments. HS2 Ltd is also continuing to support the Government with advice related to HS2 East, a new high-speed line between the West Midlands and East Midlands.

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

Relationship with the DfT

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

The Framework Document

The Framework Document sets out the requirements and expectations on HS2 Ltd as an arm's length public body and covers issues such as the appointment of the Board, risk management protocols, expectations for financial management and controls on expenditure. The Framework Document sets out the requirement for HS2 Ltd to have regard to relevant UK Government Functional Standards as appropriate.

The HS2 Ltd Framework Document was updated and published in August 2022 and can be found through the following link: assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1097455/hs2-ltd-framework-document_updated-date_2.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 Secretary of State to deliver the programme.

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

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

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

- the delivery of the railway;
- the execution and completion of the works;
- the acquisition, management and disposal of all interests in, or rights over, land;
- the performance of specified functions;
- managing the operation of the infrastructure as the infrastructure manager;
- delivery of those Core Programme Benefits which are allocated to HS2 Ltd in the Benefits Baseline for the relevant phase;
- ensuring that station design takes account of the potential for future development and regeneration of adjacent local communities; and
- seeking to identify and secure continuous improvement opportunities.

Company strategy

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

Our seven strategic goals are:

- be a catalyst for economic growth;
- create a step-change for rail capacity and connectivity;
- create an environmentally sustainable solution and deliver respectfully to people and places;
- foster skills and create new employment opportunities;
- set new standards for health, safety and security for the construction and operation of the railway;
- deliver value for money to the taxpayer; and
- set new standards for customer experience.

HS2 Ltd is continuing to deliver on these goals.

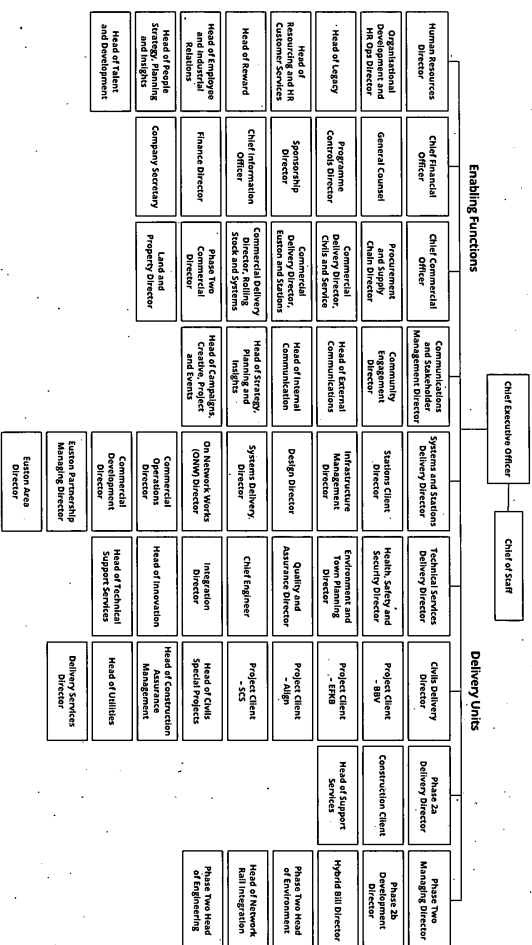
Corporate and business plans

As required in the Framework Document, HS2 Ltd produces an annual Corporate Plan demonstrating how the HS2 railway is being delivered, including the key performance indicators and milestones against which performance will be assessed annually. The 2022 – 2023 financial year is covered by the 2022 – 2025 Corporate Plan.

Business model and organisational development

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

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 2023

High Speed Two (HS2) Ltd is a nondepartmental public body, wholly funded by the Secretary of State for Transport and sponsored by the Department for Transport. Combined capital and resource expenditure in 2022 – 2023 amounted to £6,960.9 million (2021 – 2022: £5,234.0 million). Capital expenditure comprises the cost in the year of Phase One and Phase 2a, which are being capitalised in accordance with HS2 Ltd's accounting policy, and the cost of the development and/or acquisition of HS2 Ltd's leasehold office premises and IT assets. The hybrid Bill for the Phase 2b western leg secured its second reading on 20 June 2023, which has contributed towards the increase in capital expenditure. Resource expenditure includes the costs of Phase 2b eastern leg which have not yet reached the point of development at which capitalisation can occur.

The financial statements for the year ended 31 March 2023 show the following results:

- Capital expenditure of £6,917.2 million (2021 – 2022: £5,010.9 million).
- Resource expenditure of £43.7 million (2021 – 2022: £223.1 million); and net assets of £20,468.3 million (2021 – 2022: £13,640.6 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. Additionally, Phase 2b western leg expenditure is being reported as capital rather than resource since the hybrid Bill's second reading. This reduced the resource expenditure compared with the previous year, which was higher than usual due to recognition of resource costs relating to the Euston station design change for Phase One. The movement in net assets is driven by the same factors as the capital expenditure increase, as the railway infrastructure asset is measured at historic cost during construction. A detailed account of HS2 Ltd's finances is provided in the financial statements on pages 64 to 89. The land and properties acquired

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

Going concern

The development and delivery of HS2 as part of the Government's wider high-speed rail agenda is in accordance with the aims of DfT as our sponsor and is funded entirely by capital contribution from the DfT as provided by Section 6 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 Development Agreement, outlined further in the business model on pages 11 to 13, remains in force and details the Company's current and future role in developing, building and operating the new railway. The Government-wide Spending Review 2021 made clear HS2 is a multi-year capital programme and funding was allocated to 2024 – 2025. In March 2023, the Government provided HS2 with a new fixed budget allocation for the financial years 2023 – 2024 and 2024 – 2025. Notice to Proceed for Phase One was confirmed on 15 April 2020. Royal Assent for Phase 2a was granted on 11 February 2021 and progress continues on the western leg of Phase 2b. Consequently, it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Key performance indicators

Performance vs 2022 – 2023

Britain's new high-speed railway is taking shape, with major works taking place at over 350 construction sites on Phase One of the HS2 route between London and the West Midlands. Our key performance indicators (KPIs) are continuing to provide a measure of our progress on the journey to build HS2. Of the nine measures, three have been met, two have been partially met and four have not been met. We continue to set our targets high, both for ourselves but also recognising our role in the industry and the legacy we are creating.

In some instances, the challenging financial environment and the decisions to defer work have impacted the outcomes of HS2's KPIs. However we have made significant progress.

Financial environment

Our performance indicators were set at the beginning of the financial year 2022 – 2023, but like the rest of the country, we have faced challenges through the year which were not anticipated. In September 2022, we notified the DfT that, if unmitigated, the final delivery cost for Phase One was likely to exceed its target cost of £40.3 billion based on the forecast of future spending. Since then, we have developed a remediation plan aimed at reducing overall costs.

The war in Ukraine has driven record energy prices and inflation increases, and ongoing global supply chain issues have increased construction costs, all making capital projects more difficult to deliver.

HS2, like other Government programmes, has been required to develop delivery options that reflect a more constrained financial environment, and in March 2023, the Government took the decision to re-programme certain sections of the railway.

This means that HS2 will be delivered differently than planned over the next few years so that we stay in allocated budgets. Some activity will be prioritised, some deferred.

We have been transparent about our cost challenges and have worked closely with the Government to reach a balance that ensures we continue to boost regional economies, support the drive to net zero and better connect our towns and cities. Our priority is to maintain the momentum underway to ensure the initial high-speed services, connecting Old Oak Common and Birmingham Curzon Street, are operational by the early 2030s.

Delivering safely

Safety remains a core value for HS2 and means caring for our workforce, our future passengers and the public. In 2021, our safety performance finished below the target we set for the year. In response, we refocused and recalibrated efforts to stretch ourselves and our supply chain to improve performance in this area. Our health and safety performance for 2022 – 2023 saw a notable improvement and we finished above our target.

The Safe at Heart HS2 brand brings together and represents everything we aim to achieve in health, safety and wellbeing at every stage of the project. With more than 28,500 people working on the project, it is vital we create an environment that minimises the risk of injury and supports the wellbeing of our workforce.

Delivering to schedule

As Phase One construction activity continues to increase, we have achieved several important milestones needed to ensure the railway opens on schedule. For Phase One, 11 of our 15 in-year schedule milestones were achieved. Of the four missed milestones, three were dependent on securing approvals and consents from third parties which impacted delivery.

For Phase One, despite some pressure on the early date, the forecast for initial services from Birmingham to Old Oak Common remains well in the range of 2029 – 2033.

Key performance indicators

In March 2023, The National Audit Office (NAO) published its report on Euston station. The Government subsequently announced its decision to defer work at the station by two years to allow additional time to ensure an affordable and deliverable station design.

Phase 2a was due to mobilise several key procurement activities this year, but as noted in the Government's statement in March 2023 the decision was taken to defer Phase 2a activities for two years to support overall affordability. This has also meant deferring the key schedule milestones we set for Phase 2a at the start of the year.

Our key schedule milestone for Phase 2b was the development of the outline delivery strategy, which we achieved ahead of our target date of December 2022, and Phase 2b remains in its indicative timetable for delivery.

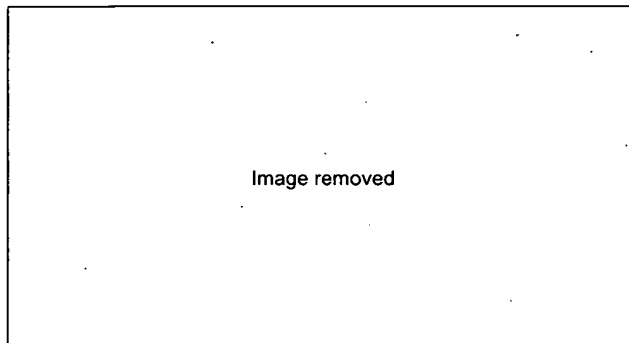
Delivering to cost

As set out above, HS2's overall cost position has been impacted by a number of factors over the past year. We wrote to the DfT in September 2022 setting out the increased pressures on the Phase One target cost and have worked to develop a remediation plan to reduce overall cost pressures.

Government decisions on spend profiles over the remainder of the spending review period and deferral of activities are still being analysed to assess the overall impact on the Phase One cost position.

Delivering for the environment

Environmental sustainability remains a fundamental part of the design, construction and future operation of HS2. We are realigning our biodiversity reporting to use a Department for Environment, Food and Rural Affairs (Defra) metric published in March 2023 and will report on our progress towards no net loss in biodiversity in our 2022 – 2023 Environmental Sustainability Progress Report later this year. However, targets continue to drive our supply chain to innovate to seek biodiversity gains where practicable.



Inspiration Awards networking in Edgbaston.

We are adopting and advancing best practice and innovation to reduce carbon emissions and achieve our net zero commitments. We performed well against our Phase One carbon reduction target (28%), forecasting a 29.6% reduction in carbon against the baseline.

We have also set ourselves challenging targets to move to a corporate net zero carbon target by 2025. Our KPI this year on corporate carbon shows our intent on this journey, and while we did not achieve our specific carbon reduction target in year, we remain committed to the overall net zero position.

Delivering for communities along the route

We know that planning and building the railway disrupts the lives of local people. We aim to 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 2022 – 2023, 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 swiftly and effectively.

Delivering for workforce diversity

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. This continues to be above average for the industry but fell just short of our goal for women employees this year. We still have more to do. At the end of March 2023, 24% of our workforce were of BAME origin and 38% identified as women.

A summary of our progress against each of the key performance indicators for 2022 – 2023 is presented in the following table.

Target(s)	Status	How we performed
Are we safe?		
1. Health and safety performance		
Improve Health and Safety Performance Index (HSPI) score to > 2.20	Met	Health and safety performance has improved throughout the year, with the final HSPI at 2.46, better than the target of 2.20. The risks inherent in any major infrastructure programme are heightened during the peak construction phase. This was tragically brought home to all of us when a supply chain worker died following an incident at an HS2 site in the West Midlands on 27 April 2023. Although this occurred outside this reporting period, it should be acknowledged in this report.
Are we on time?		
2. Phase One progress		
Phase One Delivery into Service target date maintained	Not met	For Phase One, HS2 Ltd has reported some pressure on the early Delivery into Service date for initial services from Birmingham to Old Oak Common. This KPI has therefore been rated red. However, the forecast remains well in the range of 2029 to 2033.
Deliver key milestones for 2022 – 2023 Phase One	Not met	<p>Schedule milestones were designed to stretch the performance of HS2 Ltd and our supply chain and are intentionally challenging.</p> <p>Of 15 Tier 1 2022 – 2023 Business Plan milestones set for Phase One, 11 have been successfully completed. Of the four missed milestones, three were dependent on securing approvals and consents from third parties which impacted delivery.</p>
3. Phase 2a progress		
Deliver key milestones for 2022 – 2023 for Phase 2a	Not met	The Government announced in March 2023 that construction of Phase 2a would be rephased by two years to help manage programme-wide inflationary pressures. This has also meant deferring the key schedule milestones we set for Phase 2a at the start of the year.
4. Phase 2b progress		
Deliver key milestones for 2022 – 2023 for Phase 2b	Met	The outline delivery strategy was presented to the HS2 Ltd Board on 2 November 2022 ahead of the target date of end of December 2022. Phase 2b remains within its indicative timetable for delivery.

Key performance indicators

Target(s)	Status	How we performed
Are we on budget?		
5. Anticipated Final Cost (AFC) performance		
Current Observable Cost (Tangible Risk) below Target Cost for Phase One	Not met	HS2's cost position has been impacted by a number of factors. During the year, we advised the Department for Transport that the projected costs for Phase One would exceed the target cost if unmitigated. Work has been commissioned by DfT to address these pressures.
Are we a good neighbour?		
6. Environmental performance: biodiversity		
Realise no net loss (0%) in biodiversity across Phase One by end of March 2023	Not met	<p>Environmental sustainability remains a fundamental part of the design, construction and future operation of HS2 and our progress and delivery of biodiversity no net loss will continue to develop until 2026.</p> <p>However, our year-end reporting shows a -11% deficit in biodiversity units for area-based habitats, -7% for hedgerows and -6% for watercourses, therefore not yet achieving the overall target of 0%.</p> <p>HS2 currently uses an adapted version of the original Defra metric for assessing biodiversity. This was adapted, in consultation with Natural England, to make it more applicable to large, linear, landscape-scale projects such as HS2. In March 2023, Defra published a new version of the biodiversity metric (version 4.0), which will be used for future assessment of HS2 biodiversity performance. HS2 is working with Natural England to update its approach to align to this new metric.</p>
Forecast 5% improvement in biodiversity against the baseline for Phase 2a design and delivery contracts by end of March 2023	Not met	<p>The delay to the award of the Phase 2a Design and Delivery Partner contract has meant that it has not been possible to develop an update on our biodiversity position for Phase 2a.</p> <p>In light of the Government statement in March 2023 to defer Phase 2a delivery, we will continue exploring opportunities to deliver biodiversity improvements in the coming year. Any future reporting will be aligned with Defra biodiversity metric 4.0.</p>

Target(s)	Status	How we performed
Are we a good neighbour? continued		
7. Environmental performance: carbon emissions		
Forecast 28% reduction in carbon emissions against the carbon baseline for Phase One by the end of March 2023	Met	Phase One contractors successfully achieved a 29.6% reduction in carbon against the baseline.
Achieve a 40% reduction in corporate carbon generation by end of March 2023	Not met	We have set ourselves challenging targets to move to a corporate net zero carbon target by 2025. Our KPI this year on corporate carbon shows our intent on this journey, and while we did not achieve our specific carbon reduction target in-year, we remain committed to the overall net zero position. The in-year carbon reduction target was based on switching the energy supply for the HS2 Ltd office in Euston to renewable energy. While HS2 Ltd's transition to obtain energy directly from the Government framework has resulted in carbon emissions being substantially reduced, a proportion of the energy mix at Euston is still from fossil fuel.
8. Community experience		
Resolve 80% of construction queries and complaints within two working days of them being reported to the HS2 Helpdesk	Met	100% of construction queries and complaints flagged as urgent have been resolved within two days, positively supporting people who have urgent construction queries and complaints.
Our organisation		
9. Equality, Diversity and Inclusion (EDI)		
Maintain the EDI balance for HS2 Ltd employees at 40% women and 23% BAME representation	Partially met	<p>HS2 Ltd is committed to developing and maintaining a supportive and inclusive workforce culture. Our in-year goal was focused across our diversity mix as an organisation.</p> <p>Our diversity mix continues to be above average for the industry but fell just short of our goal for women employees this year. We still have more to do with our measures at the end of March 2023 showing 24% of our workforce being of BAME origin and 38% identifying as women.</p>

Environmental Sustainability Report

Later this year, we plan to publish our Environmental Sustainability Progress Report, which will provide a full account of our activities and data – and those of our supply chain – between April 2022 and March 2023.

Previous years' Environmental Sustainability Progress Reports can be found here:
hs2.org.uk/documents/collections/hs2-environmental-sustainability-progress-reports/

Estates and facilities reporting

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

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

	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18
Non-financial indicators (CO₂e in tonnes)						
Scope 1: Direct emissions	420	233	251	279	371	318
Scope 2: Indirect emissions (electricity consumption): Market-based	215	0	0	12	155	not reported
Scope 2: Indirect emissions (electricity consumption): Location-based	391	241	241	348	570	847
Scope 3: Indirect emissions (incl. business travel emissions)	152	191	69	375	477	463
Total emissions (market based method)	1,121	424	320	666	1,004	n/a
Total emissions (location based method)	954	665	561	1,002	1,419	1,628
Related energy consumption (kWh)						
Gas	1,780,837	1,274,035	1,367,722	1,518,623	2,019,489	1,727,948
Estates electricity	1,112,970	1,133,623	1,032,789	1,361,262	2,014,070	2,408,080
Related car use consumption data (road miles)						
Private car usage	401,186	169,645	33,689	30,476	40,185	35,860
Hire car usage	379,995	326,645	208,079	206,582	185,623	126,553
Financial indicators						
Total energy expenditure	£393k*	£213k	£156k	£241k	£198k	£118k

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

	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18
Waste						
Non-financial indicators						
Total waste arisings (tonnes)	22	56	28	116	186	120
Waste recycled/reused (recycled, composted, internal or external reused)	11	27	14	57	119	65
Waste incinerated/energy from waste	11	29	14	59	66	50
Waste – landfill	0	0	0	0	1	5
Water						
Non-financial indicators (water)						
Estates water (cubic meters m ³)	8,864	5,330	3,355	8,261	17,033	20,813
Emissions from water consumption (tonnes CO ₂ e)	1	2	1	3	6	7
Paper consumption						
Non-financial indicators (reams)						
A5	0	0	5	25	0	N/A
A4	799	150	356	810	4,755	N/A
A3	0	0	23	125	445	N/A
Intensity metrics						
Non-financial indicators (where occupants = average FTEs)						
Total occupancy at HS2 Offices	3,127	2,958	2,608	2,448	2,387	2,274
Electricity (kWh per occupant)	356	383	396	556	844	1,059
Waste arisings (kg per occupant)	7	19	11	47	78	53
Water consumption (m ³ per occupant)	3	2	1	3	7	9

Non-financial information

Health, safety, security and wellbeing

We have published a new report detailing progress against our health, safety and wellbeing commitments to date, including case studies and performance information, which covers our work up to and including 2022 – 2023.

It was published alongside a refreshed Health and Safety Strategy, which continues to put health and safety at the heart of our organisation as we enter our peak years of construction.

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

We have seen a significant increase in the number of hours worked rising from 47 million in FY 2021 – 2022 to 61 million in this last year. This meant more people out on site in high risk environments, and the increase of about 30% in hours worked.

Our risk profile is changing as the programme evolves. New risks have emerged, such as lifting operations and working at height. With each phase of the railway at varying stages of the project lifecycle, previous risks remain such as earthworks, which will continue into the forthcoming year.

The risks inherent in any major infrastructure programme are heightened during the peak construction phase. This was tragically brought home to all of us when a supply chain worker died following an industrial incident at an HS2 site in the West Midlands on 27 April 2023. The cause of the incident, which was outside the reporting period for this Annual Report and Accounts, is being investigated and such tragedies are a stark reminder of why safety must continue to be at the heart of everything we do.

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

Despite the inevitable increase in risk brought about by thousands more people working in high-risk environments and an increase in the number of safety-related incidents in FY 2022 – 2023, we achieved a final index of 2.46 against our Health and Safety Performance Index (HSPI) target of 2.20.

HS2 has seen a rise in the number of safety-related incidents from the previous year, in line with the number of hours worked, from 307 to 464. We also track our Lost Time Injury Rate (LTIFR) which allows us to benchmark our performance with others. We are recording an LTIFR of 0.16 which remains the same as the previous year. The actual LTI numbers increased from 75 in 2021 – 2022 to 99 in 2022 – 2023.

We have reviewed the HS2 Health and Safety Performance Index (HSPI) measures. Following the review, we have identified areas to continually improve some of our measures for 2023– 2024.

The chart opposite shows the HSPI scores by each measure, and total for the financial year 2022 – 2023.

Image removed

Concrete forms being constructed before a concrete pour.

Image removed

Note: Health and wellbeing is measured on a quarterly basis only, whereas all other indicators are measured on a monthly basis.

From a positive perspective, four HSPIs were on or above target: Training and Supervision; Engagement; Health and Wellbeing; and the Leading indicator – Effective use of Hazard Profiles to manage proactive assurance and mitigation.

Unfortunately, we have seen an upturn in the actual numbers of incidents due to the increase in the scale and nature of our work. The key lagging indicator, Injury Weighted Index (IWI), saw a continual improvement throughout the year until a serious injury occurred during November which saw the IWI rate impacted severely. Although the IWI HSPI has recovered slightly to 1.80, it will not meet the 2.2 HSPI target.

As mentioned in the previous paragraph, there has been one significant life changing injury in the financial year 2022 – 2023. In November, a supply chain worker fell from height and sustained serious injuries whilst undertaking repair work to a conveyor on one of the concrete batching plants. The individual is recovering and there is extensive learning from this incident that can be applied across the programme.

The other HSPI that was below target at 1.88 is related to assurance findings not being closed by the supply chain by the original due date; however over the year this has seen continued improvement month on month which demonstrates a progressive change in behaviour both for how assurance findings are issued and how they are responded to.

Non-financial information

Continuous improvement

In the early part of 2022 – 2023, we conducted our first programme-wide safety culture survey using the Health and Safety Executive's industry-recognised safety climate tool to assess whether we are doing the right things to keep health and safety as a top priority. Around 5,000 people took part and our supply chain and corporate functions are developing action plans to meet the challenges identified, such as improving procedures and processes and accidents and near miss reporting.

We will measure our progress in developing a strong safety culture year on year and are planning our second survey for 2023 – 2024.

In May, at a Safe at Heart leadership planning event, we announced the winners of our first Safe at Heart Inspiration awards. These awards gave us the opportunity to recognise, celebrate and share outstanding health and safety practice and innovation across our supply chain, as well as shine the spotlight on individuals who go above and beyond to care for their colleagues. We will launch our second Safe at Heart Inspiration awards at our conference in May.

We will increase our focus on sharing learning from investigations and passing learning between phases and parts of the programme as it gathers momentum. This is not only important for health and safety performance efficiencies and improvements on HS2, but also for building our legacy for wider industry and future projects.

In September, we launched our Construction and Safe at Heart Learning Legacy challenge, reinforcing the strong link between high standards of health and safety and high construction delivery performance. It gives teams across the programme the opportunity to share good practice, learning and innovation and raise the bar for the sector. Learning resources will be uploaded to the HS2 Learning Legacy website later in 2023.

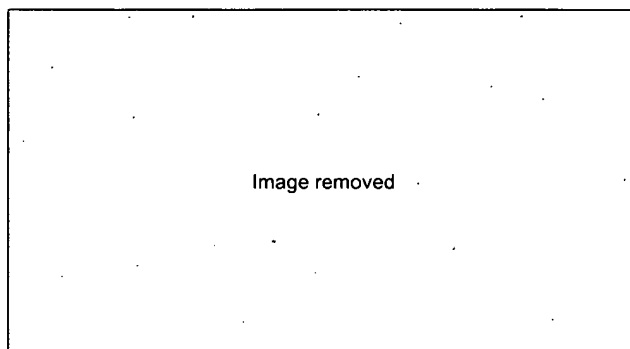
At this pivotal time for the programme, we must be clear on our direction, priorities, challenges, opportunities and duty to keep everyone working on and impacted by HS2 safe and well.

A key activity throughout the year has been the refresh and recommitment to our health and safety strategy and Safe at Heart principles. This was endorsed and issued externally in May 23. With the input and support of leaders across HS2 we have reviewed our progress in delivering against our seven Safe at Heart risk focus areas and mapped out interventions for future progress in our five-year programme-wide health and safety operational plan.

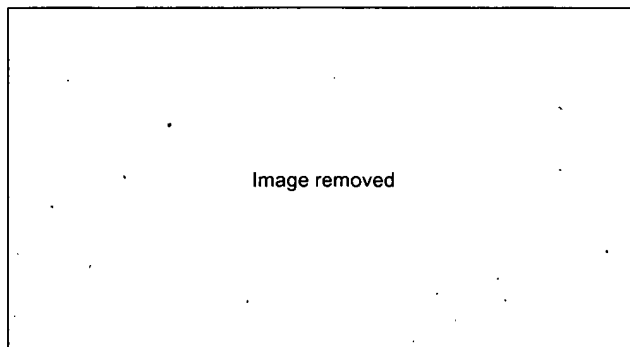
Health and wellbeing

Health has always mattered as much as safety on HS2, and we have clear priorities for driving new standards for occupational health and wellbeing across the programme and wider industry.

We are further developing our Health Exposure Monitoring system so we can better understand data relating to workforce occupational health issues, reduce exposure to the top five causes of occupational ill health and lower the cost of tackling ill-health in construction.



Safe at Heart planning day, in Edgbaston.



Celebrating health and safety achievements at HS2.

Reducing exposure to occupational health risks as well as safety risk at the top of designers' minds is an ongoing priority. We are progressively enhancing our Health Impact Cost Indicator so we can support designers in assessing and evaluating the impact of designing out occupational health risk at source.

Two research projects are helping us to better understand and address the major risk of fatigue in construction and how a multi-level approach to psychological safety can contribute to overall organisational effectiveness.

Third Pillar of Health Ltd with University of Northumberland is conducting research across a wide variety of workers to identify factors that influence fatigue, such as types of work and shift patterns, and impact on incident risk with the aim of developing a robust data set to address this long-term issue for HS2 and wider industry.

SCS JV is exploring a multi-level approach to psychological safety through a research project started in 2021 with Lancaster University.

Psychological safety can be described as when people feel safe to contribute their ideas and voice concerns at individual, team and organisation level without fear of retribution. The aim is to use the research findings to raise levels of psychological safety, which has been shown to promote a safety culture of knowledge, innovation and learning, improving performance and reducing incidents.

As we work through some of the busiest and most challenging years for the project, we will continue to focus on supporting all aspects of the wellbeing of our workforce through proactive interventions aligned to public health priorities.

Physical security and protester activity

During a year of peak construction, 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.

We achieved an important step forward for the security of the programme in September when we were granted an interim route-wide injunction which prohibits illegal activity on HS2 land along the route of Phases One and 2a. We are already seeing a reduction in illegal protests as a result.

This will not only reduce costs and delays, but also allows us to focus on other aspects of physical security, such as assurance of contractors' site security and management of response to incidents.

Removing illegal trespassers is always driven by safety concerns and our operations are led by experienced, specialist security teams and safety professionals. In 2022, we introduced our 'prevent' strategy which involves acquiring land well in advance of construction, thereby reducing the pressure to remove protesters quickly and ensuring everyone's safety.

The strategy's value and our 'safety-first' approach came to the fore at a triple illegal camp eviction at Cash's Pit, a small wood near Swynnerton in Staffordshire. Despite the protesters' reckless behaviour in dangerous site conditions, which put both themselves and the removals team at risk, they were respectfully, safely and successfully removed over several months. Our approach reduced the level of support required from emergency services, reduced impact on the works schedule and provided a blueprint for future operations.

During the year we have improved our collaboration with the resilience community, increasing our engagement and level of support to the blue light services and local resilience forums. While there have been no significant data and information breaches, we are not complacent and will continue to work with our IT colleagues to protect our information.

Non-financial information

Challenge ahead

The chart on page 23 aims to highlight the enormity of the challenge ahead. The programme has many more hours to work and many further challenges to face. It is imperative that health and safety is front of mind in all work carried out on the programme.

Against this backdrop of a continuing increase in site activity, we will work with our supply chain to maximise the focus on several areas that continue to cause safety related events and opportunities for greater outcomes from the Safety, Health and Wellbeing Leadership Team (SHWeLT) risk working groups. These include:

- safe plant management;
- lifting operations; and
- working at height.

We have experienced a number of significant high potential (HiPo) events in the last year related to the three risk areas above and it is imperative we retain a focus on these areas over the coming year.

In conclusion, we've seen a steady increase in performance since introducing the HSPIs. This has seen the programme pass through various stages from Notice to Proceed, onboarding main works civil contractors (MWCC) to full construction with a huge increase in hours worked.

The HSPIs have evolved as learning has been sought from benchmarking exercises and consultation with supply chain. The programme strives towards achievement of our HSPIs with relentless passion with the overriding aim of creating an environment where no one gets hurt.

Financial Year 2022 – 2023 has seen solid HSS performance, with four of our HSPI measures achieving target, while two of our HSPI measures did not meet the target, resulting in an overall index above the 2.20 target of 2.46.

Image removed

An engineer constructing a rebar cage at the Pacadar Factory for part of the Thame Valley viaduct.

The programme did not meet the Injury Weighted Index (IWI – lagging indicator) target, as the programme saw a significant injury which affected the score of this particular HSPI. This reinforces how serious HS2 Ltd take incidents – we should not be able to meet our IWI target if we have seriously hurt someone.

As part of our aim to continually improve health and safety performance, an in-depth review of our HSPIs took place during the 2022 – 2023 financial year. This resulted in a change to our Engagement HSPI and our Training and Supervision HSPI with a view to making these more challenging. There has also been a move to incorporate the HS2 Ltd corporate functions into the Enterprise HSPI score. Both of these changes seek to improve the overall health and safety performance of the programme.

The overview of HS2's health and safety performance in 2022 – 2023 should be considered alongside the emerging risk profile we are seeing in the forthcoming year surrounding plant management, lifting operations and working at height. The reality is, on a programme of this scale, serious incidents can get lost in the indicators just due to the sheer volume of work and hours. Indicators are only one measure of performance, and we will continue to interrogate beyond our indicators, investigating each significant incident and high potential event to see what really worries us and continue to manage the risk we face. We have had a number of learning opportunities, in particular following some high potential events; near misses that had the potential to cause significant harm. HS2 Ltd, working with the supply chain, have looked to share this learning across contracts and embed improvements programme-wide. This has led to us delivering new ways of working, and continuing to be diligent in considering the safety, health and wellbeing of all the workforce across the programme.

Fraud, corruption and whistleblowing

As a major infrastructure project, HS2 Ltd acknowledges that it is particularly susceptible to the threat of fraud, bribery and corruption occurring on any part of the project. We are committed to reducing losses to an absolute minimum. We have taken the following actions to deter, prevent and detect instances of fraud, bribery and corruption

occurring which reduces the organisations financial vulnerability exposure to such threats.

- Pairing digital fraud detection technology with traditional fraud detection and prevention methods. e.g. we are deploying advanced data analytical solutions to increase the visibility of our spending within our complex supply chain to reduce fraud, waste and error.
- Delivering targeted fraud, bribery and corruption training to employees and contractors who work in areas at greatest risk.
- Increased investment in investigative resource:
- Meeting and where possible, exceeding HM Governments Counter Fraud Functional Standards.
- Working with and sharing best practice with our colleagues in the DfT, Public Sector Fraud Authority (PSFA) and our supply chain partners.
- Regularly exchanging intelligence with other HM Government 'arm's length bodies.'

Image removed

An engineer preparing rebar on-site.

Image removed

Engineers standing next to pre-cast concrete shapes prepared for the Thames Valley viaduct.

Non-financial information

In addition to the above HS2 Ltd operates and promotes a 'Speak Out' Service throughout the project and its wider supply chain, which actively encourages employees, supply chain contractors and the wider public to report any suspect malpractice. Oversight of such is provided by the Chief Financial Officer and the Audit and Risk Assurance Committee.

Community engagement

Our aspiration is 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 people, respecting places' which can be accessed at: gov.uk/government/publications/hs2-ltds-community-engagement-strategy

We are working on our Respecting People Respecting Places progress report, which is due to publish later this year.

Residents' Charter and Commissioner

The Residents' Charter' is our promise to communicate as clearly as possible with people who live along or near the HS2 route. This is available via the link below: gov.uk/government/publications/hs2-residents-charter

The independent Residents' Commissioner ensures we keep to the promises we make in the Charter' (including to keep the Charter under review). You can access the Residents' Commissioner's reports at: gov.uk/government/collections/hs2-ltd-residents-commissioner

Construction Commissioner

The Construction Commissioner's role is to mediate and monitor the way in which HS2 Ltd manages and responds to construction complaints. You can access the Construction Commissioner's reports at: gov.uk/government/collections/hs2-independent-construction-commissioner

Information requests

HS2 Ltd's performance in meeting its obligations under the Freedom of Information (FOI) Act 2000 and Environmental Information Regulations (EIR) during 2022 – 2023, is set out in the table below.

	FOI	EIR	FOI and EIR (combined)	Grand total
Total number of requests received	125	224	1	350
of which:				
Requests responded to on time	112	211	1	324
Requests responded to outside of statutory timeframes	13	13	0	26
Requests received in 2022/23 that remained open at the end of the reporting period	0	0	0	0

64 per cent of requests received in 2022 – 2023 were classified as requests under the Environmental Information Regulations. In 2022 – 2023 93 per cent of requests were responded to within the statutory timeframe. HS2 Ltd continues to streamline its processes to maintain its performance against the Information Commissioner's Office standard of 90 per cent in 2023 – 2024.

Disclosure on Confidentiality Agreements

HS2 Ltd has committed to disclosing in the Annual Report how many confidentiality agreements HS2 Ltd has entered into in the relevant period (1 April 2022 to 31 March 2023). HS2 Ltd enters into confidentiality agreements with a wide array of organisations and persons, often to allow such organisations and persons to provide HS2 Ltd with information without the risk that such information will end up in the public domain. During the relevant period, HS2 Ltd has recorded that 22 confidentiality agreements were entered into by HS2 Ltd.

Section 172 (1) statement

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

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

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

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

Approved by the Board on 28 June 2023 and signed on its behalf by:



Mark Thurston

Chief Executive Officer and Accounting Officer,
High Speed Two (HS2) Ltd

Corporate Governance Report

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Image: Heavy plant at Kingsbury compound.

Image removed

Directors' Report

The Directors present their report together with the financial statements of the Company for the year ended 31 March 2023. The Company is registered in England and Wales and has registration number 06791686.

Directors who have held office on the HS2 Ltd Board between 1 April 2022 and 31 March 2023 are:

- Michael Bradley, Chief Financial Officer, Executive Director (until 29 August 2022);
- Melvyn Ewell, Non-Executive Director;
- Dame Judith Hackitt, Non-Executive Director;
- Thomas Harris, Non-Executive Director;
- Elaine Holt, Non-Executive Director (Appointed as Deputy Chair 1 February 2023);
- Stephen Hughes, Non-Executive Director;
- Ian King, Non-Executive Director;
- Roger Mountford, Non-Executive Director;
- Sir Jonathan Thompson, Non-Executive Chair (Appointed as Chair 1 February 2023);
- Mark Thurston, Chief Executive Officer, Executive Director; and
- Ruth Todd, Chief Commercial Officer, Executive Director.

Conflicts of interest – Board

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

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

Duty to promote the success of the Company

Through their roles, the Directors act in line with their duty to promote the success of the Company. The best interests of the Company as a whole are paramount in decisions taken by the HS2 Ltd Board and the Directors also recognise their collective responsibility to foster the Company's business relationships with suppliers and other stakeholders, through their decision making. Further information is provided on the role of the Board and Board decision-making within the Governance Statement section and is also set out in the Framework Document which can be found here: assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/893734/framework-document-between-the-secretary-of-state-for-transport-and-high-speed-2-ltd.pdf

Principal activities

The principal activities of HS2 Ltd are set out in the Strategic Report under the business model section on page 11.

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 2023 shows that 89% of approved invoices were paid within 30 days of invoice date (2021 – 2022: 85%). No claims were made against HS2 Ltd in 2022 – 2023 (2021 – 2022: zero) for the late payment of invoices under the Late Payment of Commercial Debts (Interest) Act 1998.

Charitable and political contributions

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

Likely future developments

Likely future developments are included in the business model section on page 13.

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 28 June 2023.



Mark Thurston

Chief Executive Officer and Accounting Officer,
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.

Under the Railways and Transport Safety Act 2003, the SoST has also directed HS2 Ltd to prepare for each financial period a set of financial statements in the form and on the basis set out in the relevant Accounts Direction. The financial statements are prepared on an accruals basis and must give a true and fair view of the state of affairs of HS2 Ltd and of its income and expenditure, changes in equity and cash flows for the financial period. In preparing accounts, the Directors and Accounting Officer are required to comply with the requirements of the Government Finance Reporting Manual (FReM) and the Companies Act 2006, and in particular to:

- observe the Accounts Direction issued by the SoST, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a consistent and reasonable basis;
- confirm that applicable accounting standards as set out in the Government FReM have been followed and disclose and explain any material departures in the financial statements;

- ensure that the Annual Report and Accounts are fair, balanced and understandable; and
- prepare the financial statements on a going concern basis.

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

Fair, balanced and understandable requirement

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

Governance Statement

Accounting Officer's introduction

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 HS2 Board and Audit and Risk Assurance Committee, and ensures that proper records are kept and that the accounts are properly prepared and presented in accordance with directions issued by the SoST. The AO also signs the Strategic Report, the Directors' Report and the Remuneration and Staff Report on behalf of the HS2 Board following Board approval. The AO ensures that HS2 Ltd has effective complaints procedures. These are available through the following link: hs2.org.uk/contact-us/how-to-complain/

The Audit and Risk Assurance Panel (a sub panel of the Executive Committee, chaired by the Chief Financial Officer) oversees the effective management of Risk and Assurance using 'fit for purpose' regimes that reflect an appropriate and proportionate level of audit and assurance activities. It makes decisions on behalf of the HS2 Ltd Executive Committee (as expressly described in its Terms of Reference) and monitors the performance and effectiveness of HS2 Ltd's controls environment. In addition, six-monthly Accounting Officer meetings are held to discuss any matters that are not discussed at the Panel. Such meetings are diarised to follow the Audit and Risk Assurance Committee to avoid duplication of topics and add an extra opportunity for discussion of dischargeable Accounting Officer duties.

The HS2 Ltd Board

The HS2 Ltd Board typically meets monthly (or otherwise as required). The role of the board is to:

- ensure that HS2 Ltd delivers its obligations under the Development Agreement;
- ensure effective governance of the Company so that the Company makes decisions at the right time and properly manages risks;
- 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 healthy relations with stakeholders and commercial partners;
- ensure that HS2 Ltd delivers the core benefits of the HS2 project and makes best efforts to deliver the wider benefits; and
- ensure that HS2 Ltd carries out the HS2 project economically and efficiently, offering best value for money for taxpayer funds, and deliver to 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 and Chief Commercial Officer are Executive Directors.

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

Board commitment and attendance

Biographies of the current Board members are published on the Gov.uk website. The appointment and resignation or retirement dates of Board members are set out below and details of their contractual commitments and remuneration are disclosed in the Remuneration and Staff Report on pages 51 to 59.

Attendance at the HS2 Ltd Board and sub-committees

Board Member	HS2 Ltd Board	Audit and Risk Assurance Committee	Remuneration Committee	Commercial and Investment Committee	Health, Safety and Environment Committee	Environmental Sustainability Committee
Michael Bradley CB, Executive Director	4/4					
Mel Ewell, Non-Executive Director	9/10		4/4	10/11		
Dame Judith Hackitt, Non-Executive Director	9/10		4/4		4/4	3/4
Tom Harris, Non-Executive Director	9/10					4/4
Elaine Holt, Non-Executive Director	10/10**		4/4***		4/4	
Stephen Hughes, Non-Executive Director	10/10	6/6		10/11		
Ian King, Non-Executive Director	8/10					4/4
Roger Mountford, Non-Executive Director	10/10	6/6		11/11		
Sir Jonathan Thompson CBE, HS2 Ltd Chair	9/10*	2/6****				
Mark Thurston, Executive Director	10/10					
Ruth Todd, Executive Director	8/10					

* Sir Jonathan Thompson chaired the Board meetings from January 2022 to 1 February 2023 when he was appointed as Chair.

** Elaine Holt was appointed Deputy Chair on 1 February 2023.

*** Elaine Holt was appointed as Chair of the Remuneration Committee on 27 April 2022.

**** Sir Jonathan Thompson only attended two ARAC meetings due to his involvement / transition out of the Financial Reporting Council (FRC). The Committees were quorate with attendance from the other two Non-Executive Director Members.

Note: Mark Thurston, Michael Bradley and Ruth Todd attended various sub-committee meetings during 2022 – 2023 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:

Michael Bradley CB (CFO) resigned as Executive Director on 29 August 2022.

Sir Jonathan Thompson Chaired the HS2 Ltd Board meetings from January 2022 in his capacity as Deputy Chair, until he was formally appointed Chair on 1 February 2023.

Elaine Holt was appointed as Deputy Chair on 1 February 2023.

Melvyn (Mel) Ewell resigned as Non-Executive Director on 31 March 2023.

Personal data related incidents.

There have been no personal data related incidents requiring notification to Information Commissioner's Office (ICO) in the 2022–23 period.

Corporate governance principles

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

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

The Board seeks to uphold the seven key principles of public life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership in order to deliver the long-term success of the Company.

The composition of the Board at 31 March 2023 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 HS2 Ltd Board Chair and Non-Executive Board members.

As identified in the Framework Document, the SoST has delegated authority to the HS2 Ltd Board to appoint up to three Executive Directors (in addition to the Chief Executive) to sit on the Board. There is currently one Executive Director, in addition to the Chief Executive, on the Board.

The remit of the Board and the roles and responsibilities of its members have been clearly defined, including the role and responsibilities of the Accounting Officer.

An induction process is in place for new Board members (in line with Cabinet Office and UK Corporate Governance Code guidance), which includes introductory meetings with the Chair, followed by briefings with the Chief Executive and other members of the Executive and Senior Leadership team and key stakeholders from the DfT. 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 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.

The Board (and its sub-committees) receives briefings and reviews actions and recommendations received from Stakeholders including:

- National Audit Office;
- Infrastructure and Projects Authority; and
- West Coast Partnership.

Board decision making

Effective, structured decision making is crucial as the Company progresses construction of the railway. In 2022–2023, the Board of Directors covered several regular agenda items including:

1. updates from each meeting of the Board sub-committees;
2. updates from health and safety, finance, human resources, land and property, programme review (including cost and time performance), environmental sustainability, corporate affairs and strategic and stakeholder engagement;
3. investment and change approvals;
4. approval of the 2022–2023 Annual Report and Accounts; and
5. approval of the 2022–2025 Corporate Plan.

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

- review and approval of 2021–2022 Corporate Key Performance Indicators year end performance;
- Phase 2b Delivery Strategy;
- review and monitor strategic risks;
- Phase 2b western leg hybrid Bill status;
- unfunded inflationary pressures on HS2 programme;
- Euston Affordability;
- Platform Train Interface Protection Package Procurement Plan;
- Railway Systems Switches and Crossings contract award;
- Phase 2a Design and Delivery Partner contract award;
- Phase Two Route Wide Ground Investigation contract award;
- Phase One Cost Remediation Plan; and
- Land Referencing Services Framework Agreement Package Procurement Plan.

Copies of the minutes of HS2 Ltd Board meetings for 2022 – 2023 are available on the Gov.uk website.

In addition to the Board meetings, the Board also attends informal briefings each month, affording Board Members an opportunity to participate in 'deep dives' into aspects of the programme, sufficiently in advance of decisions being required.

Briefings provided to the Board in the year included:

- fiscal planning;
- expected project costs;
- Rail Systems Integration;
- Phase 2b Delivery Strategy;
- Productivity: Innovation and Efficiency Challenge Programme;
- End State Operations: Customer Experience and Operations Concept Overview, Planning for Operations and Maintenance;
- Talent and succession planning;
- Non-Executive Director Appointment Strategy;
- main works civil contractors (MWCCs): oversight, governance and control;

- Configuration States and Approach to Safety Authorisation Remediation Plan;
- West Coast Partnership; and
- Systems and Stations Delivery Progress.

Management Information and Quality of Data

Improvements in our systems and processes for the collection and reporting of data have continued over the financial year. The Power BI system is now well embedded and used regularly, producing refined management information for Executive and Board scrutiny. HS2 Ltd's management information and reporting arrangements remain under continuous review.

Board effectiveness

An external Board effectiveness review was conducted in the financial year 2021 – 2022 and the outcomes of this were set out in last year's annual report and accounts. During the financial year 2022 – 2023 there were changes in the composition of the Board, including appointment of the Chair of the Board. The Chair and Company Secretary have engaged on the previous Board effectiveness review with forward plan on skills, capability and capacity of Non-Executive Directors. Given there are imminent changes to Board membership, it was felt appropriate to defer the next formal review until 2023 – 2024 when this will become a routine review. We would anticipate programming the next external Board effectiveness review in FY 2024 – 2025, the result of which will be published in the relevant annual report and accounts.

Board sub-committees

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

Governance Statement

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 (Chair since April 2022), Sir Jon Thompson and Roger Mountford. Representatives from the DfT's Project Representative (P-Rep) and National Audit Office 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. The Committee also reviews internal and external audit plans, advises the Board on accounting policies and monitors the annual accounts process to recommend the accounts for approval by the HS2 Ltd Board.

The Chair of the Committee reports to the HS2 Ltd Board, and the Accounting Officer following each meeting and provides them with an annual report. This is timed to support the finalisation of the annual accounts and the Governance Statement, summarising its conclusions from the work it has done during the fiscal year.

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

- review and challenge to actions arising from audit and assurance activity, including commercial assurance;
- quarterly Strategic Risk Management updates;
- six-monthly Counter Fraud and Business Ethics updates, including approval of the Fraud, Bribery and Corruption Strategy Action Plan 2022 – 2023;
- six-monthly update on Senior Information Risk Owner reports;
- review and endorsement of the Management Assurance Statement (MAS) to DfT;
- review and challenge of risk, control and assurance reporting;
- review and approve the annual Requirements Status Report (comprising three categories of System/Technical, Commitment and Business requirements);
- update on the review of HS2's investment decision making model and process;
- review and endorse the Senior Accounting Officer (SAO) Tax Certificate to HMRC; and
- review of HS2 Ltd's compliance with IR35 Legislation.

Remuneration Committee

The Remuneration Committee (RemCo) reviews the Company's pay policy and advises on matters concerning the remuneration of senior executives. The Committee determines and agrees with the Board, within the guidelines delegated by HM Treasury and the DfT, the framework and broad policy for the remuneration of the Company's employees. The remuneration of Non-Executive Directors is a reserved matter for the HS2 Ltd Non-Executive Chair and the DfT.

The Remuneration Committee meets quarterly or as matters arise and its members in this period were Non-Executive Directors Elaine Holt (Committee Chair from April 2022), Dame Judith Hackitt and Mel Ewell. The Terms of Reference of the Committee allow for an Observer from the Department for Transport to attend meetings. The DfT Observer in this period was Nathan Phillips: Director, Shareholding, Appointments and Inquiry Response.

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

- regular review of the Human Resources dashboard;
- endorsement of and progress against CEO, CFO and CCO objectives;
- review of Executive and Employee performance and pay;
- discussed proposed incentive scheme updates;
- monitoring of senior roles and quota tracking;
- review of Executive talent and succession planning;
- review Equality, Diversity and Inclusion data;
- endorsement of Workforce and Remuneration Annex;

- endorsement of Gender Pay Gap Report;
- monitor Business Case pipeline; and
- enterprise Capability Roadmap.

In line with best practice, the Committee has also reviewed its own Terms of Reference during the period with changes reflecting the outcome of the Senior Pay Review, the Senior Pay Controls Framework and the new Workforce and Remuneration Annex.

Commercial and Investment Committee

The Commercial and Investment Committee (CIC) is an advisory function to enhance the Board's scrutiny of major procurement and investment decisions. Its function is to effectively manage the Company's expenditure on capital works, services and land and property. This will include reviewing procurement and investment proposals in detail and at an earlier stage than the Board, to assess the readiness of that decision for consideration by the Board and to ensure the Board is presented with 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 Mountford (Committee Chair), Mel Ewell and Stephen Hughes. 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 held several briefings on some of these topics in advance of receiving the final submission. The Committee has also on occasions, received delegations from the Board to approve decisions on its behalf to allow a more agile approach. An overview of the topics considered include the following:

- Rail systems packages;
- Engineering management systems Invitation to Tender (ITT);

- Switches and crossings award recommendation;
- Washwood Heath Depot and Network Integrated Control Centre ITT;
- Interchange station construction Stage One contract award;
- Automated people mover – procurement strategy;
- Phase 2a:
 - Main civils works package procurement plan/questionnaire
 - Advanced civils works (north and south contracts) recommendation to award
 - Design delivery partner recommendation to award
- Phase Two route-wide ground investigation contract recommendation to award;
- Specialist security services package procurement plan (PPP) and ITT;
- Platform train interface protection PPP;
- Platform edge doors procurement pre-qualification questionnaire;
- Summary of execution plan for Phase One main works civils 2023 performance management baseline;
- Land referencing services framework PPP;
- Software asset management as a service PPP;
- Euston construction partner interim funding request; and
- Optimising value from HS2 surplus station sites.

Health, Safety, Security Committee

The Health 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. The Committee also provides assurance to the Board that the Executive team is effectively managing health, safety and security risks.

Governance Statement

The Committee meets bi-monthly and as matters arise. Its members in this period were Non-Executive Directors Dame Judith Hackitt (Committee Chair) and Elaine Holt.

The Committee is also 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 Health and Safety Improvement Plan;
- received regular updates on Safety Climate Survey Plan;
- reviewed and endorsed Health and Strategy Progress Report and Health and Safety Operational Plan for publication;
- monitor and review HS2 Health and Safety Performance Index (HSPI) and endorse proposals for measures and targets annually; and
- regular review of security and resilience activity.

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

- property management services;
- road risks;
- overview preparation and plans for the Marston Box slide (M42); and
- health and safety arrangements for Phase 2a Design and Delivery Partner.

Environmental Sustainability Committee

The Environmental Sustainability Committee (ESC) provides scrutiny and strategic direction to the project in support of delivering HS2's strategic goal to create an environmentally sustainable solution. The Committee meets bi-monthly and as matters arise and its members in the period were Non-Executive Directors Ian King (Committee Chair), Judith Hackitt and Tom Harris. 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 statutory bodies such as the Environment Agency, Natural England and the Committee on Climate Change in order to provide the Company with information, ideas and opinions from expert, external sources.

The Committee provides 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.

The Committee has considered the following significant matters in addition to its standing items in the period:

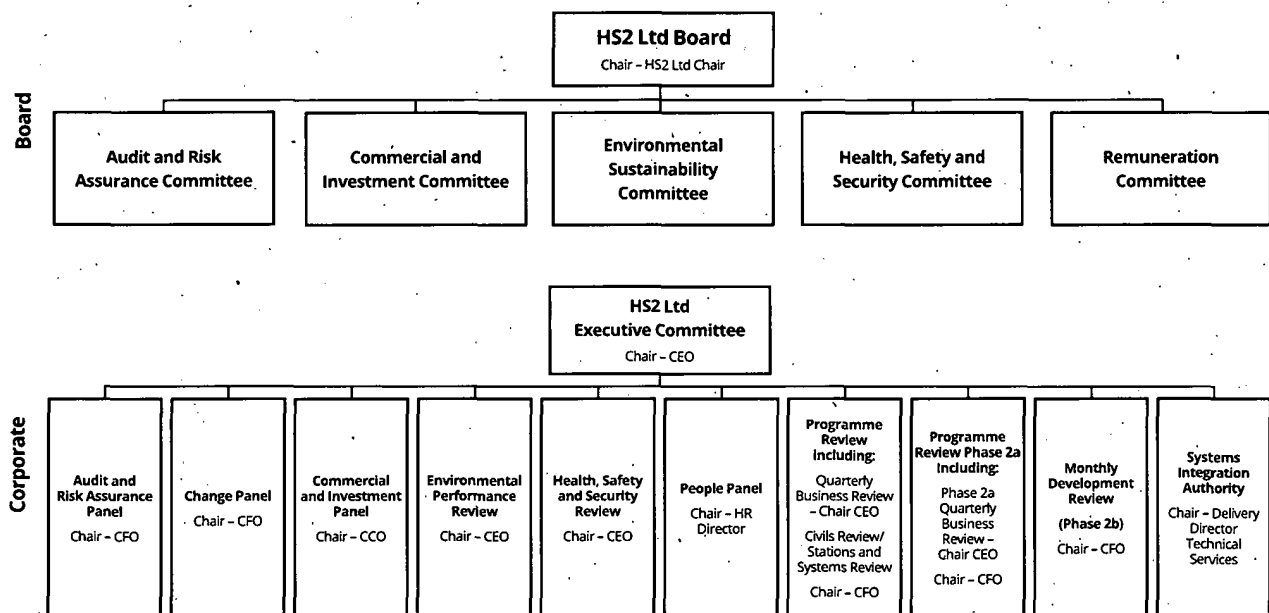
- corporate net zero plans; and
- biodiversity blueprint and route-wide biodiversity.

The Committee has also conducted a number of deep dives in the period into:

- diesel in construction;
- supply chain approach to environmental sustainability capability and capacity;
- carbon; and
- sound, noise and vibration.

Governance structure

The diagram below shows the HS2 Ltd governance structure at 31 March 2022.



Governance Statement

Executive Team

The Executive Team manages the day-to-day management and operations of HS2 Ltd and in 2022 – 2023 comprised the personnel listed in the table opposite (unless otherwise stated, the relevant Executive member served throughout the year).

Risk management

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

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

Purpose

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

Position	Executive	Started	Ceased to be an Executive member
Chief Commercial Officer	Ruth Todd		
Chief Executive Officer	Mark Thurston		
Chief Financial Officer	Michael Bradley		29/08/2022
Chief Financial Officer (interim)	Alan Foster	25/07/2022	
Delivery Director – Civils	Mike Lyons		31/03/2023
Delivery Director – Civils	David Speight	01/03/2023	
Delivery Director – Systems and Stations	Chris Rayner		
Delivery Director – Technical Services	Emma Head		
Director, Communications and Stakeholder Management	Aileen Thompson		
HR Director (interim)	Shira Johnson		
Phase 2a Delivery Director (interim)	Phil Brown	01/07/2022	
Managing Director Phase Two	Tim Smart		

Principles

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

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

- Operate a best-in-class approach to risk leadership, developing and maintaining enhanced risk management capabilities.
- Recognise our role in leading and facilitating effective risk management across all organisations working to deliver HS2. The Company will promote management of risks by those most capable to help realise the benefits of HS2 and enhance value for money.
- Put safety at heart and strive to achieve our highest levels of risk management capability in respect of risks that could result in injury to or loss of the public, passengers or our workforce.
- Understand the Company's and our stakeholders' reputations and HS2 Ltd's licence to operate are influenced by our ability to spend public funds wisely and deliver HS2 to programme and within our funding envelope. This includes being realistic and transparent about project options and the potential impacts of internal and external risks on costs and benefits as they emerge.
- Strive for excellence in respect of managing and mitigating risks to achieving programme targets. This includes pursuing commercial and operational risks where they stimulate innovation that may accelerate delivery, reduce cost or enhance the passenger experience. We will identify the opportunities worth holding, and open options up to scrutiny.

Applicability, implementation and resources

HS2 Ltd recognises that its risk profile will change significantly over time as we move through the different stages of programme lifecycle across the phases and hence:

- HS2's risk appetite is reviewed on a regular basis as the programme develops;
- we carefully monitor and review individual and compound exposures relative to the risk tolerances and appetite thresholds; and
- where forecast differences arise, we review the implications and options and proactively respond.

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 uses its Enterprise Risk Management (ERM) Framework to integrate and monitor its strategic risks with emerging delivery risks and inherent risks such as business disruption, fraud and bribery, governance and process compliance.

Our 'Risk-Control-Assure' (RCA) approach integrates risk management with the corporate control framework and assurance/audit activities. Under RCA, a set of core risks, to which all other risks are linked, are directly correlated with our Control Framework which has seen further development as we move into the delivery stage of the project.

The Company's strategic-level risks

HS2 Ltd's strategic risks are mapped across eight key categories.

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

Governance Statement

Our strategic risks are owned and managed by the Board. Each strategic risk has an Executive Risk Owner with well-defined mitigations in place with clearly assigned Action Owners. 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 HS2 Board. As part of our overall governance, we reviewed and updated our strategic risks with the Board in March 2023.

There are 19 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	Contractor performance (financial targets including efficiencies)	<ul style="list-style-type: none"> Regular reviews with Joint Ventures to track progress and ensure accountability. Enhanced process for interface between value management, risk and trends, with tagging/ tracking system for formal change and audit trail.
	Contractor performance (milestone delivery delays)	<ul style="list-style-type: none"> Supplier strategy for HS2's key suppliers to comprehend specific resource constraints or shortages in materials, with mitigating actions discussed and agreed at Collaboration Hub to make interventions when necessary. Ongoing capacity constraints analysis.
	Seasonal performance	<ul style="list-style-type: none"> Ongoing tracking of physical progress at Partnering Board, with measurement and reporting of quantifications and review of NEC Clause 32 submissions for slippage. Prioritise completion of designs, consents, and mobilisation for critical earthworks.
	Design	<ul style="list-style-type: none"> A strict and rigorous process for Approval/Consent applications followed to avoid technical application failures. To guide and support the wider business and our construction and delivery teams to mitigate additional programme costs and delays by building trust and maintaining effective stakeholder relationships.
	Consents	<ul style="list-style-type: none"> Build and maintain relationships with local authorities and associated decision makers along the line of route. Strict and rigorous process for Approval/Consent applications to avoid technical application failures.
	Protester action	<ul style="list-style-type: none"> Over-arching approach with three key pillars: 1) Protester Management Group; 2) HS2 Response Plan; and incident management plans and teams; and 3) briefings on managing protester situations.
	Euston	<ul style="list-style-type: none"> Implementation of National Audit Office report recommendations.

Category	Key risks/uncertainties	Mitigation
Integration	Programme delivery interfaces	<ul style="list-style-type: none"> • 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.
	Internal integration of railway for each configuration state	<ul style="list-style-type: none"> • Functional integration management plan to define functional requirements and system architecture. Establish alignment to configuration states. • Design management process to ensure what is being delivered meets functional requirements and captures sufficient evidence to support authorisation.
	Integration and interfaces with the wider transport network and organisations, such as NR and TfL	<ul style="list-style-type: none"> • High Speed Integration Steering Group is responsible for the system migration path which achieves railway integration between HS2 and Network Rail. It is the delivery of this plan which sets out how railway integration will be achieved. • HS2 engagement with DfT thinking on railway integration of national network, including membership of Rail Integration Board.
Supply chain capacity	Construction labour/ plant/materials cost escalation	<ul style="list-style-type: none"> • Proactive ongoing engagement with supply chain to monitor, identify and plan response to areas of possible cost increases. • Co-ordinated procurement activities in order to reduce pressures.
	Supply chain and partners – constraints on capacity/capability	<ul style="list-style-type: none"> • Capacity Constraint Analysis in order to understand market/ supplier constraints and develop acquisition plans. • Market engagement, including sharing of procurement timelines with peer projects, inviting the market to input into procurement strategies, minimising tender overlap.
Government	Impact of decisions by Government on HS2	<ul style="list-style-type: none"> • Engagement programme with Ministers and senior officials through Chair, NEDs, CEO, DfT, HS2 Ltd sponsorship team (ensure DfT officials are fully aware of the timing consequences of delays in decisions by ministers). • Tracking of joint programme/governance milestones at monthly Management Joint Team meetings chaired by CEO and SRO, Quarterly Performance Reviews.

Governance Statement

Category	Key risks/uncertainties	Mitigation
Health and safety	Health, safety, security and environment performance	<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 in through monthly performance management and improvement project set up to improve risk identification and reporting. • Alignment of root cause classification in reporting systems.
HS2's impact on stakeholders and environment	HS2's strategic management of stakeholders	<ul style="list-style-type: none"> • Resolve 80% of construction queries and complaints within two working days of them being reported to the HS2 Helpdesk. • Understanding trigger points of complaints and working with contractors to address them. • Consistent engagement with Government, parliament and all political and business stakeholders as well as communities and the public.
	Climate change challenges and sustainability targets	<ul style="list-style-type: none"> • Report progress against our Environmental Vision, which elevates climate change and biodiversity to improve outcomes with associated action through time supported by in-year KPIs. • Net Zero Action Plan published January 2022 and innovation business case used to contain costs and schedule risks.
External events	External 'events' affecting HS2's reputation	<ul style="list-style-type: none"> • Ongoing monitoring and review, track and understand negative events which could impact on HS2. • Rehearse and test HS2's full crisis management processes including crisis communications on a regular basis and capture learnings.
	External economic context, such as Covid-19, inflation etc.	<ul style="list-style-type: none"> • Workstream created to develop financial and schedule scenarios reflecting potential funding constraints.
People	Recruitment, retention capacity and capability	<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.

The recent external events such as high levels of inflation, political events and the war in Ukraine, along with ongoing global supply chain issues, has created significant challenges across the construction industry. This uncertainty is likely to continue well into the coming financial year.

We are working closely with our supply chain, which have responded well to the challenges, including implementing innovative and newer ways of working. Further activity to understand and quantify the impacts associated with various external events and uncertainties continues.

HS2, like other Government programmes, has been asked to develop options through the year to support a more constrained financial environment, and the Government took the decision in March 2023 to defer a number of HS2 activities in an effort to spread costs.

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. 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 as a whole by 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.

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.	HS2 Ltd Board or Audit and Risk Assurance Committee.
Who delivers the assurance activity?	Delivery teams and line management as part of business as usual (BAU) controls and management monitoring.	Assurance practitioners, peer reviewers and/or external experts independent of the line management delivering the activity being assured.	Internal Audit and external independent assurance providers.
Where are the outcomes of the assurance activity reported?	Management and Leadership Team meetings.	Management and Governance Panels.	HS2 Ltd Board and/or sub-committees including the Audit and Risk Assurance Committee.
Examples of assurance activities	Management assessments, surveillance and monitoring, compliance statements, management information and performance data, process evaluations.	Compliance audits, operational assurance effectiveness reviews, contract management reviews, IMS assurance reviews, management information and performance data; policy and standard reviews.	Internal Audits, Head of Internal Audit annual opinion, Independent Assurance Panels, ISO Certification.

Three lines of defence

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 above.

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 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.

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 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 35 self-assessments applicable to HS2 Ltd, 17 Substantial, 18 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 2022–2023, 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. The report did however highlight that there is scope for improvement, and this is reflected in the overall level of assurance which is Moderate. Internal Audit highlighted that HS2's broader assurance approach continues to evolve and mature, including its integrated assurance regime. The proportion of Limited opinion reports has remained constant in 2022 – 2023. When formulating the opinion, Internal Audit recognised that HS2 had taken steps to address many issues raised in the Limited opinion reports, including in relation to the supply chain, which remains an important area for focus. Internal Audit also stressed the importance of HS2's continued work in tailoring its approach to managing risk to the environment within which it operates.

Governance Statement

External certifications

In March 2023 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 Equality, Diversity and Inclusion.

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

Conclusion

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 2022–2023 and, in relation to significant balance sheet events, to the date of signing.

Approved by the Board on 28 June 2023 and signed on its behalf by:



Mark Thurston

Chief Executive Officer and Accounting Officer,
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 2022–2023 are shown in the Governance Statement on pages 35 and 36.

Remuneration policy

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

In line with the Government's policy on transparency, details are published of those staff with salaries of more than £150,000 per annum on the Gov.uk website at:
gov.uk/government/publications/senior-officials-high-earners-salaries

Total remuneration – Directors (audited)

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

There are two Executive Directors on the HS2 Board. These Directors are salaried and have a bonus element as part of their remuneration package, which was approved by the SoST (under which a maximum payment of 10% or 20% of salary, as applicable, may be paid subject to performance).

The HS2 Remuneration Committee (which comprises three Non-Executive Directors) has the role of approving for the 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 (e.g. 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 HS2 Board as of 31 March 2023 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

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

Board member	Name	Appointment date	Re-appointment date/due date	Appointment end date
Non-Executive Director	Sir Jonathan Thompson	01 Apr 2021	-	-
Chair		01 Feb 2023	31 Jan 2026	31 Jan 2026
Non-Executive Director	Ian King	01 Jul 2020	30 Jun 2023	30 Jun 2023
Non-Executive Director	Tom Harris	01 Jul 2020	30 Jun 2024	30 Jun 2024
Non-Executive Director	Elaine Holt	01 Jul 2020	30 Jun 2023 Re-appointment: 01 Jul 2023 – 30 Jun 2027	30 Jun 2027
Non-Executive Director	Roger Mountford	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	Melvyn (Mel) Ewell	01 Sep 2016	31 Aug 2019 Reappointment: 01 Sep 2019 – 31 Mar 2023	31 Mar 2023
Non-Executive Director	Dame Judith Hackitt	01 Apr 2019	31 Mar 2023 Re-appointment: 01 Apr 2023 – 31 Mar 2026	31 Mar 2026
Non-Executive Director	Stephen Edwards Hughes	01 Apr 2019	31 Mar 2023 Re-appointment: 01 Apr 2023 – 31 Mar 2026	31 Mar 2026

	Fees and salary (£)		Bonus payment (£)		Taxable benefit (£)*		Pension benefit (£)		Total (£)		Board role
Full name	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	
Sir Jonathan Thompson**	£85,439	£28,748	-	-	£1,742	£248	-	-	£87,181	£28,996	Non-Executive Director (NED) / Chairman effective 01/02/23
Ian King	£32,775	£68,400	-	-	-	-	-	-	£32,775	£68,400	Non-Executive Director (NED)
Tom Harris	£25,650	£26,529	-	-	£1,591	£879	-	-	£27,241	£27,408	Non-Executive Director (NED)
Elaine Holt	£45,600	£37,050	-	-	£3,362	£359	-	-	£48,962	£37,409	Non-Executive Director (NED)
Roger Mountford	£42,275	£43,563	-	-	£81	£100	-	-	£42,356	£43,663	Non-Executive Director (NED)
Judith Hackitt	£22,800	£23,888	-	-	£851	£138	-	-	£23,651	£24,026	Non-Executive Director (NED)
Stephen Hughes	£22,800	£22,800	-	-	£235	-	-	-	£23,035	£22,800	Non-Executive Director (NED)
Mark Thurston***	£635,814	£617,296	£39,958	-	£991	£848	-	-	£676,763	£618,144	Chief Executive
Ruth Todd	£259,200	£168,308	£21,760	-	£991	£848	£31,104	£20,197	£313,055	£189,353	Chief Commercial Officer
Alan Foster****	£370,449	-	-	-	-	-	-	-	£370,449	-	Chief Financial Officer (Interim)

* 2021/22 Taxable Benefits figures included both Taxable and Non Taxable expenses and have been restated to include Taxable only expenses and benefits paid for by HS2 Ltd.

** Following appointment as Chair on 1 February 2023, Full Year Equivalent would be £280,000 based on three days per week.

*** The Chief Executive has reached the threshold for pension benefit and is therefore exempt from pension deductions. As compensation, he receives an additional £68,123 per annum in lieu of pension – which is included within fees and salary.

**** Alan Foster joined HS2 Ltd on 25 July 2022 as Interim CFO. His annualised contract salary for 2022/23 would equate to £512,930. On 1 May 2023 Alan Foster was appointed as an Executive Director of the Board and taken onto HS2 Ltd's payroll as a permanent employee. Alan Foster joined HS2 Ltd on 25 July 2022 as a contractor in the role of interim CFO.

Directors who left the Board during 2022 – 2023

	Fees and salary (£)		Bonus payment (£)		Taxable benefit (£)*		Pension benefit (£)		Total (£)		Board role
Full Name	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	
Melvyn Ewell**	£22,800	£22,800	-	-	-	-	-	-	£22,800	£22,800	Non-Executive Director (NED)
Michael Bradley***	£112,497	£275,400	-	-	£23	£848	£13,685	£33,048	£126,205	£309,296	Chief Financial Officer

* 2021/22 Taxable Benefits figures included both Taxable and Non Taxable expenses and have been restated to include Taxable only expenses and benefits paid for by HS2 Ltd.

** Melvyn Ewell resigned as a Non-Executive Director on 31 March 2023.

*** Annualised salary for 2022/23 would equate to £275,400. Michael Bradley resigned as Executive Director on 29 August 2022.

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 2023, employers' contributions were £13.8 million (2021/22: £12.6 million).

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

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

Payments under compensation schemes (audited)

HS2 Ltd did not make any payments under compensation schemes to employees during 2022 – 2023.

Relocation payments

HS2 Ltd did not make any relocation payments to employees during 2022 – 2023.

Enhanced redundancy payments

No enhanced redundancy payments were made during 2022 – 2023.

Statutory redundancy payments 2022 – 2023 (audited)

Band	Number of payments
<£10,000	4
>£10,000	0
Total number of payments	4
Total cost	£19,414

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

Fair pay disclosures (audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid Director in the organisation 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 2023 was £676,763, which was 9.5 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 staff in FY 2022 – 2023 received an average pay increase of 2% across all permanent and fixed term employees. The highest paid Director also received a pay increase of 3% with subsequent impact to benefits and payment in lieu of pension.

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.

As a result, changes to ratios are reflective of pay progression, movement of the median salary through annual pay review and regular business activities. The ratio change is reflective of the movement of the highest paid Director's salary proportional to the HS2 median.

Total remuneration includes annualised salary, performance-related pay and benefits-in-kind. It does not include employer pension contributions or the cash equivalent transfer value of pensions.

No employees, secondees or temporary staff have received remuneration in excess of the highest-paid director in the year (2021 – 2022). Actual staff remuneration (on an annualised basis) for full-time work on 31 March 2023 (excluding the highest paid Director) ranges from £24,416 to £467,929 per annum (2021 – 2022: £23,859 to £408,600, excluding the highest paid Director).

Year	Highest paid Director	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022/23	£676,763	13.0	9.5	7.2
2021/22	£618,144*	11.9	8.8	6.8
2020/21	£510,832** (£621,064)		7.4 (9.0)	
2019/20	£659,416		9.8	

* 2021/22 Taxable Benefits figures included both Taxable and Non Taxable expenses and have been restated to include Taxable only expenses and benefits paid for by HS2 Ltd.

** Includes the highest paid Director's voluntary reduction to pay for 2020/21.

Year	Pay category	25th percentile pay	Median pay	75th percentile pay
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**
2022/23	Salary and allowances	3.1%	1.4%
	Performance pay and bonuses	100%*	n/a
2021/22	Salary and allowances	21.9%	-0.6%
	Performance pay and bonuses	n/a	n/a
2020/21	Salary and allowances	-22.5%	1.8%
	Performance pay and bonuses	n/a	n/a

* Highest paid Director received a bonus for 2022/23.

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

Staff numbers and costs

Audited staff numbers and costs are in Note 4 of the Financial Statements on page 78. Permanent staff turnover for the period 1 April 2022 to 31 March 2023 was 14.3%.

Staff composition 2022 – 2023

The overall proportion of female staff on 31 March 2023 was 37% compared to 37% reported on 31 March 2022.

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

Staff composition 2021 – 2022

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

Notes:

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

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

Employees – Any staff member below SCS1.

Remuneration and Staff Report

Sickness absence data

Recorded staff absence due to sickness equated to an average of 3.95 days per employee during the year (2021/22: 3.5 days) for direct employees of HS2 Ltd.

Staff policies for disabled persons

HS2 Ltd have an 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 2022 – 2023 we commissioned access audits of both our physical offices and of our websites and digital environment.

HS2 Ltd's Clear Talents tool enables staff to request specific adjustments, including ergonomical or workspace display screen equipment, to support their employment. Some 38% of HS2 Ltd employees have workplace adjustments at a moderate/substantive level.

In 2022 – 2023 HS2 Ltd maintained its Disability Confident Leader status for exemplar disability related policies and practices. We were winners of the RIDI (Recruitment Industry Disability Initiative) 2022 Award for 'Making a Difference Public Sector'.

Our EDI Senior Manager focused on the HS2 Ltd workforce was inducted in the Power100 Shaw Trust Disability Influencers in recognition of their work in disability inclusion at HS2 and advocacy of inclusive practice.

We monitor representation of disabled staff, and those who require adjustments on a monthly basis, and report on this annually through our published EDI annual 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 2022 – 2023, this has included:

- 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;
- continued our successful Reverse Mentoring programme;
- continued 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;
- 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; and
- continued 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 – and are still the only organisation in the UK to date to achieve this level of accreditation of over 500 organisations assessed by Clear Assured.

Employee consultation

HS2 continues to work constructively with its Workplace Forum (WPF). WPF is the primary mechanism for collective consultation, ensuring that the interests of the business and those employed in it are served by ensuring a shared understanding of the objectives, strategy and performance of the business, of its operating environment and of other matters of genuine and mutual interest.

The WPF is comprised of a minimum of one elected/appointed employee representative for each business directorate located in Birmingham and London alongside two workplace representatives nominated by the TSSA, our recognised Union. The objectives of the WPF are to:

- develop and maintain a progressive, constructive approach to employee relations;
- ensure collective engagement via regular dialogue with staff representatives;
- provide for the timely exchange of relevant and appropriate information;
- facilitate regular, planned, meaningful and timely two-way communication; and
- foster and sustain an inclusive approach to the management of change.

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

Health and safety at work

Across the programme, 37 Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) reportable injuries occurred during 2022 – 2023. Whilst this is an increase on 2021 – 2022, the reporting rate for RIDDORs per 100,000 hours worked increased marginally from 0.05 in 2021 – 2022 to 0.06 in 2022 – 2023, which remains well below other industry benchmarks.

2022 – 2023 saw a 30% increase in hours worked compared to 2021 – 2022. The rate of total injuries has increased from 0.65 in 2021 – 2022 to 0.76 in 2022 – 2023. The increase in lost time injury rate is also slightly higher with the LTI rate at 0.11 in 2021 – 2022 and 0.16 in 2022 – 2023.

The level of reported 'near misses' has increased in 2022-23 by 36%, alongside a 29% increase in the levels of observations reported. This demonstrates continued year on year improvement in engagement and reporting culture.

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

Health and safety statistics	2022/23	2021/22	2020/21
Total RIDDOR injuries	37	28	9
Total lost time injuries	99	71	33
Total injuries	464	307	163
Total near misses	598	441	372
Total observations	67,908	52,553	27,208
Total hours worked	61,202,724	46,945,723	30,151,239

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 common purpose:

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

Transport Salaried Staffs' Association (TSSA)

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

- health, safety and wellbeing (through the Health, Safety 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; and
- consultation and negotiation at an early stage when there are proposals for change.

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

Managing our people

Delivering Britain's new high-speed railway is the challenge of a lifetime for the people working on HS2. As we look back on the first year of peak construction, not only has momentum been building on our construction sites, but we've been working at pace to ensure that we continue to have the right people, in the right place, at the right time. Over the past 12 months we've strengthened our approach to hybrid working to ensure we reap the positive benefits that flexible working brings to both our business and our people alike.

Our people strategy, Skilled for Success, considers the needs of our organisation as we progress through the different stages of the project lifecycle. The four key priority themes are developing an effective organisation with the right skills and capabilities; realising the HS2 skills legacy; developing a high-performing and diverse workforce with an inclusive culture; and delivering proactive, professional, innovative HR support. Each strategic theme is being delivered through projects and has measurable targets to ensure that we continue to have the necessary organisational capability and maturity to deliver HS2. In October 2022 we conducted a staff engagement survey which showed 73% employee engagement across the Company. This is consistent with our November 2021 engagement survey.

We recognise that our greatest asset is our people and we're encouraging our employees to further their career, develop their skills and reach their full potential as we embark on the most exciting rail infrastructure project in Europe. We're striving to ensure that our workforce consistently engages, and we measure this through our staff survey, the latest of which received a 73% engagement score in October 2022.

HS2 Ltd off-payroll appointees, consultancy and temporary staff

As part of the review of tax arrangements of public sector appointees, published by the Chief Secretary to the Treasury on 23 May 2012, bodies have been asked to report on their off-payroll engagements and related tax arrangements for the periods and scope outlined by HM Treasury.

Expenditure in relation to consultancy and contingent labour for the year ended 31 March 2023 is £25.8 million (2021/22: £32.1 million) and £19.9 million (2021/22: £20.4 million) respectively. The average headcount for consultancy year on year had decreased whilst for contingent labour this remained virtually the same. All expenditure incurred has been with executive agencies.

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

Off-payroll engagements as of 31 March 2023, costing more than £245 per day

less than 1 year at the reporting date	151
between 1 and 2 years at the reporting date	49
between 2 and 3 years at the reporting date	20
between 3 and 4 years at the reporting date	7
more than 4 years at the reporting date	7
Total engagements at the reporting date	234

Off-payroll engagements during the period 1 April 2022 to 31 March 2023, costing more than £245 per day

Not subject to off-payroll legislation	1
Subject to off-payroll legislation and determined in scope of IR35	354
Subject to off-payroll legislation and determined as out of scope of IR35	18
Engagements reassessed for compliance or assurance purposes during the year	8
Engagements which saw a change in IR35 status following reassessment	1
Total engagements during the reporting period	373

Off-payroll engagements of Board members and/or senior officials with significant financial responsibility between 1 April 2022 and 31 March 2023

The off-payroll engagements of senior officials with significant financial responsibility during the financial year included the Chief Financial Officer from 25 July 2022 to 30 April 2023 and the Civils Delivery Director from 1 March 2023 to 31 August 2023. Both engagements were required to fill programme and business critical roles and provide continuity whilst permanent recruitment is undertaken.

Government approval for Chief Financial Officer received and appointment made on 1 May 2023

2

Total number of individuals that have been deemed 'Board members', and/or senior officials with significant financial responsibility, during the financial year

31

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

Approved by the Board on 28 June 2023 and signed on its behalf by:



Mark Thurston

Chief Executive Officer and Accounting Officer,
High Speed Two (HS2) Ltd

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

Opinion on financial statements

I certify that I have audited the financial statements of High Speed Two (HS2) Limited for the year ended 31 March 2023 under the Government Resources and Accounts Act 2000.

The financial statements comprise High Speed Two (HS2) Limited's:

- Statement of Financial Position as at 31 March 2023;
- 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 High Speed Two (HS2) Limited's affairs as at 31 March 2023 and its net expenditure for the year then ended; and
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (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 certificate.

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

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

Conclusions relating to going concern

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

My evaluation of the director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included reviewing the latest Spending Review, the Notice to Proceed for Phase 1, Royal Assent of High Speed Rail (West Midlands to Crewe) Act 2021; recent build instructions from the Department for Transport; and reviewing Ministerial announcements up to the date of certification.

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

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

Other Information

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

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

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

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; and
- the Strategic Report and Corporate Governance Report has been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

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

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the 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
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the directors for the financial statements

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

- 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 High Speed Two Limited from whom the auditor determines it necessary to obtain audit evidence.

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

- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- ensuring such internal controls are in place as directors determine are 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 have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

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

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

- considered the nature of the sector, control environment and operational performance including the design of High Speed Two (HS2) Limited's accounting policies and key performance indicators.
- 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 High Speed Two (HS2) Limited's controls relating to High Speed Two (HS2) Limited's compliance with the Companies Act 2006, Government Resources and Accounts Act 2000 and Managing Public Money.
- 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.
- discussed with the engagement team and the relevant internal specialists, including IT audit, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within High Speed Two (HS2) Limited for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals, complex transactions, bias in management estimates and significant or unusual transactions. In common with all audits under ISAs (UK), I am also 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, Government Resources and Accounts Act 2000, 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's Framework Agreement and pay remit.

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 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 internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the 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.

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.

Report

I have no observations to make on these financial statements.

Gareth Davies

17 July 2023

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

Financial Statements

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Image: Rebar prepared for use at Kingsbury compound.

Image removed

Statement of comprehensive net expenditure

	Note	Year ended 31 Mar 2023 £'000	Year ended 31 Mar 2022 £'000
Expenditure			
Staff costs	4	5,269	16,501
Other expenditure	5	24,991	82,830
Non-cash items	5	13,415	123,730
Total expenditure for the year		43,675	223,061
Net expenditure before taxation		43,675	223,061
Taxation	6	-	-
Net expenditure after taxation		43,675	223,061
Other comprehensive expenditure			
Items which will not be reclassified to net operating costs:			
No other transactions to be recorded		-	-
Total comprehensive net expenditure for the year		43,675	223,061

The Accounting Policies and Notes on pages 69 to 89 form part of these financial statements.

The majority of the Company's expenditure is capitalised, following the principles in Note 2.1.1. Notes 3 and 5 provide a breakdown of expenditure which includes both capitalised and non-capitalised items.

Statement of financial position

	Note	As at 31 Mar 2023 £'000	As at 31 Mar 2022 £'000
Non-current assets			
Intangible assets	7	17,515	21,288
Property, plant and equipment	8	20,927,132	14,020,768
Financial assets	9	-	2,444
Total non-current assets		20,944,647	14,044,500
Current assets			
Financial assets	9	1,618	-
Trade and other receivables	10	290,427	227,029
Cash and cash equivalents	11	128,601	71,904
Total current assets		420,646	298,933
Total assets		21,365,293	14,343,433
Current liabilities			
Trade and other payables	12	(820,929)	(655,993)
Provisions	13	(54,480)	(19,863)
Borrowings	14	(3,233)	(3,151)
Financial liabilities	15	-	(1,568)
Total current liabilities		(878,642)	(680,575)
Non-current liabilities			
Borrowings	14	(18,286)	(21,631)
Financial liabilities	15	(72)	(651)
Total non-current liabilities		(18,358)	(22,282)
Total liabilities		(897,000)	(702,857)
Total net assets		20,468,293	13,640,576
Taxpayers' equity			
General reserve		20,468,293	13,640,576
		20,468,293	13,640,576

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

The Accounting Policies and Notes on pages 69 to 89 form part of these financial statements. The financial statements on pages 65 to 68 were approved by the Board on 28 June 2023 and were signed on its behalf by:



Mark Thurston
Chief Executive Officer and Accounting Officer,
High Speed Two (HS2) Ltd

Statement of cash flows

	Note	Year ended 31 Mar 2023 £'000	Year ended 31 Mar 2022 £'000
Cash flows from operating activities			
Net operating cost per Expenditure Statement		(43,675)	(223,061)
(Increase) / decrease in trade and other receivables	10	(398)	(3,949)
Increase / (decrease) in trade and other payables	12	1,035	2,362
Increase / (decrease) in borrowings	14	(20)	(136)
Adjustment for non cash transactions	5	13,415	123,730
Adjustment for euro bank balance revaluation	5	348	(3,424)
Net cash outflow from operating activities		(29,295)	(104,478)
Cash flows from investing activities			
(Increase) / decrease in trade and other receivables	10	(63,000)	(88,699)
Increase / (decrease) in trade and other payables	12	163,901	53,067
Use of provisions	13	(8,206)	(4,173)
Increase / (decrease) in borrowings	14	(3,243)	(3,062)
Purchase of property, plant and equipment	8	(6,916,582)	(5,005,591)
Purchase of intangible assets	7	(655)	(5,271)
(Increase) / decrease in loan receivables	9	-	(1)
Adjustment for other non cash transactions	13	42,385	12,908
Net cash outflow from investing activities		(6,785,400)	(5,040,822)
Cash flows from financing activities			
Capital contribution from DfT		6,871,392	5,062,866
Net cash inflow from financing activities		6,871,392	5,062,866
Net increase / (decrease) in cash and cash equivalents		56,697	(82,432)
Cash and cash equivalents at the beginning of the year	11	71,904	154,336
Cash and cash equivalents at the end of the year	11	128,601	71,904

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

The Accounting Policies and Notes on pages 69 to 89 form part of these financial statements.

Statement of changes in taxpayers' equity

	General Reserve £'000	Total Reserves £'000
Balance at 1 April 2021	8,800,771	8,800,771
Changes in Taxpayers' equity for 2021/22		
Net operating cost for the year	(223,061)	(223,061)
Capital contribution from DfT	5,062,866	5,062,866
Balance at 31 March 2022	13,640,576	13,640,576
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

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

The Accounting Policies and Notes on pages 69 to 89 form part of these financial statements.

Notes to the financial statements

1. General information

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

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

The registered office and principal place of business of the Company is Two Snowhill, Snow Hill Queensway, Birmingham, England, B4 6GA, and the Company's principal activities are to develop proposals, design, build and operate a high speed rail network between London, Birmingham, Leeds and Manchester. The period covered by these accounts is 12 months to the 31 March 2023.

2. Statement of Accounting Policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and IFRIC interpretations and with the requirements of the Companies Act 2006 applicable to companies reporting under IFRSs. As a Non-Departmental Public Body (NDPB), the Company also adopts the interpretations of IFRS and additional disclosure requirements contained in the Government Financial Reporting Manual (FReM) for 2022 – 2023, 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 2023 and does not consider a material impact on the Company's financial statements.

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

IFRS 17 Insurance Contracts requires a discounted cash flow approach to accounting for insurance contracts. Subject to adoption, after the expected effective date has now been deferred to annual reporting periods on or after 1 January 2023 and should be included in the 2025 – 2026 FReM as adoption in central Government is likely to be deferred. The Company considers that at present it has no contracts that fall within the scope of IFRS 17.

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

2.5. Going concern

The development and delivery of HS2 as part of the Government's wider high-speed rail agenda is in accordance with the aims of DfT as our sponsor and is funded entirely by capital contribution from the DfT as provided by Section 6 of the Railways Act 2005 and the High-Speed Rail (Preparation) Act 2013, 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 Development Agreement, outlined further in the business model, pages 11 to 13, remains in force and details the Company's current and future role in developing, building, and operating the new railway.

Notes to the financial statements

The Government-wide Spending Review 2021 made clear HS2 is a multi-year capital programme and funding was allocated to 2024 – 2025.

Notice to Proceed for Phase One was confirmed on 15 April 2020. Royal Assent for Phase 2a was granted on 11 February 2021 and progress continues on the western leg of Phase 2b after securing its second reading on 20 June 2022. Consequently, it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

2.6. Critical accounting judgements and estimates

The Company applies the following significant estimation techniques.

- The recognition and valuation of accrued liabilities for work done by its professional service contractors is based on the Company's best estimates of the work done at the balance sheet date. The value of work done is certified, invoiced and paid only when all issues regarding the valuation of work done have been resolved to the Company's satisfaction. Accruals are based on the Company's view of application for payment and other information provided by the contractors leading up to certification. When accruing the Company takes a view of any disputed amounts. Refer to Note 2.18 Cost of Work Done (COWD) for further information.
- 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 2.11 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 judgement and estimation of the potential liability and appropriate classification.
- The Statement of Cash Flow allocation split is based on a proportional basis between resource and capital expenditure incurred in the financial year.

- Significant Government announcements have been considered for the financial year ended 31 March 2023 for any indicators of impairment and the required accounting treatment, if applicable, has been processed.

2.7. Financing

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

2.8. Leases (the Company as a lessee)

Low value and short-term leases

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

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

Recognition – identification of leases

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

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

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

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

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

Recognition – lease term

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

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

Recognition – lease payments

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

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

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

Recognition – discount rate

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

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

Subsequent measurement – lease liability

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

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

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

Subsequent measurement – right-of-use asset

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

Notes to 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.

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

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

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

2.9. Financial assets

Recognition and measurement

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

The Company had a financial asset being a loan receivable from The National College for Advanced Transport & Infrastructure (NCATI).

In accordance with IFRS 9, the financial asset was measured at fair value through profit and loss (FVTPL). Any fair value (gain) / loss movement in the current reporting period are recognised in profit or loss.

Following approval of HM Treasury, this financial asset was written off in the year, see Note 20 for further information.

Impairment

At each reporting date, the Company assesses whether the credit risk on a financial asset has increased significantly since initial recognition and subsequently measures an expected credit loss allowance. There has been no credit loss reported in 2022 – 2023 as the financial asset was fair value adjusted to nil, prior to being written off.

2.10. Intangible assets

Recognition

Expenditure on intangible assets which are non-monetary assets without physical substance and identifiable are capitalised where the cost is £1,000 or more and this is applied on a grouped basis using the threshold of £1,000 where the elements in substance form a single asset. Subsequent acquisitions of less than £1,000 value which are of the same nature as existing grouped assets are appended. Otherwise, expenditure on intangible assets which fall below £1,000 is charged as an expense in the SoCNE.

Measurement

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

Impairment

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

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

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

Amortisation

Amortisation is provided on all intangible assets from the date at which they are available for their intended use at rates calculated to write off the cost of each asset (less any estimated residual value) on a straight-line basis over its useful economic life (UEL). The Company reviews and updates the remaining UEL of all its intangible assets each year. This is the period for which the asset provides economic benefits that will flow to the Company from its use. The typical UEL for intangible assets is in the range of 3 to 5 years or for the length of the license.

Disposals

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

2.11. Property, plant and equipment

Recognition

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

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

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

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

The railway infrastructure asset is capitalised on an accruals basis, provided that it is probable that the economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The trigger point at which these criteria are satisfied is considered separately for each phase of the railway, and is taken to be met at the point when key enabling legislation is substantively enacted. This is defined as the passing of second reading of the hybrid Bill for a Phase of the HS2 project 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 Secretary of State (DfT) incurs directly and recognises and is therefore not listed in these accounts. Please refer to Note 2.12.

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.

Notes to the financial statements

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 the table on the right for more information:

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

As Phase 2b eastern leg has not yet reached this stage, the costs are expensed as incurred.

- For the subsequent measurement of right-of-use assets, refer to Note 2.8.

Impairment

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

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

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

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

Depreciation

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

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

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

Disposals

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

2.12. Land and Property

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

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

2.13. Cash and cash equivalents

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

2.14. Taxation

There is no current tax liability, but any liability in future years would be calculated using the tax rates that have been enacted or substantively enacted at the Balance sheet date.

2.15. Provisions

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

Notes to the financial statements

2.16. Contingent liabilities

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

2.17. Derivatives held at fair value through profit and loss

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

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

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

2.18. Cost of Work Done (COWD)

The additions to property, plant and equipment are valued using an estimate of the cost of work done in the year to 31 March 2023. To the extent that the COWD is greater than the invoiced amount, a PPE 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 measurement, in respect of the

evaluation of how contractual dispute positions are likely to resolve and in measuring the value of works performed at the year-end date.

2.19. VAT

Under the HMRC Manual (VAT Government and Public Bodies, Contracted Out Services Heading 82), HS2 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 can also recover VAT on rolling stock as a business activity for VAT purposes.

3. Statement of expenditure by operating segment

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

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

Under the principles disclosed in Note 2.11, Phase 2 costs are 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 presentation of the year ended 31 March 2022 figures have been updated to disclose Resource expenditure between Phase 2b West (£95.6m) and Phase 2b East (£2.1m) for comparative purposes.

Resource expenditure of £105.6 million for 2021/22 Phase One below was in regards to impairment expenditure incurred in relation to a move to a design change for Euston station.

3. Statement of expenditure by operating segment continued

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 net 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 net expenditure	6,917,237	43,675	6,960,912
Year ended 31 Mar 2022	Capital Expenditure £'000	Resource Expenditure £'000	Total £'000
Phase One	4,851,516	105,556	4,957,072
Phase 2a	154,578	-	154,578
Phase 2b West	-	95,672	95,672
Phase 2b East	-	2,146	2,146
Other Capital	4,769	-	4,769
Exchange (Gain) / Loss	(1)	-	(1)
Unrealised Exchange (Gain) / Loss	-	3,424	3,424
Fair Value (Gain) / Loss	-	(33)	(33)
Depreciation and Amortisation	-	13,910	13,910
Finance costs	-	552	552
Administration	-	1,834	1,834
Total net expenditure	5,010,862	223,061	5,233,923
Analysed as to:	£'000	£'000	£'000
Programme costs	5,010,862	221,227	5,232,089
Administration costs	-	1,834	1,834
Total net expenditure	5,010,862	223,061	5,233,923

Notes to the financial statements

4. Staff numbers and costs

	Direct employees 2023	Other personnel 2023	Year ended 31 Mar 2023 Total	Year ended 31 Mar 2022 Total
Whole time equivalent persons employed – average for the year	1,786	155	1,941	1,811
Staff costs comprise:	£'000	£'000	£'000	£'000
Wages and salaries	127,687	20,967	148,654	137,975
Social security costs	14,591	–	14,591	12,682
Other pension costs	13,754	–	13,754	12,556
Chairman and Non-Executives fees	407	–	407	458
Total staff costs	156,439	20,967	177,406	163,671
Non-cash items include:			£'000	£'000
Capitalised expenses (Staff costs)			(172,137)	(147,170)
Total non-cash costs			(172,137)	(147,170)
Total staff costs in statement of net expenditure			5,269	16,501

Fees and salaries paid to the Directors are set out in the Remuneration and Staff Report, pages 51 to 59.

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

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

5. Other expenditure

	Year ended 31 Mar 2023 Capital £'000	Year ended 31 Mar 2023 Resource £'000	Year ended 31 Mar 2022 Capital £'000	Year ended 31 Mar 2022 Resource £'000
Non-staff expenditure includes:				
Professional services	525,646	16,577	837,135	62,519
Engineering services	5,997,420	123	3,853,956	508
Environmental services	5,492	63	6,620	313
Design – utilities	96,742	–	80,528	1,593
Licences and surveys	820	124	969	650
Communication and information technology	37,999	3,934	23,736	8,698
Accommodation costs	7,599	387	1,606	1,157
Property advice and valuation	20,711	1,940	27,719	5,040
Legal costs	9,209	45	6,142	242
Travel and subsistence	1,901	65	694	98
Auditors' remuneration and expenses	–	230	–	210
Recruitment fees	1,442	138	1,561	661
VAT costs	9	–	9	1
Finance costs	–	488	–	552
Other costs	3,578	877	9,515	588
	6,708,568	24,991	4,850,190	82,830

5. Other expenditure continued

	Year ended 31 Mar 2023 Capital £'000	Year ended 31 Mar 2023 Resource £'000	Year ended 31 Mar 2022 Capital £'000	Year ended 31 Mar 2022 Resource £'000
Non-cash items include:				
Depreciation of tangible assets	-	10,218	-	9,912
Provisions	34,181	437	8,735	873
Exchange gain / loss	(2)	-	(1)	-
Unrealised exchange gain / loss	-	(348)	-	3,424
Fair value gain / loss	-	(1,320)	-	(33)
Amortisation of intangible assets	-	4,428	-	3,998
Impairment	-	-	-	105,556
Total non-cash costs	34,179	13,415	8,734	123,730
Total other expenditure	6,742,747	38,406	4,858,924	206,560

Included in the above is expenditure related to audit-related assurance services £0.23 million (2021/22: £0.21 million), taxation compliance services £0.06 million (2021/22: £0.09 million) and internal audit services £1.20 million (2021/22: £1.10 million).

Other capital expenditure of £2.35 million (2021/22: £4.8 million) is not included in the above as these amounts are reported in Note 7 and 8.

6. Taxation

	31 Mar 2023 £'000	31 Mar 2022 £'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 19%.		
The differences are explained below:		
Net expenditure before taxation	(43,675)	(223,061)
Tax at the standard rate of Corporation tax in the UK 19% (2022: 19%)	(8,298)	(42,382)
Income and expenditure not subject to corporation tax	7,834	42,367
Unrecognised tax losses	464	15
Total taxation charge	-	-

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 19% (2022: 19%), but will increase to 25% from 1 April 2023.

No asset has been recognised for the tax losses accruing in the year on the grounds that profits do not exist. If any profits were to arise in the future, the tax losses may be utilised against this.

Notes to the financial statements

7. Intangible assets

	Website £'000	Software £'000	Total £'000
Cost or valuation			
At 1 April 2022	164	31,564	31,728
Additions	-	655	655
Disposals	-	-	-
Reclassification	-	-	-
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
Disposals	-	-	-
Reclassification	-	-	-
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

	Website £'000	Software £'000	Total £'000
Cost or valuation			
At 1 April 2021	164	26,293	26,457
Additions	-	5,271	5,271
Disposals	-	-	-
Reclassification	-	-	-
At 31 March 2022	164	31,564	31,728
Depreciation			
At 1 April 2020	164	6,278	6,442
Charged in year	-	3,998	3,998
Disposals	-	-	-
Reclassification	-	-	-
At 31 March 2022	164	10,276	10,440
Net book value at 31 March 2022	-	21,288	21,288
Net book value at 31 March 2021	-	20,015	20,015

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

8. Property, plant and equipment (PPE)

	Assets under construction railway £'000	Right-of-use £'000	Leasehold improvements, plant and equip £'000	IT equipment £'000	Total £'000
Cost or valuation					
At 1 April 2022	13,959,295	60,995	22,027	18,390	14,060,707
Additions	6,914,884	-	-	1,698	6,916,582
Disposals	-	-	-	-	-
Reclassification	-	-	-	-	-
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
Disposals	-	-	-	-	-
Reclassification	-	-	-	-	-
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

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

Notes to the financial statements

8. Property, plant and equipment (PPE) 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 £2.4 million which are not available for use at the year end, and therefore have not yet been depreciated (2021/22: £1.8 million).

Given the interdependency of the assets comprising the railway network, the Company has concluded that the railway network is considered as a single class of asset. The railway network is currently under construction, is valued at historic cost and is analysed within Capital Expenditure in Note 3 and Note 5.

9. Financial assets

	31 Mar 2023 £'000	31 Mar 2022 £'000
Amounts falling due within one year:		
Derivative Forward Purchase Programme Financial Asset	1,618	–
Loan to National College for Advanced Transport and Infrastructure	–	–
	1,618	–
Amounts falling due after more than one year:		
Derivative Forward Purchase Programme Financial Asset	–	–
Loan to National College for Advanced Transport and Infrastructure	–	2,444
	–	2,444
Total Financial Assets	1,618	2,444
Analysis of expected timing of flows:		
Not later than one year	1,618	–
Later than one year and not later than five years	–	258
Later than five years	–	2,186
	1,618	2,444

The derivative relates to the net exposure on foreign currency forward purchase contracts denominated in Euros (gross amount invested of €143.8 million for 2022 – 2023 and €134.1 million for 2021 – 2022), converted to Sterling at the reporting date and measured at fair value using the published HMRC exchange rate as at 31 March 2023. This is a Level 2 fair value measurement which are inputs other than quoted prices within an active market, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

A Sensitivity Analysis has been performed based on the exposure to foreign exchange rate for the derivative instrument. A one percent increase applied to the HMRC exchange rate at 31 March 2023 represents a financial impact to the SoCNE of £1.3 million (2021/22: £1.1 million) and SoFP of £(1.3) million (2021/22: £(1.1) million). A one percent decrease to this rate would have an equal and opposite effect.

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

The loan receivable in 2021/22 relates to a working capital loan to NCATI which, now following approval from HM Treasury, has been written off. See Note 20 for further information.

10. Trade receivables and other current assets

	31 Mar 2023 £'000	31 Mar 2022 £'000
Amounts falling due within one year:		
VAT receivable	222,515	183,466
Other receivables	24,541	9,498
Prepayments	43,371	34,065
	290,427	227,029

The VAT receivable amount for the year ending 31 March 2023 relates to February and March 2023 VAT Returns, similar to prior year where the VAT receivable amount related to February and March 2022.

11. Cash and cash equivalents

	31 Mar 2023 £'000	31 Mar 2022 £'000
Balance at 1 April	71,904	154,336
Net change in cash and cash equivalent balances	56,697	(82,432)
Balance at 31 March	128,601	71,904
Analysis of cash and cash equivalents:		
Cash held with the Government Banking Service	123,269	66,630
Cash held in commercial bank account	5,332	5,274
	128,601	71,904

Included within Cash held with Government Banking Service is land and property funding totalling £21.2 million (2021/22: £26.6 million) transferred to the Company by the Department for Transport (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 2.12, 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 £27.7 million (2021/22: £3.4 million).

12. Trade payables and other current liabilities

	31 Mar 2023 £'000	31 Mar 2022 £'000
Amounts falling due within one year:		
Trade payables	63,313	65,457
Accruals	757,616	590,536
	820,929	655,993

The Trade payables value above includes short-term creditors relating to CPO and Non-CPO as referenced in Note 11.

Notes to the financial statements

13. Provisions

	Petition undertakings and assurances £'000	Other £'000	Total £'000
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

	Petition undertakings and assurances £'000	Other £'000	Total £'000
At 31 March 2023			
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

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

Petition undertakings and assurances

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

As a result, a number of assurances were given to petitioners which will inform the planning, design and future construction of Phase One and Phase 2a. In certain cases, the Company is required as 'nominated undertaker' to meet these assurances. A form of compensation must be provided to those directly affected by the construction and operation of the railway which does not form part of the design and plans for the railway. As set out in our Company strategy, the Company aspires to be a 'good neighbour' and will continually seek to reduce the impact of the railway. Some of the commitments the Company has entered into are recognised as provisions as defined by IAS 37, since at year end there is a present obligation, with a probable outflow of resources which can be reliably estimated. Those where a present obligation is not recognised are reported as Contingent liabilities in Note 18.

13. Provisions continued

Other

The Company has provided £10.2 million (2021/22: £9.5 million) for tax that could be due to HM Revenue and Customs (HMRC) in relation to the Off-Payroll Working Legislation (IR35) introduced in April 2017. This legislation requires public sector bodies to make an assessment of off-payroll workers employment status to determine whether the Off-Payroll Working rules apply and to inform the individual and organisation of the result. We use HMRC's own Check of Employment Status for Tax (CEST) tool and accompanying guidance to make those assessments. During 2020, internal checks and additional HMRC's guidance highlighted some cases of workers who were engaged through other suppliers that had not been appropriately reviewed. An estimated liability has been identified through an internal review of workers operating between April 2019 and March 2021 using a calculation of PAYE and National Insurance that would be due on assumed earnings. This figure has been extrapolated back to April 2017. As with any provision, there is inherent uncertainty in the amount and timing of the actual liability that will be incurred. There are a range of assumptions underpinning the estimate that include; the profit earned by the suppliers, days worked, and an extrapolation for the period 2017 to 2019. These parameters will be agreed with HMRC. HMRC are undertaking a compliance review of the historic assessment of contractor's employment status. The review started in May 2022 and will seek to confirm the additional liability for tax the Company will incur on payments for these workers. The review is still ongoing. Once the review has been concluded the Company will determine whether there is cost that can be recovered from the suppliers to offset the tax liability.

14. Borrowings

	31 Mar 2023 £'000	31 Mar 2022 £'000
Amounts falling due within one year:		
Borrowings	3,233	3,151
	3,233	3,151
Amounts falling due after more than one year:		
Borrowings	18,286	21,631
	18,286	21,631
Total Borrowings	21,519	24,782
Analysis of expected timing of flows:		
Not later than one year	3,233	3,151
Later than one year and not later than five years	14,063	13,787
Later than five years	4,223	7,844
	21,519	24,782

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

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

Notes to the financial statements

15. Financial liabilities

	31 Mar 2023 £'000	31 Mar 2022 £'000
Amounts falling due within one year:		
Derivative Forward Purchase Programme Financial Liability	-	1,568
	-	1,568
Amounts falling due after more than one year:		
Derivative Forward Purchase Programme Financial Liability	72	651
	72	651
Total Financial Liabilities	72	2,219
Analysis of expected timing of flows:		
Not later than one year	-	1,568
Later than one year and not later than five years	72	651
Later than five years	-	-
	72	2,219

The derivative relates to the net exposure on foreign currency forward purchase contracts denominated in Euros. Please see Note 9 Financial Assets for further information.

16. Lease arrangements

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

	31 Mar 2023 £'000	31 Mar 2022 £'000
Not later than one year	3,233	3,151
Later than one year and not later than five years	14,063	13,787
Later than five years	4,223	7,844
	21,519	24,782

The Company occupies business premises in Birmingham and London and these arrangements are treated as lease obligations as shown above, valued in accordance with IFRS 16. The maturity analysis above is consistent with the borrowings disclosed in Note 14.

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

The total cash outflow in respect of the leases for the current financial year was £3.8 million (2021/22: £3.8 million).

17. Financial commitments

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

	31 Mar 2023 £'000	31 Mar 2022 £'000
Financial commitments (excluding capital commitments)	4,763	–
Property, plant and equipment	2,754,210	1,142,795
Intangible assets	–	188
Contracted capital commitments	2,754,210	1,142,983

Payments related to the financial commitments are £4.0 million within one year and £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.

18. Contingent liabilities

Contingent liabilities do not represent a current liability for the Company at 31 March 2023, 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 lead to a contingent liability totalling £30.0 million (2021/22: £30.0 million). This is an undertaking and assurance where there is a 'possible obligation' (as defined by IAS 37) to relocate residents as a consequence of construction work if required. For the financial year ended 31 March 2022, contingent liabilities were restated by £321.5m as the treatment used to classify contingent liabilities was reviewed and updated.
- As part of its normal course of business, the Company has given indemnities to individuals and companies who could be impacted by the construction of HS2. In all cases, no claims have arisen. It is not possible to quantify the liabilities that may arise in the future with any reliability:
 - A Framework Asset Protection Agreement with Network Rail dated 13 January 2015. The agreement includes an uncapped indemnity in relation to all losses suffered by Network Rail because of the Company's works.
 - A number of Protective Provisions Agreements (PPA) with either special status or utility companies that include indemnities in relation to the Company's work as Nominated Undertaker for constructing HS2. These agreements go no further than the provisions made in the High Speed Rail programme that provide for protection, repair, compensation and indemnification for valid third party claims.
- Agreements providing for access to land and property owned by private individuals and businesses prior to the construction phase. Such agreements provide an indemnity to the property owners for loss or damage caused by the Company in the course of its work.
- Potential legal claims (including one ongoing case awaiting judgement), tax or disputed supplier costs where the likelihood of the Company making payments in the future is less than probable as at 31 March 2023. Where applicable, the values have not been disclosed as they have a potentially prejudicial impact on the outcome of any proceedings or claims.

Notes to the financial statements

18. Contingent liabilities continued

- 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 2023 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 2.12, the Company does not have any contingent liability in respect of the potential cost of property that may be acquired in the name of the Secretary of State along the HS2 route. Any such contingent liability will be reported in the DfT's financial statements.

19. Related-party transactions

HS2 Ltd is an Executive Non-Departmental Public Body sponsored by the DfT Core Department. The DfT is regarded as a controlling related party. The Company's primary source of funding is through the DfT, based on approved expenditure that is voted on by Parliament. The total amount of funding received from the DfT for the year ended 31 March 2023 amounted to £6,871 million (2021/22: £5,062.9 million).

During the year, the Company had a number of transactions with the DfT Core Department with the amount paid and payable at year-end totalling £22.1 million (2021/22: £41.0 million) and receivable at year-end totalling £7.0 million (2021/22: £5.8 million).

The Company had a number of IFRS16 transactions with the DfT Core Department for leasehold assets between both parties. These included £4.4 million for Depreciation and Finance cost charges (2021/22: £4.4 million) and £0.8 million reduction in the outstanding lease liability at the year-end.

All of the transactions with the DfT Core Department are carried out on an arm's length basis. In total there were transactions with other central Government bodies totalling £265.3 million (2021/22: £250.8 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 on pages 51 – 59), 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.

Melvyn Ewell, Non-Executive Director of the Company, holds the position of Non-Executive Director Chairman for the Manufacturing Technology Centre Limited (MTC). The Company holds an annual membership to MTC Operations Limited (MTC Operations Limited is a wholly owned subsidiary of Manufacturing Technology Centre Limited). The MTC membership provides benefits to the Company including access to research. The amounts paid and payable at year-end to MTC was £0.4 million (2021/22: £0.2 million).

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

David Speight was engaged as the interim Delivery Director with a place on the HS2 Executive Committee starting from 1 March 2023. The engagement is in the form of a contract between Jacobs and HS2 Ltd. Accordingly, Mr Speight remains an employee of Jacobs during the period of the contract. It is acknowledged that Mr Speight has 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 is in place to address the conflicts of interest. Other transactions paid and payable at year-end to Jacobs were £0.4 million (2021/22: £0.5 million).

Emma Head, the Delivery Director for Technical Services for the Company, holds the position of Non-Executive Director for the Rail Safety and Standards Board (RSSB). RSSB is an industry body that requires Non-Executive appointments to be made from industry representatives. The Company pays a mandated annual membership fee to RSSB and have also engaged them for professional services work to provide independent expertise and validation on key rail safety challenges. The amounts paid and payable at year-end to RSSB was £0.3 million (2021/22: £0.2 million).

20. Losses and special payments

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

	31 Mar 2023 £'000	31 Mar 2022 £'000
Losses statement		
Total number of cases	6	6
Total amount (£000)	2,800	105,556
	31 Mar 2023 £'000	31 Mar 2022 £'000
Special payments		
Total number of cases	2	4
Total amount (£000)	5,025	26

A former landowner and its occupying tenant submitted a Judicial Review in the High Court against both the Department for Transport and HS2 alleging breach of Assurances previously given to the parties in relation to the amount of land required by HS2 and the design stages to be reached in assessing the quantum. The Claimants sought to have the General Vesting Declaration, which had been served at the expiry of the HS2 powers in February 2022, on their former land interests quashed and their former freehold land returned to them.

With approval from the Department for Transport and HM Treasury, HS2 entered into a negotiated Settlement Agreement in November 2022. These terms included a special payment of £5.0 million to the Claimants, granting of an easement and the ability to remain in occupation under Licence until 2027 unless HS2 needs the land earlier, whereby the Licence is terminated upon giving the requisite notice.

The General Vesting Declaration remained and the freehold interest in the land was vested by the Secretary of State for Transport in February 2023 with no further cost.

HS2 Ltd has a loan receivable from NCATI dating back to 27 March 2018 for a value of £2.77 million. The loan repayments were scheduled to start when NCATI reached a specified level of Operating Income (earnings before interest, taxes, depreciation, and amortization). On 4 April 2023, following a consultation, NCATI announced that direct delivery of its further and higher education programmes will be discontinued, and the College will be wound down by 31 July 2023. Based on an assessment of the financial forecasts and the available assets of the college HS2 Ltd has made the decision, with the approval of HM Treasury, to write off the loan and report it as a loss.

21. 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 60 to 63.

22. Ultimate controlling party

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

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