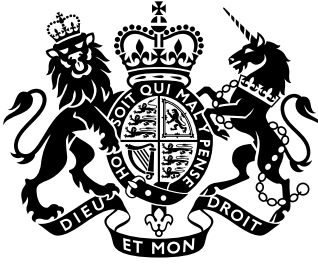




UK Government  
Investments

# UK GOVERNMENT INVESTMENTS LIMITED

## Annual Report and Accounts 2021-22



# **UK GOVERNMENT INVESTMENTS LIMITED**

## **Annual Report and Accounts 2021-22**

Presented to Parliament by the Economic Secretary to the Treasury  
by Command of Her Majesty

July 2022

Company No. 09774296



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# Overview

## Our purpose

UK Government Investments Limited (UKGI) is the government's centre of excellence in corporate governance and corporate finance. We provide expert advice and solutions that inform and translate government's decisions into effective outcomes in the national interest.

UKGI is tasked with promoting good governance of publicly owned businesses, supporting government's private sector interventions, providing a central capability for contingent liabilities and delivering orderly transactions that generate value for money.

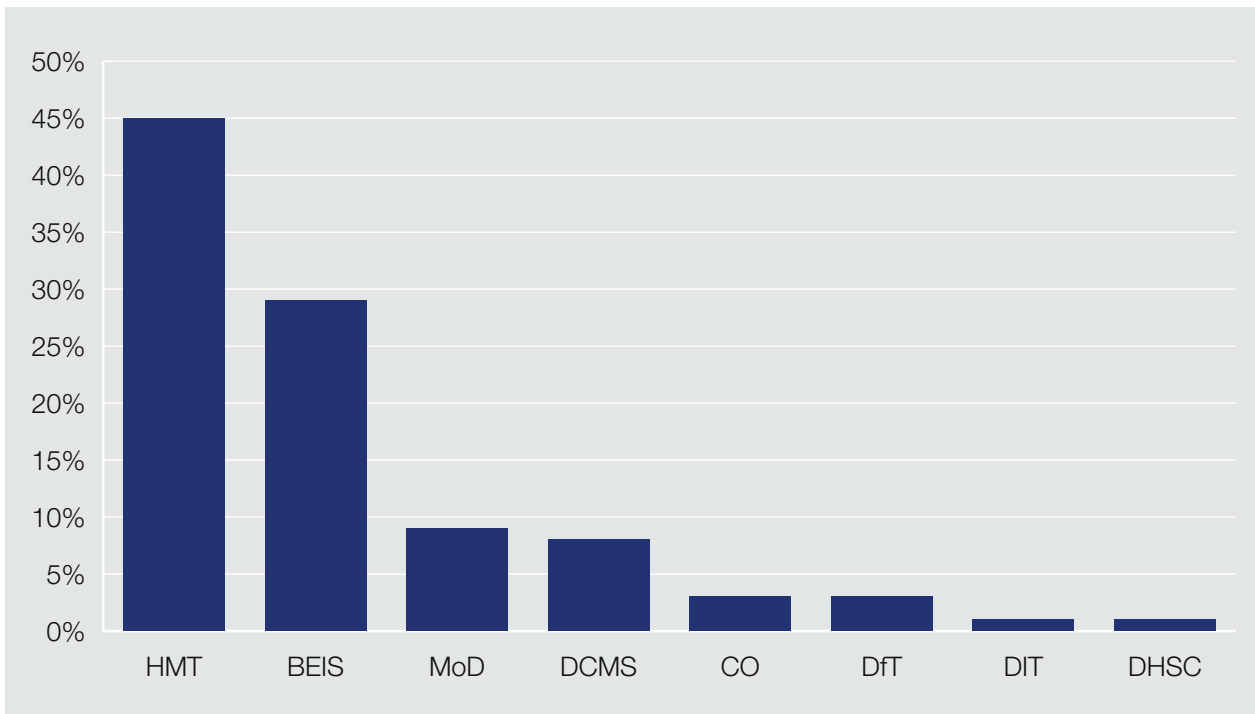
## Objectives

UKGI is entrusted by HM Treasury to undertake the following objectives:

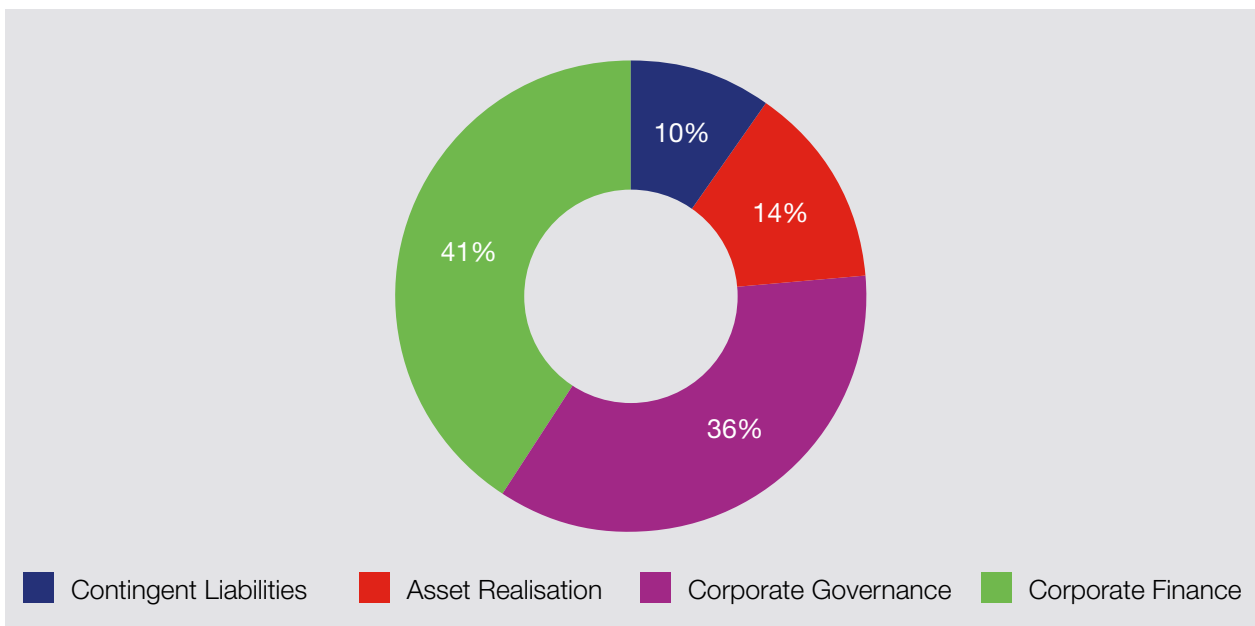
 <b>Corporate Governance</b> Act as shareholder for, and lead establishment of, UK government arm's length bodies	 <b>Corporate Finance</b> Advise on all major UK government corporate finance matters, including financial interventions into corporate structures and corporate finance negotiations	 <b>Contingent Liabilities</b> Analyse and advise on the UK government's contingent liabilities	 <b>Asset Realisation</b> Acquire, manage and execute the sale of all significant UK government corporate assets
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## Company highlights

### The departments UKGI worked with in 2021/22, weighted by FTE deployed



### Overall breakdown of UKGI objective by FTE



# Chairman's Foreword



This is my first Annual Report since being appointed as Chairman in September 2021. During these initial months I have found it notable the enormous variety and range of issues that UKGI is drawn into. Our ability to offer independent objective expert advice and support to departments has been particularly valued over the past year, and is one of the reasons we are commissioned to work on projects of real significance. There were several examples of this during the pandemic, and more recently supporting government's economic response to the war in Ukraine, which will be illustrated within this report. For example, I was especially pleased with how our expertise was brought to bear to support HM Treasury's Covid Corporate Financing Facility which closed in March of this year, with every penny repaid.

Whilst it is important to respond to these external factors, UKGI also continues to drive its core activities, including the establishment of our fourth objective in the form of the Contingent Liability Central Capability which moved from set up to active over the course of the year. The team has had an immediate impact in managing government's risk profile and is laying the foundations for its continual development faster than was originally envisaged, already advising departments on the management of over 50 new contingent liabilities, 20 of which each involved over £100m of risk exposure.

Our Corporate Governance team has continued to drive best practice amongst UKGI's growing portfolio of assets. The ongoing support we provide to our assets is invaluable as they navigate a rapidly changing business environment, in particular this year focusing on environmental considerations in the journey towards climate-related financial reporting and Net Zero, a priority issue for all businesses and indeed nations.

UKGI is an organisation that seeks to learn from experience and stays alert to the latest practices in governance. We reflect on our past activities and consider ways in which we can do things differently. These reflections are particularly pertinent as we address our role with the Post Office and how we can give every possible assistance to the Post Office Horizon Inquiry. We are constantly aware of the suffering faced by the victims of the Horizon scandal and our team continues to focus on supporting BEIS with certain compensation schemes which the Post Office is delivering to those affected.

Reflecting our role as a centre of excellence for corporate governance in government, in March UKGI became a signatory to the UK Stewardship Code published by the Financial Reporting Council. Our response offered a useful opportunity to articulate how we provide effective stewardship to assets and successfully demonstrated how UKGI is meeting the Code's Principles. In addition, reflecting UKGI's expertise in the management of Arm's Length Bodies, Managing Public Money was updated in 2021 to require departments seek UKGI advice on the set-up of certain types of arm's length bodies and additionally to consider whether UKGI should carry out the shareholder role for such bodies. This important milestone confirms the importance of government properly fulfilling its shareholder function and explicitly highlights the central role of UKGI in this context.

“Our ability to offer independent objective expert advice and support to departments has been particularly valued over the past year, and is one of the reasons we are commissioned to work on projects of real significance.”

In our work on asset realisation, further progress has been made this year towards full disposal of the NatWest shareholding by 2025-26. An important landmark was reached in March, when the Government stake was reduced to below 50% for the first time since the financial crisis. Marking another important achievement, in October 2021 a transaction worth around £5billion was finalised to complete the sale of the issued share capital and remaining mortgage and loan portfolios of Bradford & Bingley plc and NRAM Limited and their subsidiary companies.

As these examples illustrate, UKGI is asked to use its expertise to take on some of the most challenging projects in the government realm, many of which we know have high risk attached at the outset.

We now face an evolving economic situation where there may be increasing challenges for the corporate sector, and we stand ready to support Departments with our expertise where required and drive resilience across our portfolio.



As I get to grips with the risks and opportunities faced by UKGI, I am particularly grateful for the support from my board colleagues as well as the wider UKGI team for their welcome to the organisation and their ongoing insight and expertise. The levels of staff engagement and job satisfaction reported in our staff survey results continue to be very encouraging, and are particularly valuable in light of the importance of the work we do. UKGI is a small organisation with an impact and reach that would be the envy of much larger organisations, and it is due to the dedication of our committed and professional colleagues and board that we achieve all that we do. I would like to also pay tribute to my predecessor, Robert Swannell, whose stewardship of UKGI since its incorporation in 2016 has made it the organisation it is today.

I am looking forward to working with the board and leadership team over the coming years to continue to build a resilient, diverse and effective organisation for the future.



**Vindi Banga**

Chairman

18 July 2022

# Chief Executive's Statement



As I noted in my statement in last year's annual report, 2020-21 was a year of considerable growth for UKGI in the range and scale of its mandates as we stepped up to tackle some of the challenges presented by the pandemic and added a new area of work under our fourth objective.

At that time, I expressed my goal for 2021-22 to be a period of consolidation during which teams and workstreams could be fully embedded and focus could be given to work on UKGI's culture and values. I am pleased that this has been achieved and we are starting to build back the social capital that has been eroded over the last two years. The introduction of hybrid working has particularly supported this, and colleagues are now benefitting from the advantages of both office and remote working. However, we are continuing to keep a close eye on how we are adapting to our new working practices and ensuring we really do have 'the best of both worlds'.

UKGI's continued focus on culture is one of the reasons we remain an employer of choice, able to attract talent from both the public and private sector. In the past year we have significantly strengthened our senior team through recruitment and promotion. Our new Directors bring to UKGI a powerful combination of Civil Service expertise, leadership strength and deep technical knowledge from the private sector. This is a blend we strive for throughout the organisation to ensure we reflect diversity of thought in our work. This year we have also been joined by our new Chair, Vindi Banga, who brings his long experience and valuable perspective to the board and the organisation. He has already had an impact by making himself available for colleague engagement and sharing his deep experience of governance with our shareholder teams and I look forward to continuing to work with him closely.

**“UKGI's continued focus on culture is one of the reasons we remain an employer of choice, able to attract talent from both the public and private sector.”**

I am also delighted that Vindi is as passionate as I am about making UKGI a diverse and inclusive place to work. Over the past year I have been particularly proud of the ongoing activity throughout the

organisation on this priority theme and the fact we have exceeded our gender diversity target and are on track to meet our ethnic diversity representation target. One of the outcomes of this work has been the establishment of UKGI's Alumni network, a group that now numbers over 200 members with roots back to UKGI, the Shareholder Executive and UKFI. It is inspiring to learn what our former employees have gone on to achieve, an illustration of how the network and experience gained at UKGI is beneficial to a career in either the public or private sector.

When engaging with alumni I have been struck by the enduring nature of some of the themes of UKGI's work, but also how much things have changed. We have secured our status with departments as a trusted, objective adviser. In particular, the case for a specialised and centralised shareholder function for large and complex arm's length bodies has never been stronger. UKGI's portfolio of assets now stands at 23, having seen some additions in the past year and with some assets being returned to their sponsor departments once UKGI successfully completed its role.

One new asset added is Sheffield Forgemasters, where we worked closely with MOD to bring the firm into government ownership. The UKGI team led on many aspects of this intervention, including the transaction itself, the provision of commercial advice, the design of governance and future funding arrangements and state aid considerations. We are now performing the shareholder function for this asset, illustrating how UKGI has a role at all stages of an organisation's transition. UKGI's position representing the UK at the OECD's Working Party on State Ownership and Privatisation Practices also allows us to share this expertise in the corporate governance of state-owned enterprises and implementation of privatisation policies for the benefit of the 38 member countries and the EU Commission.

Another change that former colleagues might observe would be the closer integration of the various teams and the broadening of the skillsets within UKGI. Whilst we value deep technical expertise, we also offer our people opportunities to develop knowledge and understanding of other areas of the business through the flexible way we resource our projects, allowing colleagues to collaborate with and learn from people whose experience may differ. For example, our CLCC team comprises actuaries seconded from the Government Actuary's Department (GAD), credit risk experts, policy professionals and analysts – skillsets that have already been valuably deployed elsewhere in the organisation, offering those colleagues

a chance to engage in enriching and varied work across a range of different projects.

What UKGI offers to its employees and its clients is unique. In particular, our position as a centre of excellence means we can apply learnings across our work for the benefit of departments. I see 2022/23 as a year to strengthen our offering, further professionalising our delivery model and ensuring we execute to the highest standards. I would like to thank all colleagues whose hard work over the last year has made these achievements possible and I look forward to working with them in the year to come.

A handwritten signature in black ink, appearing to read 'Charles Donald', with a horizontal line underneath.

**Charles Donald**

Chief Executive

18 July 2022



# Strategic report

# UKGI Business Model

UK Government Investments is a company wholly owned by HM Treasury. It provides advisory services to Whitehall departments on the execution of a range of complex commercial and financial tasks. UKGI operates in a way that is consistent with the government's policy objectives including, but not limited to, the promotion and preservation of orderly, competitive markets.

UKGI provides expertise in asset sales, interventions, arm's length body (ALB) set-up, incubation and governance, market intelligence and analysis, transaction execution and larger scale corporate negotiations amongst others.

We have memoranda of understanding with Whitehall departments setting out the services we offer and how we work with them to deliver those services. When working for ministers, UKGI staff demonstrate the same degree of confidentiality as ministers would expect of their own officials, to the standards contained within the Civil Service Code.

UKGI is accountable to Parliament for specific matters pertaining to the preparation of accounts, governance and acting in accordance with Managing Public Money, and to HM Treasury for performance against its objectives.

## How we work

Our people are highly skilled, experienced professionals, drawn from both the Civil Service and private sector. This combined capability allows us to best meet the evolving needs of our clients.

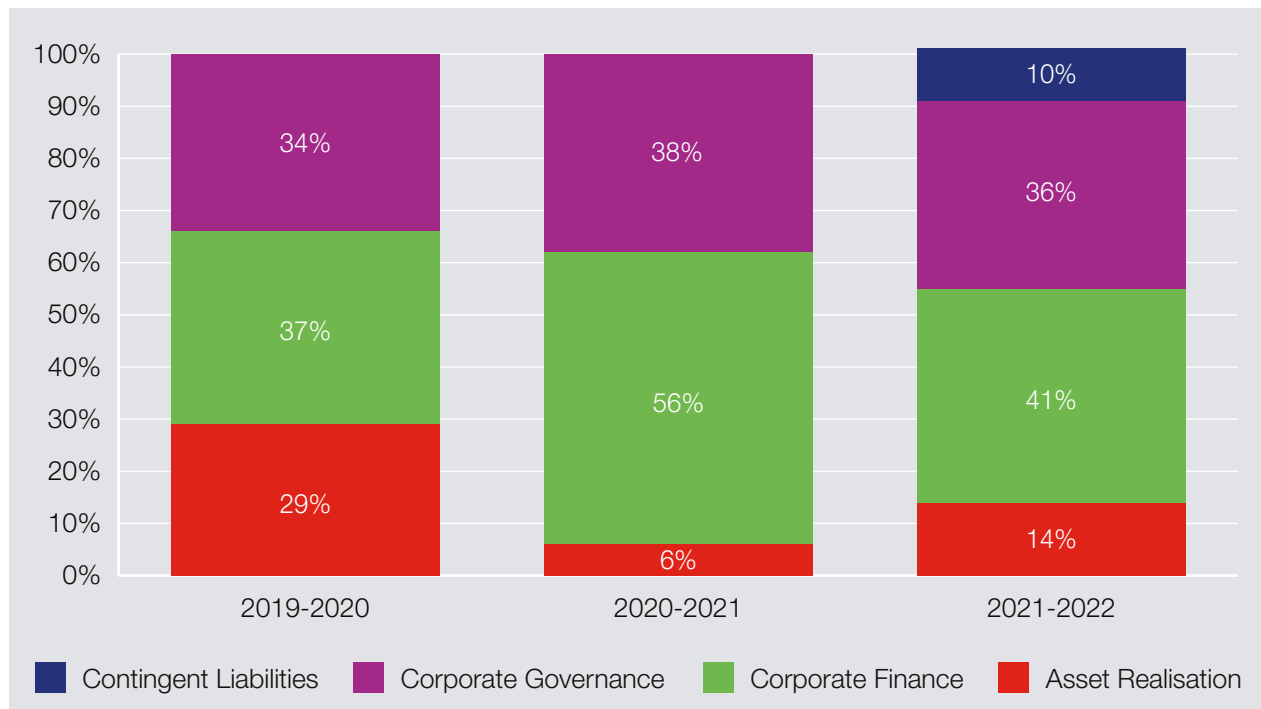
Our values define who we are, what we stand for, how we behave and what we aspire to achieve. We continuously hold ourselves and each other accountable to these values and strive for improvement where we fall short. At UKGI, we are:

1. Supportive and inclusive
2. Open and honest
3. Expert and professional
4. Collaborative and outcome-focused

# UKGI performance

UKGI assesses its performance through a process of feedback from key stakeholders, including departmental permanent secretaries and chairs of portfolio entities; through measurement against performance metrics; and through a review of achievements against its objectives, which is subject to challenge and endorsement by its Board. Against all these measures, UKGI's performance in 2021-22 has been strong. UKGI's portfolio continued to evolve, and it demonstrated leadership in the field of corporate governance in the public sector. It provided advice to departments on corporate finance, particularly in response to the COVID-19 economic shock and the unfolding events in Ukraine. It successfully led asset sales achieving value for money. And it embedded a fourth objective of analysing and advising on government's contingent liabilities.

## Overall breakdown of UKGI objective by FTE



# Delivering our Objectives



## Corporate Governance

**Act as shareholder for, and lead establishment of, UK government arm's length bodies**

## Introduction

At UKGI we perform the shareholder function for a large portfolio of 23 Assets on behalf of seven government departments which;

Employ over  
**215,000**  
people

Generate around  
**£24bn**  
of gross income

Manage over  
**£1,165bn**  
of assets

The portfolio includes non-ministerial departments through to private limited companies and covers a broad and diverse range of sectors, including:



### Defence

Atomic Weapons Establishment,  
Defence Equipment & Support,  
Sheffield Forgemasters



### Finance

British Business Bank, UK Export  
Finance, The Royal Mint, Reclaim  
Fund Limited, UK Infrastructure  
Bank, UK Green Investment  
Platform, BisCo, NatWest, UK  
Asset Resolution



### Property and Land

Ordnance Survey,  
Government Property Agency,  
HM Land Registry



### Communications

Post Office Limited,  
Channel 4, OneWeb



### Transport

National Highways,  
Network Rail



### Nuclear

Nuclear Decommissioning  
Authority, National Nuclear  
Laboratory, Urenco

## Managing our Portfolio

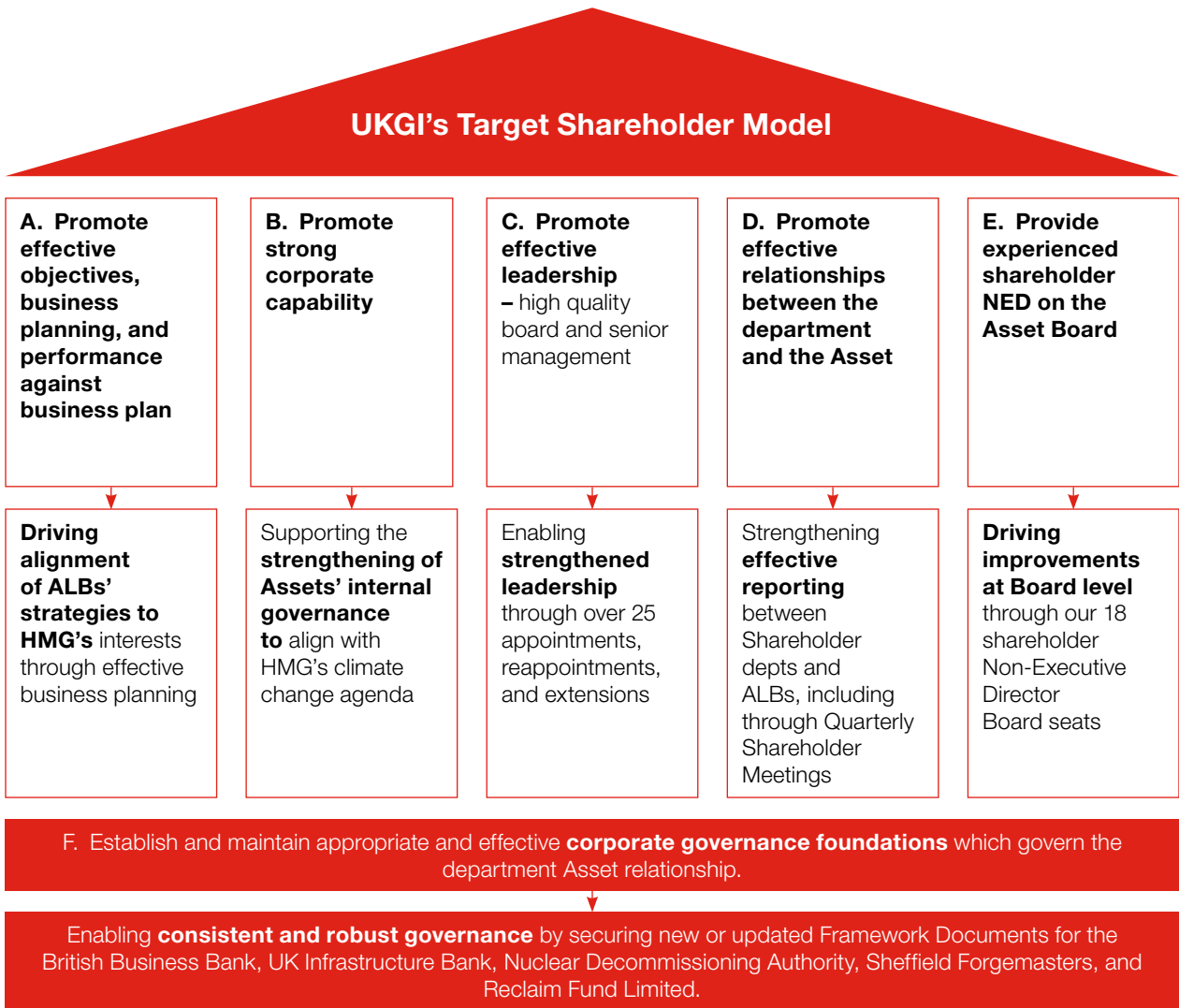
In 2021-22 we took on new shareholder roles on Reclaim Fund Limited, Atomic Weapons Establishment, Sheffield Forgemasters, UK Infrastructure Bank, and the Government Property Agency, laying the foundations for effective stewardship functions. We completed our role with National Air Traffic Services (NATS) after successfully completing the major



refinancing exercise, and with UK Green Investment Platform, before returning them to their sponsoring departments.

Throughout the financial year, UKGI continued to deliver a proactive shareholder role across its portfolio.

UKGI acts as a shareholder on behalf of sponsor departments, promoting ALB’s organisational performance across key functions. The below diagram details the 6 elements of the UKGI Target Shareholder Model in boxes A – F. We have also included practical examples of how we have delivered these during FY 21-22



## Promoting effective stewardship

### Promoting our model

We continue to promote UKGI as the centre of excellence on corporate governance in Whitehall and beyond through our target shareholder model and standards for government ALBs. This year we were successful in our application to become signatories to the Financial Reporting Council's Stewardship Code in relation to our portfolio, which is testament to our effective stewardship practices.

#### UK Stewardship Code signatories



The UK Stewardship Code 2020 sets high expectations of those investing money on behalf of UK savers and pensioners. UKGI submitted its report to the Financial Reporting Council in October 2021 as a Service Provider. We successfully met the expected standard of reporting for 2021 and are now listed as a signatory to the UK Stewardship Code.

This is the first time UKGI has described its stewardship role in this format, making this an opportunity to be clear on the value we add and explain our stewardship practice in action.

Signing up to the Code is a further way in which we can challenge ourselves on our standards and be transparent about how we support the long-term, sustainable success of government-sponsored, taxpayer-funded organisations, in the national interest.

Our shareholder approach and role within government was further anchored through an update to Managing Public Money which requires government departments to seek our advice on the set-up of certain types of ALBs and to also consider whether we should carry out the shareholder role for such bodies. We also supported the development of Cabinet Office's Public Bodies Programme and the Treasury Officer of Accounts arm's length bodies governance policy by contributing our practitioner's knowledge and expertise.

Alongside our core shareholder role, we continued to provide bespoke ALB reviews and support on set-up, including for organisations such as Great British Railways.

### Maintaining and sharing our knowledge and expertise

We remain dedicated to creating and maintaining our high quality and consistent know-how and standards, including providing over 119 hours of targeted training for our shareholder teams.

To enable the sharing of experiences and perspectives across our portfolio, this year we continued and adapted our events programme. We held five events, some hybrid in nature, focused on key governance areas including a Remuneration Chairs round table event in May, a Chairs and CEOs event in July, an Audit and Risk Chairs event in November, and a Remuneration Chairs event in November. Finally, in December we held our first event on Diversity and Inclusion for the portfolio, so that diversity and HR leads could begin working together on this vital and rapidly moving area.

Across our stewardship activities we incorporate Environmental, Social and Governance considerations. These allow us to challenge and support our assets' overall performance and sustainability more effectively. For example, during this year we better enabled our shareholder teams to challenge and support our assets on their journey to net zero by equipping them with relevant guidance and training. We worked with experts across Whitehall and beyond to deliver a successful programme of events to establish a community of environmental leads across our portfolio and with relevant stakeholders across government.

Looking ahead, we remain committed to continuously promoting effective stewardship through our shareholder role across our portfolio as the centre of excellence in government, and responding to the demands of government departments as they arise.

### **Case study: Setting up an ALB – UK Infrastructure Bank (UKIB)**

On behalf of HM Treasury, UKGI acts as shareholder for the UK Infrastructure Bank. The UK Infrastructure Bank exists to help tackle climate change and support regional and local economic growth.

After taking on the shareholder role in May 2021 we have been successfully establishing the core building blocks to effectively carry out the shareholder representative role, utilising our existing ALB set-up experience from organisations such as Green Investment Bank and British Business Bank to support HMT.

Over the last year some of our key achievements have included establishing regular monitoring and reporting through Quarterly Shareholder Meetings. UKGI played a key role in the preparation and execution of the UK Infrastructure Bank's Financial Framework Document and related financial set-up aspects which underpins the Bank's £7billion borrowing and £5billion equity facility. Working closely with HM Treasury and the UK Infrastructure Bank Chair, UKGI continues to build effective leadership at the Bank through establishing the Bank's Board including recently appointing four Non-Executive Directors with the required expertise to enable UKIB to deliver the Bank's objectives.

## Case study: Magnox Inquiry

In March 2021, the Magnox Inquiry published its final report on the Nuclear Decommissioning Authority's ("NDA") award of the Magnox decommissioning contract, including an examination of UKGI's shareholder role in that procurement, litigation and termination. UKGI participated in the inquiry, and in light of our reflections through that process, we proactively took steps to enhance our governance systems touching on a number of recommendations in the final report, including;

- working proactively with Departments and assets to refresh or deliver up-to-date governance arrangements including Framework Documents
- putting in place specialist information sharing protocols with assets facing material litigation to permit appropriate sharing of legally privileged information
- refreshing our Departmental Memoranda of Understanding to set out in more detail the role UKGI performs as a Departmental shareholder representative
- working with Departments to promote a better understanding of the UKGI shareholder role and its intersection with other asset-focused roles e.g. that of the policy team; and
- enhancing our programme of learning and development through external training and internal knowledge-sharing on corporate governance, including between Shareholder NEDs on issues across the UKGI portfolio.

## International work

The UK continues to be seen by the international community as an exemplar of best practice in the corporate governance of its state-owned enterprises (SOEs) and as such is often approached by international delegations for advice and encouraged to play a proactive role at the OECD to inform, challenge and share best practice.

UKGI has represented the UK at the OECD's Working Party on State Ownership and Privatisation Practices (WPSOPP) for over ten years and has provided expertise and support to the WPSOPP in numerous ways, including fielding UKGI colleagues to participate in speaking and training events as well as sharing SOE governance and privatization best practice with counterparts in foreign governments. Since January 2021 our Chief Executive, Charles Donald, has been Chair of the WPSOPP and Lucie Lambert, our General Counsel, sits on the WPSOPP's Bureau which has oversight for the WPSOPPs workstreams, and currently acts as its UK delegate.

The WPSOPP is a policy forum created in 2001 to promote improved corporate governance of SOEs and provide guidance on privatisation practices. It oversees implementation of the OECD Guidelines on Corporate Governance of SOEs, which provide a framework for governments to assess and improve the way they exercise ownership of SOEs. Members of the Working Party include all 38 OECD Member countries and the EU Commission.

The overarching objectives of the Working Party are:

- to initiate and promote policy dialogue and information exchange among members and partner countries with the purpose of improving corporate governance of SOEs and practices for implementing privatisation policies;
- to encourage and assist the application of the G20/OECD Principles of Corporate Governance to SOEs; and
- to act as an international standard setter promoting disclosure, transparency, integrity and a level playing field through the implementation of the OECD Guidelines on Corporate Governance of SOEs.

Owing to the ongoing pandemic, WPSOPP meetings have been held virtually, although our Chief Executive was able to Chair the March meeting from Paris alongside the WPSOPP Secretariat. Nevertheless, we have still managed to fully contribute to the Working Party in a number of ways, drawing on UKGI's portfolio experience:

- providing an overview of UK practices in regard to ownership and governance of SOEs;
- providing high-level assistance to the WPSOPP Secretariat on various SOE reviews;
- providing data and outlining practices in relation to remuneration of boards of directors and executive management within UKGI's portfolio of SOEs; and
- contributing and sharing UK-specific know-how on the role SOEs can take in relation to climate change and low-carbon transition policies, drawing on experiences of the UK government's Net Zero agenda.

In addition to our WPSOPP representation, UKGI continues to engage internationally and share best practice reflections and lessons learnt on a variety of corporate governance topics related to SOEs and privatisation practices. For example, this year we presented at an FCDO/British Deputy High Commission Mumbai-hosted session with the Indian Department of Privatisation on UKGI's asset realisation work. This followed a meeting between the Chancellor and India's Finance Minister on 2 September 2021 where they agreed to deepen the UK-India Economic and Financial Dialogue and do more to share experience on privatisation. We focused on two specific areas – the sale of the Green Investment Bank and the sale of financial assets acquired at the time of the global financial crisis.

We also engaged with our counterparts within the Irish government about UKGI's experience working with Post Office Limited and, among other topics, how public funding for the UK post office network is determined.



## Corporate Finance

***Advise on all major UK government corporate finance matters, including financial interventions into corporate structures and corporate finance negotiations***

### M&A activity

UKGI provides specialist corporate finance advice and commercial negotiation support across government departments where a particular M&A transaction or corporate event is deemed of national or economic importance to HMG.

Since the National Security & Investment Act 2021 came into force there has been an increase in the scrutiny of major M&A activity. The team has been working closely across Whitehall, focused on the economic and national security assessment of transactions, leveraging our expertise in all significant negotiations between government and the private sector.

### UKGI Defence Corporate Finance

Established in 2020, the UKGI Defence Corporate Finance (UKGI DCF) team is part of UKGI Defence, the joint unit formed between UKGI and the Ministry of Defence (MOD). UKGI DCF provides financial and strategic analysis and advice on MOD's suppliers to senior officials and stakeholders in MOD and across Whitehall, including Cabinet Office, BEIS and DIT.

During its second year, the team has successfully increased its recognition and reputation and built stronger ties and relationships with MOD's Supplier Partnering Programme to ensure a comprehensive understanding of the financial health and strategic aims of MOD's most important suppliers, and to help inform contract negotiations and strategic thinking.

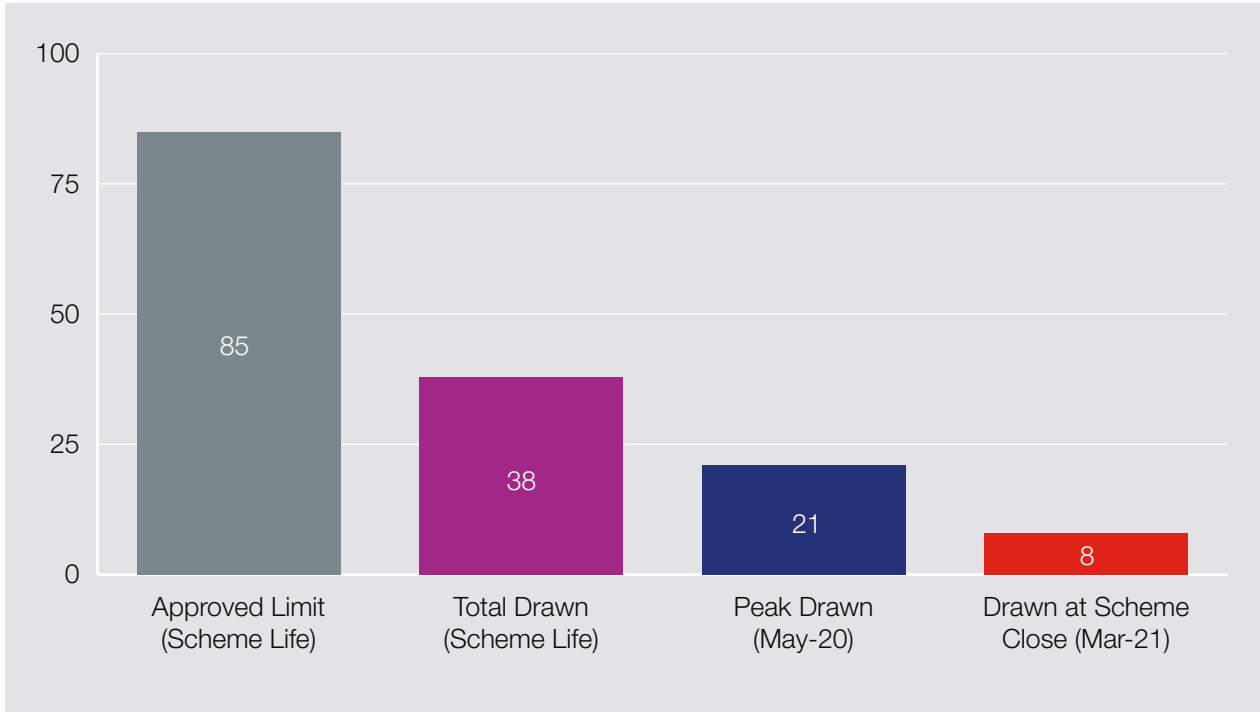
The team now regularly presents to a broad range of stakeholders on financial performance, capital markets and strategy at cross-Whitehall supplier "One Government Days". In addition, UKGI DCF is increasingly called upon to apply its corporate finance expertise to numerous other strategic and supplier-specific projects to help improve the effectiveness of MOD's relationship with the supply chain and optimise defence outputs.

### Covid Interventions Resolution Group

During the pandemic, the Bank of England's Covid Corporate Financing Facility (CCFF) approved over £85bn of borrowing limits, ultimately providing almost £38 billion of support to more than 100 of the UK's biggest employers who collectively employ almost 2.5 million people. A range of sectors were directly supported covering the car industry, travel, hospitality, and high street stores – household names such as Gatwick Airport, the Football Association and the National Trust were among the employers that benefitted from the scheme.

UKGI established the Covid Interventions Resolution Group (CIRG) in September 2020 to support the Advisory Credit Committee (ACC) which was set up by HM Treasury to provide

advice on the assessment of the government’s credit risk from certain applications to borrow through the CCFF. In addition to supporting the ACC, CIRG provided stewardship of the CCFF loan portfolio out to final maturities in March 2022. The scheme provided a quick and cost-effective way to raise working capital for large firms and came to an end on 18 March 2022 with every penny repaid, generating a profit of £68 million.



The scheme was hailed as a success by the Chancellor and highlights how UKGI’s corporate finance expertise can be utilised in advising and supporting government. CIRG evolved as a team from set-up to operations, with the steady-state team responsible for monitoring the loan portfolio from scheme close in March 2021 until the final maturities. Drawing on UKGI’s unique mix of skills, the team was made up of a mixture of corporate financiers and civil service secondees which allowed for continuous learning and development across the team and provided opportunities for all to upskill in areas outside of individual core skill sets. Following the final repayments, both CIRG and the “CIRG Committee” (which was established by the UKGI Board to focus on CIRG’s operations, activities and governance) have since been wound down. Further detail on the success of the scheme can be found on gov.uk.

### Special Situations Group

UKGI’s Special Situations Group provides expert and practical advice to support effective responses by government to financially stressed corporate situations, as an active trusted advisor to stakeholders across government. The team is made up of corporate restructuring practitioners, including qualified insolvency practitioners, experienced restructuring bankers, lawyers and civil servants.

The team helps government departments to understand the signs of financial stress and distress, and the implications of these for government. We support government

departments to contingency plan for company and sector-wide failures. And we advise government departments when they are considering intervention in the private sector to further policy objectives.

We act as a bridge between the private and public sectors, applying deep understanding of the objectives and workings of both the public and private sectors.

Our objectives are to:

- **Contingency plan:** We support stakeholders across Government to contingency plan for company and sector-wide failures.
- **Advise:** We advise government departments when they are considering intervention in the private sector to further policy objectives.
- **Educate:** We help our stakeholders across Government to understand the signs of financial stress and distress and the implications of these for Government. We also help to educate private sector partners facing financial stress or distress on HMG's aims and objectives in such circumstances.

The team works extensively with colleagues across HMG, including in HM Treasury, Cabinet Office, BEIS, MoD, DfT, MoJ, DHSC and DEFRA on specific projects and sectors on a varied portfolio of matters where our work is always driven by criticality rather than size.

In the last year the team has taken a lead advisory role in some of the most high-profile situations facing Government including:

- where major corporates face financial stress and distress arising from the aftermath of the Covid 19 pandemic;
- in advising DHSC on the unprecedented stresses on the Adult Social Care sector,
- in supporting DfT on pressures in the aviation and ferry sectors;
- supporting Cabinet Office in relation to strategic suppliers;
- supporting BEIS, Defra, HMT and Cabinet Office with the impact of the war in Ukraine; and
- supporting BEIS and HMT with the impact of dislocation in the energy markets, for instance, both pre and post appointment on the first Energy Supply Company Special Administration in respect of Bulb Energy Limited, providing expert restructuring and insolvency advice across a wide range of workstreams.

## Government Corporate Finance Profession

The government corporate finance profession (GCFP) is one of the 28 recognised professions across government. It is led by UK Government Investments with our Chief Executive the Head of Profession.



GCFP is open to anyone working in government and is targeted at those whose role or background involves corporate finance. There are currently have around 200 members across Whitehall.

The GCFP's purpose is to promote skills development, knowledge sharing, networking, collaboration and career development in corporate finance. We do this by providing access to relevant training and seminars, holding networking events and maintaining the GCFP competency framework.

Over the last year, the GCFP has successfully hosted a rolling programme of monthly seminars to address key competencies for members on corporate finance technical matters, including government case studies to support our members further develop their skills and knowledge. The profession has also increased engagement with members through a quarterly newsletter featuring subject matter articles, and continued development of the Knowledge Hub as the central portal for all members to access information about the profession including sharing ideas, updates and information on events, vacancies and training. We are also working with the ICAEW to review the Institute's CF qualification and potential to tailor modules for government which will be made available for members.

Over the course of this year, we will look to strengthen the engagement with our network of colleagues working across government in corporate finance roles.



## Contingent liabilities

***Analyse and advise on the UK government's contingent liabilities.***

The Contingent Liability Central Capability (CLCC) was formed in UKGI in April 2021 to improve the management of the government's portfolio of contingent liabilities and enhance taxpayers' value for money.

Since April 2021 the team has grown to thirteen members, with plans for further expansion. The unit has been formed by bringing in a diverse set of skills and expertise including actuaries seconded from the Government Actuary's Department (GAD), credit risk experts, and Civil Service policy and analytical professionals.

The CLCC's three overarching objectives are to:

1. Review and report on existing contingent liabilities
2. Provide advice and analysis on new contingent liability proposals
3. Promote best practice across government

## Reviewing and reporting

The CLCC has begun to accumulate data on contingent liabilities held across government with the aim of establishing a cross-government database to build a picture of risk exposure across the contingent liability portfolio. This will inform risk management and contingency planning for contingent liabilities. Over time, the CLCC will also look to conduct stress tests to determine the economic conditions to which the government is especially vulnerable.

In June 2022 the CLCC published its inaugural report, [Exploring the UK Government's contingent liabilities](#). The report highlights the importance of sound management of the government's contingent liabilities and the benefits this can bring as well as setting out the CLCC's vision for future years

In the last year the CLCC has conducted pilot projects with BEIS and DfT reviewing their portfolio of contingent liabilities in detail. Some of the work the CLCC has undertaken with BEIS and DfT includes:

- **Identifying priority liabilities** – Looking beyond the financial reporting disclosures to profile risks and suggest items for more detailed analysis
- **Verifying completeness** – assessing department's internal register of contingent liabilities for completeness against its overall activities
- **Quantifying liabilities** – Applying insurance and credit analysis techniques to develop estimates of maximum exposure and expected loss. This allowed departments to better understand the risks and prioritise appropriately.
- **Improving risk management** – Applying insurance and credit risk expertise to identify aggregations of risk in the portfolio and opportunities for mitigation and oversight of individual liabilities.

Through these pilots with BEIS and DfT and collaboration with other departments, the CLCC has been able to start building a picture of contingent liability management across government.

## Providing advice and analysis

The CLCC advises government departments on:



### Financial guarantees

Where the government agrees to pay the debts of a third party if they default.



### Indemnities

Where the government agrees to cover costs if a certain event occurs.

These can be referred to the UKGI CLCC team via HM Treasury or other departments directly. The CLCC helps teams quantify risks (including expected loss and probability of crystallisation), incorporate risk mitigations and consider options to charge premiums for the risks the government takes on.

In its first year of operation, the CLCC has established itself as a unit offering support to government and has started the process to bring together a consolidated understanding of the landscape of government's contingent liabilities. During the year the CLCC has advised 14 departments on over 50 contingent liabilities, including 20 which individually involved over £100m of risk exposure. These included the issuing of loan guarantees for overseas aid and government insurance which were provided at pace and has allowed business to continue operating in a challenging economic climate.

## Promoting best practice

Throughout the year the team have embedded themselves across government by:

- establishing an Account Manager programme joining up the CLCC with 17 government departments
- enhancing CLCC's online presence in collaboration with the Government Finance Function, and
- founding the Contingent Liability Advisory Network (CLAN), a cross-governmental group of contingent liability practitioners meeting regularly to share advice, ideas and challenges relating to contingent liabilities.

The CLCC has produced expected loss guidance for use across government with plans to publish further guidance in the future to support colleagues in the design and management of new contingent liabilities.



## Asset Realisation

***Acquire, manage and execute the sale of all significant UK government corporate assets.***

UKGI works across government to support departments on asset sales, advising ministers and senior officials on the best strategies and structures for a sale, carrying out market testing, and devising and managing the sale execution process to achieve value for money for the taxpayer. UKGI has a well-established reputation for selling assets where there is no policy reason for the government to hold the asset, and where the sale can achieve value for money.

The UKGI Financial Institutions Group (FIG) is responsible for the NatWest Group plc (NWG) and UK Asset Resolution Limited (UKAR) portfolios.

## NatWest Group

Over the past year, the government has made considerable progress in its policy to return NWG to the private sector. Following two successful transactions in March and May 2021, UKGI launched a 12-month Trading Plan in August 2021 and led a further successful transaction in March 2022. Each sale has achieved value for money for the taxpayer, with the latest sale taking the bank out of majority public ownership by reducing the

government's shareholding to below 50%. Further detail on each transaction is included in the case study below.

In parallel, FIG has continued to engage closely with the NWG Board and Executive team on stewardship issues throughout the year. Over the past 12 months, UKGI has constructively engaged with NWG in a shareholder role on topics such as, purpose, values and culture; climate change; remuneration; and technology and innovation, whilst continuing to manage the government's shareholding at arm's length and on a commercial basis.

## UKAR

Following the sale of the remaining mortgage assets and loan portfolios of Bradford & Bingley (B&B) and NRAM in March 2021, FIG successfully completed the final sale of both corporate entities to Davidson Kempner in October 2021, upon receipt of FCA approval. Returning B&B and NRAM to private ownership marked a significant milestone in the government's work to close out post-financial crisis sector interventions. UKAR transferred the majority of the £5.2 billion proceeds generated by this final sale to the Treasury via a dividend in July 2021; and distributed another interim dividend of £662m to the Treasury in March 2022 following final completion.

FIG implemented a new governance arrangement for the UKAR residual company (ResiCo), which has no employees, with the business administration having been outsourced to PricewaterhouseCoopers LLP (PwC) with oversight from the UKAR Board. UKAR ResiCo is responsible for managing and resolving legacy liabilities, including contractual obligations to the buyer of the companies and legacy employee liabilities, in a way that represents value for money for the taxpayer.

### Case Study: NatWest Group

As set out at Budget 2021, the government intends to fully dispose of the NWG (formerly Royal Bank of Scotland Group plc) shareholding by 2025-26, subject to market conditions and any sale achieving value for money.

Following a successful Directed Buyback (DBB) in March 2021, the FIG team executed a further sale of approximately 5% of NWG via an Accelerated Bookbuild (ABB) transaction in May 2021; a competitive market facing process that involved selling shares to institutional investors. A total of c.580m shares were sold at the price of 190p per share, raising c. £1.1bn. The ABB continued the disposal programme with a well-executed and appropriately sized sale which achieved value for money for the taxpayer. The transaction was absorbed by the market within days and positioned UKGI well to take advantage of future sales opportunities.

On 22 July 2021, UKGI announced a Trading Plan which will run until August 2022<sup>1</sup>. A Trading Plan, otherwise known as a “dribble out”, involves selling shares in the market through an appointed broker in an orderly way at market prices over the duration of the plan. Shares will only be sold at a price that represents value for money for taxpayers. There is a cap on the total number of shares that could be sold of 15% of the total number of NWG shares being traded in the market over the 12-month duration of the plan. The final number of shares sold will depend on, amongst other factors, the share price and market conditions throughout its duration.

The decision to launch the Trading Plan does not preclude the government from using other options to execute future transactions that achieve value for money for taxpayers, including during the term of the Trading Plan. Following the positive market reaction to the two standalone transactions and the Trading Plan, in March 2022 UKGI, on behalf of HM Treasury, led a further DBB transaction of NWG shares directly to the company. The sale raised c.£1.2bn selling c.550 million shares at 220.5p per share. As NWG has excess capital that it plans to return to its shareholders, the DBB saw the government receive 100% of excess capital returned (rather than receiving a proportion equivalent to government’s shareholding via dividends), whilst also giving government the opportunity to reduce its stake in the bank. NWG minority shareholders re-approved this type of transaction at the Annual General Meeting in April 2021.

For the first time since the financial crisis, NWG is no longer under majority public ownership, with the DBB reducing the government’s shareholding to c.48.1%. Following the transaction, the then Economic Secretary to the Treasury, John Glen, said:

“This sale means that the government is no longer the majority owner of NatWest Group and is therefore an important landmark in our plan to return the bank to the private sector. We will continue to prioritise delivering value for money for the taxpayer as we take forward this plan.”

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<sup>1</sup> On 22 June 2022 UKGI announced it would extend the Trading Plan for a further 12 months. The Trading Plan will now terminate no later than 11 August 2023 instead of 11 August 2022 (unless further extended).

# Chief Operating Officer's Statement



## **A strong team**

With a third of colleagues new to UKGI this year due to our increased remit, we have ensured that the quality of our talent base both from across government and the private sector has remained high. We are confident that our employee value proposition centred around undertaking work of national importance coupled with an inclusive and collaborative culture remains a significant draw to attract and retain the best talent.

## **Insight Secondment Programme**

The UKGI Insight Secondment Programme offers private sector corporate financiers and corporate governance practitioners a unique opportunity to work across Government on some of its most interesting and complex commercial tasks. Secondees have a unique opportunity to get an understanding of the workings of UK Government and Civil Service and apply their expertise to very complex issues and work with us to resolve them.

Over the past year, secondees have continued to play an important role in UKGI's Corporate Finance work and contributed to the projects highlighted elsewhere in this report, including within the Special Situations Group and Covid Interventions Resolution Group.

UKGI values the insight and expertise its highly talented secondees bring to the organisation. By bringing together individuals from the public and private sectors, UKGI can provide sound advice to government departments, helping to resolve matters of national interest.

## **A unique culture**

In 2020-21, we refreshed our organisational values. During 2021-22 we have sought to ensure that our values are fully embedded into everything we do including aligning the behaviours associated with our values with our interview and appraisal process.

As we have grown, we have given focus to the way we operate and interact with each other to further enhance the collaborative culture and exceptional delivery for which UKGI is renowned. We have strengthened our infrastructure including: our oversight processes such as risk, our technology including a new resourcing platform and building an effective project management office. Even more importantly we have given considerable thought to ensure speed to productivity and the full engagement of new colleagues. To that end we have created professional learning and networking opportunities across the organisation, including a “Know our Business” day when colleagues from different teams showcased the work that they do in a fun and interactive market stall format.



***I'm Shehma and I joined UKGI around 3 months ago as an Assistant Director. It's really exciting working on major corporate finance matters to deliver high profile projects of national importance. The breadth of work is super interesting and my public and private sector commercial experience as well as Whitehall knowhow has been invaluable in the workstreams I am involved in.***

## **Alumni Network**

A notable success this year has been the launch of UKGI's Alumni Network, which stretches far and wide across the public and private sectors and is valuable to both existing and former colleagues. The highlight to date was a networking reception held on the terrace at the House of Lords which had over 130 guests, but we have also welcomed half a dozen former colleagues to talk to a virtual audience of current employees and alumni about their career, issued regular newsletters, and established a mentoring scheme between current and former employees. Pleasingly, the network has also prompted a number of former colleagues to get back in touch and explore opportunities to work with us again.

## **Building a diverse and inclusive workforce**

Diversity and inclusion remains a key strategic focus for UKGI this year and beyond. We aim to create an organisation with a diverse and inclusive workforce, where everyone feels comfortable to work and has a sense of belonging, and which brings together a diverse range of talents as we seek to serve our clients across government and ultimately, the wider public.

UKGI is also on track to meet both its formal diversity targets, which are focused on gender and ethnic diversity at senior level. 42% of senior staff are female (target: 40%) and 5% identify as being from an ethnically diverse background (target: 10% by the end of 2022).

In 2020-21 we procured a diversity and inclusion consultancy to conduct an external D&I audit of the organisation. The resulting report highlighted some areas of focus which formed the basis of ten workstreams each championed by a member of senior management. Over the course of the last year we have made significant progress on each of these, including:

- Improving our board recruitment process to further drive diversity on UKGI's board, and appointing a board member as D&I Champion
- Creating a D&I network across UKGI's portfolio of governance assets to share best practice
- Recruiting c.20 staff Mental Health and Wellbeing champions from across the organisation to help provide support and promote awareness and best practice
- Continuing to embed the recently refreshed UKGI values formally and informally through office space décor, 360-degree feedback process as well as recruitment, induction and progression processes
- An expansion of UKGI's talent sourcing strategy and tracking of data throughout the recruitment process
- Increasing the range of mentoring and sponsorship opportunities for staff, and providing career progression panel sessions for those seeking internal promotions
- A new, interactive induction session for new joiners to UKGI covering both values and D&I
- Becoming a signatory to Women in Banking and Finance (WiBF). UKGI also continues to be a signatory to the Women in Finance Charter and Race at Work Charter and is a Disability Confident Committed Employer.

We also continued to celebrate a number of notable diversity events such as Black History Month and International Women's Day.

***I'm Lorna and I'm one of UKGI's directors. I'm a Non-Executive at Sheffield Forgemasters, a precision steel manufacturer in the MoD supply chain, and I also lead UKGI's work on new nuclear power.***

***I've got a background in the civil service and as a management consultant. I really enjoy the merging of private and public sector skills required in UKGI. It's a group of very talented people, working on fascinating projects, deploying their commercial expertise for the public good.***

***I also act as a champion for our civil service secondees: making sure they get the most out of their experience in UKGI and that we make the most of their incredible skills.***





## **Gender Pay**

As an organisation with only 130 employees, UK Government Investments Limited is not required to publish the gender pay data required for companies with over 250 employees under the provisions of the Equality Act 2010 and associated regulations. We are, however, committed to the highest standards of transparency and have therefore elected to disclose our gender pay data, setting out the difference in average hourly pay between men and women. As at 31 March 2022, our mean gender pay gap was 19% (31 March 2021: 23.7%), and our median gender pay gap was 22.5% (31 March 2021: 24.4%). Our mean and median bonus gap was 32% and 37.6% respectively (31 March 2021: 24.8% and 28.9%).

We have analysed the data collected to calculate the gender pay gap, and it is clear that our gender pay gap is driven by the composition of the organisation, with the majority of the senior roles occupied by men, and junior and administrative roles staffed predominantly by women. The gender pay gap composition has gradually shifted through our commitment to diversity and inclusion and the initiatives outlined above; however, we have more work to do on the gender bonus gap.

## **Mental Health and Wellbeing**

2021-22 has seen a substantial evolution in the UKGI Mental Health and Wellbeing (MHW) Function. Driven partly by recommendations of the external Seriously Inclusive report and partly by existing plans for a strategic refresh of group, the year has seen a pivot towards a more effectively formalised, structurally resilient and diversified MHW Group.

This process has seen development of a new strategy – scrutinised, refined and signed off through the UKGI Executive Committee and Board, then implementation of this strategy through recruitment of approximately 20 staff with discrete time commitments and areas of responsibility. These developments substantially mitigate key person and corporate memory risks, provide significant development opportunity for interested colleagues across the business to make a difference and expand their skills alongside ensuring a more robust MHW function can support individuals and UKGI culture.

Numerous events and initiatives were also undertaken during this wider shift, with staff-authored blogs on issues from disordered eating to mindfulness, fundraising quizzes and active multiformat discussions of hybrid working and how to optimise for staff mental health and wellbeing.



***I'm Hamish and I am the Head of Commercial here at UKGI. Whenever there is a need to buy goods or services, I work collaboratively with the relevant project teams to develop competitions, or other routes to market, to deliver legally compliant and commercially sound contracts which represent value for money.***

***I also contribute to the Mental Health and Wellbeing workstream which assesses current ways of working and UKGI policies and drives change to deliver the best possible resources and support for our staff.***

## **Volunteering**

We continued our partnership with One Westminster during the year with a programme of virtual volunteering opportunities and front-line community events for our colleagues to make a difference in the lives of local people. We provided opportunities for our staff to be a buddy for local families and young people, enhance their Board skills with various positions in local charities, ran a fundraising drive in December and a second-hand clothing drive to give local people the chance to get back in to work.

## **Hybrid working**

Having embraced home working over the course of the pandemic, in March 2021 we were ready to welcome staff back to the UKGI office, in a new hybrid working model. When formulating this working pattern we considered how to make our office usage as cost-effective as possible for our increased population size whilst maintaining the close collaboration that enables our culture. We were also mindful of the benefits that a more flexible approach could bring to the diversity of our recruitment options.

We met the demands of this new model with a refreshed desk set-up, technology and meeting room space. Whilst some staff have been working from the office since then, further Covid restrictions meant that we only got fully underway with hybrid working in January 2022. Our new way of working is now embedded and colleagues are encouraged to work 50% of their time from the office and 50% from home, adjusted for different working patterns and personal circumstances. This allows colleagues to choose the right space for their day, taking advantage of the different benefits that being in the office and working from home can bring.

## **A Development Mindset**

Despite the challenges of an extremely busy year, Learning and Development remains a key focus for UKGI and during this year colleagues have undertaken an average of 25 hours each of professional development choosing from a wide menu of options including our weekly seminar programme, classroom-based government, governance and corporate finance courses and individual coaching. Our aim remains to bring individuals into UKGI from a broad range of professional backgrounds and equip them with the necessary skills to be successful here and set them up for further success on their chosen career path when they decide to move on from UKGI.



**Susannah Timlin**

Chief Operating Officer

18 July 2022

# Risk Management

## UKGI's approach to risk

UKGI adheres to HMT's Orange Book on Risk Management, reflecting increased emphasis on

- leadership, culture, values and behaviours as a part of effective risk management;
- embedding risk management in decision-making – within planning, policy development, prioritisation and performance management – not as something separate;
- the need to have an informed view of all risks based on the best information and expertise, including the critical role that functions and professions play in providing expert judgements on risks and their management; and
- learning from experience to continually improve the successful delivery of outcomes.

Based on these Orange Book principles, UKGI has effective risk management arrangements and frameworks, as set out below.

UKGI's risk appetite statement, as approved by its board and explained in UKGI's Approach to Risk document demonstrates that reputational risk is inherent in everything we do:

“As an organisation whose role it is to act as an agent for ministers and government departments, the key risks UKGI must manage are those which arise as a consequence of discharging its mandate.

UKGI seeks to achieve its objectives whilst eliminating, or minimising, all risk including operational, execution and reputational risks. In those circumstances where it may be necessary to take some risk in order to deliver the organisational objectives, UKGI will rely upon its governance structure to mitigate risk.

Risk will be monitored and controlled by systematic review from project/portfolio asset teams up to Board, via regular risk register reviews, project/portfolio reviews and discussion by the Executive Committee and the Risk & Audit committee. In addition, the culture of open and proactive communication, and continuous learning and training, throughout UKGI underpins UKGI's ability to control risks that do arise.”


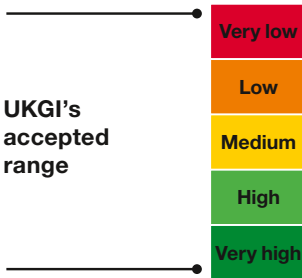
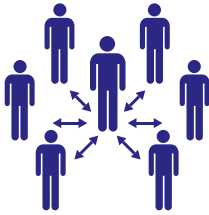
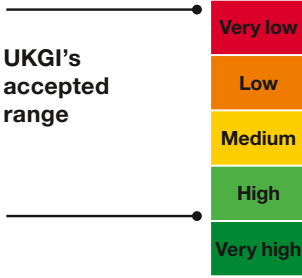

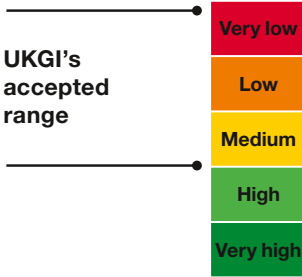
UKGI monitors a number of internal operational and strategic risks. These include risks regarding staffing, finance, IT and data protection/management systems and relationships around Whitehall.

Individual project risks are also managed by UKGI, working closely with the ministers and government departments for which we act as agent.

We currently have a number of mechanisms in place to manage UKGI's risk, summarised below:

1. UKGI's Executive Committee, Board and Audit and Risk Committee (ARC) work together to define risks across the organisation and ensure that a strategy and processes are in place to mitigate those risks.
2. UKGI has memoranda of understanding in place with client government departments to clearly define its role as an agent of that customer and limit risk by defining ownership of risks.
3. UKGI's values and culture – to ensure employees act in a collegiate manner, to have open and honest communication so that individuals feel comfortable raising risks and know that they will receive support in managing those risks, to be committed to continuous professional development and bettering our people and to mitigate the risk of UKGI's advice not being professional and to the required standard.

UKGI's approach to risk is summarised below. The very high risk appetite for delivery of our objectives reflects our role and purpose to be at the heart of some of government's most challenging programmes.

Key Risk	Risk Appetite Range	Rationale
<p><b>STRATEGIC DELIVERY</b></p>  <p><b>Delivery of our four objectives:</b>  <b>i) Asset Sales;</b>  <b>ii) Shareholder Role/Governance;</b>  <b>iii) Corporate Finance Advice;</b>  <b>iv) Contingent Liability Central Capability</b></p>	 <p>UKGI's accepted range</p>	<p>As government's centre of excellence for corporate finance and governance, UKGI's purpose is to take on large, complex projects which require its specialist expertise and withdraw from smaller, simpler projects that can be performed by departments. It is recognised that many of the issues UKGI's staff deal with are complex and require judgemental decision-making. For all four of our strategic objectives, UKGI will seek to deliver its advice to high standards.</p>
<p><b>PEOPLE</b></p>  <p><b>Right people deployed to the right activities</b></p>	 <p>UKGI's accepted range</p>	<p>UKGI's reputation and performance is dependent on its people, in order to ensure UKGI can deliver the high-profile and complex work it undertakes. UKGI takes the physical and mental wellbeing and health and safety of its staff very seriously. UKGI also places great importance on having a diverse and inclusive workforce, and has developed a clear strategy and Board policy to promote diversity and inclusion throughout the organisation.</p>
<p><b>OPERATIONS</b></p>  <p><b>Breach of controls, including IT, data, legal and compliance</b></p>	 <p>UKGI's accepted range</p>	<p>UKGI will seek to balance the need for agility and flexibility with the need for a robust control framework. It will take a risk-averse approach to legal and compliance matters, both within UKGI and its partner bodies. There is a low risk appetite regarding data security, which is a vital component of UKGI's controls due to the sensitivity of the work performed.</p>

# UKGI Funding Model

UK Government Investments Limited is funded by HM Treasury under section 36 of the Enterprise Act 2016. UK Government Investments Limited does not seek to directly charge departments or portfolio entities for its services. UK Government Investments Limited's funding agreement for 2021-2022 and its anticipated funding in 2022-2023 is set out below. The funding is the total available and does not necessarily align to the grant-in-aid drawn down in the year as disclosed in the financial statements.

UK Government Investments Limited may recharge for specific costs incurred on behalf of another department, recharges may be via budget transfers or invoicing. During this financial year UK Government Investments Limited received budget transfers from the Department for Transport, the Ministry of Defence and the Department for Business, Energy and Industrial Strategy. These transfers were made through HM Treasury and the transfers form part of the total UK Government Investments Limited budget, itemised below.

	2021-22 (£m)	2022-23 (£m)
HM Treasury	20.2	16.1
Department for Transport	0.4	0.4
Ministry of Defence	1.4	1.8
Department for Business, Energy and Industrial Strategy	0.6	2.8
Department for International Trade	–	0.2
Cabinet Office	–	0.2
<b>Total Funding</b>	<b>22.6</b>	<b>21.5</b>

## Approval and signing

The Strategic Report was approved by the Board of Directors on 18 July 2022 and was signed on its behalf by:



**Charles Donald**

Chief Executive



**Vindi Banga**

Chairman

UK Government Investments Limited Company Number 09774296







# Directors' Report and Governance Statement

# Directors' Report and Governance Statement

The UK Government Investments Limited Board provides strategic direction to the Company and ensures UKGI is equipped to perform its functions, including having sufficient resourcing and a suitable organisational structure. The board also enables effective arrangements to be put in place to provide assurance on risk management, governance and internal control.

The Executive Committee is responsible for the day to day running of UKGI. It comprises the UKGI Chief Executive, and UKGI senior management including the Chief Financial Officer, General Counsel and Chief Operating Officer. The Executive Committee meets weekly to discuss UKGI business. It reviews key management information documents monthly. This process of regular review and challenge by UKGI executives ensures that the information provided to the board and its committees is up-to-date and reliable. This in turn enables the UKGI directors to carry out their duties.

UKGI has an agreed Framework Document with HM Treasury. This document sets out the broad framework within which UKGI will operate and can be found on the UKGI website at [www.ukgi.org.uk](http://www.ukgi.org.uk). HM Treasury, as sole shareholder, has various reserved rights, including appointment of the Chair, Chief Executive, and a shareholder representative director; approval of board appointments, the terms of any board appointments, the Company's remuneration framework and the Company's budget.

As at 31 March 2022, the UKGI directors are as listed below. They provide the company with the appropriate expertise, skills and experience required to deliver its objectives.

Board Member	Position	Committee Membership
Robert Swannell (resigned 22 September 2021)	Chair	N (Chair), T, C
Vindi Banga (appointed 23 September 2021)	Chair	N (Chair)
James Leigh Pemberton (appointed 11 September 2015)	Non-Executive Deputy Chair	N, T (Chair), C
Jane Guyett (appointed 12 February 2016, appointed as Senior Independent Director 28 September 2016)	Senior Independent Director	A (Chair), N, T, C, CL (Chair)
Jitesh Gadhia (resigned 31 March 2022)	Non-Executive Director	R, N, T, C
Robin Lawther (appointed 12 February 2016)	Non-Executive Director	A, R, N, T, C(Chair), CL

Board Member	Position	Committee Membership
Caroline Thomson (appointed 12 February 2016)	Non-Executive Director	R (Chair), N
Andrew Duff (appointed 9 July 2019)	Non-Executive Director	N, A, T
Clare Hollingsworth (resigned 14 January 2022)	Non-Executive Director	N, R, T
Charles Donald (appointed 12 March 2020)	Chief Executive	T, C, CL
Charles Roxburgh (appointed 28 September 2016)	Treasury-Appointed Non-Executive Director	N
Philip Duffy (appointed 29 June 2017)	Treasury-Appointed Non-Executive Director (Alternate)	N
Sarah Munby (appointed 30 September 2020)	BEIS-Appointed Non-Executive Director	N

Key: R = Remuneration Committee; A = Audit and Risk Committee; N = Nominations Committee; T = Transactions Committee; C = CIRG Committee; CL = CLCC Committee

Non-executive board appointments, other than those appointed by HM Treasury, are for a term of up to three years and can be terminated by either party with three months' notice. Robert Swannell stepped down as Chair at the end of his term in September 2021 and his replacement, Vindi Banga was appointed on 23 September 2021. Clare Hollingsworth and Jitesh Gadhia also stepped down in January and March 2022 respectively. The CIRG Committee was wound down in February 2022, at which point the governance of the project reverted to the UKGI Board until the end of the CCFF Scheme on 18 March 2022.

The board has put in place arrangements to manage any conflicts of interest. As part of this each director has disclosed, at the outset of their term as a director, and again subsequently at the start of each financial year, any direct or indirect conflicts of interest they are aware of and may have in connection with being appointed a director of the Company. Directors' key external interests are set out in their profiles below.

The board has a high degree of oversight of the Company's activities, ensuring independent checks on all aspects of the Company's activities.

Each non-departmental non-executive director is assigned one or more sponsorship oversight roles over major projects or assets. These arrangements allow for a deeper insight for non-executives into the work of the organisation and provide for a more substantial challenge and independent check on the work of management. In terms of direct responsibilities, it is not expected that directors will be formally bound by their fiduciary duties as members of the board when acting in their oversight roles. Board decisions will only be taken by a quorum of directors in a board meeting.

All committees are chaired by non-executive directors.

## Director indemnities

Each Director is indemnified by the Company and in turn by HM Treasury. The Directors are therefore indemnified to the extent permitted by law in respect of the performance of their duties as directors.

## Corporate governance

As a non-listed, government-owned entity, UK Government Investments Limited is not required to apply the UK Corporate Governance Code, but draws on the Code as a source of best practice in its reporting and governance arrangements. UKGI does not hold an annual general meeting, but holds quarterly shareholder meetings, and its sole shareholder HM Treasury is represented on the Company's board.

## Data received by the board

The board receives extensive data allowing it to form judgements. Data received by the board at each meeting includes, but is not limited to:

- An update on UKGI's financial position, including spend to date, forecasts against budget and headcount;
- A dashboard providing narrative and quantitative data on each current project or asset within UKGI's portfolio; and
- A risk heatmap setting out the risks to delivery and reputation for each of UKGI's projects and assets.

## Transparency

UKGI adheres to the government's transparency agenda and publishes a range of data online at [www.gov.uk](http://www.gov.uk) including:

- [Directors' hospitality and expenses](#)
- [Transactions over £25,000](#)
- [Corporate credit card transactions over £500](#)
- [Contracts Awarded](#)

## Review of effectiveness

In January 2022 an externally facilitated review of the Board's effectiveness commenced; this review was facilitated by Socia. During the course of the review all board members and other members of the executive were interviewed, board and committee meetings were attended and board papers, minutes and the core governance documentation of the board and its committees were reviewed. The review described the board as being 'effectively constituted and efficiently run', and the NED group were noted as being committed to the

purpose of the organisation. Board dynamics, the efficiency of board process, and the relationships with stakeholders were also noted as strengths.

Further to the regular business planning cycle, the review recommended that additional time be dedicated to strategy discussions throughout the year. The board have agreed to hold an off-site meeting over the autumn once the current NED recruitment campaign has completed and the new NEDs have been duly inducted. Similarly, noting the expected change to board membership over the course of the next year, the review reinforced the importance of the NED induction process to ensure the positive dynamics of current Board interactions are maintained going forward.

## **Sustainability**

UKGI has fewer than 200 members of staff and shares office facilities with the Department for Business, Energy and Industrial Strategy (BEIS), so our discrete environmental impact in terms of emissions, waste or consumption is both minimal, and cannot be quantified. However, we are committed to reducing this impact wherever possible. To that end, we have set up an internal team to explore areas in which UKGI can make small changes that collectively make a difference, considering procurement contracts, behavioral initiatives and measuring and managing our use of resources. These will be captured in an environmental strategy due to be published within the next year.

Full sustainability data for BEIS, which leases the majority of the office building, is reported in its annual report and accounts, available at [gov.uk](https://www.gov.uk)

## **Payment of suppliers**

In May 2010, the government introduced a five day target for Small and Medium sized Enterprise (SME) suppliers to receive payment. During 2021-22, UKGI made 97% (2020-21: 91%) of all supplier payments within five days. HM Treasury group's target is 90%. UKGI will continue to seek further improvements in its payment processes in order to push towards making all supplier payments within five days.

## **Going concern**

UKGI is funded annually by Parliament through grant-in-aid financed from the HM Treasury supply estimate. UKGI's funding has been agreed for 2022-23.

The financial statements for 2021-2022 show a negative reserve in the Statement of Changes in Taxpayer Equity. This reflects UKGI's funding arrangement with HM Treasury, as set out in our framework document:

'The grant-in-aid will normally be paid in monthly instalments based on written applications showing evidence of need. UKGI will comply with the general principle that there is no payment in advance of need. Cash balances accumulated during the year from grant-in-aid or other Exchequer funds shall be kept to a minimum level consistent with the efficient

operation of UKGI. Grant-in-aid not drawn down by the end of the financial year shall lapse. Subject to approval by Parliament of the relevant Estimates provision, where grant-in-aid is delayed to avoid excess cash balances at the year-end, the department will make available in the next financial year any such grant-in-aid that is required to meet any liabilities at the year end, such as creditors.'

For the purposes of the Framework Document, the relevant grant-in-aid budget has been drawn down to meet UKGI's financial obligations. Grant-in-aid cash has been transferred to meet UKGI's financial obligations as they fall due. Grant-in-aid cash has not been transferred for expenditure incurred and recognised, but not yet paid as at year end. The corresponding cash will be transferred as and when the obligations crystallise. Anticipated Grant-in-aid drawdowns cannot be accrued as income.

HM Treasury has also formally confirmed that it undertakes to ensure that UKGI has, and always shall have, sufficient funds available to pay and discharge each and all of its financial obligations, as and when they fall due.

It has accordingly been considered appropriate to adopt a going concern basis for these financial statements.

## Summary of meetings and attendance

The board and its committees meet regularly throughout the year. All agendas are structured to allow adequate and sufficient time for discussions of the items on the agenda, particularly strategic issues. The attendance of individual board members at board and committee meetings during 2021/22, together with the overall number of meetings held is set out below.

Number of meetings attended in 2021-22	Board	Audit and Risk	Remuneration	Transaction	CIRG	CLCC
<sup>1</sup> Robert Swannell	5/5			15/15	1/1	
<sup>2</sup> Vindi Banga	3/3					
James Leigh-Pemberton	8/8			27/30	1/2	
Jane Guyett	8/8	3/3		25/30	2/2	4/4
Jitesh Gadhia	8/8		2/2	28/30	2/2	
Robin Lawther	8/8	3/3	2/2	22/30	2/2	3/4
Caroline Thomson	8/8		2/2			
Andrew Duff	8/8	3/3		29/30		
Clare Hollingsworth	5/6		1/1	9/9		
Sarah Munby	7/8					
Charles Roxburgh	4/8					
Philip Duffy	3/3					
<sup>3</sup> Charles Donald	8/8			29/30	2/2	4/4

<sup>1</sup>Robert Swannell was a member of the Transactions Committee and CIRG Committee; he was invited to attend all other committee meetings as an observer. Robert stepped down from the Board in September 2021.

<sup>2</sup>Vindi Banga joined the Board on 23 September 2021. He chairs the Nominations Committee and he was invited to attend all other committee meetings as an observer.

<sup>3</sup>Charles Donald is a member of the Transactions Committee, CIRG Committee and the Contingent Liabilities Committee; he was invited to attend all other committee meetings as an observer.

## Events after the reporting period

There are no events after the reporting period which will have a material effect on the Financial Statements of UKGI.

## Disclosure of information to auditors

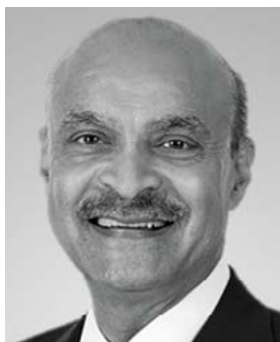
The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors were aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006. UKGI has appointed the Comptroller and Auditor General as its external auditor. The National Audit Office carries out the audit for and on behalf of the Comptroller and Auditor General. The remuneration paid to its external auditor for work during this financial year was £33,000 plus VAT (2020-21: £29,000). No non-audit work was undertaken by the auditors.

## Other matters

The review of business and disclosure of principle activities and risks in the year are included in the Strategic Report.

# The UKGI board



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## **Vindi Banga, Non-Executive Chairman**

Vindi has been Chairman of UKGI since September 2021.

He is currently also Chair at Marie Curie, Senior Independent Director at GlaxoSmithKline, a NED of The Economist Group and Partner of CD&R. He has 33 years of experience at Unilever, where his last role was President of the Global Foods, Home and Personal Care businesses, and on the Unilever Executive Board



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## **The Hon. Sir James Leigh-Pemberton, Non-Executive Deputy Chairman**

James is the Deputy Chairman of UKGI, and non-Executive Chairman of RIT Capital Partners plc.

James was the Chairman of UK Financial Investments (UKFI) until its dissolution in 2019. He joined UKFI as Chief Executive in October 2013 and served as Executive Chairman of the organisation from January 2014 – March 2016.

Before joining UKFI, James was Managing Director and Chief Executive Officer of Credit Suisse in the United Kingdom, based in London. James held several senior roles within Credit Suisse's Investment Banking Department, including Head of European Investment Banking Department, Head of European Equity Capital Markets and Chairman of UK Investment Banking. He joined Credit Suisse First Boston (CSFB) in 1994. Prior to joining CSFB, he was a Director of S.G. Warburg Securities, where he worked for 15 years.

James is Chairman of the Trustees of the Charities Aid Foundation and The Royal Collection Trust, and a trustee of The Alnwick Garden Trust.



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## **Charles Donald, Chief Executive**

Charles was appointed Chief Executive in March 2020, having joined UK Government Investments in May 2018 as Head of the Financial Institutions Group.

Prior to that, he spent his career in investment banking working in both corporate advisory and equity research. He joined UKGI from Credit Suisse where he was Vice Chairman of UK Advisory & Corporate Broking having previously been Co-Head of UK Investment Banking.

Charles is a Non-Executive Director at the UK Infrastructure Bank. He heads the Government's Corporate Finance Profession and also chairs the OECD's Working Party on State Ownership and Privatisation Practices, the policy forum to promote improved corporate governance of state-owned enterprises. In addition, he serves as a Trustee on the Board of Help for Heroes, the charity that supports wounded veterans.





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### **Jane Guyett CBE, Senior independent director**

Jane Guyett is the senior independent director of UKGI. She is the Chair of Connect Plus (M25) Plc, and is a non-executive director on the Boards of Royal London Mutual Insurance Society, Banque Centrale de Compensation / LCH SA, and LCH Limited.

Jane spent 15 years with Bank of America Merrill Lynch where she held various roles in London and New York. She was Chief Operating Officer (EMEA and Asia) of the Global Markets Group and sat on the Board of Bank of America Securities, London. She began her career in Corporate Restructuring at Mitsubishi Bank Ltd London, before joining Bank of America in 1994. Jane has a degree in Economics.



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### **Andrew Duff, Non-Executive Director**

Andrew has spent his executive career in the energy industry and brings a wealth of leadership experience in competitive markets, regulated business environments and strategic management. Since October 2021, Andrew has been Chair of Sage Group Plc, having been a member of the Board from 1 May 2021. He has recently retired as Chairman of Severn Trent plc, which in January 2019 was commended by Ofwat across a range of operational areas and acknowledged by the Purposeful Company Taskforce as one of only seven UK “Pathfinder” companies. Andrew also recently retired as Chair of Elementis plc, a FTSE 250 chemicals company, and was a non-executive director and Senior Independent Director of Ferguson Plc from 2004-2013. He was previously the Chief Executive Officer of RWE Npower and a member of the RWE Executive Committee. Andrew was previously the Senior Trustee of Macmillan Cancer Support. He is a Fellow of the Energy Institute.



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### **Robin Lawther CBE, Non-Executive Director**

Robin Lawther is currently a Non-Executive Director at Nordea Bank and Ashurst LLP and a member of the Aon M&A Advisory Board. In addition, she works with her own privately owned student housing developments in the US, UK, and Germany.

Ms. Lawther is an international banker with extensive experience of global markets and financial institutions. She worked at J.P.Morgan in London and New York for over 20 years in a number of senior positions in investment banking. Her roles included Head of the European Financial Institution Mergers and Acquisitions Execution Team and Senior Country Officer and Head of Investment Banking for the Nordic Region. She specialised in mergers and acquisitions and capital raising.

Ms. Lawther holds a B.A. Honours in Economics from the University of North Carolina at Chapel Hill and an M.Sc. in Accountancy and Finance from the London School of Economics. She is actively involved in women’s mentoring programmes and is a supporter of several London theatres.




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### **Caroline Thomson, Non-Executive Director**

Caroline Thomson is the chair of Digital UK, the body responsible for Freeview, the digital terrestrial television platform. Until October 2020 she was also chair of Oxfam.

Alongside these chairmanships, she is a non-executive director of VITEC plc (and chair of the remuneration committee). Caroline is a trustee of Tullie House Gallery in Cumbria and trustee of The Conversation.

In the arts world, Caroline stepped down from her role as deputy chair of the National Gallery in August 2016 and retired as Executive Director of English National Ballet in March 2016. She remains a trustee of the ENB and of the National Gallery Trust.

Originally a journalist, until 2012 Caroline was Chief Operating Officer at the BBC – having served twelve years as a member of the Executive Board. As Chief Operating Officer, she was the Deputy Director General and was responsible for all the non-programme parts of the BBC except finance.

She has an honorary degree from the University of York and is an honorary fellow of the University of Cumbria.

She is also a deputy lieutenant in the county of Cumbria.




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### **Sarah Munby, Non-Executive Director**

Sarah Munby became Permanent Secretary for the Department for Business, Energy and Industrial Strategy (BEIS) on 20 July 2020.

Sarah joined BEIS in July 2019 as Director General, Business Sectors. Before that, Sarah worked at McKinsey, where she led their Strategy and Corporate Finance practice in the UK and Ireland. She has worked with some of the UK's largest companies to change their strategic direction, and led much of McKinsey's work on productivity across the UK economy. Sarah began her career in the Civil Service as an Assistant Economist in the Department for Environment, Food and Rural Affairs (Defra).



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### **Sir Charles Roxburgh, Non-Executive Director**

Charles Roxburgh is the former Second Permanent Secretary at Her Majesty's Treasury. He took up this position in July 2016 and stepped down on 30 June 2022. In this role, he was responsible, at the Treasury, for all issues relating to growth, productivity, infrastructure, financial services and financial stability. He is also a member of the Executive Management Board at the Treasury.

Prior to joining HM Treasury in 2013, Charles spent 26 years at McKinsey & Company. In his consulting work, he focused primarily on serving clients in the financial services sector. He was based in London for most of his career, but also spent seven years working in McKinsey's New York Financial Institutions practice. His client work spanned retail banking, corporate and investment banking, insurance and asset management.

He held a number of leadership positions at McKinsey, including: co-head of the Global Strategy Practice; head of the UK Financial Institutions Group; and leader of the Global Corporate and Investment Banking Practice. In 2009, he became the London-based Director of the McKinsey Global Institute (MGI). At MGI, he led research into global capital markets, the impact of deleveraging on economic growth as well as a number of research projects into growth at the country and regional level. In 2011, he was elected to the global board of McKinsey & Company.

He was educated at Cambridge University, where he read Classics. He holds an MBA from the Harvard Business School.

# Audit and Risk Committee Report

## Audit and Risk Chair's Foreword

The Audit & Risk Committee's (ARC's) aim is to provide oversight of the audit and risk functions within UK Government Investments Limited ('UKGI'). It is an important part of the corporate governance and assurance process, conducted within a clearly defined mandate of roles and responsibilities.

UKGI seeks to maintain the highest standard in audit and risk management process and practice, complying with all applicable regulation as well as best practice in Corporate Governance. The UKGI ARC also seeks to be an exemplar for other government bodies, providing a framework for best practice in arm's length bodies. The committee has focused on continuous improvement and ensuring that other aspects of internal control systems, processes and quality management are similarly well developed. The ARC works with senior management, the Board, the GIAA and the NAO in carrying out its mandate. To this end, in the year, the committee has:

- Continued to support the organisation in managing the increased risk from the expansion of UKGI's scope and size due to the COVID-19 economic response measures and the Contingent Liabilities committee work;
- Provided robust challenge to the identification of, and measurement of, key risks and mitigating factors;
- Helped ensure adequate resources are made available to the teams within UKGI working on the higher risk mandates;
- Elevated key risks and the changing risk landscape to the relevant parties in order to help drive risk reducing actions;
- Reviewed and approved the annual accounts with particular reference to the going concern statement;
- Undertaken regular horizon scanning to consider emerging and developing risks;
- Been engaged in shaping UKGI's risk management framework review to ensure arrangements are fit for purpose;
- Approved changes to UKGI's risk appetite and approach to risk, to better reflect how risk is monitored and controlled within UKGI from individual project and portfolio teams up to ExCo and the Board;
- Reviewed Cyber security protocols in UKGI; and
- Asked GIAA to work with UKGI to develop an Assurance map to inform both UKGI and GIAA in gaining an understanding of where assurance is provided to UKGI.

Looking forward to 2022-23, the key objectives for the ARC will be to continue providing guidance and support in the areas identified above, plus ensuring UKGI appropriately mitigates the changing risk profile by managing and aligning the risk processes to UKGI's Assurance Map. The committee will continue to work closely with GIAA and the NAO, supported in particular by UKGI's finance and corporate services functions.

The committee chair would like to thank the ARC's partners for their support during the year.

**Jane Guyett**

Chair of the Audit and Risk Committee

## Activities of the Audit & Risk Committee

The ARC supports the board and the chief executive as accounting officer on matters relating to risk, internal control and governance. The members of the ARC in 2021-22 were all non-executive directors of UKGI and are:

- Jane Guyett (Chair)
- Robin Lawther
- Andrew Duff

At least three meetings of the ARC are scheduled annually. Usually, the UKGI Chairman, Chief Executive, Risk Lead, Chief Financial Officer, General Counsel and Chief Operating Officer attend as observers. Representatives from the external auditors, the National Audit Office (NAO), and internal auditors, the Government Internal Audit Agency (GIAA), are also invited.

The ARC applies the principles of good practice as set out in HM Treasury's Audit and Risk Assurance Committee Handbook. Accordingly, the ARC has agreed terms of reference which define its scope as follows:

- **Financial reporting** – responsibility for accounting policies, implementing and monitoring the maintenance of adequate accounting and other records, and reviewing the annual report and accounts;
- **Internal control and risk** – ensuring that the Company's management establish and maintain appropriate controls and associated risk management frameworks, and accordingly monitoring the Company's operating, strategic and project risks;
- **External audit** – overall responsibility for the relationship with the NAO;
- **Internal audit** – approving and, where necessary, directing the Company's internal audit programme and reviewing the performance of the GIAA's service to UKGI;
- **Compliance** – Approving the Company's compliance policies, in particular the compliance manual and whistleblowing policies, and approval of any post-employment restrictions applied to senior staff.

The Chief Executive, as Accounting Officer, is responsible for maintaining a sound system of internal control which supports the achievement of UUKGI's objectives whilst safeguarding public funds and departmental assets, in accordance with the responsibilities assigned to him in Managing Public Money. Upon the recommendation of the ARC, the board has adopted a formal risk appetite statement setting out the level of risk that UKGI is willing to bear, the system of internal control is proportionate to that statement. The Chief Executive is supported in this by the UKGI Risk Leader, a member of the Executive Committee.

Critical to the system of internal control is the risk management framework, which ensures that the respective responsibilities of senior management, the Chief Executive, the ARC and the board are fulfilled. The risk management framework is structured as follows:

- **Operational level risk management:** day to day risk management is the responsibility of the staff of UKGI. In order to promote good risk management, the UKGI Risk Lead chairs regular Project Review Committees, to challenge and monitor risk management on individual projects. These are augmented by Portfolio Reviews, where a peer group reviews the stewardship of assets by UKGI teams. The Executive Committee reviews on a monthly basis the project risk map.
- **Non-Executive risk management:** oversight of risk management is provided by the board, which receives the risk map on a monthly basis, and in particular the ARC, which systematically reviews the UKGI operational and strategic risk registers.
- **Independent risk management:** UKGI has elected to utilise the services of the GIAA to provide assurance on the overall effectiveness of UKGI's risk management framework and system of internal control. This is discharged via a risk-based work programme approved by the ARC each year.

The chief executive as accounting officer has confirmed to the ARC that there were no significant control issues in the year under review and that UKGI has an appropriate and effective system of internal control and risk management framework.

# Transactions Committee Report

## Transactions Committee Chair's Foreword

The role of the Transactions Committee is to oversee the preparation and execution of disposal strategies where UKGI provides advice to Ministers and Accounting Officers, and to oversee the stewardship of certain assets which the government has determined it has no policy reason to retain. The Transactions Committee currently provides oversight for NatWest Group plc (NWG) and UK Asset Resolution Limited (UKAR). For the remaining assets in our portfolio, oversight is provided directly by the UKGI Board.

During FY21/22, UKGI has made significant progress toward returning NWG to private ownership, as set out in the strategic report. The Transactions Committee advised HM Treasury (HMT) on upcoming transactions and made the recommendation to launch the Trading Plan. Each sale has achieved value for money for the taxpayer.

In addition, the Transactions Committee continued to oversee UKGI's stewardship responsibilities for NWG throughout the year, supporting the Financial Institutions Group (FIG) to engage constructively with NWG on a range of topics. In addition to its oversight function, the Transactions Committee also made recommendations to Ministers with regard to the government's NWG shareholder responsibilities, including voting at NWG's Annual General Meeting.

The Transactions Committee also provides oversight of UKAR. Following the sale of the remaining mortgage assets and loan portfolios of Bradford & Bingley (B&B) and NRAM in March 2021, the Transactions Committee remained engaged as UKAR oversaw the completion of the final sale of the corporate entities. The UKAR residual company ("ResiCo") then transitioned to a new governance arrangement. UKAR ResiCo is responsible for managing and resolving legacy liabilities, including contractual obligations to the buyer of the companies and legacy employee liabilities in a way that represents value for money for the taxpayer. UKAR ResiCo has no employees, with the business administration having been outsourced to PricewaterhouseCoopers LLP with oversight from the UKAR Board. The Transactions Committee has continued to engage including through approving the UKGI-UKAR Framework Agreement which sets out the ResiCo governance arrangements, and approving shareholder voting items including Non-Executive Directors appointments and remuneration.

### **James Leigh-Pemberton**

Chair of the Transactions Committee



## Activities of the Transactions Committee

The Transactions Committee comprises the Chair of UKGI, the Chief Executive of UKGI, the Director of the FIG in UKGI and at least three additional independent non-executive directors. The current members are:

- James Leigh-Pemberton (Chair)
- Vindi Banga
- Charles Donald
- Andrew Duff
- Jane Guyett
- Robin Lawther
- Holger Vieten

The Committee convenes monthly with update calls taking place approximately two weeks after each meeting, unless otherwise determined by the Chair of the Committee. Further ad-hoc meetings may be called subject to the requirements of specific transactions. To ensure the UKGI Board members are kept up to date on the activities of the Committee, the Chair provides an update to the Board as a standing item on each UKGI Board agenda.

The Transactions Committee has agreed terms of reference which define its scope as follows:

- Disposal strategy – The Committee will review and determine recommendations and advice to Accounting Officers and Ministers about major decisions to be taken by Ministers at key milestones regarding the Financial Investment Assets. Ministers and Accounting Officers retain final accountability for such decisions. Such milestones might include, but are not limited to, transaction execution strategy, the pricing of a sale or agreement to sale in a private market transaction.
- Post-transaction – The Committee will also determine material recommendations and advice relating to its Financial Investment Assets during any period of post-transaction scrutiny.
- Stewardship – The Committee will review and make recommendations on activities which may have a material impact in determining the value of its Financial Investment Assets prior to ultimate disposal, including overseeing stewardship responsibilities for the Financial Investment Assets, and where necessary making recommendations with regard to shareholder responsibilities (including for example voting at shareholder meetings on behalf of the relevant government department and matters relating to remuneration, board composition, and company strategy).

# Contingent Liability Central Capability Committee Report

## Contingent Liability Central Capability Chair's Foreword

The Contingent Liability Central Capability (CLCC) was set up as a new analytical and advisory unit within UKGI in April 2021.

The CLCC Committee provides strategic oversight and expert support and challenge of the CLCC's activities and performance to provide assurance that the unit is delivering against its objectives.

In its inaugural year the CLCC Committee has:

- Agreed the CLCC's remit, deliverables, objectives and KPIs in alignment with HM Treasury's policy objectives
- Endorsed key governance documents such as the UKGI-HM Treasury Memorandum of Understanding in relation to the CLCC
- Monitored the CLCC's progress and provided insight and challenge on its programme of work
- Ensured the CLCC's risks are appropriately identified and managed, including stakeholder management, technical, reputational and resourcing risks
- Reviewed and approved the CLCC's debut progress report

Looking forward to 2022-23, the CLCC Committee will focus on:

- Overseeing the identification and prioritisation of appropriate workstreams consistent with the CLCC's goals and agreed deliverables
- Endorsing plans to collect and analyse contingent liability data
- Advising the CLCC on plans for future reporting and developing best practice guidance for use across government

I would like to thank the Committee members, particularly the external co-opted members, and the CLCC partners, for their time and support during this important first year.

### **Jane Guyett**

Chair of the Contingent Liability Central Capability Committee

## Activities of the Contingent Liability Central Capability Committee

The CLCC Committee's Chair is a director of UKGI appointed by the UKGI Board. The Committee comprises no fewer than two non-executive directors of UKGI, the CEO of UKGI, and the CLCC Director and up to three external appointees. The external members have relevant experience which provides the Committee with a stronger knowledge base and allows for further depth of challenge. The members of the Committee during 2021-22 were:

- Jane Guyett (Chair)
- Charles Donald
- Siobhan Duffy
- Jeremy Heap
- Robin Lawther
- Anthony Odgers
- Colin Wilson

The Committee meets four times a year unless otherwise determined by the Chair of the Committee. Further ad-hoc meetings (in person or via teleconference) may be called subject to the requirements of specific issues or decisions. The Chair will be responsible for reporting to the Board on the Committee's activities at each meeting of the Board or otherwise as requested by the Board.

The Committee has agreed terms of reference which define its scope as follows:

- The Committee will review and challenge the approach to the provision of recommendations and advice on contingent liabilities.
- Ministers and accounting officers retain final accountability for decision-making in relation to proposed or existing contingent liabilities and related risk frameworks.
- The Committee will oversee the performance of the CLCC, regularly reviewing and monitoring performance against objectives.

# Remuneration Committee Report

The following report has been prepared in accordance with the Government Financial Reporting Manual ('FReM').

## Remuneration Chair's Foreword

The activities of the Remuneration Committee have had two areas of focus in the year. The first has been on considering how to reconcile the strength of the private sector jobs market from which UKGI draws many of its recruits, with the need for pay restraint in the public sector, most visible through the temporary pause in public sector pay increases in 2021/22. Against this backdrop, retention of high quality people will become ever more important, which is why I am so pleased with the emphasis on UKGI's culture and values, which support retention efforts as much as remuneration considerations. The second area of focus has been on reverting to the performance related pay system which prevailed before the pandemic, which ensures UKGI's strongest performers receive recognition for their efforts.

### **Caroline Thomson**

Chair of the Remuneration Committee

## Activities of the Remuneration Committee

The Remuneration Committee operates as a sub-committee of the UKGI Board. It comprises the Chair, who is an independent non-executive director of the Company, and three additional independent non-executive directors. The board is responsible for any new appointments to the Remuneration Committee. The committee members during the year were:

- Caroline Thomson (Committee Chair)
- Robin Lawther
- Jitesh Gadhia (stepped down 31 March 2022)
- Clare Hollingsworth (stepped down 14 January 2022)

The committee's terms of reference state that it will meet at least once a year and ad hoc as required. The Remuneration Committee met twice in this reporting period. The Chair is responsible for reporting to the board on the committee's activities after each meeting of the committee or otherwise as requested by the board.

The purpose of the Remuneration Committee is to:

- approve the Company's Remuneration Framework and Performance Related Pay policy;
- approve the Remuneration and Performance Related Pay of the Chief Executive and UKGI director level staff and;
- recommend the approval of remuneration packages of the Chief Executive, his direct reports and UKGI director level staff to HM Treasury

## Remuneration Policy

In approving the remuneration for board members and other UKGI employees, the Remuneration Committee takes into account all factors which it deems necessary, including that HM Treasury's interest is primarily in ensuring that remuneration levels:

- deliver value for money;
- are sufficient to attract and motivate high-calibre individuals to drive the delivery of the activities and objectives set out in the Framework Document and the UKGI strategic plan; and
- are in line with best practice, linked to performance, with no reward for failure or excessive risk taking.

UKGI operates a performance appraisal system through which performance is reviewed semi-annually. Performance related pay is awarded in relation to performance linked to the annual staff appraisal and takes the form of a cash payment for those staff who have performed well in their roles.

Any UKGI performance-related pay is calculated as a fraction rather than multiple of salary. It is UKGI's policy that staff employed directly by UKGI are entitled to be considered for variable pay each year on the basis of their performance and affordability.

In this report the disclosures on directors' remuneration, CETV and pensions, fair pay disclosures staff numbers and costs, exit payments have been audited. No other disclosures have been audited.

## Remuneration received including pension benefits (audited)

In accordance with the requirements of the Companies Act 2006, remuneration is shown for UKGI's board members and directors below:

	Salary	Bonus payments	Pension benefits	Total	2020-21
	£'000	£'000	£'000	£'000	£'000
Robert Swannell (until 22 September 2021)	20-25 (FYE 50-55)			20-25 (FYE 50-55)	50-55
Vindi Banga (from 23 September 2021)	20-25 (FYE 40-45)			20-25 (FYE 40-45)	n/a
Andrew Duff	35-40			35-40	35-40
Jitesh Gadhia (until 31 March 2022)	35-40			35-40	35-40
Jane Guyett	40-45			40-45	35-40
Clare Hollingsworth (to 14 January 2022)	20-25 FYE (25-30)			20-25 (FYE 25-30)	30-35
Robin Lawther	40-45			40-45	35-40
James Leigh-Pemberton	40-45			40-45	40-45
Caroline Thomson	30-35			30-35	30-35
Charles Donald	215-220	30-35		250-255	245-250

Sarah Munby, Philip Duffy and Charles Roxburgh received no fee for their roles as directors of UKGI.

## Remuneration multiples and ratios (audited)

The relationship between the remuneration of the highest-paid member of the UKGI Managing Board and the median remuneration of the organisation's workforce is reported below.

The Chief Executive is the highest paid member of the UKGI Board. In the financial year 2021-22, the annualised full time equivalent banded remuneration was £250-255k, which is 2% increase on the prior year (2020-21: £245k-250k). This was 3.0 times (2020-2021: 2.6 times) the median remuneration of the workforce which was £85k (2020-21 £88k).

The average percentage change from the previous financial year in respect of the employees of the entity taken as a whole was (2%)

	25th percentile pay ratio		Median pay ratio		75th percentile pay ratio	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Mid point	58,000	57,048	85,000	88,392	110,284	126,194
Salary	50,000	50,398	85,000	88,392	95,434	92,454
Ratio	4.3	4.3	3.0	2.8	2.3	1.9

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

Total employee remuneration ranged from £28k to £267k (£29k to £245k)

## Performance related payments (PRP) (audited)

The payment of performance related awards is assessed annually by the Remuneration Committee. These one-off payments are determined by individual and Company performance and criteria associated with the UKGI performance management process and are aligned to the policy for public sector pay. The payments relating to performance in each financial year are shown separately.

	2021-22	2020-21
	£'000	£'000
Total performance related pay	1,306	1,098

## Pension (audited)

Non-executive directors are not entitled to any pension benefits. Charles Donald receives no pension benefits.

# Pensions schemes

## Civil Service Pensions

For staff that TUPE'd in to UKGI from the Civil Service, 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 or **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). The PCSPS has four sections: 3 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 **classic**, **premium**, **classic plus**, **nuvos** and **alpha** 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 who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 switch into **alpha** sometime 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 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 defined contribution (money purchase) pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**. Benefits in **classic** accrue at the 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 his 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 updated 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). 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](http://www.civilservicepensionscheme.org.uk)

## Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (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 pension benefits in another pension 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 disclosure applies.

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 worked out in accordance with

The Occupational Pension Schemes (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 reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Further details about the Civil Service pension arrangements can be found at the website

## UKGI Pension Scheme

Employees who joined UKGI after 1 April 2016 are enrolled into a defined contribution pension scheme administered by Aviva; employer contributions are 5% of base salary and the employee contributes a minimum of 3%.

## Staff numbers and related costs (audited)

	Permanent and FTA staff	Staff seconded into UKGI	Total 2021-22	Total 2020-21
	£'000	£'000	£'000	£'000
Salaries (including PRP)	11,508	2,665	14,173	11,755
Social security	1,420	139	1,559	1,290
Other pension costs	862	303	1,165	1,110
Recoveries in respect of outward secondments	(383)		(383)	(245)
<b>Total net costs</b>	<b>13,407</b>	<b>3,107</b>	<b>16,514</b>	<b>13,910</b>
<b>Staff numbers (including non-executive board members)</b>	<b>129</b>	<b>27</b>	<b>156</b>	<b>134</b>

Staff numbers are the average monthly full time equivalent for the year. Permanent and FTA staff includes non-executive board members.

## Exit payments (audited)

There were no exit payments made in 2021-22 (2020-21 none).

## Male/female staff breakdown (audited)

	Male	Female
Non-executive board members	6	4
Staff	80	75
<b>Total</b>	<b>86</b>	<b>79</b>

## Equal opportunities

UKGI is an equal opportunities employer. Policies are in place to ensure that no job applicant or member of staff receives less favourable treatment on grounds of gender, gender re-assignment, marital or family status, colour, racial origin, sexual orientation, age, background, religion, disability, trade union membership or by any other condition or requirement.

## Off-payroll engagement

There were no off-payroll engagements during 2021-22 (2020-21 none).

## Employee Relations

UKGI recognises the following trades union: Prospect, PCS and FDA. UKGI met with trades union representatives regularly throughout the year. Staff are free to join the trades union of their choice.

## Learning and development

UKGI's learning and development policy aims to ensure that its staff have the right skills to meet its objectives. UKGI provides targeted training and support for professional studies to enhance the skills base of its employees. All staff are required to undertake a minimum of 16 hours CPD per annum.

## Staff sickness absence

The average working days lost to sick absence during 2021-22 was 2.55 days (2020-21 1.14 days).

## Social, community and human rights issues

UKGI has no social, community or human rights issues to report which are relevant to understanding its business.

# Statement of Directors' and Accounting Officer's responsibilities in respect of the Directors' Report and Financial Statements

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with UK adopted International Accounting Standards and applicable law (International Financial Reporting Standards). The Financial Statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these Financial Statements, the Directors have:

- selected suitable accounting policies and then apply them consistently;
- made judgements and estimates on a reasonable basis;
- ensured the Financial Statements give a true and fair view of the state of affairs of the company and of the profit or loss of the company
- stated whether the applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepared the Financial Statements on a going-concern basis.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

This report has been approved by the Board of Directors and is signed by the chief executive and chairman on behalf of the Board of Directors.

The Accounting Officer of HM Treasury has designated the Chief Executive as the Accounting Officer of UKGI. 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 UKGI's assets, are set out in *Managing Public Money*, published by HM Treasury.

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

- that there is no relevant audit information of which the auditors are unaware;
- that he has taken all steps he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information;
- to confirm that he takes responsibility for the judgements made to ensure the annual report and accounts as a whole is fair, balanced and understandable;
- that the Annual Report and Accounts as a whole are fair, balanced and understandable;
- to observe the Accounts Direction issued by HMT, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- to make judgements and estimates on a reasonable basis;
- to state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and are in accordance with the Companies Act 2006; and
- to prepare the financial statements on a going concern basis.

This statement was approved by the Board of Directors on 18 July 2022 and was signed on its behalf by:



**Charles Donald**  
Chief Executive

UKGI Company Number 9774296



**Vindi Banga**  
Chairman

UKGI Company Number 9774296

# Independent Auditors' Report to the Members of UK Government Investments Limited

## Opinion on financial statements

I have audited the financial statements of UKGI for the year ended 31 March 2022 which comprise the UKGI

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

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

In my opinion the financial statements:

- give a true and fair view of the state of UKGI's affairs as at 31 March 2022 and its net operating expenditure for the year then ended; and
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on regularity

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

## Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (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 UKGI 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 UKGI'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 UKGI's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

## **Opinion on other matters prescribed by the Companies Act 2006**

In my opinion the part of the Remuneration Committee Report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual.

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

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

## **Matters on which I report by exception**

In the light of the knowledge and understanding of UKGI and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report or the Directors' Report.

I have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration Committee Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit.

## **Responsibilities of the directors for the financial statements**

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

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as directors determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing UKGI's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.



## **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

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

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

- the nature of the sector, control environment and operational performance including the design of UKGI's accounting policies.
- Inquiring of management, UKGI's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to UKGI'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 UKGI's controls relating to UKGI's compliance with the Companies Act 2006 and Managing Public Money;
- discussing among the engagement team 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 UKGI 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 UKGI's framework of authority as well as other legal and regulatory frameworks in which UKGI 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 UKGI. The key laws and regulations I considered in this context included Companies Act 2006, Managing Public Money, employment law and tax 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, the Audit and Risk Committee concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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](http://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.



**Stephen Young (Senior Statutory Auditor)**

19 July 2022

For and on behalf of the

**Comptroller and Auditor General (Statutory Auditor)**

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP





# Financial Statements

# Financial Statements of UK Government Investments Limited

## Statement of comprehensive net expenditure for the year ended 31 March 2022

	Notes	2021-22	2020-21
		£000	£000
Staff costs	3	16,897	14,155
Operational costs	4	5,533	4,073
<b>Total operating expenditure</b>		<b>22,430</b>	<b>18,228</b>
Revenue	5	(1,441)	(1,177)
<b>Net operating expenditure</b>		<b>20,989</b>	<b>17,051</b>
Finance income and expenditure	6	(9)	53
<b>Net operating expenditure before tax</b>		<b>20,980</b>	<b>17,104</b>
Taxation		(8)	3
<b>Net operating expenditure after tax</b>		<b>20,972</b>	<b>17,107</b>

The notes on pages 81-89 are an integral part of these financial statements. All activities are classified as continuing. There has been no other comprehensive income or expenditure in the current year.

## Statement of financial position as at 31 March 2022

	Notes	31-Mar-22 £000	31-Mar-21 £000
<b>Non current assets</b>			
Property, plant and equipment	8	1,271	4,168
<b>Total non current assets</b>		<b>1271</b>	<b>4,168</b>
<b>Current assets</b>			
Cash and cash equivalents	9	1,538	416
Trade and other receivables	10	503	778
<b>Total current assets</b>		<b>2,041</b>	<b>1,194</b>
<b>Total assets</b>		<b>3,312</b>	<b>5,362</b>
<b>Current liabilities</b>			
Trade and other payables	11	(5,256)	(5,250)
<b>Total current liabilities</b>		<b>(5,256)</b>	<b>(5,250)</b>
<b>Total assets less current liabilities</b>		<b>(1,944)</b>	<b>112</b>
<b>Non current liabilities</b>			
Trade and payables due after one year	11	(1,073)	(3,657)
<b>Total non current liabilities</b>		<b>(1,073)</b>	<b>(3,657)</b>
<b>Assets less liabilities</b>		<b>(3,017)</b>	<b>(3,545)</b>
<b>Taxpayers' equity</b>			
General fund		3,017	3,545
<b>Total taxpayers' equity</b>		<b>3,017</b>	<b>3,545</b>

The notes on pages 81-89 are an integral part of these financial statements. These financial statements were approved by the Board of Directors on 18 July 2022 and were signed on its behalf by



**Charles Donald**

Chief Executive

UKGI company number 09774296

**Statement of cash flows for the year ended 31 March 2022**

	Notes	2021-22 £000	2020-21 £000
<b>Cash flows from operating activities</b>			
Net operating costs		(20,989)	(17,051)
Depreciation		764	294
Decrease/(Increase) in trade and other receivables	10	275	134
(Decrease)/Increase in trade and other payables	11	(2,578)	5,482
Corporation tax		8	(3)
<b>Net cash outflow from operating activities</b>		<b>(22,520)</b>	<b>(11,144)</b>
<b>Cash flows from investing activities</b>			
Purchase of non-financial assets		<b>(744)</b>	(4,462)
Remeasurement of right-of-use assets		3,280	-
Gain on revaluation of non-financial assets		23	-
<b>Net cash outflow from investing activities</b>		<b>2,559</b>	<b>(4,462)</b>
<b>Cash flows from financing activities</b>			
Grant-in-Aid from HM Treasury		21,500	15,750
Payment of interest and other finance expenditure	6	(14)	(53)
Repayment of lease liability		(403)	(248)
Intercompany account movements			(12)
<b>Net financing</b>		<b>21,083</b>	<b>15,437</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>		<b>1,122</b>	<b>(169)</b>
Cash and cash equivalents at the beginning of the period		416	585
<b>Cash and cash equivalents at the end of the period</b>		<b>1,538</b>	<b>416</b>

The notes on pages 81-89 are an integral part of these financial statements



### Statement of changes in taxpayers' equity for the year ended 31 March 2022

	<b>General Reserve</b>
	£000
<b>Balance at 1 April 2020</b>	<b>(2,176)</b>
Grant-in-Aid from HM Treasury	15,750
Comprehensive expenditure for the year after tax and transfer	(17,107)
Intercompany adjustments	(12)
<b>Balance at 31 March 2021</b>	<b>(3,545)</b>
Grant-in-Aid from HM Treasury	21,500
Comprehensive expenditure for the year	(20,972)
<b>Balance at 31 March 2022</b>	<b>(3,017)</b>

The notes on pages 81-89 are an integral part of these financial statements.

# Notes to the Financial Statements

## 1. Reporting Entity

UK Government Investments Limited (the Company) is a Company limited by shares incorporated in the United Kingdom. The address of the Company's registered office is 27-28 Eastcastle Street, London W1W 8DH.

## 2. Statement of Accounting Policies

The Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and, as appropriate, the Government Financial Reporting Manual ('FReM') and other guidance issued by HM Treasury where the disclosure requirements of these go beyond the Companies Act 2006. The financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee interpretation.

### (a) Accounting Convention

These accounts have been prepared on an accruals basis under the historical cost convention.

### (b) Impact of new standards

UKGI has considered the newly issued accounting standards, interpretations and amendments to published standards that are not yet effective. None are expected to have an impact on UKGI's financial statements.

### (c) Going Concern

It has been considered appropriate to adopt a going concern basis for the preparation of these financial statements as UKGI has in place an agreed budget settlement with HM Treasury, comprising a commitment to financial year 2022-2023. UKGI's status will be reviewed periodically. The going concern disclosures on page 44 of the Annual Report detail in full the basis on which the Directors consider it appropriate to prepare these Accounts on a going concern basis.

### (d) Revenue

Revenue is recognised in the statement of comprehensive expenditure on an accruals basis.

### **(e) Financing**

The company is financed via Grant-in-Aid from HMT. The Grant-in-Aid is credited to the general fund in the year in which it is received. The total Grant-in-Aid received by the company from HMT in the financial year 2021-22 was £21.5m (2020-21 £15.8m).

### **(f) Pensions**

The provisions of the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS), are described in the Remuneration Committee Report, and cover staff transferred from the Civil Service and who are subject to TUPE. The defined benefit schemes within the PCSPS and CSOPS are unfunded and contributory. UKGI recognises as a cost the monthly charges made by the PCSPS and CSOPS to contribute to the schemes.

Employees are entitled to enroll into UKGI's group stakeholder pension plan, a defined contribution scheme administered by Fidelity. Contributions are charged in the Statement of Comprehensive Net Expenditure as they become payable in accordance with the rules of the scheme.

### **(g) Employee benefits**

The Company has accrued for the cost of the outstanding employee paid holiday entitlement. The accrual is based on salary, Employer's National Insurance Contributions and pension contributions.

### **(h) Financial Instruments**

UKGI is not exposed to significant financial risk factors arising from financial instruments. Financial assets and liabilities are generated by day-to-day operation activities rather than being held to change the risks facing UKGI in undertaking its activities.

UKGI's financial assets are: trade receivables due from related parties and other trade receivables.

UKGI's financial liabilities are: trade and other payables due to related parties, other trade payables, lease liabilities, taxation and social security.

The carrying values of short-term financial assets and liabilities (at amortised cost) are not considered different from fair value.

#### **i) Market risk**

Market risk is the possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements. The vast majority of UKGI's transactions are undertaken in sterling and so its exposure to foreign exchange risk is minimal. UKGI's income and operating cash flows are substantially independent of changes in market interest rates.

**ii) Credit risk**

Credit risk is the possibility that other parties might fail to pay amounts due to UKGI. Credit risk arises from deposits with banks as well as credit exposures to HM Treasury and other debtors. The credit risk exposure to HM Treasury is considered negligible; UKGI 's operating costs are recovered from HM Treasury, which is financed by resources voted by Parliament. Surplus operating cash is only held within the Government Banking Service.

**iii) Liquidity risk**

Liquidity risk is the possibility that UKGI might not have funds available to meet its commitments to make payments; this is managed through prudent cash forecasting and is considered negligible as expenses are recouped through grant-in-aid.

**(i) Tax**

Value Added Tax – In general input tax on purchases is not recoverable. Irrecoverable tax is charged to the relevant expenditure category or included in the capitalised purchase of non-current assets. Where output VAT is charged, or input VAT is recoverable, amounts are stated net of VAT.

Corporation Tax – UKGI is liable to pay corporation tax where taxable income exceeds the costs associated with that income. Payment of £5.6k was made to HMRC in relation to the period 01 April 2019 to 31st March 2021 (2019-20 £4.8k).

**(j) Non-current assets and depreciation**

The value of the Company's non-current assets is stated at cost less accumulated depreciation and impairment losses. Only those assets costing more than £5,000 and having an economic value to the Company beyond the year in which they were bought are capitalised. Where parts of an item have different useful lives, they are accounted for as separate assets. Depreciation is applied on a straight-line basis over the estimated useful economic lives of assets. Depreciation methods, useful lives and residual values of non-current assets are reviewed at least at each balance sheet date. Donated assets are recorded at nil value.

Estimated useful economic lives of non-current assets

Asset type	Estimated Useful Life
Information Technology equipment	Three to five years
Office furniture and fittings	Ten years
Leasehold improvements	The remaining period of the lease
Plant & Machinery	Over ten to fifteen years
Computer software	Over three years

### **(k) Leases**

IFRS 16 applied to UKGI from 1 April 2019. Under this policy, at the inception of each contract, the Company assesses whether the contract is, or contains a lease, where a lease is any arrangement which conveys the right to control an asset for a period of time in exchange for consideration. UKGI recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost and is depreciated on a straight-line basis over the residual lease term. The lease liability is initially measured at the present value of remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, a rate determined by HM Treasury and based on government's incremental borrowing rate.

### **(l) Functional & Presentational Currency**

These Financial Statements are presented in pounds sterling, which is the Company's functional currency.

### **(m) Estimates and Judgements**

The preparation of the Financial Statements in conformity with IFRS requires management to make judgements, estimate and assumptions that affect the application of accounting policies and the reported amounts of asset, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The company's lease contracts include extension and termination options and judgement is applied in evaluating whether it is reasonably certain the lease will continue into these optional periods. The effect of a change in the judgements made on the carrying value of the lease liability and right-of-use asset are show in notes 8 and 12 respectively.

### 3. Staff Costs

	2021-22 £000	2020-21 £000
Salaries	11,508	9,433
Employer national insurance contributions	1,420	1,171
Pensions costs	862	850
Secondees	3,107	2,701
<b>Total Costs</b>	<b>16,897</b>	<b>14,155</b>

Further details of staff costs and numbers are disclosed in the Remuneration Committee Report.

### 4. Operational Costs

	2021-22 £000	2020-21 £000
Office related costs	2,372	2,080
Professional services	1,729	998
Staff related costs including training, travel and expenses	673	698
Other operating expenditure	759	297
<b>Total Costs</b>	<b>5,533</b>	<b>4,073</b>

Professional Services include audit fees payable to the National Audit Office of £33k, plus VAT (2019-20: £29k). Other operating expenditure includes depreciation £764k, (2020-21: £294k) of the Company's leased office accommodation.

### 5. Revenue

	2021-22 £000	2020-21 £000
Staff costs recovery	383	245
Recharges and recoveries	1,058	932
<b>Total</b>	<b>1,441</b>	<b>1,177</b>

Staff costs recovery represents income from the secondment of UKGI staff to other Government Departments and public bodies. Recharges and recoveries are the reimbursement of professional advice related costs incurred by UKGI on behalf of UKGI's partner bodies as well as fees charged for UKGI staff acting as NEDs.

### 6. Finance income and expenditure

Finance income of £9k comprise the interest portion of the lease liability of £14k (2020-21 £53k) and the gain on reassessment of the lease term of £23k (2020-21 £nil) relating to the lease of the Company's office accommodation.

## 7. Directors' Emoluments

	2021-22 £000	2020-21 £000
Directors' emoluments	505	548
<b>Total</b>	<b>505</b>	<b>548</b>

Directors' emoluments include salary, bonuses awarded in the period and employer's pension contributions. Full details of the Directors' remuneration including policies are available within the remuneration section of this report.

## 8. Property, plant and equipment and Right-of-use assets

Property, plant & equipment and Right-of Use Assets	Right-of-use assets £000	Leasehold improvements £000	Total £000
At 1 April 2020	-	-	-
Additions	4,152	310	4,462
<b>At 31 March 2021</b>	<b>4,152</b>	<b>310</b>	<b>4,462</b>
<b>Depreciation</b>			
At 1 April 2020	-	-	-
Depreciation charge for the year	(294)	-	(294)
<b>At 31 March 2021</b>	<b>(294)</b>	<b>-</b>	<b>(294)</b>
NBV at 31 March 2021	3,858	310	4,168
At 31 March 2021	4,152	310	4,462
Additions	450	294	744
Remeasurements	(2,877)	-	(2,877)
<b>At 31 March 2022</b>	<b>1,725</b>	<b>604</b>	<b>2,329</b>
<b>Depreciation</b>			
At 31 March 2021	(294)	-	(294)
Depreciation charge for the year	(542)	(222)	(764)
<b>At 31 March 2022</b>	<b>(836)</b>	<b>(222)</b>	<b>(1,058)</b>
<b>NBV at 31 March 2022</b>	<b>889</b>	<b>382</b>	<b>1,271</b>

Remeasurements of the right-of-use assets in the current year relate to the reassessment of the lease term and termination options, as GPA exercised the option to terminate both leases at the lease break on 30 September 2023.

## 9. Cash and cash equivalents

	2021-22 £000	2020-21 £000
Cash held with the Government Banking Service	1,538	416
<b>Total</b>	<b>1,538</b>	<b>416</b>

## 10. Receivables

Amounts falling due within one year	2021-22 £000	2020-21 £000
Trade and other receivables	74	49
Prepayments and accrued income	348	729
Taxation	81	0
<b>Total</b>	<b>503</b>	<b>778</b>

Prepayments and accrued income include prepayments of £114k (2020-21 £155k) and accrued income of £234k (2020-21 £575k).

## 11. Payables

Amounts falling due within one year	2021-22 £000	2020-21 £000
Trade & other payables	277	773
Accruals	3,735	4,083
Lease liability	748	374
Taxation and social security	496	20
<b>Total</b>	<b>5,256</b>	<b>5,250</b>

Amounts falling due after one year	2021-22 £000	2020-21 £000
Other payables	773	2,114
Lease liability	300	1,543
<b>Total</b>	<b>1,073</b>	<b>3,657</b>

## 12. Commitments and Leases

The Company occupies office space within 1 Victoria Street, London. This is achieved by means of an agreement as set out within a Memorandum of Terms of Occupation (MOTO) between UKGI and the Government Property Agency (GPA). This covers the provision of accommodation. The lease agreement runs for a period of 11 years from 1 July 2020 to 30 June 2031. During the current year, UKGI entered into a new lease agreement for additional floor space at 1 Victoria Street, London, which runs from 5 July 2021 until 31 January 2024. GPA exercised the option to terminate both leases at the lease break on 30 September 2023. In the prior year, it was reasonably certain that the termination options would not be



exercised, which has resulted in remeasurements of lease liability in the current year relating to the reassessment of the lease term and termination options.

Having regard to the duration of the lease and the uncertainty surrounding commercial property, it is not possible to determine the effective interest rate in the lease. Therefore, the rate determined by HM Treasury and promulgated to government bodies through the Public Expenditure System (PES) series of papers has been used.

	Leases £'000
At 1 April 2020	-
Additions	4,152
Accretion of interest	53
Payments	(318)
<b>At 31 March 2021</b>	<b>3,887</b>
Additions	450
Remeasurements	(2,900)
Accretion of interest	14
Payments	(403)
<b>At 31 March 2022</b>	<b>1,048</b>

Lease liabilities are repayable £748k (2020-21 £374k) within one year, £300k (£1,543k) between one and five years and £nil (2020-21 £1,971k) over five years.

The related right-of-use assets are disclosed in note 8.

The following amounts have been recognised in the SoCNE:

	2021-22 £'000	2020-21 £'000
Depreciation expense on right-of-use assets (note 8)	542	294
Interest expense on lease liabilities (note 6)	14	53
Gain on remeasurement of lease liability and right-of-use assets	(23)	-
Total amount recognised in SoCNE	<b>533</b>	<b>347</b>

The only cash flows UKGI is exposed to as a direct result of this lease are disclosed in note 14, Related Party Transactions

The Company has neither entered any capital commitments nor any non-cancellable contracts.

### 13. Called up share capital

The Company's share capital consists of one Ordinary Share of £1. The share is fully paid up.

## 14. Related Party Transactions

UKGI is a wholly owned subsidiary of HM Treasury. HM Treasury is regarded as a related party. During the year, UKGI has had various material transactions with HM Treasury, with expenditure totaling £1,656k (2020-21: £1,093k), primarily in relation to the provision of secondees, recoveries for IT, finance and HR shared services, and receipts of £73k (2020-21: £65k) in respect of the outward secondment of staff by UKGI.

UKGI had material transactions with BEIS, incurring costs totaling £337k (2020-21: £46k), in relation to IT and office services and the provision of secondees by BEIS to UKGI, and receipts of £263k (2020-21: £61k) in respect of the outward secondment of staff by UKGI.

Besides the GPA disclosures made in note 12, UKGI also made material transactions with GPA, incurring costs totaling £1,312k (2020-21: £1,113k), primarily in relation to the provision of accommodation services.

In addition, UKGI has had transactions with other central government bodies.

No board member, key manager or other related party has undertaken any material transactions with UKGI during the year. Details about the board members' remuneration are included on page 61.

## 15. Contingent assets and liabilities

UKGI has no contingent assets. The probability of any outflow of resources in relation to any contingent liability is deemed to be remote.

## 16. Ultimate controlling party

The ultimate parent entity and controlling party of UKGI is HM Treasury, which holds the entire allotted share capital of ordinary shares of £1. HM Treasury is domiciled in the United Kingdom and is located at 1 Horse Guards Road, London. UKGI is consolidated in the HMT Group accounts.

## 17. Dividends

UKGI has no intention of making a profit and does not intend to declare a dividend at any point. No dividend was declared or paid during the year (2020-21: Nil).

## 18. Events after the Reporting Period

There are no events after the reporting period which will have a material effect on the Financial statements of UKGI.

## 19. Date authorised for issue

The financial statements were authorised for issue on the same date as the audit certificate.



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