HM Treasury

Annual Report and Accounts

2021-22

HC 495

July 2022

HM Treasury

Annual Report and Accounts

2021-22

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Ordered by the House of Commons to be printed on 19 July 2022

HC 495 July 2022

This is part of a series of departmental publications which, along with the Main Estimates 2021-22 and the document Public Expenditure: Statistical Analysis 2020, present the government's outturn for 2020-21 and planned expenditure for 2022-23.

This publication is available at: www.gov.uk/official-documents.

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CORRECTION SLIP

Title: HM Treasury Annual Report and Accounts 2021-22

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The document provides a comprehensive account of the Treasury Group's use of resources and information about the Treasury's core activities. It also describes the Treasury's performance and achievements against the Treasury's Outcome Delivery Plan.

This correction slip replaces two typographical errors in the document relating to diversity of Senior Civil Servants.

Correction

Test currently reads (page 114):

Core Treasury - Workforce breakdown (headcount)

		31 March 2022	31 March 2021
Workforce Dynamics (%)	Annual Turnover rate (%)	18.8	13.9
Workforce Diversity (%)[1]	Diverse Ethnic Background	19.2	19.4
	Women	50.1	48.7
	Disabled person	10.2	9.1
	Part time	7.9	6.9
	LGBO	8.5	7.6
	Lower socio-economic background	16.6	12.6
Diversity of Senior Civil Servants	Diverse Ethnic Background	14.5	2.9
	Women	50.0	48.4
	Disabled person	6.6	5.2
	Part time	8.4	18.1
	LGBO	7.9	7.1
	LSEB	n/a	n/a

Text should read:

Core Treasury - Workforce breakdown (headcount)

		31 March 2022	31 March 2021
Workforce Dynamics (%)	Annual Turnover rate (%)	18.8	13.9
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Preface

About this Annual Report and Accounts

This document integrates performance and financial data with analysis to help readers gain a better understanding of the work of the Treasury and how it spends taxpayers' money to deliver the government's economic and fiscal policies. It covers the activities of the Treasury from April 2021 to March 2022 (inclusive), and is split into 4 main sections:

- the **Performance report** includes a summary of progress and key milestones achieved during 2021-2022 (the Performance overview), followed by a deeper dive into the department's achievements over the year against each of the three priority outcomes and the Treasury's own corporate objective (the Performance analysis)
- the **Accountability report** is further split into three sub sections and includes: a Corporate governance report where the Treasury reports on the operating structure of the department and important transparency matters such as conflicts of interest and whistle blowing. It also includes a statement of the Accounting Officer's responsibilities, and a Governance Statement on how the Treasury manages risk; a Remuneration and staff report setting out an open account of the pay and benefits received by ministers, executive and non-executive members of the Board, disclosures on Treasury's pay and pensions policies, and details of staff numbers and costs; and a Parliamentary accountability and audit report allowing readers to understand the department's expenditure against the money provided to it by Parliament by examining the Statement of Outturn against Parliamentary Supply. A copy of the audit certificate and report made to Parliament by the head of the National Audit Office setting out his opinion on the financial statements is also included in this section
- the **Financial statements** show the Treasury Group's income and expenditure for the financial year, the financial position of the department as at 31 March 2022, and additional information designed to enable readers to understand these results
- the **Trust Statement** provides a record of fine and levy income collected by Treasury on behalf of government during the financial year

Contents

Foreword by the Exchequer Secretary to the Treasury

As the United Kingdom's economics and finance ministry, HM Treasury's work is central to the prosperity and resilience of the nation. The department has continued to operate in a demanding context, responding to existing challenges including the COVID-19 pandemic, as well as new developments such as the growing conflict in Ukraine.

Despite the uncertain macroeconomic climate being exacerbated by the Russian invasion of Ukraine, HM Treasury continues to support the government's commitment to sustainable public finances and prudent, efficient, value-for-money spending. In November 2021, the department delivered the first multi-year Spending Review since 2015, setting departmental budgets to 2024-25 and taking forward plans to deliver over £600 billion of public sector investment. Alongside this, at the Autumn Budget the Chancellor announced new fiscal rules, developed by the Treasury, that will allow the government to continue funding first-class public services and drive economic growth through record investment, while ensuring that debt falls over the medium term.

The department is also delivering government measures to support households and businesses as global pressures have driven higher inflation. Through policy announced in the 2021 Autumn Budget and the March 2022 Spring Statement and further measures since the end of the financial year, HM Treasury's work has supported businesses and households by increasing the National Living Wage, providing financial support for millions of households to help with their energy bills, and increasing the employment allowance to support small businesses.

The department's work has also been at the forefront of the economic recovery from COVID-19. HM Treasury provided approximately £2 billion to support individuals and businesses through the winter months as the novel Omicron variant of COVID-19 began rapidly spreading in November. Thanks to previous measures taken by the government, and delivered by HM Treasury - including the Coronavirus Job Retention Scheme and the Self Employment Income Support Scheme to support employment and deliver a sustainable recovery - the economy has continued to recover over the course of this financial year, allowing us to close these schemes as of March 2022.

Through the 2021 Autumn Budget and Spending Review, the Treasury has contributed to the government's commitment to a green economic recovery from the pandemic, supporting the Prime Minister's Ten Point Plan for a green industrial revolution and the Net Zero Strategy with £30 billion in green investment from March 2021.

Internationally, the department has supported the Chancellor in delivering the UK's 2021 G7 Presidency, where agreements were reached on global tax reforms, COVID-19 recovery and vaccinations, and embedding climate change and biodiversity loss considerations into economic and financial decision-making. In support of the UK's COP26 Presidency, the Chancellor and HM Treasury led the Finance Campaign and Finance Day for the COP26 summit in November 2021, mobilising finance at scale for net zero and climate resilient development.

Most recently, HM Treasury has played a central role in enacting the UK government's response to the Russian invasion of Ukraine. The department has delivered the largest package of sanctions in its history, targeting over 1,000 high value individuals and entities to put pressure on the Russian economy and Putin's regime, and agreed funding for approximately £400 million in economic and humanitarian support for Ukraine.

I have every confidence that the department will continue to rise to the changes and challenges ahead, continuing to provide the highest quality advice, and serving citizens across the United Kingdom.

Alan Mak MP

Exchequer Secretary to the Treasury

14 July 2022

Chapter 1
Performance Report

Performance overview

HM Treasury is the government's economics and finance ministry, maintaining control over public spending, setting the direction of the UK's economic policy, and working to achieve strong and sustainable economic growth. This performance overview sets out how HM Treasury has worked to deliver its Priority Outcomes and corporate objectives and highlights key achievements.

HM Treasury has a very broad remit and its work touches everyone in the UK, as it covers public spending policy (including departmental spending, public sector pay and pensions, annually managed expenditure and welfare policy, and capital investment); financial services policy (including banking and financial markets regulation, financial stability, and financial services trade and competitiveness); strategic oversight of the UK tax system (including direct, indirect, business, property and personal tax); and, ensuring the economy is growing sustainably, including through decarbonisation of the economy. The department also plays a significant role promoting the UK's interests internationally – including, most recently, through its active role at the forefront of the international community's coordinated response to the Russian invasion of Ukraine.

For the year end 31 March 2022, the department was led by The Rt Hon Rishi Sunak MP, Chancellor of the Exchequer, supported by his ministerial team: The Rt Hon Simon Clarke MP (Chief Secretary), The Rt Hon Lucy Frazer QC MP (Financial Secretary), John Glen MP (Economic Secretary to the Treasury) and Helen Whately MP (Exchequer Secretary to the Treasury).

HM Treasury had three priority outcomes for 2021-22, published in its 2021-22 Outcome Delivery Plan[1]:

1. Place the public finances on a sustainable footing by controlling public spending and designing sustainable taxes
2. Level up the economy, ensuring strong employment and increase productivity across the regions and nations of the UK

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[1] https://www.gov.uk/government/publications/hm-treasury-outcome-delivery-plan/hm-treasury-outcome-delivery-plan-2021-to-2022

3. Ensure the stability of the macroeconomic environment and financial system

In 2021-22 HM Treasury launched its strategy to make the department a better place to work, retaining its values of being open, appreciative, collaborate and acting with integrity. It emphasises the importance of giving ministers the best possible advice while being an innovative and inclusive department, more representative of the people and places HM Treasury serves – including through the establishment and development of the Darlington Economic Campus. This builds on the Treasury's existing strengths which include an engaged and highly professional workforce, a rigorous approach to analysis, and a track record of playing a leading role in cross government reforms – which, together, ensure the department is well equipped to support ministers and respond to changing needs.

Key issues

HM Treasury faces a range of issues in its dual role as the UK's economics and finance ministry as well as a central government department and employer. The issues faced are diverse in nature and severity and will sometimes be determined by contextual demands and external forces over which the department may have influence but no control. Over the course of the year, the Executive Management Board and directors have actively considered such issues and risks as part of the Treasury's Risk Management Framework. The Governance Statement provides further detail.

The invasion of Ukraine

The Treasury is at the forefront of efforts to provide essential support to Ukraine and the Ukrainian people, and to cut off funding to Putin's regime. HM Treasury has implemented unprecedented measures to exclude Russian entities from international finance and the UK financial system. This includes asset freezes on Russian banks that collectively hold more than £250 billion in assets, over 1000 high-value individuals, entities and subsidies. The department has also barred the Russian state and over 3 million Russian companies from raising money in the UK, alongside facilitating over £400 million in aid to Ukraine.

Managing COVID-19 impacts on the economy

HM Treasury continues to focus on the economic recovery from COVID-19. Gross domestic product (GDP) rose by 7.5% over the 2021-2022 financial year.

The Coronavirus Job Retention Scheme and business loan schemes have been phased out as the macroeconomic environment stabilised after the shock of the pandemic. The department continued to work with the government's counter fraud function and delivery partners. As restrictions have been lifted, HM Treasury has continued to monitor and assess the macroeconomic environment and played a central role in developing the Living with COVID strategy.

The Office for Budget Responsibility (OBR) has revised its earlier estimates of the impact of the COVID-19 pandemic, and (as per its March 2022 forecast) believes it will have led to scarring that reduces the level of potential output by 2%, compared to its 3% estimate in March 2021. The OBR highlighted the effectiveness of the government's pandemic support policies in decreasing the impact of this scarring.

Cost of living

Consumer price (CPI) inflation has risen to a 30-year high in recent months. This has primarily been driven by global factors outside the government's control, including continued disruption to global supply chains and higher global energy and commodity prices. HM Treasury has been at the forefront of the government response to provide support with the cost of living. The support has included the energy bills rebate package, a cut in fuel duty, and an increased National Living Wage as part of a range of measures to mitigate the impact of inflation.

Managing public expenditure

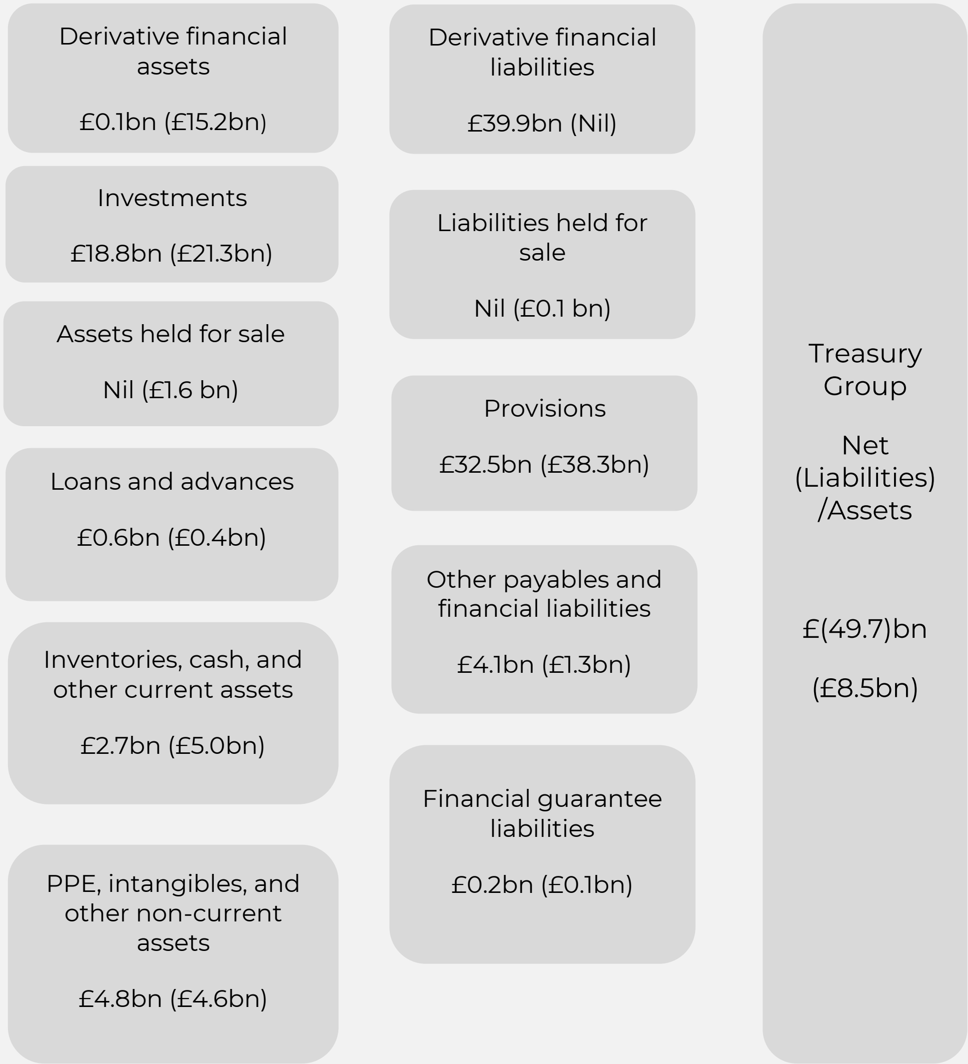
HM Treasury continued to manage public expenditure to drive value for money through the 2021 Spending Review settlement and in-year spending controls. Officials supported ministers in developing policy for funding government priorities, including capital expenditure and supporting our public services to combat COVID-19.

Multi-site working

HM Treasury is committed to ensuring an inclusive, multi-site department that attracts and retains diverse talent across the Darlington, London and Norwich offices. The department has embraced innovation in its ways of working and use of technology to build thriving workplaces and fulfil ambitions to widen the range of perspectives in the department.

The Treasury's finances

Figure 1A: Treasury Group Financial Position as at 31 March 2022 (restated 31 March 2021)[2]



Total assets £27.0bn (£48.1bn) Total liabilities £76.7bn (£39.8bn)

Detail of the entities which are consolidated into the Treasury Group can be found in Chapter 7.

HM Treasury has policy responsibility for several public corporations and non-ministerial departments, which are not consolidated in the Group accounts.

Public corporations include: Bank of England (and its subsidiaries); Financial Conduct Authority; NatWest Group plc (and its subsidiaries);

[2] Further information on the Treasury Group's Consolidated Statement of Financial Position can be found in the Financial Statements in Chapter 3. Prior year (2020-21) comparatives are shown in brackets.

the Crown Estate; Royal Mint Trading Fund (and its subsidiary); and, Local partnerships LLP.

Non-ministerial departments include: Government Actuary's Department; National Savings and Investments; and, Her Majesty's Revenue and Customs and its arm's length bodies (ALBs).

The ONS has classified Pool Re Ltd as part of central government, and they will be consolidated into the Treasury Group from 2022-23.

Where HM Treasury spent its money in 2021-22

The Treasury Group's income and expenditure is reported in the Statement of Comprehensive Net Expenditure (SoCNE) (page 177), and the Statement of Outturn against Parliamentary Supply (SOPS) (page 125).

For the year ended 31 March 2022, the Treasury Group reported net expenditure after tax of £48.3bn. Of this £43.4bn of net expenditure related to the Treasury Core and Agencies, and £0.1bn of net expenditure related to our ALBs.

The overview of expenditure/(income) by departmental expenditure limit (DEL) and annually managed expenditure (AME) is set out below. Detail on how each estimate line is linked to HM Treasury's priority outcomes can be found on pages 128-130 and explanations of the variance of outturn against estimate can be found on page 131.

In £m	2021-22 Estimate	2021-22 Outturn
Resource DEL	421	388
Resource AME	86,576	51,576
Capital DEL	48	15
Capital AME	(1,068)	(3,779)

The most significant expense for the Treasury Group during 2021-22 is the fair value movement of the Bank of England Asset Purchase Facility Fund (BEAPFF) derivative financial asset of £47.8bn (RAME). The Treasury provided the indemnity for BEAPFF, which was created to implement the quantitative easing programme, as a part of our objective to ensure the stability of the macroeconomic environment and financial system, enabling strong, sustainable growth.

The main area of income and gains for the Treasury Group is £3.9bn of capital income (CAME) from sale of NatWest shares.

Figure 1B: Treasury Group average number of persons employed (FTE) 2021-22

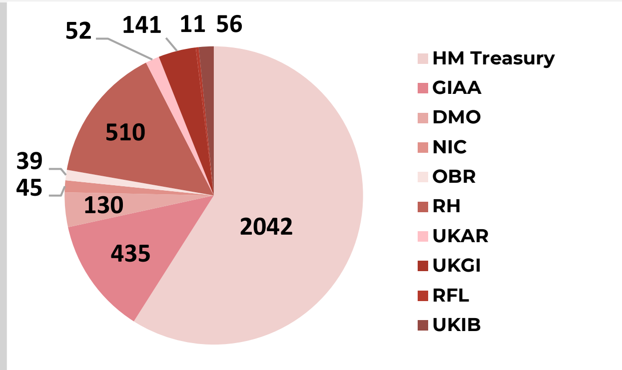


Figure 1B shows the average number of employees across the numerous Treasury Group entities

Figure 1C: Core Treasury grade split at 31 March 2022

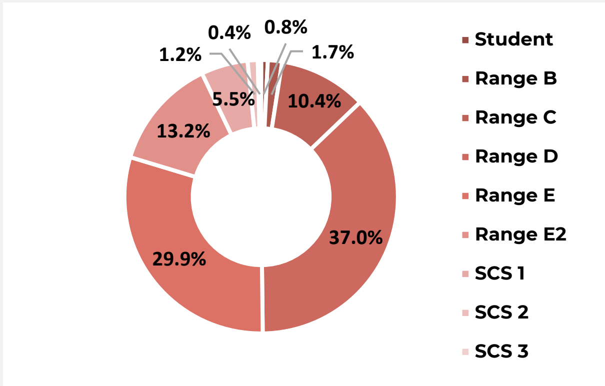


Figure 1C shows the grade split from student to SCS 3 across the Treasury Group

Five-year net expenditure analysis

The below figures show the net expenditure for the Treasury Group across the last five years.

Figure 1D: Five-year trend analysis – DEL net expenditure (£m)

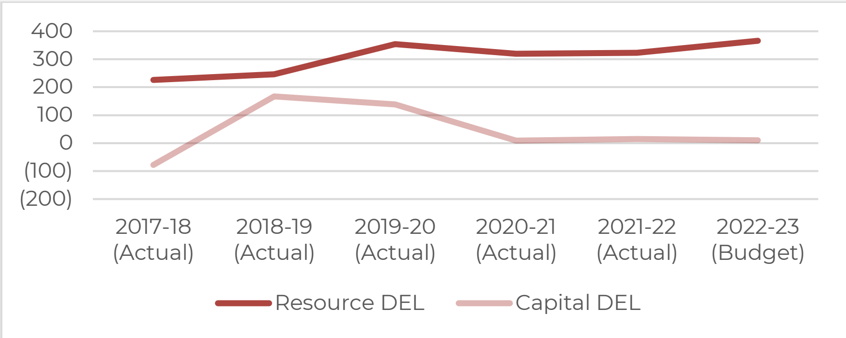


Figure 1D shows the five-year trend analysis of DEL expenditure with negative figures being net income

RDEL is more consistent, showing less significant volatility year on year compared with other expenditure. The increase in 2019-20 was predominately due to an extra-contractual legal settlement, whilst the increase in 2021-22 was due to the introduction of the London Capital and Finance Compensation Scheme.

CDEL expenditure peaked at 2018-19 due to the capital subscription to the Asian Infrastructure Investment Bank and the acceleration of loans provision as part of the Digital Infrastructure Investment Fund.

Figure 1E: Five-year trend analysis – AME net expenditure (£m)

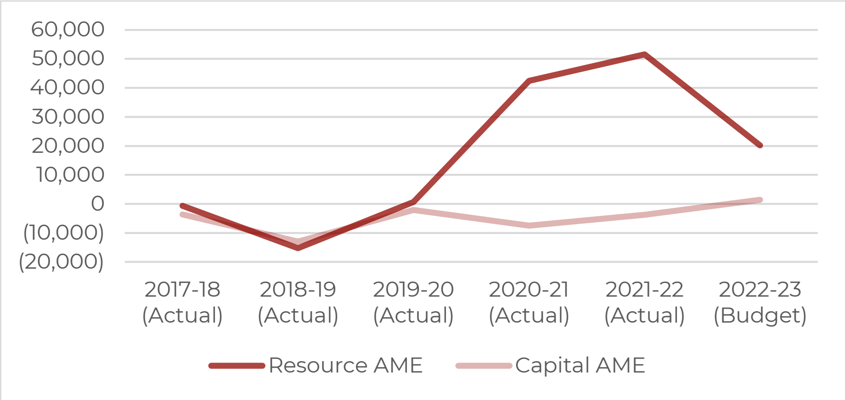


Figure 1E shows the five-year trend analysis of AME expenditure with negative figures being net income

RAME expenditure fluctuations were primarily driven by the movement in the Bank of England Asset Purchase Facility Fund (BEAPFF) derivative instrument. In 2019-20, the movement in the BEAPFF derivative was offset by the recognition of the EU Financial Settlement liability.

CAME fluctuations were mainly driven by NatWest share sales and UK Asset Resolution's loan sales. See Treasury Core tables on page 150-153 for more information.

Analysis of departmental COVID-19 expenditure

The table below sets out how the departmental group's funds were spent on COVID-19. Detail on the Treasury Group's performance against each priority outcome can be found from page 31-50 and information on COVID-19 can be found on page 27. None of the entities within the Treasury Group has made use of the COVID-19 support schemes.

Analysis of departmental group's COVID-19 – DEL expenditure/(income)

How funds were spent	Budget Category	Priority outcomes	2021-22 £000	2020-21 £000
Pay costs of staff delivering the policy response to the pandemic	Staff Costs	3	30,077	25,943
Additional costs for public financing-related activities.	Staff Costs	3	612	2,558
Use of external consultants to provide economic modelling of strategically important sectors which were potentially at risk during the pandemic. Support also provided for assessments of companies requiring bespoke or complex financial assistance.	Consultancy	3	2,034	6,348
Programme related spend for DMO settlement, custodial and brokerage costs	Programme costs	3	2,623	-
Use of financial services firms to provide due diligence accountancy analysis and advice on companies requesting bespoke financial assistance.	Professional Services	3	69	8,121
Additional hardware to enable staff to work from home.	ICT Outsourcing and Maintenance / Support	3	71	1,597
Provision of legal advice on the implementation of a number of policy interventions designed in response to the pandemic.	Legal Expenses	3	32	1,058
Adjustments to office buildings and increased cleaning costs as well as a number of other changes to support compliance with COVID-19 guidance.	Other Accommodation Costs	3	878	481
Total			**36,396**	**46,106**

Unused funding - All funding received by the department in relation to COVID-19 was used.

Use of estimates - The figures in the table above are actuals. As a policy department, a proportion of standing teams were reprioritised from their usual policy remit for periods of time to support the response to the pandemic. An estimation of the reprioritised resources to support the pandemic has not been made.

Analysis of departmental group's COVID-19 – AME expenditure/(income)				
How funds were spent	**Budget Category**	**Priority outcomes**	**2021-22 £000**	**2020-21 (restated) [3] £000**
In-year movement of the Covid Corporate Financing Facility (CCFF) derivative asset, which is an indemnity between HM Treasury and CCFF, an entity set up by the Bank of England, for any losses arising out of or in connection with the funding facility created to purchase high quality Commercial Paper from non-financial institutions that made a material contribution to the UK economy. All paper purchased under the scheme had been redeemed by March 2022. More information can be found under the "Contingent liabilities not required to be disclosed under IAS 37" section on page 116 and note 8 Revaluation of financial assets and liabilities in the SoCNE.	Assistance to financial institutions, businesses and individuals	3	(49,004)	(20,996)
Additional legal and actuarial advice, and travel and subsistence costs.	Arm's length bodies with AME budget	3	-	75
Additional hardware to enable staff to work from home.	Arm's length bodies with AME budget	3	-	285
Adjustments to buildings, surrounding infrastructure and increased cleaning costs as well as a number of other contract variations to support compliance with COVID-19 guidance.	Arm's length bodies with AME budget	3	-	1,851
Implementation of additional measures to support B&B and NRAM mortgage customers impacted by the pandemic, including offering payment deferrals of up to six months in line with FCA direction.	Arm's length bodies with AME budget	3	-	563
Total			**(49,004)**	**(18,222)**

Unused funding – All funding received by the department in relation to COVID-19 was used.

Use of estimates – The fair value of the derivative was measured by the net asset of the CCFF. More detail on CCFF can be found on note 25. Financial risk: management objectives and policies and sensitivity analysis. The other figures in the table above are actuals. As a policy department, a proportion of standing teams were reprioritised from their usual policy remit for periods of time to support the response to the pandemic. An estimation of the reprioritised resources to support the pandemic has not been made.

Note – AME expenditure is not shown by Budget Category for HM Treasury's internal reporting. Estimate lines are used where applicable.

[3] Prior periods have been restated to exclude the Financial Services Compensation Scheme (FSCS) which has been excluded from consolidation following ONS's reclassification outside central government backdated to its inception in 2001. See also Note 30 – Prior period restatements.

Analysis of departmental EU exit expenditure

The table below sets out how the departmental group's funds were spent on EU Exit. Detail on the Treasury Group's performance against each priority outcome can be found from page 31-50.

Analysis of EU Exit - DEL expenditure

How funds were spent	Budget Category	Priority outcomes	2021-22 £000	2020-21 £000
Resourcing devoted to the policy and delivery considerations of EU Exit across HM Treasury, including but not limited to: negotiations, customs, economic analysis and financial services policy.	Staff cost	3	32,442	35,164
Accounting and actuarial services relating to the Financial Settlement for EU Exit.	Professional Services	3	519	1,156
Use of legal advisory services relating to Equivalence and related issues. The Equivalence project relates to the EU's assessment of whether the UK legislative regime is equivalent to the EU's regime in certain key areas of financial services.	Consultancy	3	201	586
Consultancy spend relating to the fiscal impact analysis of various EU Exit scenarios.	Consultancy	3	-	306
Total			**33,162**	**37,212**

Unused funding – All funding received by the department in relation to EU Exit was used.

Use of estimates – The figures in the table above are actuals.

Analysis of EU Exit - AME expenditure/(income)

How funds were spent	Budget Category	Priority outcomes	2021-22 £000	2020-21 £000
Net movements of liabilities and assets arising from the EU Withdrawal Agreement.	EU Withdrawal Agreement Financial Settlement	3	4,572,328	(2,384,750)
Total			**4,572,328**	**(2,384,750)**

Unused funding – Due to unpredictable exchange rate movements and uncertainty over movements in the underlying assets and liabilities at the time that budgetary cover was sought, a decision was made to cover a £5.3bn net increase in the liability, thereby generating the variance of £760m for 2021-22. By electing to budget for the potential downside, this ensured that a breach in control totals was less likely to occur. The variance of £8bn for 2020-21 was due to the same reason. See also Statement of Outturn against Parliamentary Supply from page 125.

Use of estimates - Detail of the estimates is set out in note 1.4 Significant judgments and estimates.

Summary of the financial settlement as it appears within HM Treasury's accounts

Nature of balance	Note	Value (£m)	Consists of
Provisions	17	(31,097)	Reste à Liquider (RAL), pensions, legal cases
Trade and other receivables	10	4,596	Cash returns relating to the EU's guarantee funds, share of investment in European Coal and Steel Community and European Investment Fund, budget adjustment, infringement, Traditional Own Resource adjustment, fine income for final, and European Investment Bank
Trade and other payables	16	(2,801)	Cash payments relating to the EU's guarantee funds and budget adjustments
Total amount recognised 31 March 2022		**(29,302)**	
Contingent assets	22	1,458	Fines imposed on companies found in breach of EU antitrust rules
Contingent liabilities	23	(152)	Legal cases
Non-IAS 37 contingent liabilities	Page 139	(30,707)	European Investment Bank callable and returned paid in capital

Additional disclosures are included in Note 1.4 – Significant judgements and estimates and Note 24.3 – Financial risk, Core Treasury and Agencies – EU Financial Settlement.

Financial risks

In carrying out its activities, the Treasury is exposed to a number of risks, including financial risks that have arisen due to the UK's exit from the European Union, the department's response to the COVID-19 disruption and the 2008 banking crisis.

The department has a Risk Management Framework in place to consider, manage and, where possible, mitigate these risks.

The table below outlines a summary of the key financial risks for the Treasury for the reporting year. Further details on the Treasury's risk management are set out in the Governance Statement in Chapter 2 and Note 25 to the financial statements.

Summary of key financial risks

Type of risk	**Relates to**	**Carrying amount (£ billion)**	**Note to the Accounts**
Credit risk	Loans and investment securities	0.6	13
Credit risk	Financial guarantees	0.2	18
Price risk	NatWest shareholding	11.0	12
Market risk	BEAPFF	(39.8)	14
Market and currency risk	EU financial settlement net assets	1.8	10, 16

In addition, the department holds a provision of £31.1bn for the amount payable to the EU under the financial settlement following the UK's withdrawal. The amount that will ultimately be paid is sensitive to a number of factors which are discussed in Note 17.

Going concern

In common with other government departments, the financing of the department's future service provision and liabilities are to be met by future grants of Supply and the application of future income, approved annually by Parliament. Parliament has authorised spending for 2022-23 in the Central Government Main Supply Estimates and there is no reason to believe that future approvals will not be made. It has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Treasury key performance indicators April 2021 – March 2022

Priority Outcome 1: Place the public finances on sustainable footing by controlling public spending and designing sustainable taxes

Public sector net debt excluding Bank of England (PSND ex BoE) as a percentage of GDP	
This is a stock measure of the public sector's net liability position, i.e. its liabilities minus its liquid assets. It also excludes the liabilities and the liquid assets held on the Bank of England's balance sheet. PSND ex BoE is measured on a cash rather than an accrued basis.	PSND ex BoE reached 82.9% of GDP in 2021-22 and is forecast to peak at 83.5% of GDP in 2022-23, and subsequently fall in each year of the rest of the forecast. *Source: Office for National Statistics and Office for Budget Responsibility*

Public sector net investment (PSNI) as a percentage of GDP	
PSNI is the sum of all capital spending, mainly net acquisitions of capital assets and capital grants, less the depreciation of the stock of capital assets.	PSNI is estimated at 2.7% of GDP in 2021-22 and is expected to rise across the forecast horizon, averaging 2.5% of GDP between 2022-23 and 2026-27, and therefore meets the fiscal target of below 3%. PSNI remains at the highest sustained level since the late 1970s. *Source: Office for National Statistics and Office for Budget Responsibility*

Current budget deficit as a percentage of GDP	
The current budget deficit is the difference between government's day-to-day spending and its revenue. It is measured on an accrued basis.	The current budget deficit fell to 3.4% of GDP in 2021-22. The OBR's March forecast expects that the deficit will fall (i.e. the balance will improve) in each year of the forecast, reaching a surplus in 2023-24. In 2024-25 the current budget surplus is projected to be 1.2% of GDP, improving further to 1.4% of GDP in 2026-27. *Source: Office for National Statistics and Office for Budget Responsibility.*

Priority Outcome 2: Level up the economy, ensuring strong employment and increase productivity across the regions and nations of the UK

Employment Rate – UK and regional (16-64 year olds)	
This shows the headline measure of progress on employment.	In the three months to February 2022 the employment rate (16-64) was 75.5%. This is 1 percentage point lower than the record-high levels in the three months to February 2020. According to early estimates from HMRC PAYE Real Time Information, the number of paid employees increased by 35,000 in March, 1.9 percentage points above February 2020 levels. In March 2022, the OBR forecast the unemployment rate to be 4.0% in 2022, rising slightly to 4.2% in 2023, and 4.1% from 2024 to 2026.

	Source: Office for National Statistics, HMRC PAYE Real Time Information Data, and Office for Budget Responsibility

Business investment as a percentage of GDP	
Business investment as a share of GDP affects the UK's productivity and the long-term sustainable growth rate.	Business investment totalled 9.8% of GDP (or £200 billion) in 2020. In 2020, business investment fell by 11.5% in real terms however, the OBR (March 2022) forecast business investment to rise by 10.6% in 2022, recovering to its pre-COVID-19 level by Q3 2022. *Source: Office for National Statistics and Office for Budget Responsibility*

UK output per hour growth (per cent)	
Growth in output per hour is the main indicator of productivity growth.	Output per hour grew by 1.2% in 2021. However, productivity has been particularly volatile over the course of the COVID-19 pandemic. The OBR assumes that the pandemic will have a negative effect on productivity growth in the medium and long run, leading to output per hour in 2025 around 2% below the level projected in their March 2020 forecast. *Source: Office for National Statistics and Office for Budget Responsibility*

Priority Outcome 3: Ensure the stability of the macroeconomic environment and financial system

Gross Domestic Product (GDP)	
GDP shows the total value of all goods and services an economy produces. GDP growth is the main indicator of economic activity.	As a result of the recovery from the COVID-19 pandemic and the gradual lifting of measures taken to contain the virus, the economy grew faster than expected during 2021, with GDP increasing 7.4%. As of February 2022, GDP growth was 1.5% above pre-pandemic levels. At the 2022 Spring Statement, the OBR forecast GDP to grow by 3.8% in 2022 and 1.8% in 2023. *Source: Office for National Statistics and Office for Budget Responsibility.*

CPI inflation	
The rate of inflation shows the average change in the prices of goods and services bought by households.	CPI Inflation averaged 2.6% across 2021 calendar year, with annual inflation ranging from 0.4% in February to 5.4% in December. Inflation rose further to 7.0% in March 2022, the highest rate in 30 years. As the global economy recovers from COVID-19, many economies are experiencing high inflation as a result of the pandemic. This is in part due to pressures from rising energy and commodity prices, as well as disruption to global supply chains caused by a mismatch between elevated global demand and bottlenecks in supply. These global pressures were the main drivers of the higher inflation in the UK. The Office for Budget Responsibility forecasts inflation to average 7.4% across

	2022, and to fall back close to the 2% target by the end of 2023. *Source: Office for National Statistics and Office for Budget Responsibility*

Aggregate capital ratio for the UK banking sector (using Common Equity tier 1 capital ratios)	
The aggregate capital ratio is the percentage of the total capital held by the banking system to its risk-weighted assets. It is a measure of the loss absorbing capacity of the banking system and is an indicator of the resilience of the financial system.	The most recent data show that the aggregate Common Equity Tier 1 capital ratio for the UK banking sector was 16.8% in Q4 2021, up 0.3ppts on Q3 2021. Overall, the key capital ratio for major UK banks remains over three times more than during the financial crisis and significantly above regulatory requirements, demonstrating that the sector is resilient. *Source: Bank of England*

Snapshot of Treasury activity in 2021-22

Month	Milestones
April	**1 April** National Living Wage and Minimum Wage increase comes into effect; Second sovereign Sukuk settled **6 April** £75 billion Recovery Loan Scheme launched to protect businesses and jobs **18 April** New mortgage scheme to help first-time buyers by securing a mortgage with only a 5% deposit launched **19 April** Details of the compensation scheme for London Capital and Finance announced **29 April** Financial Services Act received Royal Assent
May	**11 May** Announcement that £1.1 billion has raised from sell-down of NatWest Group shareholding
June	**5 June** G7 Finance Ministers agree historic Global Tax Agreement to ensure big international companies start paying their fair share **14 June** Sam Woods reappointed CEO of Prudential Regulation Authority **17 June** UK Infrastructure Bank opens for business **29 June** Business Rates Revaluations Consultation launched **30 June** UK and Singapore agree landmark Financial Partnership for financial services
July	**1 July** Chancellor's Mansion House speech **20 July** £375 million scheme launched to drive investment in high-growth UK firms; Simplified tax reporting for self-employed and small businesses announced
August	**2 August** Vindi Banga appointed new Chair of UK Government Investments **3 August** £7million fund launch to support more flexible apprenticeships opportunities **4 August** Bank of England announces roadmap for quantitative easing unwinding
September	**1 September** John Flint appointed as UK Infrastructure Bank CEO

	2 September UK-India Economic and Financial Dialogue ends with agreements on tackling climate change and boosting investment **7 September** Spending Review 2021 launched; £36 billion investment to reform NHS and Social Care announced **21 September** UK's first Green Gilt raises £10 billion for green projects **22 September** £800 million Reinsurance Scheme opens to help the live events sector
October	**4 October** £500 million Plan for Jobs Expansion announced **14 October** UK and Scottish government agree the first stage of the Fiscal Framework Review of the Scottish government **18 October** Chancellor set out new standards for environmental reporting to support the transition to a greener financial system **20 October** Health and Social Care Levy Act introduced; London Capital and Finance Act receives Royal Assent **21 October** Second UK Green Gilt issuance raised £6 billion for green projects; UK agrees transition to a new global tax system to ensure multinationals pay their fair share **27 October** Autumn Budget and 2021 Spending Review published **29 October** Mandatory climate disclosures for companies with over 500 employees and £500million turnover introduced; FCA approves UKAR's sale of Bradford and Bingley and Northern Rock Asset Management to the private sector
November	**3 November** COP26 Finance Day - announcement of UK plans to become the world's first net zero financial centre **4 November** Finance Bill 2021-22 published
December	**15 December** £430 million funding for Devolved Administrations to tackle Covid **20 December** New National Infrastructure Commission site announced in Leeds **21 December** £1 billion in support for businesses most impacted by Omicron launched

	23 December Emergency funding for arts, culture and heritage doubled to £60 million to tackle the impact of Omicron **29 December** An extra £60 million for adult social care announced
January	**7 January** Extra grant funding of £700 million announced to help businesses impacted by Omicron **11 January** Consultation on domestic implementation of global minimum tax for large multinationals launched
February	**3 February** £9.1 billion of government support announced to help with rising energy costs through the Energy Bills Rebate **21 February** Reforms to reduce red tape in the insurance sector announced **25 February** UK-Singapore Digital Economy Agreement announced **28 February** Economic Crime Bill announced; Sanctions introduced targeting Central Bank of the Russian Federation
March	**1 March** Reforms to wholesale capital markets regulation and listings rules announced **3 March** Further sanctions on Russian entities announced **15 March** New economic sanctions against Russia announced **18 March** COVID-19 business lending scheme closes **23 March** Spring Statement speech, announcing various measures including tax cuts to support families with cost of living **28 March** £1.2 billion share sale from NatWest Group reduces government stake to below 50% for the first time since financial crisis

Performance analysis

Response to the invasion of Ukraine

Sanctions

In response to the Russian invasion of Ukraine, HM Treasury has supported the government in delivering the largest package of sanctions in its history. Between 22 February and 31 March 2022, 864 individuals and entities have had an asset freeze imposed on them under the Russia sanctions regime, including some of Russia's most significant and high-value individuals, as well as other financial measures to isolate the Russian financial system. HM Treasury's Office of Financial Sanctions Implementation (OFSI) publishes details in its Consolidated List of Asset Freeze Targets to assist industry with screening and due diligence. OFSI has delivered a significant outreach programme alongside government partners to assist the public and other stakeholders in understanding the sanctions and improving compliance.

Trade

Acting alongside international partners including the G7, the UK has announced removal of Most Favoured Nation status from Russia and Belarus under World Trade Organisation rules. HM Treasury has worked with other departments to impose additional tariffs of 35% on an initial list of approximately £1 billion of Russian imports.

Finance

The Treasury contributed to the government's engagement with international partners to remove key Russian and Belarusian banks from SWIFT, as part of the government's efforts, with allies, to isolate Russia from the global financial system.

Working alongside the Bank of England and the regulators, HM Treasury is closely monitoring any possible financial stability impacts despite the UK banking sector's low exposure to Russia.

Humanitarian Response

The Treasury has made available around £400 million as part of the government's package of economic and humanitarian support for Ukraine. This comprises:

- a £220 million package of aid, making the UK a leading bilateral humanitarian donor;

- a $100 million (c.£74m) budgetary support grant, contributing to the World Bank's over $700m March emergency financing package for the Ukrainian government; and
- a £100 million grant to support Ukraine's energy and security reforms, primarily delivered through World Bank programmes.

The government has also announced two new visa schemes to welcome Ukrainian refugees to the UK: the Ukraine Family Scheme, and Homes for Ukraine. HM Treasury has worked with departments to support the successful delivery of these schemes, which includes the government agreeing to fund Local Authorities an extra £10,500 per person to cover their costs associated with Homes for Ukraine, and will support UK sponsors for Ukrainian refugees with up to £350 per address per month, payable for up to 12 months.

Summary of COVID-19 interventions

Support for individuals and businesses

Support to individuals and business has been delivered through a wide range of economic support schemes, delivered by a range of government departments (e.g. HMRC for the Coronavirus Job Retention Scheme and Self-Employment Income Support Scheme; BEIS for COVID-19 business grants schemes). In the 2021-22 financial year, support included the schemes detailed below. Further information on individual COVID-19 schemes in 2021-22 will be set out in the respective annual report and accounts of government departments responsible for those schemes.

- The Coronavirus Job Retention Scheme (CJRS) and Self-Employment Income Support Scheme (SEISS) continued into 2021-22. The CJRS has supported 11.7 million jobs and 1.3 million employers across the UK. The SEISS has paid out over £28 billion to nearly 3 million self-employed individuals. The CJRS and SEISS closed on 30 September 2021.
- The temporary reduced rate of VAT for businesses in the hospitality and tourism sectors continued from the previous financial year. This rate reverted to its pre-pandemic level of 20% at the end of March 2022.
- Business support schemes also included the Restart Grant and the Additional Restrictions Grant closed on 30 June 2021 and 31 March 2022 respectively.

- In response to the Omicron variant the Omicron Hospitality and Leisure Grant was introduced in December 2021 and closed on 31 March 2022.
- The Recovery Loan Scheme (RLS) opened to new applications on 6 April 2021 providing access to finance for small and medium-sized enterprises.
- Eligible retail, hospitality and leisure properties in England were granted a 100% business rates relief from 1 April 2021 to 30 June 2021. This was followed by 66% business rates relief for the period from 1 July 2021 to 31 March 2022.
- The government also launched the £1.5 billion COVID-19 Additional Relief Fund (CARF), designed to support businesses that have been affected by COVID-19 but have not been covered by existing support linked to business rates.

HM Treasury also worked with the insurance industry to deliver the Live Events Reinsurance Scheme. Over £800 million of cover has been made available under the scheme.

Countering Fraud against COVID-19 schemes

HM Treasury takes the risks associated with fraud against the schemes described extremely seriously. In taking difficult decisions on these unprecedented schemes, the department had to balance the strong public interest in providing immediate support against the inevitable fiscal and fraud risks in doing so. The Treasury continues to work closely with delivery departments to take action to mitigate fraud risk, and has invested £25 million in the new Public Sector Fraud Authority which will double funding for the government's central counter fraud capacity.

This investment forms part of a new package of measures to tackle fraud announced by the Chancellor in the Spring Statement 2022.

This package provides an additional £48.8m of funding over 3 years to support the creation of a new Public Sector Fraud Authority and enhance counter-fraud work across the British Business Bank and the National Investigation Service in relation to the Bounce Back Loan Scheme, including for additional data analytics and enforcement capabilities. The package also includes a further £12m to HMRC which builds on previous funding, including an over £100 million investment in the Taxpayer Protection Taskforce of 1,265 HMRC staff to combat fraud on the HMRC COVID-19 schemes.

The Treasury introduced additional reporting requirements for the 2020-21 Annual Report and Accounts. Departments must make an evidence-based estimate for the level of fraud and error in the COVID-19 support schemes that they administer and explain how these risks are being managed.

In 2022, the Treasury further strengthened existing counter fraud guidance and requirements. For any new major area of spend, departments are now required to assess the risk of and impact from fraud at the outset when the spending is proposed. Additional guidance has been provided to departments on counter fraud measures that should be taken into account in the business case process.

The Treasury estimates no losses due to fraud and error have taken place in the Covid Corporate Financing Facility, which the Bank of England managed on its behalf and which has since closed.

Support for public services

The Treasury allocated a further £83.4 billion to departments to support public services and the recovery from COVID-19, as part of the government's measures to ensure their resilience to the pressures of this pandemic.

The UK vaccination programme

HM Treasury has supported the government in providing £3.8 billion additional funding for vaccine procurement, deployment and research and development (R&D) as well as a further £160 million for vaccine development and manufacturing capacity over the course of 2021-22. This funding has enabled over 90% of the UK's over-12 population to receive at least one dose of the vaccine, and two-thirds to receive three doses.

Supporting global COVID-19 recovery

The UK has played a leading role in global vaccine access and has HM Treasury has supported the government's commitment of up to £1.4 billion of UK aid to address the impacts of COVID-19 and to help end the pandemic.

Response to economic shocks

As the global economy reopened following the COVID-19 pandemic, inflation has risen around the world, including in the UK. Demand for goods recovered more quickly than supply could immediately meet, which put pressure on global supply chains and led to higher prices for energy, raw materials and goods. The repercussions of Russia's invasion of Ukraine have added to these pressures and increased inflation further, with the full long-term consequences not yet being clear.

These developments have major consequences for both businesses and individuals and the Treasury continues to support the government's commitment to taking action to support those most acutely affected.

Support for individuals

HM Treasury designed a package of support to help households with rising energy bills launched in February 2022, worth £9.1 billion in 2022-23, as well as measures in the 2022 Spring Statement that included cutting fuel duty for 12 months, saving consumers almost £2.4 billion. This is on top of existing support for households with the cost of energy bills, such as the Warm Home Discount, the Winter Fuel Payment and the Cold Weather Payment. Further measures have been introduced since the end of the financial year.

The Treasury has also developed a number of policy changes designed to support the government's approach to helping people into work: a reduction in the Universal Credit taper rate from 63% to 55%; an increase in work allowances by £500 per annum from late 2021; the National Living Wage has been increased by 6.6% to £9.50 per hour for workers aged 23 or over; and, the National Insurance threshold has been increased from £9,880 to £12,570.

Support for businesses

The Treasury has also developed policies as part of the government's support to businesses affected by rising costs: an increase to the Employment Allowance with a tax cut worth up to £1,000 each, an increase to the annual investment allowance from £200,000 to £1 million until March 2023, a business rates relief worth almost £1.7 billion for hospitality, retail and leisure businesses and R&D tax reliefs to encourage investment.

The Treasury has also worked with the Department for Business, Energy and Industrial Strategy to support energy companies and ensure minimal disruption to consumers. This included the setting up of the Special Administration Regime for energy provider Bulb in November 2021 after the company declared insolvency.

Priority Outcome 1: Place the public finances on sustainable footing by controlling public spending and designing sustainable taxes

Lead minister:	**Chancellor of the Exchequer**
Lead officials:	**Cat Little,** Director General, Public Spending **Clare Lombardelli**, Director General, Chief Economic Adviser **Beth Russell**, Director General, Tax and Welfare
KPIs:	PSNI as a percentage of GDP PSND ex BoE as a percentage of GDP Current budget deficit as a percentage of GDP
Arm's length bodies that support Priority Outcome 1:	
UK Government Investments (UKGI) UKGI began operating on 1 April 2016 as a government company and is wholly owned by HM Treasury. UKGI is responsible for managing the government's financial and stewardship interests in a range of state-owned assets. This includes the government's shareholding in NatWest Group (NWG) and UK Asset Resolution (UKAR).	Government Internal Audit Agency (GIAA) GIAA was launched on 1 April 2015 and provides assurance to Accounting Officers that financial management practices meet required standards.

Office for Budget Responsibility (OBR) Created in 2010 to provide independent and authoritative analysis of the UK's public finances, the OBR is an Executive Non-Departmental Public Body (NDPB) sponsored by the Treasury.	Office for Tax Simplification (OTS) Created in 2010 to provide the government with independent advice on simplifying the UK tax system, the OTS is an independent office of the Treasury.
Debt Management Office (DMO) Established as an Executive Agency of the Treasury in 1998, the DMO's responsibilities include debt and cash management for the UK government, lending to local authorities and managing certain public sector funds.	

Overview and key components

This priority outcome is at the heart of HM Treasury's role as a finance ministry. At its core is the need to maintain a sustainable approach across public expenditure, revenue raising, and borrowing, underpinned by prudent debt and reserves management. The key channels through which HM Treasury deliver this are:

- efficient, well-run fiscal events and legislation including the Budget, Finance Bill and the Spending Review
- ensuring value for money, transparency and risk management in spending across government
- managing the overall balance between taxes, borrowing and debt to ensure sustainability, fairness and stability
- monitoring and analysis of taxes and spending to ensure effective debt, cash and reserve management, ensuring sustainability of the public finances

Delivering the government's fiscal mandate

At the 2021 Autumn Budget, the Chancellor announced new fiscal rules developed by the Treasury. These are designed to allow the government to continue funding first-class public services and drive economic growth through record investment, while ensuring that debt falls over the medium term. The Charter for Budget Responsibility, which sets out the government's fiscal mandate and supplementary fiscal targets announced at Autumn Budget 2021, was approved by the House of Commons on 24 January 2022.

The government's fiscal mandate to reduce underlying debt as a percentage of gross domestic product (GDP) in the medium term will reduce the risk created by exposure to changes in interest rates and inflation and keep the public finances on a sustainable footing in the years to come. The fiscal mandate is supplemented by targets that require current spending to be sustainably funded through tax revenues, while also delivering on plans for significant investment in the economy.

In the March 2022 Spring Forecast the OBR forecast that the government will meet all its fiscal rules, with underlying debt falling and the current budget in surplus by the target year, 2024-25. The fiscal rules are met with a headroom of £27.8 billion (1.0% of GDP) against debt falling and the current budget is in surplus by £31.6 billion (1.2% of GDP). Public Sector Net Investment is expected to average 2.5% of GDP over the forecast period and the welfare cap is forecast to be met.

Managing public expenditure

After providing unprecedented support for the response to COVID-19, in 2021-22 the government took action to ensure that public finances remain on a sustainable path while laying the foundations for strong medium-term growth and continued investment in public services.

In October, HM Treasury delivered the Autumn Budget and Spending Review 2021 (SR21). SR21 set departmental resource and capital budgets and devolved administrations' block grants from 2022-23 until 2024-25, the first-time multi-year budgets have been set for departments since 2015. Setting budgets for three years provides planning certainty for departments and allows the government to prioritise spending that most effectively delivers its priorities for the rest of the Parliament.

SR21 confirmed that total departmental spending will increase by £150 billion a year by 2024-25 to fund these priorities, including investing in stronger public services, levelling up opportunity and driving economic growth. The Spending Review also set out how the government will continue to deliver on its ambitious plans to increase public sector net investment to its highest sustained levels as a proportion of GDP since the late 1970s.

SR21 placed a renewed emphasis on the real-world impact of public spending and ensuring that every pound of taxpayers' money is spent well. The SR set out Priority Outcomes that departments will deliver with their agreed funding while also confirming savings of 5% against day-to-day central departmental budgets in 2024-25. Going ahead there will be a continued focus on efficiency, supported by the new Cabinet Committee on Efficiency and Value for Money chaired by the Chancellor.

Throughout 2021-22, HM Treasury also delivered ongoing in-year spending management and maintenance of the expenditure framework via spending relationships with other government departments, and through the Main Supply Estimates and Supplementary Estimates processes.

Tax policy

HM Treasury and HM Revenue and Customs (HMRC) have worked closely across the Policy Partnership to implement a number of important changes to the tax system. This included the new Health and Social Care Levy to fund a permanent increase in health and social care spending. The Autumn Budget and Spending Review 2021 included measures to reform the tax system, such as changes to Alcohol Duty and Air Passenger Duty. HM Treasury and HMRC worked on the Tax Administration and Maintenance command paper that was published on 30 November 2021. This announced a package of consultations and calls for evidence related to tax policy development and the administration and maintenance of the tax system.

Spring Statement 2022 contained several tax announcements, including increasing the National Insurance starting thresholds for employees and the self-employed from July 2022 to align with the income tax Personal Allowance; cutting the basic rate of income tax from 20% to 19% from April 2024; cutting fuel duty on petrol and diesel by 5p per litre for twelve months; and, reforming VAT to extend the relief available for the installation of energy saving materials.

Legislation was passed to give effect to the policy changes above through: the Finance Acts 2021 and 2022; the Health and Social Care Levy Act 2021; and, the National Insurance Contributions (Increase of Thresholds) Act 2022.

Government Finance Function

HM Treasury supports the effective management of public money through its sponsorship of the Government Finance Function (GFF). The GFF represents over 10,000 people who are involved in the management of public money across government. HM Treasury takes a collaborative approach, working with the wider finance community to set priorities and develop learning products, standards, guidance and tools. The GFF's governance is made up of finance leaders from across the Civil Service and public sector. They are collectively responsible for the performance of the finance function and meet this responsibility by agreeing and delivering the function's objectives:

1. **Finance Fundamentals**: Efficient transaction processing, robust data, timely and accurate reporting, and effective management of operational risk
2. **People and capability:** Great people, in the right roles, with the right skills for today and for the future
3. **Leading practice:** Cross-government data standards and process designs that enable government to be more efficient and responsive
4. **Insight:** Impactful analysis, underpinned by robust data and supported by visualisation tools that help tell the story
5. **Diversity, wellbeing, and community:** A collaborative and inclusive culture that values diverse background, perspectives, and experiences
6. **Planning, risk and performance**: Every government organisation focussed on delivering outcomes and managing risk, to deliver greater public value

In 2021-22, the Function has continued its digitisation work through the development of the Online System for Central Accounting and Reporting (OSCAR II) system which had its sixth dataset go live in the 2021-22 financial year and now has more than 1,500 users. Similarly, OneFinance**,** the online platform for the government finance function, continued to be developed, with over 12,000 registered members by the end of March 2022, an increase of 67% on last year. The function also led a number of initiatives to support financial capability and decision-making across government including:

- **The Finance Career Framework** was launched, setting out the clear and agreed cross-government definition of the core finance roles found in most departments and organisations across eight job families
- **The Government Finance Academy (GFA)** delivered more training and learning materials this year than ever before, with a wide and varied curriculum

- **Risk management** continued to be supported, through work with departmental Heads of Risk to develop and publish: Risk Appetite Guidance, the Risk Management Skills and Capability Framework, and the Risk Reporting Good Practice Guide
- **Green Book and Treasury Approvals Process** guidance has also continued to be updated with over 4,000 people trained up in through Green Book Roadshows to better appraise policies, programmes and projects
- **A set of minimum standards** was implemented for financial management information within board packs to drive improvements in spending decisions, increase transparency and consistency of reporting across government
- **Shared Outcomes Fund** a second round of innovative cross-departmental pilot projects with an emphasis on evaluation was announced at SR21
- **Finance Function Standard** was refreshed, introducing a self-assessment tool for mandatory elements of the Standard. This supports Accounting Officers in gaining assurance that they meet the expectations set out in the Standard.
- A strategic approach to planning and a continual focus on delivering outcomes for citizens was continued. All departments published their **Outcome Delivery Plans** on GOV.UK[4] in Summer 2021, and regular performance reporting commenced against these plans, supporting improved accountability for how public money is spent.

Fiscal transparency and risk management

The OBR published its latest Fiscal Risks Report on 6 July 2021 and the government responded alongside the Spring Statement on 23 March 2022, highlighting the actions the government is taking to manage the sources of risk identified by the OBR.

The move to an annual sustainability report, as outlined in the autumn 2021 update of the Charter for Budget Responsibility, will further strengthen the independent risk monitoring provided by the OBR. This will ensure that short- to medium-term risks to the public finances are considered alongside long-term sustainability factors, by providing a more regular and comprehensive overview of the public finances. This ensures the UK remains at the forefront of international practice in fiscal risk disclosure and management.

[4] https://www.gov.uk/government/publications/hm-treasury-outcome-delivery-plan/hm-treasury-outcome-delivery-plan-2021-to-2022

Priority Outcome 2: Level up the economy, ensuring strong employment and increase productivity across the regions and nations of the UK

Lead minister:	**Chancellor of the Exchequer**
Lead officials:	**Phil Duffy,** Director General Growth and Productivity **Cat Little,** Director General, Public Spending **Gwyneth Nurse,** Director General Financial Services **Beth Russell**, Director General, Tax and Welfare **Lindsey Whyte**, Director General International and EU
KPIs:	UK employment rate Business investment as a share of GDP Growth in output per hour Economic performance of all functional economic areas relative to their trend growth rates
Arm's length bodies that support Priority Outcome 2:	
National Infrastructure Commission (NIC) The NIC provides the government with impartial, expert advice on major long-term infrastructure challenges. It was established as part of the Treasury in 2015,	UK Infrastructure Bank (UKIB) UKIB is authorised to provide up to £22 billion of infrastructure finance to help tackle climate change and support regional and local

and became an Executive Agency of the Treasury on 24 January 2017.	economic growth. It was established in June 2021.

Overview and key components

This outcome ties to HM Treasury's long-term programme of policymaking to foster economic growth, support employment, improve productivity and maintain the whole of the UK's competitive advantages. Its key components are:

- supporting the economic recovery from COVID-19
- overseeing delivery of new capital infrastructure
- financial services sector reform to ensure stability, drive competition, support innovation and protect consumers
- unlocking existing and finding new capital for private investment to drive growth, including through tax, trade and customs
- supporting strong employment across the UK

Employment

Building on the July 2020 launch of the Plan for Jobs, Spending Review 2021 provided more than £6 billion funding for the Department for Work and Pensions (DWP) over the next three years to continue those Plan for Jobs schemes that had established a proven track record, and introduced a new package of measures to boost employment, wages and living standards.

This included HM Treasury investing over £900 million for each year of the Spending Review on Work Coaches to ensure Universal Credit (UC) claimants receive the best support to find employment. Recognising that young people might need additional support to move into work, HM Treasury provided funding to extend the Kickstart scheme, which funds jobs for young people at risk of long-term unemployment, until March 2022, with approximately 150,000 Kickstart jobs started by young people in 2021-22. Alongside this HM Treasury provided funding to extend the Youth Offer, which provides a guaranteed foundation of support to young people in the Intensive Work Search group on UC to 2025.

To support job seekers of all ages HM Treasury provided £90 million funding to extend the Job Entry Targeted Support (JETS) programme to September 2022, which provides personalised support to those unemployed between three and twelve months find work. To help tackle long-term unemployment, HM Treasury supported DWP to introduce the Restart scheme, which provides up to 12 months of intensive, tailored employment support to help jobseekers who have been unemployed for over nine months, with referrals running to summer 2024.

Alongside these extensions, HM Treasury worked with DWP to design new labour market schemes, such as the new In-Work Progression offer and the Enhanced 50+ offer, support their implementation, monitor their delivery and ensure they deliver for the taxpayer.

Investment

HM Treasury supported the Chancellor in delivery of his February 2022 Mais Lecture which set out his vision for the future economy, built on a new culture of enterprise. This lecture set out three priorities: to encourage greater levels of capital investment by businesses; to improve the technical skills of the tens of millions of people already in work; and, to boost innovation by driving up business investment in research and development.

HM Treasury has developed a number of policy measures to stimulate private sector investment, including: increasing Innovate UK core funding; reforming R&D tax reliefs to support modern research methods; confirming the new £1.4 billion Global Britain Investment Fund; and, confirming over £1.6 billion for the British Business Bank's regional funds. Spending Review 2021 also confirmed a total of £100 billion of government investment in economic infrastructure over the spending review period.

HM Treasury has also played an active role in Project Speed, the government's initiative to deliver infrastructure better, faster, and greener. This cross-government taskforce, established in 2020 and led by the Chancellor, is charged with accelerating and improving the delivery of vital economic and social infrastructure projects, with 50 reforms announced in the National Infrastructure Strategy (NIS) on track to be delivered by the end of this Parliament.

Further progress on delivering the commitments made in the NIS has been made with the opening of the UK Infrastructure Bank (UKIB) in June 2021. UKIB is expected to unlock more than £40 billion of infrastructure investment to meet its objectives of supporting net zero and regional and economic local growth. Since UKIB's launch, it has started to invest by providing financing through its first private sector deal to a new £500 million fund that could double the amount of subsidy-free solar power in the UK; investing £100 million as a co-lender to provide high-capacity broadband to hard-to-reach premises; and, making a £107 million loan to support the South Bank Quay development in Teesside.

Tax and customs

Since the Trade and Co-operation Agreement with the EU was reached in December 2020, HM Treasury officials have supported its implementation and assisted businesses as they transition to the new trading arrangements under the agreement. Following the Northern Ireland Protocol which came into effect on 1 January 2021, HM Treasury and HMRC led on implementation of the customs and tax elements of the Protocol, including implementation of unilateral measures to help protect Northern Ireland's place in the UK customs territory.

Alongside this the department has developed new tax policy to support the delivery of Freeports by the Department for Levelling Up, Housing and Communities. Eight Freeports in England were announced at the Spring Budget 2021 and the first Freeport tax sites – in Humber, Tees and Thames – were designated in November 2021. Further tax sites in Felixstowe and Harwich were designated in December 2021, and Liverpool, Solent and East Midlands in March 2022. An announcement for 2 Freeports in Scotland was made in February 2022, with a competition to find the winning locations to be launched in the spring.

Ensuring competitive and frictionless trade

Throughout the year, HM Treasury supported the Chancellor and his ministerial team in bilateral engagement with international economic partners to ensure an open trading environment and maintain the UK's competitive advantages. HM Treasury held an Economic and Financial Dialogue with India which saw ambitious agreements on climate change and boosting investment through economic cooperation, financial services and trade.

HM Treasury also worked to support the Department for International Trade's FTA negotiations, leading on Financial Services aspects and providing policy expertise in other areas, such as Customs and Trade Facilitation, Tax, Rules of Origin, and Services & Investment. These negotiations included free trade agreements with Australia (signed December 2021) and New Zealand (signed February 2022), as well as the Singapore Digital Economy Agreement (signed February 2022). Other negotiations are in progress, including India, the Gulf Co-operation Council, Canada, Mexico, and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). HM Treasury also has responsibility for tariff legislation and in this capacity, the department have laid 14 Statutory Instruments since 1 January 2021, including on the

UK Global Tariff, COVID-19 related suspensions, and preferential tariffs for our FTA partners. HM Treasury officials also refined the Trade Remedies and tariff legislation framework via the Finance Bill 2021-22.

In parallel, HM Treasury is negotiating a ground-breaking Mutual Recognition Agreement focused on financial services with Switzerland, which is intended to facilitate trade in a broad range of wholesale financial services on the basis of cooperation and high standards of regulation.

Financial services

HM Treasury supported the Chancellor to delivery his July 2021 Mansion House speech where he set out the government's vision for the financial services sector. This vision is based around the four themes of openness, competitiveness, technology, and green finance.

HM Treasury supported the passage of the Financial Services Act 2021 which:

- allows for the UK's prudential regulation regime to be updated in line with the latest global banking standards, and for the introduction of an improved prudential regime for investment firms
- promotes openness between the UK and international markets by simplifying the process to market overseas investment funds in the UK, and delivers a Ministerial commitment to provide long-term access between the UK and Gibraltar for financial services firms
- makes a series of other amendments to the regulatory framework, to ensure that it remains up-to-date and effective

HM Treasury has supported the passage of further primary legislation in the financial services space to ensure stability targeting specific issues, such as LIBOR and the failure of London Capital & Finance. HM Treasury has also taken forward actions to deliver on the conclusions of independent reviews led by Lord Hill into the UK's Listings regime, and by Ron Kalifa on FinTech, including by confirming £5 million of seed funding for the creation of a new Centre for Finance, Innovation and Technology.

HM Treasury has taken forward a number of policies to improve consumer outcomes in relation to financial services. This included launching the mortgage guarantee scheme to help increase the supply of 95% Loan-To-Value mortgages, providing £3.8 million to Fair4All Finance to pilot a No-Interest Loans Scheme across the UK, delivering a compensation scheme for London Capital & Finance bondholders and launching the Breathing Space scheme to support eligible people in problem debt.

Green Growth

The 2021 Autumn Budget built on the Prime Minister's Ten Point Plan for a green industrial revolution, which will mobilise £12 billion of government investment to create and support highly skilled green jobs in the UK, supporting a green economic recovery from COVID-19. Towards this objective, HM Treasury has supported the Department for Environment, Food and Rural Affairs (DEFRA) in the passage of the world leading Environment Act 2021. The department continues to work closely with DEFRA in the implementation of flagship measures such as new environmental targets, biodiversity net gain, and major waste reforms.

The year also saw the publication of the government's response to the Dasgupta Review, accepting the central conclusion that nature sustains our wellbeing, and setting out several Treasury-led areas of work to embed nature into financial institutions globally. The Net Zero Review final report was also published, exploring key issues as the UK decarbonises, such as the exposure of businesses and households to the transition, and highlighting factors to consider when designing policy. HM Treasury also launched the Greening Finance report that sets out the government's ambition to make the UK the best place in the world for green and sustainable investment.

The 2021 Spending Review supported the Net Zero Strategy and our green objectives, by confirming £30 billion in government investment to 2024-25. Additionally, since the launch of the green financing programme in June 2021, the government has raised £16 billion in the sale of green gilts and a further £0.3 billion in the sale of National Savings & Investment's retail Green Savings Bonds. Further information covering how HM Treasury has integrated sustainability into its policymaking is contained in the Chapter 6 – Sustainability Report.

Supporting the union

Scotland

The Scottish government has benefitted from £7.1 billion of additional funding through the Barnett formula in 2021-22, taking total block grant funding to £43.4 billion. Over the Spending Review 2021 period, the Scottish government is receiving an average of £4.6 billion per year of additional funding through the Barnett formula on top of its £36.7 billion annual baseline.

Spending Review 2021 also confirmed additional funding for a variety of projects and initiatives including:

- £1.9 billion over three years for farming and £42.2 million in support for the Scottish fisheries sector.
- £171 million in round one of the Levelling Up Fund (10.1% of the first round of funding) for 8 Scottish projects, including the redevelopment of Inverness Castle and a new marketplace in Aberdeen City Centre.
- New funding for the British Business Bank to establish a £150 million fund for Scotland, working closely with local partners.

Wales

The Welsh government has benefitted from £4.2 billion of additional funding through the Barnett formula in 2021-22, taking total block grant funding to £19.9 billion. Over the Spending Review 2021 period, the Welsh government is receiving an average of £2.5 billion per year of additional funding through the Barnett formula on top of its £15.9 billion annual baseline.

Spending Review 2021 also confirmed additional funding for a variety of projects and initiatives including:

- £900 million over three years for farming and £6.2 million in support for the Welsh fisheries sector
- £121 million (7.2% of the first round of funding) which will be allocated to 10 projects in Wales via round one of the Levelling Up Fund, including to revitalise the World Heritage Site around the Pontcysyllte Aqueduct, an important dualling of the A4119 in South Wales, and to redevelop the Theatre Brycheiniog Arts Centre in Brecon.
- £130 million for the British Business Bank fund for Wales, working closely with local partners

- Accelerated funding for the Cardiff City Region Deal, bringing forward £105 million for the remaining nine years of the Deal from 2022-23 onwards.

Northern Ireland

The Northern Ireland Executive has benefitted from £2.5 billion of additional funding through the Barnett formula in 2021-22, taking total block grant funding to £16.3 billion. Over the Spending Review 2021 period, the Northern Ireland Executive is receiving an average of £1.6 billion per year of additional funding through the Barnett formula on top of its £13.4 billion annual baseline.

Spending Review 2021 also confirmed additional funding to meet government commitments to farmers and fisheries. The Northern Ireland Executive will receive £1.0 billion over three years for farming and £9.3 million in support for the Northern Ireland fisheries sector. The government also announced at Spending review 2021 £49 million in the first round of the Levelling Up Fund (2.9% of the first round of funding) for 11 projects across Northern Ireland, including an Electric Vehicle charging network across the country, and the redevelopment of a derelict Ministry of Defence site in Derry/Londonderry into an urban community farm.

Spending Review 2021 also announced an additional £70 million funding for the British Business Bank to build on its existing programmes in Northern Ireland, working closely with local partners.

In December 2020, the government announced the £400 million New Deal for Northern Ireland. This financial package is aimed at supporting businesses to operate after the Transition Period, whilst also ensuring that Northern Ireland is ready to seize the trade and investment opportunities ahead. In 2021-22 HM Treasury has given £24.6 million in support of New Deal for Northern Ireland projects, and a further £175.5 million in support of the New Decade, New Approach deal.

The UK government has agreed in principle to fund the costs required to meet the UK's obligations under the Northern Ireland Protocol. The Northern Ireland Executive received £45.2 million for the costs of implementing the Protocol in 2021-22.

Priority Outcome 3: Ensure the stability of the macroeconomic environment and financial system

Lead minister:	**Chancellor of the Exchequer**
Lead officials:	**Clare Lombardelli**, Director General and Chief Economic Adviser **Gwyneth Nurse,** Director General Financial Services **Lindsey Whyte**, Director General International and EU
KPIs:	GDP CPI inflation Aggregate capital ratio for the UK banking sector (using Common Equity tier 1 capital ratios)
Arm's length bodies that support Priority Outcome 3:	
The Bank of England The Bank of England has specific statutory responsibilities for setting monetary policy, protecting and enhancing financial stability, and subject to those, to support the economic policy of the government, including its objectives for growth and employment. It is operationally independent from the Treasury.	UK Asset Resolution (UKAR) UKAR is the 100% Treasury-owned company responsible for winding down the government's legacy assets from the former Northern Rock and Bradford & Bingley (B&B). Following the sale of the NRAM and Bradford & Bingley companies, UKAR services the residual pension schemes and contingent liabilities related to the sales.

Overview and key components

HM Treasury's management of the health of the UK domestic economy, financial stability, and its international partnerships is essential to ensuring macroeconomic stability. Its key components are:

- effective management of the UK's macroeconomic framework
- monitoring and analysis of the UK economy and international economic developments to ensure preparedness
- supporting a strong global economy that upholds UK interests in financial stability, openness and a robust international financial architecture
- managing the resilience of the economy to security threats
- managing and exit from financial sector assets acquired in 2008 and 2009

Macroeconomic Resilience

In the March 2022 Spring Statement, the Chancellor announced that the economic recovery had surpassed expectations, with Gross Domestic Product (GDP) growing by 7.4%, the fastest in the G7, after a 9.4% fall in Gross Domestic Product (GDP) in 2020. GDP returned to pre-pandemic levels in November 2021, sooner than expected. At the Autumn Budget 2021 the strength of the recovery and the effectiveness of government policy meant the Office for Budget Responsibility (OBR) judged that the pandemic would have a smaller long-term effect on the economy and public finances than previously expected. The OBR reduced its previous scarring estimate on GDP of 3% to 2% relative to its pre-COVID forecast. This scarring estimate was unchanged in the March 2022 forecast.

During the 2021-22 financial year, the Bank of England's independent Monetary Policy Committee (MPC) continued their implementation of measures to respond to the economic shock from COVID-19 and meet the objectives set out in its remit. This included expanding the size of the Asset Purchase Facility to £895 billion by December 2021, in line with the MPC's announcement in November 2020. Since the February MPC meeting, the size of the Asset Purchase Facility has been gradually declining in line with the Bank's policy to begin passive unwind of UK government bond purchases through ceasing to reinvest maturity assets, once Bank Rate reached 0.5%. The Bank has also gradually increased Bank Rate from 0.1% in November 2021 to 0.75% in March 2022, in line with their price stability objective.

As the vaccine rollout allowed restrictions to be eased, there was a particularly strong recovery in sectors significantly affected by the pandemic, with over half the total gross domestic product (GDP) growth in Q2 2021 coming from those consumer facing sectors that were able to re-open during the roadmap.

Following the emergence of the Omicron variant in December, the government implemented Plan B in England. This weighed on output, though by less than the OBR expected in October, with GDP falling by 0.2% in December 2021 before growing by 0.8% in January 2022, above expectations (0.1%) and leaving the level of GDP above pre-pandemic (Feb 2020) levels by 0.8%.

Financial stability

HM Treasury works closely with the Bank of England and the FCA to ensure the stability of the financial system and uphold UK interests in global financial stability and openness. During 2021-22, the authorities worked together to consider issues including the implications of COVID-19, and the potential impacts of Russia's invasion of Ukraine on the UK financial system.

Statutory Reviews

On 2 February 2021, HM Treasury appointed an independent panel, chaired by Keith Skeoch, to conduct two separate statutory reviews. The first considered the operation of the ring-fencing legislation, which requires large UK banks to separate retail banking from the rest of their business, to protect retail customers from risks elsewhere in the bank and in the wider financial system. The second evaluated banks' proprietary trading activities, and whether any risks relating to these activities are appropriately mitigated.

Following the submission of these reports by the panel, on 15 March 2022 they were laid in Parliament. An accompanying and Written Ministerial Statement welcomed the Panel's comprehensive set of recommendations and announced that the Treasury would establish a taskforce with the Bank of England to assess the options for implementing the Panel's recommendations.

Exit from financial sector assets

The government made further sales of financial sector assets acquired as a result of the 2007-08 financial crisis. As set out in March 2021, the government intends to fully dispose of its NatWest Group shareholding, subject to market conditions, and expects the programme of sales to be completed by 2025-26. HM Treasury has managed the gradual sale of these shares with the government's shareholding in NatWest Group currently standing at 48.10% as of the end of the financial year.

In February 2021, the government announced the agreement of a transaction to sell the share capital of Bradford and Bingley (B&B) and

Northern Rock Asset Management, and their remaining loan assets, to a consortium of Citibank and Davidson Kempner Capital Management; the sale of loan assets to Citibank was completed in March 2021 while, following the receipt of regulatory approvals from the FCA, the sale of the companies to Davidson Kempner was completed on 29 October 2021. Accounting for final adjustments ahead of completion, this transaction generated a total of £5.1 billion for the Exchequer. This marked a significant milestone in the government's aim to divest itself of its remaining interests in B&B and Northern Rock.

Global Britain

HM Treasury has continued to work closely with bilateral and multilateral partners to protect and promote the UK's domestic and global economic interests; and support an open, rules-based global economy, underpinned by strong and effective international institutions.

G7

HM Treasury, supporting the Chancellor, played a central role in setting the agenda and delivering the UK's 2021 G7 Presidency which resulted in a number of notable agreements. These included: securing commitments to work together to support global economic recovery from the COVID-19 pandemic and to tackle global supply issues; an agreement on global tax reform to ensure that multinational companies pay tax in the countries they do business, as well as cracking down on global tax avoidance through a 15% minimum tax rate and, advancing the policy conversation on Central Bank Digital Currencies through an agreed set of G7 policy principles.

G7 Finance Ministers agreed to work towards mandating reporting on climate-related financial risks, commitments to embed climate change and biodiversity considerations into economic and financial decision-making as well as considerable financial support for vulnerable countries. G7 Finance Ministers also agreed to work together to spur antibiotic market growth to tackle antimicrobial resistance and secured ambitious G7 pledges to COVAX, increasing global access to vaccines, therapeutics and diagnostics.

COP26

In support of the UK's COP26 Presidency, the Chancellor and HM Treasury led the Finance Campaign and Finance Day for the COP26 summit in November 2021, bringing together the highest number of Finance Ministers to attend COP to date. HM Treasury worked with donors to drive progress on the global $100 billion climate finance goal, secured commitments from 450 private financial institutions, responsible for $130 trillion in assets in support of net zero, and initiated a step-change in the transformation of our global financial system – led by the UK's announcement that we would become the world's first net zero-aligned financial centre. This means UK financial institutions having a robust firm-level transition plan setting out how they will decarbonise and strong government oversight of the financial sector to ensure financial flows shift towards supporting net zero targets.

HM Treasury worked with counterparts in Multilateral Development Banks (MDBs), other government departments and international partners to deliver an ambitious set of climate commitments from MDBs at COP26. Most MDBs have now committed to align all their financing with the Paris Agreement by 2025 at the latest, up from just one bank when the UK assumed the COP Presidency. At COP26 the MDBs collectively released the MDB Joint Climate Statement, setting out specific ambitions to grow private finance mobilisation, enhance support for developing countries and promote a sustainable transition. Almost all major MDBs have also now committed to stretching targets of ensuring that between 30% and 50% of their total financing is green finance.

G20

In 2021, HM Treasury worked closely with the Italian G20 Presidency to drive progress on key policy priorities in the G20 Finance Track. Through the UK's role as co-chair of the G20 Framework Working Group, HM Treasury focused on improving risk monitoring and enhancing the quality of macroeconomic discussions to support a global economic recovery. This included securing commitments from G20 Finance Ministers and Central Bank Governors to address the adverse consequences of Covid-19 and sustain economic recovery and to examine climate related risks to the economy and financial stability and embed climate risk monitoring into decision-making.

On global health, the UK worked closely with Italy to establish a Joint Health and Financing Task Force to strengthen governance for pandemic preparedness and response. To ensure support for developing countries during the Covid-19 pandemic, HM Treasury worked together with the G20 and Paris Club to extend the Debt Service Suspension Initiative and support the timely, orderly and coordinated implementation of the Common Framework for live country cases, as well as exploring options to improve the processes.

EU Trade and Cooperation Agreement and the Northern Ireland Protocol

Throughout 2021-22, HM Treasury worked with departments across government to support the government's negotiations with respect to the Northern Ireland Protocol. The government issued a Command Paper in July 2021 ahead of negotiations with the EU. HM Treasury has actively contributed to these discussions, working closely with the Northern Ireland Task Force in Cabinet Office. In addition, HM Treasury worked with the Foreign, Commonwealth and Development Office in 2021 and 2022 to support the negotiations on Gibraltar's future relationship with the EU.

Sanctions

HM Treasury's Office of Sanctions Implementation (OFSI) has further developed the UK's position as a global leader in financial sanctions implementation through the breadth and depth of its bilateral and multilateral engagement. It has worked closely with allies, partners, and other UK government departments to help mitigate unintended impacts of sanctions. As well as engaging on operational areas of mutual interest and multi-jurisdictional casework, OFSI has provided other jurisdictions with substantial technical assistance, including as part of the UK's Technical Assistance Unit, and shared its experience and expertise to help partners enhance their implementation capability and effectiveness.

Following the Russian invasion of Ukraine, OFSI's work has been focused on implementing the UK's response. However, in addition to those designated under the Russia regime, a further 120 individuals and entities were added to OFSI's Consolidated List of Asset Freeze Targets. OFSI engaged closely with the NGO and charitable sectors relating to the Taliban's takeover of Afghanistan, including updating its detailed charity guidance and supporting with sanctions queries to assist with the delivery of humanitarian aid to the region. OFSI has also provided regular guidance to stakeholders, considered specific licence applications, investigated suspected breaches, and produced new and updated sectoral guidance products on GOV.UK on financial sanctions.

Strategic Enablers:

Lead minister:	**Chancellor of the Exchequer**
Lead official:	**Tom Scholar,** Permanent Secretary

Overview and key components

The Strategic Enablers allow the department to create and embed a high-performance environment. This ensures HM Treasury can deliver ministerial priorities with maximum efficiency and effectiveness.

HM Treasury's Corporate Strategy

In May 2021 HM Treasury launched its strategy to make the department a better place to work. The strategy aims to create a department that lives up to its values of being open, appreciative, collaborate and acting with integrity. It emphasises the importance of giving Ministers the best possible advice while being an innovative and inclusive department, more representative of the people and places HM Treasury serves.

Expanding HM Treasury decision-making outside of London through the Darlington campus

Over the 2021-22 financial year, HM Treasury has made substantial progress towards expanding decision-making outside of London. The Darlington Economic Campus is open, and the workforce continues to grow. With more Departments and organisations choosing to join the campus, it will now include over 1,100 roles from across HM Treasury, the Department for International Trade, the Department for Business, Energy and Industrial Strategy, the Department for Digital, Culture, Media, and Sport, the Department for Levelling Up, Housing and Communities, the Office of National Statistics, and the Competition and Markets Authority. They will be working alongside the Department for Education who already have a base in the area.

Significant progress has been made establishing the Treasury's own presence in the campus. In 2021-22 the department has:

- exceeded our interim target with 113 HM Treasury roles in the Darlington Economic Campus by 31 March 2022. Around 20% of these are existing HM Treasury staff who have volunteered to move to Darlington, and around 80% are people recruited directly to the campus. The campus includes HM Treasury roles at all grades including two Directors General.
- established a short-term interim office for the campus in Bishopsgate House and opened it for use by campus staff in the summer of 2021.
- worked with our delivery partner, the Government Property Agency (GPA), to fit-out our long-term temporary office, Feethams House, and are finalising the procurement process for the permanent site, having confirmed the remaining two contenders – with Brunswick as the preferred location.
- collaborated with the other Campus departments to undertake engagements in the region with local leaders in local government, schools, colleges, universities and business to raise awareness of our presence, understand local issues and to promote opportunities.

The campus will continue to expand in the coming financial year as HM Treasury looks to increase our geographic diversity and the range of talent and perspectives that the Treasury is able to draw on in our policy making.

Diversity, inclusion and belonging

HM Treasury is committed to building a department that reflects and understands the citizens we serve. Our people are drawn from a rich mix of backgrounds, skills and expertise. This enables us to draw on the widest possible evidence, experiences and perspectives in order to better understand and resolve problems, effectively advise our ministers, strengthen our policy making, and maintain robust corporate functions. We support everyone to thrive and belong here, therefore all talents are embraced, valued and successes celebrated, ensuring we feel empowered to perform in our jobs to the best of our ability and in different ways.

Figure 1: Core Treasury Diversity as at 31 March 2022

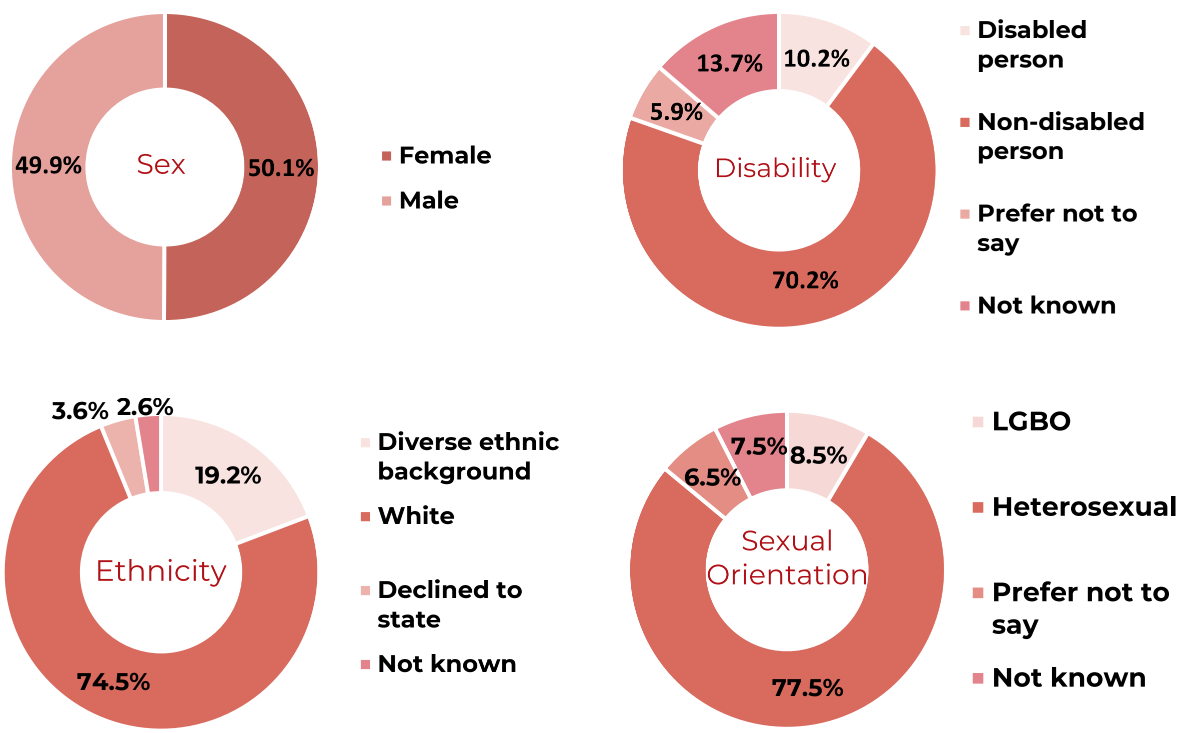


Figure 1F shows diversity of sex, ethnically diverse background, disability and sexual orientation of staff

Our key actions include:

Focus	Progress
Recruitment	HM Treasury continues to participate in the civil service Summer Diversity Internship Programme. HM Treasury has continued its involvement in a mentoring scheme and participates in the Access Project where Treasury volunteers coach young people from lower socio-economic backgrounds (LSEB). We also provide 1:1 mentoring support for LSEB graduates via UpReach and group sessions to LSEB students via UpReach and the Sutton Trust.
Talent	HM Treasury has two key talent programmes to support internal progression

	for underrepresented groups into the SCS. Accelerate, now in its fourth year, is for colleagues at ranges E and E2 (Grades 7 and 6) who are from an ethnically diverse background, have a disability, identify as LGBT, are from ‘routine’ (or ‘lower’) socioeconomic backgrounds or those 40 years old and above. Boost is a similar programme for colleagues at Range D (HEO/SEO), and was recently redesigned to make it more structured, engaging and impactful. There has been increased participation across both schemes with 125 colleagues taking part in total in 2022-23.
Inclusion and wellbeing	The department reviewed its management development offer and has focused on embedding inclusion across all learning. HM Treasury has improved workplace adjustments for colleagues with disabilities or specific needs, including reviewing and relaunching the workplace adjustments process, with particular focus on how colleagues with disabilities or health conditions are supported to work remotely. The department has also continued to address bullying, harassment and discrimination, raising awareness through blogs and open surgeries.
Expanding and diversifying our data and evidence	The department is committed to ensuring that diversity of background and expertise results in better policymaking for those it serves. HM Treasury is focused on building its capability to ensure policy makers are equipped to consider the impacts of policies on different regions and groups within the UK, including encouraging greater openness and innovation in our policymaking, engaging with a wider range of stakeholders, and bringing in data and evidence from different sources.

Health, safety and wellbeing

The department actively promotes the health, safety and wellbeing of its staff – and throughout the pandemic we have followed government guidelines. Where government guidelines have required staff to work from home, staff have been provided with IT equipment for home working and those staff who did not have appropriate chairs or work surfaces were able to claim back the cost of their purchase within appropriate guidance.

Fewer than five work related accidents, near misses or ill health reports were received in the reporting period.

Mental wellbeing guidance and details of support available were regularly communicated to all HM Treasury employees. Support included trained Mental Health First Aiders, Treasury Supporters, and Group Wellbeing Champions. The Employee Assistance Programme provided awareness information and counselling sessions as appropriate.

Reward and recognition

In November 2020, the Chancellor announced as part of the Spending Review 2020 that there would be a temporary pause on pay rises for most public sector workforces in 2021-22, including the Civil Service. Therefore, the Treasury did not award pay rises in 2021-22, except to lower paid staff or to those where there was a contractual obligation to do so. In order to ensure staff felt recognised during exceptionally busy times following the COVID-19 response, the Department took a decision to award small non-consolidated bonuses to all staff who had met their performance objectives for the 2020-21 reporting year, which were paid in Autumn 2021.

The Treasury has two other recognised methods of recognising staff. These are:

- special non-consolidated awards paid in-year to staff to recognise exceptional performance for specific contributions or pieces of work during the year.
- a reward and recognition voucher scheme “Treasury Thanks”, which allows managers to provide instant recognition in the form of lower value vouchers, to staff for excellent pieces of work.

This is in line with practice across the Civil Service and the private sector.

HM Treasury is committed to minimising the gender pay gap within the organisation. In accordance with the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, HM Treasury publishes the department's gender pay gap data annually. The most recent report was published in December 2021. Information for the Executive Agencies can be found in the full report.[5]

The mean and median gender pay gaps for core Treasury are 5.9% and 19.6% respectively; the mean and median gender bonus gaps are 9.4% and 0% respectively; the proportion of women and men who received bonuses (68% and 70% respectively); and, the proportions of female employees in each pay quartile (lower quartile: 53%, lower middle quartile: 51% upper middle quartile: 43%, top quartile 45%). This reflects a slight widening of the gap from the previous year. The Department has undertaken some analysis to better understand the actions that can be taken to close the gap and will be taking forward work around changing gender representation at all grades to achieve a better balance, as well as considering how changes to the recruitment process might bring greater consistency to starting pay.

Recruitment

Key recruitment campaigns in the last year included:

- two SCS3 Director General campaigns, which were advertised externally
- three new permanent Director appointments at SCS2
- A further two intakes of external graduate recruits, in April and September 2021, with a total of 66 policy advisers at Range D
- A centralised campaign to recruit 20 new candidates into our Darlington office, between Ranges D and E2
- Apprentice recruitment campaigns which brought in 12 policy apprentices; as well as the Government Economics Service recruitment campaign to recruit 3 economics apprentices.

The GDP (Graduate Development Programme) for 2022 saw applications increasing from female candidates, plus people with lower socio-economic and ethnically diverse backgrounds. Offers for 2022 GDP start dates are in progress with this campaign recruiting Policy Advisers to the Darlington Economic Campus for the first time.

HM Treasury Group (the core department and ALBs) met its government apprenticeship starts target for the period April 2017 to March 2021. We are working to maintain this apprenticeships pipeline, to improve apprenticeship quality and support the career progression of apprentices.

[5] https://www.gov.uk/government/publications/hm-treasurys-gender-pay-gap-report-2020-to-2021

The Department has successfully recruited 113 candidates into the Darlington Economic Campus in 2021-22 and continues to explore new ways of attracting and recruiting applicants in a previously unexplored recruitment market.

Staff survey

The Treasury uses its annual staff survey results as an indicator of progress. In October 2021, the department took part in the annual Civil Service People Survey. The Employee Engagement Index – the key indicator of staff opinion – sits at 74%, well above the civil service average of 66%.

Learning, development and skills

HM Treasury is committed to developing a strong learning and development culture. Delivery of all programmes have been adapted to account for multi-site working and a new policy basecamp has been designed for new staff joining the Darlington office. HM Treasury have made good progress against our three delivery principles for learning and development (L&D):

1. **Learning is accessible**: An online platform is being used to bring together learning in different formats to suit needs.

2. **Learning is inclusive and collaborative:** A number of internal L&D sessions have been designed to address requirements highlighted by stakeholders.

3. **Learning is of high quality and relevant:** The effectiveness of the overall L&D portfolio and commercial contracts are monitored to ensure high quality delivery.

Sustainability

Information covering how the department has performed against Greening Government Commitments and integrated sustainability into both policymaking, corporate activities and delivery can be found in Chapter 6 – Sustainability report from page 277.

Other corporate reporting

Transparency and scrutiny of performance

The Treasury welcomes scrutiny, whether from Internal Audit, the National Audit Office, members of Parliament or members of the public:

Scrutiny by internal audit – the Government Internal Audit Agency

The 2021-22 annual internal audit plan for the department was developed through consultation with the Treasury's senior management team and discussed by directors and Executive Management Board. The Audit and Risk Committee (ARC) approved the audit plan for 2021-22 in March 2021.

The ARC agreed minor changes to the plan throughout the year, reflecting changes in HM Treasury's assurance needs, priorities, and key risks. By 31 March 2022, Internal Audit will have issued 28 assurance reports and seven pieces of advisory work for the department.

The outcomes of this work are used to inform the Head of Internal Audit Annual Report and Opinion, drawing also on the insight available from work undertaken across the HM Treasury Group by the GIAA and other assurance providers during the year.

Scrutiny by Parliament

Treasury ministers and officials are committed to providing timely and accurate responses to Parliamentary Questions and the government has agreed to provide regular statistics to the House of Commons Procedure Committee.

From 1 April 2021 to 28 February 2022 Treasury ministers responded on or before the parliamentary deadlines in relation to 99% of the 1,495 ordinary written questions received; 99% of the 1,061 named day questions received; and, 99% of the 404 Lords written questions tabled to the department.

In addition to questions from individual members of Parliament during the period from 1 April 2021 to 9 March 2022 ministers and officials appeared at various Committee sessions, including:

House of Commons Treasury Committee hearings

The Financial Conduct Authority's Regulation of London Capital & Finance plc	21 April 2021
Future of Financial Services	26 May 2021
Lessons from Greensill Capital	27 May 2021
Autumn Budget and Spending Review 2021	1 November 2021
Economic Crime	29 November 2021
The work of the Treasury	1 December 2021
Future of financial services	2 March 2022

Source: House of Commons Treasury Committee

House of Commons Public Accounts Committee hearings

Affordability of public sector pensions	22 April 2021
Fraud and error	29 April 2021
COVID-19 cost tracker update	27 May 2021
Initial lessons from the government's response to the COVID-19 pandemic	10 June 2021
Government's delivery through arm's length bodies	5 July 2021
Lessons from Greensill Capital	22 July 2021
Efficiency in Government	13 September 2021
Net Zero update	17 November 2021
COVID-19 cost tracker update (+ 2021 Spending Review)	17 November 2021
Local government finance system: overview and challenges	29 November 2021
Bounce Back Loans Scheme: Follow-up	10 January 2022
Supporting local economic growth	2 March 2022
Use of evaluation and financial modelling in government	9 March 2022

Source: House of Commons Public Accounts Committee

House of Commons Environmental Audit Committee hearings	
Carbon border adjustment mechanisms	23 February 2022
Mapping the path to Net Zero	9 March 2022

Source: House of Commons Environment Audit Committee

House of Commons Transport Committee hearings	
Road pricing	20 October 2021

Source: House of Commons Transport Committee

House of Lords Economic Affairs hearings	
Chancellor of the Exchequer	2 November 2021
Central Bank Digital Currencies	16 November 2021

Source: House of Lords Economic Affairs Committee

House of Lords Industry and Regulators Committee hearings	
Plan for growth	8 June 2021

Source: House of Lords Industry and Regulators Committee

House of Lords Public Services Committee hearings	
The role of public services in addressing child vulnerability	24 June 2021

Source: House of Lords Public Services Committee

House of Commons Work and Pensions Committee hearings	
Protecting pension savers – five years on from the Pension Freedoms: Accessing pension savings	8 November 2021

Source: House of Commons Work and Pensions Committee

Welsh Affairs Committee hearings	
One-off session on the future of Air Passenger Duty	24 June 2021

Source: Welsh Affairs Committee

House of Lords Finance Bill Sub-Committee hearings	
Off-payroll working: follow-up	13 December 2021

Source: House of Lords Finance Bill Sub-Committee

Scrutiny by the public – correspondence and information requests

In the calendar year of 2021 the Treasury replied to 12,111 enquiries from MPs (ministerial correspondence) and 2,365 direct from members of the public (treat official correspondence). 66% of the replies sent to MPs were within the Treasury's 20-working day deadline, an improvement of 28 percentage points on the 2020 performance. 79% of treat official responses were sent within 20-working days.

In the calendar year of 2021 the Treasury received 1,134 requests for information that were handled under either the Freedom of Information Act or the Environmental Information Regulations and in 94% of cases the statutory response deadline was met, an increase from 91% in 2020.

Data Subject Access Requests

In the calendar year of 2021 the Treasury received 19 Data Subject Access Requests. 16 were processed within the statutory response deadline; three cases required additional time to complete due to the voluminous nature of the information. All cases were handled under the UK General Data Protection Regulations.

Parliamentary and Health Service Ombudsman

The Parliamentary and Health Service Ombudsman (PHSO) can investigate complaints about the administrative actions of a wide range of government departments and other public bodies, or the actions of organisations acting on their behalf. Nine complaints were made to the PHSO regarding the Treasury during 2021- 2022, but none of these were taken forward for investigation.

The National Audit Office

The department welcomes the NAO's objective and independent commentary on its work and is diligent in responding to recommendations arising from Public Accounts Committee hearings following NAO reports. During the year, the National Audit Office completed and published the following reports specifically relevant to the department:[6]

- Initial learning from the government's response to the COVID-19 pandemic
- Principles of effective regulation
- Investigation into the British Business Bank's accreditation of Greensill Capital
- Efficiency in government
- Local government and net zero in England
- Evaluating government spending
- Financial modelling in government

Non-financial information

During the 2021-22 financial year, HM Treasury had no reportable incidents relating to anti-corruption and anti-bribery matters. Issues of social matters and respect for human rights are addressed through this report's separate disclosures on diversity and disability.

Tom Scholar

Permanent Secretary

14 July 2022

[6] https://www.nao.org.uk/search/department/hm-treasury/

Chapter 2
Accountability report

Corporate governance report

Report from the Lead Non-Executive Board Member

The past year has seen no slowdown in the pace and range of challenges the Treasury has faced. We have, for example, brought the support schemes created during the COVID-19 pandemic to an end and opened the Darlington Economic Campus. That entailed identifying a suitable site and undertaking an ambitious recruitment campaign: as a result, we exceeded the target number of staff to be recruited by March 2022, including the relocation of a number of senior civil servants. The Treasury has also had to respond rapidly as part of the Government's response to the Russian assault on Ukraine, by supporting vital work to implement the sanctions regime introduced against Russia.

Like other employers, the department has also had to adapt to the changes in the workplace with multi-site working. As COVID-19 restrictions have been lifted staff have been returning to the office and working in a new hybrid manner across Treasury sites in London, Darlington and Norwich.

In the face of multiple challenges, officials have continued to work professionally. In response to COVID-19, the Treasury workforce increased in size, but over the next Spending Review period the Treasury will return to a size closer to pre-pandemic levels.

This year, the department has worked with the UK Infrastructure Bank to support it in its establishment as a new arm's length body (ALB). As it has been in its set-up phase, HM Treasury has exempted it from the Corporate Governance Code for 2021-22. It is expected to be fully compliant for 2022-23.

I am pleased to report that the department has maintained excellent levels of staff engagement as demonstrated by the 2021 staff survey. They continue to be above average for the civil service.

There have been several changes among the senior management team. Following open recruitment processes and approval by the Prime Minister, Lindsey Whyte was appointed as Director General: International and Gwyneth Nurse was appointed as Director General: Financial Services. I would also like to thank Charles Roxburgh for his service to the department over the last nine years, who has retired from his position as Second Permanent Secretary at the end of June.

On 5 July The Rt Hon Nadhim Zahawi MP was appointed Chancellor of the Exchequer following the resignation of The Rt Hon Rishi Sunak MP. On 8 July Richard Fuller MP was appointed Economic Secretary to the Treasury following the resignation of John Glen MP. On 8 July Alan Mak MP was appointed Exchequer Secretary to the Treasury following the resignation of Helen Whately MP.

There have also been changes to the Non-Executive Director (NED) team this year. I would like to thank Richard Meddings CBE and Tim Score for their significant contribution to the department, as they both reached the end of their second term of appointment during the year. Following an open recruitment, we welcomed Zarin Patel as NED and Chair of the Audit and Risk Committee (ARC), and Edward Braham as NED and ARC member.

Throughout the year, the NEDs have been responsible for providing independent advice to the Treasury, chairing the Treasury Board Sub-Committee (TB(SC)) and the ARC. We have provided external challenge, including on finance and staffing, the COVID-19 response, returning to the office and multi-site working, and the Quarterly Performance and Risk Reports. We also have oversight of HM Treasury's arm's length bodies.

The NEDs have continued to support the department and the civil service more widely, with Gay Huey Evans CBE as interim NED on the board of UK Infrastructure Bank (UKIB) as it was being set up and established, Edward Braham assisting the Department for Transport as a panel member in a recruitment campaign, and Zarin Patel on the Steering Board for the Darlington Economic Campus.

The Treasury, supported by the NEDs, has continued to work flexibly in a fast-moving environment. This is likely to continue in the year ahead as there are no signs that the demands on the Treasury and its leadership will lessen. In bringing an external perspective to the Treasury's thinking, I hope that the NEDs will be able to help the Executive Management Board of the Treasury rise to those challenges.

Rt Hon Lord Hill of Oareford CBE

Lead Non-Executive Board Member

14 July 2022

Governance statement

The governance statement sets out HM Treasury's governance, risk management and internal control arrangements. It explains the composition and organisation of the department's governance structures and shows how they support the achievement of the department's priority outcomes. It applies to the financial year 1 April 2021 to 31 March 2022 and up to the date of approval of the Annual Report and Accounts.

The statement is a personal statement by the Principal Accounting Officer (PAO), outlining his role and responsibilities and recording the stewardship and risk management undertaken within HM Treasury. It also sets out the Permanent Secretary's views on the key challenges faced by the department in order to give a sense of how successfully the department has coped with them.

The roles of additional accounting officers and the assurances received in preparing this report are also declared.

About HM Treasury

As the United Kingdom's (UK) economics and finance ministry, the department's focus is on maintaining control over public spending, setting the direction of the UK's economic policy and working to achieve strong and sustainable growth. The department's priority outcomes are:

- Place the public finances on a sustainable footing by controlling public spending and designing sustainable taxes
- Level up the economy, by ensuring strong employment and increasing productivity across the regions and nations of the UK
- Ensure the stability of the macro-economic environment and financial system

Every member of HM Treasury staff should be able to play a full, productive and valued role in helping deliver the priority outcomes, while working to ensure the department operates as a high performing organisation.

The Treasury Group

Treasury Group is made up of the core department and its arm's length bodies (ALBs) which are a combination of executive agencies, non-departmental public bodies (NDPBs), companies and additional bodies. Please see Chapter 7 for further details.

The wider organisations of the Treasury Group work to support the government's economic and fiscal strategy. The Permanent Secretary to the Treasury is the Principal Accounting Officer (PAO) for the Treasury Group.

Directors are responsible for managing the Treasury's relationship with, and understanding the risks presented by, the department's ALBs and other entities. This includes sufficient oversight to ensure an effective risk management system is in place to address risks to delivery and budgets within the ALBs and other entities for which they have sponsorship responsibility.

The rolling programme of ALB reviews (formerly known as Tailored Reviews and overseen centrally by the Cabinet Office), was halted in August 2020 in order that the process be revamped and relaunched. The DMO Tailored Review was published in June 2021.[1]

The Public Bodies Review Programme[2] has been relaunched and reviews of the department's ALBs are being resumed this year.

Regular reporting through the relevant policy teams supports central oversight and assessment by the Executive Management Board, Operating Committee and Audit and Risk Committee.

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[1] https://www.gov.uk/government/publications/tailored-review-uk-debt-management-office

[2] https://www.gov.uk/government/publications/public-bodies-review-programme

How we are structured

The Treasury's Ministers

At 31 March 2022, the department had five ministers.[3]

The Chancellor of the Exchequer, The Rt Hon Rishi Sunak MP (to 5 July 2022) has overall responsibility for the Treasury. The Chancellor is accountable to Parliament for **all the policies, decisions and actions of the department and its arm's length bodies**. While Treasury civil servants may exercise the power of the Chancellor, the Chancellor remains responsible to Parliament for decisions made under their powers.

The Chancellor's responsibilities cover:

- fiscal policy (including the presenting of the annual Budget)
- monetary policy, setting inflation targets
- ministerial arrangements (in his role as Second Lord of the Treasury)
- overall responsibility for the Treasury's response to COVID-19

Within the department the Chancellor has devolved responsibility for a defined range of departmental work to supporting ministers,[4] who at 31 March 2022 were:

The Chief Secretary to the Treasury: Rt Hon Simon Clarke MP

The Chief Secretary is responsible for public expenditure.

The Financial Secretary to the Treasury: Rt Hon Lucy Frazer QC MP

The Financial Secretary is responsible for tax policy and customs – including border readiness.

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[3] A list of current ministers and their individual responsibilities can be found on https://www.gov.uk/government/organisations/hm-treasury. Until 24 January 2022, when Lord Agnew of Oulton DL resigned, the department also had a Minister of State for Efficiency and Transformation that was a joint appointment with Cabinet Office.

[4] A ministerial reshuffle on 15 September 2021 saw the departure of Rt Hon Stephen Barclay MP as Chief Secretary, Rt Hon Jesse Norman MP as Financial Secretary and Kemi Badenoch MP as Exchequer Secretary.

The Minister of State (Economic Secretary) and City Minister: John Glen MP (to 6 July 2022)

The Economic Secretary is responsible for financial services.

The Exchequer Secretary to the Treasury: Helen Whately MP (to 7 July 2022)

The Exchequer Secretary is responsible for UK growth and productivity. They are also the departmental minister for HM Treasury Group.

Permanent Secretaries

Tom Scholar is the Permanent Secretary and Principal Accounting Officer (PAO) for HM Treasury. Tom is responsible for **the delivery of the department's strategy and is accountable to Parliament for the organisation and management of the department, including its use of public money and stewardship of assets**. He also has overall responsibility for the delivery of the aims and priorities of ministers and the decisions and actions taken by Treasury officials.

The Permanent Secretary is supported by the department's Second Permanent Secretary, Charles Roxburgh, who has **oversight of the department's economics ministry functions including financial services, growth and infrastructure**. He was the Accounting Officer for Infrastructure Finance Unit Ltd (now known as UK Infrastructure Bank since its launch in June 2021) until October 2021. He was also the Accounting Officer for IUK Investment Holdings Ltd during the financial year as set out on page 291-294. Charles also chairs the Executive Management Board's Operating Committee.

Non-Executive Board Members (Non-Executive Directors)

The Treasury's Non-Executive Directors provide challenge to help shape the thinking of ministers and officials. They are experts from outside government with significant experience of working with the public sector and/or third sectors and have strong financial and commercial expertise. Outside of the formal meetings, individual members have shared their commercial and professional expertise across the Treasury including on the cross-government management accounts, Darlington Economic Campus and with the department's ALBs.

Richard Meddings CBE and Tim Score both left the Board on 31 December 2021 at the end of their appointment term. Increasing the diversity of our departmental NEDs was a high priority when an open recruitment for NEDs took place and the Chancellor appointed Edward Braham and Zarin Patel who joined the Board on 1 January 2022.[5] Zarin Patel was also appointed as Chair of the Audit and Risk Committee.

During 2021-22 the Prime Minister and Chancellor approved the reappointments of Rt Hon Lord Hill of Oareford CBE and Gay Huey Evans CBE.

The NEDs at 31 March 2022 were:

Lead NED: Rt Hon Lord Hill of Oareford CBE (Appointed 1 March 2019; 2nd term)

Treasury Board / Treasury Board Sub-Committee (Chair) / Nominations Committee

Lord Hill brings wide financial regulation experience having been European Commissioner for Financial Stability, Financial Services and Capital Markets Union between 2014-16. He has extensive government and political knowledge having worked in five government Departments as well as in the European Commission. He was Chancellor of the Duchy of Lancaster and Leader of the House of Lords 2013-14 and Parliamentary Under Secretary of State for Education between 2010-2013.

Other roles: Chairman (and Trustee), Council of Management, Ditchley Foundation; Independent National Director, Times Newspapers; Senior Adviser, Freshfields Bruckhaus Deringer; Senior Adviser, Deloitte (professional services network); Senior Adviser, Intercontinental Exchange Inc; Adviser, Banco Santander SA; Member of International Advisory Panel to Iberdrola; Adviser to WITTY, Proof of Trust, Royal Mail and VISA Europe. Trustee, Teach First. Director, Centre for Policy Studies and Co-Founder of Prosperity UK.; Member of the House of Lords Commission.

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[5] Jane Hanson was also appointed as part of the recruitment undertaken and will take up her NED role on 1 September 2022.

NED: Gay Huey Evans CBE (Appointed 1 January 2019; 2nd term)

Treasury Board / Treasury Board Sub-Committee / Nominations Committee

Gay's experience covers financial and regulatory services, banking, capital markets and commercial. She was Vice Chair Investment Banking and Investment Management at Barclays Capital from 2008-2010. She was Head of Governance of Citi Alternative Investments (EMEA) from 2007-2008 and President of Tribeca Global Management (Europe) Ltd from 2005-2007, both part of Citigroup. She was Director of markets division and Head of capital markets sector at UK Financial Services Authority from 1998-2005 and has held various senior management positions with Bankers Trust Company in New York and London. Gay has previously served on the boards of Itau BBA International, the Financial Reporting Council, London Stock Exchange Group plc and Aviva plc.

Other roles: Gay is Chair of the London Metal Exchange and also serves on the Boards of Standard Chartered and Conoco Phillips. She is Director of S&P and a Trustee of Benjamin Franklin House, Senior Advisor to Chatham House and a member of the US Council on Foreign Relations and the IUKFP (Indian UK Financial Partnership). She is also an interim NED of the UK Infrastructure Bank.

NED and Chair of the Audit and Risk Committee: Zarin Patel (Appointed 1 January 2022; first term)

Treasury Board / Treasury Board Sub-Committee / Nominations Committee / Audit and Risk Committee (ARC) (Chair)

Zarin Patel is a Qualified Chartered Accountant. Zarin brings broad experience, both executive and Non-Executive, from the public and private sectors. She is an experienced ARC Chair, Board Director, and a previous Chief Financial Officer with expertise in managing transformation within complex digital-centric businesses and broad experience across finance, investment, procurement, large capex, audit and corporate finance, as well as general management.

Other roles: NED and Chair of ARC, Member of Environment, Social and Governance Committee at Pets at Home Group PLC (2021 to date); NED, member of ARC, Senior Independent Director at Post Office (2019 to date); NED, Chair of ARC, Member of Nominations and Remuneration Committee of Anglian Water Services Limited (2018 to date); Trustee and Chair of ARC at National Trust, (2018 to date); Independent Member, ARC at John Lewis Partnership PLC, (2015 – 2021); Independent Governor and Chair of ARC at the University of Arts, London (2006 –

2012) and NED, Chair of Remuneration Committee and Chair of Audit Committee at BBC Worldwide Ltd (2005-2013).

NED: Edward Braham (Appointed 1 January 2022; first term)

Treasury Board / Treasury Board Sub-Committee / Nominations Committee / ARC

Edward is Chair of M&G, having previously been the Senior Partner of the international law firm, Freshfields and a leading international M&A lawyer. As the Senior Partner, his focus was particularly on strategic growth in the US, addressing all aspects of sustainability, including culture and diversity and building on the firms existing environmental, social and governance (ESG) commitments.

Other roles: Director of TheCityUK, Chair of its International Trade and Investment Group and member of its Nominations and Remuneration Committee; for the City of London Corporation: Mayoral and Shrieval Independent Panel, Innovation and Growth Advisory Board and Lord Mayor's Appeal Advisory Board; Member of the Campaign Board at the Museum of London (2021 to date); Member of the Advisory Council at Capital as a Force for Good (2021 to date); Member of the Court of the Goldsmiths Company, Trustee of the Goldsmiths' Charity and Chair of the Goldsmiths' Centre, the leading educational and workshop charity for the UK trade.

The following NEDs reached the end of their appointments in 2021-22:

Richard Meddings CBE (appointment finished 31 December 2021)

Richard provided risk and banking experience having been at Standard Chartered plc from 2002 until 2014 as Group Executive Director responsible for Risk and as Group Finance Director for eight years. He chaired ARCs for a number of FTSE 100 companies within the Financial Services sector. Richard served as a NED on the Boards of 3i plc, Legal & General plc, Deutsche Bank AG and Jardine Lloyd Thompson. He stepped down as Chair of TSB Bank in November 2021.

Other roles: Richard serves on a number of Boards including as a NED on the Board of Credit Suisse Group AG, as Deputy Chair of the charity Teach First and as Chair on the Hastings Opportunity Area. Richard has been appointed as Chair of NHS England, starting in March 2022.

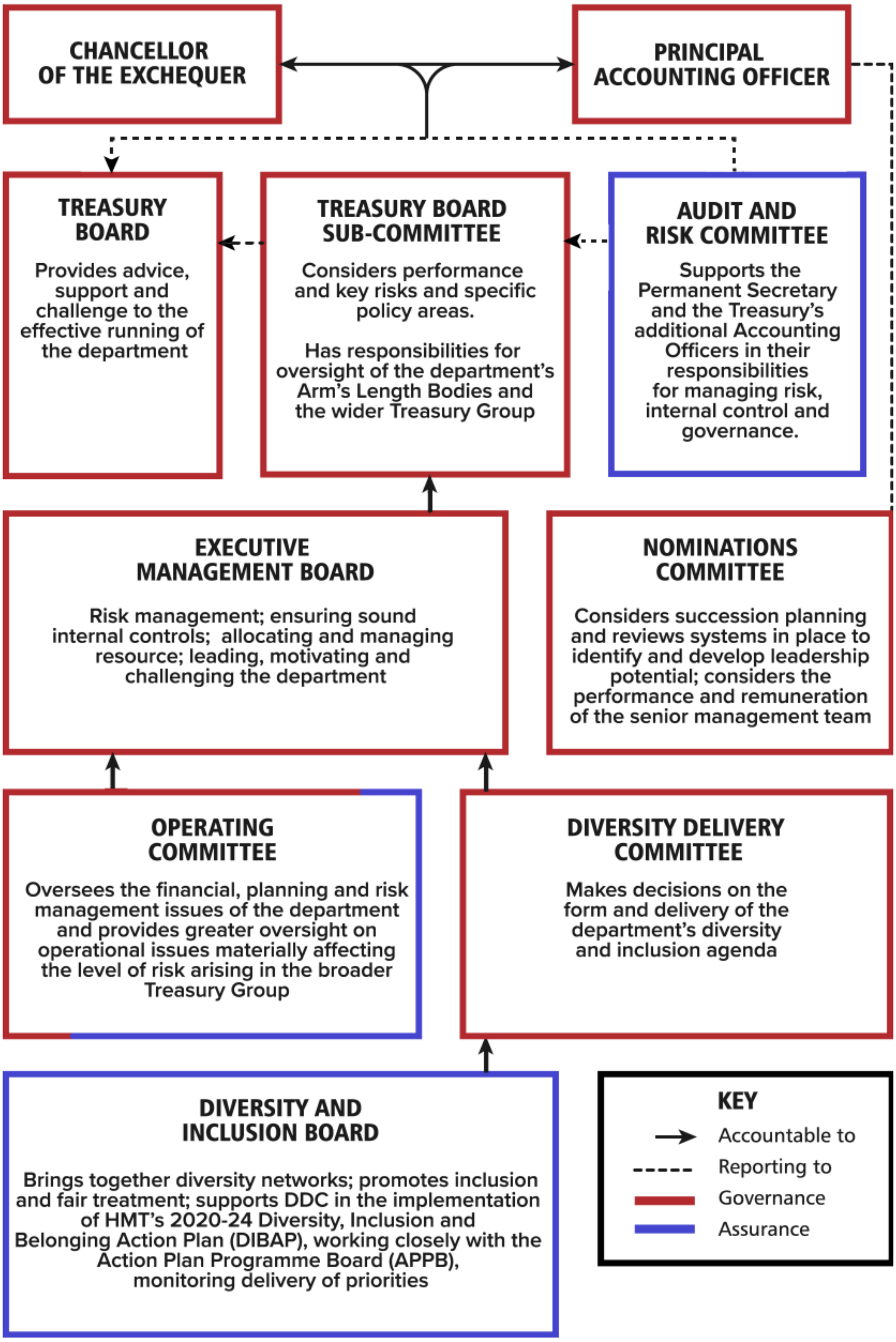
Tim Score (appointment finished 31 December 2021)

Tim’s experience covered financial management and an in-depth knowledge of the technology sector. He was Chief Financial Officer of ARM Holdings plc from 2002 to 2015, Senior independent director, Chair of Audit and Interim Chairman at National Express Group (2005-2014), CFO of Rebus Group and William Baird PLC, and Group Financial Controller at BTR Plc and LucasVarity PLC.

Other Roles: Chair of The British Land Company plc. Member of the Board of Trustees of Royal National Theatre; Chair of the Audit Committee and interim independent NED of the Football Association; NED, Chair of Audit Committee and Senior Independent Director of Pearson plc; and NED and Chair of the Audit Committee of Bridgepoint Group plc.

Our governance structure

Figure 2A: The Treasury Board and its committees



Having diverse boards that are representative of different perspectives within society improves our decision making. All the governance boards and committees have diverse representation, and this is actively promoted for all appointments and reappointments to boards.

Treasury Board

The Treasury Board is the most senior of the department's oversight committees. It draws together ministerial and civil service leaders with experts from outside government. The board is chaired by the Chancellor and met once during 2021-22.

Committee members as at 31 March 2022	Areas of discussion
• Treasury ministers • NEDs • Permanent Secretary • Second Permanent Secretary • Chief Economic Adviser • Finance Director • Head of Government Finance Function	• Departmental priorities • Departmental challenges • Performance and risk • Staff Survey results

Treasury Board Sub-Committee TB(SC)

TB(SC) is the second most senior board and has delegated authority of the Treasury Board. TB(SC) is chaired by the Lead NED and met four times during 2021-22.

Committee members as at 31 March 2022	Areas of discussion
• NEDs • Executive Management Board members • Head of Government Finance Function	• Quarterly Performance and Risk Reports • Departmental oversight • COVID-19 pandemic • Board Effectiveness • Climate Change and Green agenda • ALB oversight (IPA, GIAA, NS&I and Royal Mint)

Board effectiveness evaluation

Undertaking an annual review of a Board's processes and practices is standard good corporate practice. The evaluation is coordinated by the Cabinet Office and the process is set out in the Corporate governance in central government departments: code of good practice.[6]

In line with the 2020-21 recommendations, following the external input from Mervyn Walker (the lead NED of HMRC), the TB(SC) continued oversight of the department's arm's length bodies. During the year TB(SC) met with senior colleagues from the Infrastructure Projects Authority, Government Internal Audit Agency, NS&I and Royal Mint. The TB(SC) also reviewed and agreed its Terms of Reference.

The recommendations from the 2021-22 Effectiveness Evaluation included TB(SC) maintaining the oversight function of the department's ALBs liaising with ARC on risk profiles and for the ARC Terms of Reference to be reviewed and updated as necessary to reflect the risk and assurance role it plays.

The recommendations will be discussed and implemented during this coming financial year.

The Executive Management Board (EMB)

EMB has continued to meet frequently this year to lead the department's response to COVID-19 and other departmental priorities. EMB is chaired by the Permanent Secretary.

An annual business planning process, overseen by EMB, sets the department's priorities and resourcing plans for the year ahead. This focuses on the Treasury's core functions, ministerial priorities and identified risks. The ongoing response to COVID-19 has meant that the department had to be agile in leading the government's response to the heightened economic risks. It was a priority to ensure the department had the right resources to be able to support the UK in its response.

EMB reviewed and updated its priority outcomes during the year and also ensured delivery against the department's work programme, and the efficient and effective allocation of resources.

[6] https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017

Committee members as at 31 March 2022	Areas of discussion
• Permanent Secretary - Tom Scholar • Second Permanent Secretary - Charles Roxburgh • Director General Financial Services – Gwyneth Nurse[7] • Chief Economic Adviser - Clare Lombardelli • Director General International - Lindsey Whyte[8] • Director General Tax and Welfare - Beth Russell • Director General Public Spending - Cat Little • Director General Productivity and Growth – Philip Duffy • Finance Director - Anna Caffyn • Director of Operations - Catherine Webb • Director Strategy, Planning and Budget - Dan York-Smith • Director International - Veda Poon	• Quarterly Performance and Risk Reports • Business Planning • Health and Safety • Security and Fraud • Resourcing, Pay and Performance • Diversity and Inclusion • G7 UK Presidency • COVID-19 • Freeports • Labour Market • Fiscal Events (Spending Review and Budget) • Counter Fraud • Ukraine • Climate Strategy • Poverty and Welfare Strategy • Departmental Staff Survey results

Sub-committees to the Executive Management Board

The two sub-committees of EMB are the Operating Committee and the Diversity Delivery Committee.

Operating Committee (OpCo)

OpCo's purpose is to ensure that the department has in place, and operates effectively, appropriate and robust procedures and business processes in support of the department's overall strategy and business needs.

It also acts in an advisory capacity in relation to finance and staffing and assures and provides approval for business cases. OpCo is chaired by the Second Permanent Secretary[9] and any member of EMB is welcome to attend any of the meetings.

Committee members as at 31 March 2022	Areas of discussion
• Second Permanent Secretary • Finance Director • Director of Operations • Director Strategy, Planning and Budget	• Finance, Resourcing and Security • Economic Campus in Darlington including Staffing • Business Planning • Operational Risk

[7] Following an open recruitment and with approval from the Prime Minister, Gwyneth Nurse succeeded Katherine Braddick (who left on 31 December 2021) as Director General Financial Services on 1 January 2022.

[8] Following an open recruitment and with approval from the Prime Minister, Lindsey Whyte succeeded Mark Bowman (who left on 30 September 2021) as Director General International on 22 November 2021.

[9] Katharine Braddick took over chair for the period September – December 2021.

• 2-3 Directors from the policy areas of the Treasury on a 1-2 year rotation • 3-5 Deputy Directors on a 1-2 year rotation	• Performance Management • Flexible Resourcing • Onboarding building services to Government Property Agency • Counter Fraud • Flexible Safer Working • Recruitment including Apprenticeships, SCS and Graduates • Business Appointment Rules • Sustainability • Health, Safety and Wellbeing

Diversity Delivery Committee (DDC)

Diversity and Inclusion remains a key focus for the department. DDC meets monthly. DDC is chaired by the Director General Tax and Welfare[9].

Committee members as at 31 March 2022	Areas of discussion
• Director General Tax and Welfare • Chair of Diversity and Inclusion Board • Director of Operations • 3-5 additional members of SCS on a 1-2 year rotation	• Recruitment including Graduate Development Programme and apprenticeships • Bullying, Harassment and Discrimination • Updates and escalation from the Action Plan Project Board • D&I Action Plan • Departmental diversity networks • Diversity of thought • Development programmes • Sponsoring and mentoring

The Diversity and Inclusion Board (DIB) is a sub-committee of DDC. It was established to support the senior management team, to bring together representatives from networks across the department for consultation and engagement on diversity policy and promotes inclusion and fair treatment for all.

DIB is chaired by Lowri Khan (Director Financial Stability) who is supported by deputy co-chairs Sarah Pemberton and Kavalneer Walia. They are joined by representatives of staff networks across the department. EMB members are welcome to attend any of the meetings.

Other committees

In addition, EMB has two committees focussed on risk, the Economic Risk Group and the Fiscal Risk Group. The Risk Groups contribute to the Treasury's risk management framework by identifying and tracking indicators, horizon-scanning, and assessing the likelihood, probable impact and potential mitigation of risks, enabling EMB and senior managers to agree an appropriate response.[10]

The Economic Risk Group meets every eight weeks and is co-chaired by the Director of Economics and the Director of Financial Stability. The Fiscal Risk Group is chaired by the Director of Fiscal and meets at least quarterly and as needed.

Audit and Risk Committee (ARC)

The ARC supports the Permanent Secretary and the Treasury's additional accounting officers in their oversight responsibilities on financial reporting, systems of internal control as well as managing risk and governance in relation to the:

- Treasury Group's Annual Report and Accounts
- Exchange Equalisation Account
- National Loans Fund
- Consolidated Fund
- Contingencies Fund
- Whole of Government Accounts

In accordance with the ARC Handbook,[11] the Committee provides independent challenge on the robustness of the mechanisms in place, and the evidence provided, to deliver the assurance needed by the Board and Departmental Accounting Officers.

ARC provides oversight of activity performed by the Government Internal Audit Agency (GIAA) and approves the Internal Audit Plan for the year which is developed to address key risks and controls. The Group Chief Internal Auditor attends every ARC meeting updating on the plan and reporting on key controls. The ARC oversees the work of the department's external auditors, the National Audit Office (NAO). The NAO present their audit plan, risk assessment and audit findings. The ARC meetings privately with both GIAA and NAO to discuss any issues in detail.

10 Further information on how the department manages risk can be found on pages 86 to 87.

11 https://www.gov.uk/government/publications/audit-committee-handbook

Members of ARC are appointed by the Chair along with the Principal Accounting Officer. The membership of the committee[12] during the year ended 31 March 2022 was:

- Richard Meddings CBE – see biography on page 71 – term of appointment finished on 31 December 2021
- Tim Score – see biography on page 72 – term of appointment finished on 31 December 2021
- Zarin Patel – see biography on page 70 - appointed chair on 1 January 2022
- Sir Peter Estlin[13]
- Edward Braham[14] – appointed 1 January 2022

The committee is chaired by Zarin Patel, a NED of the Treasury Board, and it met seven times during 2021-22.

Areas of discussion	Specific topics
Financial reporting	• Exchequer Funds and Accounts • Treasury Group's Annual Report and Accounts • Whole of Government Accounts • Pool Re
Governance and risk management	• Cyber Security • EU Financial Settlement • COVID-19 Pandemic • NS&I • UK Infrastructure Bank • OSCAR II • Counter Fraud function • Impact on Climate Change
Assurance	• 2021-22 Internal Audit Plan • Business Appointment Rules • NAO Value for Money Reports • Quarterly Performance and Risk Report

12 Ian Kenyon joined ARC as an independent member on 25 April 2022 having been appointed by the PAO and Chair of ARC. Ian is Director of Nuclear Finance and Programmes at the MoD's Defence Nuclear Organisation and previously held senior finance roles at Kingfisher, Sainsbury's and Chief Finance Officer roles at Carpetright plc, Carphone Warehouse and HMV Group plc and Cancer Research UK). He is Treasurer of the University of Nottingham and a member of their Council. His interests include Trustee of the Kenyon Charity Trust.

13 Sir Peter Estlin's interests include: Alderman, City of London. Independent Director, Rothschild & Co; Chair, Association of Apprentices, (previously Group Financial Controller and acting Group CFO, Barclays).

14 See biography on page 71.

Audit and Risk Committee Chair's Report

The Audit and Risk Committee met 7 times in the year and has undergone some membership changes during the year as Richard Meddings CBE and Tim Score 2nd term of their appointments came to an end in December 2021. I would like to thank them both for their stalwart service to the committee over two terms.

I would also like to welcome Edward Braham and Ian Kenyon, who join Sir Peter Estlin, to the Audit and Risk Committee.

During the course of each meeting the Committee received a progress report from the Permanent Secretary on the work of the department and also an update from the Second Permanent Secretary on all matters related to operational risk within the department. Additionally, regular reports were received from the Finance Director on financial management and budget issues, the financial control framework and on resourcing. The GIAA and NAO also reported to each committee on internal and external audit matters as appropriate.

The Committee has reviewed the annual financial statements for each HM Treasury Fund and Account, including prior to submission for year-end audit. The Committee also considered management's responses to issues identified by audit activity, including the external audit management letter. This enabled the Committee to provide HM Treasury's Accounting Officers with an independent assessment of the integrity of the financial statements and any reports and associated matters relating to the financial accounts or Governance Statement.

In a year of continued challenge including the pandemic and more recently supporting the response to Ukraine the department has continued to act with agility and professionalism. The ARC has played a critical important role in supporting the department's resilience during the ongoing COVID-19 disruption.

As the new chair of ARC I look forward to ensuring that the ARC remains highly engaged in assisting the Board in fulfilling its responsibilities.

Zarin Patel

Chair, Treasury Group Audit and Risk Committee

14 July 2022

Nominations committee

The committee is chaired by the Permanent Secretary and met once during 2021-22.

Committee members as at 31 March 2022	Areas of focus
• Permanent Secretary • Second Permanent Secretary • Lead NED • NEDs	• Succession planning • Identify and develop leadership potential • Performance and remuneration

Attendance of members at board and committee meetings

Attendance	Treasury Board	TB(SC)	ARC	Nominations Committee
Ministers				
Chancellor	1/1	-	-	-
Chief Secretary	1/1	-	-	-
Financial Secretary	1/1	-	-	-
Economic Secretary	1/1	-	-	-
Exchequer Secretary	1/1	-	-	-
Minister of State	1/1	-	-	-
Non-Executives and ARC members				
Lord Jonathan Hill	1/1	4/4	-	1/1
Richard Meddings	-	3/3	5/5	-
Tim Score[16]	-	2/3	5/5	-
Gay Huey Evans CBE	1/1	4/4	-	1/1
Sir Peter Estlin	-	-	6/7	-
Zarin Patel[17]	1/1	1/1	7/7	1/1
Edward Braham	1/1	1/1	2/2	1/1
Executives				
Tom Scholar	1/1	4/4	-	1/1
Charles Roxburgh	1/1	4/4	-	1/1
Mark Bowman	-	2/2	-	-
Cat Little	1/1	4/4	-	-
Katharine Braddick	-	2/2	-	-

[15] Richard Meddings CBE appointment finished on 31 December 2021.

[16] Tim Score's appointment finished on 31 December 2021

[17] Zarin Patel, already a member of the ARC, was appointed as a NED and took over as chair of the ARC on 1 January 2022.

Attendance	Treasury Board	TB(SC)	ARC	Nominations Committee
Clare Lombardelli	1/1	3/4	-	-
Beth Russell	-	3/4	-	-
Dan York-Smith	-	4.4	-	-
Anna Caffyn	1/1	4/4	-	-
Catherine Webb	-	4/4	-	-
Veda Poon	-	1/4	-	-
Lindsey Whyte	-	1/1	-	-
Gwyneth Nurse	-	1/1	-	-

HM Treasury's internal group structure and functions

The department is structured into 13 Director led groups, with each group working to achieve the department's core objectives.

Each Director has responsibility delegated to them from the management board for the delivery of policy and management of risk within their group. They are also responsible for ensuring any policy or operational risks in their groups are understood across the department to help actively manage the cross-cutting risks facing the Treasury.

The groups and their responsibilities

The **Business and International Tax Group** provides strategic oversight of business, indirect and property taxes and customs duties that raise over £350 billion annually, delivering policy change in consultation with stakeholders. The group leads the UK's relationship with other countries and international institutions on tax and customs issues and manages and mitigates risks to the UK's tax base.

The **Corporate Centre Group** provides corporate systems, services, solutions and facilities to enable HM Treasury Group (Treasury and its agencies and public bodies) to deliver effectively and efficiently.

The **Economics Group** is responsible for providing economic surveillance, delivering the macroeconomic advice and evidence base to underpin policy decisions as well as promoting professionalism and economics and social research in government.

The **Enterprise and Growth** Unit is responsible for growth related policy and spending. EGU works to ensure that government policy encourages private sector investment, enterprise, innovation and the transition to a low-carbon economy.

The **Financial Services Group** works to ensure the Financial Services Sector can drive UK economic growth and deliver for consumers and business across the whole of the UK, and to maintain the UK's competitiveness as a global financial centre.

The **Financial Stability Group** contributes to the Treasury's objectives through ensuring the stability and operational resilience of the financial system, in a way that supports sustainable growth and public finances.

The **Fiscal Group** is responsible for ensuring that fiscal policy supports the government's economic objectives and maintains sustainability of the public finances. It provides oversight of key financial assets and liabilities on the public sector balance sheet and ensures that the government's strategic and operational financing needs are met, every day and in the medium term. It is responsible for publication of high-quality public sector finance statistics.

The **International Group** promotes UK interests in international economic and financial policy, by working through major international forums (including G7 and COP26 Presidencies), international financial institutions, and bilateral relationships; improving the UK's response to economic crime and sanctions implementation; and strengthening the UK's new trading relationships.

The **Ministerial and Communications Group directly** supports Ministers and is responsible for coordinating parliamentary business; it provides Treasury's professional communications function through the Press Office; and it supports effective management of the department, through support for the Permanent Secretary, the Executive Management Board and its ownership of Treasury governance structures.

The **Personal Tax, Welfare and Pensions Group** is at the centre of the government's relationship with the public through its role in structuring and delivering tax, benefits, pensions and labour markets policy. It works closely with other government departments including DWP and HMRC.

The **Public Spending Group** controls and reports on public spending, improves value for money, productivity and efficiency, and works across Government to improve finance and management information capability.

The **Public Services Group** oversees spending on the main public services. Its strategic aim is the highest quality and best value for money public services. It seeks to achieve this by working with the government departments directly responsible for the provision of these services.

The work of the **Strategy, Planning and Budget Group** (SPB) is at the heart of the Treasury and core to its strategy. SPB supports the Executive Management Board in setting the strategic direction for the Treasury. It works with and alongside Groups across the department to bring together the Treasury's departmental objectives into a coherent strategy. SPB co-ordinates fiscal events and this year has co-ordinated the department's work on COVID-19 response.

Quality of information

All Boards and Committees are provided with a range of management information to enable adequate review of the department's performance, risk and capability. Information is provided to boards and committees in a standard way to ensure risks and resource implications are highlighted.

The board secretariat works with teams to ensure the information provided is of good quality and the Board Effectiveness Evaluation findings confirmed this.

As set out in the operational issues section on page 93, the department also improved the quality of and access to diversity and inclusion data.

Register of interests

The department requires all employees to disclose any possible conflict of interest and colleagues receive guidance on conflict of interest and the process. The department has an established process for declaring, considering, approving, mitigating and recording any real or perceived conflicts.

During the year the department reviewed its declarations process and made improvements to ensure consistency across all declarations.

It is confirmed that no member of the SCS held company directorships or other interests which may have conflicted with their responsibilities.

The register of ministers' interests is held by Parliament. Other Board member interests are shown below.

NEDs interests are set out in this document on pages 69-72.

The following conflicts and mitigations were put in place in relation to potential perceived conflicts of interest for the department's NEDs.

- Gay Huey Evans CBE: mitigation has been put in place to avoid any perceived conflict with her IHS Markit NED role (until 28 February 2022), her Director role of S&P role (from 28 February 2022) and in relation to her NED role at Standard Chartered.
- Zarin Patel: mitigation has been put in place to avoid any perceived or real conflict with her Post Office NED role.
- Edward Braham: mitigation has been put in place to avoid any real or perceived conflict with his Senior Partner role at Freshfields and his Chair role at M&G.
- Richard Meddings CBE: mitigation was put in place to avoid any perceived conflict with his role as Chairman of the TSB and the department's Arm's Length Body NS&I and the work of UKAR.

No members of EMB had company directorships which may have conflicted with their responsibilities. The department managed the perceived conflict for Katharine Braddick, when she received an offer of a new role outside the department, by restricting her access to information and her responsibilities to purely departmental operational matters. She took on Chair responsibility for OpCo and DDC during this time and colleagues took on her policy responsibilities.

In line with the current Declaration of Interests policy for Special Advisers, all Special Advisers have declared any relevant matters or confirmed they do not consider they have any relevant interests. The Permanent Secretary has considered these returns and there are no relevant interests to be published.

Business Appointment Rules

The department has processes in place to ensure awareness and monitoring of Business Appointment Rules (BARs).

All officials must obtain written permission before undertaking any outside work (paid or unpaid). In addition, they must make an application under the BARs if they intend to move on from the civil service so that any risk of conflict can be identified and managed and any necessary mitigants imposed. Information on the Rules are included in all employee contracts and further guidance is available.

In the Treasury, an application under the BARs is examined by the Permanent Secretary (or Advisory Committee on Business Appointments (ACOBA) for applications from Permanent Secretaries and SCS3, as is the case across the civil service). The Business Appointment Rules continue to apply for a year after leaving Crown service for junior officials and for two years for members of the SCS.

Approval (and any conditions or mitigations) are shared with line managers and applicants by the Permanent Secretary's office. A letter is also sent to the new employer making them aware of any conditions that have been set.

Total number of leavers from the Civil Service	268
Total number of BARs applications received	34
Total number of BARs with conditions	25
Number of breaches	0

In order to monitor compliance, HM Treasury reviews the number of applications versus the number of leavers every six months. OpCo regularly review the BARs and ARC provides annual scrutiny of the process.

In compliance with BARs, the department is transparent in the advice given to individual applications for senior staff, including special advisers. Advice regarding specific business appointments has been published on HM Treasury's website.[18] For reasons of data protection, decisions are not published for applications made by junior officials.

Managing risks to our objectives

The department faces macro and micro level risks in its dual role as the UK's economics and finance ministry and a central government department and employer. The risks faced are diverse in nature and severity and will sometimes be determined by external forces over which the department may have influence but no direct control.

As the government's economics and finance ministry, the department must react to events in the global and UK economy and ensure the sustainability of the public finances. Operationally, the department seeks to ensure that it allocates its budget appropriately in order to meet its objectives, delivering value for money and delivery of its duty of care to both staff and stakeholders.

The department has a sound system in place to consider the risks faced, challenge the assumptions made, and offer advice on how best to mitigate them where appropriate. Within this structure some key positions hold specific accountabilities.

HM Treasury's approach to risk management is informed by principles set out in The Orange Book.[19] In line with this guidance, risk management forms an integral part of the department's governance, leadership and activities. HM Treasury's ARC supports the Accounting Officer in overseeing our Risk Management Framework. The Committee provides independent, objective and constructive challenge on HM Treasury's internal control and evidence of assurance. This includes oversight of key publications such as the Treasury Annual Report and Accounts, Central Funds and Whole of Government Accounts.

Our risk management framework

The Treasury's risk management framework enables the identification and management of risks to the department's strategic objectives. The Framework is underpinned by Directors', Risk Groups' and the Operations Committee's responsibility for monitoring, challenging and reporting on performance against, and risks to, the Treasury's objectives. This year the department has further strengthened its risk reporting by reviewing our departmental risk appetite and refreshing our internal guidance in line with this. This has improved the consistency of risk reporting and escalation across the organisation and, by focusing senior attention on risks that exceed our appetite, drives informed decision making on mitigations.

The key updates on performance and risk for EMB and TB(SC) are shared via the Quarterly Performance and Risk Report, escalating

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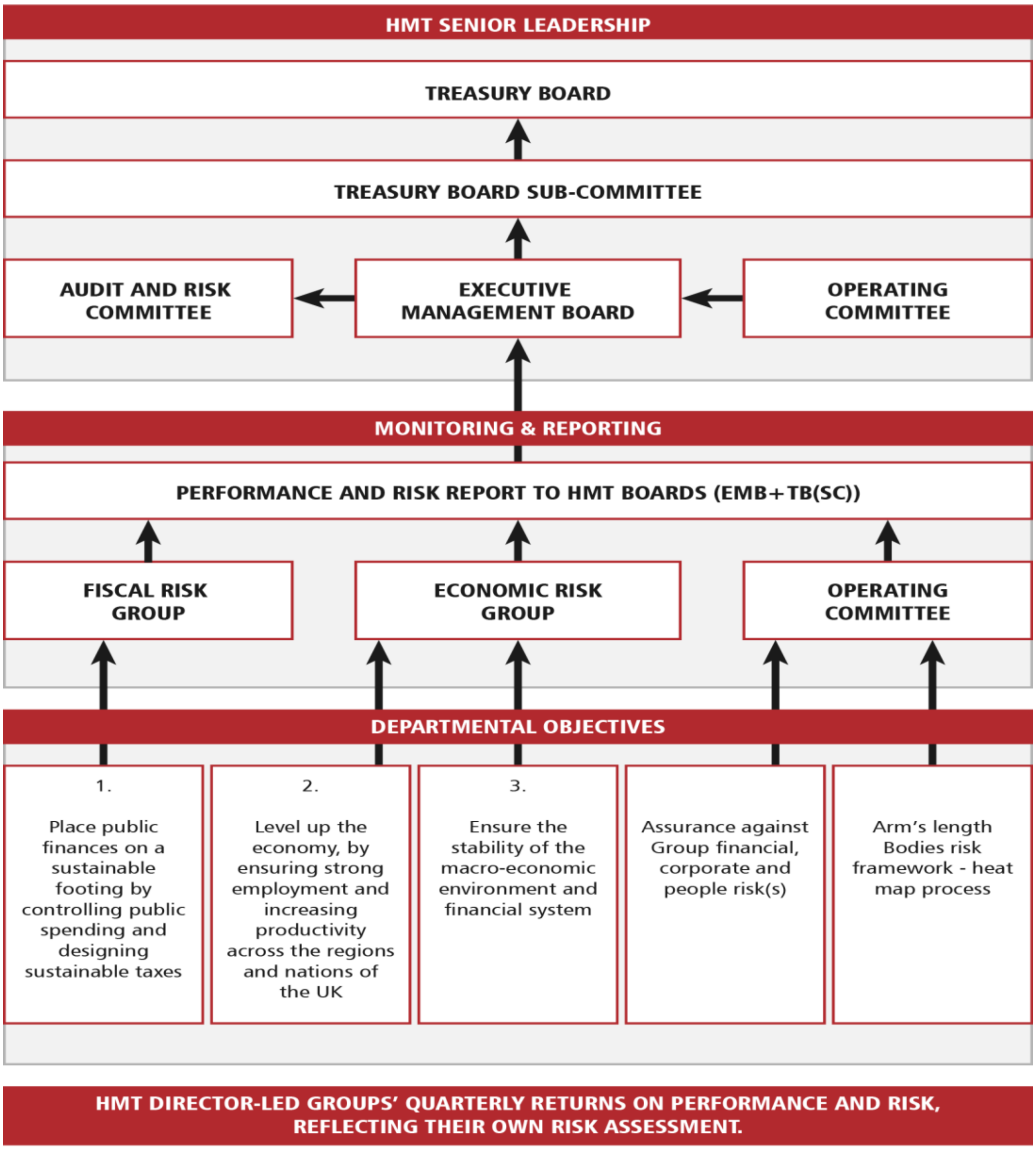
[18] https://www.gov.uk/government/collections/hm-treasury-business-appointment-rules-advice

[19] Last updated October 2020 (Published 29 May 2013). https://www.gov.uk/government/publications/orange-book

critical issues and risks that exceed the department's risk appetite to enable senior managers to respond appropriately.

Throughout 2021-22, EMB has taken an active approach to mitigating and managing specific risks and issues through its regular meetings and ad-hoc risk deep-dive meetings. These have included discussions on policy issues – including economic developments, supply chain pressures, and the Treasury's work to support the government's policy objectives on climate and the environment – as well as organisational issues such as ensuring the success of the new economic campus in Darlington, and responding to the department's 2021 Staff Survey results.

Figure 2B: Risk management framework



Principal Accounting Officer's report

Delegation

The department's Permanent Secretary, Tom Scholar, is also the PAO for the department. He has delegated responsibility to each Director for the delivery of policy and management of risk within their group. They are also responsible for ensuring any policy or operational risks in their groups are understood across the department to help actively manage the cross-cutting risks facing the Treasury.

Assurances

During the year there were several areas of independent assurance through the work of the NEDs, internal and external audit, the Head of the Treasury Legal Advisers (Government Legal Department) and other bodies such as the Office of the Civil Service Commissioners.

The Group Chief Internal Auditor has provided assurance to me (as outlined in his report on page 90) and to the ARC throughout the period. In turn the ARC has challenged and endorsed the Government Internal Audit Agency's work programme throughout the year, which included following up on key internal audit actions with management to ensure they were delivered.

The Group Annual Accounts are audited by the Comptroller and Auditor General under the requirements of the Government Resources and Accounts Act 2000. His Certificate and Report is set out from page 155. The cost of the external audit is disclosed in Note 28 of the financial statements.

Other internal HM Treasury Group assurances have been provided by:

- UK Debt Management Office, Government Internal Audit Agency, UK Asset Resolution Ltd, the Royal Household, Reclaim Fund Ltd, the UK Government Investment Ltd and the UK Infrastructure Bank
- the Treasury's Executive Management Board
- the Group Finance Director and
- the Fiscal Director, who has confirmed that an appropriate quality assurance framework is in place and is used for all business-critical models.

Additional Accounting Officers

To assist in the stewardship of public funds, and to maintain the system of internal control, additional accounting officers have been appointed across HM Treasury Group and details can be found from page 291 of this report.

The Central Funds (the Consolidated Fund, the National Loans Fund, the Contingencies Fund and the Exchange Equalisation Account) are reported on independently of this Annual Report and Accounts, as are the Whole of Government Accounts. Each accounting officer produces an individual governance statement for their corresponding account.

Account Name and Accounting Officer	Notes
Consolidated Fund (CF) Tom Scholar	The CF was set up in 1787 and is akin to the government's current account. It receives the proceeds of taxation and other government receipts to fund public expenditure.
National Loans Fund Tom Scholar	The NLF was established in 1968 and is akin to the government's main borrowing and lending account. Most of the NLF's borrowing needs are met indirectly through borrowing on its behalf by the Debt Management Office and National Savings and Investments.
Contingencies Fund Cat Little	The Contingencies Fund is used to finance payments for urgent services in anticipation of parliamentary agreement and to provide funds temporarily to departments for working balances or meet other temporary cash deficiencies. All advances from the Fund must be repaid and where legislation allows are recovered in the same financial year.
Exchange Equalisation Account (EEA) Clare Lombardelli	The EEA was established in 1932 to provide a fund that could be used, when necessary, to regulate the exchange value of sterling. It holds, amongst other assets, the UK's reserves of gold and foreign currency assets and comprises the UK's official holdings of international reserves.
Whole of Government Accounts (WGA) Cat Little	The WGA consolidates the audited accounts of over 10,000 public sector organisations to produce a comprehensive, accounts-based picture of the financial position of the UK public sector.

Internal audit arrangements

Nathan Paget, Group Chief Internal Auditor (GCIA) at the Government Internal Audit Agency, provided his Annual Report and Opinion on the adequacy and effectiveness of the Treasury's framework of governance, risk management and control to the Principal Accounting Officer and the ARC.

A Moderate opinion was provided for the period 2021-22. This assessment is based on the work that the GIAA have conducted during the year in the department and HM Treasury's ALBs where GIAA undertake their internal auditing. It provides assurance on the adequacy and effectiveness of the risk management, control and governance framework relevant to the annual report and accounts. There were no matters arising from the work of Internal Audit in the period that would give rise to separate comment in the Governance Statement.

From 2022-23 GIAA will undertake the internal audit work for Exchequer Funds Accounts.

Group Chief Internal Auditor's Report

A Moderate assurance rating has been provided for 2021-22. This is the same level of assurance on the adequacy and effectiveness of governance, risk management and internal control that was issued to the Accounting Officer in 2020-21.

I have seen evidence that the department has continued throughout the year to make improvements to the governance, risk management and control environment throughout the HM Treasury Group. This is notwithstanding that the department works with a highly challenging agenda that is regularly impacted by political uncertainty.

The annual internal audit opinion is a key element of the assurance framework, which the Accounting Officer needs to inform his annual Governance Statement. It does not detract from the Principal Accounting Officer's personal responsibility for the framework of governance, risk management and control, on the effectiveness of which he takes assurance from his senior management and format controls, as well as from internal audit.

The Treasury Internal Audit function is provided by the cross-government Government Internal Audit Agency (GIAA), an executive agency of the Treasury.

The planned internal audit programme, including revisions to the programme during the year, was reviewed and endorsed by the department's Audit and Risk Committee and Principal Accounting Officer.

GIAA has delivered a wide programme of challenging internal audit engagements throughout 2021-22 from policy delivery to core systems and included coverage of a range of Treasury work including OSCAR II, Pensions Remedy Project, PWLB, Risk Management, UK Guarantee

Scheme, Cloud Governance, SWIFT, Business Critical Models, HR & Security Processes, corporate functions and detection and prevention of fraud analytics. In addition, HMT was also involved in the cross-Government internal audit of Contract Management.

GIAA also attended Project Board meetings of key projects, providing ad-hoc advice on Darlington Economic Campus, Flexible Safer Working Project (the project to support the introduction of hybrid working), Green Savings Bond and TRIS 2022 (the project that is re-procuring IT outsourced services), in order to observe and advise on risk and project management.

Nathan Paget

Group Chief Internal Auditor, Centre of Government

Government Internal Audit Agency

Raising a Concern: Whistleblowing

Ensuring the highest standards of conduct in all we do is crucial, and our whistleblowing policy and guidance supports people who wish to raise a concern.

The department's staff survey results in 2021 showed an increase to 58% of staff being aware of how to raise a concern under the Civil Service Code and 81% were confident that if a concern was raised it would be investigated properly.

The department has had 5 nominated officers over the financial year responsible for investigating staff concerns that are raised confidentially. They were:

- Gwyneth Nurse, Director Financial Services (until 6 February 2022)
- Tim Score, NED (until 31 December 2021)
- Zarin Patel, NED and Chair of the ARC (from 1 January 2022)
- Nathan Paget, Group Chief Internal Auditor, Government Internal Audit Agency
- Philippa Davies (Director Public Services, from 7 February 2022)

During 2021-22 the department received 2 concerns. One relating to an internal staff network and the other relating to an internal HR process, both which fall within the scope of whistleblowing. These were investigated in accordance with the department's internal policy.

Transparency and scrutiny

The department welcomes scrutiny, whether from internal audit, the National Audit Office (NAO), Members of Parliament or members of the public.

The roles and structures described here are designed to ensure the effective governance, control and management of risk within the department.

Detail on the scrutiny of the department by internal audit, the public and Parliament can be found from page 58 of the Performance Report.

The NAO undertakes independent scrutiny of the department's performance. In addition to the financial audit services, the value for money studies of relevance to HM Treasury can be found on page 62.

Several parliamentary committees, including the Public Accounts Committee and the Treasury Select Committee have called witnesses from across HM Treasury Group on key issues. The department welcomes the oversight, challenge and scrutiny this process provides, responds constructively to the recommendations it receives, and implements them where appropriate.

For example, the Public Accounts Committee's 111th Report of Session 2017-19 on funding for Scotland, Wales and Northern Ireland[20] was published on 26 July 2019, to which the government formally responded in a Treasury Minute[21] published in October 2019. Progress on the implementation of the PAC's recommendations was provided in the Treasury Minutes Progress Report[22] published in November 2020 and a further update on progress, with all remaining recommendations implemented, was published in the Treasury Minutes Progress Report published in May 2021.[23]

Workforce reporting

The Treasury's workforce is critical to its ability to operate effectively, it relies on the expertise of its staff, their hard work and dedication. Information on sickness absence, off payroll engagements and staff pension costs is within the Staff Report on pages 114 to 124.

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20 https://publications.parliament.uk/pa/cm201719/cmselect/cmpubacc/1751/1751.pdf

21 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/844591/CCS001_CCS0919078904-001_Response_to_Public_Accounts_on_the_95_and_99th_WEB_Accessible.pdf

22 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/933536/CCS1020400954-001_TM_Progress_Report_Nov_2020_Web_Accessible.pdf

23 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/985091/CCS001_CCS0521517560-001_CP_424_Treasury_Minute_A4.pdf

Personal data incidents

During 2021-22 the department did not experience any personal data breaches meeting the required threshold for notifying the Information Commissioner's Office.

Ministerial directions

A ministerial direction is defined as the occasion where the department's Accounting Officer has presented a formal objection (based on grounds of regularity, propriety, value for money or feasibility) to the proposed action of a minister, and the minister overrules the advice.

If a direction is given, the Accounting Officer will no longer be challenged by the Public Accounts Committee as to why they took forward the policy.

No written directions have been sought in the department during 2021-22.

Operational issues facing the department in 2021-22

The Governance Statement considers people, security and policy issues which might pose challenges to the delivery of the Treasury's objectives or undermine the integrity or reputation of the department.

Resourcing

In 2021-22 the Treasury continued to respond to COVID-19 and to Russia's invasion of Ukraine, and took on new responsibilities such as the establishment of the UK Infrastructure Bank, as well as setting up the new economic campus in Darlington. Further details on the department's policy work and interventions in these and other areas are set out in the Performance Report and in HM Treasury's Outcome Delivery Plan for 2021-22.[24] The size of the Treasury's workforce in 2021-22 remained broadly consistent with that of the previous year and additional information on our staffing profile is also included in the Performance Report.

The department operates a flexible and dynamic approach to resourcing – ensuring it is highly responsive and able to work at pace, with scope to move people with relevant experience into key roles quickly where required. This has enabled us to continue to respond effectively as the course of the COVID-19 pandemic has evolved, as well as responding to Russia's assault on Ukraine and achieving wider policy outcomes.

[24] https://www.gov.uk/government/publications/hm-treasury-outcome-delivery-plan

COVID-19

Ensuring that the department responds in an effective and timely way to the challenges posed by COVID-19 has continued to be a key priority for the Treasury in 2021-22. EMB regularly considers the department's policy and operational response, as well as the risks to delivery, a Director is responsible for leading the department's response to the pandemic, and a Directors' Group on COVID-19 response meets on a regular basis to provide oversight and coordination in the department.

Keeping our staff safe has been a priority throughout the pandemic. We have continued to ensure that our offices are COVID-secure and have adjusted the department's guidance to staff on working from home in line with changes to wider government guidance. Recognising the ongoing impact of the pandemic on mental health, the department has also continued to provide a range of mental health resources (including Employee Assistance Programme, Treasury Supporters, Mental Health First Aiders, and an online hub) and worked closely with Line Managers to support them in providing tailored support for staff.

Ukraine

The Treasury has also played a key role in the government's ongoing policy response to Russia's invasion of Ukraine. The department has redirected resources to provide additional support to the teams most closely involved in this work (for example, those working on financial sanctions) and has also established a temporary new Director-led co-ordination unit to provide oversight of the overall economic response and impact, which reports regularly to EMB. The department has also put in place resources and support for those personally affected by the situation in Ukraine and Russia.

Change programmes

EMB has agreed a number of aspirations for the department across three key themes: people, performance, and partnership.

The establishment of the Darlington campus, our plans to embed multi-site working, and the department's policies to recruit, retain and develop talented staff with a wide range of skills and backgrounds are all key to the success of the department.

The implementation of these change programmes has been underpinned by a comprehensive programme of internal communications, to ensure that staff remain informed and are engaged with the changes taking place.

Darlington Economic Campus

The Darlington Economic Campus is open, and the workforce continues to grow. With more Departments and organisations choosing to join the campus, it will now include over 1,100 roles from across HM Treasury and 6 other Government Departments who will be working alongside the Department for Education who already have a base in the area.

Significant progress has been made establishing the Treasury's own presence in the campus. In 2021-22 the department has:

- Built a substantial staffing presence in Darlington. We have exceeded our interim target with 113 HM Treasury roles in the Darlington Economic Campus at 31 March 2022. Around 20% of these are existing Treasury staff who have moved to Darlington, and around 80% are people recruited directly to the campus. We have roles at all grades, including 2 Directors General.

- Established a short-term interim office for the campus in Bishopsgate House and opened it for use by campus staff in the summer of 2021.

- Worked with our delivery partner, the Government Property Agency (GPA), to fit-out our long-term temporary office, Feethams House, and are finalising the procurement process for the permanent site, having recently confirmed the remaining two contenders with Brunswick as the preferred location.

- Collaborated with the other Campus departments to undertake engagements in the region with local leaders in local government, schools, colleges, universities and business to raise awareness of our presence, understand local issues and to promote opportunities.

The campus will continue to expand in the coming financial year as we look to increase our geographic diversity and the range of talent and perspectives that the Treasury is able to draw on in our policy making.

Multi-site working

The department is committed to establishing ways of working that are inclusive across all sites, delivering the best outcomes for HM Treasury and the wellbeing of staff.

The Corporate Centre Group has led delivery of a change programme focussed on developing the culture, leadership, process, workspace and technology necessary to embed the department's new multisite model. The success of the Darlington Economic Campus rests on the successful adoption of the technology and collaboration tools that will underpin this new multisite approach, ensuring that staff across all our locations have the tools they need to deliver their best work, and that colleagues who have been working from home feel supported as they return to the office.

Using the GPA's Smarter Working Principles as its basis, HM Treasury has been working closely with the Government Property Agency (who manage our buildings), staff across the department, specialist suppliers, and other subject matter experts to design, develop and deliver ways of working that offer the best of virtual and office-based working.

This work – which will continue in 2022-23 - will enable the department to attract and retain great, diverse talent, work effectively across campuses, deliver value for money for the taxpayer, and keep pace with other government departments and industry.

Diversity and inclusion

The Treasury is committed to building a department that reflects and understands the citizens we serve, and to ensuring that all our staff are empowered to perform to the best of their ability. Our people are drawn from a rich mix of backgrounds, skills and expertise. This enables us to draw on the widest possible range of evidence and perspectives in order to better understand and resolve problems, effectively advise our Ministers, strengthen our policy making, and maintain robust corporate functions.

Our programme of work included:

- Continuing to recruit talented individuals to our new economic campus in Darlington and further developing our engagement with communities who might not otherwise have considered or had the opportunity of a career in the civil service.
- A rigorous recruitment outreach programme including expanding apprenticeship opportunities, engaging with a wider range of universities when recruiting to our flagship Graduate Development Programme, undertaking visits to schools with a higher percentage of children eligible for free school meals and extending the networks, guidance and open days we provide to potential applicants.
- Improving the quality of, and access to our people diversity data. Ensuring our corporate actions support issues such as workforce representation, recruitment, progression and performance, people survey outcomes, and improve our policy making and advice.

We also have also put in place a suite of development programmes for all staff and structured them around key career transition points. Our extensive internal development offer includes both a portfolio of formal learning courses and resources, as well as more informal structures and forums – including supporting internal progression for underrepresented groups.

Security

Security remains a priority for the department in being able to deliver its objectives, with all facets of the security discipline having been adapted this year to support multi-site working, opening of new sites in Darlington and in response to Russia's assault on Ukraine. An annual security briefing was delivered to EMB by our Senior Security Adviser.

Security communications to staff continued whilst the department has worked remotely. Regular, topical communications have been sent to staff with a focus on the return to the office. In addition, we have increased communications on cyber security, phishing awareness and social engineering, following guidance from the National Cyber Security Centre.

Business continuity in the department has been reviewed, updated, exercised and challenged throughout the year. This has included individual sessions with Directors and Directors' General as a response to changes to the COVID situation and Russia's assault on Ukraine.

The security team has continued to provide support and guidance to HM Treasury teams, and our ALBs, either working on sensitive policy and business matters or embarking on procurements likely to involve the processing and handling of sensitive data or information.

The security team has continued to work closely with Government Security Group and other partners to ensure the implementation of functional standards and support the development of the security profession.

The Corporate Governance Code

As part of the preparation of this report, the department has undertaken an assessment of its compliance with the Corporate Governance Code for Central Government Departments. This assessment has provided assurances that the department complies with the principles of the code.

Conclusion

I have considered the evidence that supports this Governance Statement, including from the department's governance structures and the independent advice provided by the ARC. I conclude that HM Treasury has satisfactory governance and risk management systems in place with effective plans to ensure continuous improvement to address weaknesses identified.

Tom Scholar

Permanent Secretary

14 July 2022

Statement of Accounting Officer responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the department to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the department (inclusive of its executive agencies) and its sponsored non-departmental and other arm's length public bodies designated by order made under the GRAA by Statutory Instrument 2021 number 256 and 1441 (together known as the 'departmental group', consisting of the department and sponsored bodies listed at Note 1.2 to the accounts).

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the department, the departmental group, the net resource outturn, application of resources, changes in taxpayers' equity and cash flows of the departmental group for the financial year.

In preparing the accounts, the Accounting Officer of the department is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- ensure that the department has in place appropriate and reliable systems and procedures to carry out the consolidation process
- make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by non-departmental and other arm's length public bodies
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis
- confirm that the Annual Report and Accounts are, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that they are, balanced and understandable

HM Treasury appointed the Permanent Secretary of the department as Principal Accounting Officer of the department.

The Principal Accounting Officer of the department has also appointed the Chief Executives or equivalents of its sponsored non-departmental and other arm's length public bodies as Accounting Officers of those bodies.

The Principal Accounting Officer of the department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the department makes to its sponsored bodies are applied for the purposes intended and that such expenditure and the other income and expenditure of the sponsored bodies are properly accounted for, for the purposes of consolidation within the resource accounts.

Under their terms of appointment, the Accounting Officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the department or non-departmental or other arm's length public body for which the Accounting Officer is responsible, are set out in Managing Public Money published by HM Treasury.

Statement regarding the disclosure of information to the auditors

As the Principal Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Treasury's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

I also confirm that the annual report and accounts are fair, balanced and understandable, and I take personal responsibility for judgements made to ensure that they are fair, balanced and understandable.

Remuneration and staff report

Remuneration report[25]

Treasury ministers - single total figures of remuneration (audited)

£[26]	2021-22 Salary[27] (FYE)	2021-22 Benefits in kind	2021-22 Pension benefits	2021-22 Total	2020-21 Salary (FYE)	2020-21 Benefits in kind	2020-21 Pension benefits	2020-21 Total
Rishi Sunak Chancellor of the Exchequer[28]	67,505	6,800	N/A	**74,000**	67,505	6,800	N/A	74,000
Simon Clarke Chief Secretary to the Treasury (from 15/09/21)	17,248 (31,680)	-	5,000	**22,000**	-	-	-	-
Helen Whately Exchequer Secretary to the Treasury (from 16/09/21)	12,120 (22,375)	-	3,000	**15,000**	-	-	-	-
Lucy Frazer Financial Secretary to the Treasury (from 16/09/21)	17,160 (31,680)	-	4,000	**21,000**	-	-	-	-
John Glen Economic Secretary to the Treasury[29]	10,317	-	6,000	**16,000**	2,375	-	5,000	28,000
Stephen Barclay Chief Secretary to the Treasury (to 14/09/21)	15,840 (31,680)	-	3,000	**19,000**	31,680	-	8,000	39,000
Kemi Badenoch Exchequer Secretary to the Treasury (to 14/09/21)	11,187 (22,375)	-	2,000	**13,000**	22,375	-	5,000	28,000
Jesse Norman Financial Secretary to the Treasury (to 15/09/21)	14,520 (31,680)	-	3,000	**18,000**	31,680	-	8,000	39,000

[25] Certain disclosures within the remuneration report have been audited as per the FReM 6.2.1.

[26] Salary and full year equivalent (FYE) are presented to the nearest £1. FYE is shown in brackets. Benefits in kind are presented to the nearest £100, pension benefits and total remuneration to the nearest £1,000.

[27] Lord Agnew held his role as Minister of State for HM Treasury and Cabinet office until 24/01/22. He was unpaid in both roles.

[28] Rishi Sunak did not participate in the ministerial pension scheme.

[29] Following a government reshuffle, from 17/09/21 the role of Economic Secretary to the Treasury became an unpaid Minister of State role.

Treasury ministers – severance payments[30] (audited)

The table below represents the severance payments made to former ministers.

£[31]	2021-22 Actual Severance	2021-22 Receivable Severance	2020-21 Actual Severance	2020-21 Receivable Severance
Jesse Norman Financial Secretary to the Treasury (to 15/09/21)	7,920	7,920	-	-

Treasury ministers – pension benefits (audited)

£000	Accrued pension at pension age as at 31/3/22	Real increase in pension at pension age	CETV[32] at 31/3/22	CETV at 31/3/21[33]	Real increase in CETV
Rishi Sunak Chancellor of the Exchequer[28]	N/A	N/A	N/A	N/A	N/A
Simon Clarke Exchequer Secretary to the Treasury	0-5	0-2.5	8	5	1
Helen Whately Exchequer Secretary to the Treasury	0-5	0-2.5	15	13	1
Lucy Frazer Financial Secretary to the Treasury	0-5	0-2.5	32	28	2
John Glen Economic Secretary to the Treasury	0-5	0-2.5	25	19	2
Stephen Barclay Chief Secretary to the Treasury	0-5	0-2.5	49	45	1
Kemi Badenoch Exchequer Secretary to the Treasury	0-5	0-2.5	9	7	1
Jesse Norman Financial Secretary to the Treasury	0-5	0-2.5	41	36	2

30 Ministers who have not attained the age of 65 and are not appointed to a relevant ministerial or other paid office within 3 weeks of the last day of service, are eligible for a severance payment of one quarter of the annual ministerial salary being paid.

31 Severance payments are presented to the nearest £1.

32 Cash Equivalent Transfer Value

33 Figures have been restated where the administrator has made retrospective updates to the data.

Additional ministerial remuneration borne by HM Treasury (audited)

£000	2021-22	2020-21
Boris Johnson Prime Minister[34]	75-80	75-80
Christopher Heaton-Harris Chief Whip, Commons (from 08/02/22)	0-5 (30-35)	-
Mark Spencer Chief Whip, Commons (to 07/02/22)	25-30 (30-35)	30-35
Christopher Pincher Deputy Chief Whip, Commons (from 08/02/22)	0-5 (30-35)	-
Stuart Andrew Deputy Chief Whip, Commons (to 07/02/22)	25-30 (30-35)	30-35
Lord Ashton of Hyde Chief Whip, Lords	120-125	120-125
The Earl of Courtown Deputy Chief Whip, Lords	105-110	105-110
Baronesses and Lords-in-Waiting[35] (7 posts, 1 unpaid)[36] (2020-21: 5 posts)	495-500	450-455
Government and Assistant Government Whips[35] (23 posts)[37] (2020-21: 17 posts, 1 unpaid)	250-255	250-255

Additional ministers – severance payments[38] (audited)

The table below represents the severance payments made to former ministers.

£[39]	2021-22 Actual Severance	2021-22 Receivable Severance	2020-21 Actual Severance	2020-21 Receivable Severance
David Duguid Lord Commissioner of HM Treasury, Government Whip (to 16/09/21)	4,479	4,479	-	-
Craig Whittaker Lord Commissioner of HM Treasury, Government Whip (to 08/02/22)	4,479	4,479	-	-

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[34] Boris Johnson received a benefit in kind of £7,500 in 2021-22 (2020-21 £7,500) in respect of the use of the official Downing Street residence.

[35] This disclosure shows all those in post during the year and not only in post at 31 March.

[36] Baronesses and Lords-in-Waiting comprise: Baroness Scott of Bybrook, Lord Parkinson of Whitley Bay, Baroness Penn of Teddington, Baroness Bloomfield of Hinton Waldrist, Viscount Younger of Leckie, Lord Sharpe of Epsom, Baroness Chisholm of Owlpen.

[37] Government and Assistant Government Whips comprise: Michael Tomlinson MP, Alex Chalk MP, Mike Freer MP, Rebecca Harris MP, David Rutley MP, Maggie Throup MP, Leo Docherty MP, Nigel Huddleston MP, Maria Caulfield MP, James Morris MP, Marcus Jones MP, Tom Pursglove MP, David TC Davies MP, David Duguid MP, Scott Mann MP, Lee Rowley MP, Amanda Solloway MP, Craig Whittaker MP, James Cartlidge MP, Heather Wheeler MP, Andrea Jenkyns MP, Steve Double MP, Gareth Johnson MP.

[38] Ministers who have not attained the age of 65 and are not appointed to a relevant ministerial or other paid office within 3 weeks of the last day of service, are eligible for a severance payment of one quarter of the annual ministerial salary being paid.

[39] Severance payments are presented to the nearest £1.

Senior management – single total figure of remuneration (audited)

£000[40]	2021-22 Salary (FYE)	2021-22 Bonuses	2021-22 Pension benefits 41	2021-22 Total	2020-21 Salary (FYE)	2020-21 Bonuses	2020-21 Pension benefits 41	2020-21 Total
Tom Scholar Permanent Secretary	195-200	-	56	**250-255**	200-205	15-20	100	315-320
Charles Roxburgh Second Permanent Secretary[42]	160-165	15-20	N/A	**175-180**	160-165	15-20	N/A	175-180
Mark Bowman Director General, International and EU (to 30/09/21)	75-80 (145-150)	-	(1)	**75-80**	140-145	-	102	245-250
Clare Lombardelli Chief Economic Advisor	140-145	15-20	43	**200-205**	150-155	-	69	215-220
Cat Little Director General, Public Spending	140-145	15-20	55	**210-215**	140-145	-	55	200-205
Beth Russell Director General, Tax and Welfare	145-150	15-20	36	**195-200**	140-145	15-20	98	250-255
Philip Duffy Director General, Productivity and Growth	125-130	5-10	36	**165-170**	115-120 (130-135)	10-15	119	245-250
Gwyneth Nurse Director General, Financial Services (from 01/01/22)	25-30 (115-120)	-	8	**35-40**	-	-	-	-
Lindsey Whyte Director General, International Finance (22/11/21)	45-50 (115-120)	-	34	**80-85**	-	-	-	-
Dan York-Smith Director Strategy, Planning and Budgeting	95-100	10-15	30	**140-145**	95-100	10-15	51	160-165
Catherine Webb Director, Operations	100-105	10-15	43	**160-165**	95-100	10-15	48	160-165
Anna Caffyn Director, Finance	95-100	10-15	39	**150-155**	90-95	-	40	130-135
Veda Poon Director, International	100-105	10-15	42	**155-160**	40-45 (95-100)	-	22	65-70
Rena Lalgie Director, OFSI (from 27/07/20 to 23/10/20)	-	-	-	**-**	30-35 (90-95)	-	12	45-50
Siobhan Jones Acting Director, Operations (from 09/03/20 to 31/05/20)[43]	-	-	-	**-**	15-20 (90-95)	5-10	47	65-70

[40] Salary, full year equivalent (FYE), bonuses and totals are presented in £5,000 bands. FYE is shown in brackets. Benefits in kind are presented to the nearest £100 and pension benefits to the nearest £1,000. There were no benefits in kind for 2021-22 or 2020-21.

[41] The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decreases due to a transfer of pension rights. Figures are restated for retrospective updates and are reported before tax.

[42] Charles Roxburgh did not participate in the Civil Service pension scheme.

[43] Siobhan Jones was Acting Operations Director from 09/03/20, covering a period of sickness absence. The salary disclosed relates to the Acting Operations Director role only.

Katharine Braddick joined the Treasury Executive Management Board on 20 October 2016 as a Director General on a funded secondment from the Bank of England until 31 December 2021. During that time Katharine held the role of Director General, Financial Services (20 October 2016 to 5 September 2021) followed by Director General, Special Projects and Chair of Operating Committee (6 September 2021 to 31 December 2021). Of these secondment costs, gross earnings during the accounting period 1 April 2021 to 31 December 2021 were £135k-£140k (FYE: £220k-£225k), no bonus was paid (2020-21: £200k-205k, inclusive of a bonus £15-20k).

Following recommendations of the Senior Salaries Review Body, the level of pay increase and bonus awards for all SCS is set by Cabinet Office.

SCS do not receive overtime, however during the COVID-19 pandemic an exception was made for a short period. The SCS remuneration for 2020-21 therefore includes overtime (as an exception) and annual leave adjustments, which resulted from HM Treasury's response to the COVID-19 pandemic.

The bonus awards made in HMT in 2021-22 reflect the 2020-21 performance year and all bonus payments made in were within the thresholds set by Cabinet Office. Tom Scholar waived any right to a bonus with respect to performance in 2020-21.

Within the 2020 Cabinet Office SCS Pay Practitioners Guidance departments had a ring-fenced pot of 1% of the SCS paybill to address pay progression and anomalies. These were dependent on the demonstration of sustained high performance, increased effectiveness and deepened expertise and position in the pay range. The pay anomalies were made under Treasury's 2020 SCS pay award, within the parameters of the Pay Practitioner Guidance, some of these payments were made during 2021-22.

Senior management – pension benefits[44] (audited)

£000	Accrued pension at pension age as at 31/3/22 and related lump sum	Real increase in pension at pension age	CETV at 31/3/22	CETV at 31/3/21 [45]	Real increase in CETV
Tom Scholar Permanent Secretary	85-90 plus a lump sum of 160-165	2.5-5 plus a lump sum of 0	1518	1411	24
Mark Bowman Director General, International and EU	55-60 plus a lump sum of 105-110	0-2.5 plus a lump sum of 0	990	921	-9
Clare Lombardelli Chief Economic Advisor	40-45	2.5-5	488	444	14
Cat Little Director General, Public Spending	25-30	2.5-5	258	221	21
Beth Russell Director General, Tax and Welfare	50-55 plus a lump sum of 95-100	0-2.5 plus a lump sum of 0	826	769	12
Philip Duffy Director General, Productivity and Growth	35-40 plus a lump sum of 60-65	0-2.5 plus a lump sum of 0	502	463	9
Gwyneth Nurse Director General, Financial Services	40-45 plus a lump sum of 75-80	0-2.5 plus a lump sum of 0	747	738	3
Lindsey Whyte Director General, International Finance	40-45 plus a lump sum of 5-10	0-2.5 plus a lump sum of 0-2.5	542	515	20
Dan York Smith Director, Strategy, Planning and Budget	30-35	0-2.5	402	370	9
Catherine Webb Director, Operations	30-35 plus a lump sum of 55-60	2.5-5 plus a lump sum of 0-2.5	447	403	18
Anna Caffyn Director, Finance	30-35	0-2.5	383	345	15
Veda Poon Director, International	25-30	0-2.5	326	290	16

[44] This table relates to pension benefits in the Civil Service pension scheme and represents the period as a member of EMB only.

[45] Figures have been restated where the Civil Service Pension Scheme have made retrospective updates to the data.

Fair Pay (audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in the organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

The banded remuneration[46] of the highest paid director employed by HM Treasury in the financial year 2021-22 was salary of £195k-£200k plus a bonus of nil (2020-21 Restated: Salary £195k-200k plus a bonus of £15-20k). This was 4.0 times (2020-21: 4.3 times) the median remuneration of the workforce, which was £49,777 (2020-21: £50,197).

The reduction in the median remuneration ratio is primarily driven by changes in the grade mix of employees.

The median pay ratio for 2021-22 reflects the remuneration policies of the department in light of the pay freeze and bonuses paid for the performance year 2020-21.

In 2021-22, one employee received remuneration in excess of the highest paid director. Remuneration ranged from £16.1k to £201.9k (2020-21: £20.5k to £220k).

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

	2021-22	2020-21	Movement
	£000	£000	%
Highest paid director			
Salary and allowances	195-200	195-200	0%
Performance pay and bonuses	0	15-20	-100%

	2021-22	2020-21	Movement
	£	£	%
Average (mean) remuneration of other employees			
Salary and allowances	49,390	49,188	0%
Performance pay and bonuses	519	808	-36%

46 The banded remuneration under the Fair pay section includes contractual salary amount only, while the banded remuneration in the remuneration tables includes salary adjustments.

Total pay and benefits	2021-22 Lower Quartile (25%)	Median (50%)	Upper Quartile
Remuneration	£32,968	£49,777	£59,120
Ratio	6.0	4.0	3.3
Salary only	**Lower Quartile (25%)**	**Median (50%)**	**Upper Quartile**
Remuneration	£32,320	£49,539	£57,680
Ratio	6.1	4.0	3.4

Fees paid to Non-Executive Board and Audit and Risk Committee members fees (audited)

£000[47]	2021-22 Fees (FYE)	2021-22 Benefits in kind	2020-21 Fees (FYE)	2020-21 Benefits in kind
Rt Hon Lord Hill of Oareford CBE Lead Non-Executive for HM Treasury	20-25	-	20-25	-
Zarin Patel Non-Executive Board member and Chair of the Audit and Risk Committee (from 01/01/22); Member of the Audit and Risk Committee (to 31/12/21)	10-15 (20-25)	-	5-10	-
Richard Meddings CBE Non-Executive Board member and Chair of the Audit and Risk Committee (to 31/12/21)	15-20 (20-25)	-	20-25	-
Edward Braham Non-Executive Board member (from 01/01/22)	0-5 (20-25)	-		-
Tim Score Non-Executive Board member (to 31/12/21)	15-20 (20-25)	-	20-25	-
Gay Huey Evans OBE Non-Executive Board member	15-20	-	15-20	-
Peter Estlin Member of the Audit and Risk Committee	5-10	-	5-10	-

During the year, Richard Meddings CBE and Rt Hon Lord Hill of Oareford CBE donated their fees to charity.

Remuneration policy

The pay of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. From time to time, the Review Body advises the Prime Minister on the pay, pensions and allowances of ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

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[47] Fees are presented in £5,000 bands. Benefits in kind are presented to the nearest £100.

In making its recommendations, the Review Body considers:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities
- regional and local variations in labour markets and their effects on the recruitment and retention of staff
- government policies for improving public services, including the requirement on departments to meet the output targets for the delivery of departmental services
- the funds available to departments as set out in the government's departmental expenditure limits
- the government's inflation target, wider economic considerations, and the affordability of its recommendations

For the Permanent Secretary and Second Permanent Secretary, remuneration is set by the Prime Minister on the recommendation of the Permanent Secretaries' Remuneration Committee. For the remaining executive members of the Treasury Board and the Chief Executives of DMO, GIAA and NIC, remuneration is determined by the Treasury's Pay Committee in line with this central guidance.

Service contracts

The Constitutional Reform and Governance Act 2010 requires civil service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. No such compensation payments were made to senior managers during the year.

Pay committees

Dependent on the grade of senior manager, the pay committees responsible for reviewing pay comprise either the Permanent Secretaries, or the Permanent Secretaries and Directors General.

Salary and bonuses

Salary covers both pensionable and non-pensionable amounts and includes gross salary; overtime; reserved rights to London weighting or

London allowances; recruitment and retention allowances; private office allowances; and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the department and thus recorded in these accounts.

In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration. The salary for their services as an MP £81,932 (from 1 April 2020) and various allowances to which they are entitled are borne centrally.

However, the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the department and is therefore shown in full in this report.

Bonuses are based on performance levels achieved in 2020-21 and comparative bonuses on those achieved in 2019-20. Annual bonuses are paid following the appraisal process.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the department and treated by HMRC as taxable. The Chancellor and Prime Minister have the use of their official residences at Downing Street. Expenses relating to its use, such as heating and lighting, are chargeable to tax under the terms of the Income Tax (Earnings and Pensions) Act 2003. The benefit in kind is capped at 10% of gross salary.

In addition, staff receive certain minor benefits in kind, such as subscriptions and taxi journeys. The Treasury has agreed with HMRC to account for Income Tax on such benefits on an aggregate basis, as it is not practical to disclose individual amounts.

Ministerial pensions

Pension benefits for ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute and the rules are set out within the Ministerial Pension Scheme 2015.[48]

Those ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). A new MPs' pension scheme was introduced from May 2015 although members who were MPs and aged 55 or older on 1 April 2013

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48 http://qna.files.parliament.uk/ws-attachments/170890/original/PCPF%20MINISTERIAL%20SCHEME%20FINAL%20RULES.doc as amended in July 2019.

have transitional protection to remain in the previous MPs' final salary pension scheme.

Benefits for ministers are payable from State Pension age under the 2015 scheme. Pensions are re-valued annually in line with Pensions Increase legislation both before and after retirement. The contribution rate from May 2015 is 11.1% and the accrual rate is 1.775% of pensionable earnings.

The figure shown for pension value includes the total pension payable to the member under both the pre- and post-2015 ministerial pension schemes.

Civil service pensions

Pension benefits are provided through the civil service pension arrangements. From 1 April 2015, a new pension scheme for civil servants was introduced, the Civil Servants and Others Pension Scheme (alpha), which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher).

From that date, all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS), which has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under all the above schemes are increased annually in line with Pensions Increase legislation.

Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those members who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 switch to alpha between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). All members who switch to alpha have their existing PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range from 4.6% and 8.05% for members of classic, premium, classic plus, nuvos, and alpha. Benefits in classic accrue at a rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March), the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha, the figure quoted is the combined value of their benefits in the two schemes but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk.

Cash Equivalent Transfer Value (CETV)

CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure benefits in another scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies (or, for ministers, their current appointment as minister).

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the civil service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost.

CETVs are calculated in accordance with The Occupational Pension Scheme (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This is the element of the increase in accrued pension funded by HM Treasury. It excludes increases due to inflation and contributions paid by the minister or staff member. It is worked out using common market valuation factors for the start and end of the period.

Staff report[49]

Workforce dynamics[50]

Core Treasury - Workforce breakdown (headcount)

		31 March 2022	31 March 2021
Workforce Dynamics (%)	Annual Turnover rate (%)	18.8	13.9
Workforce Diversity (%)[51]	Diverse Ethnic Background	19.2	19.4
	Women	50.1	48.7
	Disabled person	10.2	9.1
	Part time	7.9	6.9
	LGBO	8.5	7.6
	Lower socio-economic background	16.6	12.6
Diversity of Senior Civil Servants	Diverse Ethnic Background	14.5	2.9
	Women	50.0	48.4
	Disabled person	6.6	5.2
	Part time	8.4	18.1
	LGBO	7.9	7.1
	LSEB	n/a	n/a

Core Treasury – Staff composition (FTE) at 31 March 2022 (31 March 2021)

	Female	Male	Total
All employees	1,011 (956)	1,034 (1,036)	2,045 (1,992)
Of which:			
Senior Civil Service	70.5 (68.4)	75.1 (79.7)	145.6 (148.1)
Directors (SCS2)	12.5 (13.5)	12.0 (13.0)	24.5 (26.5)

49 This part of the Remuneration and Staffing Report provides details of staff numbers and costs, including pension costs and exit packages for the Treasury Group in 2021-22. With the exception of the table which details average staff numbers, all numbers are presented on an actual basis as at the reporting date. Information is reported in headcount unless indicated as FTE in the heading. For information on staff matters, such as welfare, recruitment policy and diversity see Strategic Enablers from page 51.

50 HM Treasury does not publish diversity data where it relates to a group of less than 5 people, on the basis that it may identify individuals. This is represented in the tables as n/a.

51 Diversity percentages are calculated based on paid headcount using ONS definitions. This includes personnel on maternity and paternity leave, and short-term secondments.

Core Treasury – Number of Senior Civil Servants by pay band (FTE)

Range[52]	31 March 2022	31 March 2021
SCS1	113	114
SCS2	24	26
SCS3	8	8
Total	**145**	**148**

Core Treasury - Gender diversity (headcount) as at 31 March 2022 (31 March 2021)

	Female	Male
Executive Management Board members and Group Directors (%)	54.5 (51.4)	45.5 (48.6)
Senior Managers (SCS, not including EMB) (%)	48.6 (47.9)	51.4 (52.1)
All staff (%)	50.1 (48.7)	49.9 (51.3)

Core Treasury - Grade diversity (headcount) as at 31 March 2022 (31 March 2021)

Range	Women	People from Ethnically Diverse Background	People with disabilities	LGBO	LSEB
B (%)	63.5 (55.4)	26.9 (29.2)	5.8 (6.2)	11.5 (7.7)	n/a (n/a)
C (%)	67.7 (63.2)	28.6 (29.2)	10.0 (8.0)	6.4 (5.7)	15.9 (12.7)
D (%)	49.3 (49.6)	21.2 (20.9)	11.6 (10.4)	9.6 (7.0)	19.8 (14.2)
E (%)	44.7 (43.0)	16.4 (16.0)	10.2 (8.7)	9.6 (10.6)	13.4 (11.3)
E2 (%)	48.2 (45.7)	14.0 (15.9)	9.4 (10.5)	5.0 (4.7)	19.4 (15.6)
SCS 1,2,3 (%)	50.0 (48.4)	14.5 (12.9)	6.6 (5.2)	7.9 (7.1)	n/a (n/a)

Core Treasury - Grade diversity by age as at 31 March 2022 (31 March 2021)

Range	Under 30	30-39	40-49	50+
B (%)	n/a (n/a)	n/a (n/a)	n/a (n/a)	n/a (n/a)
C (%)	50.0 (55.2)	13.6 (12.7)	13.2 (11.8)	23.2 (19.3)
D (%)	70.5 (73.3)	17.4 (14.8)	5.5 (5.1)	6.5 (6.7)
E (%)	44.4 (49.0)	40.0 (37.2)	7.0 (7.5)	8.6 (6.1)
E2 (%)	5.8 (6.2)	69.1 (69.9)	18.3 (17.8)	6.8 (6.2)
SCS 1,2,3 (%)	n/a (n/a)	n/a (n/a)	n/a (n/a)	n/a (n/a)

[52] The Treasury uses the term 'range' as an alternative to 'grade' or 'pay band' to describe the internal structure of the department. Range B are the most junior officials; ranges SCS1 to SCS3 are members of the Senior Civil Service.

Recruitment[53]

Core Treasury – Recruitment (headcount) 2021-22 (2020-21)

Range	Permanent appointments	Fixed term appointments	Loans from other government departments	Secondments	Total
B[54]	13 (11)	42 (24)	- (-)	- (-)	55 (35)
C	52 (68)	15 (17)	1 (2)	- (-)	68 (87)
D	211 (307)	4 (19)	21 (8)	6 (5)	242 (339)
E	78 (113)	4 (8)	8 (15)	5 (5)	95 (141)
E2	27 (25)	- (1)	4 (4)	5 (7)	36 (37)
SCS 1,2,3	5 (10)	- (1)	4 (3)	- (3)	9 (17)
Total	**386 (534)**	**65 (70)**	**38 (32)**	**16 (20)**	**505 (656)**

Staff redeployments (headcount) – Core Treasury

Loaned In

	Loaned in total	Loaned in short-term (6 months or less)[55]	Loaned in long-term (more than 6 months)	Average loan in (years)
Range B	-	-	-	-
Range C	2	-	2	2.5
Range D	22	-	22	1.2
Range E	17	1	16	2.0
Range E2	4	-	4	1.3
SCS1	7	-	7	2.8
SCS2	1	-	1	3.0
Total	**53**	**1**	**52**	**1.7**

[53] Recruitment figures based on new people joining the department. The FTA figures include students and apprentices.

[54] Including students.

[55] Loaned in staff are classified as an administration cost. Of the 3 short-term loaned in staff, the cost of 1 are met by their home department. The cost of the other 2 staff is £9k.

Loaned Out

	Loaned out total	Loaned out short-term (6 months or less)[56]	Loaned out long-term (more than 6 months)	Average loan out (years)
Range B	-	-	-	-
Range C	4	-	4	1.8
Range D	44	2	42	1.9
Range E	50	2	48	2.1
Range E2	20	-	20	2.3
SCS1	20	2	18	2.5
SCS2	4	1	3	2.5
Total	**142**	**7**	**135**	**2.1**

Health, safety and wellbeing

Sickness absence

	Jan – Dec 2021 Average working days lost	Jan – Dec 2020 Average working days lost
Government departments[57]	6.1	6.6
Treasury and its agencies	3.2	3.0
Core Treasury	2.6	2.4

Staff with no sickness absence

	Jan – Dec 2021	Jan – Dec 2020
Treasury and its agencies	68%	74%
Core Treasury	71%	77%

Days lost (in Core Treasury) to mental health and related issues

	Jan – Dec 2021	Jan – Dec 2020
Total days lost	1,414.0	1,458.0
Long term absences days lost	954.0	924.5
Short term absences days lost	460.0	533.5

[56] Loaned out staff are classified as an administration cost. The cost of the 2 staff on short-term loan out is £24k.

[57] Figures provided by Cabinet Office. Taken from the latest cross-government data for the year ended 31 March 2021. https://www.gov.uk/government/publications/civil-service-sickness-absence-2021

Trade Union Facilities Time[58]

Relevant union officials

The total number of employees who were relevant union officials during the relevant period was two (1 FTE).

Percentage of pay bill spent on facility time

The percentage of total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period was less than 1%. The total cost of facility time was £1,318 of a total pay bill of £123.7m.[59]

HM Treasury has no agreement in place for facilities time and therefore has nothing to disclose in relation to the percentage of time spent on facility time or paid trade union activities by employees.

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[58] There is nothing to disclose for HM Treasury's agencies – DMO, GIAA and NIC.

[59] Calculated as the total gross amount spent on wages, employer pension contributions and employer National Insurance contributions during the period.

Analysis of staff costs (audited)

The following disclosures on staff costs (including pension costs), average number of persons employed and exit packages have been audited.

Staff costs

In £m	2021-22 Ministers	Permanent staff	Others[60]	Total	2020-21 Total (Restated)
Salaries and wages	1	169	19	**189**	174
Social Security costs	-	20	-	**20**	18
Staff pension costs	-	31	-	**31**	23
Total continuing operations	**1**	**220**	**19**	**240**	**215**
Less recoveries for outward secondments	-	(2)	-	**(2)**	-
Net continuing operations	**1**	**218**	**19**	**238**	**215**
Core Treasury and Agencies	1	183	7	**191**	183
ALBs and other bodies	**-**	37	12	**49**	32
Total Continuing operations	**1**	**220**	**19**	**240**	**215**
Salaries and wages	-	3	1	**4**	**9**
Social Security costs	-	-	-	**-**	**1**
Staff pension costs	-	1	-	**1**	**-**
Total Discontinued Operations	**-**	**4**	**1**	**5**	**10**
ALBs and other bodies	-	4	1	**5**	**10**
Total Discontinued Operations	**-**	**4**	**1**	**5**	**10**
Total staff costs	**1**	**224**	**20**	**245**	**225**

See also Note 3 -Staff costs and numbers.

Average number of full-time equivalent persons employed

	Ministers	Special Advisors[61]	Permanent staff	Other	2021-22 number Total	2020-21 number Total (Restated)
Core Treasury and agencies	5	9	2,577	74	**2,665**	2,480
ALBs and other bodies	-	-	703	105	**808**	792
Total persons employed	**5**	**9**	**3,280**	**179**	**3,473**	3,272

[60] 'Others' relates to non-permanent staff such as short-term contract, agency and temporary staff, as well as staff seconded in from other bodies.

[61] Following the guidance issued by Cabinet Office, the Special Advisors disclosed represent those in the position as at 31 March 2022 (to the nearest FTE) and not an average across the year to ensure consistency and alignment to the Annual Report on Special Advisors published by the Cabinet Office.

Special advisers are temporary civil servants. In order to improve efficiency, the administration of staff costs for all special advisers across government was moved to the Cabinet Office in July 2019, with corresponding budget cover transfers.

Therefore, special adviser costs are now reported in the Cabinet Office Annual Report and Accounts. Special advisers remain employed by the respective Departments of their appointing Minister.

Staff pension costs

Staff pension costs for permanent staff of £32m (2020-21 Restated: £23m) are primarily employer contributions, including £35m (2020-21: £32m) payable to the Civil Service Pension schemes[62], £3m (2020-21 Restated: £3m) payable to defined contribution schemes and £7m net credit (2020-21: £12m net credit) for United Kingdom Asset Resolution (UKAR) pension schemes and post-retirement healthcare benefits. The UKAR schemes are in surplus at the reporting date and the credit reflects the net interest income on the schemes.

The Civil Servants and Others Pension Scheme (alpha) was launched as a new pension scheme for civil servants from 1 April 2015. Details on the transition arrangements between alpha and Principal Civil Service Pension Scheme (PCSPS) are outlined on pages 111 to 112. The PCSPS scheme actuary valued the scheme as at 31 March 2016. Details can be found in the valuation report by the Government Actuary Department.[63]

For 2021-22, employer's contributions of £35m (2020-21: £32m) were payable to the PCSPS at one of four rates in the range of 26.6% to 30.3% of pensionable earnings, based on salary bands. The scheme actuary reviews employer contributions usually every 4 years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accrued during 2021-22 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £0.3m (2020-21: £0.3m) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and have ranged from 8.0% to 14.75% of pensionable pay since 1 October 2015. In addition, employer contributions of 0.5% of pensionable pay of £10k (2020-21: £10k) were payable to the Civil Service Pension schemes to cover the cost of the future provision of lump sum benefits on death in service or ill health

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62 The Civil Service Pension schemes are unfunded multi-employer defined benefit schemes, however as the department is unable to identify the share of the underlying assets and liabilities they are treated as defined contribution schemes.

63 https://www.civilservicepensionscheme.org.uk/media/490508/csps-2016-valuation-report-final.pdf

retirement of these employees. Further details of the Treasury Group's pension schemes are provided in Note 11 – Net pension asset.

Exit packages (audited)

Core Treasury and Agencies

Exit package cost band	2021-22 Compulsory redundancies	2021-22 Other departures	2021-22 Total	2020-21 Compulsory redundancies	2020-21 Other departures	2020-21 Total
<£10,000	-	-	**-**	-	-	-
£10,000 – £25,000	-	-	**-**	-	-	-
£25,001 – £50,000	1	-	**1**	-	1	1
£50,001 – £100,000	-	-	**-**	-	3	3
£100,001 – £150,000	-	-	**-**	-	-	-
£150,001 – £200,000	-	-	**-**	-	-	-
>£200,001	-	-	**-**	-	-	-
Total exit packages	1	-	**1**	-	4	4
Total Resource Cost (£'000)	35	-	**35**	-	232	232

Group[64]

Exit package cost band	2021-22 Compulsory redundancies	2021-22 Other departures	2021-22 Total	2020-21 (Restated) Compulsory redundancies	2020-21 (Restated) Other departures	2020-21 (Restated) Total
<£10,000	1	-	**1**	1	2	3
£10,000 – £25,000	2	-	**2**	9	-	9
£25,001 – £50,000	9	-	**9**	5	2	7
£50,001 – £100,000	2	-	**2**	11	4	15
£100,001 – £150,000	-	-	**-**	1	1	2
£150,001 – £200,000	3	-	**3**	1	1	2
>£200,001	1	2	**3**	2	-	2
Total exit packages	18	2	**20**	30	10	40
Total Resource Cost (£'000)	1,498	700	**2,198**	1,833	642	2,475

[64] Exit packages are paid, where applicable, in accordance with the terms of the Civil Service Compensation Scheme. Some group entities, such as UKAR do not make payments under the above scheme but under other schemes.

Exit packages for the Group have been restated for 2020-21 to remove those packages related to the Financial Services Compensation Scheme (FSCS) as they are no longer part of the Group. The 2021-22 exit packages are largely driven by the wind-down of UKAR. In 2021-22, there were 12 exit packages totalling £1.9m in relation to UKAR (2020-21: 31 totalling £2.1m). Following the sale of B&B and NRAM from UKAR, no further exits will be made for that arm's lengths body. UKAR exit packages are not paid under the Civil Service Compensation Scheme.

In line with the Constitutional Reform and Governance Act 2010 and the Model Contract for Special Advisers, a special adviser's appointment automatically ends when their appointing minister leaves office. Special advisers are not entitled to a notice period but receive contractual termination benefits to compensate for this.

Termination costs for special advisers are reported in the Cabinet Office Annual Report and Accounts. Termination benefits are based on length of service and capped at six months' salary. If a special adviser returns to work for HM Government following the receipt of a severance payment, the payment is required to be repaid, less a deduction in lieu of wages for the period until their return.

Consultancy

Consultancy and contingent labour

In £m	2021-22		2020-21	
	Core Treasury and Agencies	Group	Core Treasury and Agencies	Group (Restated)
Consultancy	5	22	17	55
Contingent labour	5	19	11	17
Total	10	41	28	72

HM Treasury, its agencies and arm's length bodies use professional service providers to support specialist work. This includes consultancy, contingent labour (temporary workers), legal advice and IT expertise. The reduction in consultancy spend is primarily due to a decrease in consultancy services provided to UKAR following the wind-down of UKAR's operations.

Off-payroll transactions

Off-payroll arrangements are those where individuals, either self-employed or acting through a personal service company (PSC) are paid gross by the employer.

UK Infrastructure Bank (UKIB) has had 6 board members and/or senior officials with significant financial responsibility between 1 April 2021 and 1 April 2022 who have been engaged off-payroll. UKIB has had a total of 20 individuals on payroll and off-payroll that have been deemed board members and/or senior officials with significant financial responsibility during the period.

UKIB was launched in an interim form during the period, and as such some senior officials with financial responsibility were employed on a temporary basis to help establish the Bank. UKIB are now recruiting for permanent staff to replace these.

There have been no further board members and/or senior officials with significant financial responsibility between 1 April 2021 and 1 April 2022 who have been engaged off-payroll across the rest of the Treasury Group.

The tables below show off-payroll engagements for all bodies which are consolidated into the Treasury Group. Entities with nil return for all tables are not included for disclosure.

Off-payroll engagements as of 31 March 2022, earning at least £245[65] per day or greater

	Core Treasury	DMO	UKIB	RFL
The total number of engagements	4	19	12	5
Of which:				
No. that have existed for less than 1 year at time of reporting	1	8	12	4
No. that have existed for between 1 and 2 years at time of reporting	2	2	-	-
No. that have existed for between 2 and 3 years at time of reporting	1	4	-	-
No. that have existed for between 3 and 4 years at time of reporting	-	3	-	-
No. that have existed for 4 or more years at time of reporting	-	2	-	1

65 The £245 threshold is set to approximate the minimum point of the pay scale for a Senior Civil Servant.

All off-payroll appointments engaged at any point during the year ended 31 March 2022 and earning at least £245 per day

	Core Treasury	DMO	UKIB	RFL
The total number of engagements	18	34	12	5
Of which:				
Not subject to off-payroll legislation[66]	-	-	-	-
Subject to off-payroll legislation and determined in-scope of IR35	16	30	12	-
Subject to off-payroll legislation and determined as out-of-scope of IR35	2	4	-	5
No. of engagements reassessed for compliance or assurance purposes during the year	-	-	-	-
Of which:				
No of engagements that saw a change to the IR35 status following review	-	-	-	-

None of these engagements were direct (via PSC, contracted to the department) and are not on the payroll. Two engagements were reassessed for consistency or assurance purposes during the year and none saw a change in IR35 status.

Tom Scholar
Permanent Secretary

14 July 2022

[66] A worker that provides their services through their own limited company or another type of intermediary to the client will be subject to off-payroll legislation and the department must undertake an assessment to determine whether that worker is in-scope of intermediaries legislation (IR35) or out-of-scope for tax purposes.

Parliamentary Accountability and Audit Report

Statement of Outturn against Parliamentary Supply and related notes (audited)

For the period ended 31 March 2022

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires HM Treasury to prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes.

The SOPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SOPS is a key accountability statement that shows how an entity has spent against their Supply Estimate in detail. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

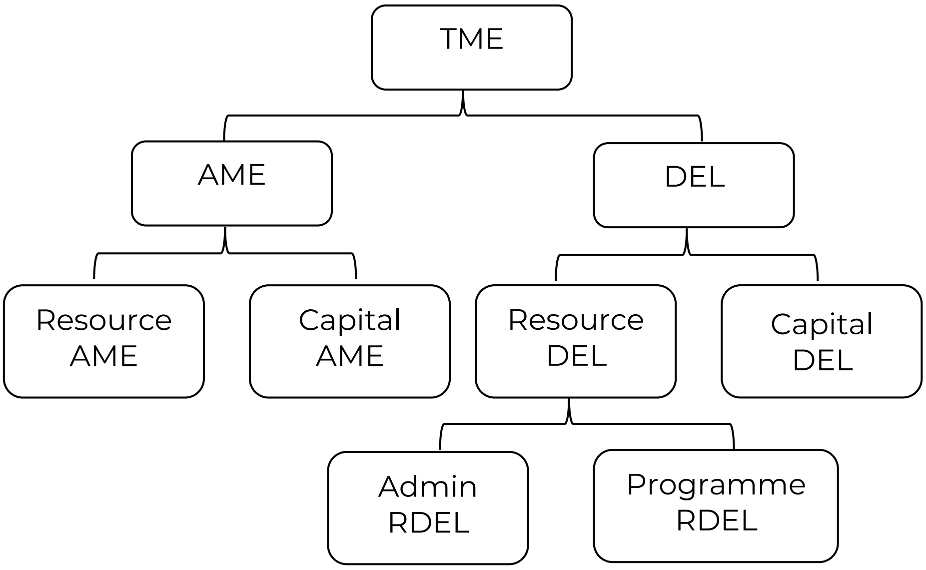
Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SOPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn.

The SOPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn won't exactly tie to cash spent) and administration.

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (note 1); a reconciliation of outturn to net operating expenditure in the Statement of Comprehensive Net Expenditure (SOCNE), to tie the SOPS to the financial statements (note 2); a reconciliation of outturn to net cash requirement (note 3); and, an analysis of income payable to the Consolidated Fund (note 4).

The SOPS and Estimates are compiled against the budgeting framework, which is similar but different to IFRS. HM Treasury sets the budgetary framework for government spending.



The total amount a department spends is referred to as the Total Managed Expenditure (TME); which is split into:

- Annually Managed Expenditure (AME)
- Departmental Expenditure Limit (DEL)

HM Treasury do not set firm AME budgets. They are volatile or demand-led in a way the department cannot control. The department monitors AME forecasts closely and updates them annually.

HM Treasury set firm limits for DEL budgets, as DEL budgets are understood and controllable. The limit is set at spending reviews which occur every 3 to 5 years.

Budgets are classified into resource and capital.

Resource DEL includes a further split into:

- 'programme' budgets for frontline service provision
- 'admin' budgets such as back-office functions, rent and IT

Further information on the Public Spending Framework and the reasons why budgeting rules are different to IFRS can also be found in Chapter 1 of the Consolidated Budgeting Guidance, available on gov.uk[1].

[1] https://www.gov.uk/government/collections/consolidated-budgeting-guidance

In £000	Note	2021-22 Estimate Voted	Estimate Non-Voted	Estimate Total	Outturn Voted	Outturn Non-Voted	Outturn Total	Voted Outturn compared with Voted Estimate Saving/(Excess)	2020-21[1] Outturn (restated) Total
Departmental Expenditure Limit									
Resource	SOPS 1.1	419,364	2,130	**421,494**	385,839	2,174	**388,013**	33,525	**320,247**
Capital	SOPS 1.2	47,650	-	**47,650**	15,151	-	**15,151**	32,499	**8,490**
Annually Managed Expenditure									
Resource	SOPS 1.1	86,572,590	3,694	**86,576,284**	51,571,938	3,856	**51,575,794**	35,000,652	**42,495,445**
Capital	SOPS 1.2	(1,068,496)	-	**(1,068,496)**	(3,779,191)	-	**(3,779,191)**	2,710,695	**(7,469,838)**
Total Budget		**85,971,108**	**5,824**	**85,976,932**	**48,193,737**	**6,030**	**48,199,767**	**37,777,371**	**35,354,344**
Total Resource		86,991,954	5,824	**86,997,778**	51,957,777	6,030	**51,963,807**	35,034,177	**42,815,692**
Total Capital		(1,020,846)	-	**(1,020,846)**	(3,764,040)	**-**	**(3,764,040)**	2,743,194	**(7,461,348)**
Total		**85,971,108**	**5,824**	**85,976,932**	**48,193,737**	**6,030**	**48,199,767**	**37,777,371**	**35,354,344**
Net Cash Requirement	SOPS 3			**4,506,857**			**57,306**	**4,449,551**	**(2,771,864)**
Administration costs				**292,549**			**270,682**	**21,867**	**256,973**

Figures in the areas outlined in thick line cover the voted control limits, voted by Parliament. Refer to the Supply Estimates guidance manual, available on gov.uk, for detail on the control limits voted by Parliament.

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

[1] The department has recognised a prior period adjustment in respect of the RFL dormant asset provision, which reduced the Resource AME outturn in 2020-21 by £17,225k. See also Note 30 – Prior period restatements.

SOPS1.1 Analysis of resource outturn by Estimate line

In £000		HMT PO[1]	2021-22 Administration Gross expenditure	Administration Income	Administration Net expenditure	Programme Gross expenditure	Programme Income	Programme Net expenditure	Outturn net total	Estimate net total	Outturn compared to Estimate	Outturn compared to Estimate, adjusted for virements	2020-21 Outturn net total
Spending in Department Expenditure Limit (DEL)													
Voted													
A	Core Treasury	All	231,638	(20,174)	211,464	117,063	(7,354)	109,709	321,173	342,762	21,589	21,385	255,034
B	Debt Management Office	1	20,039	(2,703)	17,336	7,783	(1,915)	5,868	23,204	23,000	(204)	-	26,471
C	Government Internal Audit Agency	1	38,611	(37,612)	999	-	-	-	999	2,725	1,726	1,726	(557)
D	Office of Tax Simplification	1	889	-	889	-	-	-	889	1,061	172	172	927
E	Office for Budget Responsibility (net)	1,3	3,913	-	3,913	-	-	-	3,913	4,480	567	567	3,784
F	IUK Investments Limited (net)	2	-	-	-	(416)	-	(416)	(416)	-	416	416	(706)
H	HM Treasury UK Sovereign Sukuk Plc (net)	2	-	-	-	(4)	-	(4)	(4)	1	5	5	-
I	Royal Mint Advisory Committee (net)	1	-	-	-	-	-	-	-	1	1	1	-
J	National Infrastructure Commission	2	4,716	(29)	4,687	-	-	-	4,687	5,000	313	313	4,272
K	UK Government Investments Limited (net)	1	19,565	-	19,565	-	-	-	19,565	22,350	2,785	2,785	16,050
L	UK Infrastructure Bank Limited (net)	2	11,829	-	11,829	-	-	-	11,829	17,984	6,155	6,155	3,414
-	Asian Infrastructure Investment Bank	2	-	-	-	-	-	-	-	-	-	-	9,349
Total Voted spending in DEL			**331,200**	**(60,518)**	**270,682**	**124,426**	**(9,269)**	**115,157**	**385,839**	**419,364**	**33,525**	**33,525**	**318,038**
Non-voted													
M	Banking and gilts registration services	3	-	-	-	15,926	(13,752)	2,174	2,174	2,130	(44)	(44)	2,209
Total spending in DEL			**331,200**	**(60,518)**	**270,682**	**140,352**	**(23,021)**	**117,331**	**388,013**	**421,494**	**33,481**	**33,481**	**320,247**

[1] HMT priority outcomes located in the Performance Report section of the report.

In £000		HMT PO[1]	2021-22										2020-21
			Administration			Programme							
			Gross expenditure	Income	Net expenditure	Gross expenditure	Income	Net expenditure	Outturn net total	Estimate net total	Outturn compared to Estimate	Outturn compared to Estimate, adjusted for virements	Outturn net total (restated)
Spending in Annually Managed Expenditure (AME)													
Voted													
N	Core Treasury (AME)	All	-	-	-	10,647	-	10,647	10,647	69,099	58,452	-	204
O	Provisions	All	-	-	-	(515,591)	-	(515,591)	(515,591)	72,500	588,091	588,091	233,999
P	UK coinage manufacturing costs	1	-	-	-	9,937	-	9,937	9,937	9,250	(687)	-	6,217
Q	UK coinage metal costs	1	-	-	-	8,352	(1,225)	7,127	7,127	6,750	(377)	-	3,036
R	Royal Mint dividend	1	-	-	-	-	(5,630)	(5,630)	(5,630)	(2,200)	3,430	3,430	2,000
T	Assistance to financial institutions, businesses and individuals	3	-	-	-	47,852,531	(633,020)	47,219,511	47,219,511	80,573,000	33,353,489	33,353,489	44,541,020
U	Sovereign Grant funding of the Royal Household (net)	1	-	-	-	103,053	-	103,053	103,053	110,416	7,363	7,363	87,492
V	UK Asset Resolution Ltd (net)	3	-	-	-	50,997	-	50,997	50,997	118,620	67,623	32,120	33,524
W	Help to Buy (net)	2	-	-	-	-	-	-	-	(92,500)	(92,500)	-	465
X	Help to Buy ISA	2	-	-	-	6,991	-	6,991	6,991	6,600	(391)	-	6,295
Y	EU Withdrawal Agreement Financial Settlement	3	-	-	-	4,825,236	-	4,825,236	4,825,236	5,585,000	759,764	759,764	(2,384,750)
Z	Reclaim Fund Ltd (net)	1	-	-	-	(9,203)	-	(9,203)	(9,203)	-	9,203	9,203	(17,281)
AA	UK Infrastructure Bank Limited (net)	2	-	-	-	(131,137)	-	(131,137)	(131,137)	116,055	247,192	247,192	-
-	Loans to Ireland	3	-	-	-	-	-	-	-	-	-	-	(21,794)
-	Financial Services Compensation Scheme (net)	3	-	-	-	-	-	-	-	-	-	-	146
-	UK Government Investments Limited (net)	1	-	-	-	-	-	-	-	-	-	-	200
Total Voted spending in AME			**-**	**-**	**-**	**52,211,813**	**(639,875)**	**51,571,938**	**51,571,938**	**86,572,590**	**35,000,652**	**35,000,652**	**42,490,773**
Non-voted													
AB	Royal Household Pensions	1	-	-	-	4,221	(391)	3,830	3,830	3,668	(162)	(162)	4,275
AC	Civil List	1	-	-	-	26	-	26	26	26	-	-	397
Total spending in AME			**-**	**-**	**-**	**52,216,060**	**(640,266)**	**51,575,794**	**51,575,794**	**86,576,284**	**35,000,490**	**35,000,490**	**42,495,445**
Total resource outturn			**331,200**	**(60,518)**	**270,682**	**52,356,412**	**(663,287)**	**51,693,125**	**51,963,807**	**86,997,778**	**35,033,971**	**35,033,971**	**42,815,692**

[1] HMT priority outcomes located in the Performance Report section of the report.

SOPS1.2 Analysis of capital outturn by Estimate line

In £000		HMT PO	2021-22 Gross	Income	Outturn net total	Estimate net total	Outturn compared to Estimate	Outturn compared to Estimate, adjusted for virements	2020-21 Outturn net total
Spending in Department Expenditure Limit (DEL)									
Voted									
A	Core Treasury	All	163,869	(150,564)	13,305	46,013	32,708	31,788	1,308
B	Debt Management Office	1	362	-	362	800	438	243	2,140
C	Government Internal Audit Agency	1	65	(17)	48	135	87	87	-
F	IUK Investments Limited (net)	2	216	-	216	1	(215)	-	(368)
G	IUK Investments Holdings Limited (net)	2	(339)	-	(339)	1	340	340	-
J	National Infrastructure Commission	2	659	-	659	700	41	41	811
K	UK Government Investments Limited (net)	1	294	-	294	-	(294)	-	310
L	UK Infrastructure Bank (net)	2	606	-	606	-	(606)	-	4,289
Capital spending in DEL			**165,732**	**(150,581)**	**15,151**	**47,650**	**32,499**	**32,499**	**8,490**
Annually Managed Expenditure (AME)									
Voted									
S	Sale of shares	3	-	(3,877,577)	(3,877,577)	(1,963,595)	1,913,982	1,913,982	(1,125,341)
T	Assistance to financial institutions, businesses and individuals	3	100,931	(2,555)	98,376	87,250	(11,126)	-	(2,594)
U	Sovereign Grant funding of the Royal Household (net)	1	1,807	-	1,807	3,960	2,153	2,153	4,596
V	UK Asset Resolution (net)	3	-	-	-	-	-	-	(4,950,925)
X	Help to Buy ISA	2	171,575	-	171,575	204,000	32,425	32,425	151,184
Y	EU Withdrawal Agreement Financial Settlement	3	-	(252,908)	(252,908)	(252,900)	8	8	-
Z	Reclaim Fund Ltd	1	28,001	-	28,001	241	(27,760)	-	39,724
AA	UK Infrastructure Bank (net)	2	51,535	-	51,535	852,548	801,013	762,127	27,080
-	Loans to Ireland	3	-	-	-	-	-	-	(1,613,480)
-	Financial Services Compensation Scheme (net)	3	-	-	-	-	-	-	(82)
Capital spending in AME			**353,849**	**(4,133,040)**	**(3,779,191)**	**(1,068,496)**	**2,710,695**	**2,710,695**	**(7,469,838)**
Total Capital Outturn			**519,581**	**(4,283,621)**	**(3,764,040)**	**(1,020,846)**	**2,743,194**	**2,743,194**	**(7,461,348)**

Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury). Further information on virements are provided in the Supply Estimates Manual, available on gov.uk. The outturn net total compared to estimate, adj. for virements column is based on the total including virements. The estimate total before virements have been made is included so that users can tie the estimate back to the Estimates laid before Parliament.

Explanation of key variances between Estimate and net resource outturn as at 31 March 2022

SOPS 1.1 Analysis of resource outturn by Estimate line

Spending in Department Expenditure Limit (DEL)

A: Core Treasury

HM Treasury underspent primarily against a number of ringfenced budgets. There were also smaller underspends across a number of areas such as training, travel & subsistence due to uncertainty and delays to easing of lockdown restrictions from the Omicron variant.

C: Government Internal Audit Agency

Variance is as a result of the accounting adjustments relating to the intra-company expenditure for IT services provided by HM Treasury.

K: UK Government Investments

Variance is a result of greater than expected cross government budget transfers.

L: UK Infrastructure Bank

Variance is due to delays in fully implementing the structure and processes of the new bank as outlined in the business case. The operational model assumed a larger number of new recruits and more investments for the bank's first year of operation.

Spending in Annually Managed Expenditure (AME)

N: Core Treasury

The variance is in relation to the Oil and Gas Decommissioning Relief Deeds (DRD), payments for which, having been reclassified from DEL to AME in-year, are recognised in provisions.

O: Provisions

The variance is due to a reduction in the required provision for the Help to Buy ISA. This is due to refinements made to the forecast model, along with less favourable economic considerations in the housing market, resulting in the actual required provision being lower than estimated.

T: Assistance to Financial Institutions, businesses and individuals

Budget cover of £80.0bn was sought at the Supplementary Estimate 2021-22 for a potential decrease in the fair value of the Bank of England Asset Purchase Facility Fund (BEAPFF). For more information see Note 14 Derivative Financial Instruments.

V: UK Asset Resolution

The final budget for 2021-22 was to cover an adjustment in relation to the accounting treatment for the UKAR Group's deferred tax liabilities in respect of its funded defined benefit pension schemes. The full adjustment was not required.

W: Help to Buy (HMT) Limited

The new mortgage scheme launched in 2021 and since initial forecasts, projected income has been adjusted down based on more up-to-date estimates reflecting current lender activity through the scheme. Help to Buy Limited acts as an agent for the mortgage guarantee schemes. As such, the income is recognised within Core Treasury.

Y: EU Withdrawal Agreement Financial Settlement:

The variance relates to the changes in provisions and receivables for the Financial Settlement following the UK's exit from the European Union (see Note 10 – Trade and other receivables and Note 17 – Provisions.)

Due to unpredictable exchange rate movements and uncertainty over movements in the underlying assets and liabilities at the time that budgetary cover was sought, a decision was made to cover a £5.6bn net increase in the liability, thereby generating the variance disclosed. By electing to budget for the potential downside, this ensured that a breach in control totals was less likely to occur.

AA: UK Infrastructure Bank

The variance is due to a fair value increase on UKIB's investment in the Charging Infrastructure Investment Fund, and the inclusion of a budget for expected credit loss (ECL) for the UKGS which was expected to transfer from HMT to UKIB. This transfer did not occur and the ECL is recognised in section T of the estimate.

SOPS 1.2 Analysis of capital outturn by Estimate line

Spending in Department Expenditure Limit (DEL)

A: Core Treasury

HM Treasury had sought prudent budgetary cover for an adverse scenario relating to restructuring a UK Guarantees Scheme project company. This scenario did not materialise resulting in the underspend noted.

Spending in Annually Managed Expenditure (AME)

S: Sales of Shares

The favourable variance is due to £1.9bn income related to the sale of NatWest shares not being included in the Estimate. This is due to the uncertainty of the timing and occurrence of sales.

X: Help to Buy: ISA

The £204.0m capital budget was an increase on pre-pandemic levels. This was driven by the expectation that the temporary reduction in Stamp Duty Land Tax (SDLT) would cause an increase in payments under the HTB ISA scheme. This, however, did not materialise and reverted to pre-pandemic levels of c.£180.0m.

Z: Reclaim Fund Ltd

Variance represents the net purchases of investment securities.

AA: UK Infrastructure Bank

The variance noted is due to inceptive investments in the first year of operation not being completed before the year end. Income was also received from disposals in the Charging Infrastructure Investment Fund.

SOPS2 Reconciliation of outturn to net income

In £000	Note	2021-22	2020-21 (restated)
Total resource outturn in SOPS	SOPS1.1	51,963,807	42,815,692
Add: Capital provisions		171,575	150,674
Add: Capital research		659	811
Add: Call of Guarantees		87,216	-
Add/(less): Capital grant in kind made/(received)		150,547	(3,563,776)
Less: Capital distributions		-	(6,028)
Less: PFI Liability transfer		(105,055)	-
Less: Income payable to the Consolidated Fund		(749,569)	(1,657,772)
Net income in the SoCNE		**51,519,180**	**37,739,601**

As noted in the introduction to the SOPS above, outturn and the Estimates are compiled against the budgeting framework, which is similar but different to IFRS. Therefore, this reconciliation bridges the resource outturn to net operating expenditure, linking the SOPS to the financial statements.

Capital grants are budgeted for as C-DEL but accounted for as spend on the face of the SoCNE, and therefore function as a reconciling item between Resource and Net Operating Expenditure. The capital grants made relate to Help to Buy ISA bonus payments which are charged against Capital AME within the SOPS capital outturn.

Financial guarantees managed by UKIB score to R-AME when they are created or impaired, and are accounted on the face of the SoCNE at that point. When they crystalise and a guarantee is called, the previous R-AME cost is reversed and they score to C-AME.

Income payable to the consolidated fund do not appear within the budgetary framework but are accounted for as spend on the face of the SoCNE, and therefore function as a reconciling item between Resource and Net Operating Expenditure. The income payable to the Consolidated Fund primarily relates to £512m gifts to the nation in respect of repayments of business rates received during the year and £230m Pool Re fees, which have been accrued for and will be paid over to the Consolidated Fund when they have been received by the Treasury.

Capital grants in kind are budgeted for as C-DEL but accounted for as spend on the face of the SoCNE, and therefore function as a reconciling item between Resource and Net Operating Expenditure. The capital grants in kind in 2021-22 relates to the transfer of the 1 Horse Guards Road PFI asset to the Government Property Agency. The capital grants in kind in 2020-21 relate to the transfer from the Department of International Development of the UK's shareholding in the European Bank for Reconstruction and Development, and the transfer from the Consolidated Fund of the long term receivable arising from the return of paid in capital from the UK's former shareholding in the European Investment Bank.

The income arising from transfers of PFI liabilities transfer do not score to budgets. The transfer in 2021-22 relates to the transfer of the 1 Horse Guards Road PFI liability to the Government Property Agency.

Research meeting the ESA10[1] definitions of research, but not the IFRS criteria for capitalisation are budgeted for as C-DEL but accounted for as spend on the face of the SoCNE, and therefore function as a reconciling item between Resource and Net Operating Expenditure. The research costs relate to research undertaken by the National Infrastructure Commission.

[1] European System of Accounts 2010

SOPS3 Reconciliation of net resource outturn to net cash requirement

		2021-22		
In £000	**Note**	**Estimate**	**Outturn**	**Outturn Net total compared with Estimate: saving/(excess)**
Resource Outturn	SOPS1.1	**86,997,778**	**51,963,807**	**35,033,971**
Capital Outturn	SOPS1.2	**(1,020,846)**	**(3,764,040)**	**2,743,194**
Accruals to cash adjustments:		**(81,464,251)**	**(48,136,431)**	**(33,327,820)**
Of which:				
Adjustments to remove non-cash items:				
Depreciation		(14,980)	(3,762)	(11,218)
Derivative fair value movements		(80,000,000)	(47,757,925)	(32,242,075)
New provisions and adjustments to previous provisions		(5,657,500)	(5,213,066)	(444,434)
Other non-cash items		(200)	605,833	(606,033)
Adjustments for ALBs and other bodies:				
Remove voted resource and capital		(1,154,158)	(4,698,561)	3,544,403
Add cash grant-in-aid		1,245,587	121,330	1,124,257
Adjustments to reflect movements in working balances:				
Increase in inventory		-	(4,675)	4,675
Increase in receivables		(4,300,000)	14,531	(4,314,531)
Increase in payables		-	(2,205,460)	2,205,460
Use of provisions		8,417,000	11,005,324	(2,588,324)
Subtotal		**4,512,681**	**63,336**	**4,449,345**
Removal of non-voted budget items:				
Banking and gilts registration service		(2,130)	(2,174)	44
Royal Household Pension Scheme		(3,668)	(3,830)	162
Civil List		(26)	(26)	-
Net cash requirement		**4,506,857**	**57,306**	**4,449,551**

As noted in the introduction to the SOPS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

SOPS4.1 Analysis of income payable to the Consolidated Fund

In addition to income and capital receipts retained by HM Treasury, the following amounts are payable to the Consolidated Fund.

	2021-22		2020-21	
In £000	**Outturn Income**	**Outturn Cash receipts**	**Outturn Income**	**Outturn Cash receipts**
Operating income outside the scope of the Estimate	749,569	774,468	1,657,772	1,672,913
Capital receipts outside the scope of the Estimate	-	7,217,969	-	13,662,544
Excess cash surrendered to the Consolidated Fund	3,394,563	3,394,563	2,832,031	2,832,031
Excess cash surrenderable to the Consolidated Fund	48,562	48,562	(60,166)	(60,166)
Total amounts paid and payable to the Consolidated Fund	**4,192,694**	**11,435,562**	**4,429,637**	**18,107,322**

Operating income outside the scope of the Estimate includes the income received to the government as a gift to the nation. See also Note 2 – Other operating income.

Capital receipts outside the scope of the estimate consists entirely of cash transfers from the BEAPFF derivative. See also Note 14 – Derivative Financial Assets and Note 24 – Financial Risk.

Excess cash surrendered to the Consolidated Fund – relates to cash held in HM Treasury which is not required to fund the department's continuing operations and is therefore passed to the Consolidated Fund. See also Statement of Cash Flows for further information.

SOPS4.2 Consolidated Fund income

Consolidated Fund income shown in the table above does not include any amounts collected by the department where it was acting as agent of the Consolidated Fund rather than as principal. Full details of income collected as agent for the Consolidated Fund are in the department's Trust Statement in Chapter 4 of this Annual Report and Accounts.

Parliamentary accountability disclosures

Losses and special payments (audited)

During the financial year 2021-22 the Treasury Group, excluding UKAR, had one reportable loss totalling £6.0m (2020-21: nil) and no special payments (2020-21: one, £0.9m) totalling over £300,000. The loss is related to the write off of an infrastructure loan during the year following the conclusion of an administration process that was pursued to finality.

UKAR Losses and special payments (audited)

A loan to a customer was written off and any associated impairment allowance released when and only when the property was sold or the account was redeemed, or in respect of unsecured loans where the collections process indicates a loan is not recoverable. Any subsequent proceeds were recognised on a cash basis and offset against previous impairments in the Statement of Comprehensive Income.

Following the sale of UKAR loans in February 2021, during 2021-22, loan to customer balances written off was nil (2020-21: £11.5m with recoveries net of costs on previously written off loans totalling £8.6m).

Fees and charges (audited)

The Treasury Group receives the below fees and charges for services

Fees and charges (core Treasury)	**Priority Outcome[2]**	**Income (£m)**
Pool Re loan commitment[3]	2	230
UK Guarantee Scheme	2	10
Mortgage Guarantees	2	10

Fees and charges (Group)	**Priority Outcome**	**Income (£m)**
GIAA Audit fees	1	38
UKAR Fees and charges	3	1
DMO Fees and charges	1	3

Fees for guarantees and loan commitments provided by core Treasury are set based on the risk of a call on the underlying guarantees and commitments and are entered into to ensure the stability of the economy rather than to achieve a financial objective of recovering the

[2] HMT priority outcomes located in the Performance Report section of the report.

[3] Including interest due on receivable

annual costs of a service being provided. There is no material administration cost incurred in providing these services.

All other details regarding income from fees and charges received by arm's length bodies can be found in the relevant bodies' annual reports and accounts.

Income in the above tables is included within the income from sale of goods and services, Other operating income (Note 2) and Finance income (Note 6) lines in the SOCNE.

Payment of suppliers

In May 2010, the government introduced a 5-day target for all suppliers to receive payment. During 2021-22, the Treasury Group made 87% (2020-21: 83%) of all supplier payments within 5 days, against a cross-government target of 90%.

Auditor

The Comptroller and Auditor General carries out the audit of the consolidated accounts of the Treasury Group under the Government Resources and Accounts Act 2000.

Central Funds

As detailed in the Governance Statement above, HM Treasury has oversight and administrative responsibility for the government's Central Funds, namely the Consolidated Fund, National Loans Fund, Contingencies Fund and Exchange Equalisation Account. These funds are accounted for outside of the Treasury departmental group, and disclosures within the Annual Report and Accounts of each of these funds should be viewed alongside those of the departmental group.

Contingent liabilities not required to be disclosed under IAS 37 (audited)

In addition to contingent liabilities reported under IAS 37 in Note 23, HM Treasury is required to disclose liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of a contingent liability or a contingent liability otherwise outside the scope of IAS 37, such as financial guarantees.

These disclosures are required by Managing Public Money and are related to Parliamentary accountability. All contingent liabilities must be reported to Parliament by a departmental minute so that Parliament has the opportunity to debate the merits of the item and to bind the government to honour the obligation. To meet the relevant disclosure requirements HM Treasury is required to provide a brief description of the nature of each contingent liability and where practical, an estimate of its financial effect.

In many cases, entering into arrangements that create a contingent liability has a distinct policy advantage; as they allow the government to intervene where it deems necessary, whilst not requiring an injection of government funding. While the risk of settlement may be remote, if they did crystallise there is a possibility that the government may have to distribute funds. The contingent liabilities disclosed by HM Treasury are linked to the role of being the UK's finance and economics ministry, or because there is no other practical place to disclose these within the public sector.

A remote contingent liability represents the maximum potential exposure assuming trigger events occur, and the maximum exposure crystallises. If any of the contingent liabilities detailed below were to crystallise and HM Treasury was required to settle an obligation this would be achieved through the normal Supply Estimates[4] process.

HM Treasury's contingent liabilities include indemnities, financial guarantees and letters of support. These are explained in more detail below.

EU Withdrawal Agreement

The UK left the European Union on 31 January 2020. HM Treasury continues to implement the financial settlement, as set out in the financial provisions of the Withdrawal Agreement. This represents a settlement of the UK's financial commitments to the EU and the EU's financial commitments to the UK, which result from the UK's participation in the EU budget, and other commitments relating to our former EU membership.

HM Treasury's financial statements and related disclosures set out the accounting implications of the financial settlement for HM Treasury. See Note 1.4 – Significant judgements and estimates, Note 10 – Trade and other receivables, Note 16 – Trade and other payables, Note 17 – Provisions, Note 22 – Contingent assets and Note 23 – Contingent liabilities for detail.

HM Treasury also has a remote contingent liability, which does not meet the threshold for disclosure in the financial statements, in respect of the UK's contingent liability to the European Investment Bank (EIB). The terms of this are set out in Article 150 of the EU Withdrawal Agreement and is limited to the callable and returned paid in capital the UK held as a member state. The remote contingent liability is valued at £30.7bn as at 31 March 2022 (2021-22: £30.7bn).

HM Treasury, in addition, discloses here an unquantifiable remote contingent liability for any other liabilities that may ultimately fall to HM Treasury as a result of the implementation of the Withdrawal Agreement.

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[4] The Supply Estimates Guide can be found at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220744/estimates_manual_july2011.pdf

Further information on the financial impact of EU Withdrawal Agreement is included in the “European Union Finances” publication series.[5]

Bank of England Asset Purchase Facility Fund Limited (BEAPFF)

On 19 January 2009, to effect what is known as quantitative easing, HM Treasury authorised the Bank of England to purchase high quality private sector assets and UK Government debt purchased on the secondary market. The government has indemnified the Bank and BEAPFF, the fund specially created to implement the facility, from any losses arising out of or in connection with the facility.

BEAPFF is financed by a loan from the Bank of England, which totalled £867bn at 31 March 2022, (2020-21: £794bn). At 31 March 2022 the APF had a total authorised ceiling of £895bn (2020-21: £895bn). On 3 February 2022 the Bank announced its decision to reduce the APFs stock of purchased assets in a gradual and predictable manner.[6]

The Bank of England will cease to reinvest any future maturities falling due from its stock of UK government bond purchases with the first reduction of the loan arising from the maturity of £28bn of APF owned gilts in March 2022. The final APF owned gilt is due to mature in 2071.[7] In addition the Bank will cease to reinvest any maturities falling due from its stock of corporate bonds it will initiate a programme of corporate bond sales to be completed by the end of 2023 that will unwind fully the stock of corporate bond purchases. The Chancellor and the governor have agreed to adjust the size of the indemnity every six months as the assets unwind, with the first such exchange of letters occurring on 5 May 2022. See also Note 31 – Events after the reporting period.[8]

The indemnity provided to the Bank of England represents a non-IAS 37 contingent liability for HM Treasury, which would crystallise if BEAPFF incurred losses during unwind, or when ultimately wound up, and HM Treasury were required to fund a shortfall of cash needed to repay the principal and interest on the Bank of England loan.

The portfolio of gilts and corporate bonds held by BEAPFF is valued at market rates and is sensitive to fluctuations in interest rates. Moves in market rates, over and above those caused by the operations of BEAPFF itself, are driven by multiple factors, including actual or expected monetary and fiscal policy changes, changes in market's risk premia assessments and movements in related international markets.

HM Treasury's current exposure under the indemnity is represented on the Statement of Financial Position (SoFP) as a derivative. The derivative

5 The ”European Union Finances Statement” can be found at https://www.gov.uk/government/collections/eu-annual-statement

6 https://www.gov.uk/government/publications/asset-purchase-facility-apf-ceiling-february-2022

7 https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/results-and-usage-data

8 www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2022/ february-2022

is valued on the basis of the difference between the fair value of BEAPFF's assets and liabilities.

It is difficult to predict the movement in the BEAPFF derivative as the fair value of its financial assets is re-priced in response to market changes. At 31 March 2022, the BEAPFF's liabilities exceeded its assets by £39.9bn (2020-21: assets exceeded liabilities by £15.2bn), driven by market-value losses within its portfolio. Quarterly transfers of surplus cash between the BEAPFF and HM Treasury under the indemnity agreement impact the value of the BEAPFF's net assets and so also the value of the derivative. When there is an excess of assets over liabilities, the derivative value is represented by a liability on BEAPFF's SoFP and by a corresponding asset on HM Treasury's SoFP. Whereas when the fair value of the BEAPFF's assets falls below that of its liabilities, the indemnity conversely entails BEAPFF Ltd recognising a derivative asset and HM Treasury a derivative liability (see Note 14 – Derivatives). The liability would not be payable until the scheme unwinds. If there is a shortfall of cash in this scenario, HM Treasury would fund this by way of quarterly cash transfers, as set out in the deed of indemnity and in line with the current quarterly arrangement with BEAPFF.

Despite the size of the current liability of the BEAPFF derivative for HM Treasury, the size of BEAPFF transfers to HM Treasury over its life to 31 March 2022 of £120bn (2020-21: £112bn) means that overall the total return arising to HM Treasury is still positive (£79.8bn, 2020-21: £128bn). The indemnity may require payments of cash to the BEAPFF in future periods as the underlying liabilities in the BEAPFF fall due and the BEAPFF holds a cash shortfall. These would be accounted for via HM Treasury's Supply Estimate: quarterly cash payments would be classified as non-budget, but any residual settlement of the derivative on wind-up would be Annually Managed Expenditure (AME).

Accordingly, a Non-IAS 37 contingent liability is disclosed to reflect the possibility that, despite risk management undertaken by the Bank of England on BEAPFF and HM Treasury's behalf (see Note 24 of the Accounts), there is a net loss to the public sector over the life of BEAPFF. Although the indemnity supports authorised total asset acquisitions and lending of £895bn, the crystallisation of a potential loss on realising these assets is currently unquantifiable, as the quantum of any potential loss is driven by both the Bank of England's future policy decisions regarding the pace of winding up the scheme and by market prices at that time.

The risk management undertaken by the Bank of England on the BEAPFF and HM Treasury's behalf is detailed in Note 24.4 – Financial Risk, Core Treasury and Agencies – Other.

Covid Corporate Financing Facility Limited

On 17 March 2020 HM Treasury authorised the Bank of England to purchase high quality commercial paper from non-financial institutions that made a material contribution to the UK economy. The government indemnified the Bank of England and is subsidiary Covid Corporate Financing Facility Limited (CCFF) from any losses arising out of or in connection with the facility.

All commercial paper purchased under the CCFF redeemed by 18 March 2022 with no losses arising, resulting in no contingent liability at 31 March 2022 (2020-21: £7.9bn).

Bank of England capital framework

In June 2018 HM Treasury and the Bank of England announced reforms to the Bank of England's financial framework to boost transparency, reinforce the Bank of England's resilience and independence and strengthen the financial system.

The formal agreement that HM Treasury recapitalise the Bank of England in the event of a major capital loss results in a remote contingent liability for HM Treasury. This is currently unquantifiable as the occurrence of the conditions required for the contingent liability to crystallise cannot be accurately calculated, given the unprecedented nature of the economic conditions required, and as the framework is not for a finite term.

The Bank of England has a strong capital base, and the risk of a major capital loss to the Bank of England requiring further injection by HM Treasury is considered remote due to the unprecedented nature of the economic conditions that would cause it to crystallise.

Decommissioning Relief Deeds – oil and gas industry

The government has entered into Deeds with oil and gas companies to guarantee the basis on which tax relief for decommissioning is available.

As part of the terms of becoming a participator in a licence in the UK or UK Continental Shelf, companies have a statutory obligation to decommission their operations properly once oil and gas production has ceased.

The Deeds have been signed by the government and eligible companies. Any company that has carried on a ring-fenced trade, and the associates of those companies, are eligible to be party to a Deed. The Deed provides companies with greater certainty in respect of decommissioning tax relief and allows them to adopt post-tax securitisation arrangements for the future costs of decommissioning.

The Deeds support the government's objective of maximising economic production of oil and gas reserves in the UK Continental Shelf. The Deeds are designed to free up capital that otherwise would have been held in reserve against possible changes in tax rules. In March 2022 Offshore Energies UK estimated that £8.3bn of capital had been unlocked for reinvestment as a result of the Deeds.

As at 31 March 2022, 101 Deeds had been signed and were in force (2020-21: 98). These Deeds indemnify the companies for changes in tax legislation or the default of joint-venture partners in respect of their decommissioning activities, allowing them to claim relief potentially otherwise available to them from HMRC.

The crystallisation of any liability is dependent on the financial health of the companies (and their joint-venture partners) that are party to the Deeds.

Since inception, one claim has been made. The remaining amount of the claim has been reflected as a provision for £129m; see Note 17 – Provisions.

HM Treasury has not disclosed the potential financial value of the Decommissioning Relief Deeds because it is unquantifiable, given the absence of comparable data to use in any calculation.

Director indemnities

HM Treasury employees and others can be called upon to act as a director of one of the incorporated companies within the HM Treasury Group or other wholly owned companies. HM Treasury has granted directors an indemnity against any losses or liabilities incurred in the course of their duties whilst the incorporated companies remain in public ownership. The crystallisation of any liability is dependent on the actions of the directors.

HM Treasury has not disclosed the financial effect of director indemnities because it is not practicable to do so, as there is no evidence to evaluate.

Service provider indemnities

UK Government Investments (UKGI) provided an uncapped indemnity to an investment bank providing corporate finance advice on a specific UKGI mandate to cover the risk that they could become liable to market participants for any misrepresentation, misleading statements or omissions (based on information from HM Government) made in the context of their engagement.

HM Treasury provided an investment management company with a capped £3m indemnity for support on the design of the Bounce Back Loan Scheme, which was created to support small businesses during the COVID-19 pandemic. The limited indemnity covers the risk that the company could become liable to third parties for claims made in the context of their engagement.

UK Guarantees

The UK Guarantees scheme was announced on 18 July 2012 and extended for a further 5 years in November 2015. The scheme aims to help infrastructure projects access debt finance where they have been unable to raise finance in the financial markets. The Scheme enables the Treasury to issue a guarantee to infrastructure project lenders ensuring that principal and interest payments will be paid in full and on time. Up to £40bn of guarantees are available under the scheme. As at 31 March 2022 seven projects were guaranteed (2020-21: ten projects).

If a guaranteed obligor defaults under an obligation which is guaranteed by HM Treasury, HM Treasury will have to pay in full, the guaranteed obligations including any unpaid interest (depending on the terms of the guaranteed obligation). As a secured guarantor, HM Treasury would try to recover as much as possible from the security.

As at 31 March 2022 the maximum potential liabilities under this scheme were estimated to be £0.9bn. A breakdown of the exposure by each infrastructure project can be seen on Note 24 - Financial Risk, Core Treasury and Agencies - Other.

Mortgage guarantee schemes

The Help to Buy: mortgage guarantee scheme was launched on the 8 October 2013 to address the shortage of high loan-to-value mortgages by offering lenders the option to purchase a guarantee on mortgages where the borrower has a deposit of between 5% and 20%. The scheme closed to new loan applications on 31 December 2016.

Under the scheme rules, the maximum contingent liability limit was set at £12bn. As at 31 March 2022 the maximum potential liabilities under this scheme were estimated to be £139m.

During the life of the scheme there have been 33 successful claims totalling £389k. Since inception, average property values have increased and most recently incomes have largely been preserved through government support schemes during the pandemic. This has contributed to a low number of claims.

A new mortgage guarantee scheme was launched on the 19 April 2021 to address the shortage of high loan-to-value mortgages by offering lenders the option to purchase a guarantee on mortgages where the borrower has a deposit of at least 5%. The scheme will remain open to new loan applications until 31 December 2022.

Under the scheme rules the maximum contingent liability limit has been set at £3.9 billion. As at 31 March 2022 the maximum potential liabilities under this scheme were estimated to be £459m. There have been no claims at 31 March 2022.

For both mortgage guarantee schemes, a portion of the liability would crystallise if the following events occurred: 1) a borrower defaults on their mortgage 2) the sale proceeds from property are less than the outstanding principal and interest repayments owing; and 3) the lender makes a claim to HM Treasury for the difference.

For information on the related financial guarantee see Note 18 of the Accounts.

Asian Infrastructure Investment Bank

The Asian Infrastructure Investment Bank (AIIB) was set up in December 2015 with the UK as a shareholder, along with a large number of other countries, to support financing for infrastructure projects across Asia. The UK's investment, like that of all other shareholders in the bank, is in the form of 20% paid-in capital and 80% callable capital. The paid-in capital was made in 5 annual instalments of US$122m, totalling US$611m, with the last payment in December 2019.

A remote contingent liability arises in relation to the US$2.4bn (approximately £1.9bn) of callable capital. This is not paid over, but the AIIB would be able to call on it in the event that the bank were not able to meet its obligations.

Although the AIIB has the right to call for payment of this callable capital if there is a crisis affecting the bank's assets or loans, the equity base of the bank is currently more than sufficient to meets its financial objectives by absorbing risk from its own resources, thus protecting member countries from a possible call on callable capital. Three major credit ratings agencies re-affirmed the bank with AAA ratings in 2021, and no such instance whereby payment has been called has occurred in any major multilateral development bank in the past. If the liability were to be called, provision for any payment would be sought through the normal Supply Estimates procedure.

European Bank for Reconstruction and Development

The European Bank for Reconstruction and Development (EBRD) was set up in March 1991 with the UK as a shareholder, along with a large number of other countries, to help build a new, post-Cold War era in Central and Eastern Europe. The UK's investment is in the form of 20.9% paid-in capital and 79.1% callable capital. The shareholding of the ERBD was transferred from FCDO to HM Treasury in 2021.

A remote contingent liability arises in relation to the €2.0bn (approximately £1.7bn) of callable capital. This is not paid over, but the ERBD would be able to call on it in the event that the bank were not able to meet its obligations.

Although the ERBD has the right to call for payment of this callable capital if there is a crisis affecting the bank's assets or loans, the equity base of the bank is currently more than sufficient to meets its financial objectives by absorbing risk from its own resources, thus protecting member countries from a possible call on callable capital. Three major credit ratings agencies re-affirmed the bank with AAA ratings in 2021 and no such instance whereby payment has been called has occurred in any major multilateral development bank in the past. If the liability were to be called, provision for any payment would be sought through the normal Supply Estimates procedure.

UKAR: Bradford & Bingley plc and NRAM Ltd mortgage assets

To facilitate each sale of UKAR's B&B and NRAM assets, HM Treasury has offered certain fundamental market-standard warranties which have created remote contingent liabilities. The crystallisation of any liability is dependent on the occurrence and identification of any defects covered by the warranties. Given their nature, such occurrence is considered remote.

Each of these sales and the associated remote contingent liability are listed below:

- On the 31 March 2017, the Chancellor announced the sale of a portfolio of UKAR's B&B loan book assets to Prudential plc and

funds managed by Blackstone. The proceeds of the sale were £11.4bn.
Maximum value of remote contingent liabilities arising from:

Fundamental warranties	£11.4bn

- On the 27 September 2018, the Chancellor announced the sale of a portfolio of UKAR's B&B and NRAM loan book assets to Rothesay Life. The proceeds from the sale were £983m.
  Maximum value of remaining remote contingent liabilities arising from:

Fundamental warranties	£195m

- On 26 February 2021 the Economic Secretary to the Treasury announced the sale of Bradford & Bingley plc (B&B), NRAM Limited and their remaining assets to a consortium of Citibank and Davidson Kempner Capital Management, with financing provided by PIMCO. The proceeds from the sale were £5.1bn.

  Maximum value of remote contingent liabilities arising from:

Fundamental warranties	£5.1bn
Intermediate warranties	£1.0bn
Other warranties	£5.1bn
Capped indemnities	£0.3bn
Tax covenant	£0.3bn

For information on the related contingent liabilities arising from these transactions see Note 23.

Pool Re and Pool Re (Nuclear) Limited

Pool Re and Pool Re (Nuclear) are mutual reinsurance companies providing terrorism cover for damage to industrial and commercial property or nuclear facilities and consequential business interruption in Great Britain who pay a portion of their income to HM Treasury. In the event of losses exceeding their available resources, HM Treasury would extend them a repayable loan.

The total reserves of Pool Re and of Pool Re (Nuclear) as at the date of their latest management accounts are £6.2 billion December 2021 (2020-21: £6.0 billion) and £32m December 2021 (December 2020: £32m) respectively. Maximum potential liabilities under this arrangement are considered unquantifiable as there is no past experience to use in forming an estimate, and the size and scale of a potential terrorist incident cannot be predicted. It is also considered remote that circumstances would arise requiring HM Treasury to provide such financial assistance. These arrangements are given statutory authority under the Reinsurance (Acts of Terrorism) Act 1993.

Royal Mint

The Royal Mint Trading Fund has a Memorandum of Understanding arrangement with the National Loans Fund by which it can draw down against a financing facility, with an upper limit of £36m. Parliamentary authority limits the overall amount of public money available to the Royal Mint at £50m.

If the Royal Mint Trading Fund was unable to repay any drawdowns against this commitment the National Loans Fund funding conditions dictate that the amount outstanding would have to be met by HM Treasury.

HM Treasury has provided an indemnity to the Cabinet Office in respect of employer contributions payable to the Civil Service Pensions Scheme when the Royal Mint's pensions transferred under 'new fair deal'.[9] This liability would only materialise in the unlikely event that the Royal Mint failed to make payments to the pension scheme. It is unquantifiable since the scheme is expected to run for the foreseeable future, and the timing and scale of any possible failure by the Royal Mint cannot be predicted.

UK Government Investments

UK Government Investments (UKGI) maintains framework contracts with 24 financial-services firms to manage the disposal of the government's shareholdings. These services would typically include drafting prospectuses and other market-facing documents on the basis of information provided by the government. As is market-standard, these firms require an indemnity to cover the risk that they could become liable to market participants for any misrepresentation, misleading statements or omissions (based on the information from the government) made in the context of their engagement. Only the issuer/seller - not the bank - is responsible for the information contained in prospectuses and other documents. Therefore, any claims brought against the bank on these grounds would be meritless, meaning the likelihood of their success (and therefore of the liability crystallising) is seen to be exceptionally low. The number and breadth of participants involved, and value of any transaction is such that it is not possible to assert with any confidence what a suitable estimate might be.

It was necessary to procure specialist capital-markets advice as part of due-diligence work for companies in distress as a result of COVID-19 at the start of the pandemic in early 2020. One advising bank, working on one company's case, required an indemnity to cover the risk that they could become liable to market participants for any misrepresentation, misleading statements or omissions (based on information from the government) made in the context of their engagement. Any such claims would almost certainly be without merit – the contract provides no duty of care or contractual obligations to third parties – meaning the likelihood of their success is seen to be exceptionally low. Because of

[9] https://www.civilservicepensionscheme.org.uk/employers/applying-to-join-civil-service-pensions/new-fair-deal/

the breadth of this indemnity and the extreme unlikelihood of its crystallising, it is impossible to estimate a value.

Reclaim Fund Limited – Dormant Assets

In accordance with the terms of the Act, Reclaim Fund Limited (RFL) has inherited the liability for all dormant balances transferred from participants. The total remaining exposure that RFL may be required to settle above and beyond the amounts already set aside is currently estimated at £887m as at 31 March 2022 (£795m (Restated) at 31 March 2021).

No Interest Loan Scheme

The pilot No-Interest Loans Scheme was announced at the Budget on 3 March 2021. The loans will support consumers in vulnerable circumstances who would benefit from affordable credit to meet unexpected costs and will provide an alternative to relying on high-cost credit. Fair4All Finance, who were founded to support the financial wellbeing of people in vulnerable circumstances, have been appointed to run the pilot and will enter contracts with lenders to deliver the loans, including to provide a partial guarantee against default losses. To facilitate the lending to consumers in vulnerable circumstances, HM Treasury will reimburse Fair4All Finance for eligible default losses they incur under eligible guarantees.

HM Treasury will reimburse Fair4All Finance for up to 80% of eligible default losses incurred as part of the pilot. The maximum amount to be paid under the contingent liability is £10 million, with expected lifetime payments totalling £1.8 million. HM Treasury will reimburse Fair4All Finance for eligible default losses on loans initiated after 22 September 2021 and will stop reimbursing costs by 31 March 2026.

Treasury core tables

Total resource and capital spending for the Treasury Group

The tables on the following pages provide a summary of HM Treasury's net expenditure outturn for 2021-22 and the four prior years, along with the planned expenditure for 2022-23. The outturn and planned expenditure is recorded on the same basis as the information on financial performance in the Statement of Outturn against Parliamentary Supply beginning on page 125. They represent the spending incurred collectively across the departmental group in meeting its priority outcomes detailed in the Performance Report in Chapter 1.

Resource

In £m	2017-18	2018-19	Outturn 2019-20	2020-21 (restated)	2021-22	Budget 2022-23
Resource DEL						
Core Treasury	170	189	296	255	321	232
Debt Management Office	18	17	19	27	23	23
Government Internal Audit Agency	4	1	-	(1)	1	7
Office of Tax Simplification	1	1	1	1	1	1
UK Financial Investments	2	-	-	-	-	-
UK Asset Resolution	-	-	-	-	-	5
Office for Budget Responsibility	2	3	3	4	4	4
UK Infrastructure Bank	(4)	-	-	4	12	71
IUK Investments Limited	-	-	(1)	(1)	(1)	-
UK Government Investments Ltd	12	13	14	16	20	16
National Infrastructure Commission	5	5	5	4	5	5
Asian Infrastructure Investment Bank	9	10	9	9	-	-
Non-voted: Banking & gilts registration	7	7	8	2	2	2
Total Resource DEL	**226**	**246**	**354**	**320**	**388**	**366**
Resource AME						
Core Treasury	-	-	(13)	-	11	1
Provisions	141	135	192	234	(516)	50
Coinage manufacturing	43	23	16	6	10	29
Coinage metal costs	25	4	15	3	7	-
Investment in the Royal Mint	(4)	(4)	(4)	2	(6)	(3)
Investment in the Bank of England	(62)	(54)	(45)	-	-	-
Equitable Life administration	1	-	-	-	-	-
Financial stability	(217)	(15,114)	(36,770)	44,520	47,220	20,000
Credit easing	(3)	-	-	-	-	-
Sovereign Grant	47	66	70	88	103	105
Money Advice Service	9	-	-	-	-	-
Financial Services Compensation Scheme	(75)	(11)	(1)	-	-	-
Reclaim Fund Ltd (net)	-	-	-	(17)	(9)	-
UK Asset Resolution	(592)	(328)	40	34	51	31
Help to Buy	-	-	-	-	-	(36)
Help to Buy ISA	-	-	12	7	7	7
IUK Investments	3	-	-	-	-	-
UK Financial Investments	1	-	-	-	-	-
UK Government Investments	-	1	1	-	-	-
UK Infrastructure Bank	-	-	-	-	(131)	22
EU Withdrawal Agreement Financial Settlement	-	-	37,191	(2,385)	4,825	-
Non-voted: Royal Household pension	4	4	4	4	4	4
Total Resource AME	**(679)**	**(15,278)**	**708**	**42,496**	**51,576**	**20,210**
Total Resource DEL and AME (net)	**(453)**	**(15,032)**	**1,062**	**42,816**	**51,964**	**20,576**
of which:						
DEL Depreciation	8	5	4	4	4	-

Note**:** data for years beyond 2022-23 is not held, so only 5 historic years and one future year is included.

Resource DEL

Resource DEL in Core Treasury has increased in 2021-22 predominantly due to a payment of £114.3m, in relation to the London Capital and Finance Compensation Scheme. See Note 17 - Provisions for further detail.

Resource AME

Financial stability comprises fair value movements in derivatives, changes to financial stability provisions, fees and interest arising from financial stability interventions and impairments of financial instruments.

EU Withdrawal Agreement Financial Settlement includes the movements in provisions and receivables recognised for the UK's share of EU's assets and liabilities following the UK's exit from the European Union.

Provisions relate primarily to bonus payments under the Help to Buy ISA scheme, and the Equitable Life Payment Scheme.

Capital

In £m	2017-18	2018-19	Outturn 2019-20	2020-21 (restated)	2021-22	Budget 2022-23
Capital DEL						
Core Treasury	1	1	1	2	13	7
Debt Management Office	3	5	1	2	-	1
UK Infrastructure Bank	(88)	63	43	4	1	1
IUK Investments Limited	6	1	-	-	-	-
National Infrastructure Commission	-	-	1	1	1	1
Asian Infrastructure Investment Bank	-	97	93	-	-	-
Total Capital DEL	**(78)**	**167**	**139**	**9**	**15**	**10**
Capital AME						
Investment in the Bank of England	-	1,180	-	-	-	-
Assistance to Financial Institutions	(942)	(2,509)	(1,618)	(2,742)	(3,780)	-
Sovereign Grant	5	9	12	5	2	8
Reclaim Fund Ltd (net)	-	-	-	40	28	129
Financial Services Compensation Scheme	(24)	1	1	-	-	-
UK Asset Resolution	(2,840)	(11,807)	(600)	(4,951)	-	-
Help to Buy ISA	104	128	141	151	172	180
UK Infrastructure Bank	-	-	-	27	52	1,356
EU Withdrawal Agreement Financial Settlement	-	-	-	-	(253)	(265)
Total Capital AME	**(3,697)**	**(12,998)**	**(2,064)**	**(7,470)**	**(3,779)**	**1,408**
Total Capital DEL and AME (net)	**(3,775)**	**(12,831)**	**(1,925)**	**(7,461)**	**(3,764)**	**1,418**
Total Departmental Spending	**(4,228)**	**(27,863)**	**(863)**	**35,355**	**48,200**	**21,994**

Capital DEL

The 2017-18 capital subscription to the Asian Infrastructure Investment Bank was made by the Department for International Development (DfID), so does not appear in HM Treasury's expenditure in these years and the corresponding amount provided for in HM Treasury's budget was transferred to DfID accordingly. From 2018-19, the capital subscriptions are again made by HM Treasury. The final subscription was made in 2019-20.

UK Infrastructure Bank (formerly Infrastructure Finance Unit Limited) Manchester Waste loans were paid off in 2017-18 and in 2018-19, loans provided as part of the Digital Infrastructure Investment Fund (DIIF) were accelerated.

From 2020-21investments made by UK Infrastructure Bank on the Digital Infrastructure Investment Fund and Charging Infrastructure Investment Fund were transferred from DEL to AME.

Capital AME

Assistance to financial institutions can fluctuate considerably due to the nature of the activity being driven by market conditions providing value for money. This also includes proceeds from the sale of NatWest shares. UKAR capital receipts fluctuate between years, largely due to sales of former Bradford and Bingley and Northern Rock mortgage books, which are driven by market conditions providing value for money. There have been no mortgage book sales during 2019-20 and 2020-21 saw the sale of all remaining mortgages held within UKAR.

The budget for EU Withdrawal Agreement Financial Settlement from 2021-22 is for the repayment of the UK's paid in capital by the European Investment Bank. The transfer of this asset from the Consolidated Fund, where the capital expenditure from the asset addition offsets the equivalent income from the capital grant-in-kind was included in DEL in 2020-21, and transferred to AME from 2021-22.

In 2021-22 the UK Infrastructure Bank opened for business using the former corporate vehicle Infrastructure Finance Unit Ltd, which was renamed. In 2021-22 the capital expenditure has increased, as the bank gears up towards its full lending capacity.

Analysis of administration costs

An analysis of administration income and expenditure is provided below.

In £m	2017-18	2018-19	Outturn 2019-20	2020-21 (restated)	2021-22	Budget 2022-23
Core Treasury	123	150	165	212	211	233
Debt Management Office	15	13	15	21	17	18
Government Internal Audit Agency	4	1	-	(1)	1	7
Office of Tax Simplification	1	1	1	1	1	1
UK Financial Investments	2	-	-	-	-	-
UK Asset Resolution	-	-	-	-	-	5
Office for Budget Responsibility	3	3	3	4	4	4
UK Infrastructure Bank	-	-	-	-	12	71
UK Government Investments Ltd	12	13	14	16	20	16
National Infrastructure Commission	5	5	5	4	5	5
Total net administration costs	**165**	**186**	**203**	**257**	**271**	**360**
of which:						
Staff costs	140	151	168	200	210	
Other expenditure	85	94	97	124	122	
Income	(60)	(59)	(62)	(67)	(61)	

Staff costs and other expenditure

Staff costs have increased as a result of HM Treasury's continued costs of responding to the COVID-19 pandemic and additional workstreams that the department needs to deliver on following our exit from the European Union.

Income

Income has remained consistent with 2020-21.

Disaggregated information on arm's length bodies

The following table provides a breakdown of total operating income, total operating expenditure, net expenditure for the year, staff numbers and staff costs in respect to arm's length bodies.[10]

In £m	Total operating income	Total operating expenditure	Net expenditure for the year (including financing)	Permanently employed staff		Other staff	
				Number of employees	Staff costs	Number of employees	Staff costs
Debt Management Office	(5)	28	23	104	10	26	43
National Infrastructure Commission	-	4	4	43	3	2	-
Government Internal Audit Agency	(38)	38	1	434	30	1	-
UK Asset Resolution Ltd	(8)	59	51	45	(3)	7	1
UK Government Investments Ltd	(1)	21	20	111	14	29	2
UK Infrastructure Bank Ltd	-	29	(119)	4	1	52	8
Office for Budget Responsibility	-	4	4	39	3	-	-
Royal Household Sovereign Grant	(10)	113	103	493	24	17	3
Reclaim Fund Ltd	(154)	95	(9)	11	1	-	-
HM Treasury UK Sovereign Sukuk	(2)	-	-	-	-	-	-
Total	**(218)**	**391**	**78**	**1,284**	**83**	**134**	**57**

Figures may not agree directly to the published ALB accounts, due to FReM alignment, intergroup eliminations, timing differences and other consolidation adjustments.

Tom Scholar
Permanent Secretary

14 July 2022

10 Financial Reporting Advisory Board, IUK Investments Holdings Ltd, IUK Investments Ltd, Help to Buy (HMT) Ltd and Royal Mint Advisory Committee are excluded from the table as nil for all columns.

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of HM Treasury and of its Departmental Group for the year ended 31 March 2022 under the Government Resources and Accounts Act 2000. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) Order 2021. The financial statements comprise the Departmental Group's:

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

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of HM Treasury and the Departmental Group's affairs as at 31 March 2022 and of HM Treasury's and the Departmental Group's net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2022 and shows that those totals have not been exceeded; and
- 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 Entities in the United Kingdom*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I have also elected to apply the ethical standards relevant to listed entities. I am independent of HM Treasury and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Framework of authorities	
Authorising legislation	Government Resources and Accounts Act 2000
Parliamentary authorities	Supply and Appropriation Acts
HM Treasury and related authorities	Managing Public Money

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the HM Treasury's and its Group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 HM Treasury's and its Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

The going concern basis of accounting for HM Treasury and its Group is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Overview of my audit approach

Key audit matters

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

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

I consider the following areas of particular audit focus to be those areas that had the greatest effect on my overall audit strategy, the allocation of resources in my audit and directing the efforts of the audit team in the current year. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around management override of controls, an area where my work has not identified any matters to report.

The areas of focus were discussed with the Audit and Risk Committee; their report on matters that they considered to be significant to the financial statements is set out in the governance statement.

In this year's report the following changes to the risks identified have been made compared to my prior year report:

- I identified no key audit matter this year relating to the valuation of the indemnity issued by HM Treasury to the Bank of England and the Covid Corporate Financing Facility (CCFF). During the current reporting period, the commercial paper purchased by the CCFF has been redeemed and I identified little residual risk over the valuation of HM Treasury's derivative financial asset.
- I identified no key audit matter this year relating to the impact of Covid-19 on amounts recognised within HM Treasury's financial statements. Now that many direct interventions are closed or closing, and the initial economic impact has subsided, the potential direct impacts of the Covid-19 pandemic on HM Treasury's financial statements are less pervasive than they were in prior periods.
- I identified a new key audit matter this year relating to the valuation and classification of the provision for potential future reclaims of dormant account balances. This provision is material to the group account and I identified a risk over the selection and application of estimation techniques in current and prior periods.

Key audit matter 1 – EU Financial Settlement

Description of risk

The UK left the European Union (EU) on 31 January 2020 under terms defined by the Withdrawal Agreement. The Agreement includes a Financial Settlement and sets out the various rights and obligations of the UK and EU during the transition period and beyond. These include financial rights and obligations that fall to HM Treasury. The transition period ended on 31 December 2020. I have identified a significant risk of material misstatement in the HM Treasury accounts because of the underlying complexity and sensitivity of judgements surrounding interpretation of the Withdrawal Agreement. I consider this area to be a key audit matter.

The specific areas of risk identified by my audit are:

- Completeness: Due to the nature of the Withdrawal Agreement, for 2021-22 and future financial years, HM Treasury need to identify changes to existing assets and liabilities that may crystallise, and whether any additional assets and liabilities arise. There is also a risk of misstatement if liabilities due to, or from, the UK are not identified for inclusion within the financial statements; or if information received after the reporting date, such as the publication of the European Commission's annual accounts, provides additional evidence in relation to events or conditions in existence at 31 March.
- Classification: HM Treasury now receives invoices and reporting from the European Commission, in accordance with the terms of the Withdrawal Agreement. If HM Treasury does not sufficiently scrutinise the EU data

received and understand the Commission's processes, as well as assessing this against requirements under IFRS, there is a risk of subsequent misclassification in HM Treasury's accounts. Separately, there is a risk that balances in the accounts are misclassified where invoiced amounts to be paid are known at year end or subsequent to the reporting date.

- Valuation: the valuation of items arising from the Withdrawal Agreement requires the use of different estimation techniques, with varying degrees of complexity, that utilise a range of inputs and assumptions with differing degrees of sensitivity. For some of these estimates, there is a high level of estimation uncertainty and significant limitations to the data available. Reports received from the European Commission, in accordance with the requirements of the Withdrawal Agreement, to support invoices may also provide additional information over time that HM Treasury will need to consider when preparing these estimates. HM Treasury has to obtain assurance over the completeness and accuracy of these reports.
- Regularity: HM Treasury has begun to make payments to the European Commission under the Withdrawal Agreement and I identified a risk that the department will need to obtain sufficient assurance over the amounts invoiced to confirm that these are in line with the framework of authorities.

How the scope of my audit responded to the risk

My response to addressing the risk of material misstatement in this area included:

- reviewing governance processes and the design of controls in place over the models used to prepare the estimates, and the process in place to ensure appropriate balances and disclosures derived from these models are appropriately included in the financial statements;
- reviewing the design and implementation of controls over the completeness and accuracy of invoiced amounts, payment processes and also the 'truing up' mechanism for adjusting amounts when agreed by the UK and EU in accordance with the terms of the Withdrawal Agreement;
- undertaking review of previous judgements on completeness and recognition to ensure these remain valid and to identify any changes required. I have also considered whether the financial reporting impact of these is appropriately recognised and disclosed within the financial statements;

- reviewing the models used in preparing the estimates, to confirm the estimates drawn from these models are reasonable, based on relevant information, and follow an appropriate measurement methodology;

- identifying where management have used experts and evaluating the competence, capabilities and experience of those experts. This has included confirming that the scope of their work is appropriate and sufficient for the purposes relied upon by management;

- engaging my own experts in Modelling, Corporate Finance and Actuaries to support my work evaluating the methodology, logical integrity and assumptions applied in the estimates performed by management;

- reviewing management's assessment of the level of uncertainty present within these estimates and the processes in place to address this uncertainty;

- considering the assurances obtained over amounts included within invoices received from the Commission to confirm that these conform to the authorities that govern them and are appropriately supported;

- evaluating and challenging management's assessment of information received after the reporting date, including additional reporting under the Withdrawal Agreement as well as information published within the European Commission's own accounts. This included requesting and reviewing management's comparison of the balances reported in the European Commission's 2021 accounts with their own assessment; and

- reviewing the proposed disclosures required under the Government Financial Reporting Manual and Managing Public Money to ensure that these are adequate and sufficient for readers to be able to gauge the level of estimation uncertainty within the amounts recognised and disclosed.

Key observations

Based upon the evidence reviewed and the audit work completed, I am satisfied that the amounts recognised within the financial statements are appropriate.

I have found that HM Treasury's recognition and measurement of assets and liabilities within the Departmental and Group accounts identified in the Withdrawal Agreement to be complete and accurate.

I have found that the models prepared by management use appropriate input data and apply reasonable and appropriate measurement techniques based on the data available. Key judgements and sensitivities are disclosed in notes 1.4 and 17.2 respectively. The Department has used the discount rates mandated by the Government Financial Reporting Manual, the basis for which is explained in note 17 and 23. Future cash flows are denominated in Euros, and therefore valuations are particularly sensitive to future change in exchange rate also explained in note 17 and 23.

I note that the nature of the data available to the Department in estimating the value of assets and liabilities has limitations that require management to make significant judgements, including estimating the level of funds currently committed to programmes which will not be fully implemented (the decommitment rate). This, together with the long term and forward-looking nature of the estimates involved, heightens the level of uncertainty in the valuation.

I am content that the amounts paid over to the European Commission have been calculated and paid in line with the Withdrawal Agreement, noting the presence and operation of a subsequent ‘truing up’ mechanism.

Key audit matter 2 – BEAPFF derivative valuation

Description of risk

HM Treasury provides an indemnity to the Bank of England over its loan to the Bank of England Asset Purchase Facility Fund (BEAPFF). The indemnity is recognised as a derivative financial instrument in HM Treasury's accounts – a derivative liability of £39.9bn as at 31 March 2022.

BEAPFF prepares its 2021-22 financial statements to 28 February 2022, one month before HM Treasury's reporting date, and therefore HM Treasury uses BEAPFF's management accounts to establish the value of the derivative at year-end. Due to the non-coterminous year-ends, the magnitude of the debt security holdings and volatility of market prices, I identified the valuation of the indemnity as a significant risk and key audit matter.

How the scope of my audit responded to the risk	My response to addressing the risk of material misstatement in this area included: • Assessing the design and implementation of controls, carried out by HM Treasury, to ensure that the figures reported in the BEAPFF management accounts for March 2022 are sufficiently accurate to use for the valuation of the BEAPFF derivative liability in HM Treasury's accounts; • Undertaking review of previous judgements on recognition and measurement to ensure these remain valid and to identify any changes required. • Confirming BEAPFF asset holdings at year-end to independent sources to ensure that those included in the valuation are complete and accurate; • Recalculating the 31 March BEAPFF liability figures from independent sources • Independently confirming the quoted market prices used by HM Treasury are within a reasonable variance using an independent market source; • Confirming that management have performed the calculations and processes underpinning the valuation of the derivative appropriately and

applied these accurately. This included observing the download of quoted market prices at year-end and assessing the appropriateness of the source data used;

- Considering movements in the valuation of the derivative after the reporting date to confirm whether additional disclosure in respect of events after the reporting period are required.
- Reviewing disclosures within the financial statements to confirm that management has adequately explained the derivative liability position and included financial instrument risk disclosures, as well as information in relation to the remote contingent liability clearly and in compliance with the requirements of the applicable financial reporting framework and Managing Public Money.

Key observations

Based upon the evidence reviewed and the audit work completed, I am satisfied that the amounts recognised within the financial statements are appropriate. I did not identify any misstatements as a result of the work I have performed.

As explained in note 24, quoted market prices may vary reasonably between reputable sources. I am content that management has accurately used appropriate pricing data but note that, as indicated by management’s sensitivity analysis, small variations that could reasonably arise from using alternative data sources would have a material impact on the accounts.

Key audit matter 3 – UKAR Defined Benefit Pension Liability

Description of risk

The HM Treasury Group financial statements recognise a net pension asset in relation to the closed defined benefit pension schemes recognised by UKAR. These consist of a gross defined benefit liability and scheme assets.

The gross defined benefit pension liability is highly material to the HM Treasury Group financial statements and subject to a high level of estimation uncertainty and, to a lesser extent, management judgement. As such I have classified the valuation of the defined benefit pension liability as a significant risk and as a key audit matter in respect of the audit of the Departmental Group.

The scheme assets include a buy-in policy that is intrinsically linked to the scheme liabilities, and so this asset was scoped-in to the significant risk. All other pension assets continued to be recognised as an area of limited management judgement, due to the balance being primarily made up of assets with externally quoted prices. The estimation uncertainty for the asset balance is lower than for the liabilities, and as such I have judged that this does not represent a risk of material misstatement.

How the scope of my audit responded to the risk

My audit approach was based upon review and assessment of the work performed by the UKAR component audit team. The UKAR team's approach included:

- Evaluating the design and implementation of the controls that UKAR has in place to ensure that the liability is not materially misstated. This has included consideration of management's review of assumptions used, and final IAS 19 report issued to support the valuation of the liability;
- Evaluating the design and implementation of controls over membership data in place at the pension scheme administrator;
- Reviewing the actuary's report and agreement to the accounts;
- Performing procedures to earn the right to rely on the work of the scheme actuary as a management expert in accordance with ISA 500 *Audit Evidence*;

- Engaging with my own actuarial experts to obtain assurance over the reasonableness of key assumptions used by the actuary in calculating the liability;
- Review of policy documentation for the NRAM pension scheme buy-in policy; and
- Performing procedures to obtain assurance over membership data and other inputs used to calculate the liability.

Key observations

I have obtained sufficient assurance over this risk through my substantive testing. I did not identify any misstatements as a result of the work I have performed.

Key audit matter 4 – provision for reclaims of dormant account balances

Description of risk

Reclaim Fund Ltd. (RFL) accepts cash from dormant bank accounts from participating banking institutions and is consolidated into HM Treasury's group accounts. HM Treasury recognises a provision for the proportion of that cash which it estimates will be subsequently reclaimed using an actuarial model.

I identified a new key audit matter this year relating to the valuation and classification of the liability for potential future reclaims of dormant account balances. This provision is material to the group account and I identified a risk over the selection and application of estimation techniques in current and prior periods.

How the scope of my audit responded to the risk

My audit approach was based upon review and assessment of the work performed by the RFL component audit team. The RFL team's approach included:

- understanding and evaluating the design and implementation of key controls including the controls and governance in place over the development of the best estimate model and review of the independent validation of the model commissioned by management.

- assessing the approach to measuring the provision against the requirements of IAS 37 to determine a best estimate of the expenditure required to settle the obligation.
- engaging an independent actuary as an auditor's expert to assess the methodological approach taken by management's experts to determine the best estimate of the provision.
- assessing the application of the methods used to calculate the base model by using my auditor's expert to review and re-perform the challenger model developed as part of the independent validation commissioned by management and reperformed the discounted cashflow calculation to estimate the model output at the reporting date.
- testing the application of methods using to calculate the additional margin by reperforming management's calculations.
- testing the completeness and accuracy of the input data used in the base model by testing a sample of transfers of dormant account balances and reclaims and reconciling these to the financial statements and input data used in the modelling;
- assessing the completeness and appropriateness of significant assumptions in both the base model and additional margin using an auditor's expert. My auditor's expert also reviewed the approach to determining the additional margin including the rationale for key judgements and the reasonableness of assumptions which they discussed with the actuary on whose report this was based.
- assessing the actuaries that developed and validated the model and the actuary whose report was used as the basis for the additional margin as management's experts under ISA 500 to enable me to use their work as audit evidence; and
- reviewing management's assessment of estimation uncertainty.

Separately I engaged with HM Treasury on the classification and measurement of the provision in the Group financial statements to confirm compliance with the Government Financial Reporting Manual.

I assessed the applicability of a retrospective restatement under IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and auditing the restatement and related disclosures.

I also obtained assurances from my RFL component audit team over the measurement of the provision at 1 April 2020 and 31 March 2021 used to restate the balances as a result of the prior period adjustment to confirm that these were determined on a consistent basis in line with information available at the time and that the accounting treatment for the restatement was appropriate.

Key observations

Based on the audit work completed, I am satisfied that the balances recognised in the financial statements, and the related disclosures, are appropriate.

HM Treasury have disclosed a prior period adjustment in note 30 to correct for the overstatement of this item in 2020-21 by £335m.

Application of materiality

Materiality

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

Based on my professional judgement, I determined overall materiality for the Department and its Group financial statements as a whole as follows:

	Departmental group	Department
Overall Account Materiality	£400m	£399m
Basis for determining overall account materiality	1% of BEAPFF derivative liability of £39.9 bn (1% of BEAPFF derivative asset of £15.2 bn in 2020-21)	1% of BEAPFF derivative liability of £39.9 bn (1% of BEAPFF derivative asset of £15.2 bn in 2020-21)
Rationale for the benchmark applied	The BEAPFF derivative is the most significant item within the financial statements and the item we consider of most interest to users, being taxpayers' exposure to the gains and losses of the BEAPFF.	The BEAPFF derivative is the most significant item within the financial statements and the item we consider of most interest to users, being taxpayers' exposure to the gains and losses of the BEAPFF.
Particular classes of transactions, account balances and disclosures where an additional level of materiality has been applied (for items excluding BEAPFF)	£203m	£195m
Basis for determining residual account materiality	0.75% of gross assets of £27.0bn (0.5% of residual gross assets of £29.2bn in 2020-21)	0.75% of gross assets of £26.0bn (0.5% of residual gross assets of £28bn in 2020-21)
Rationale for the benchmark applied	Despite the dominance of the BEAPFF derivative within HM Treasury's financial statements, I consider that readers would also have a significant level of interest in other items that reflect HM Treasury's delivery of wider activities. I do not believe that this interest is diminished by the presence of the BEAPFF derivative. Therefore it is	Despite the dominance of the BEAPFF derivative within HM Treasury's financial statements, I consider that readers would also have a significant level of interest in other items that reflect HM Treasury's delivery of wider activities. I do not believe that this interest is diminished by the presence of the BEAPFF

	appropriate to adopt an additional materiality for other items in the financial statements.	derivative. Therefore it is appropriate to adopt an additional materiality for other items in the financial statements.

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 71% of overall group account materiality, and 57% of residual group account materiality for the 2021-22 audit (2020-21: 85% and 85%). In determining performance materiality, we have considered the level of misstatements identified in the previous period.

Other Materiality Considerations

There were significant revisions to materiality threshold as the audit progressed. The value of the BEAPFF derivative has moved from an opening asset value of £15.2 bn to a liability of £39.9 bn by the reporting date. This is reflected in the overall materiality level.

As well as quantitative materiality there are certain matters that, by their very nature, would if not corrected influence the decisions of users, for example, any errors reported in the Accountability Report. Assessment of such matters would need to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

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

I have applied current year materiality when auditing corresponding figures, including in my consideration of the changes to provisions models which would have had a cumulative impact of £159m if applied in the prior year as explained in note 17.2.

Error Reporting Threshold

I agreed with the Audit and Risk Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £1 million, as well as uncorrected misstatements in aggregate whose individual values are between £300,000 and £1 million. I undertook to report differences below this threshold that in my view warranted reporting on qualitative grounds. We also report to the Audit and Risk

Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements

Total unadjusted audit differences reported to the Audit and Risk Committee have decreased net assets by £33m.

Audit scope

The scope of my Group audit was determined by obtaining an understanding of the department and its Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

I identified three significant components for my audit of the Departmental Group: HM Treasury, UK Asset Resolution (UKAR), and Reclaim Fund Ltd. (RFL). I classified UK Infrastructure Bank (UKIB) and UK Sovereign Sukuk PLC. as material non-significant components. Together these represent over 99% of the group's gross assets.

I carried out a full audit of HM Treasury as part of the audit of the Departmental Group and had regular involvement in my statutory audits of UKAR and RFL, particularly in respect of the significant risks that I identified in relation to the UKAR defined benefit pension liabilities and the RFL provision for reclaims of dormant account balances.

This work covered substantially all of the group's assets and net expenditure, and together with the procedures performed at group level, gave me the evidence I needed for my opinion on the group financial statements as a whole.

Other Information

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

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

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

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

I have nothing to report in this regard.

Opinion on other matters

In my opinion the parts of the Remuneration and Staff Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

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

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of HM Treasury and its Group and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability report.

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

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the HM Treasury Group 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 Accountability Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made or parts of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view; and
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable; and
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing HM Treasury's and its Group'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 Accounting Officer anticipates that the services provided by HM Treasury and its Group will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion.

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

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

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

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

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

- the nature of the sector, control environment and operational performance including the design of the HM Treasury's accounting policies, key performance indicators and performance incentives.
- Inquiring of management, the Department's Head of Internal Audit and those charged with governance, including obtaining and reviewing supporting documentation relating to HM Treasury and its Groups policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including HM Treasury and its Group's controls relating to the Department's compliance with the Government Resources and Accounts Act 2000, Managing Public Money and Supply and Appropriation (Main estimates) Act 2021.
- discussing among the engagement team, including significant component audit teams and involving relevant internal and external specialists, including Modelling, Corporate Finance and Actuaries, 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 the HM Treasury and its Group for fraud and identified potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. I also identified the risk that management could manipulate compliance with parliamentary control totals through manipulation of reconciling items between the Statement of Outturn against Parliamentary Supply and the Statement of Comprehensive Net Expenditure. 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 also obtained an understanding of the HM Treasury and its Group's framework of authority as well as other legal and regulatory frameworks in which the HM Treasury and Group operates in, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of HM Treasury and its Group. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000 and Supply and Appropriation (Main estimates) Act 2021, Managing Public Money, European Union (Withdrawal Agreement) Act 2020, Bank of England Act 1998, the Dormant Bank and Building Society Accounts Act 2008, the Sanctions and Money Laundering Act 2018, the Iran (Sanctions) (Nuclear) (EU Exit) Regulations 2019, the Russia (Sanctions) (EU Exit) Regulations 2019, employment law, tax legislation and pensions legislation.

Audit response to identified risk

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, internal audit and the Audit and Risk Committee, concerning actual and potential litigation and claims, as well as any investigations or enforcement action being undertaken by a relevant authority;
- considering whether my audit work identified any transactions of high risk of not complying with relevant laws and regulations, and reviewing HM Treasury's assessment of compliance for any such transactions;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- confirming compliance with Managing Public Money where this is relevant to my audit of the financial statements and of the parts of the Accountability report that are described in that report as having been audited. I performed this by confirming that relevant approvals required under Managing Public Money have been obtained by management and that disclosures required by Managing Public Money have been appropriately included within the financial statements and are complete; and
- confirming that the department has complied with the parliamentary control totals set out in the Supply and

Appropriation (Main estimates) Act 2021 by confirming that outturn is within the limits approved by Parliament, that the allocation of amounts to those parliamentary control categories is appropriate and that management have not vired amounts inappropriately between control totals approved by Parliament. I also performed work to confirm that journals which move amounts in favourable directions, from a parliamentary control total perspective, were appropriate and did not indicate fraud through management override of controls. In addition I performed work to confirm that the reconciling items between the Statement of Outturn against Parliamentary Supply and the Statement of Comprehensive Net Expenditure have been correctly calculated and are complete.

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

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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 Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement.

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies 19 July 2022

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

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Chapter 3
Financial Statements

Consolidated Statement of Comprehensive Net Expenditure (SoCNE) for the period ended 31 March 2022

		Core Treasury and Agencies		Group	
In £m	**Note**	**2021-22**	**2020-21**	**2021-22**	**2020-21 (Restated)[1]**
Continuing operations					
Income from sale of goods and services		(39)	(40)	(39)	(40)
Other operating income	2	(803)	(1,706)	(969)	(1,805)
Total operating income		**(842)**	**(1,746)**	**(1,008)**	**(1,845)**
Staff costs	3	191	183	240	215
Purchase of goods and services	4	127	121	227	192
Other operating expenditure	5	5,380	(1,826)	5,406	(1,847)
Total operating expenditure		**5,698**	**(1,522)**	**5,873**	**(1,440)**
Net operating expenditure/(income) before financing		**4,856**	**(3,268)**	**4,865**	**(3,285)**
Capital grant in kind (income)/expenditure	9,10	46	(3,564)	46	(3,564)
Finance income	6	(5,483)	(817)	(638)	(252)
Finance expense	7	184	18	192	18
Revaluation of financial assets and liabilities	8	47,138	44,782	46,985	44,782
Net expenditure before tax		**46,741**	**37,151**	**51,450**	**37,699**
Taxation		-	-	20	4
Net expenditure after tax from continuing operations		**46,741**	**37,151**	**51,470**	**37,703**
Net expenditure after tax from discontinued operations	29	-	-	49	37
Total net expenditure after tax		**46,741**	**37,151**	**51,519**	**37,740**

[1] Prior periods have been restated to remove the Financial Services Compensation Scheme (FSCS) and adjust for a change in accounting for Reclaim Fund Ltd (RFL). FSCS has been excluded from consolidation following ONS's reclassification outside central government backdated to its inception in 2001. See also Note 30 – Prior period restatements.

In £m	Note	Core Treasury and Agencies 2021-22	Core Treasury and Agencies 2020-21 (Restated)[1]	Group 2021-22	Group 2020-21 (Restated)[1]
Other comprehensive net (income)/ expenditure from continuing operations					
Items that will not be reclassified to net operating expenditure					
Net (gain)/loss on assets recognised in reserves	12	3,468	(5,739)	(1,285)	(6,039)
Actuarial (gain)/loss on pension scheme liabilities		-	-	(23)	198
Total other comprehensive net (income)/ expenditure from continuing operations		**3,468**	**(5,739)**	**(1,308)**	**(5,841)**
Other comprehensive net income from discontinued operations					
Items that may be reclassified to net operating expenditure when specific conditions are met					
Net gain on assets recognised in reserves		-	-	-	(101)
Total other comprehensive net income from discontinued operations		**-**	**-**	**-**	**(101)**
Net comprehensive expenditure for the year		**50,209**	**31,412**	**50,211**	**31,798**

The notes on pages 183 to 259 form part of these accounts.

Consolidated Statement of Financial Position (SoFP) as at 31 March 2022

		Core Treasury and Agencies		Group		
In £m	**Note**	**2021-22**	**2020-21 (Restated)**	**2021-22**	**2020-21 (Restated)[2]**	**2019-20 (Restated)**
Non-current assets						
Property, plant and equipment	9	10	170	39	201	203
Intangible assets		8	9	9	9	9
Trade and other receivables	10	3,823	3,971	4,187	3,848	1,907
Net pension asset	11	-	-	620	585	813
Equity Investments	12	20,040	27,101	18,752	21,316	15,060
Loans and investment securities	13	24	6	504	223	187
Loans to banking customers		-	-	-	-	4,144
Total non-current assets		**23,905**	**31,257**	**24,111**	**26,182**	**22,323**
Current assets						
Inventory		26	31	26	31	23
Trade and other receivables	10	1,903	1,080	1,916	1,092	346
Loans and investment securities	13	-	-	117	186	1,798
Loans to banking customers		-	-	-	-	564
Derivative financial assets	14	70	15,184	70	15,184	73,609
Cash and cash equivalents	15	54	5	784	3,846	1,362
Assets held for sale	29	-	-	-	1,656	-
Total current assets		**2,053**	**16,300**	**2,913**	**21,995**	**77,702**
Total assets		**25,958**	**47,557**	**27,024**	**48,177**	**100,025**
Current liabilities						
Trade and other payables	16	(2,056)	(622)	(2,090)	(785)	(429)
Provisions	17	(8,717)	(9,835)	(8,988)	(10,026)	(1,391)
Derivative financial liabilities	14	(39,862)	-	(39,862)	-	-
Financial guarantees	18	(18)	(19)	(18)	(19)	(18)
Liabilities held for sale	29	-	-	-	(55)	-
Total current liabilities		**(50,653)**	**(10,476)**	**(50,958)**	**(10,885)**	**(1,838)**
Non-current liabilities						
Trade and other payables	16	(1,315)	(386)	(1,990)	(501)	(548)
Provisions	17	(23,556)	(28,229)	(23,561)	(28,229)	(39,186)
Financial guarantees	18	(165)	(85)	(165)	(85)	(95)
Total non-current liabilities		**(25,036)**	**(28,700)**	**(25,716)**	**(28,815)**	**(39,829)**
Total assets less liabilities		**(49,731)**	**8,381**	**(49,650)**	**8,477**	**58,358**
Equity						
General fund	SoCTE	(39,441)	17,067	(38,333)	21,920	80,584
Fair value reserve	SoCTE	(10,292)	(8,736)	(11,319)	(14,521)	(23,405)
Revaluation reserve	SoCTE	2	50	2	50	50
Merger reserve	SoCTE	-	-	-	1,028	1,129
Total equity		**(49,731)**	**8,381**	**(49,650)**	**8,477**	**58,358**

The notes on pages 183 to 259 form part of these accounts.

Tom Scholar, Permanent Secretary
14 July 2022

[2] Prior periods have been restated to remove the Financial Services Compensation Scheme (FSCS) (no longer consolidated following ONS's reclassification outside central government backdated to its inception in 2001) and adjust for a change in accounting for Reclaim Fund Ltd (RFL). See also Note 30 – Prior period restatements.

Consolidated Statement of Changes in Taxpayers' Equity[3] (SoCTE) for the period ended 31 March 2022

Group

In £m	Note	General fund	Fair value reserve	Revaluation reserve	Merger reserve	Total reserves
Balance at 1 April 2020 (Restated)		**80,584**	**(23,405)**	**50**	**1,129**	**58,358**
Net income/(expenditure) after tax		(37,740)	-	-	-	(37,740)
Change in CFERs payable to the Consolidated Fund	16	15	-	-	-	15
CFERs paid to the Consolidated Fund	SOPS 4.1	(15,335)	-	-	-	(15,335)
Change in excess cash payable to the Consolidated Fund	SOPS 4.1	60	-	-	-	60
Excess cash paid to the Consolidated Fund	SOPS 4.1	(2,832)	-	-	-	(2,832)
Consolidated Fund standing services		5	-	-	-	5
Actuarial gains and losses on pension schemes		(198)	-	-	-	(198)
Revaluation gains/(losses)		-	6,140	-	-	6,140
Transfers		(2,643)	2,744	-	(101)	-
Other movements		4	-	-	-	4
Balance at 31 March 2021 (Restated)		**21,920**	**(14,521)**	**50**	**1,028**	**8,477**
Net income/(expenditure) after tax		(51,519)	-	-	-	(51,519)
Change in CFERs payable to the Consolidated Fund	16	25	-	-	-	25
CFERs paid to the Consolidated Fund	SOPS 4.1	(7,992)	-	-	-	(7,992)
Change in excess cash payable to the Consolidated Fund	SOPS 4.1	(49)	-	-	-	(49)
Net parliamentary funding		106	-	-	-	106
Consolidated Fund standing services		4	-	-	-	4
Actuarial gains and losses on pension schemes		23	-	-	-	23
Revaluation gains/(losses)		-	1,285	-	-	1,285
Transfers		(841)	1,917	(48)	(1,028)	-
Other movements		(10)	-	-	-	(10)
Balance at 31 March 2022		**(38,333)**	**(11,319)**	**2**	**-**	**(49,650)**

The notes on pages 183 to 259 form part of these accounts.

[3] This statement shows the movement in the year on the different reserves held by HM Treasury Group, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The Fair Value Reserve reflects the change in financial instrument asset values that have not been recognised as income or expenditure. The Revaluation Reserve reflects the change in other asset values that have not been recognised as income or expenditure. The General Fund represents the total assets less liabilities of a department, to the extent that the total is not represented by other reserves and financing items. The Merger Reserve was generated on 1 October 2010 when the UKAR acquired all the issued shares of B&B and NRAM plc from the Treasury Solicitor via a share-for-share exchange. The Merger Reserve represented the difference between the value attributed to the UKAR's investment in each company and the nominal value of the share capital issued by the Company in exchange. Following the sale of the B&B and NRAM companies – the merger reserve has been released to the general fund.

Consolidated Statement of Changes in Taxpayers' Equity
for the period ended 31 March 2022

Core Treasury and Agencies

In £m	Note	General fund	Fair value reserve	Revaluation reserve	Total reserves
Balance at 1 April 2020		**75,046**	**(17,219)**	**50**	**57,877**
Net income/(expenditure) after tax		(37,151)	-	-	(37,151)
Change in CFERs payable to the Consolidated Fund	16	15	-	-	15
CFERs paid to the Consolidated Fund	SOPS 4.1	(15,335)	-	-	(15,335)
Change in excess cash payable to the Consolidated Fund	SOPS 4.1	60	-	-	60
Excess cash paid to the Consolidated Fund	SOPS 4.1	(2,832)	-	-	(2,832)
Consolidated Fund standing services		5	-	-	5
Revaluation gains/(losses)		-	5,739	-	5,739
Transfers		(2,744)	2,744	-	-
Other movements		3	-	-	3
Balance at 31 March 2021 (Restated)		**17,067**	**(8,736)**	**50**	**8,381**
Net income/(expenditure) after tax		(46,741)	-	-	(46,741)
Change in CFERs payable to the Consolidated Fund	16	25	-	-	25
CFERs paid to the Consolidated Fund	SOPS 4.1	(7,992)	-	-	(7,992)
Change in excess cash payable to/(receivable from) the Consolidated Fund	SOPS 4.1	(49)	-	-	(49)
Net parliamentary funding		106	-	-	106
Consolidated Fund standing services		4	-	-	4
Revaluation gains/(losses)		-	(3,468)		(3,468)
Transfers		(1,864)	1,912	(48)	-
Other movements		3	-	-	3
Balance at 31 March 2022		**(39,441)**	**(10,292)**	**2**	**(49,731)**

The notes on pages 183 to 259 form part of these accounts.

Consolidated Statement of Cash Flows (SoCF)
for the period ended 31 March 2022

In £m	Note	Core Treasury and Agencies 2021-22	Core Treasury and Agencies 2020-21	Group 2021-22	Group 2020-21 (Restated)[1]
Cash flows from operating activities					
Net operating income before financing from continuing operations	SoCNE	(4,856)	3,268	(4,865)	3,285
Net operating expenditure before financing from discontinued operations		-	-	(13)	(30)
Adjustments for non-cash transactions	19	5,052	(1,959)	5,184	(1,916)
Changes in working capital		2,701	13	2,563	103
Corporation Tax paid		-	-	1	(15)
Use of provisions	17	(11,004)	(239)	(11,071)	(400)
Net cash flows from operating activities		**(8,107)**	**1,083**	**(8,201)**	**1,027**
Cash flows from investing activities					
Proceeds: derivative financial assets	14	7,218	13,663	7,218	13,663
Proceeds: sale of shares UK listed entities		3,878	1,125	3,735	1,125
Proceeds: sale of investment securities and other assets		-	-	341	211
Proceeds: interest, dividend and other finance income		5,259	668	414	198
Purchases: financial assets		(309)	(37)	(445)	(283)
Proceeds: repayment of financial assets		3	1,616	3	1,616
Advances and repayments of loans to banking customers		-	-	-	373
Proceeds: sale of loans to banking customers		-	-	47	4,459
Other investing activities		(9)	(14)	(17)	(13)
Net cash flow from investing activities		**16,040**	**17,021**	**11,296**	**21,349**
Cash flows from financing activities					
Cash from the Consolidated Fund (non-supply)		4	5	4	5
Cash from the Consolidated Fund (supply) – current year		3,500	-	3,500	-
Advances from the Contingencies Fund		120	-	120	-
Repayments to the Contingencies Fund		(120)	-	(120)	-
Capital element of the PFI contract		(2)	(3)	(2)	(3)
Net cash flows from financing activities		**3,502**	**2**	**3,502**	**2**
Net increase in cash and cash equivalents before Adjustments		**11,435**	**18,106**	**6,597**	**22,378**
Payments of amounts due to the Consolidated Fund	SoCTE	(7,992)	(15,335)	(7,992)	(15,335)
Excess cash paid to the Consolidated Fund – current year	SoCTE	(3,389)	(2,766)	(3,389)	(2,766)
Excess cash paid to the Consolidated Fund – prior year balance	SoCTE	(5)	(66)	(5)	(66)
Net increase/(decrease) in cash and cash equivalents after adjustments	15	**49**	**(61)**	**(4,789)**	**4,211**
Cash and cash equivalents at the beginning of the period	15	5	66	5,573	1,362
Cash and cash equivalents at the end of the period[4]	15, 29	**54**	**5**	**784**	**5,573**

The notes on pages 183 to 259 form part of these accounts.

[4] Cash and cash equivalents are a total of the balances for the continued and discontinued operations.

Notes to the Resource Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the Government Financial Reporting Manual 2021-22 (FReM) and the Government Resources and Accounts Act 2000. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted and interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of HM Treasury for the purpose of giving a true and fair view has been selected.

The particular policies adopted by HM Treasury are described below. In addition to the primary statements prepared under IFRS, the FReM requires HM Treasury to prepare a Statement of Outturn against Parliamentary Supply and supporting notes analysing the net resource outturn and capital outturn against control totals voted by Parliament through the Estimate. These are included within the Parliamentary Accountability section of this document.

HM Treasury is domiciled in the United Kingdom and its principal place of business is at 1 Horse Guards Road, London, with offices in Darlington and Norwich. The presentational and functional currency is pound sterling.

In common with other government departments, the financing of HM Treasury's future service provision and liabilities are to be met by future grants of Supply and the application of future income, approved annually by Parliament. Parliament has authorised spending for 2022-23 in the central government Main Supply Estimates and there is no reason to believe that future approvals will not be made. It has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.1 Accounting convention

These accounts have been prepared on an accruals basis under the historical cost convention, modified to account for the revaluation of land and buildings and certain financial instruments to fair value, as determined by the relevant accounting standards and the bespoke accounts direction issued by HM Treasury.[5]

1.2 Basis of consolidation

These accounts consolidate Core Treasury and Agencies and those entities which fall within the Departmental Boundary as defined in the FReM and listed in the Designation Order 2021-22 issued by HM Treasury. Core Treasury and Agencies include HM Treasury plus the Office of Financial Sanctions Implementation and the Office of Tax Simplification along with the UK Debt Management Office, the National Infrastructure Commission and the Government Internal Audit Agency who are recognised as

[5] The bespoke accounts direction directs HM Treasury to account for income received from the financial settlement of the EU Withdrawal Agreement within the consolidated group accounts, rather than in a trust statement.

executive agencies. Transactions between entities included in the reporting boundary are eliminated on consolidation. All entities have a 31 March reporting date. The Treasury Group includes, in addition to Core Treasury and Agencies:

Entity Name	Principal Activity
UK Asset Resolution Ltd (UKAR)	Asset and liability management
UKAR Corporate Services Ltd	Not trading – in liquidation
Financial Reporting Advisory Board	Advisory
UK Government Investments Ltd	Manage government shareholdings
UK Infrastructure Bank Ltd[6]	Investment in infrastructure projects
IUK Investments Holdings Ltd	Investment in IUK Investments Ltd
IUK Investments Ltd	Investment in PF2 projects
Help to Buy (HMT) Ltd	Delivers the mortgage guarantee
Office for Budget Responsibility	Independent fiscal watchdog
Royal Household Sovereign Grant	Public funding for the Royal Household
Royal Mint Advisory Committee	Advisory
HM Treasury UK Sovereign Sukuk plc	Issue of Sukuk
Reclaim Fund Ltd	Distribution of Dormant Assets

UKAR includes the consolidation of a number of arm's length bodies relating to its subsidiaries NRAM Ltd and B&B plc up to the point of sale of those companies in October 2021.[7]

For details on HM Treasury's ownership interests in other entities which are not consolidated, refer to Note 12 – Equity Investments.

1.3 Standards issued but not yet effective

The Treasury Group has not early-adopted any new or amended standards in preparing these consolidated financial statements.

IFRS 16 Leases

IFRS 16 is being applied by HM Treasury in the FReM from 1 April 2022. Three of the Treasury Group's entities (UKGI, UKIB and RFL) with operating leases have adopted IFRS 16 with effect from 1 April 2019 in line with their obligations under the Companies Act 2006. The Treasury Group has not early adopted IFRS 16, and therefore, the consolidated group numbers exclude the effect of early adoption unless trivial.

IFRS 16 specifies how an entity will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's

[6] formerly Infrastructure Finance Unit Ltd

[7] NRAM Limited, Bradford & Bingley plc, Mortgage Express, Bradford & Bingley Homeloans Limited, Bradford & Bingley Investments, Bradford & Bingley Mortgage Management Limited, Finance for Mortgages Limited, HSMS, Leamington Mortgage Corporation Limited, Mortgage Express (No. 2), Northern Rock (Asset Management) Limited, NRAM (No. 2) Limited, NRAM Homes Limited, Scotlife Homeloans (No. 2) Limited, Silhouette Mortgages Limited

approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Treasury Group's expectation is that the adoption of IFRS 16 will result in an increase in reported assets (in the form of right-of-use assets) and reported liabilities (representing the obligation to make future lease payments). For leases where the underlying asset has a low value, or where the lease term expires within 12 months from the date of transition, the Treasury Group will apply the recognition exemptions mandated by the FReM and lease costs will be expensed as incurred on a straight-line basis over the remaining term of the lease.

Ahead of the initial IFRS 16 transition date of 1 April 2020, the Treasury Group carried out an assessment of the impact of this standard on the financial statements. The Financial Reporting Advisory Board subsequently deferred the implementation of IFRS 16 in central government until 1 April 2022. Following the transfer of 1 Horse Guards Road to the Government Property Agency (GPA) and subsequent new operating lease, the revised assessment as at 31 March 2022 shows an expected increase of both right of use assets and lease liabilities of £89m.

IFRS 17 Insurance Contracts

IFRS 17 was issued in May 2017 and applies to the public sector for annual reporting periods beginning on or after 1 January 2025.

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts. The Treasury Group impact assessment exercise will be performed ahead of the implementation date.

There are no other IFRS or IFRIC interpretations not yet effective that would be expected to have a material impact on the Treasury Group.

1.4 Significant judgements and estimates

Expected credit losses on guarantees

The allowance for expected credit losses on guarantees is management's estimate of losses expected at the reporting date, on the basis of a probability-weighted evaluation of a range of possible outcomes, based on historic, current and forward-looking information. Where the ECL calculated on a guarantee liability is higher than the fair value on initial recognition less the cumulative amount of income recognised. The guarantee liability is valued at the ECL.

Fair value of investment securities

Under IFRS 9 the Treasury Group's investment securities held by Reclaim Fund Ltd are held at amortised cost. Management intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. As these securities were entered into at commercial arm's length terms and are managed purely to generate financial returns, rather than to further a policy objective, discount rates specific to the loans were used, rather than the public sector financial instrument rates set out in the FReM[8] where those differed, as approved by HM Treasury.

Equity investments

Under IFRS 9, equity instruments have been classified as held at fair value through other comprehensive income (FVOCI) and all changes in fair value are taken to reserves. Rights to the residual net assets on wind up of entities with a limited life are held at fair value through profit and loss (FVTPL).

Valuation of unlisted equity investments

Net asset value has been used as a proxy for fair value in the valuation of HM Treasury's unlisted equity investments. Net assets are considered to be a good proxy for fair value for unlisted entities because the underlying assets of each entity are held at fair value with reference to either the market value or, when this is not available, discounted cashflows. Management has assessed the impact of COVID-19 and the Russian invasion of Ukraine on assets held at net asset value and determined that this continues to provide a good proxy for fair value.

Provisions

Recognition and valuation of provisions rely on the application of professional judgment, historical experience, and other factors expected to influence future events. A provision is recognised where the likelihood of a liability crystallising is probable and where such provision can be measured with reasonable certainty. Provision balances which contain regular, similar transactions are often derived from financial models. Estimates and assumptions applied in these models are routinely evaluated and reviewed.

Provisions related to EU financial settlement

The provisions comprise principally of obligations in respect of EU pensions, the Joint Sickness Insurance Scheme (JSIS) and outstanding EU Budgetary commitments (the so-called RAL[9]) at the end of 2020. The UK obligation in respect of EU pensions is estimated on the basis of full membership data supplied by the EU as at 31 December 2020, projecting forward salary to the assumed date of exit, applying the UK post 2020 financing share to end 2020 EU pension obligations, and discounting.

The obligation in respect of JSIS is estimated on the basis of the UK's post 2020 financing share of the employer contributions to JSIS made on payment of the pension, to the extent the pension was accrued prior to 31

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[8] The FReM states, "Where future cash flows are discounted to measure fair value, entities should use the higher of the rate intrinsic to the financial instrument and the real financial instrument discount rate set by HM Treasury promulgated in PES (Public Expenditure System) papers, as applied to the flows expressed in current prices."

[9] The reste à liquider (RAL or outstanding commitments) is the sum of commitments agreed but that have not yet turned into payments.

December 2020. This obligation therefore follows the same profile as estimated for the EU pensions. The contribution rate applied to the pre-tax pension payments at 31 March 2022 was 3.4% as set out by the legislation.

The Withdrawal Agreement provides the UK with an option of early settlement on a different valuation basis, as explained in Note 17 - Provisions. HMT has valued the provision using the default calculation basis set out at the beginning of paragraph 6 of Article 142 of the Withdrawal Agreement, i.e. assuming that HMT will not invoke the early settlement option, as this is considered to be HM Treasury's best estimate of how this obligation will be settled.

The obligation in respect of the RAL is estimated based on information in EU Budgets adopted on or before 31 March 2022 and associated budgetary implementation data provided to Member States and the UK. The post 2020 financing share is applied to commitments in EU Budgets up to 2020 and adjusted for forecast implementation. The estimated level of decommitments (i.e. commitments that do not lead to payments) is based upon historical decommitment rates for the relevant programmes at the end of a Multiannual Financial Framework period. Alternative approaches are available. For example, the European Union detail their expectations for decommitments on this liability within their annual accounts publication. However, the levels of decommitments estimated are an area of forecast uncertainty, with limited data available for analysis. The approach used by the Treasury is based on historical decommitment rates, which the Treasury considers the best available. Alternative modelling based on the EU's expectations would result in an assumed average rate of 3%. Whereas, the Treasury's assumed average rate used is 8%, this is based on historical data to forecast decommitments and is consistent with outturn over 2021. We believe this approach to be the most appropriate as it overcomes issues in uncertainty in forecast methodology and further judgements, such as distribution of decommitments over future years. Further details on the sensitivity on movements in the decommitment rates are presented in Note 17 - Provisions.

The accounting valuations for the pension related liabilities are sensitive to actuarial assumptions (e.g. life expectancy, inflation, retirement age) for defined benefit pension obligations. Life expectancy is drawn from the most recent Eurostat mortality expectations for scheme members in 2018, adjusted for ONS changes to mortality since then. The inflation assumption is based on central government rates set by HM Treasury and promulgated in PES (Public Expenditure System) papers. The retirement age assumption is drawn from the EU's 2021 assessment of the PESO population retirement ages.

The above obligations of the financial settlement are principally denominated in Euros and therefore the sterling valuations are sensitive to changes in the Sterling/Euro exchange rate.

Receivables and payables related to EU financial operations in the financial settlement with the EU (Article 143 and 144)

UK financial rights and obligations in respect of certain EU financial operations covered by Articles 143 and 144 of the EU Withdrawal Agreement, include rights and obligations to future cash flows and are accounted for as financial instruments under IFRS 9 Financial Instruments and measured at fair value. These articles cover a range of financial instruments. Those under Article 144 can only give rise to future cash inflows for HM Treasury. These instruments have been funded by the EU budget, and HM Treasury will receive a share of amounts recovered by the EU.

Instruments within the scope of Article 143 include two broad categories: those with associated guarantee funds to meet potential calls, and those without. Where the associated guarantee funds exceed calls, HM Treasury will receive net cash inflows. The UK is entitled to a share of net revenue received by the EU arising from these operations, and certain EU guarantees generate fee income. To the extent the calls exceed the revenues generated and the associated guarantee funds, HM Treasury will have net cash outflows. For instruments without associated guarantee funds HM Treasury can only make cash outflows.

To measure the fair value of these instruments HM Treasury has made assumptions about the financial performance of the underlying instruments in order to forecast future cashflows, which are then discounted by applying the financial instrument rate set by HM Treasury, in accordance with the FReM. The level of granular data available on the underlying operations (such as the ultimate counterparty, terms of the investments and credit risk) is minimal, and therefore HM Treasury make simplifying assumptions. This includes key assumptions in respect of the repayment profiles, risk of default, rate of recovery given default, as well as the revenue generated by the EU in relation to these underlying operations.

Under Article 143, the final counterparties for these operations include both sovereign's and corporate entities.

For those operations with sovereign counterparties and those within the GFEA, the default assumptions are primarily sourced from Moody's. Treasury's assumption is that the probability of default on a repayment is linked to the sovereign credit rating and that recovery amounts are in line with historical recoveries on sovereign defaults. The default probability by rating assumption uses estimated default rates in line the Sovereign issuers, average 12-month rating migration rates in Moody's Sovereign Default reports, 1983-2021. The default rates assumption uses the latest Moody's credit ratings of countries as at March 2021. The recovery rates assumption uses estimated rates of recovery of 80% for countries currently rated B and higher and a rate of recovery of 60% based on historic recovery rates on defaulted Sovereign bond issuers in the Moody's Sovereign Default and Recovery Rates 1983-2016 report and the rating at time of default. The 2016 report is the latest report which provides data on return of cashflow which is key for the purpose of our valuation.

The Moody's data referred to above is backwards-looking and historic, and therefore do not consider the current market expectations around future defaults. However, an adjustment for current market conditions is applied through the use of the latest credit ratings. There are alternative approaches to refine the probability of defaults to allow for this forward-look on rates, such as using credit spreads and/or Credit Default Swap (CDS). These financial instruments are fundamentally different to the typically traded instruments. Therefore, HM Treasury's view is that it is not appropriate to make adjustments for market conditions where there is a misalignment between the financial instruments being valued and the instruments traded. Further details on the sensitivity on movements in the default rates are presented in Note 24.3 - Financial Risk.

No additional risk premium adjustment is made to the estimate of expected of future cashflows.

In respect of the European Fund for Strategic Investments (under Article 143), the European Investment Bank collects revenue from the underlying operations which are assigned back to the Guarantee Fund via the EUs budget, the model assumes that there will be sufficient revenues to cover expected losses.

The final counterparties for these operations are corporate entities. For corporates (in the absence of specific data) credit quality is assumed based on the type of finance, depending on the EU programme being modelled. Assumptions about the composition of the portfolios of corporates is based on the policy documentation produced by the EU for the associated programmes and information in the EU's accounts. These sources represent the most detailed, and in the case of the EU accounts third party assured, information on these instruments that is available to Member States of the EU.

The provisioning rates used in the model are based on those communicated under the Withdrawal Agreement to HM Treasury in March 2022. The financial modelling has been cross checked against information reported to the UK under the terms of the Withdrawal Agreement.

All the cash inflows and outflows are denominated in Euros. The sterling value of future net cashflows are sensitive to the Sterling/Euro exchange rate (see above).

Disposal Group

On 26 February 2021 UKAR entered into a contract which resulted in the sale of its 100% shareholdings in B&B and NRAM to Davidson Kempner (DK), completing on 2 November 2021. As at 31 March 2021 it was considered that the sale of these shareholdings was highly probable, as defined in IFRS 5, and consequently a disposal group was classified as held for sale. The assets and liabilities which were sold formed the disposal group, as detailed in Note 29. The sale of the disposal group has been accounted for at the point that the shares in B&B and NRAM were transferred to the purchaser as this is the point at which the Treasury ceased to have any power or control over the subsidiaries.

The carrying value of the disposal group was impaired, with the disposal group assets which were within the scope of the measurement principles of IFRS 5 being impaired to nil. IFRS 5 is unclear as to whether the amount of impairment of a disposal group should be restricted to the carrying amount of the assets against which the Treasury Group is permitted to apply the impairment. The Treasury Group therefore chose a policy of recognition of the full impairment charge and the creation of a separate balance described as 'excess impairment of the disposal group' to reduce the total carrying amount of the net assets in the disposal group to their fair value less costs to sell. It was considered appropriate to reflect the full impairment of the carrying value of the disposal group at 31 March 2021 as otherwise a loss on sale would be expected to be recognised in 2021-22. The carrying value of the disposal group has been impaired to fair value less costs to sell, in accordance with IFRS 5. The fair value was derived by reference to the agreed sale price.

On 2 November 2021, the sale of the disposal group was completed.

1.5 Changes in Accounting Estimates

This year the Treasury has further developed the underlying assumptions of estimating liabilities arising under the EU Withdrawal Agreement Financial Settlement on RAL and pensions to improve accuracy, flexibility and incorporate newly available information. Treasury has made changes to the following assumptions:

Article 140 – RAL model

The Treasury has updated the estimate to include the latest data provided by the EU, as per the obligations under the Withdrawal Agreement. The model now includes a more nuanced assumption for decommitment forecasting. The updated assumption allows for the profiled rate of decommitments using historical data, this is as opposed to the previous fixed rate applied. The Treasury judges the new approach as the best assumption available whilst recognising that this remains an area of significant estimation uncertainty. Testing of the new approach against outturn shows a strong correlation to the limited outturn data available, however the Treasury will continue to test this crucial assumption as more data is available. If the previous year's version of the model was used in 2021-22 it would have decreased the provision by £339m. See also Note 17 – Provisions.

Article 142 – Pensions model

Previously the pensions modelling used by the Treasury to estimate the UK's obligation under Article 142 of the Withdrawal Agreement was constructed from a top-down approach, using the EU's annual accounts as the basis. As this is the first year of payments under the main pensions liability of the Withdrawal Agreement, the UK is now entitled to granular data. The availability of this data allows the modelling to move from a top-down approach, to a bottom-up model. This includes having more flexibility to apply different assumptions and tailoring. Had the previous year's modelling approach been used this year, the provision would be £65m lower. See also Note 17 – Provisions.

1.6 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Treasury Group recognises revenue when it transfers control over a product or service to a customer.

Performance obligations and timing of revenue recognition

For loan commitment fees, the service being provided is the commitment to provide a loan. The performance obligation is that of standing ready to provide the loan and is satisfied over time as the commitment is available.

Voluntary gifts to the nation are recognised when cash is received.

Dormant account monies

IFRS 15 is not applicable to RFL's amounts received in respect of dormant accounts. In the absence of a standard or an interpretation that specifically applies to a transaction, other event or condition, management has used its judgement in developing and applying an accounting policy that results in information that is relevant and reliable in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

RFL's amounts received in respect of dormant accounts represent receipts, from participants, of dormant account monies and are recognised where it is virtually certain that future economic benefits will flow to the Company and these benefits can be measured reliably.

1.7 Property, plant and equipment

Property, plant and equipment assets are initially recognised at cost. The threshold for capitalising non-current assets is £5,000 except for antiques where no threshold is set. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Treasury Group and the cost of the item can be measured reliably.

When an asset is disposed of, any gain or loss on disposal is calculated as the difference between the disposal proceeds and the carrying value of the asset and is recognised as profit or loss in the SoCNE.

The charge for depreciation or amortisation is calculated to write down the cost or valuation of property, plant and equipment and intangible assets to their estimated residual values by equal instalments over their estimated useful lives which are as follows:

Freehold and long leasehold buildings	40 to 50 years
Property improvements	7 to 50 years
Plant and machinery	3 to 12 years
Furniture, fixtures and fittings	5 to 20 years
IT equipment and other non-IT equipment	3 to 10 years

Subsequent to initial recognition, land and buildings are recorded at fair value, as interpreted by the FReM, on the basis of professional valuations, which are conducted at least once every 5 years with an interim desktop review being done once in-between.

1.8 Heritage Assets

The Sovereign Grant is used to maintain the land and buildings that are held by The Queen in trust for the nation and cannot be sold without the authority of the Department for Digital, Culture, Media and Sport. Owing to the incomparable nature of these properties, it is considered that conventional valuation techniques lack sufficient reliability and that, even if valuations could be obtained, the costs would be onerous compared with the additional benefits derived by the users of the accounts. As a result, no value is reported for these assets in the Statement of Financial Position.

1.9 Tax

Value Added Tax (VAT)

Many activities of HM Treasury are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

Corporation Tax

The Core Department and its Agencies are exempt from corporation tax by way of Crown exemption. Some consolidated bodies are subject to corporation tax on taxable profits. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to HM Revenue and Customs, based on tax rates and laws that are enacted or substantively enacted by the reporting date.

1.10 Operating segment reporting

In accordance with the relevant reporting requirements, including IFRS 8, the SOPS and supporting notes reflect net resource and capital outturn in line with the control totals voted by Parliament. The figures within SOPS 1.1 provide the income and expenditure totals associated with key business activities within the Treasury Group and reflect the HM Treasury business plan and the management information reported to the board during the period.

1.11 Pensions

The Treasury Group operates several retirement benefit plans for its employees, including defined benefit plans, defined contribution plans and post-retirement healthcare benefits.

Defined benefit schemes

Pension benefits are provided through civil service pension arrangements as detailed in the Remuneration Report.

HM Treasury recognises the expected cost of future pension liabilities in a systematic and rational basis over the period during which it benefits from employees' service by payment to civil service pension schemes of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the scheme.

One of the Royal Household's pension schemes, managed by the government, is an unfunded scheme by analogy to the PCSPS. The Royal Household is unable to identify the share of the underlying assets and liabilities of the scheme attributable to employees funded by the Sovereign Grant (or its equivalent in previous years) on a consistent and reasonable basis and therefore this scheme is treated as a defined contribution scheme.

UKAR, and the Royal Household also operate defined benefit schemes that are separate from the civil service pension schemes and accounted for under IAS 19.

Defined contribution schemes

A defined contribution plan is a pension arrangement where the employer pays fixed contributions into a separate fund. The costs for the defined contribution schemes are recognised as an expense in the SoCNE as incurred. For defined contribution plans, the employer has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

UKAR, RFL and the Royal Household operate defined contribution pension schemes.

1.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held with financial institutions net of bank overdrafts. Highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value are also included. Such investments are normally those with less than 3 months' maturity from the date of acquisition.

1.13 Assets held for sale

In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', assets and liabilities are classified as 'held for sale' if they are available for immediate sale in their present condition, they are being actively marketed for sale at a reasonable price and sale is considered to be 'highly probable'. Financial assets within the scope of IFRS 9 are excluded from the measurement principles under IFRS 5 and continue to be measured at their IFRS 9 value. Assets held for sale are carried at the lower of their previous carrying amount and their fair value less costs to sell, other than assets for which the IFRS 5 measurement principles do not apply.

1.14 Financial instruments: financial assets

Initial recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, which is the date on which HM Treasury commits to purchase or sell the asset. Financial assets are recognised initially at their fair value plus, in the case of a financial asset not at fair value through profit & loss (FVP&L), transaction costs that are directly attributable to the acquisition or issue of the instrument. Financial assets carried at FVP&L are initially recognised at fair value and transaction costs are expensed in the SoCNE. Where the transaction price differs from fair value, the value at initial recognition is adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Subsequent measurement

After initial recognition, financial assets are measured at their fair values except for those assets which are designated as measured at amortised cost using the effective interest rate (EIR) method. The basis for designation as fair value or FVOCI is based on criteria set out in IFRS 9.

Fair value measurement

The Treasury Group measures certain financial instruments at fair value at each balance sheet date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value are summarised in the following notes:

Disclosures for valuation methods, significant judgements and estimates	Note 1.4
Disclosures of fair value measurement hierarchy	Note 25
Financial Instruments	Note 26

Movements in fair value are recognised in the SoCNE, except in the case of instruments categorised as FVOCI, in which the fair value movements are taken to the Fair Value Reserve, until realised when they are reclassified to the General Fund.

Derivative financial assets – Derivatives are initially recognised at fair value and subsequently re-measured to reflect changes in fair value. Fair values are obtained from quoted market prices in active markets and, where these are not available, from other valuation techniques including discounted cash flow models. See also Note 1.4 – Significant judgements and estimates

Classification

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Classification of financial assets is determined by the objectives of the business model under which the assets are managed and the contractual cash flow characteristics of those assets.

The business model may be considered to be one of holding the assets to collect the cash flows arising; holding the assets to both collect the cash flows arising and to sell them, or; holding the assets to sell them. Assessment of the applicable business model was carried out at the date of first application of IFRS 9, i.e. 1 April 2018.

The contractual cash flow characteristics of an asset may be considered to be 'solely payments of principal and interest' (SPPI) or not to be SPPI.

Financial assets may be measured at amortised cost, FVP&L, or FVOCI.

The measurement classifications of financial assets are as follows:

	SPPI	**Not SPPI**
Held to collect	Amortised cost	FVP&L
Held to collect and sell	FVOCI	FVP&L
Held to sell	FVP&L	FVP&L

IFRS 9 permits an entity to make an irrevocable election to classify certain equity instruments at FVOCI rather than through profit and loss. This election is considered to be more appropriate for a group of strategic investments for which the election has been made.

Impairment

Further disclosures relating to impairment of financial assets are also provided in the following notes:

Loans and investment	Note 13
Equity Investments	Note 12

Impairment identification

IFRS 9 requires that expected credit losses (ECL) are calculated using a range of forward-looking economic scenarios, weighted by the estimated probability of each scenario.

The Treasury Group recognises either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model applies to debt instruments accounted for at amortised cost.

Each financial asset is categorised as 'stage 1', 'stage 2' or 'stage 3':

- stage 1 assets are those for which there has been no significant increase in credit risk since the asset's origination
- stage 2 assets are those for which there has been a significant increase in credit risk since the asset's origination
- stage 3 assets are those which are in default

In respect of stage 1 assets, the impairment provision reflects the next 12 months' expected losses. In respect of stage 2 and 3 assets, the impairment provision reflects full lifetime expected losses. In respect of stage 3 assets, interest income is recognised only in respect of the balance net of impairment.

For trade receivables, contract receivables and lease receivables, the Treasury Group recognises impairment losses using the simplified approach required by FReM. Under this approach, a lifetime ECL is recognised for all assets.

Assets carried at amortised cost – For financial assets carried at amortised cost, the Treasury Group first considers whether an impairment is required for those assets considered significant in their own right. For those assets which are not considered individually significant, these are assessed for evidence of impairment on a collective basis.

Loans and investment securities – Evidence considered when assessing an impairment loss includes the probability of future delinquency in contractual payments of principal, interest or cash flow difficulties experienced by the borrower, the likelihood of breach of loan covenants or conditions or any future deterioration in the value of collateral.

Equity Investments – In the case of equity investments held at FVOCI, a decline in the fair value of the asset is reflective of a reduction in the expected returns on the investment. This reduction in fair value is shown within other comprehensive income through the fair value reserve.

Impairment measurement

Assets carried at amortised cost – The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate applicable at the inception of the loan. The carrying amount of the asset is reduced in the SoFP by the amount of this expected credit loss and the loss is recognised in the SoCNE. The present value of estimated future cashflows is based on a probability-weighted evaluation of a range of possible outcomes, based on historic, current and forward-looking information.

FVOCI assets – Impairments are not recognised for equity investments held at FVOCI as a reduction in expected returns will be reflected in a decline in fair value, shown within other comprehensive income through the fair value reserve.

De-recognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Treasury Group has transferred substantially all the risks and rewards of ownership. The investments in FVOCI assets have been recognised on a tranche-by-tranche basis where different lots of the same security have been purchased at a different price level. The gain or loss on these securities will be accounted for on a first-in-first-out basis when they are eventually disposed.

1.15 Financial Instruments: financial liabilities

Recognition

Financial liabilities are initially recognised on the date on which they originate.

Measurement

Financial liabilities are measured at amortised cost using the effective interest rate (EIR) method or at FVP&L.

Classification

Financial liabilities are classified on initial recognition as either at FVP&L, or financial liabilities measured at amortised cost:

Financial liabilities at fair value through profit or loss	Financial liabilities at FVP&L are liabilities held for trading or designated as at FVP&L.
Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. Trade and other payables, borrowings and bank overdrafts are classified as financial liabilities measured at amortised cost.

Derivative financial liabilities

Derivatives are measured initially at fair value and subsequently re-measured to reflect changes in fair value. Fair values are obtained from quoted market bid prices in active markets and, where these are not available, from other valuation techniques including discounted cash flow models.

Derecognition

Financial liabilities are derecognised if the Treasury Group's obligations specified in the contract expire, are discharged or cancelled.

1.16 Provisions, contingent liabilities and contingent assets

Provisions are carried in respect of certain known or forecast future expenditure. Under IAS 37, provisions are recognised when there is a present obligation arising from past events, it is probable that a transfer of economic benefits will be required, and a reliable estimate can be made. Where the future payment amount is unknown, provisions are set at a level which covers the estimated number of future payments and the estimated average payment amount. In calculating provisions, future payments may be subject to discount rates depending on the expected timing of cash flows. Provisions are calculated using the best available information, but the actual outcomes of items provided for, may differ from expectations.

Contingent liabilities and contingent assets are not recognised as liabilities or assets in the SoFP but are disclosed in the notes to the Accounts. A contingent liability is either: a possible obligation arising from past events, the existence of which will be confirmed by the occurrence or non-occurrence of one or more uncertain future events, or; it is a present obligation arising from past events but is not recognised because either an outflow of economic benefits is not probable to settle the obligation or the amount of the obligation cannot be reliably estimated. A contingent asset is a possible asset whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of HM Treasury. Where the time value of money is material, the contingent liabilities and assets are stated at discounted amounts.

In addition to contingent liabilities disclosed in the accounts in accordance with IAS 37, HM Treasury discloses within its accountability report, for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities outside the scope of IAS 37 which have been reported to Parliament in accordance with the requirements of Managing Public Money.

1.17 Debt and equity securities in issue

Issued securities, including capital instruments, are classified as liabilities where the contractual arrangements result in the issuer having an obligation to deliver either cash or another financial asset to the security holder, or to exchange financial instruments under conditions that are potentially unfavourable to the issuer. Issued securities include ordinary and preference share capital. Preference shares are classified as equity instruments where dividend payments and redemptions are discretionary.

On initial recognition, debt issued is measured at its fair value of directly attributable issue and transaction costs. Subsequent measurements are at amortised cost using the EIR method to amortise attributable issue and transaction costs, premium and discounts over the life of the instrument. These costs are charged along with interest on the debt to interest expense and similar charges. Unamortised amounts are added to or deducted from the carrying value of the instrument.

Equity instruments (including share capital) are initially recognised at net proceeds, after deducting transaction costs and any related Income Tax.

1.18 Financial guarantees

Financial guarantee liabilities and associated receivables are initially recognised in the financial statements at fair value on the date the guarantee was given. The period over which the receivables and the associated liabilities have been recognised is over the length of these guarantees. Guarantee arrangements are re-assessed at every subsequent reporting date and estimates for the assets and liabilities relating to the guarantees are adjusted if necessary.

The fair value of financial guarantee liabilities at initial recognition is estimated as the fair value of the guarantee fee income.

Subsequent measurement of liabilities under financial guarantees is measured at the higher of the initial measurement, less amortised fee income recognised in the SoCNE as the service is provided; and the amount of the loss allowance for expected credit losses at the reporting date. Any increase in the liability relating to guarantees is taken to the SoCNE.

1.19 Off-balance sheet loan commitments

Off-balance sheet loan commitments are disclosed in Note 20 – Commitments. They comprise commitments to advance cash sums and to allow drawdown of monies previously overpaid (where the terms of the loan specifically allow). In respect of monthly drawdown products, the commitment reflects an estimate of the future drawdowns to redemption.

Under IFRS 9 an impairment provision for expected credit losses is required to be held against undrawn loan commitments. The impairment provision for each loan considers the expected drawdown on the loan commitment.

1.20 Foreign currencies

Transactions which are not denominated in pounds sterling are translated at the spot rate of exchange on the date of the transaction. Monetary assets and liabilities which are not denominated in pounds sterling are translated at the closing rate of exchange at the reporting year-end date. Foreign exchange gains and losses resulting from the restatement and settlement of such transactions are recognised in the SoCNE.

2. Other operating income

In £m	Core Treasury and Agencies 2021-22	Core Treasury and Agencies 2020-21	Group 2021-22	Group 2020-21 (Restated)
Fees and charges	(242)	(181)	(243)	(181)
Dormant accounts	-	-	(154)	(90)
Gifts to the Nation	(512)	(1,487)	(512)	(1,487)
Recoveries and recharges	(13)	(11)	(26)	(14)
Other operating income	(36)	(27)	(34)	(33)
Continuing operations	**(803)**	**(1,706)**	**(969)**	**(1,805)**
Fees and charges	-	-	(1)	(3)
Other operating income	-	-	(7)	(2)
Discontinued operations	**-**	**-**	**(8)**	**(5)**
Total	**(803)**	**(1,706)**	**(977)**	**(1,810)**

Fees and charges comprise primarily of loan commitment fee income from Pool Re for £219m (2020-21: £158m).

In response to the COVID-19 pandemic the government introduced a relief of retail business rates for 2020-21. Some businesses have subsequently voluntarily repaid the relief they received to the government as a gift to the nation, and only those that have been repaid to the Treasury rather than directly to a devolved administration are included here. From the 2021-22 tax year businesses are able to opt out of the relief. The reduction in income of £975m reflects the timing of different businesses' decisions in making the gifts. See also note 22 – Contingent Assets.

3. Staff costs and numbers

Total staff costs for continuing operations for the Treasury Group at 31 March 2022 were £240m (2020-21 Restated: £215m), comprising £189m salaries and wages (2020-21 Restated: £174m), £20m social security (2020-21 Restated: £18m) and £31m staff pension costs (2020-21 Restated: £23m). The staff pension costs include a reduction due to UKAR receiving a net credit of £7m (2020-21: £12m) from their defined benefit pension scheme, which is in surplus.[10] For more information and for staff numbers refer to the Remuneration and Staff Report.

For discontinued operations, the total staff costs for the Treasury Group at 31 March 2022 were £5m (2020-21: £10m) comprising £4m salaries and wages (2020-21: £9m), £0m social security (2020-21: £1m) and £1m staff pension costs (2020-21: £0m).

[10] See UKAR's 2021-22 accounts for further information.

4. Purchase of goods and services

In £m	Core Treasury and Agencies		Group	
	2021-22	2020-21	2021-22	2020-21 (Restated)
UK coinage: metal and manufacturing costs	18	10	18	10
Professional and office services	74	78	97	89
Other purchase of goods and services	35	33	112	93
Continuing operations	**127**	**121**	**227**	**192**
Professional and office services	-	-	9	40
Other purchase of goods and services	-	-	1	1
Discontinued operations	**-**	**-**	**10**	**41**
Total	**127**	**121**	**237**	**233**

5. Other operating expenditure

In £m	Core Treasury and Agencies		Group	
	2021-22	2020-21	2021-22	2020-21 (Restated)
Movement in provisions	5,213	(1,962)	5,353	(1,889)
Other operating expenditure	167	136	53	42
Continuing operations	**5,380**	**(1,826)**	**5,406**	**(1,847)**
Movement in provisions	-	-	(1)	(19)
Other operating expenditure	-	-	7	3
Discontinued operations	**-**	**-**	**6**	**(16)**
Total	**5,380**	**(1,826)**	**5,412**	**(1,863)**

For more information on the movement in provisions see Note 17 - Provisions.

6. Finance income

In £m	Core Treasury and Agencies		Group	
	2021-22	2020-21	2021-22	2020-21
Interest and fee income from loans	(12)	(36)	(17)	(40)
Dividend income	(5,471)	(781)	(621)	(212)
Continuing operations	**(5,483)**	**(817)**	**(638)**	**(252)**
Interest and fee income from loans	-	-	-	(118)
Discontinued operations	**-**	**-**	**-**	**(118)**
Total	**(5,483)**	**(817)**	**(638)**	**(370)**

During 2020-21, NatWest declared dividends of 3p per share, while during 2021-22, dividends of 7.5p per share were declared, resulting in an increase in dividend income of £0.4bn for the Treasury Group.

Following the cash receipts from the sale of the residual B&B and NRAM Ltd mortgage books in February 2021, UKAR held sufficient cash to make total dividends of £4.9bn to HM Treasury in 2021-22. Representing an increase of £4.3bn over the dividend received in 2020-21 which did not include any asset sales. This eliminates at group level.

7. Finance expense

In £m	Core Treasury and Agencies		Group	
	2021-22	2020-21	2021-22	2020-21
Impairments of financial assets and financial guarantees	180	10	186	10
Interest expense	-	-	2	-
Interest element of the PFI contract	4	8	4	8
Continuing operations	**184**	**18**	**192**	**18**
Impairment of financial assets	-	-	2	(3)
Disposal group impairment	-	-	-	88
Discontinued operations	**-**	**-**	**2**	**85**
Total	**184**	**18**	**194**	**103**

Financial guarantees are monitored and expected credit losses recognised for distressed projects. The increase in impairments is being driven by one guarantee which was called and settled in full on 4 January 2022 for £87m, and an increase in expected credit loss across the UK Guarantee scheme portfolio. For more information see Note 18 - Financial Guarantees.

In 2020-21, the disposal group was measured at fair value and impaired. For more information see Note 29 - Disposal group held for sale and discontinued operations.

8. Revaluation of financial assets and liabilities in the SoCNE

In £m	Core Treasury and Agencies		Group	
	2021-22	2020-21	2021-22	2020-21
Fair value (gain)/loss on derivatives	47,758	44,762	47,758	44,762
Fair value (gain)/loss on financial assets and liabilities	(620)	20	(773)	20
Total	**47,138**	**44,782**	**46,985**	**44,782**

For an explanation of the change in the fair value on derivatives refer to Note 14 - Derivatives.

The fair value gain in financial assets relates to elements of the EU Financial Settlement, and equity investments held at FVTPL. See also Note 10 – Trade and other receivables, Note 12 Equity Investments and Note 16 – Trade and other payables.

9. Property, plant, and equipment

9.1 Group

Current year

In £m	Land	Buildings	Other	Total
Cost/Valuation				
Balance at 1 April (Restated)	62	123	59	244
Additions/transfers	-	1	5	6
Impairments	-	-	(13)	(13)
Disposal	(62)	(94)	(2)	(158)
Balance at 31 March	**-**	**30**	**49**	**79**
Accumulated Depreciation				
Balance at 1 April (Restated)	-	(16)	(27)	(43)
Charge in year	-	(3)	(4)	(7)
Impairment	-	-	3	3
Released on disposal	-	6	1	7
Balance at 31 March	**-**	**(13)**	**(27)**	**(40)**
Net book value at 31 March	**-**	**17**	**22**	**39**

The property at 1 Horse Guards Road (1HGR) is leased under a private finance initiative (PFI). On 1 October 2021, the PFI contract and underlying assets were transferred to the Government Property Agency (GPA). At the date of transfer, the net book value of the 1HGR land was £62m and 1HGR building was £88m. The transfer was done at no cost to either department, through a grant in kind expense valued at £151m for the transfer of the assets and as non-scoring income valued at £105m for the transfer of the PFI liability, for a net movement of £46m (rounded) passing through the SoCNE. Equivalent income and expenses are recognised in the GPA's accounts. All other assets are owned by the Treasury Group.

Prior year

In £m	Land	Buildings	Other (Restated)	Total (Restated)
Cost/Valuation				
Balance at 1 April	62	121	56	239
Additions/transfers	-	2	5	7
Impairments	-	-	(1)	(1)
Disposal	-	-	(1)	(1)
Balance at 31 March	**62**	**123**	**59**	**244**
Accumulated Depreciation				
Balance at 1 April	-	(11)	(25)	(36)
Charge in year	-	(5)	(4)	(9)
Released on disposal	-	-	2	2
Balance at 31 March	**-**	**(16)**	**(27)**	**(43)**
Net book value at 31 March	**62**	**107**	**32**	**201**

9.2 Core Treasury and Agencies

Current year

In £m	Land	Buildings	Other	Total
Cost/Valuation				
Balance at 1 April	62	94	34	190
Additions/transfers	-	-	3	3
Impairment	-	-	(13)	(13)
Disposal	(62)	(94)	-	(156)
Balance at 31 March	**-**	**-**	**24**	**24**
Accumulated Depreciation				
Balance at 1 April	-	(4)	(16)	(20)
Charge in year	-	(2)	(1)	(3)
Impairment	-	-	3	3
Released on disposal	-	6	-	6
Balance at 31 March	**-**	**-**	**(14)**	**(14)**
Net book value at 31 March	**-**	**-**	**10**	**10**

Prior year

In £m	Land	Buildings	Other	Total
Cost/Valuation				
Balance at 1 April	62	94	32	188
Additions/transfers	-	-	3	3
Disposal	-	-	(1)	(1)
Balance at 31 March	**62**	**94**	**34**	**190**
Accumulated Depreciation				
Balance at 1 April	-	-	(16)	(16)
Charge in year	-	(4)	(1)	(5)
Released on disposal	-	-	1	1
Balance at 31 March	**-**	**(4)**	**(16)**	**(20)**
Net book value at 31 March	**62**	**90**	**18**	**170**

10. Trade and other receivables

In £m	Core Treasury and Agencies 2021-22	Core Treasury and Agencies 2020-21	Group 2021-22	Group 2020-21 (Restated)
Current receivables				
Trade receivables	19	23	20	23
Accrued interest and dividend income	434	210	434	210
Pool Re accrued income (note 16)	181	252	181	252
Guarantee fees receivable	6	13	6	13
EU financial settlement	1,237	557	1,237	557
Other	26	25	38	37
Total current	**1,903**	**1,080**	**1,916**	**1,092**
Non-current receivables				
Pool Re accrued income	266	221	266	221
Guarantee fees receivable	47	72	47	72
EU financial settlement	3,359	3,552	3,359	3,552
Sukuk Deposit	-	-	500	-
Other	151	126	15	3
Total non-current	**3,823**	**3,971**	**4,187**	**3,848**
Total receivables	**5,726**	**5,051**	**6,103**	**4,940**

EU financial settlement receivables

The EU financial settlement receivables are related to Article 136, 140, 141, 143, 144, 145, 146 and 150 of the EU Withdrawal Agreement.

Article 136 - Post 2020 Flows	Under Article 136 of the Withdrawal Agreement "Provisions applicable after 31 December 2020 in relation to own resources", the UK remains party to corrections or adjustments to contributions over the 2014-20 Multi-Annual Financial Framework (MFF) that are made after the end of 2020 (i.e. the UK's final year of participation in the EU Budget). These amounts cover a number of adjustments including those arising from statistical revisions and the return of any surplus arising from the implementation of the 2020 EU Budget. The fair value of the Article 136 instrument is estimated to be £47m (2020-21: £180m). Article 136 also includes corrections and adjustments to VAT and gross national income contributions which were historically included in the calculation of future years' EU budget contributions and are now met through the Withdrawal Agreement. The fair value of the asset arising from this element is £506m. See note 16 – Trade and other payables for the liability associated with this asset.
Article 140 – Infringements and Traditional Own Resources	Under Article 140 of the Withdrawal Agreement "Outstanding commitments", the UK's liability under Article 140 will be reduced by a number of items, including the amount of net financial corrections; the proceeds of any Member State Making Available Resources infringements; and Traditional Own Resources adjustments. The fair value of the Article 140 instrument is estimated to be £249m (2020-21: £103m).

	During the year Treasury amended its classification of the asset held under Article 140 to include Traditional Own Resources adjustments, which reduced the size of the provision in the prior year. This resulted in increase in the size of the asset of £338m on reclassification, which was settled during the year.
Article 141 – Fine income	Under Article 141 of the Withdrawal Agreement "Fines decided upon before or on 31 December 2020", the UK is entitled to a share of EU fine income that relates to activity up to the end of 2020 (and in some cases after this period) including where collection of the fine income arises post UK exit. The fair value of the fine income is estimated to be £212m (2020-21: £43m).
Article 143 – Receivables arising from the financial liabilities related to loans for financial assistance, EFSI, EFSD	Under Article 143 of the Withdrawal Agreement "Contingent financial liabilities related to loans for financial assistance, European Fund for Strategic Investments (EFSI), European Fund for Sustainable Development (EFSD) and the external lending mandate", the UK is entitled to receive a return of cash provided to guarantee loans and investments, where the guarantee is not called because the underlying loan/investment is repaid. Included in Article 143 are four separate elements across two distinct categories: • Non-prefunded instruments specifically loans to member states. As these are not prefunded, any under recovery results in a loss. • Prefunded instruments specifically: - European Fund for Strategic Investments - European Fund for Sustainable Development - Other Lending As these are prefunded with associated guarantee funds, they only result in net cash outflows where defaults in the underlying instruments exceed the prefunded provisioning for the instrument and associated revenue inflows. Where instruments are expected to result in net cash inflows, we have recognised a receivable; and where net cash outflows are expected, we recognise a payable. As there are no outstanding underlying pre-withdrawal obligations for EFSD, the related element of the asset was settled during 2021-22. HM Treasury's best estimate of the forecast future cash flows arising from these instruments is based on financial modelling developed with the Government Actuary Department. This modelling considers a number of forecast activities in arriving at an overall value for each financial instrument. HM Treasury estimate the fair value of Article 143 instrument is £955m (2020-21: £967m).
Article 144 – Financial instruments	Under Article 144 of the Withdrawal Agreement "Financial Instruments under direct or indirect implementation financed by the programmes of the 2014-20 MFF", the UK is entitled to receive a return of cash provided to guarantee loans and investments, where the guarantee is not called because the underlying loan/investment is repaid. HM Treasury's estimate of the fair value of potential receipts under Article 144 is £423m (2020-21: £393m).

Article 145 – ECSC and Article 146 – EIF	Under Article 145 “European Coal and Steel Community (ECSC)”, the UK will receive its share of the net assets of the ECSC upon liquidation at 31 December 2020. This is received from the EU over 5 years commencing 30 June 2021. The valuation is based on amounts notified by the EU of the UK’s share of the ECSC net assets. Under Article 146 “Union Investment in the European Investment Fund (EIF)”, the UK will receive its share of the investment in paid-in capital of the EIF as at 31 December 2020. This is received from the EU over 5 years commencing 30 June 2021. The valuation is based on amounts notified by the EU of the UK’s share of the EIF paid in capital. HM Treasury’s estimate of the fair value of the receipts under Article 145 and 146 is £142m (2020-21: £169m).
Article 150 - EIB	Under Article 150 “Continued liability of the United Kingdom and reimbursement of the paid-in capital”, the UK is entitled to receive an amount equal to the UK’s share of the paid-in subscribed capital of the European Investment Bank (EIB). The asset was transferred from the Consolidated Fund to HM Treasury in 2020-21 with the effective date of 31 March 2021. The first annual instalment was received in October 2020 and accounted for in the Consolidated Fund. The remaining 11 instalments are received by HM Treasury. HM Treasury’s estimate of the receipts under Article 150 is £2,062m (2020-21: £2,254m).

All receivables are measured at fair value through profit or loss, with the exception of receivables relating to Article 150 of the EU Financial Settlement, which are measured at amortised cost. See Note 8 for the fair value movement recognised in the SoCNE, Note 1.4 – Significant judgements and estimates for discussion on key judgements and estimates, Note 24.3 for the risk disclosure, and also Note 16 - Trade and other payables for the recognition of the payables arising from Article 143.

Sukuk Deposit

£500m of Sukuk certificates were sold to investors based in the UK and across major hubs for Islamic finance around the world in 2021-22. The certificates were priced in line with the yield on the equivalent maturity gilt and are due to mature on 22 July 2026.

Other receivables

The increase in accrued interest and dividends receivable is largely due to a final dividend declared by NatWest of 7.5p per share in 2021-22 in relation to financial year 2021 compared to 3p per share in the prior year, resulting in an increase in the dividend receivable at year end of £217m.

Pool Re income is receivable 3 years in arrears every March. The receivable from Pool Re includes all income accrued since January 2020.

11. Net pension asset

Defined contribution schemes

UK Government Investments Ltd (UKGI), Reclaim Fund Ltd and the Royal Household (RH) operate defined contribution schemes. The RH also operates an unfunded defined benefit scheme which is accounted for as a defined contribution scheme as the RH is unable to identify the share of the underlying assets and liabilities of the scheme attributable to employees funded by the Sovereign Grant (or its equivalent in previous years) on a consistent and reasonable basis.

Defined benefit schemes

The RH additionally operate defined benefit schemes, which are accounted for as such. The amount recognised in the Statement of Financial Position is a net asset of £1.3m (2020-21 Restated: net liability of £0.2m). UK Asset Resolution (UKAR) operates several retirement benefit plans for its current and former employees, including defined benefit pension plans and post-retirement healthcare benefits. The current service cost of the Treasury Group's defined benefit schemes is £nil (2020-21: £0.2m), as the UKAR schemes are now closed to future service accrual.

The amount recognised in the Statement of Financial Position relating to UKAR for the former Bradford & Bingley (B&B) defined benefit scheme is a net asset of £441.1m and a net liability for post-retirement medical benefits and unfunded defined benefit obligations of £5.9m (2020-21: net asset of £425.3m and a net liability for post-retirement medical benefits of £7.0m) and the amount recognised relating to UKAR for the former Northern Rock defined benefit scheme is a net asset of £196.6m and a net liability for unfunded defined benefit obligations of £13.6m. (2020-21: net asset of £180.9m and a net liability for unfunded defined benefit obligations of £14.2m).

In 2021-22 UKAR contributed £1.9 million towards the administrative costs of B&B's defined benefit scheme (2020-21: £2.9 million). The latest formal triennial valuation of the B&B scheme, prepared by the scheme actuaries as at 30 June 2018 and agreed in May 2019, showed a deficit of £22.3m on a Trustee's valuation basis. A new formal triennial valuation of the Scheme has been prepared by the scheme actuaries as at 30 June 2021 and is in the process of being agreed. In 2021-22 UKAR contributed £1.1 million towards the administrative costs of NRAM's defined benefit scheme (2020-21: £2.0 million) The latest formal triennial valuation of the NRAM scheme, prepared by the scheme actuaries at 5 April 2021 and agreed in March 2022, showed a surplus of £75.4m on a Trustee's valuation basis.

In March 2022 the Public Service Pensions and Judicial Offices Act received Royal Assent. This gives the Treasury powers to establish new pension schemes to house the pension liabilities of UKAR, ensuring that affected individuals' pension benefits are at least as good following the transfer, and to transfer the assets and liabilities of the schemes to the government. The Treasury is in consultation with the Trustees.

A reconciliation of the net pension asset for the UKAR and RH pension schemes is shown in the table below. Further details of these schemes, including valuation assumptions for the defined benefit schemes, are included in their respective annual report and accounts.

	Group	
In £m	**2021-22**	**2020-21 (Restated)**
Reconciliation of fair value of employer asset		
Balance at 1 April	2,139	2,212
Interest income	45	46
Contributions paid by employer	3	6
Remeasurements:		
- return on plan assets excluding interest income	(13)	(59)
Administrative expenses	(4)	(3)
Benefits paid from plan	(57)	(63)
Balance at 31 March	**2,113**	2,139
Reconciliation of defined benefit obligations		
Balance at 1 April	(1,554)	(1,399)
Interest cost	(32)	(30)
Remeasurements:		
- effect of GMP equalisation	-	(3)
- effect of changes in demographic assumptions	34	(3)
- effect of changes in financial assumptions	73	(190)
- effect of experience adjustments	(71)	7
Transfer payments	57	64
Balance at 31 March	**(1,493)**	(1,554)
Closing net pension asset/(liability)	**620**	585

12. Equity Investments

Current year

In £m	At 1 April 2021 (Restated)	Additions, disposals & transfers	Fair value adjustment	At 31 March 2022[11]
Listed entities				
NatWest ordinary shares	13,578	(3,878)	1,331	11,031
Unlisted investments				
Bank of England share capital	5,828	-	(51)	5,777
Asian Infrastructure Investment Bank	451	-	26	477
European Bank for Reconstruction and Development	1,306	-	(21)	1,285
Other shareholdings	12	-	-	12
Group entities				
UK Asset Resolution Ltd	5,374	-	(4,867)	507
UK Infrastructure Bank	143	285	117	545
Reclaim Fund Ltd	408	-	(3)	405
IUK Investments Holdings Ltd	1	-	-	1
Total Core Treasury and	**27,101**	**(3,593)**	**(3,468)**	**20,040**
Intra-group eliminations	(5,926)	(285)	4,753	(1,458)
Other group shareholdings	141	(115)	144	170
Total Group	**21,316**	**(3,993)**	**1,429**	**18,752**

Equity Investments, where measured at FVOCI, represent the Treasury Group's strategic equity investments, which are not held for trading.

On 11 May 2021, HM Treasury sold 580 million shares in NatWest at 190p per share raising a total of £1.1 billion.

On 12 August 2021, HM Treasury began a 12-month trading plan to continue the sale of NatWest shares. The trading plan involves selling shares in the market through an appointed broker in an orderly way at market prices over the duration of the plan.

On 30 March 2022, HM Treasury sold another 549 million shares in NatWest at 220.5p per share raising a total of £1.2billion.

As a result of these sales, the shareholding of HM Treasury has reduced from 6,339 million shares representing 59.8% of the ordinary share capital of NatWest Group at 31 March 2021, to 5,109 million shares, representing approximately 48.03% of the ordinary share capital at 31 March 2022.

[11] Other shareholdings includes £6m of Public Dividend Capital in the Royal Mint held at historical cost. Other group shareholdings includes £170m of investments in limited life funds held at FVTPL. All other equity investments are held at FVOCI.

The cumulative lifetime loss on disposal of these shares of £1.9bn has been released from the fair value reserve to the General Fund (see Statement of Changes in Taxpayers' Equity).

The increase in fair value in the NatWest shareholding is due to favourable market moves, which saw the share price increase from 196.25p on 31 March 2021 to 215.90p on 31 March 2022.

The reduction in valuation of UKAR is primarily due to the payment of dividends to HM Treasury. See Note 6 – Finance Income for more detail.

On 17 June 2021 the UK Infrastructure Bank launched using the former Infrastructure Finance Unit Ltd corporate vehicle. During 2021-22 it has issued £285m of new shares to HM Treasury to provide it with capital to fund its activities during the year. This eliminates at group level.

For more information see Note 24 – Financial Risk, Note 25 – Financial Instruments Fair Value Hierarchy, Note 30 – Prior period restatements and Note 31 – Events After the Reporting Period.

Group shareholdings

In accordance with the Government Financial Reporting Manual (FReM) additional details of significant shareholdings are shown below:

	2021-22			2020-21		
In £m	**Stake %**	**Total net assets**	**Entity's reported profit/(loss)**	**Stake %**	**Total net assets**	**Entity's reported profit/(loss)**
Bank of England	100	5,777	7	100	5,828	57
NatWest ordinary shares	48	41,803	3,312	59.8	43,824	(434)

The reported profit/(loss) and net assets of the above entities is disclosed for the reporting period to the end of February for the Bank of England and end of December for NatWest.

Prior Year (Restated)

In £m	At 1 April 2020	Additions, disposals and transfers	Fair value adjustment	At 31 March 2021[12]
Listed entities				
NatWest ordinary shares	8,478	(1,125)	6,225	13,578
Unlisted investments				
Bank of England share capital	5,952	-	(124)	5,828
Asian Infrastructure Investment Bank	508	-	(57)	451
European Bank for Reconstruction and Development	-	1,310	(4)	1,306
Other shareholdings	10	-	2	12
Group entities				
UK Asset Resolution Ltd	6,084	-	(710)	5,374
UK Infrastructure Bank	113	32	(3)	142
Reclaim Fund Ltd	-	-	409	409
IUK Investments Holdings Ltd	-	-	1	1
Total Core Treasury and Agencies	**21,145**	**217**	**5,739**	**27,101**
Intra-group eliminations	(6,197)	(32)	303	(5,926)
Other group shareholdings	112	32	(3)	141
Total Group	**15,060**	**217**	**6,039**	**21,316**

[12] Other shareholdings includes £6m of Public Dividend Capital in the Royal Mint held at historical cost. Other group shareholdings includes £170m of investments in limited life funds held at FVTPL. All other equity investments are held at FVOCI.

13. Loans and investment securities

13.1 Group

Current year

In £m	At 1 April 2021	Advances and purchases	Redemptions, repayments and transfers	Impairments, reversals, amortisation and FX adjustments	At 31 March 2022
Loans	4	190	(3)	(3)	188
Investment	405	226	(198)	-	433
Total	**409**	**416**	**(201)**	**(3)**	**621**
Current	186				117
Non-current	223				504

During the year, the UK Infrastructure Bank invested in £177m of loans across private sector projects and within local authorities.

Investment securities are held by Reclaim Fund Ltd as part of the ongoing investment strategy. A highly liquid, secure position is maintained, with maturing bonds and coupons generated from the investment portfolio being re-invested.

Prior year

In £m	At 1 April 2020	Advances and purchases	Redemptions, repayments and transfers	Impairments, reversals, amortisation and FX adjustments	At 31 March 2021
Loans	1,618	4	(1,614)	(4)	**4**
Investment	365	250	(210)	-	**405**
Statutory debt	2	-	(3)	1	**-**
Total	**1,985**	**254**	**(1,827)**	**(3)**	**409**
Current	1,798				186
Non-current	187				223

13.2 Core Treasury and Agencies

Current year

In £m	At 1 April 2021	Advances	Redemptions, repayments and transfers	Impairments, reversals, amortisation and FX adjustments	At 31 March 2022
Loans	6	24	(4)	(2)	24
Total	**6**	**24**	**(4)**	**(2)**	**24**
Current	-				-
Non-current	6				24

Prior year

In £m	At 1 April 2020	Advances	Redemptions, repayments and transfers	Impairments, reversals, amortisation and FX adjustments	At 31 March 2021
Loans	1,618	4	(1,613)	(3)	6
Statutory debt	2	-	(3)	1	-
Total	**1,620**	**4**	**(1,616)**	**(2)**	**6**
Current	1,613				-
Non-current	7				6

14. Derivatives

In £m	Core Treasury and Agencies 2021-22	Core Treasury and Agencies 2020-21	Group 2021-22	Group 2020-21
Balance at 1 April	15,184	73,609	15,184	73,609
Cash movements	(7,218)	(13,663)	(7,218)	(13,663)
Fair value gain/(loss) (note 8)	(47,758)	(44,762)	(47,758)	(44,762)
Balance at 31 March	**(39,792)**	**15,184**	**(39,792)**	**15,184**
Derivative financial assets	70	15,184	70	15,184
Derivative financial liabilities	(39,862)	-	(39,862)	-

All derivative financial instruments are current. Of the balance at 31 March 2022, £39.9bn is attributable to BEAPFF's derivative liability (2020-21: £15.2bn derivative asset) and £70m is attributable to CCFF's derivative asset (2020-21: £21m). The reduction in the balance of £55.0bn comprises the downwards fair value adjustment of £47.8bn and cash transfers to HM Treasury of £7.2bn which were surrendered to the Consolidated Fund.

The fair value adjustment is mainly driven by the decrease in the market value of the gilt and corporate bond holdings held within BEAPFF. This was matched by a decrease in the amount due to HM Treasury under the indemnity. For more information refer to Note 24 – Financial Risk.

In February 2022 the Bank announced its plan to unwind the BEAPFF portfolio in a gradual and predictable manner. For further information see also contingent liabilities outside the scope of IAS 37 from page 139

The derivative financial liability reflects the fair value of the underlying assets and liabilities of the BEAPFF at 31 March prices. As the BEAPFF portfolio unwinds, the cash transfers which have historically been from Bank of England to HM Treasury (totalling £120bn at 31 March 2022; £112bn at 31 March 2021) will ultimately change direction as and when the BEAPFF needs cash to settle its position.

The underlying assets of the CCFF unwound by 18 March 2022 with the remaining derivative representing the net assets of the company which will become due to HM Treasury once the company is wound up.

15. Cash and cash equivalents

In £m	Core Treasury and Agencies 2021-22	Core Treasury and Agencies 2020-21	Group 2021-22	Group 2020-21 (Restated)
Balance at 1 April	5	66	5,573	1,362
Net change in cash balances	49	(61)	(4,789)	2,484
Total	**54**	**5**	**784**	**3,846**
The following balances were held at 31 March/December				
Government Banking Service	54	5	528	3,495
Bank of England	-	-	211	268
Commercial banks, cash in hand and cash equivalents	-	-	45	83
Total	**54**	**5**	**784**	**3,846**

Detail on the cash movements can be found in the SoCF.

16. Trade and other payables

In £m	Core Treasury and Agencies 2021-22	Core Treasury and Agencies 2020-21	Group 2021-22	Group 2020-21 (Restated)
Current payables				
Trade payables	7	4	13	9
Accrued expenditure	40	38	65	55
CFERs payable to Consolidated Fund (note 10)	182	252	182	252
Dormant account distributions	-	-	-	90
PFI contract	-	4	-	4
EU Financial Settlement	1,764	310	1,764	310
Other	63	14	66	65
Total current	**2,056**	**622**	**2,090**	**785**
Non-current payables				
CFERs payable to Consolidated Fund	266	221	266	221
Sukuk Certificates	-	-	500	-
PFI contract	-	103	-	103
Deferred tax	-	-	168	115
EU Financial Settlement	1,037	52	1,037	52
Other	12	10	19	10
Total non-current	**1,315**	**386**	**1,990**	**501**
Total payables	**3,371**	**1,008**	**4,080**	**1,286**

CFERs Payable to the Consolidated Fund

The CFERs payable to the Consolidated Fund mainly reflects payments yet to be received from the reinsurance companies Pool Re and Pool Re (Nuclear) (see other accrued income in Note 10 – Trade and other receivables).

EU financial settlement payables

The EU financial settlement payables are related to Article 136, 140, 142 and 143 of the EU Withdrawal Agreement.

£363m of EU financial settlement flows from the UK to the EU relate to Article 136 of the Withdrawal Agreement “Provisions applicable after 31 December 2020 in relation to own resources” for corrections and adjustments to VAT and gross national income contributions which were historically included in the calculation of future years’ EU budget contributions and are now met through the Withdrawal Agreement and which the EU has now notified the UK of the amounts payable (2020-21: £354m). Of this amount £506m will flow from the EU to UK in 2022-23 in respect of the UK’s rebate relating to these amounts and appears in Note 10 – Trade and other payables and £869m is payable from the UK to the EU and appears in the table above.

£1.7bn of EU financial settlement payables relates to Article 140 of the Withdrawal Agreement “Outstanding commitments” (2020-21: nil). This represents the amounts payable under this article that the UK had formal notification of the amounts due at 31 March, and have been transferred from the provision for this article. See also Note 17 - provisions.

£209m of EU financial settlement payables relates to Article 142 (5) of the Withdrawal Agreement “Union liabilities at the end of 2020” in respect of certain pension schemes EU pension schemes which the UK is liable for its share of the liabilities as they were recognised by the EU as at 31 December 2020 (2020-21: nil). This amount was finalised during 2021-22 and the amount transferred from a provision to a payable.

£6m of EU financial settlement payables relates to Article 143 of the Withdrawal Agreement “Contingent financial liabilities related to loans for financial assistance, European Fund for Strategic Investments (EFSI), European Fund for Sustainable Development (EFSD) and the external lending mandate” (2020-21: £8m). Under Article 143, the UK remains responsible for its share of the contingent financial liabilities that were made during the UK’s membership of the EU. HM Treasury’s best estimate of the forecast future cash flows arising from these instruments is based on financial modelling developed with the Government Actuary Department. This modelling considers a number of forecast activities in arriving at an overall value for each financial instrument. All payables under Article 143 are measured at fair value through profit or loss. Please see note 8 for the fair value movement recognised in the SoCNE, note 1.4 – Significant judgements and estimates for discussion on key judgements and estimates, and note 24.3 for the risk disclosure. In addition, the UK is entitled to a share of receipts in relation to these instruments, see detail in note 10 – Trade and other receivables.

Sukuk Certificates

Sukuk certificates to the value of £500m were issued on 1 April 2021 and are payable on 22 July 2026.

PFI Contract

The Treasury's building at 1 Horse Guards Road was transferred to the Government Property Agency during the financial year, as part of that the associated PFI liability also transferred to the GPA. See also Note 9 – Property plant and equipment and Note 21 - PFI contract.

17. Provisions

17.1 Group

Current year

In £m	EU Financial Settlement	ELPS	Oil and gas	HTB ISA	Customer Redress	Reclaim Fund Ltd	LCF	Other	Total
Balance at 1 April (restated)	36,300	331	258	1,172	-	190	-	4	**38,255**
Provided during the year	4,171	-	-	-	13	143	117	-	**4,444**
Provisions not required	-	(53)	(83)	(209)	(3)	-	-	(3)	**(351)**
Exchange rate movement	(273)	-	-	-	-	-	-	-	**(273)**
Unwinding of discount and changes in the discount rate	1,544	9	-	(8)	-	-	-	-	**1,545**
Provisions utilised in year	(10,645)	(28)	(46)	(171)	(1)	(66)	(114)	-	**(11,071)**
Balances at 31 March	**31,097**	**259**	**129**	**784**	**9**	**267**	**3**	**1**	**32,549**
Within 1 year	7,822	27	81	784	4	267	3	-	**8,988**
Between 1 and 5 years	12,113	92	48	-	5	-	-	-	**12,258**
Later than 5 years	11,162	140	-	-	-	-	-	1	**11,303**

17.2 Core Treasury and Agencies

Current year

In £m	EU Financial Settlement	ELPS	Oil and gas	HTB ISA	LCF	Other	Total
Balance at 1 April	36,300	331	258	1,172	-	3	**38,064**
Provided during the year	4,171	-	-	-	117	-	**4,288**
Provisions not required	-	(53)	(83)	(209)	-	(2)	**(347)**
Exchange rate movement	(273)	-	-	-	-	-	**(273)**
Unwinding of discount and changes in the discount rate	1,544	9	-	(8)	-	-	**1,545**
Provisions utilised in year	(10,645)	(28)	(46)	(171)	(114)	-	**(11,004)**
Balances at 31 March	**31,097**	**259**	**129**	**784**	**3**	**1**	**32,273**
Within 1 year	7,822	27	81	784	3	-	**8,717**
Between 1 and 5 years	12,113	92	48	.	-	-	**12,253**
Later than 5 years	11,162	140	-	.	-	1	**11,303**

The movement in provisions detailed in Note 5 – Other operating expenditure, is made up of: Provided during the year, provisions not required, exchange rate movement, and unwinding of discount and changes in the discount rate above.

Further detail on provisions can be found below:

EU Financial Settlement: Article 140 – Reste à Liquider (RAL)	Under Article 140 of the Withdrawal Agreement "Outstanding Commitments", the UK remains responsible for its share of the EU Budget commitments made during the UK's participation in the EU Budget over the 2014-20 MFF (ending December 2020). The RAL represents EU budgetary commitments that have been made and are expected to result in payments by the EU in the future. Budgetary commitments that are subsequently decommitted, for example where the underlying programme does not go ahead, are removed from the RAL. The UK is only liable to pay a share of RAL at the end of 2020 to the extent it crystallises as payments by the EU. The UK's liability under Article 140 will be reduced by a number of items, including: the amount of net financial corrections; the proceeds of any Member State Making Available Resources infringements; and Traditional Own Resources adjustments. See related asset disclosure in respect of Article 140 in Note 10 – Trade and other receivables, related financial liability disclosure in Note 16 Trade and other payables and Note 1.4 – Significant judgements and estimates.
EU Financial Settlement: Article 142 – Union	Under Article 142 of the Withdrawal Agreement "Union Liabilities at End 2020", the UK will pay a share of the EU's payments for the employment and other related benefits accrued by EU employees up to the end of 2020. Specifically, these benefits are materially

Liabilities at End 2020	comprised of pensions schemes and the Joint Sickness Insurance Scheme (JSIS). The UK has always been due to pay these benefits. Expenditure to settle in-year benefits is incurred by the EU and accordingly by all Member States as part of their budget contributions. As the UK has left the EU, the Withdrawal Agreement in effect created a liability for the UK and HM Treasury is required to make provisions for the future cash outflow. See also Note 1.4 – Significant judgements and estimates.
EU Financial Settlement: Article 147 – Liabilities relating to legal cases	Under Article 147 of the Withdrawal Agreement “Contingent liabilities related to legal cases”, the UK will pay a share of costs incurred by the EU in relation to certain legal cases around the EU Budget and financial interests where the facts forming the subject matter of those cases occurred before 31 December 2020. See related contingent liability disclosure in Note 23 – Contingent liabilities.
Equitable Life Payments Scheme (ELPS)	The Equitable Life Payments Scheme is for eligible policy holders who purchased an Equitable Life pension policy between 1 September 1992 and 31 December 2000. In 2010 the government committed to pay in the region of £1.5bn to policy holders in the scheme; as at the reporting date £1.3bn has been paid. The scheme was closed to new entrants from 31 December 2015 but continues to make payments to ‘with annuities’ policyholders.
Oil and gas	This provision relates to claims on Decommissioning Relief Deeds (the deeds). The deeds were signed between members of the oil and gas industry and HM Treasury. The deeds indemnify the industry for changes in tax codes or the default of their partners in decommissioning North Sea oil fields, allowing them to claim relief from HM Treasury potentially otherwise available to the field from HMRC through the tax system. HM Treasury recognises a provision when a claim is notified, and the amount can be measured reliably. The value of the provision of £129m represents the best estimate of the outstanding costs to settle. During the year, HM Treasury was required to make a further payment of £46m on an existing claim which was paid directly to the claimant. For more information on the scheme and other potential claims, refer to Contingent liabilities not required to be disclosed under IAS 37 from page 139.
Help to Buy (HTB) ISA	The Help to Buy ISA scheme commenced on 1 December 2015 and offers first time buyers government bonuses to be claimed on completion of a successful property purchase. The government will award a 25% bonus based on an individual’s total savings in an HTB ISA account. There is a minimum £400 bonus and a maximum £3,000 bonus. The scheme closed to new entrants in November 2019, and all bonuses must be claimed by December 2030. The value of the provision of £784m represents the best estimate of the outstanding cost to settle the HTB ISA provision. This is based on forecast utilisations in future years. The movements will reflect trends in the housing market and latest residential property transaction data. The reduction in the provision is due to less favourable economic considerations in the housing market. There is significant uncertainty in relation to forecast bonus volumes which drive the forecast utilisations and the HTB ISA provision. If the

	forecast bonus volumes were increased/reduced by 10%, the provision would increase/reduce by £78m. There is significant variability over the timing of when the provided funds would be drawn on by homebuyers, dependant on factors including the housing market and the level of savings accrued prior to joining the scheme, so although homebuyers have the ability to draw on the bonus at any point, this is likely to be spread over the lifetime of the scheme.
Customer Redress	Recognised by UKAR as an estimate of expected customer compensation claims, primarily relating to Payment Protection Insurance and Consumer Credit Act non-compliance. Further details will be available in UKAR's forthcoming Annual Report and Accounts.
Reclaim Fund Ltd	Upon transfer of dormant account monies from UK financial institutions to the Reclaim Fund Ltd, the obligation to repay dormant account holders who subsequently reclaim their money is also transferred to the Fund. The element of the provision relating to dormant account holders is £176m. Although accountholders have the ability to reclaim their dormant balances at any point, in practice this is likely to be spread over a number of years. The Dormant Bank and Building Society Accounts Act 2008 dictates that the Reclaim Fund Ltd is obliged to pay over the excess of dormant account monies received, after deduction of running costs, to the National Lottery Community Fund (NLCF) for ongoing distribution to the benefit of the community. The element of the provision relating to future distributions to TNLCF is £91m. Further details on the estimates can be found in the RFL's Annual Report and Accounts, within the accounting policies note.[13]
London Capital and Finance Compensation Scheme	The London Capital and Finance Compensation Scheme was launched on 3 November 2021 to compensate investors in the failed minibond issuer, London Capital and Finance plc (LCF). The Financial Services Compensation Scheme (FSCS) administers the scheme on behalf of HM Treasury. The amount provided during the year was £117m of which £114m has been utilised.

During the year, the Treasury made a number of immaterial changes to the estimating methodology for the ELPS, Help to Buy ISA and oil and gas provisions. The cumulative impact of these changes would have reduced the value of the provisions by £159m if applied in the prior year. The impact of this change is included within the release of provisions not required during 2021-22.

[13] https://www.reclaimfund.co.uk/annual-report-accounts/

Sensitivity analysis: EU Financial Settlement

Sensitivity analysis for the key assumptions of the EU Financial Settlement provisions are set out below:

Assumption	Change	Degree of uncertainty	Sensitivity of output to changes in input	Financial impacts In £m
Exchange rate – Sterling/Euro exchange rate	Sterling appreciation of 1%	High	Moderate	A decrease of 328
Decommitments – the proportion of EU Budgetary commitments in the RAL that are not implemented	An decrease of 1 percentage point	High	Moderate	An increase of 176
Discount rate – the discount rate applied to future cash flows to take account of the time value of money	A decrease of 0.1 percentage point	Moderate	Moderate	An increase of 317
Salary changes – the assumption about salary changes used when calculating the provision in respect of the Pension Scheme for European Officials	Expected "salary increases" higher by 0.1 percentage point	Moderate	Moderate	An increase of 264
Retirement age – the assumption about the retirement age used when calculating the provision in respect of the Pension Scheme for European Officials	1 year lower	Low	Low	A decrease of 122
Life expectancy – the assumption about life expectancy used when calculating the provision in respect of the Pension Scheme for European Officials	1 year higher	Low	High	An increase of 563
Tax – The assumption about tax rates used when calculating the provision in respect of the Pension Scheme for European Officials	A decrease of 1 percentage point	Low	Low	An increase of 139

An appreciation of Sterling against the Euro results in the value of the RAL and Pension provisions decreasing. A depreciation of Sterling has the opposite effect. This models a depreciation of 1% from the 31 March 2022 exchange rate (GBP 1: EUR 1.18). The exchange rate exposure is unhedged and payment obligations will be met through funds provided by Parliament through the Supply process.

Decommitments are the portion of the EU budget that is planned but ultimately never spent. As the UK is only liable for EU obligations that actually materialise, an increase in the estimate of decommitted spend reflects a reduction in the actual amount spent by the EU and therefore a decrease in the RAL liability. The decommitment assumptions used in the calculation above vary by EU programme, however the estimated average over all commitments is c. 8.5%.

Provisions are discounted in accordance with the requirements of the Financial Reporting Manual and the rates set centrally by HM Treasury based on the yields of gilts issued by the government; cash flows within 5 years (0.47%), between 6-10 years (0.70%), between 11-40 years (0.95%) and more than 40 years (0.66%). The 0.1% decrease is applied to each of the spot rates set for different time horizons. Changes to this discount rate do not affect what the UK pays under the financial settlement, only the valuation of the liability for financial reporting purposes.

An increase in assumed salary increases results in individuals receiving larger pensions at the point of retirement for final salary schemes. The main component of the salary increase assumption used is inflation, with a long term rate of 2% used.

A decrease in retirement age results in individuals receiving pensions for a longer period of time, which in isolation would result in an increase to the liability. However, retiring earlier reduces the amount of accrual at the special rates available to those who remain working after pensionable age and increases the reductions applied to the pensions of those who retire before pensionable age. Overall, the effect of retiring earlier is to reduce the liability. The retirement age assumptions used are those used in the EU 2021 accounts (63/64/66 for the respective cohorts).

An increase in life expectancy results in individuals receiving pensions for a longer period of time, resulting in an increase to the liability. The life expectancies are based on Eurostat assessments of the scheme, adjusted for the UK's experience of Covid-19 and are set at age 65 in 2020 and 2040 are 22 and 24 years for men and 24 and 26 years for women.

A decrease in tax rate results in an increase in the amounts paid to individuals receiving pensions after deductions, and increases the UK's liability under the Withdrawal Agreement, which is net of tax. The tax rate assumption is an average tax rate payable by current pensioners, survivors and invalids of 16%.

The timing of the liabilities is set out in the table below:

Component of the provisions	Gross discounted payments (£m)	Time period	Note
RAL	18,706	2022-27	The RAL liability represents the vast majority of the provisioned settlement. Current forecasting estimates that this liability will be fulfilled within seven years of the first payment. The payment obligations will crystallise with the greatest amounts in the earliest years of the time period with payments reducing sharply as time goes on.
Pensions	12,346	2022-65	The pensions liability inherently has a long term cashflow profile as the liability is underpinned by the EU's cash requirements for EU staff pensions. We currently estimate that payments will last till 2065, with the vast majority being paid later than 5 years from the reporting date. The payment obligations will rise gradually year on year over the short and medium term as more scheme members retire but then begin to fall gradually over the remaining decades as they are linked to payments made to final beneficiaries. Article 142 of the Withdrawal Agreement provides a mechanism for early settlement of the principal obligations based upon actuarial estimates of the outstanding amount. The provision is based on the payment of the obligations as they fall due.
Legal Cases	45	2022-23	The liability for legal cases provided for is expected to have been paid by September 2023.
Total	**31,097**	-	-

18. Financial guarantees

In £m	Core Treasury and Agencies 2021-22	2020-21	Group 2021-22	2020-21
UK guarantees	159	94	159	94
Help to Buy guarantees	24	10	24	10
Total	**183**	**104**	**183**	**104**
Current	18	19	18	19
Non-current	165	85	165	85

The financial risks and management policies associated with financial guarantees are detailed in Note 24 – Financial Risk which sets out the maximum exposure to HM Treasury as a result of issuing these guarantees.

UK Guarantees scheme (UKGS)	The UK Guarantees scheme was announced on 18 July 2012. The scheme aims to support infrastructure projects that may have stalled because of adverse credit conditions. As at 31 March 2022, seven projects were guaranteed (2020-21: ten projects). One guarantee was called and settled in full on 4 January 2022 for £87m, and two additional guarantees ended early. No new guarantees were issued during the reporting period.
Mortgage guarantee schemes	The Help to Buy: mortgage guarantee scheme was launched on 8 October 2013. The scheme is designed to address the shortage of high loan-to-value mortgages, by offering lenders the option to purchase a guarantee on mortgages where a borrower has a deposit of between 5% and 20%. The Scheme closed to new loan applications on 31 December 2016. The new mortgage guarantee scheme was launched on the 19 April 2021 following the same characteristics of the 2013 scheme. The scheme will close to applications on the 31 December 2022

For more information see the Contingent liabilities not required to be disclosed under IAS 37 section from page 139.

19. Adjustments for non-cash transactions

In £m	Core Treasury and Agencies 2021-22	2020-21	Group 2021-22	2020-21 (Restated)
Adjustment for non-cash transactions				
Net provisions provided in year	5,213	(1,962)	5,353	(1,907)
(Impairments)/impairment reversals of non-financial assets	(167)	(6)	(167)	(6)
Depreciation and amortisation	3	5	7	9
Profit/(loss) on sale of unsecured loans to banking customers	-	-	-	18
Non-voted – banking and gilts registration services	2	2	2	2
Other non-cash adjustments	1	2	(11)	(32)
Total	**5,052**	**(1,959)**	**5,184**	**(1,916)**

20. Commitments

In £m	Core Treasury and Agencies		Group	
	2021-22	2020-21	2021-22	2020-21
Capital commitments	189	204	189	211
Loan commitments	750	14,384	883	754
Total	**939**	**14,588**	**1,072**	**965**

HM Treasury Group has entered into the following commitments.

Capital commitments

DIIF	Capital commitments of £35m (2020-21: £40m) relate to The Digital Infrastructure Investment Fund (DIIF). The DIIF originally made legal commitments over a 4-year period to July 2021 to provide a total of £300m worth of investment to the relevant fund managers, of which £150m was decommitted during 2020-21. By the end of the reporting period, a total of £126m had been drawn down and £11m in commitments were readvanced as a result of divestments and other readvances, as allowed in the partnership agreement. As at 31 March 2022, the undrawn commitment of £35m remains available to fund managers. The drawn amounts as at 31 March are recognised as Equity Investments in Note 12.
CIIF	Capital commitments of £155m (2020-21: £164m) relate to The Charging Infrastructure Investment Fund (CIIF). The CIIF is legally committed to provide a total of £200m worth of investment to the relevant fund managers from 2019-20 to 2023-24. £7m in commitments were readvanced as a result of a re-callable gain following a distribution, as allowed in the partnership agreement. The drawn amounts as at 31 March are recognised as Equity Investments in Note 12.

Loan commitments

UKIB	UK Infrastructure Bank (UKIB) has undrawn loan commitments totalling £133m (2020-21: £nil) for loans to support infrastructure projects at the end of the reporting period.
GLA	HM Treasury has provided a £750m (2020-21: £750m) standby refinancing facility to Transport for London – Greater London Authority for the Northern Line extension as part of the UK Guarantees scheme.
Pool Re	HM Treasury has a commitment to provide a loan to Pool Re and Pool Re nuclear in the event of losses following a terrorist event exceeding their available resources. The maximum potential loan is unquantifiable and therefore not included in the above table.

	See also contingent liabilities outside the scope of IAS 37 from page 139.
Other loan commitments	Other loan commitments include loan commitments of £nil (2020-21: £4m) to project companies covered by the UK Guarantees scheme.
Intra-group	HM Treasury also provided a working capital facility to B&B and facility commitment to NRAM. As at 31 March 2021, the total facility available for B&B was £11.5bn and for NRAM £2.1bn. The amount drawn on these facilities at this date was £nil. As these were intra-group, they were eliminated at group level. These commitments ended with the completion of the sale of B&B and NRAM in November 2021.

21. PFI contract

In May 2000, HM Treasury entered into a 35-year PFI contract with Exchequer Partnership for HM Treasury's building at 1 Horse Guards Road (1HGR). On 1 October 2021, the PFI contract was transferred to the Government Property Agency (GPA), along with the 1HGR land and building. See Note 9 – Property, plant and equipment for further details of the transferred assets.

The substance of the contract was that HM Treasury had a finance lease and that payments comprised of two elements: imputed finance lease charges and service charges. The 2020-21 comparator position is shown below:

Finance lease obligations

	Core Treasury and Agencies
In £m	**2020-21**
Within 1 year	11
Between 1 and 5 years	45
Later than 5 years	128
Gross present value of future obligations	184
Finance charges allocated to future periods	(77)
Total	**107**

Minimum service charges

	Core Treasury and Agencies
In £m	**2020-21**
Within 1 year	18
Between 1 and 5 years	80
Later than 5 years	323
Total	**421**

HM Treasury was committed to paying minimum service charges in future years as shown above. For 2020-21, the total amount charged in the SoCNE for the service element (including contingent rent) was £17m.

22. Contingent assets

IAS 37 – Provisions, contingent liabilities and contingent assets – requires the disclosure of contingent assets, defined as:

- A possible asset that arises from past events, and
- Whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within control of the entity.

Contingent assets are not recognised but are disclosed where an inflow of economic benefit is probable - once the realisation of income is certain, the asset is no longer a contingent asset and is recognised at this time.

As a result of the UK's withdrawal from the European Union, a number of items within the Withdrawal agreement were considered by HM Treasury to meet the definition of a contingent asset for the core Treasury as follows:

Article 141 – Fine Income	Under Article 141 of the Withdrawal Agreement the UK is entitled to a share of EU fine income that relates to activity up to the end of 2020 (and in some cases after this period) including where collection of the fine income arises post UK exit. A contingent asset is disclosed in relation to the fine income where the likelihood of cash inflow is dependent on the EU successfully wining the case and this likelihood is assessed to be probable. Following the end of the transition period the contingent assets under this article that are not the subject of ongoing litigation are no longer contingent and appear in note 10 – Trade and other receivables. The value is estimated based on fines issued by the EU, but not yet definitive and adjusted for fines expected to be issued relating to the period based on past performance. HM Treasury's current best estimate of the contingent asset related to fine income is c.£1.5bn (2020-21 £1.5bn).

Some businesses have voluntarily repaid the business rates relief they received during the COVID-19 pandemic to the government as a gift to the nation (See also Note 2 – Other Operating Income). From the 2021-22 tax year businesses are able to opt out of the relief. At 31 March 2022 HM Treasury had received notifications by a companies to make arrangements for those payments to happen after the end of the reporting period totalling £3m (2020-21: £261m).

23. Contingent liabilities

HM Treasury has entered into the following guarantees and indemnities. All meet the definition of contingent liabilities under IAS 37 and are disclosed below accordingly. Remote contingent liabilities and those within the scope of other standards such as IFRS 9 do not require disclosure under IAS 37, however they are required to be disclosed in accordance with Managing Public Money and the FReM. They have been separately disclosed from page 139.

The Core Treasury and its Agencies have the following contingent liabilities:

EU Financial Settlement: Article 147 – Contingent liabilities relating to legal cases	Under Article 147 of the Withdrawal Agreement "Contingent liabilities related to legal cases", the UK will pay a share of costs incurred by the EU in relation to certain legal cases around the EU Budget and financial interests where the facts forming the subject matter of those cases occurred before 31 December 2020. Note 17 sets out provisions recognised by HM Treasury in respect of this article. The EU disclose a number of contingent liabilities related to legal cases in their 2020 accounts, including cases where a reliable estimate of the cost cannot be made and instead the damages being sought are disclosed. If these contingent liabilities crystallised as obligations for the EU, which depends on future events, and were they to fall within the scope of this article they could give rise to a liability for HM Treasury in the future. The UK share of these disclosed items is estimated at £152m (2020-21: £271m).
Legal action	HM Treasury is currently engaged in litigation activity as the defendant. This may result in costs or damages being ordered against HM Treasury. HM Treasury has not disclosed all of the information that is ordinarily required under IAS 37 on the grounds that it may be prejudicial to legal privilege and the outcome of the litigation. This election is made in accordance with IAS 37.92.

In 2020-21 HM Treasury held a contingent liability in respect of the London Capital and Finance Compensation Scheme. The details of the scheme were announced on 19 April 2021, with the legislation passed on 20 October 2021 and most payments made by 31 March 2022. See also Note 17 Provisions.

In addition to the items above, HM Treasury Group also has the following contingent liabilities:

UKAR	The Treasury Group's lending and other consumer credit business is governed by consumer credit law and other regulations. Claims upheld in favour of customers in relation to potential breaches of requirements could result in costs to the Treasury Group. It is not possible to provide any meaningful estimate or range of the possible cost.
NRAM Ltd	NRAM Limited provided certain warranties and indemnities to Cerberus in respect of the sale to Cerberus of certain loans and the shares in NRAM plc. The sale agreement set various time limits for bringing claims under the warranties. For most of the warranties this time limit was on or before 5 May 2019 and the contingent liabilities have since expired, but for certain tax-related warranties the time limit is 5 May 2023. The buyer has not made any claims under the warranties.
Bradford & Bingley plc	The B&B plc Transfer of Securities and Property etc Order 2008 requires HM Treasury to give a guarantee or to make other arrangements for the purposes of securing that the assets of the remaining section of the B&B Pension Scheme are sufficient to meet its liabilities. As such, HM Treasury guarantees to pay or procure the payment of any benefit amount which falls due from the remaining section at a time when there are insufficient assets to pay that amount. As at 31 March 2022, there is no contingent liability to report (2020-21: £nil). The B&B Pension Scheme is showing an accounting surplus but a funding deficit when measured on the Trustees' actuarial basis; however, this deficit is currently covered by UKAR's operational surpluses.
NRAM Ltd and Bradford & Bingley plc	HM Treasury provided certain market standard time and value capped warranties confirming regulatory, legislative and contractual compliance to purchasers of UKAR's NRAM and B&B assets. Each of the following sales gave rise to a contingent liability with the following maximum values: • B&B and NRAM loan book assets in December 2018: £61m • NRAM together loans in March 2019: £1bn For information on the remote contingent liabilities related to these transactions, see Contingent liabilities outside the scope of IAS 37 from page 139.

24. Financial risk: management objectives and policies and sensitivity analysis

24.1 Introduction

HM Treasury is responsible for managing economic risk on behalf of the government. Economic risk can include changes in regional, national and international economies and can be triggered by external events such as macroeconomic events, conflict, natural disasters or by changes in government policy and legislation. Depending on the nature of the change an economic risk can have positive or negative impacts.

In the recent past, HM Treasury has reacted to uncertainty in the global and national economies by creating policy solutions that contribute to the UK's fiscal and economic recovery. These policy solutions include the financial stability interventions, which are designed to:

- stabilise and restore confidence in the financial system
- protect depositors' money
- protect taxpayers' interests
- ensure continued lending to creditworthy borrowers

HM Treasury's Accounts include a number of financial assets and liabilities. These financial assets and liabilities expose the Treasury to financial risks, which are: market risk, liquidity risk and credit risk. These risks are discussed below.

The HM Treasury board is responsible for the establishment and oversight of the Treasury Group's risk management programme. Risk management forms a core part of day-to-day operations for HM Treasury's policy teams, sub-committees and UK Government Investments Limited (UKGI) - which manages the government's investment in the NatWest Group.

UKGI, under the UKGI Framework Agreement, is responsible to HM Treasury for providing oversight.

For NatWest, UKGI aims to:

- engage with the board and management team of the bank to build shareholder value
- ensure that analytical frameworks used to assess value for money and wider policy, operational and legal implications remain robust
- maintain an ongoing dialogue and communication with existing and prospective investors in NatWest.

This note covers the following:

- Group
  - UKIB - market risk, liquidity risk, credit risk
  - Group - credit risk

- EU Financial Settlement
    - Market risk
    - Liquidity and credit risk
- Core Treasury and Agencies (excluding EU financial Settlement)
    - Market risk
    - Liquidity risk
    - Credit risk

24.2 Group

This section focuses on the risks that are associated with UKIB and then credit risk for the remainder of the Treasury Group.

Further information on the financial risks of UKIB will be published in the upcoming UKIB annual report.[14]

Market risk - UKIB

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for UKIB comprises of interest rate risk.

Interest rate risk

UKIB's investments comprise of fixed and variable interest rate loans. UKIB's exposure to interest rate risk is not significant for the financial period 2021-22. UKIB does not use derivatives to hedge interest rate risk.

Liquidity risk - UKIB

Liquidity risk is the risk that UKIB is unable to meet its payment obligations associated with its financial liabilities as they fall due.

UKIB closely monitors its liquidity position through cash flow forecasting and reporting, taking into consideration all financial commitments.

The table below provides detail on UKIB's liquidity position, evaluated by comparing its financial assets and liabilities on a stand-alone basis, including balances with HMT, into relevant maturity groupings.

In £m	On demand	Up to 3 months	3-12 months	1 to 5 years	Over 5 years	At 31 March 2022
Total financial assets	244	43	-	198	104	589
Total financial liabilities	(15)	(5)	-	(13)	(3)	(36)
Total	**229**	**38**	**-**	**185**	**101**	**553**

[14] https://www.ukib.org.uk/

The table below reflects the anticipated drawdown based on cashflow forecast and also reflects the element of total commitment that is expected to expire without being drawn.

In £m	On demand	Up to 3 months	3-12 months	1 to 5 years	Over 5 years	At 31 March 2022
Contractual lending	-	13	31	90	-	134
Capital commitments	-	10	24	114	41	189
Total off-balance	**-**	**23**	**55**	**204**	**41**	**323**

Credit risk - UKIB

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss to the Company by failing to discharge an obligation. The table below shows the total expected credit losses recognised on amortised cost assets for UKIB:

In £m	Stage 1: 12 month ECL	Stage 2: Lifetime ECL	Stage 3: Lifetime ECL	At 31 March 2022 Total
Loans originated or purchased	(1)	-	-	(1)
Loan commitments	(6)	-	-	(6)
Total	**(7)**	**-**	**-**	**(7)**

Credit risk - Group

HM Treasury Group is exposed to material credit risk through investment securities provided by the government to external counterparties. Adverse changes in the credit quality of borrowers or a general deterioration in economic conditions could affect the recoverability or value of securities, and therefore the financial performance of the Treasury Group. If a borrower is not able to meet its principal and interest obligations, the security is in default. A security will be written off if the borrower is in a default position and there is no restructuring or other plan that would give a reasonable expectation of recovery.

Where level 1 fair values cannot be obtained because they are not quoted in active markets, fair value is estimated by discounting future cash flows receivable at relevant market rates of a comparable maturity (discounted value), as shown in the table below.

In £m	2021-22 Carrying Value	2021-22 Fair Value	2020-21 Carrying Value	2020-21 Fair Value
Investment securities	433	427	405	405

Investment securities	Investment securities are held by Reclaim Fund Ltd and managed by RFL's investment manager as part of the ongoing investment strategy. RFL's business model is to hold assets to maturity, investing in a mix of UK Government securities, high quality agency securities and corporate bonds, with initial purchases being restricted to investments graded no lower than BBB+.

24.3 Core Treasury and Agencies – EU financial settlement

The fair value of financial instruments recognised in HM Treasury accounts in respect the EU Withdrawal Agreement are sensitive to certain key assumptions which include performance of the underlying financial operations (market risk), the sterling/euro exchange (currency risk and the discount rate applied to future cash flows. The table below sets out the sensitivity of the fair value to changes in these key assumptions. The provisioning rates used in the Articles 143 and 144 model are not included in the list of the key assumptions below as they are based on those communicated under the Withdrawal Agreement to HM Treasury in March 2022.

Assumption[15]	Change	Financial impact on receivables	Financial impact on payables
Market risk – the valuation of these instruments is sensitive to the credit risk of the underlying operations which affects their hypothetical market price	A significant and permanent increase in the probability of default (50% increase) and fall in the rate of recoveries (15% fall), representing a long-term deterioration in economic conditions	A decrease of £530m	An increase of £8m
Market risk – probability of default	A significant and permanent increase in the probability of default of 50%	A decrease of £213m	An increase of £2m
Market risk – rate of recoveries	A 15% fall in the rate of recoveries	A decrease of £231m	An increase of £4m
Exchange rate – the Sterling/Euro exchange rate	Sterling appreciation of 1%	A decrease of £38m	A decrease of £6m
Discount rate – the discount rate applied to future cash flows to take account of the time value of money	A decrease of 0.1 percentage point	An increase of £9m	An increase of £2m
EU Budgetary risk - the valuation Article 143 is sensitive to the revenue collected by the European Investment Bank (EIB) to fund the European Fund for Strategic Investments.	EIB collected revenue is halved	A decrease of £180m	No impact

The future cash flows arising from the Article 143 and 144 instruments are sensitive to the likelihood of default in the underlying operations

[15] Revenue collected by the EIB is held static in all sensitivities, except EU Budgetary Risk.

(probability of default) and the extent to which defaulted payments can be subsequently recovered (the rate of recovery). The table above applies significant changes in both assumptions. The 50% increase in the probability of default is based on analysis of economic growth and insolvencies, where changes in insolvencies is taken as a broad proxy for changes in the probability of default. A 50% increase was taken as illustrative of a permanent 1% reduction in long term trend economic growth. The 15% reduction in recovery rates is based on historical corporate recovery data and represents the upper end in the distribution of historic movements.

The future cash flows for HM Treasury of the Withdrawal Agreement will be denominated in Euros, and therefore the changes in the Sterling/Euro exchange rate will affect the Sterling value of those cash flows. The table below gives an indication of the timing of the cash flows under these instruments.

The discount rate applied to future cash flows to determine fair value is the financial instrument rate set by the Treasury in accordance with the Financial Reporting Manual. The interest rate intrinsic to these instruments is judged to be zero and therefore the Treasury financial instrument rate of 1.9% is applied to future cash flows. A change in the Treasury financial instrument discount rate does not affect the future cash flows that will be received or paid by HM Treasury.

The timing of the assets and liabilities is set out in the table below:

Receivables/ Payables	Gross discounted payments (£m)	Time period	Note
Article 136 - Receivables	553	2022-2028	Article 136 covers corrections or adjustments to contributions over the 2014-20 Multi-Annual Financial Framework (MFF). The receivables are UK's share of the EU budgetary surplus in 2020 and expected to be due from 2021.
Article 136 - Payables	(869)	2022-2028	Article 136 covers corrections or adjustments to contributions over the 2014-20 Multi-Annual Financial Framework (MFF). The amounts payable are corrections or adjustments to Value Added Tax or Gross National Income-based contributions paid or received after 31 March 2021 and expected to be due from 2021.
Article 140 - Receivables	249	2022-2040	The financial assets in Article 140 cover infringements and Traditional Own Resources adjustments that the EU will receive from the member states and distribute back to UK its share. Receipts under this article are expected as they are recovered from member states up to 2040.
Article 140 - Payables	(1,717)	2022	The financial liabilities in Article 140 cover elements of the RAL previously recognised as a provision, for which the UK has received formal notification of the amounts due at 31 March and were therefore transferred to payables. See also Note 17 provisions.
Article 141 - Receivables	212	2022	Article 141 covers the UK's share of fines issued by the EU. This income is expected to be received in 2022. See also Note 22 – Contingent assets, for fines dependant on the EU successfully winning cases.
Article 142 – Payables	(209)	2022-2031	Article 142(5) covers the UK's share of the liability for the pension rights and rights to other employment-related benefits by Members and EU high-level public office holders up to the end of 2020. Specifically, these benefits are materially comprised of pensions schemes for EU high-level public officials. The amount payable by HM Treasury in 2021-22 correlate to EU payments made in 2020-21.
Article 143 - Receivables	955	2022-2044	Article 143 includes loans and financial instruments guaranteed by the EU budget which have corresponding guarantee funds, and over time we expect to receive our shares of those guarantee funds back, less the funds necessary to cover defaults. Those loans covered by the European

			Fund for Strategic Investments (EFSI) (the largest of the relevant funds) and European Fund for Sustainable Development (EFSD) guarantee funds are expected to have fully matured by 2035, with only those loans covered by the Guarantee Fund for External Actions (GFEA) (proportionally smaller than EFSI) expected to continue until 2044.
Article 143 - Payables	(6)	2022-2042	Article 143 also includes some loans guaranteed by the EU budget which have no corresponding guarantee fund, and so can only represent a potential net cost to the UK in future cases of default. Most of these are scheduled to fully mature by 2042.
Article 144 - Receivables	423	2022-2035	Article 144 covers various financial instruments wholly provisioned for under the EU budget through successive Multiannual Financial Frameworks. We expect our provisioning to be returned to us on a steadily declining profile, with the last of the relevant instruments expected to fully mature in 2035.
Article 145 and 146 – Receivables	142	2022-2025	Articles 145 and 146 cover the payment of the UK's share of the assets of the ECSC and the investment in the EIF. These are paid in five equal instalments from 2021 to 2025
Article 150 – Receivables	2,062	2022-2031	Article 150 covers the repayment of the paid in capital of the European Investment Bank. This will be made in equal instalments until 2030 with the remainder paid in 2031
Total	**1,795**	-	-

Market risk

The fair value of financial instruments recognised in respect of Articles 143 and 144 of the EU Withdrawal Agreement is sensitive to changes in the probability of default, and the rate of recoveries, of the underlying operations within the scope of the relevant EU financial instruments. Such sensitivities would affect the price a hypothetical market participant would pay for such instruments. The EU is responsible for managing the financial risks associated with their exposures arising from the underlying instruments, which determine the UK's exposure under the Withdrawal Agreement to financial operations approved before the UK's withdrawal. The EU is required to manage such risks in accordance with the requirements of the "EU's Financial Regulation applicable to the general budget of the Union (2018)".

Currency risk

Future cash flows arising from all financial instruments recognised in respect of the EU Withdrawal Agreement are denominated in Euros. The sterling value of these instruments is sensitive to changes in the Sterling/Euro exchange rate. Cash flows arising from these instruments are expected over a period of more than 10 years. Cash outflows will be funded through Parliamentary Supply and inflows will be returned to the Exchequer. Foreign exchange needs will be managed in aggregate with the expected Euro requirements of other obligations under the financial settlement.

In addition to currency risk on financial instruments the provision created by the EU Financial settlement is also sensitive to currency fluctuations. Further detail is provided in Note 17 – Provisions.

Liquidity risk and credit risk

The EU is the UK's (HM Treasury's) counterparty to the cash flows arising from all financial instruments recognised in respect of the EU Withdrawal Agreement, and is AAA rated. Liquidity and credit risks are immaterial.

24.4 Core Treasury and Agencies – Other

Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market price. Other price risk and currency risk are sub-sets of market risk and are discussed below.

Market risk at the Core Treasury level primarily relates to the impact of movements in market interest rates on the Bank of England Asset Purchase Facility Fund (BEAPFF). The BEAPFF is a wholly owned subsidiary of the Bank of England that was set up in 2009 to implement quantitative easing in the UK. The BEAPFF purchased gilts and corporate bonds financed by the creation of central bank reserves, initially to the sum of £200bn, and subsequently expanded on various occasions by the Monetary Policy Committee (MPC) decision to its current maximum authorised size of £895bn. On 3 February 2022 the Bank announced its decision to begin reducing the Asset Purchase Facility (APF)'s stock of purchased assets in a gradual and predictable manner.[16]

The table below summarises the maximum authorised size of the BEAPFF at 31 March 2022. The size of the Bank of England loan to the BEAPFF will reduce gradually as the BEAPFF unwinds.

In £ billion	31 March 2022	31 March 2021
Government bond purchases	875	875
Corporate bond purchases	20	20
Total quantitative easing package	**895**	**895**

[16] https://www.gov.uk/government/publications/asset-purchase-facility-apf-ceiling-february-2022

Further information can be found in BEAPFF Ltd's Annual Report and Accounts and the 'Contingent liabilities not required to be disclosed under IAS 37' disclosure from page 139. See also Note 31 – Events after the reporting period.

The portfolio of gilts and corporate bonds held by the BEAPFF is valued at market rates and is sensitive to fluctuations in gilt yields and credit spreads. Moves in market rates, over and above those caused by the operations of the BEAPFF itself, are driven by multiple factors including actual or expected monetary and fiscal policy changes, changes in the market's risk premia assessments, and movements in related international markets. The market value of the gilts and corporate bonds portfolio held by BEAPFF at 31 March 2022 was £817bn, using the quoted prices from Tradeweb and composite quote providers, either Bloomberg or Refinitiv depending on availability in the market. The quoted gilt and bond prices can vary depending on the data source. A 0.1 percentage increase in the quoted prices leads to a 0.1 percentage (£0.8bn) increase in the fair value of the portfolio.

HM Treasury provides an indemnity to the Bank of England for any losses or profits from operating the BEAPFF. The derivative is valued on the basis of the difference between the fair value of BEAPFF Ltd's assets and liabilities (excluding the indemnity itself). The assets mainly comprise the portfolio of financial assets but include some cash holdings. Cash generated from coupon income and redemptions, and from sales of corporate bonds is used to finance and repay the Bank of England loan. Surplus cash is transferred to HM Treasury on a quarterly basis. The company's liabilities are represented by the Bank of England loan and accrued interest on the loan. As the indemnity exposes HM Treasury to losses in the underlying instruments, and entitles it to any gains, the sensitivities of the underlying instruments held in the BEAPFF Ltd have an equal impact on the value of the derivative.

It is difficult to predict the movement in the BEAPFF derivative as the fair value of its financial assets is re-priced in response to market changes. At 31 March 2022, the BEAPFF's liabilities exceeded its assets by £39.9bn, driven by market-value losses within its portfolio. Quarterly transfers of surplus cash between the BEAPFF and HM Treasury under the indemnity agreement impact the value of the BEAPFF's net assets and so also the value of the derivative. When there is an excess of assets over liabilities, the derivative value is represented by a liability on BEAPFF's SoFP and by a corresponding asset on HM Treasury's SoFP. Whereas when the fair value of the BEAPFF's assets falls below that of its liabilities, the indemnity conversely entails BEAPFF Ltd recognising a derivative asset and HM Treasury a derivative liability. (see Note 14 – Derivatives Financial Assets). The liability would not be payable until the scheme unwinds. If there is a shortfall of cash in the BEAPFF, for example if interest repayments on BEAPFF's loan from the Bank of England exceed the cash earned from coupon and redemption proceeds, HM Treasury will fund this by way of quarterly cash transfers, as set out in the deed of indemnity and in line with the current quarterly arrangement with BEAPFF.

Therefore, although HM Treasury benefitted from the operations of the BEAPFF over its lifetime to 31 March 2022 to the extent that gains in fair value were reflected in the derivative value, and excess cash transferred to the Treasury, the indemnity may require payments of cash to the BEAPFF in future periods as the underlying liabilities in the BEAPFF fall due and the BEAPFF holds a cash shortfall. These would be accounted for via HM Treasury's Supply Estimate: quarterly cash payments would be classified as non-budget, but any residual settlement of the derivative on wind-up would be Annually Managed Expenditure (AME).

The Bank of England manages risk associated with BEAPFF on HM Treasury's behalf. Subject to the policy objectives, the aim is to minimise overall risk through the appropriate choice of portfolio and risk management practices. A set of high-level financial risk parameters is in place for the Company's operations, agreed to by HM Treasury and the Bank of England, relating to eligible asset classes, investment limits, credit risk and counterparties. Whilst the Monetary Policy Committee (MPC) retains independence for setting monetary policy, the Treasury can provide views to the MPC on the design of the schemes within the BEAPFF as they may affect the government's broader objectives.

Market risk associated with the BEAPFF derivative arises as a natural consequence of its policy objectives, principally through the re-pricing of its assets due to market changes. Interest rate risk is monitored in the form of a delta, which is the change in the valuation of BEAPFF Ltd's underlying assets from a 1 basis point increase in market interest rates. The delta at 31 March 2022 was £0.9bn (2020-21: £0.9bn).

As BEAPFF is wholly owned by the Bank of England and the value of the indemnity on wind up will be equal to the cash held in the company, there is minimal credit risk arising on the indemnity itself. However, the risk of change in the value of the derivative that is legally due could be impacted by credit risk to the BEAPFF. Credit risk for the BEAPFF is smaller in comparison to market risk, as most BEAPFF assets are high quality gilts with a low default risk. Risk is also monitored through value at risk. Value at risk estimates the potential loss that might arise if existing positions were unchanged for 10 business days under normal market conditions, given the historic volatility of the returns on different types of assets, and the correlation between their returns. The value at risk at 31 March 2022 was £44.7bn (2020-21: £25.6bn), the increase reflecting the increased portfolio of underlying assets and increased market volatility at the end of the reporting period.

The amount due to or from HM Treasury under the indemnity does not indicate whether the public sector as a whole made a profit or loss from the operations of the BEAPFF. The bulk of assets held by BEAPFF Ltd are gilts and are liabilities of the broader public sector.

Other Price Risk

Price risk is the risk of a decline in the value of a security or a portfolio. Price risk relates to HM Treasury's shareholding in listed entities, currently only the NatWest Group.

HM Treasury purchased shares in NatWest as part of the financial stability interventions. The shares in NatWest were not purchased for commercial reasons. The purchase of the shares and the resulting injection of capital were necessary to ensure the financial survival of the entity and to avoid a collapse of the UK banking sector.

The fair value of the UK listed shares fluctuates due to changes in market prices. Market prices for a particular share may fluctuate due to factors specific to the individual share or its issuer, or factors affecting all shares traded in the market.

UKGI, under the UKGI Framework Agreement, is responsible for the development and execution of an investment strategy for disposing of the investment in the NatWest Group in an orderly and active way, within the context of protecting and creating value for the taxpayer.

The analysis below shows the impact on reserves based on a 10% and a 25% increase/decrease in the market price of the share investment in the NatWest Group. There is no impact on net operating income arising from a change in market prices of the investment.

	Reserves	
In £m	**2021-22**	**2020-21**
Increase +10%	1,103	1,358
Increase +25%	2,758	3,395
Decrease -10%	(1,103)	(1,358)
Decrease -25%	(2,758)	(3,395)
Investment in the NatWest Group	11,031	13,578

Currency risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The only material financial instruments that are exposed to currency risk are EU financial settlement receivables, which are discussed in note 24.3 (see also Note 10 - Trade and Other Receivables).

Valuations of AIIB and EBRD are denominated in foreign currency (USD & EUR respectively) so are subject to currency risk although no future transactions are currently anticipated.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

HM Treasury's liquidity management controls include monitoring cash flows to ensure that daily cash requirements are met and re-assessing the net cash requirement on a regular basis and reporting this to Parliament through Estimates. HM Treasury is not exposed to significant liquidity risk because it can apply for Parliamentary approval for additional cover to pay for any liquidity gap.

Due to the magnitude of the financial stability interventions, liquidity requirements can fluctuate significantly.

HM Treasury's liquidity risk principally relates to BEAPFF. Monthly cash inflows are generated from gilt and bond coupon interest and maturity proceeds which are offset by repayments of loan principal and monthly loan interest payments to the Bank of England and quarterly HM Treasury cash payments. The Treasury will be required to make payments to the BEAPFF if the Bank Rate rises and exceeds the coupon rate for the gilt holdings (as the interest paid on the APF loan would exceed the interest earned from the coupon payments) or if the losses from gilt and bond sales exceed the cash reserves held by the BEAPFF in an active unwind scenario.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

HM Treasury is also exposed to credit risk for guarantees provided to group entities and external counterparties.

HM Treasury offers guarantees to support the government's policy objective to support significant infrastructure and lending to small and medium businesses projects which have been affected by a shortage of financing or other risk issues. Guarantee fees are paid to compensate the Treasury for its expected losses under the schemes. The schemes are not entered into for commercial gain however fees are set at commercial rates where required by state aids rules. The guarantees do not involve direct cash support, but they do expose HM Treasury to potential liabilities if the guarantees are called.

During the year, responsibility for the management of the UK Guarantees scheme (UKGS) transferred from the Infrastructure and Projects Authority (IPA) to the UK Infrastructure Bank (UKIB). UKIB are now responsible for monitoring the UKGS portfolio and providing regular risk updates on projects to HMT. UKIB's Head of Portfolio Management undertakes day to day oversight of UKGS guarantees, including early warning monitoring and planning mitigating action. If a pay-out is required, HM Treasury is legally entitled to recover as much as possible from the borrower.

Maximum exposure for financial guarantees is disclosed under contingent liabilities not required to be disclosed under IAS 37 from page 139.

		Maximum exposure in £m[17]		
Project	**Description**	**March 2022**	**March 2021**	**Projected end date**
Speyside	Speyside was a guarantee for bonds issued by the Speyside Biomass Combined Heat and Power project in Moray Scotland. The guarantee for the bonds was issued in August 2014. The debt guarantee was released in full as the underlying asset was sold and the guaranteed debt fully repaid in March 2022.	-	40	Now ended

[17] Maximum exposure is calculated at the principal amount of the borrowing guaranteed, plus one year's interest.

Countesswells	Countesswells was a guarantee for up to £87m borrowing supporting a major property development in Aberdeen that will deliver new housing, schools, healthcare and parks over the next 11 years. The guarantee was issued in March 2016. The guarantee was called and settled in full resulting in a total payment of £87.2m in January 2022.	-	88	Now ended
Mersey Gateway	Mersey Gateway is a £257m guarantee that underpins the issuance of bonds to fund the construction of a 1km long cable-stayed, dual-three lane bridge over the River Mersey between Widnes and Runcorn plus associated changes to approach road. The guarantee was issued in April 2014	267	267	Mar-2043
Uliving@ Gloucestershire	Uliving@Gloucestershire is a guarantee for debt issued to finance the construction of a new student village at the University of Gloucestershire's Pittville Campus and the refurbishment of existing student facilities at the site. The guarantee was issued in January 2016	65	39	Sep-2051
University of Northampton	University of Northampton is a guarantee for public bonds and Local Authority loans raised to finance the construction of the University's new campus at the Waterside site near Northampton town centre. The guarantee was issued in November 2014	272	283	Mar-2056
East Anglia/ West Midlands 1 and 2/ South Western Railway 1 and 2	There are four projects (2020-21: five projects) under the contract with Bombardier. The guarantees support the manufacture and supply of new electric carriages for use on three rail franchises. The guarantees were issued in May and June 2020. During the year two guarantees were extended. One project guarantee was released.	298	398	Jan-2023
	Total for infrastructure projects monitored by UKIB	**902**	**1,115**	

Mortgage guarantees	The Help to Buy: mortgage guarantee scheme was launched on the 8 October 2013 to address the shortage of high loan-to-value mortgages by offering lenders the option to purchase a guarantee on mortgages where the borrower has a deposit of between 5% and 20%. The scheme closed to new loan applications on 31 December 2016. Loans with an application date on or before 31 December 2016 continued to be accepted into the scheme until 30 June 2017.	139	281	Dec-2023
	The new mortgage guarantee scheme was launched on the 19 April 2021 and will close to new applications on 31 December 2022 following the same template as the 2013 scheme.	459	-	Dec 2029
	Total for mortgage guarantee schemes	**598**	**281**	

25. Group financial instruments - fair value hierarchy

In £m	2021-22 Level 1	2021-22 Level 2	2021-22 Level 3	2020-21 (Restated) Level 1	2020-21 (Restated) Level 2	2020-21 (Restated) Level 3
Financial assets: fair value through OCI						
Investments – listed entities	11,031	-	-	13,578	-	-
Investments – unlisted entities	-	7,545	-	-	7,591	-
Derivative financial assets and liabilities						
Derivative financial assets	-	70	-	-	15,184	-
Derivative financial liabilities	-	(39,862)	-	-	-	-
Financial assets: amortised cost						
Loans and investment securities	-	618	-	-	412	-
Financial assets: Disposal group						
Assets held for sale	-	-	-	1,656	-	-
Financial assets: fair value through P&L						
Investments – unlisted entities	-	-	170	-	-	141
Trade and other receivables	-	142	2,392	-	169	1,686
Financial liabilities: fair value through P&L						
Trade and other payables	-	-	(1,084)	-	-	(362)
Financial liabilities: Disposal group						
Liabilities held for sale	-	-	-	(55)	-	-

Introduction	All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole. There were no reclassifications between the hierarchies.
Level 1	The value is determined using quoted prices (unadjusted) in active markets for identical assets and liabilities the entity can access at the measurement date. The Disposal Group held for sale is carried at its fair value less costs to sell. The fair value was derived by reference to the agreed sale price.
Level 2	The value is determined using inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly or indirectly. Unlisted entities use net assets as a proxy for their fair value. Derivatives are calculated by reference to underlying net asset value. Loans and investment securities are estimated by discounting expected future cash flows using market interest

	rates. Investment securities are based on prices providers cannot guarantee are based on actual trades in the market. Net assets are considered to be a good proxy for fair value for unlisted entities because the underlying assets of each entity are held at fair value with reference either to market value or, when this is not available, discounted cashflows. The fair value of the BEAPFF and CCFF derivatives are calculated by reference to the underlying net assets which are all in turn measured at fair value with reference to market information or discounted cashflows. Receivables held at fair value through profit and loss are recognised in respect of Article 145 “European Coal and Steel Community in liquidation”, and Article 146 “Union investment in the European Investment Fund” of the EU Withdrawal Agreement. These are fixed tranches of payments of the UK's share of EU assets as at 31 December 2020. The fair value of the financial assets have been estimated on the basis of the value of the instruments as reported in the EU’s annual accounts, discounted at the financial instrument rate set by HM Treasury under the Financial Reporting Manual to account for the timing of the cash flows as specified under the articles.
Level 3	Values are not based on observable market data or have significant unobservable inputs. Unlisted entities measured at fair value through profit and loss use net assets as a proxy for fair value. The net assets for these unlisted entities are not publicly available and are not observable market data. Receivables and payables held at fair value through profit and loss are recognised in respect of Article 136 “Provisions applicable after 31 December 2020 in relation to own resources”, Article 140 “Outstanding Commitments”, Article 141 “Fines decided upon before or on 31 December 2020”, Article 143 “Contingent financial liabilities related to loans for financial assistance, European Fund for Strategic Investments (EFSI), European Fund for Sustainable Development (EFSD) and the external lending mandate”, and Article 144 “Financial Instruments under direct or indirect implementation financed by the programmes of the 2014-20 MFF” of the EU Withdrawal Agreement. The fair value of the financial assets and liabilities have been estimated on the basis of the value of the instruments as reported in the EU’s annual accounts, reporting received under the Withdrawal Agreement in March 2022 and other relevant available information from associated EU policy documentation for the instruments. Forecast future cash flows are discounted at the financial instrument rate set by HM Treasury under the Financial Reporting Manual to account for the timing of the cash flows as specified under the articles.
Other	These assets cannot be classified within the fair value hierarchy because the FReM requires them to be held at historic cost. These amounts are not shown in the table above on the basis of materiality, 2021-22: £6m (2020-21: £6m).

A reconciliation from the opening balances to the closing balances of recurring fair value measurements within Level 3 of the fair value hierarchy is given in the table below:

In £m	EU financial settlement receivables	EU financial settlement payables	Loans to banking customers	Unlisted equity investments
Balance at 1 April 2020	**1,369**	**(8)**	**4,708**	**112**
Additions	-	-	-	32
Disposals	-	-	(4,952)	-
Gains and losses recognised in OCI	-	-	124	-
Gains and losses recognised in SoCNE	317	(354)	120	(3)
Balance at 31 March 2021	**1,686**	**(362)**	**-**	**141**
Additions	-	-	-	28
Disposals	(668)	315	-	(143)
Gains and losses recognised in SoCNE	1,374	(1,037)	-	144
Balance at 31 March 2022	**2,392**	**(1,084)**	**-**	**170**

26. Financial instruments – assets and liabilities

The accounting policies for financial instruments have been applied to the line items below. The carrying amount below represents fair value unless stated otherwise.

Where no market price is available, fair value is estimated by discounting expected future cash flows using market interest rates. Expected future cash flows take account of estimated future losses.

26.1 Group

In £m	2021-22 Fair Value	2021-22 Carrying Value	2020-21 Fair Value (Restated)	2020-21 Carrying Value (Restated)
Financial assets: at amortised cost				
Cash and cash equivalents	-	784	-	3,846
Trade and other receivables[18]	3,723	3,547	3,065	3,065
Loans and investment securities	618	621	412	409
Financial assets: fair value through OCI				
Equity Investments	-	18,576	-	21,166
Financial assets: fair value through SoCNE				
Equity investments	-	170	-	141
Trade and other receivables[18]	-	2,534	-	1,855
Derivative financial assets	-	70	-	15,184
Financial assets: Disposal group				
Assets held for sale	-	-	-	1,656
Financial liabilities and guarantees: amortised cost				
Trade and other payables[19]	-	(2,824)	-	(864)
Financial guarantees	-	(183)	-	(104)
Financial liabilities: fair value through SoCNE				
Trade and other payables[19]	-	(1,084)	-	(362)
Derivative financial instruments	-	(39,862)	-	-
Financial liabilities: Disposal group				
Liabilities held for sale	-	-	-	(55)

[18] Trade and other receivables are shown net of non-financial assets.

[19] Trade and other payables are shown net of non-financial liabilities.

26.2 Core Treasury and Agencies

In £m	2021-22 Fair Value	2021-22 Carrying Value	2020-21 Fair Value	2020-21 Carrying Value (Restated)
Financial assets: at amortised cost				
Cash and cash equivalents	-	54	-	5
Trade and other receivables[20]	3,354	3,178	3,178	3,178
Loans and investment securities	26	24	7	6
Financial assets: fair value through OCI				
Equity Investments	-	20,035	-	27,095
Financial assets: fair value through SoCNE				
Trade and other receivables[20]	-	2,534	-	1,855
Derivative financial assets	-	70	-	15,184
Financial liabilities and guarantees: amortised cost				
Trade and other payables[21]	-	(2,286)	-	(645)
Financial guarantees	-	(183)	-	(104)
Financial liabilities: fair value through				
Trade and other payables[21]	-	(1,084)	-	(362)
Derivative financial liabilities	-	(39,862)	-	-

27. Related party transactions

The entities listed in Note 1.2 – Basis of Consolidation, are regarded as related parties to HM Treasury. The Treasury has had material transactions with UKAR during the year, including material dividends (Note 6 – Finance Income).

Although the Bank of England, the Royal Mint, Local Partnerships and the NatWest Group fall outside the accounting boundary, their share capital is either wholly owned or partially owned by HM Treasury. Dividends and other income received from these bodies are material and are recorded in the SoCNE.

NatWest participates in the 'Help to Buy: mortgage guarantee scheme', the 'mortgage guarantee scheme' and the 'Help to Buy: ISA scheme' on an arm's length basis and pays guarantee fees which are recognised as income in HM Treasury's Accounts.

NatWest also participates in the Unclaimed Assets Scheme on an arm's length basis and transfers dormant account funds to the Reclaim Fund Ltd which are recognised as income in HM Treasury's Accounts.

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20 Trade and other receivables are shown net of non-financial assets.

21 Trade and other payables are shown net of non-financial liabilities.

In addition, HM Treasury and its Group entities have transactions with other government departments and central government bodies.

No minister, board member, key manager or other related party has undertaken any material transaction with HM Treasury during the year[22]. Details of compensation for key management personnel can be found in the Remuneration Report section of the Accountability Report.

28. Auditor's remuneration

Remuneration for the audit of the Treasury Group accounts was a notional cost of £713k (2020-21: £470k). In addition, £853k (2020-21: restated £898k) was charged by the NAO for other audit services, of which £165k (2020-21: £136k) was notional. £nil (2020-21: £51k) was paid to the NAO in respect of non-audit services.

29. Disposal group held for sale and discontinued operations

On 26 February 2021 UKAR entered into a contract which resulted in the sale of its 100% shareholdings in B&B and NRAM, along with their subsidiaries, to Davidson Kempner. The sale of the loan assets completed in March 2021 and, on 2 November 2021, the government confirmed the completion of the sale of B&B and NRAM to Davidson Kempner.

The assets and liabilities which were to be disposed of were classified as a disposal group held for sale in 2020-21 as their carrying amount was to be recovered principally through a sale transaction rather than through continuing use.

At 31 March 2021 the disposal group comprised of the assets and liabilities of B&B and NRAM other than the B&B post-retirement healthcare scheme and the NRAM unfunded pension scheme, which was transferred to UKAR prior to the sale of B&B and NRAM, cash balances which B&B and NRAM used to pay UKAR to take on those obligations, and associated deferred tax balances.

At 31 March 2022, the disposal group has nil value, as the cash balances (£1.6bn) were paid from B&B and NRAM to UKAR when the sale completed.

The analysis of the assets and liabilities of the disposal group and the impairments applied is as follows:

[22] For transparency, the current Financial Secretary of the Treasury, Lucy Frazer QC MP is married to the Chief Executive of Alexander Mann Solutions Ltd (AMS). AMS are contracted under a Crown Commercial Service framework arrangement to source contractors and temporary workers. Since her appointment on 16 September 2021, HM Treasury paid an immaterial amount of £0.5m to AMS in respect of temporary staffing resources. The majority of this cost relates to payments to agency staff but an element covers the services provided by AMS to source these temporary workers. The Financial Secretary has no role in the decisions relating to this expenditure.

Disposal group

In £m	2021-22	2020-21
Assets		
Cash and cash equivalents	-	1,727
Trade and other receivables	-	3
Excess impairment of the disposal group	-	(74)
Assets held for sale	**-**	**1,656**
Liabilities		
Trade and other payables	-	(40)
Provisions	-	(15)
Liabilities held for sale	**-**	**(55)**
Net Assets held for sale	**-**	**1,601**

In 2020-21, in accordance with IFRS 5, as it was held for sale the carrying value of the disposal group was impaired to its fair value less costs to sell. The fair value was derived by reference to the agreed sale price. The impairment charge was £88m.

The £74m excess of the total impairment over the pre-impairment carrying value of these assets was carried as a separate 'excess impairment of the disposal group' to reduce the total carrying amount of the assets in the disposal group.

In 2021-22, dividends totalling £925m were paid to UKAR from B&B and NRAM before the sale completed. There was further reduction in the net asset value of the disposal group before sale of £25m before £651m cash was received from the Davidson Kempner Capital Management, completing the sale.

The analysis of the discontinued operations is as follows:

Discontinued operations

In £m	Note	2021-22	2020-21
Other operating income	2	(8)	(5)
Total operating income		(8)	(5)
Staff costs	3	5	10
Purchase of goods and services	4	10	41
Other operating expenditure	5	6	(16)
Total operating expenditure		21	35
Net operating expenditure before financing		**13**	**30**
Finance income	6	-	(118)
Finance expense	7	2	85
Net gain on disposal of assets		-	18
Net (income)/expenditure before tax		**15**	**15**
Taxation		34	22
Net (income)/expenditure for the year from discontinued operations		**49**	**37**

Cash flows from discontinued operations

In £m	2021-22	2020-21
Net cash used in operating activities	(22)	355
Net cash generated from investing activities	(2)	4,459
Net cash generated from financing activities	(925)	-
Net increase/(decrease) in cash and cash equivalents from discontinued operations	**(949)**	**4,814**

30. Prior period restatements

The prior year restatements comprise of the following items:

Deconsolidation of the Financial Services Compensation Scheme (FSCS)

The FSCS is a single scheme that provides compensation in the event of authorised financial services firms being unable or likely to be unable to meet claims against them. The FSCS is operationally independent from the Treasury.

The FSCS was formerly consolidated into HM Treasury Group. Following ONS classification as a Public Corporation, and no longer part of central government, it is no longer consolidated into the group.

The ONS classification applies from the date FSCS began operating, 1 December 2001, which means prior period restatements are required.

Restatement of RFL Dormant Asset Provision

During financial year 2021-22, RFL formally adopted the revised reclaim estimate model which had been in development for a long time. On that basis, RFL deemed it appropriate to restate previous years' provision estimates to provide a clearer view of the best estimate for future reclaims.

The total impacts of these restatements on prior period balances for HM Treasury Group are set out in the table below.

Consolidated Statement of Comprehensive Net Expenditure (2020-21)

In £m	HMT Group 2020-21	FSCS 2020-21	RFL 2020-21	HMT Group 2020-21 (Restated)
Income from sale of goods and services	(40)	-	-	(40)
Other operating income	(2,469)	664	-	(1,805)
Total operating income	(2,509)	664	-	(1,845)
Staff costs	241	(26)	-	215
Purchase of goods and services	246	(54)	-	192
Other operating expenditure	(1,246)	(584)	(17)	(1,847)
Total operating expenditure	(759)	(664)	(17)	(1,440)
Net operating expenditure before financing	**(3,268)**	**-**	**(17)**	**(3,285)**
Capital grant in kind	(3,564)	-	-	(3,564)
Finance income	(252)	-	-	(252)
Finance expense	18	-	-	18
Revaluation of financial assets and liabilities	44,782	-	-	44,782
Net (income)/expenditure before tax	**37,716**	**-**	**(17)**	**37,699**
Taxation	4	-	-	4
Net (income)/expenditure after tax from continuing operations	**37,720**	**-**	**(17)**	**37,703**
Net (income)/expenditure after tax from discontinued operations	37	-	-	37
Total net (income)/expenditure after tax	**37,757**	**-**	**(17)**	**37,740**
Other comprehensive net (income)/				
Items that will not be reclassified to net operating expenditure				
Net loss on assets recognised in reserves	(6,039)	-	-	(6,039)
Actuarial loss on pension scheme liabilities	198	-	-	198
Total other comprehensive net (income)/expenditure from continuing operations	**(5,841)**	**-**	**-**	**(5,841)**
Other comprehensive net (income)/ expenditure from continuing operations				
Items that may be reclassified to net operating expenditure when specific conditions are met				
Net gain/(loss) on assets recognised in reserves	**(101)**	**-**	**-**	**(101)**
Total other comprehensive net (income)/expenditure from discontinued operations	**(101)**	**-**	**-**	**(101)**
Total net comprehensive (income)/expenditure for the year	**31,815**	**-**	**(17)**	**31,798**

Consolidated Statement of Financial Position (2020-21)

In £m	HMT Group 2020-21	FSCS 2020-21	RFL 2020-21	HMT Group 2020-21 (Restated)
Non-current assets				
Property, plant and equipment	201	-	-	201
Intangible assets	9	-	-	9
Trade and other receivables	3,894	(46)	-	3,848
Net pension asset	595	(10)	-	585
Equity investments	21,316	-	-	21,316
Loans and investment securities	223	-	-	223
Total non-current assets	**26,238**	**(56)**	**-**	**26,182**
Current assets				
Inventory	31	-	-	31
Trade and other receivables	1,166	(74)	-	1,092
Loans and investment securities	186	-	-	186
Derivative financial assets	15,184	-	-	15,184
Cash and cash equivalents	4,096	(250)	-	3,846
Assets held for sale	1,656	-	-	1,656
Total current assets	**22,319**	**(324)**	**-**	**21,995**
Total assets	**48,557**	**(380)**	**-**	**48,177**
Current liabilities				
Trade and other payables	(1,070)	285	-	(785)
Provisions	(10,400)	39	335	(10,026)
Financial guarantees	(19)	-	-	(19)
Liabilities held for sale	(55)	-	-	(55)
Total current liabilities	**(11,544)**	**324**	**335**	**(10,885)**
Non-current liabilities				
Trade and other payables	(557)	56	-	(501)
Provisions	(28,229)	-	-	(28,229)
Financial guarantees	(85)	-	-	(85)
Total non-current liabilities	**(28,871)**	**56**	**-**	**(28,815)**
Total assets less liabilities	**8,142**	**-**	**335**	**8,477**
Equity				
General fund	21,585	-	335	21,920
Available for sale reserve	(14,521)	-	-	(14,521)
Revaluation reserve	50	-	-	50
Merger reserve	1,028	-	-	1,028
Total equity	**8,142**	**-**	**335**	**8,477**

Consolidated Statement of Financial Position (2019-20)

In £m	HMT Group 2019-20	FSCS 2019-20	RFL 2019-20	HMT Group 2019-20 (Restated)
Non-current assets				
Property, plant and equipment	203	-	-	203
Intangible assets	9	-	-	9
Trade and other receivables	1,909	(2)	-	1,907
Net pension asset	821	(8)	-	813
Equity investments	15,060	-	-	15,060
Loans and investment securities	187	-	-	187
Loans to banking customers	4,144	-	-	4,144
Total non-current assets	**22,333**	**(10)**	**-**	**22,323**
Current assets				
Inventory	23	-	-	23
Trade and other receivables	446	(100)	-	346
Loans and investment securities	1,798	-	-	1,798
Loans to banking customers	564	-	-	564
Derivative financial assets	73,609	-	-	73,609
Cash and cash equivalents	1,609	(247)	-	1,362
Total current assets	**78,049**	**(347)**	**-**	**77,702**
Total assets	**100,382**	**(357)**	**-**	**100,025**
Current liabilities				
Trade and other payables	(691)	262	-	(429)
Provisions	(1,793)	84	318	(1,391)
Financial guarantees	(18)	-	-	(18)
Total current liabilities	**(2,502)**	**346**	**318**	**(1,838)**
Non-current liabilities				
Trade and other payables	(558)	10	-	(548)
Provisions	(39,187)	1	-	(39,186)
Financial guarantees	(95)	-	-	(95)
Total non-current liabilities	**(39,840)**	**11**	**-**	**(39,829)**
Total assets less liabilities	**58,040**	**-**	**318**	**58,358**
Equity				
General fund	80,266	-	318	80,584
Fair value reserve	(23,405)			(23,405)
Revaluation reserve	50	-	-	50
Merger reserve	1,129	-	-	1,129
Total equity	**58,040**	**-**	**318**	**58,358**

Consolidated Statement of Changes in Taxpayers' Equity (2020-21)

In £m	HMT Group 2020-21	RFL 2020-21	HMT Group 2020-21 (Restated)
Total Reserves			
Balance at 1 April 2020	**58,040**	**318**	**58,358**
Net income/(expenditure) after tax	(37,757)	17	(37,740)
Change in CFERs payable to the Consolidated Fund	15	-	15
CFERs paid to the Consolidated Fund	(15,335)	-	(15,335)
Change in excess cash payable to the Consolidated Fund	60	-	60
Excess cash paid to the Consolidated Fund	(2,832)	-	(2,832)
Consolidated Fund standing services	5	-	5
Actuarial gains and losses on pension schemes	(198)	-	(198)
Revaluation gains/(losses)	6,140	-	6,140
Transfers	-	-	-
Other movements	4	-	4
Balance at 31 March 2021	**8,142**	**335**	**8,477**

Consolidated Statement of Cash Flow (2020-21)

In £m	HMT Group 2020-21	FSCS 2020-21	RFL 2020-21	HMT Group 2020-21 (Restated)
Cash flows from operating activities				
Net operating income/(expenditure) before financing from continuing operations	3,268	-	17	3,285
Net operating income/(expenditure) before financing from discontinued operations	(30)	-	-	(30)
Other non-cash transactions	(1,901)	2	(17)	(1,916)
Changes in working capital	152	(49)	-	103
Corporation Tax paid	(15)	-	-	(15)
Use of provisions	(442)	42	-	(400)
Net cash flows from operating activities	**1,032**	**(5)**	**-**	**1,027**
Cash flows from investing activities				
Proceeds: derivative financial assets	13,663		-	13,663
Proceeds: sale of shares UK listed entities	1,125	-	-	1,125
Proceeds: sale of investment securities and other assets	211	-	-	211
Proceeds: interest, dividend and other finance .	198	-	-	198
Purchases: financial assets	(283)	-	-	(283)
Proceeds: repayment of financial assets	1,616	-	-	1,616
Net movement: loans to banking customers	373	-	-	373
Proceeds: sale of loans to banking customers	4,459	-	-	4,459
Other investing activities	(15)	2	-	(13)
Net cash flow from investing activities	**21,347**	**2**	**-**	**21,349**

Cash flows from financing activities				
Cash from the Consolidated Fund (non-supply)	5	-	-	5
Capital element of the PFI contract	(3)	-	-	(3)
Net cash flows from financing activities	**2**	**-**	**-**	**2**
Net increase in cash and cash equivalents before adjustments	**22,381**	**(3)**	**-**	**22,378**
Payments of amounts due to the Consolidated Fund	(15,335)	-	-	(15,335)
Excess cash paid to the Consolidated Fund – current year	(2,766)	-	-	(2,766)
Excess cash paid to the Consolidated Fund – prior year balance	(66)	-	-	(66)
Net increase/(decrease) in cash and cash equivalents after adjustments	**4,214**	**(3)**	**-**	**4,211**
Cash and cash equivalents at the beginning of the period	1,609	(247)	-	1,362
Cash and cash equivalents at the end of the period	**5,823**	**(250)**	**-**	**5,573**

At Core and Agencies level, the RFL restatement has also led to a restatement of the value of equity investments of £335m at 31 March 2021, increasing from £26,766m to £27,101m, with a corresponding £335m restatement of the fair value reserve, reducing from £9,071m to £8,736m).

31. Events after the reporting period

31.1 Bank of England Asset Purchase Facility

On 5 May 2022 the Chancellor and the Governor of the Bank of England agreed to reduce the authorised maximum size of the BEAPFF from £895bn to £866.6bn, of which up to £19.6bn can be corporate bonds.[23] The reduction represents the reduction in assets supported by the BEAPFF following the Bank's decision to unwind the BEAPFF in February 2022.

31.2 Reclaim Fund Ltd (RFL) – Dormant Assets Scheme Expansion

New legislation to expand the Dormant assets Scheme expansion received Royal Assent in February 2022, followed by the Finance Act 2022, Schedule 6 (Dormant assets) Regulations 2022 coming into force of 6 June 2022. The expansion enables eligible dormant insurance, pensions, investments, wealth management and securities products to be transferred into the Scheme in addition to the bank and building society accounts provision by the original 2008 Act.

[23] https://www.gov.uk/government/publications/asset-purchase-facility-apf-ceiling-may-2022

31.3 Resignation of Chancellor of the Exchequer

On 5 July 2022 The Rt Hon Rishi Sunak MP resigned from his role as Chancellor of the Exchequer. The Rt Hon Nadhim Zahawi MP was appointed as the new Chancellor later that day.

32. Date authorised for issue

The financial statements were authorised for issue on the date of the Comptroller and Auditor General's signature.

Chapter 4

Trust Statement

Foreword to the Trust Statement

Introduction

The Trust Statement reports the revenue, expenditure, assets and liabilities related to the fines collected by HM Treasury from the,

- Financial Conduct Authority (FCA) and its subsidiary the Payment Systems Regulator (PSR)
- Prudential Regulation Authority (PRA)
- Office of Financial Sanctions Implementation (OFSI)
- approved regulators empowered by the Legal Services Act 2007
- levies on the banking industry collected by the FCA to fund financial guidance to the public for the financial year 2021-22

The costs of running HM Treasury are reported in the Core Treasury and Agencies' balances in the financial statements.

Section 109 of the Financial Services Act 2012 requires the FCA to pay its penalty receipts to HM Treasury after deducting its enforcement costs and requires HM Treasury to pay these receipts to the Consolidated Fund. Further information on penalties applied by the FCA is available on the FCA website.[1]

Section 36 of the Competition Act 1998 require the PSR to pay its penalty receipts to HM Treasury and requires HM Treasury to pay these receipts to the Consolidated Fund. Further information on penalties applied by the PSR is available on the PSR's website.[2]

Similarly, the PRA is required to pay any enforcement fines it levies in excess of enforcement costs to HM Treasury, which is required to pay

[1] https://www.fca.org.uk/news/news-stories/2022-fines

[2] https://www.psr.org.uk/news-updates/

those receipts to the Consolidated Fund. Further information on penalties applied by the PRA is available on the PRA website.[3]

The Policing and Crime Act 2017 empowered the Treasury to impose penalties for serious sanctions breaches on individuals and bodies. The penalty powers apply to offences committed after 1 April 2017. This process is led and managed by the Office of Financial Sanctions Implementation (OFSI), which is part of HM Treasury. Further information on penalties applied by OFSI is available on gov.uk.[4] Additional detail about the work of OFSI can be found in the Performance report.

The Financial Guidance and Claims Act 2018 requires the FCA to pay the Financial Guidance levies to the government after deducting its enforcement costs. The Money and Pensions Advice Service Levy and Devolved Administrations Debt Advice Levy were created, starting from 2019-20 following the transfer of the of the Money Advice Service's functions to the Department for Work and Pensions (DWP) and the devolved administrations. HM Treasury pays these receipts to the Consolidated Fund so that they can be issued via supply to DWP and devolved administrations to fund the provision of financial guidance to the public. Further information on levies applied by the FCA is available on the FCA website.[5]

Basis for the preparation of the Trust Statement

A Trust Statement provides an account of the collection of revenues which by statute or convention are due to the Consolidated Fund, where the entity undertaking the collection acts as agent, rather than as principal. The legislative requirement for this Trust Statement is set out in section 2 of the Exchequer and Audit Departments Act 1921. The HM Treasury accounts direction requires the Trust Statement to give a true and fair view of the state of affairs relating to the collection and allocation of taxes and duties and the revenue income and expenditure and cash flows for the financial year. Regard shall be given to all relevant accounting and disclosure requirements given in the Government Financial Reporting Manual (FReM), Managing Public Money and other guidance issued by HM Treasury.

The governance statement and statement of Accounting Officer responsibilities applicable to both the Trust Statement and the Treasury's financial statements is included within the main body of the report from page 65.

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3 https://www.bankofengland.co.uk/prudential-regulation/pra-statutory-powers

4 https://www.gov.uk/government/collections/enforcement-of-financial-sanctions

5 https://www.fca.org.uk/firms/fees

Auditors

The Trust Statement is audited by the Comptroller and Auditor General under the Exchequer and Audit Departments Act 1921. The auditor's remuneration for this is included in HM Treasury's Annual Accounts. No non-audit work was carried out by the auditors for HM Treasury on the Trust Statement. Non-audit work carried out by the auditors for the HM Treasury Group is included in HM Treasury's Annual Accounts.

Financial review

HM Treasury has received £266m in fine income (2020-21: £140m) and £140m in levy income (2020-21: £141m) from the FCA, £49m from the PRA (2020-21: £46m), £33m in fine income from PSR (2020-21: nil) and £0.09m from OFSI fine income (2020-21: nil) in the period ended 31 March 2022. The increase in fine income is due to an increase in fines issued by FCA.

The Report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I have audited the financial statements of HM Treasury Trust Statement for the year ended 31 March 2022 under the Exchequer and Audit Departments Act 1921.

The financial statements comprise the:

- Statement of Financial Position as at 31 March 2022;
- Statement of Revenue and Expenditure and Statement of Cash Flows for the year then ended; and
- the related notes including the significant accounting policies.

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

In my opinion, the financial statements:

- give a true and fair view of the state of the HM Treasury Trust Statement's affairs as at 31 March 2022 and its net revenue for the year then ended; and
- have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and HM Treasury directions issued thereunder.

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 of Public Sector Entities in the United Kingdom*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the HM Treasury Trust Statement in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the HM Treasury Trust Statement's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

The going concern basis of accounting for the HM Treasury Trust Statement is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Performance Report, Accountability Report, and Foreword to the Trust Statement but does not include the financial statements nor my auditor's report thereafter. The Accounting Officer is responsible for the other information.

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

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

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

I have nothing to report in this regard.

Opinion on other matters

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

- the information given in the Performance Report, Accountability Report, and Foreword to the Trust Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the HM Treasury Trust Statement and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report.

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

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the HM Treasury Trust Statement 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 Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the HM Treasury Trust Statement'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 Accounting Officer anticipates that the services provided by HM Treasury Trust Statement will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the Exchequer and Audit Departments Act 1921.

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

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

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

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

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

- the nature of the sector, control environment and operational performance including the design of the HM Treasury Trust Statement's accounting policies.
- Inquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the HM Treasury Trust Statement's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the HM Treasury Trust Statement's controls relating to its compliance with: Exchequer and Audit Departments Act 1921, Financial Services Act 2012 , Policing and Crime Act 2017, and Financial Guidance and Claims Act 2018.
- discussing among the engagement team including 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 the HM Treasury Trust Statement for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the HM Treasury Trust Statement's framework of authority as well as other legal and regulatory frameworks in which the HM Treasury Trust Statement operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the HM Treasury Trust Statement. The key laws and regulations I considered in this context included the Exchequer and Audit Departments Act 1921, Financial Services Act 2012, Policing and Crime Act 2017, and Financial Guidance and Claims Act 2018.

Audit response to identified risk

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- Reviewing the accounts and underlying evidence to ensure the operation of the trust statement within the legal framework under which it was established.

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

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

Other auditor's responsibilities

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

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

Report on accounts

I have no observations to make on these financial statements.

Gareth Davies 19 July 2022

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Statement of Revenue and Expenditure

for the period ended 31 March 2022

In £m	Note	2021-22	2020-21
Net fine income	2	348	186
Net levy income	3	140	141
Net revenue for the Consolidated Fund	4	**488**	327

The notes on pages 271-273 form part of this statement.

Statement of Financial Position

as at 31 March 2022

In £m	Note	2021-22	2020-21
Current assets			
Receivable from the FCA		54	10
Cash and cash equivalents		-	-
Total assets		**54**	10
Balance on Consolidated Fund account	4	**54**	10

The notes on pages 271-273 form part of this statement.

Tom Scholar

Permanent Secretary

14 July 2022

Statement of Cash Flows
for the period ended 31 March 2022

In £m	Note	2021-22	2020-21
Net cash flow from operating activities	A	444	361
Cash paid to the Consolidated Fund		(444)	(361)
Increase in cash in this period		**-**	-

A: Reconciliation of net cash flow to movement in net funds

In £m	2021-22	2020-21
Net revenue for the Consolidated Fund	488	327
(Increase)/Decrease in non-cash assets	(44)	34
Net cash flow from operating activities	**444**	361

Notes to the Trust Statement

1. Statement of accounting policies

Notes to the financial statements provide additional information required by statute and accounting standards to explain a particular feature of the financial statements.

1.1 Basis of accounting

The Trust Statement is prepared in accordance with:

- the accounts direction issued by HM Treasury under the Exchequer and Audit Departments Act 1921
- the 2021-22 FReM issued by HM Treasury
- reference to UK adopted international accounting standards as adapted or interpreted for the public sector context
- the accounting policies detailed in subsequent notes

The financial information presented is rounded to the nearest £m.

1.2 Standards issued but not yet effective

There have been no new standards issued since 1 April 2021. A number of new standards are effective for annual periods beginning after 1 April 2022.

Their application is not expected to have any impact on the Trust Statement financial statements in the period of their initial application. The Trust Statement does not intend to early-adopt any of the following standards.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and applies to the public sector for annual reporting periods beginning on, or after, 1 April 2022.

IFRS 17 Insurance contracts

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on, or after, 1 January 2025.

There are no other IFRS or IFRIC interpretations not yet effective that would be expected to have a material impact on the Trust Statement.

1.3 Accounting convention

The Trust Statement has been prepared on an accrual basis under the historical cost convention.

1.4 Revenue recognition

Fine income is accounted for in accordance with the FReM adaptation of IFRS 15 Revenue from Contracts with Customers, net of enforcement costs where these are deductible by legislation. It is recognised when the revenue can be measured reliably, and it is probable that the economic benefits from the taxable event will flow to HM Treasury.

Levy income is accounted for in accordance with the FReM adaptation of IFRS 15 Revenue from Contracts with Customers, net of enforcement costs. It is recognised when all, or substantially all, of the consideration promised by the levy payer has been received by the FCA and is non-refundable.

1.5 Receivables

Receivables are accounted for in accordance with the requirements of IFRS 9 Financial Instruments. Accrued revenue receivable represents the amount due from the FCA, PSR and PRA, where penalties and levies have been received by the regulators, but the cash has not been transferred to HM Treasury as at the reporting date.

2. Net fine income

In £m	2021-22	2020-21
Fine income from Financial Conduct Authority (FCA)	266	140
Fine income from Prudential Regulation Authority (PRA)	49	46
Fine income from Payment Systems Regulator (PSR)	33	-
Net fine income	**348**	186

Detailed information on fines collected can be found in both the audited accounts of PSR and the FCA and the Bank of England (of which the PRA is part).

Less than £1m (20-21: Nil) was received in relation to penalties from sanctions breaches issued by OFSI and penalties from approved regulators empowered by Legal Services Act 2007.

3. Net levy income

In £m	2021-22	2020-21
Levy income from FCA for financial guidance	140	141
Net levy income	**140**	**141**

Detailed information on levies collected can be found in the audited accounts of the FCA (www.fca.org.uk)

4. Balance on the Consolidated Fund Account

In £m	2021-22	2020-21
Balance on Consolidated Fund Account as at 1 April	10	44
Net revenue for the Consolidated Fund	488	327
Less amount paid to the Consolidated Fund	(444)	(361)
Balance on Consolidated Fund Account as at 31 March	**54**	**10**

5. Events after the reporting period

There were no events after the reporting date.

6. Date authorised for issue

The financial statements were authorised for issue on the date of the Comptroller and Auditor General's signature.

Chapter 5
Better regulation

The Treasury is committed to delivering better regulation, and the principles of Better Regulation guide policymaking across the department. As is set out in this chapter, the Treasury seeks to minimise unnecessary costs to business arising from regulation.

The department is adapting the UK's financial services regulations via the Future Regulatory Framework to reflect the UK's position outside of the EU. More detail on the Treasury's financial services work can be found on page 41.

The government is consulting on major reforms to the prudential regulatory regime for the insurance sector, known as Solvency II, to ensure that the UK's prudential regulatory regime is better tailored to reflect the particular structures, products and business models of the UK insurance sector and the wider UK regulatory approach.

The Treasury also works with other departments to determine the government's overall approach to regulation and how it supports policy outcomes.

Deregulatory measures from the previous financial year

The Treasury strives for efficient regulation that minimises costs to businesses and consumers whilst maintaining vital protections. During the previous financial year (April 2021 to March 2022), the Treasury has delivered the following deregulatory measures to improve the efficiency of its regulations:

The Markets in Financial Instruments (Capital Markets) (Amendment) Regulations 2021

This statutory instrument alleviated regulatory burdens on certain financial services firms by removing unnecessary reporting requirements.

Without this instrument, the default method for investment firms to send certain reports to their wholesale clients would have continued to be paper-based, which is outdated and costlier than electronic communications. In addition, investment firms would also have continued to be subject to obligations to publish certain reports, and to provide information to wholesale clients on costs and charges in a specified manner. In terms of the reports, engaging with industry and the Financial Conduct Authority (FCA) showed that the reports were not necessary, and that they were costly to produce. Based on information provided by firms to the FCA, removing these requirements would save firms between £10,000 and £150,000 per firm per annum for 'execution quality reports' and up to £60,000 for 'top five reports'. The instrument also disapplied the requirement on investment firms to provide cost benefit analyses to professional clients when they switch the instruments in which they invest.

The Small Business, Enterprise and Employment (SBEE) Act 2015 requires transparency on all regulatory provisions introduced during the Parliament and for the government of the day to publish a Business Impact Target in respect of qualifying regulatory provisions that come into force or cease to be in force during the Parliament. The Treasury duly sets out the department's recent regulatory provisions – both regulatory and deregulatory – in the periodic government statements on the Business Impact Target.

The Capital Requirements Regulation (Amendment) Regulations 2021

This is one of several pieces of legislation that the Treasury has introduced that removes requirements from legislation and instead passes responsibility to regulators for setting the regulatory requirements, thus delivering the approach of the Future Regulatory Framework Review (see more below). This particular regulation deleted 100 pages of the Capital Requirements Regulation to allow the Prudential Regulation Authority to introduce updated rules that can be more agile and proportionate.

Financial services Future Regulatory Framework Review

Alongside specific measures, the Treasury is transforming the regulation of financial services through the Future Regulatory Framework (FRF) Review and the Financial Services & Markets Bill.

The FRF Review was established to determine how the financial services regulatory framework should adapt to the UK's new position outside of the EU, and how to ensure the framework is fit for the future. In particular, the FRF Review provides an important opportunity to ensure that the UK maintains a coherent, agile, and internationally-respected approach to financial services regulation that delivers appropriate protections and promotes financial stability.

The second FRF Review consultation was published on 9 November 2021. The consultation set out how the government intends to repeal the majority of retained EU law in order to move to a comprehensive model of regulation based on the UK's domestic Financial Services and Markets Act 2000 (FSMA) model, where the expert independent regulators generally set the direct regulatory requirements which apply to firms in their rulebooks. This will give the regulators significant new rulemaking responsibilities. The consultation also set out proposals for changes to the regulators' statutory objectives, enhanced mechanisms for accountability, scrutiny, and oversight of the regulators by Parliament and HM Treasury and strengthening the regulators' engagement with stakeholders.

The Government will respond to the consultation shortly and will implement reforms through the Financial Services and Markets Bill.

Working with other departments on government's approach to regulation

The Treasury works closely with the Better Regulation Executive within the Department for Business, Energy and Industrial Strategy (BEIS), ensuring that the government's approach to regulation supports the delivery of its objective.

Chapter 6
Sustainability report

The Treasury is committed to promoting and embedding sustainability through policy development, its work with other Government Departments, and its own operations.

Embedding sustainability in policy making

The Treasury's objectives include:

- place the public finances on a sustainable footing, ensuring value for money and improved outcomes in public service
- ensure the stability of the macro-economic environment and financial system, enabling strong, sustainable and balanced growth

The Treasury is committed to sustainable economic growth. For growth to be sustainable in the long-term, it must support wellbeing and opportunity for all, and be achieved alongside the objectives of transitioning to a Net Zero economy, protecting and enhancing biodiversity, and the sustainable use of natural resources.

As the UK's economics and finance ministry, the Treasury is central to ensuring these aims are accounted for in policy appraisal across Her Majesty's Government and pursued through policies that deliver value for money and are affordable.

The Treasury has particular responsibility for the UK Sustainable Development Goal (SDG 8) relating to 'promoting sustained, inclusive and sustainable economic growth. In this chapter, the Treasury has also identified where its work directly contributes to the delivery of other SDGs[1]. However, as set out in the Performance Report, the Department's work also influences and supports the UK's approach across government to all of the SDGs.

Mitigating Climate Change

The Net Zero Review Final Report[2] was published in October 2021 and explores the key issues as the UK decarbonises. It considers the potential exposure of businesses and households to the transition, and

[1] UN Sustainable Development Goals: https://sdgs.un.org/goals

[2] www.gov.uk/government/publications/net-zero-review-final-report

highlights factors to be taken into account when designing decarbonisation policy that will allocate costs over this time horizon[3].

Spending Review 2021 helped lay the foundation for the transition to Net Zero, including confirming £30 billion of Government investment to 2024-25 and over £1 billion of funding for BEIS's Net Zero Innovation Portfolio to accelerate the deployment of key technologies needed for net zero. HMT has committed to deliver the Net Zero Strategy, the Prime Minister's Ten Point Plan for a Green Industrial Revolution, and the British Energy Security Strategy.

Government will ensure protecting the environment and acting on climate change remains at the top of the global agenda this year, especially in the context of energy security concerns, through the remainder of our COP26 Presidency and at COP27.

Since the launch of the Green Financing Programme in June 2021, the UK Government has raised £16 billion in the sale of green gilts, and a further £0.3 billion in the sale of NS&I's retail Green Savings Bonds. These will go towards funding climate-related and environmental expenditures. The Green Financing Programme continues this financial year with an additional £10 billion in gilt sales.

The National Infrastructure Strategy (NIS), published in November 2020, set out the government's plans to transform UK infrastructure based around three central objectives: economic recovery from COVID-19; levelling up and unleashing the power of the Union; meeting the UK's Net Zero Emissions target by 2050. Further progress on delivering the commitments made in the NIS has been made with the opening of the UK Infrastructure Bank (UKIB) in June 2021. The Bank will support economic growth, accelerate our progress to net zero and help level up the UK. In total, the UK Infrastructure Bank has £22 billion of financial capacity to deliver on its objectives, consisting of £12 billion of equity and debt capital and the ability to issue £10 billion of guarantees.

In October, the Treasury also led the publication of the Greening Finance: A Roadmap for Sustainable Investing[4], detailing the Government's plan for implementing Sustainability Disclosure Requirements (SDR). Additionally, in order to support the development of the UK Green Taxonomy, HM Treasury announced the establishment of the Green Technical Advisory Group. To support the ambition to have firms report how they will transition towards Net Zero, a Transition Planning Taskforce has been established to develop best practice in this area.

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[3] Net Zero Carbon by 2050 – approx. 30 year transition

[4] https://www.gov.uk/government/publications/greening-finance-a-roadmap-to-sustainable-investing

Through these policies, HMT supports the following UN sustainable development goals:

- SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all
- SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation
- SDG 11: Make cities and human settlements inclusive, safe, resilient and sustainable
- SDG 12: Ensure sustainable consumption and production patterns
- SDG 13: Take urgent action to combat climate change and its impacts

Nature recovery

The government's response to the 'The Economics of Biodiversity: The Dasgupta review' was published in July 2021, accepting the Review's central conclusion that nature sustains our wellbeing, livelihoods, and our economy. The response set out several Treasury-led areas of work to embed nature into financial institutions globally, and into the processes that underpin economic and financial decision making in government and the private sector.

A further highlight of the past 12 months was the final passage of and Royal Assent to the government's world leading Environment Act 2021 – which was supported at every stage by HM Treasury who continue to work closely with the Department for Environment, Food and Rural Affairs (DEFRA) in the implementation of flagship measures such as new environmental targets, biodiversity net gain and major waste reforms.

HM Treasury is supporting biodiversity and climate goals through the government's international agenda. In particular, through the UK's COP26 and G7 Presidencies, the Treasury ensured the natural world was at top of the global agenda, engaging with Finance Ministers and financial institutions internationally to mainstream climate and nature into economic and financial decision-making and mobilise finance at scale for net zero and climate-resilient development.

Through these policies, HMT supports the following UN sustainable development goals:

- SDG 12: Ensure sustainable consumption and production patterns
- SDG 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development
- SDG 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

Social justice

HM Treasury fulfils its responsibilities under equalities legislation to consider the impacts of all measures on protected characteristics, including with regards to sex, race, age and disability. HM Treasury has an important role to play in driving the government's levelling-up agenda, and actively considers the regional impacts of policies and spending decisions, including rural proofing. This includes ensuring that public spending is focused on priority outcomes to enable everyone to benefit from levelling up.

Government has committed to support industry-led efforts to improve the gender balance in financial services through the Women in Finance Charter, which has over 400 signatories across the sector.

Through this policy, HMT supports the following UN sustainable development goals:

- SDG 5: Achieve gender equality and empower all women and girls
- SDG 10: Reduce inequality within and among countries

Working with other government departments to improve sustainability

The Treasury requires all departments to adhere to the Green Book[5] guidance when providing a business case for a policy, programme or project. An update to the Green Book in March 2022 provided greater prominence to the valuation of environmental impacts. Supplementary guidance to the Green Book covers the practical application of

[5] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1063330/Green_Book_2022.pdf

techniques for valuing both positive and negative environmental impacts in policy appraisal, including greenhouse gas emissions or abatement.

The Green Book also directs users to the Climate Change Risk Assessment (CCRA) to consider current and potential future climate risks and vulnerability to risks of an intervention. This is of particular relevance when a policy has long term implications, for example, new infrastructure investment. The CCRA provides a framework that quantifies interactions with climate risk and enables consideration of the role of climate in altering the scale and distribution of costs and benefits over the lifetime of the proposal. Supplementary guidance, Accounting for the effects of Climate Change, provides steps to determine whether climate risks are relevant in relation to the appraisal of an intervention. Changes to the Green Book will also better link projects and programmes to policy priorities - including levelling up.

In addition, in the 25 Year Environment Plan, the government committed to ensure that all policies, programmes and investment decisions consider the possible extent of climate change this century. As part of ensuring this approach is embedded in policy and programme decisions, the government has revised the Green Book Supplementary Guidance on Accounting for the Effects of Climate Change to include updated information on climate evidence and assessments.

Spending Review 2021 investment decisions were informed by evidence on the expected contribution of proposals to meeting net zero carbon emissions by 2050 and were assessed within the context of policies set out in the Net Zero Strategy.

The Treasury also helps to drive sustainability across government through its sponsorship of the Government Finance Function. In 2021-22, the Government Finance Academy published 'Climate Essentials and Green Finance' e-learning and launched a 'Sustainable Finance Hub' on OneFinance to bring together guidance, resources and training for the Government Finance workforce.

Improving the environmental performance of our estate and operations to reduce negative environmental impacts

The Government Property Agency (GPA) became the sole facilities management provider for HM Treasury during 2021-22. The GPA have established a Net Zero Programme for the whole of the Government Office Portfolio to reduce carbon emissions across the estate.

The Treasury works with the Government Property Agency who is tasked with delivering improvements to the environmental performance of its operations including through the implementation of the Greening Government Commitments (GGCs).[6] The GGCs set out the actions UK government departments and their partner organisations will take to reduce their impacts on the environment. Updated GGC targets have been set for 2021-25, superseding the targets for 2016-20. Key changes to the GGCs compared to 2016 to 2020 are:

- changing the target baseline year from 2009-10 to 2017-18, to more accurately reflect the current government estate and ensure government builds on the progress it has already achieved since 2009-10
- setting more stretching targets on the core areas of emissions, water, waste and domestic flights, and introducing new measures on biodiversity, climate adaptation and food waste
- integrating the transparent reporting requirements into the core GGC targets for biodiversity and climate adaptation
- reorganising the targets into headline commitments and sub-commitments, so that departments can commit to common overall objectives, with sub-commitments which contribute to the overall aims

[6] The Greening Government Commitments are available : https://www.gov.uk/government/publications/greening-government-commitments-2021-to-2025

Sustainable construction

We have had no new builds in the last year. We work with the GPA[7] to ensure any construction work prioritises sustainability and reaches the government's buying standard. The GPA is working towards the achievement of an excellent rating on BREEAM.

GPA worked on the following locations during 2021-22;

1 Horse Guards Road, London; undertook a project to improve lagging around the district heating system to reduce energy loss and further to upgrade the heat exchangers within the district system. This change is due to go live in October 2023.

Rosebery Court, Norwich; work is currently ongoing to update the HVAC (heating, ventilation and air conditioning) system including pipework, fan coil units and air handling units, with the potential to operate more efficiently. The works will be completed by August 2022.

Bishopsgate House and Feethams House, Darlington; Staff have been using Bishopsgate House as an interim office and have begun a phased move to Feethams House nearby. GPA undertook works to upgrade the lighting at Bishopsgate House to LEDs. Across the building this is estimated to save 14.61tCo2e per annum and over £8k per annum in utility savings.

Feethams House currently holds a BREEAM 'excellent' rating for sustainability and the GPA project team are aiming to retain this rating.

Climate change adaption

During 2021-22, GPA have undertaken a series of cross-functional discussions on climate change adaptation and will be undertaking further assessment in the next few months in order to develop an action plan.

Mitigating climate change: working towards Net Zero by 2050

In 2019, the Climate Change Act 2008 (2050 Target Amendment) Order 2019 was passed which increased the UK's commitment to a 100% reduction in emissions by 2050. To meet this commitment, the UK government must drastically reduce the UK's GHG emissions.

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[7] https://www.gov.uk/government/organisations/government-property-agency

Greenhouse gas (GHG) emissions

	Emissions	2017-18[8]	2018-19	2019-20	2020-21	2021-22
Tonnes CO_2e	Scope 1 (Direct - gas)	7	5	5	2	4
	Scope 2 (Energy indirect)	1,092	957	880	719	736
	Scope 3 (Official business travel) - domestic	142	142	113	49	75
	Total excluding International Travel for GGC	1,241	1,104	998	770	815
	Other Travel (International flights and Eurostar travel)	679	1,048	892	13	121
	Total GHG emissions	1,920	2,152	1,890	783	936

By 2024-25, HMT has committed to reduce overall GHG emissions by 69% from a 2017-18 baseline and reduce direct GHG emissions from estate and operations by 25% from a 2017-18 baseline.

The GGC target excludes international travel. Against this target, overall emissions are down by 34% from the 2017-18 baseline, this target is not exceeded, and direct GHG emissions are down by 43% exceeding the target in 2021-22.

A policy of procuring carbon offsets has been implemented during the year, as outlined in the Sustainable Procurement section of this report. This does not affect the emissions in the table above which are gross emissions. Expenditure on carbon offsetting is expected to be reported from 2022-23 onwards.

[8] Updated baseline includes Rosebery Court.

Energy use[9]

		2017-18[8]	2018-19	2019-20	2020-21	2021-22
mWh	Electricity: non-renewable	0	0	0	0	0
	Electricity: renewable	2,547	2,736	2,765	2,214	2,406
	Gas	36	27	27	12	15
	WDHS[10]	742	689	625	763	849
	Total related energy use	3,325	3,452	3,417	2,989	3,270
Tonnes CO_2e	Electricity: non-renewable	0	0	0	0	0
	Electricity: renewable (scope 2/3)	979	840	767	560	556
	Gas (Scope 1)	7	5	5	2	4
	WDHS[10] (scope 2)	197	183	173	203	225
	Total related energy use	1,183	1,028	945	765	785
£000	Electricity: non-renewable	0	0	0	0	0
	Electricity: renewable	327	381	425	376	414
	Gas	1	1	2	1	1
	WDHS[10]	144	167	130	126	115
	Gross energy expenditure	472	549	557	503	530

Due to COVID-19 restrictions during the period from March 2019 onwards, there have been fewer staff present in the buildings relative to prior years.

9 Darlington office is not included in the Electricity, Gas or Water numbers as the main occupier is reporting on the whole building in their GGC return

10 Whitehall District Heating System

Official travel[11]

		2017-18[8]	2018-19	2019-20	2020-21	2021-22
km[12]	Domestic air travel (scope 3)	147,935	197,302	122,035	4,973	16,589
	International air travel (other travel)	3,842,194	5,128,841	2,795,954	115,538	885,588
	Rail/underground/tram (scope 3)	619,494	874,664	805,241	45,491	670,057
	Hire car/taxi (scope 3)	21,509	22,989	16,894	3,571	6,825
	Fleet/private car/private motorbike (scope 3)	29,913	13,005	10,107	12,361	20,775
	Other travel – Eurostar (other travel)	643,862	675,320	386,834	1,249	67,254
	Total business travel	5,304,906	6,912,121	4,137,064	183,183	1,667,088
Tonnes 12 CO_2e	Domestic air travel	21	31	16	1	2
	International air travel	671	1,040	890	13	121
	Rail/underground/tram	29	39	33	2	24
	Hire car/taxi	3	3	2	0	1
	Fleet/private car	6	2	2	2	4
	Other travel - Eurostar	8	8	2	0	0
	Total business travel	737	1,124	945	18	152
£000	Domestic travel	650	732	534	125	385
	International flights	975	1,288	743	38	192
	Total business travel[13]	1,625	2,020	1,277	163	577

Travel, particularly internationally, has historically been a significant driver of HM Treasury's environmental impact, though this effect was lessened as a result of COVID-19 restrictions. We are committed to ensuring that all our offices are equipped for effective multisite working, so that staff based in any of our sites do not have to travel. However, some domestic and international travel will continue to be critical to delivering the organisation's priorities, and where this is the case, the department will seek to reduce the environmental impact

[11] Darlington Office is included in figures for Travel and Paper

[12] Data for the Km's travelled and CO2 emissions for coach and bus travel are not currently available from GPA

[13] Includes the costs of Fleet (including Government Car Service), Rail, Domestic Flights and Taxis

where possible – including through requiring rail travel to be considered first as an alternative to each planned flight, and the use of green providers and carbon offsetting.

Reductions in travel over the past two years were largely as a result of COVID-19 restrictions. Any travel that took place during that period was limited and was made within the government guidelines.

By 2024-25, HMT has committed to reduced emissions from domestic flights by at least 30% from a 2017-18 baseline. This year, emissions from domestic flights are down 90% on the 2017-18 baseline.

The GGCs aim for 25% of the government car fleet to be ultra-low emission vehicles (ULEV) by 31^{st} December 2022 and for 100% of the government car and van fleet to be fully zero emissions at the tailpipe by 31^{st} December 2027. The percentage of ULEVs in the HMT's fleet/hire is 0%. This is because the DfT report on the Government Car Service and HM Treasury, does not have any ULEV's that are used continuously for more than 5 days. Two electric car charging points have been installed at 1HGR.

Minimising waste and promoting resource efficiency

In the 25 Year Environment Plan the government pledged to leave the environment in a better condition for the next generation. To meet the commitment, the UK must use resources efficiently and reduce the amount of waste we create. A more circular economy will keep resources in use as long as possible and extract the maximum value from them.

Waste Analysis[14]

		2017-18[8]	2018-19	2019-20	2020-21	2021-22
Tonnes	Waste recycled (excl. ICT waste)	77	67	62	8	18
	Waste composted/ anaerobic digestion	9	9	10	1	2
	Waste incinerated with energy recovery	59	53	49	6	11
	Total waste arising	145	129	121	15	31

By 2024-25, HMT is committed to reducing waste generated by 15% from the 2017-18 baseline. This year, waste is 79% lower than the 2017-18 baseline. As with GHG emissions, this has been driven by the reduction of staff working from the office due to the COVID-19 pandemic. A range of waste recycling options continues to be available across London, Norwich and Darlington Offices. At 1HGR and Roseberry Court this includes mixed recycling, glass and food waste. 64% of waste was recycled this year (GGC Target: >70%). We are unable to report waste that went to landfill (GGC target: <5%) this may change in subsequent years if the information is made available by the GPA.

During COVID-19 some disposable and single use plastic items were reintroduced at 1HGR to minimise the risk of contact transmission, however a plan is in place to return to zero single use plastics.

Treasury ICT waste is re-used or disposed of responsibly in line with government standards. The Treasury uses an ICT contract take back scheme and when required, a 'call-off' disposal contract which meets the ISO 14001:2004 environmental management standard.

14 The following information was not reported in the prior year and cannot be identified in 2021-22 i) total cost of expenditure on waste disposal ;and in respect of tonnage weight; ii) ICT waste recycled, reused and recovered iii) waste incinerated without energy recovery iv) waste to landfill. A request will be made to the GPA to supply this information in future.

Paper usage[11]

		2017-18[8]	2018-19	2019-20	2020-21	2021-22
A4 ream equivalents	Paper used	12,916	13,590	9,757	0	1,053

HMT has committed to reducing paper use by at least 50% from a 2017-18 baseline. This year, paper use is 92% lower relative to the 2017-18 baseline, thereby performance has exceeded the target. This has been driven by the move towards paperless working.

Reducing our water use

The government has policy objectives to reduce the use of finite, natural resources. It is important public sector organisations lead the way in monitoring, managing, and reporting the use of finite resources.

		2017-18[8]	2018-19	2019-20	2020-21	2021-22
m^3	Water consumption[9]	11,603	13,030	12,222	4,682	3,997
	Water consumption per FTE	9	9	8	3	4
£000	Total Expenditure on Water	33	31	32	12	18

HMT has committed to reducing water consumption by at least 8% from the 2017-18 baseline. This year, water consumption is 65% lower than the 2017-18 baseline. This has been driven by the decrease in staff working from the office.

Water use is monitored across the London and Norwich offices enabling focussed improvement measures.

Sustainable procurement

We are committed to sustainability in the way we procure goods and services and working with suppliers to improve their performance. Examples include:

- using Crown Commercial Service (CCS) commercial agreements which offer sustainable solutions that comply with relevant and appropriate buying standards and include sustainability factors as a key criterion for award

- working with CCS to ensure our procurement policies and operations are aligned with the cross-government Greening Government Commitment targets

- working with stakeholders to ensure that environmental factors are properly considered through the whole of the procurement lifecycle

- For all new requirements and services being reprocured that are above the thresholds set out in the procurement regulations, the social value components – social, economic, and environmental benefits that will be delivered through the contract – will be evaluated and given a minimum weighting of 10%. Our expectation is for these procurements to include criteria that focus on "Fighting Climate Change" as part of that evaluation

- promoting the use of Small and Medium Enterprises and highlighting suitable contract opportunities for them on Contracts Finder

- we have implemented a policy of procuring carbon offsets for the first time as part of our carbon management strategy. The initial procurement covers the offsetting of emissions in 2021-22 and 2022-23.

Treasury Green Champions Network

The Treasury Green Champions Network brings together staff from across HM Treasury to identify ways of making the HM Treasury estate more environmentally sustainable, and to support wider staff understanding and engagement with issues relating to environmental sustainability.

Chapter 7

The Treasury Group

Treasury Group Executive Agencies

Name	Function	Accounting Officer
UK Debt Management Office (DMO)	Established as an Executive Agency of the Treasury in 1998, the DMO's responsibilities include debt and cash management for the UK Government, lending to local authorities and managing certain public sector funds.	Sir Robert Stheeman is the Accounting Officer and Chief Executive.
Government Internal Audit Agency (GIAA)	Established as an Executive Agency of the Treasury on 1 April 2015, this body provides internal audit services to government departments.	Elizabeth Honer is the Accounting Officer and Chief Executive.
National Infrastructure Commission (NIC)	The Commissioners provide expert, impartial advice to the government on infrastructure, develop the national infrastructure assessment as well as specific studies and engage with the public and private sectors to consult on future infrastructure needs and solutions.	James Heath is the Accounting Officer and Chief Executive.

Treasury Group Non-Departmental Public Bodies

Name	Function	Accounting Officer
Office for Budget Responsibility (OBR)	Created in 2010, the OBR provides independent and authoritative analysis of the UK's public finances.	Richard Hughes is the Accounting Officer and Chairman.

Treasury Group companies

Name	Function	Accounting Officer
UK Government Investments Limited (UKGI)	UKGI began operating on 1 April 2016 as a government company and is wholly owned by HM Treasury. UKGI is responsible for managing the government's financial interest in a range of state-owned businesses.	Charles Donald is the Accounting Officer and Chief Executive.
UK Asset Resolution Ltd (UKAR)	UKAR is the holding company established in October 2010 to bring together the business of Bradford & Bingley and NRAM. Following the sale of the NRAM and Bradford & Bingley companies, UKAR services the residual pension schemes and contingent liabilities related to the sales.	John Tattersall is the Accounting Officer and Chairman.
Reclaim Fund Ltd	Established in 2011 following the enactment of the Dormant Bank and Building Society Accounts Act 2008 and the completion of the regulatory regime, Reclaim Fund Ltd makes it possible for money in dormant bank and building society accounts to be used to help good causes.	Adrian Smith is the Accounting Officer and Chief Executive.
UK Infrastructure Bank Ltd (UKIB)	UKIB was established and opened for business on 17 June 2021. The bank partners with the private sector and local government to increase infrastructure investment to help tackle climate change and promote economic growth across the regions and nations of the United Kingdom. The bank was originally incorporated in February 2009 as Infrastructure Finance Unit Ltd (IFUL) and changed its name in May 2021. Originally IFUL was a special purpose vehicle to provide loan finance to PFI projects and subsequently as the vehicle for operating the Digital Infrastructure Investment Fund and Charging Infrastructure Investment Fund.	John Flint is the Accounting Officer and Chief Executive.

IUK Investments Holdings Ltd	The IUK Investments group, comprising IUK Investments Holdings Ltd and its subsidiary IUK Investments Ltd, was established in March 2013 to hold PF2 investments in infrastructure projects.	Charles Roxburgh was the Accounting Officer.[1] The company's directors are directors of the IPA.
Help to Buy (HMT) Ltd	Incorporated in September 2013, the company's sole activity is to operate the Mortgage Guarantee Schemes.	Anna Caffyn is the Accounting Officer and a director.
HM Treasury UK Sovereign Sukuk plc	Incorporated in May 2014, the company's sole activity has been to issue and service Sukuk certificates.	Mario Pisani is the Accounting Officer and a director.

Treasury Group additional bodies

Name	**Function**	**Accounting Officer**
Sovereign Grant	The Treasury is responsible for the upkeep of the Sovereign Grant payments which support HM The Queen in her official duties. Introduced in 2012 this funding replaced the Civil List and the three grants in aid for travel, communications, and the maintenance of the Royal Palaces.	The keeper of the Privy Purse and the Treasurer's Office has overall responsibility for the Sovereign's financial affairs. This post is currently held by Sir Michael Stevens KCVO who is also the Accounting Officer for the Sovereign Grant.
The Royal Mint Advisory	RMAC was established in 1922 by King George V to raise the standard of	As Chief Executive of the

[1] Following Charles Roxburgh's retirement after the end of the reporting period, Cat Little was appointed Accounting Officer of IUK Investments group.

Committee on the Design of Coins, Medals, Seals and Decorations. (RMAC)	numismatic art and this remains its primary concern, it is responsible for recommendations on all new designs for UK coins and official medals.	Royal Mint, Anne Jessop is also the Accounting Officer for the RMAC.
Office of Tax Simplification (OTS)	As an independent office of the Treasury, the OTS provides the government with independent advice on simplifying the tax system.	As Director General Tax and Welfare in the Treasury, Beth Russell is Accounting Officer for the OTS.
Office of Financial Sanctions Implementation (OFSI)	The Office of Financial Sanctions Implementation helps to ensure that financial sanctions are properly understood, implemented and enforced in the United Kingdom.	As Accounting Officer for the Treasury, Tom Scholar is also Accounting Officer for OFSI.
Financial Reporting Advisory Board (FRAB)	Originally set up in 1996 following the publication of the July 1995 White Paper 'Better Accounting for Taxpayer's Money', the role of the Financial Reporting Advisory Board, or FRAB, is to ensure that government financial reporting meets the best possible standards of financial reporting. In 2000 the Government Resources and Accounts Act set out that the Treasury shall consult a group of appropriate people to advise on financial reporting and standards. This role is fulfilled by FRAB as an independent body and put the existence of the board on to a more formal footing.	Vicky Rock[2] represented HM Treasury on the Board as a Relevant Authority.

Followyng the departure of Vicky Rock after the end of the reporting period, Mike Sunderland is the HMT representative on the FRAB[2]

HM Treasury contacts

This document can be downloaded from www.gov.uk

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