



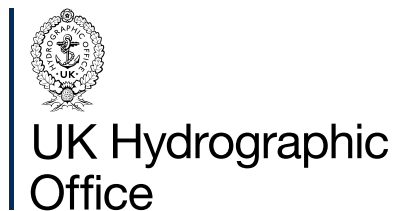
UK Hydrographic
Office

Supporting the future of navigation

Annual Report and
Accounts 2021/22



ADMIRALTY
Maritime Data Solutions



Annual Report and Accounts 2021/22

For the period 1 April 2021 to 31 March 2022

Presented to Parliament pursuant to section 4 (6) of the Government
Trading Funds Act 1973 as amended by the Government Trading Act 1990

Ordered by the House of Commons to be printed on 20 July 2022



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Any enquiries regarding this publication should be sent to:



UK Hydrographic
Office

Admiralty Way, Taunton, Somerset
TA1 2DN, United Kingdom

Telephone +44 (0)1823 484444
customerservices@ukho.gov.uk

[gov.uk/ukho](https://www.gov.uk/ukho)

ISBN 978-1-5286-3554-7
E02766197 07/22

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the UKHO on behalf of the
Controller of Her Majesty's Stationery Office

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Throughout this report is interactive content that can be viewed online

Our vision

Be a global centre of hydrographic understanding.

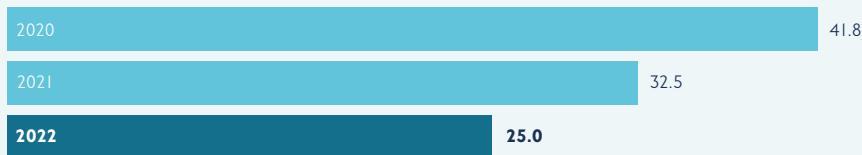
In an ever-changing world, our oceans are under increasing pressure with advances in technology, busier seas and pressing environmental challenges. Our experts support safer navigation across the globe by providing hydrographic understanding to inform maritime decisions on ship and shore.

Financial highlights

Dividend (£m)

£25.0m

(2020/21: £32.5m)



Profit (£m)

£25.3m

(2020/21: £30.3m)



Revenue (£m)

£163.9m

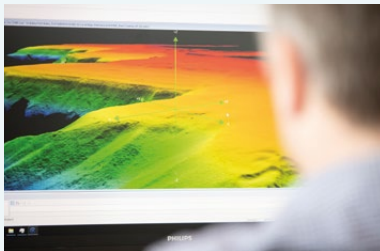
(2020/21: £ 160.6 m)



Highlights of the year

Coastal Zone Mapping

We worked together with 15 government agencies to create a blueprint for a Coastal Geospatial Data Coordination Entity, mapping the coastline of the UK.



Win MOD Quality Award 2021

We were awarded a 'Best Improvement' MOD award for our work reducing reliance on plastic discs.



ADDS Beta release

Our innovative ADMIRALTY Digital Delivery Service (ADDS) service launched, an event-driven pipeline and new cloud-based file store to enable distributors to collect real-time data by API and pass it on to customers.

London International Shipping week

Peter Sparkes and Tom Mellor hosted a seminar at LISW to discuss the challenges and opportunities facing the evolving maritime industry.



S-100 data catalogue launched

We expanded our range of S-102 Bathymetric Surface data sets of ports in the southern UK.

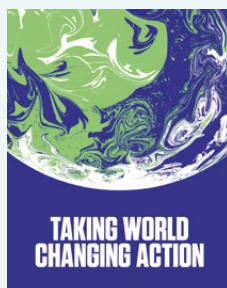
ADMIRALTY Small Craft Chart service launched

a set of 422 sheets for use by leisure craft, workboats, fishing vessels, defence and RNLI.



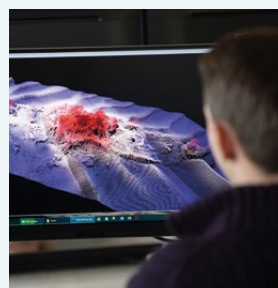
Collaboration agreement with The Nippon Foundation-GEBCO Seabed 2030 Project

We provided bathymetric gridded map products to be used by the project within the GEBCO gridded bathymetric data set, with the goal of mapping the world's oceans by 2030.



COP26

We exhibited at COP26 in support of the decarbonisation of shipping and global reductions to CO₂ output.



ADMIRALTY GAM Service launched

ADMIRALTY Generalised Additive Model Service (GAM) developed in collaboration with Teledyne CARIS, to improve efficiency of bathymetric data cleansing processes.

Taunton Pride 2021

We celebrated Taunton Pride and our own LGBTQI+ community by raising the rainbow flag at our headquarters.

Our role

For safe, secure, and thriving oceans.

We work together with a wide range of organisations to source, process and publish hydrographic and marine geospatial data, from seabed to surface. Supporting others to make the best use of our oceans in safer, securer, and more sustainable ways.

Working as an executive agency of the Ministry of Defence, we play a leading role in providing expert advice on seabed mapping, safe navigation, and marine geospatial data. We provide support for government and public bodies to deliver better outcomes on a range of policy areas, as well as our public task, which includes fulfilling the UK government's Safety of Life at Sea (SOLAS) obligations.

As part of the Ministry of Defence and as the supplier of hydrographic and geospatial data to the Royal Navy, we play a fundamental role in supporting UK national security and defence. Our Defence responsibility spans a range of specialist needs and all UK Defence vessels, from ships to submarines, rely on our navigation and operational solutions.



99%

of global telecoms traffic is transmitted via subsea cable

1 billion

people depend directly on seas for their primary source of food

90+

Defence vessels supported by us including Royal Fleet Auxiliary ships

18,000

Electronic Navigational Charts (ENCs) produced annually

95%

of the UK's trade is carried by sea

225 years

For over 225 years we've been producing world-leading charts and publications to support the safety of ships, crew and cargo

40 million

people will work in ocean-based industries by 2030

90%

of ships trading internationally rely on ADMIRALTY Maritime Data Solutions

5.4 million

minutes of water level observations received annually from Port Authority tide gauges around the UK



The future of navigation

As a global centre of hydrographic understanding and as experts in our field, we consistently strive to set and raise global standards for hydrography and bathymetry.

We harness the latest advances in data science and digital technologies to advance our discovery of the oceans. We're using this knowledge and expertise, in collaboration with partners, to develop innovative solutions which will shape the future of navigation.

Shipping is facing era-defining challenges. We're exploring how we can embrace new technologies to meet the evolving needs of international shipping in minimising carbon emissions and realising operational efficiencies, whilst still ensuring safety at sea.

Our work is underpinned by our people, who are central to our organisation and achieving our future vision. We are becoming a truly digital organisation, developing our people and equipping ourselves with the skills required for a leading organisation in a digital world.

And as shipping is striving for decarbonisation, our organisation is doing the same. We will be carbon neutral by 2030, Net Zero by 2050, and will develop a costed roadmap to achieve this during 2022/23.



Chair's foreword

Knowledge and expertise present at all levels



An organisation based on data and rich in scientific ability and geospatial skills.

Marion Leslie

I have been involved with the UK Hydrographic Office for seven years, but this is my first annual report as Interim Chair. I am not a hydrographer or even a mariner, but I have spent a career in monetising data. And it is here that I intersect with UKHO.

Organisations now acknowledge that data is key. UKHO has understood the importance of data for over 225 years – and appreciates that the value of data resides in how it is organised and made available.

UKHO is the world's largest publisher of maritime navigational data. Our data supports safety at sea, underpins global trade and of course is critical to defence. It is worth stressing, at this time of geopolitical uncertainty, that the Royal Navy depend on our navigational products.

We have built on UKHO's lead line and sextant foundations, and have transitioned from print and paper to real-time information. During the COVID-19 pandemic we maintained these services and profitability while returning a dividend to our owner, the Ministry of Defence. Only 8% of UKHO revenue comes from the UK taxpayer, and UKHO fulfils its public task while being a self-sustaining and profitable commercial entity. In other words, we pay for ourselves. This is a significant achievement.

But that is last year. This year we face a number of disruptions, including a global economic downturn. As the demand for products falls then the demand for ships that carry those products also falls, along with their need for navigational data. In addition, there is the characteristic erosion caused by digital technology, as it reduces margins and allows new competitors to enter the market.



There are reasons for optimism, however. We don't say this enough, but ADMIRALTY – the products and services provided by UKHO and used by commercial shipping – is one of the world's most respected brands, known for its accuracy and safety. Combine this with an organisation based on data and rich in scientific ability and geospatial skills, and UKHO is well placed to be pioneering new markets across the wider maritime ecosystem.

We are also in a good position to participate in the fight against climate change. Providing smart navigation, for example, improves fuel economy through voyage optimisation and reduces harm to vulnerable marine ecologies by identifying marine migration paths, as well as helping protect the safety of life at sea.

A good example of the opportunities is the new Green Shipping Corridors initiative, which has the goal of establishing at least six zero-emission maritime routes between ports by the middle of the decade. UKHO products are more than getting from A to B safely, they are about getting from A to B safely while doing the least harm to the planet.



Defence, the safety of lives at sea and sustainability are not separate parts of our work, but aspects of the same core mission.

UKHO is fortunate to have a management team that has proven itself through delivery and execution of its public task over the last two tough years. Peter Sparkes, UKHO's Chief Executive, has done a wonderful job steering the organisation through its digital transformation, preserving the heritage of our deep expertise in navigational data while adopting new technologies and extending partnerships so that our maritime data assets can have greater impact. Adam Singer, our departing Chair, has offered unwavering support and passion. He is a class act, and has done much to help the organisation and its leadership articulate and deliver on its full potential. It should be noted that knowledge and expertise is present at all levels in the UKHO, from our data science experts to our specialists in marine matters.

It is sometimes tempting to focus on new challenges, but the old ones do not go away. UK Defence remains our main shareholder and a key customer, and the Board has been proud, in recent months, of the way UKHO has responded to the challenges presented by the Russian invasion of Ukraine. The team has been working out how best the UKHO can deploy its marine geospatial information and expertise in support of effective sanctions and the UK's defence goals.

Defence, the safety of lives at sea and sustainability are not separate parts of our work, but aspects of the same core mission. It is this talent for integration that makes the UKHO unique.

Marion Leslie

Interim Non-Executive Chair
Appointed Non-Executive Chair
from 1 May 2022 for a 3-year period

Chief Executive's foreword

The next generation of navigation



Our people and our trusted ADMIRALTY brand remain our greatest assets.

Peter Sparkes



The UK Hydrographic Office has emerged in good order post the COVID-19 pandemic. Our revenue (£163.9m) and profit (£25.3m) are both above budget, recruitment rates and staff engagement have continued to improve, and all key performance metrics have been achieved – in the face of another very challenging, much disrupted year. Our dedicated Civil Service team have demonstrated commendable resilience this year and should be justifiably proud of the results reflected in the subsequent pages of this report.

The shipping industry is evolving rapidly as it seeks to address the dual and inter-related challenges of 'decarbonisation' and 'digitalisation'. Our Corporate Plan 2021 and the annual Business Plans foretold this, and we have taken significant steps this year to make the shift to becoming a truly digital organisation. The transition from paper based navigation products to digital has continued. In 2011, 85% of UKHO's sales were paper based products, 15% were digital; in the financial year 2021/2022, 84% of sales were digital and just 16% paper. However, the regulatory context remains unchanged. There is still no internationally agreed digital backup to Electronic Chart Display Information Systems (ECDIS). To remain Safety of Life at Sea (SOLAS) compliant, mariners must continue to carry the Standard Nautical Charts (SNCs), although very few use them.

[→ See more](#)



There is therefore an enduring short-term requirement to sustain both digital and paper product ranges, whilst investing quickly in the development of the next generation of Electronic Navigational Charts (ENC) and digital services. For the UKHO and our international peers, this means that there will be a requirement to simultaneously produce SNCs and ENCs, whilst investing in and developing the next generation S-100 product suite.

To do this, we must adapt and quickly. The UKHO needs to become a digital-first enterprise, deriving coherent products and services from a variety of data sources, to deliver low-latency, event-driven update services to mariners and shore-based decision makers. The operational and safety benefits to mariners and shipping



We have taken significant steps this year to make the shift to becoming a truly digital organisation.

companies are becoming readily apparent. We must strive to deliver better user experiences and added value to our customers, shifting away from product lines and to a more integrated, service-based approach. We need to be easier to do business with, improving the reliability and availability of our business to business (B2B) services, simplifying billing processes, and reducing operational friction. Easy to say, far more challenging to achieve.

Our people and our trusted ADMIRALTY brand remain our greatest assets. We need to sustain both going forward. In line with our Corporate Plan 2021 we have boosted staff numbers to generate the headroom necessary to sustain operational outputs, whilst investing in the 'Future of Navigation'. We have taken the decision to cease 'in-house' paper chart production; in future, it will be undertaken by our Distributors using the Print on Demand (POD) service, which this year accounted for 87% of output. It is a significant, cultural step for an organisation that once produced 10 million chart sheets per annum. We have continued our transition to become cloud-based, rationalised our digital, on-site estate, taken steps to enhance the availability and reliability of our B2B services, whilst greatly improving the speed of our ENC processing and distribution through the introduction of the ADMIRALTY Digital Delivery System (ADDS).

However, we recognise that there is much more still to do. The automation processing and production benefits of machine learning and artificial intelligence will be key to our success. We must better employ our highly skilled and dedicated people on adding value to the exponentially increasing volumes and the diversifying nature of data we receive, not manually ingesting and handling it in increasingly unsustainable legacy ways.

Previously, the maritime sector has been slow to change. Regulated navigation products have been developed at the speed of consensus, rather than in response to customer demand or the pace of relevance for the user. Going forward, digital technology will set the rate and direction of travel. The UKHO is ambitious for the future of our industry and together we are determined to realise these opportunities.

Peter Sparkes
Chief Executive

Strategic review

Trusted by mariners across the globe

Safe navigation is at the heart of our organisation. For over 225 years our ADMIRALTY products and services have been relied upon by ships, crew and cargo. We provide the most comprehensive global portfolio of SOLAS compliant charts, publications, and digital services, carried by over 90% of the world's ships trading internationally.

As the maritime industry evolves, with technological advancements and new data standards, we will continue to support the future of navigation to help enable safety, efficiency, and compliance across the globe.



S-100 data standards will be transformative for anyone who uses marine navigational data.

Steering the development of the S-102 Bathymetric Surface standard

Marine navigation is entering a transformative new era with the global adoption of S-100 data standards from the International Hydrographic Organization (IHO).

The S-100 series of data standards will integrate to provide mariners with a greater operational overview of the physical environment. Enabling safer and more efficient navigation, the data will be capable of dynamically adjusting a vessel's safety contour, and therefore its navigable water.

In collaboration with the Port of London Authority (PLA) and SEAIq Pilot we ran the first real-world S-102 sea trial in the UK. Working together, we tested the new S-102 data set in a real-life trial of piloted passage on a commercial vessel. S-102 is the product specification for bathymetric surfaces, providing high-resolution layers of depth measurements to help users better understand the complexity of the seafloor. This will not only support safer and more efficient navigation, but can also help to unlock economic value for ports. Using this data and SEAIq Pilot's Portable Piloting Unit, the test monitored the entire passage of the vessel, from boarding point to berth.

This real time case study shows how S-102 can improve situational awareness and navigational safety for pilots. This is also the first in a series of sea trials that will help us to understand the user needs and deliver a solution that puts the mariner first.

The work that the UKHO is progressing in the S-100 space, both independently and in collaboration with manufacturers, mariners, port authorities and others, is crucial for the evolution, advancement and user case of the S-100 data standards, which are still in their development cycle.

The results have helped to understand further developments needed and our feedback will help to influence the S-100 data standard development process, in turn improving product specifications, data coverage and user experience.

S-100 data standards will be transformative for anyone who uses marine navigational data. By conducting trials and actively contributing to the shaping of S-102, we are building the safety case for S-102 and helping to support greater commercial, economic, environmental and safety of life at sea outcomes.



See more



We tested the new S-102 data set in a real-life trial of piloted passage on a commercial vessel.



Strategic review continued

Supporting defence and government with specialist expertise

The Royal Navy and our defence customers rely on our navigational products and services. We support the UK's National Security providing hydrographic data and specialist expertise, identifying data needs and requirements to fulfil our national and international security remit. Our role and partnership with Defence helps support operations that promote peace on a global scale.

We also represent the UK government worldwide as experts and advisors on seabed mapping, marine navigation and marine geospatial data. Our widespread support helps others to build an understanding of the marine environment, enabling the protection of the world's oceans and improving Safety of Life at Sea (SOLAS).





Our specialist teams developed bespoke military Electronic Navigational Charts (ENC), to support the requirement for both surface and dived navigation.

Military ENC for the Carrier Strike Group (CSG)

The Royal Navy (RN) relies upon our navigational and operational products and services, to conduct its exercises and operations safely and effectively. As part of our support to the RN, we are the lead hydrographic partner for the United Kingdom's Carrier Strike Group (UKCSG).

The UKCSG is a joint and combined capability, blending sea, air and land elements from across the UK Armed Forces, as well as capabilities and personnel from international partners. Deployed globally the UKCSG protects the nation's security and economic interests, whilst also extending the hand of friendship, and building the relationships that are crucial to diplomatic affairs.

On its inaugural recent operational deployment to the Far East, 'Operation FORTIS', the UKCSG collaborated with over 20 partner nations, joining force elements from other Navies. The UKCSG is now capable of providing a significant maritime contribution to NATO (North Atlantic Treaty Organization), if required.

The deployment covered 26,000 nautical miles, from the North Atlantic through the Mediterranean and Indo-Pacific, visiting more than 40 countries and conducting numerous bilateral and multi-lateral exercises. Sections of these waters are in geographically active, highly contested and geo politically sensitive regions of the world.

Planning for Operation FORTIS identified the scale of charting in certain areas was inadequate to support UKCSG freedom of manoeuvre. Our specialist teams developed bespoke military Electronic Navigational Charts (ENC), blending existing geospatial information with defence data to support the requirement for both surface and dived navigation.

The production of Military ENCs ran alongside our existing submarine ENC product. Further Requests for Information (RFI) called for other bespoke products and services to support the deployment, leveraging the skills and resources of our Ocean Environment and Littoral teams, amongst others. Our experts on the Law of the Sea also played a critical role in briefing the CSG on UK's recognised position on International Maritime Boundaries as well as other nations' claims, supporting Freedom of Navigation Operations (FONOPs), providing the data and information necessary to avoid unintended consequences.

As part of our support to the Royal Navy we are the leading hydrographic partner for the UK's Carrier Strike Group.

Strategic review continued

The changing maritime landscape

The maritime industry is seeing rapid changes, driven by a more efficient, decarbonised approach to global shipping. We are contributing to the next generation of navigation solutions, meeting the industry's evolving needs through innovation and working together.

From smart ports to voyage optimisation, we're exploring new markets and seeking to demonstrate the power of digital navigation will enable intelligent and sustainable decision-making. We are an advocate for the power of marine data, which can play a vital role in protecting our oceans in the face of environmental pressures. Our data science capabilities can play an important role in supporting better decision-making across the maritime ecosystem, to the shared benefit of all ocean users.



Colleagues work together in order to unlock a broader understanding of voyage optimisation.



We are exploring the opportunities the shipping industry's energy transition brings.

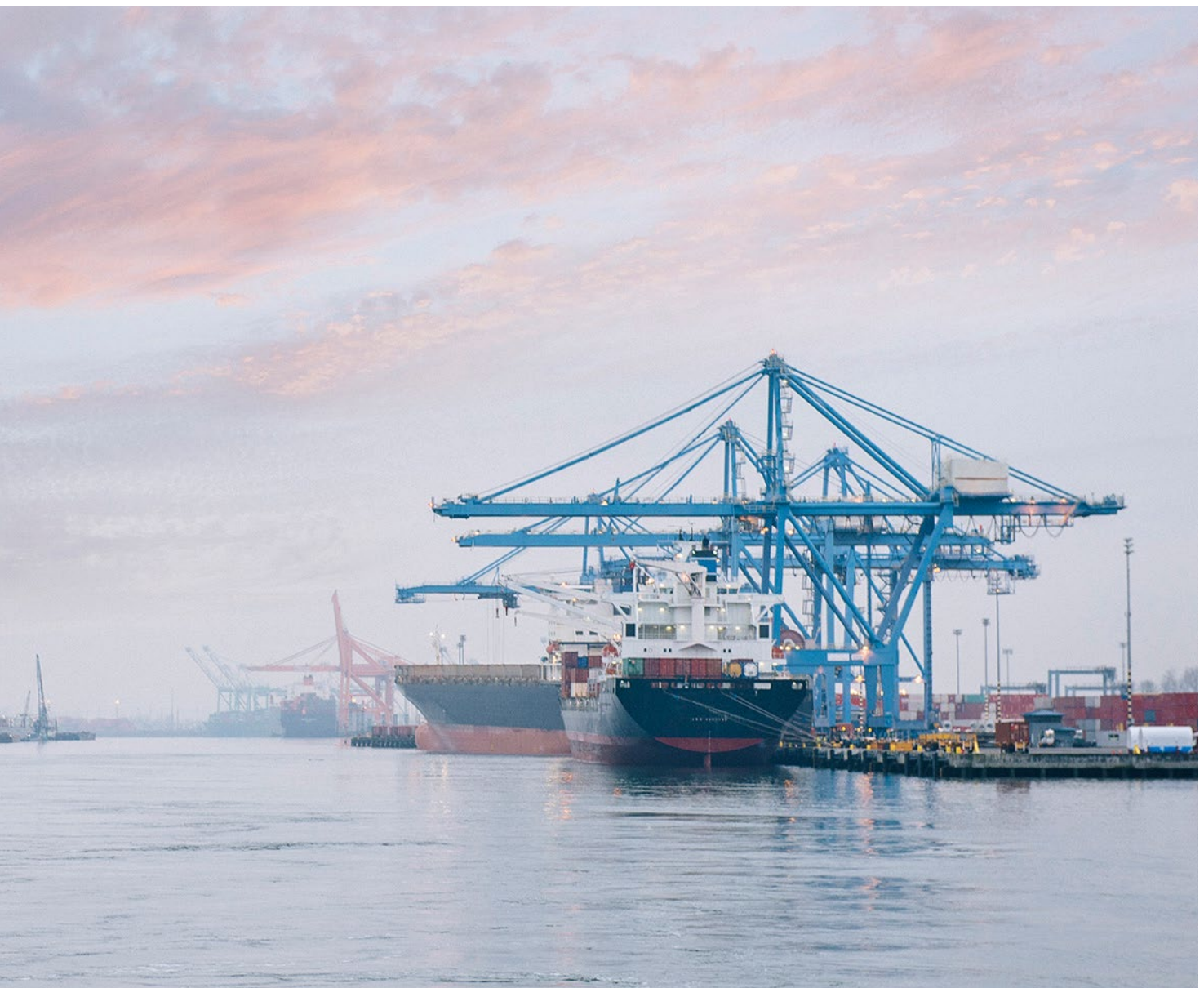
Unlocking voyage optimisation

This year the shipping sector has seen further acceleration around the global energy transition and the rise of environmental considerations. Within the maritime industry, voyage optimisation is a term reflecting the need for vessels to navigate more efficiently; supporting efforts to reduce greenhouse gas emissions, whilst maintaining safe operation and compliance.

Utilising a new multi-disciplinary team approach we have been exploring the concept of voyage optimisation, both to understand what this means to the UKHO and to the wider maritime industry.

This multi-disciplinary team demonstrates a new way of working at the UKHO, bringing together specialists from across the organisation. Colleagues are working together to unlock a broader understanding of voyage optimisation, and to identify the opportunities it holds for the industry. The team also consider the multitude of stakeholders it impacts across the industry and their needs, developing of new techniques and processes to support efficiency generation, and ultimately maritime decarbonisation.

Through this piece of discovery work we have been able to identify a number of critical factors, such as, emissions regulations, changes in fuel types, and operational behaviours, underpinned by the long standing contractual architecture of the industry. Alongside this, the importance of voyage analytics, route optimisation and appropriate supporting data. This insight presents potential opportunities for UKHO to explore in more detail in the years to come.



Strategic review continued

Enabling our people to thrive

Our teams are at the very heart of what we do. To encourage our people to thrive we're continually investing in our capabilities to enhance our processes, data, and technology. This also includes investing in our talent, with a culture that supports learning and inspires a diverse workforce.

To enable us to build an organisation for the future we're committed to behaving ethically and responsibly in everything we do, improving our environmental credentials and continuing to be a people-centric organisation.

Creating a 'Speak Up' culture

Remembering there is always a human side to business conversations, we operate a culture where all staff are encouraged to 'speak up'. Having a work environment where our people feel able to contribute their best every day is central to achieving our vision. We encourage all staff to understand the importance of individuals in their day-to-day interactions, and to feel empowered to proactively take part in team conversations and decision-making.

To help embed this considered approach across all levels of the organisation, we developed a series of interactive sessions and workshops which we delivered throughout the year to existing and new members of staff. Our 'Introduction to psychological safety' workshop was established in 2021, giving a foundation of psychological understanding across the organisation.

In addition to this, we created a masterclass series, to include 'Great conversations', 'How to have difficult conversations', 'Enabling great team dialogue' and 'How to listen-up'. This series of training supports individuals at all levels to inspire more considered communication across all elements of working life.

To encourage teams to participate, we ran a 'Speak-Up' campaign which included news articles, Ted Talks, blogs, dilemma workshops, a psychological safety resource hub on our Learning Management System and a themed question and answer session with our Executive Leadership Team.

This approach and sessions have been positively received, with over half of the organisation participating and an increase in job satisfaction.



The sessions were very interactive with a focus on encouraging us to speak up. Once one member of the team started to speak up, others followed, and it became easier to see why people reacted in the way they do, which made it easier to be more understanding of those reactions.

Susie Carlson
Ocean Environmental Team Leader



Our 'Introduction to psychological safety' workshop was established in 2021, giving a foundation of psychological understanding across the organisation.

Strategic review continued

Our sustainability commitment

Reduction of our environmental impact, and our support in developing a more sustainable marine industry, is of central importance to the UKHO. Last year, we set the commitment to be Carbon Neutral by 2026, we have now increased this commitment with the target of Net Zero by 2050.

A long-term Net Zero target, alongside a short-term Carbon Neutrality target, demonstrates our commitment to tackling climate change and making real changes to the way we operate. This year we have started to deliver against this pledge.





A long-term Net Zero target, alongside a short-term Carbon Neutrality target, demonstrates our commitment to tackling climate change.



Our new 'BREEAM Excellent'* head office building helped deliver a 38% reduction in carbon emissions from the total baseline

Making progress towards Net Zero

At UKHO, we are committed to meeting our objectives in a sustainable way, in line with the Greening Government Commitments and our own Net Zero target. This means minimising our environmental impact, acting in a positive, responsible way in our dealings with our staff, customers and suppliers and maximising our contribution to the wider community.

This year we have taken an important step towards delivering on our climate change commitments. We developed a carbon footprint to give us a clearer insight into the sources of our carbon impact, and developed a roadmap to support us in decarbonising our operations and value chain. These actions will also support us in delivering against the Greening Government Commitments.

We used this work as an evidence base to strengthen our level of ambition by committing to a Net Zero target, and have set annual targets to ensure we continue to move in the right direction.

We have already made strong progress, our new 'BREEAM Excellent'* head office building helped deliver a 38% reduction in carbon emissions from the total baseline, as we operate in a more efficient manner.

There are many critical factors we have assessed to understand the best leverage point for the UKHO to support an industry-wide sustainable solution. This includes emissions regulations, changes in fuel types, and operational behaviours, underpinned by the long-standing contractual architecture of the industry. We recognise the contribution of our data with voyage analytics and route optimisation, and efficiencies gained with this approach. We have also begun exploring the concept of voyage optimisation, to find opportunities for the UKHO to support efficiency through navigation, and subsequently contribute to long-term maritime decarbonisation.

* BREEAM: Code for sustainable built environment



See more



Sustainability report

To achieve our objectives, we're looking to ensure our environmental impact is measured and managed effectively across all elements of the organisation. We're approaching communication with staff, customers and suppliers in a way to promote sustainable thinking, and are maximising our contribution to the wider maritime community to continually discuss efficiency and the environmental impact of all decisions.

Despite some temporary increases in waste and water consumption, related to the construction and move into our new head office building, we continue to see a steady reduction in our environmental impact. This includes recycling most of our waste where possible, investing in energy efficient buildings and equipment, and minimising unnecessary energy use, water consumption and travel.

In the tables beyond, 2017/18 has been used as the baseline year in line with wider cross Government reporting.

Emissions

	2021/22 tCO ₂ e	2020/21 tCO ₂ e	2017/18 tCO ₂ e
Scopes 1 & 2 (energy)			
Fugitive Emissions	37	37	36
Electricity	509	582	1,354
Gas	190	668	644
Total for scopes 1 & 2	736	1,287	2,034
Scope 3 (business travel)			
Total for scopes 1, 2 & 3	846	1,333	3,045
	£k	£k	£k
Expenditure on official travel	92	88	
Expenditure on energy	344	391	546
Total expenditure on energy and travel	436	479	546
	'000 km		
Distance travelled by international flights	278	–	–

* Figures have been recalculated and differ from the Annual Report 2020/21. This is because the method has been updated to increase the scope of emissions captured and the accuracy of those emissions captured.

Commentary

The UKHO has already made strong progress to date in reducing its emissions driven primarily by the new head office building and our transition from printed paper products to digital products and services. While the footprint from 2020/21 was an outlier given the impact of COVID-19 on our regular operations, the UKHO has achieved a 72% reduction in its operational and business travel emissions. It should be noted that business travel, although increasing from 2020/21, has not reached pre-pandemic levels, and is planned to increase in 2022/23.

Waste

	2021/22 tonnes	2020/21 tonnes	2017/18 tonnes**
Reused/recycled/incinerated/energy from waste	14	41	128
Landfill	0*	0	54
Reused/recycled	7.2	12	1
Food waste	0.7***		
	22	53	183

* 100% diverted from landfill.

** Data used is from 2018/19 due to lack of available data for 2017/18 due to change in supplier.

*** We have only begun to capture food waste following the recent update to Greening Government Commitments.

Commentary

Waste levels have continued to reduce, with 100% of waste diverted from landfill. The reduction in waste has been driven primarily by COVID-19 and a lower occupancy of our buildings. Regular waste audits were undertaken by the Defence Infrastructure Organisation while recycling remains a priority for the MOD estate.

Water

	2021/22 m ³	2020/21 m ³	2017/18 m ³
Water consumption	2,388	1,741	18,339
	£k	£k	£k
Water supply costs	10	8	73

Commentary

Water consumption in 2021/22 remained significantly lower. Many factors drove this including reduced occupancy due to COVID-19, the move to a more efficient building where grey water is recycled and the construction coming to a close. The UKHO's water consumption rose slightly compared to last year as expected, due to increased use of our buildings following a return to office working.

Energy

	2021/22 MkWh	2020/21 MkWh	2017/18 MkWh
Energy consumption			
Electricity	2.18	2.24	4.70
Gas	1.04	3.12	3.00
Total energy consumption	3.22	5.36	7.70
	£k	£k	£k
Energy supply costs	344	379	546

Commentary

During January 2019, we moved into our new office and vacated our old estate. Prior to this electricity consumption reflected the aged and varied estate made up of many inefficient buildings. Our energy usage has more than halved since 2017/18 due to our efficient HQ and the benefits from a small modern estate. This is reflected in both our electricity and gas usage. We have seen our gas usage fall particularly quickly from last year as the occupancy of our buildings has increased enabling us to take advantage of our passive heating system.

Sustainable procurement

Analysis is undertaken for relevant contracts and sustainability targets are agreed with suppliers. We have adopted simple incentive initiatives where appropriate. We aim to ensure that our approved suppliers reflect our sustainability goals in the contracts we agree with them. We are currently undertaking a detailed review of our supply chain and procurement practices to deliver on our Net Zero ambition.

Performance review

Financial review

The transition towards digital navigation and away from paper, which started in 2011/12, continues with a further £7.5m rise in digital product revenues and a £4m fall in paper product revenues this year. Alongside increased Defence and other Government work, revenues have increased £3.3m (2%) to £163.9m in 2021/22.

Gross margin fell from 57.9% in 2020/21 to 56.6% in 2021/22 due to the 'mix shift' towards digital products which attract lower gross margins.

Operating expenses increased by £2.7m driven largely by staff costs and third-party contracts in support of our business growth and transformation activities.

Operating profits declined by £4.9m to £25.3m (15.4%) in 2021/22, from £30.3m, 18.9% in 2020/21 reflecting the investment we are making to secure our future.

The fall in sales of paper products combined with the success of our Print on Demand (POD) service, which has been invaluable in providing resilience of our paper chart supplies during the Coronavirus pandemic has led to the decision to cease in-house chart printing during 2022/23, a major landmark in the history of the UKHO. During the year 87% of charts were printed using the POD service, (2020/21: 85%, 2019/20: 73%, 2018/19: 47%).

Net profits remain well in excess of our Return on Capital Employed target of 9%. We have declared an ordinary dividend of £12.5m (2020/21: £12.5m) together with a special dividend in year of a further £12.5m (2020/21: £20.0m) to our sole shareholder, the MOD.

We generated £30.2m (2020/21: £34.5m) of cash from operating activities which supported investing activity spend of £4.0m and the dividend payments of £25m leaving a net increase in cash at year end of £1.2m.

	Financial statements note	2021/22 £m	%	2020/21 £m	%
Revenue	2	163.9	100%	160.6	100%
Cost of sales		(73.2)	44.6%	(67.6)	42.1%
Gross profit		90.8	55.4%	93.0	57.9%
Staff costs	3	(45.0)	27.5%	(42.8)	26.7%
Other costs		(15.6)	9.5%	(15.6)	9.7%
Depreciation & Amortization	3	(4.9)	3.0%	(4.3)	2.7%
Operating profit		25.3	15.4%	30.3	18.9%
Cash generated from operating activities	19	30.2		34.5	

Delivery against the Corporate Plan

Our corporate planning process is built based on maximising opportunities and mitigating risks and uncertainties identified. Our current Corporate Plan covers the five years from 2020/21 to 2025/26. The Board set key performance measures (KPM) that are agreed with our Owner. Together these represent achievement of our overall Corporate Plan. In 2021/22, our performance against these measures was:

	Key performance measure	Achievement
1. Defence	Achieve each of five elements of a composite index measuring the quality and timeliness of deliveries of the Defence programme.	Achieved
2. Safety	External audit to show that our safety management systems are operating satisfactorily or better.	Achieved
3. Financial return	Achieve an average 9% Return on Capital over the last three years.	Exceeded
4. Profitability	Target net profit £19m. Achieved £25.3m (2020/21: £30.3m).	Exceeded
5. Strategic plan	To achieve at least seven of ten strategic programme deliverables. We achieved nine.	Exceeded

Performance review continued

Principal risks and uncertainties

Risk	Impact	Mitigation of risk
There is a risk to our future viability, through growth in commercial competition.	Financial loss and potential change in status	Better understanding of shipping customer needs and working more with partners has helped to mitigate this risk. Our 'digital first' products and services must continue to delight customers needs today and in the future.
There is a risk to the existence of our business of a significant critical business event such as an error in our products and services causing an incident at sea leading to loss of life.	Financial and reputational loss	We implement a safety management system supported by quality assurance. We regularly review the contingent liability risk and are taking actions to update surveys in highest risk areas. We are also exercising our response to 'black swan events' to manage both the impact and outcome of these events.
There is a risk to our future success in terms of our culture and leadership. We are too insular in our thinking (insufficient focus on our customer) leading to a loss of market share. We are unable to lead with a commercial, agile and entrepreneurial mindset creating poor employee engagement and commitment resulting in loss of market position.	Outputs, Capability	We are taking a 'customer centric' approach to our transformation. Our Executive are now working closely with the business to co-develop our strategy and transformation. Our annual People Survey provides the evidence to show we are improving in this respect, and mitigating this risk. We continue to bring commercial leaders into the organisation and are using 'agile discovery' methods to shape improvements based on customer problems.
We haven't invested sufficiently in our leaders and ways of working meaning there is a gap in skills and behaviours required to enable our new ways of working.	Outputs, Capability	Executive and Senior Leadership development encourages empowerment, psychological safety and innovation. We prioritise the outcomes in our Business Plan, including our transformation plan. We are clear on our strategic direction and communicate that clearly to stakeholders.
Our data supply model undermines our strategy by our data suppliers having too much control over our production methods (due to permissions in our bilateral arrangements), or that the data we have access to is of too poor-quality.	Capability	We understand customer needs and seek to address them by exploiting the increasing amount of data we receive to generate products and services they require.
The buoyant employment market means that we are unable to develop, retrain, retain and/or recruit, people with the right skills which undermines our ability to deliver.	Outputs, Capability	We are working on our employee value proposition, apprenticeship schemes, simplifying the recruitment process and identifying specific strategies to attract and retain staff with technology and digital skills. We are now working in new ways in multi-disciplinary teams, and at pace and agility required to compete in new digital markets.
We don't embed customer centricity into the organisation quickly enough or with the right focus.	Outputs, Capability	We understand customers' needs and wants for delivery of services today and in the future. Customer centricity is a key pillar in our transformation portfolio. We solve customers' problems with pace, creating credibility for future service offerings. We develop digital products which help to reduce carbon in the shipping industry.

Risk	Impact	Mitigation of risk
We are unable to manage our stakeholder engagement effectively.	Financial	Development and implementation of stakeholder engagement plan (e.g., for Future of Navigation, Reshaping Paper programmes) including the Marine and Coastguard Agency (MCA) and Foreign Governments data providers.
There is a risk to critical business activities, reputational and/or financial losses/fines as the result of an attack on UKHO. Cyber, physical, personnel, internal, external due to the increasing number and sophistication of attacks.	Outputs and Capability	Refresh Business Impact Analysis. Increase investment in Data Security alongside MOD. We maintain MOD Security Policy JSP440 and ISO27001 and work with MOD to conduct regular cyber security reviews. Review data centre resilience and stability and take appropriate action. Resourced and focused business continuity plan.
There is a risk that our current governance mechanism and Organisational Commercial Dissonance with MOD does not enable UKHO to deliver Corporate Plan 21-26 or future business and target operating models.	Infrastructure	We build a strong relationship with our owner at all levels in order to improve understanding, plan more effectively and give our board sufficient time to consider strategic issues.
There is a risk UKHO's management of its own (and others') IP assets may result in financial and reputational consequences that will impact our existing SOLAS market position and our ability to enter adjacent markets.	Reputational	Developed test beds to prove the viability of the latest encryption standards to protect our own and other's data; re-evaluate the requirements for the copyright data base; upgrade the licensing framework to simplify, rationalise and remove inconsistencies.

Supplier payment performance

Where invoices are undisputed, the government aims to observe the Prompt Payment Code and pay 80% of suppliers within five days. We achieved 86.3% (2020/21: 85.3%).

Going Concern Basis

We have prepared a five-year Corporate Plan covering the years from 2021/22 to 2025/26 on a prudent basis. Concerns felt at the start of the COVID-19 pandemic, about the potential impact on our business, have largely not impacted us. While we have seen an acceleration in the decline of our paper products, these have been offset by a corresponding growth of digital. This, combined with cost savings due to restrictions on activities, has meant that we have seen no material impact on our business.

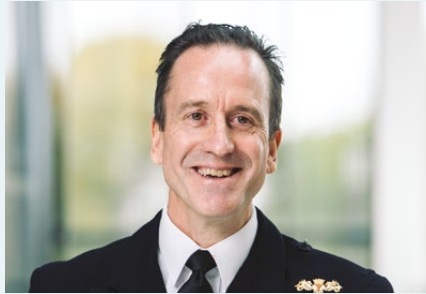
The strategic direction outlined in our Corporate Plan sees the business remaining profitable for the foreseeable future and the Board and MOD, our Owners, are confident that the UKHO will remain a viable business.

UKHO Directors' report

Executive Directors



Rear Admiral (retired) Peter Sparkes
Chief Executive (from 28 April 2021),
Acting Chief Executive (from 10 July 2020
to 28 April 2021)



Rear Admiral Rhett Hatcher
Director of Data Acquisition (from 28 April
2021), UK National Hydrographer and
Deputy Chief Executive (from 1 July 2021)



Cathrine Armour
Chief Customer Officer



Amy Carrillo
Chief People Officer



Lucy Shirodkar
Director of Transformation
(from 5 January 2022)



Terry Makewell
Chief Technology Officer



Stephen Potts
Director of Finance
and Corporate Services



David Tomaney
Director of Operations

Conflicts of interest

Members of the Board, the Executive Committee and their direct reports must declare conflicts of interest with current or potential customers and suppliers. No conflicts of interest were reported during the year. We maintain a register of interests which can be inspected at our Taunton office.

Pensions

Our staff pensions are provided through the Civil Service pension provider, MyCSP. Details are covered in the Remuneration and Staff Report and Accounting Policy Note 1 of the financial statements.

Auditor

Our financial statements are audited by the Comptroller and Auditor General of the National Audit Office (NAO) in accordance with section 4(6) of the Government Trading Funds Act 1973. The cost of performing the statutory audit was £103k (2020/21: £139k, £39k of the amount expended in 20/21 related to the 19/20 audit fee.)

The Comptroller and Auditor General provided no other services to the UKHO in 2021/22.

Non-Executive Directors



Marion Leslie
Interim Non-Executive Chair (from 8 July 2021). Non-Executive Chair (from 1 May 2022)



Adam Singer
Non-Executive Chair (up to 7 July 2021)



Alison Henwood
Non-Executive Director



Tom Loosemore
Non-Executive Director



Captain Pat Mowatt
HM Hydrographer of the Navy, Non-Executive Director (from 6 July 2021)



Captain Derek Rae
HM Hydrographer of the Navy, Non-Executive Director (up to 5 July 2021)



Tara Usher
Non-Executive Director

Find out more about our Directors at gov.uk/ukho.

Financial instruments

The accounting treatment of financial instruments, policies and associated risks is reported in Accounting Policies Note 1K and Note 17 of the financial statements.

Report of protected personal data-related incidents

Government is committed to Parliament and the public to safeguard personal information. As part of this commitment, all Government departments and agencies publish details of unauthorised disclosure of personal data. The UKHO had no reported incidents of such in 2021/22.

Post-reporting period events

There have been no events after the reporting period requiring adjustments to the financial statements.

Peter Sparkes
Chief Executive
18th July 2022

Statement of Responsibilities of the Chief Executive as Accounting Officer

Under section 4(6) (a) of the Government Trading Funds Act 1973 the UK Hydrographic Office is required to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction issued by HM Treasury on 16 December 2021. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Trading Fund and of its income and expenditure, Statement of Financial Position, changes in taxpayers' equity and cash flows for the financial year.

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

- › Ensure all relevant audit information has been made available to the auditors
- › Observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements to apply suitable accounting policies on a consistent basis
- › Make judgements and estimates on a reasonable basis
- › State whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the financial statements
- › Prepare the accounts on a going concern basis.

As far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are unaware, and he has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

The Accounting Officer confirms that the Annual Report and Accounts as a whole is fair, balanced and understandable and that he takes personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

HM Treasury has appointed the Chief Executive as Accounting Officer for the UK Hydrographic Office. The responsibilities of an Accounting Officer are set out in Managing Public Money published by HM Treasury. These include responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, keeping proper records and safeguarding the UK Hydrographic Office's assets.

Governance statement

The governance statement covers the period from 1 April 2021 to the date the accounts are signed.

Scope of responsibility

As Accounting Officer, I am responsible for signing the annual report and accounts. I maintain a sound system of internal control that supports the achievement of our policies, aims and objectives, while safeguarding the public funds and departmental assets for which I am personally responsible. This is in accordance with the responsibilities assigned to me in Managing Public Money.

To form an opinion on our system of internal control for the period 1 April 2021 to 31 March 2022, I have relied on and received advice and assurances from various sources including:

- › Defence Internal Audit
- › Other external assurance partners, e.g. Defence Maritime Regulator, Lloyds (ISO 9001/27001)
- › International Maritime Organisation
- › UKHO internal assurance
- › The Board and its sub-committees
- › The Directors and senior managers through their annual assurance statements.

Details of this advice are covered further within this report.

Ownership and financial structure

Established as a Trading Fund in 1996 in accordance with Statutory Instrument SI 1996/773, we are 100% owned by the Secretary of State for Defence by way of public dividend capital.

Our financial statements, drawn up to 31 March each year, are prepared in accordance with the HM Treasury accounts direction of 16 December 2021 as per section 4(6) (a) of the Government Trading Funds Act 1973.

Status and governance framework

Our governance structure is defined in our Framework Document which, together with our Public Task Statement, can be found at: www.gov.uk/government/organisations/uk-hydrographic-office/about#our-framework-document.

Minister responsible for the UKHO

The minister responsible for the UKHO is the Minister of State for Defence ('the Minister'). During the financial year the Minister was the Rt Hon. Baroness Goldie.

The Minister approves our Corporate Plan including financial projections covering a five-year period, and our annual Business Plan. There were no Ministerial Directions given to us during the year.

UKHO Board

The UKHO Board provides the strategic leadership for the UKHO in delivering its objectives. It provides a forum for independent, non-executive, support and constructive challenge to UKHO's Chief Executive and their Executive Directors.

The quality of management information provided to the Board is reviewed regularly. The Board is satisfied that the information provided is fit for purpose.

An external Board Effectiveness Review (BER) was due this year but was postponed until appointment of the new Chair. A self-assessment BER was therefore undertaken this year. An external review will then be completed during 2022/23.

During the year the UKHO Board agreed its first Board Charter and the Register of Interests was updated.

The attendance of Board members at the Board and its sub-committees (during their tenure in office) was:

	Board	ARAC	REMNCO
Peter Sparkes	5/5	5/5	4/4
Marion Leslie	5/5	5/5	4/4
Alison Henwood	5/5	5/5	3/4
Tom Loosemore	5/5	5/5	2/2
Pat Mowatt	2/2	2/2	2/2
Tara Usher	5/5	5/5	4/4
Rhett Hatcher	5/5		
Stephen Potts	5/5		
Adam Singer	2/2		
Derek Rae	3/3	1/2	2/2
Average attendance	100%	97%	95%

Audit and Risk Assurance Committee (ARAC)

The ARAC is a sub-committee of the Board. The role of the ARAC is to support the UKHO Board and Chief Executive, as the Accounting Officer, in monitoring the organisation's corporate governance, control systems and risk management. The ARAC typically meets four times a year. In addition, it met to focus just on Corporate risks (2020/21: 5). Its membership consists of four Non-Executive Directors, one of whom chairs the committee. Invited members of the Executive Committee, the National Audit Office (NAO) and our appointed internal auditors, Defence Internal Audit (DIA), attend its quarterly meetings as required. The Chair of the ARAC reports to the Board.

Annually, the Chair of the ARAC reports to the Accounting Officer summarising the activities of the ARAC during the previous year.

Governance statement continued

This year the Chair highlighted DIA's overall opinion of 'Substantial Assurance', based on the results and weightings of the assessments undertaken in FY 2021/22 and the delivery of associated management actions. This is a welcome maintenance of the assurance given last year and an improvement on the 'Limited Assurance' rating given in 2019/20.

In the opinion of the ARAC, this outcome reflects the continued focus and resolve of senior management. This will need to continue as the UKHO works to deliver on its strategic goals.

DIA's audit programme this year provided coverage of strategic risk areas including Data Quality and Project Delivery, as well as core business processes including Risk Management, Ways of Working and Cyber.

I confirm that I recognise the critical requirement for robust controls, effectively communicated and understood throughout the organisation, and will ensure that all remedial actions are promptly and securely addressed.

Further details relating to the areas covered and weaknesses found by DIA are covered under 'The role of internal audit' later in this report.

In concluding her report, the Chair confirmed that in ARAC's opinion, there is no reason why I, as the Accounting Officer, should not provide the assurance required as set out in this Governance Statement.

Remuneration and Nomination Committee (REMNCO)

The REMNCO is a sub-committee of the Board. The role of the REMNCO is to advise the UKHO Chair on appointments to the UKHO Board (except for the Chair, whose appointment is the responsibility of the Owner); advise the Owner, Chief Executive and the Board on matters relating to the UKHO pay and reward strategy and on the remuneration for senior UKHO executives, operating within the framework set by Government-wide and Departmental guidelines and where applicable, those for the Senior Civil Service. The committee comprises four Non-Executive Directors who meet as required. The Chair of the committee reports on its proceedings to the UKHO Board.

Safety of Navigation Advisory Committee (SONAC)

The SONAC is an advisory committee that advises and makes recommendations to UKHO on the delivery and development of navigation products and services to meet maritime users' current and future needs for safe, efficient and effective navigation. It is chaired by a serving Captain in the Royal Navy, usually a Hydrographic specialist and NED, and provides formal feedback to the Safety Board (SB), the Board and ARAC. It includes a range of independent experts from the Royal Navy, the Maritime and Coastguard Agency, the Royal National Lifeboat Institution, Trinity House, Associated British Ports, the Marine Accident Investigation Branch, the UK Chamber of Shipping and the Royal Yachting Association.

Executive Leadership Team (ELT)

The purpose of the ELT is to support the Chief Executive in managing the UKHO. It currently comprises Executive Directors who are the persons in senior positions that have authority or responsibility for directing or controlling the major activities of the UKHO.

Compliance with the corporate governance code

The Board has assessed itself against HM Treasury's corporate governance code and considers that it complies with the corporate governance code as far as is deemed relevant and practical.

The framework document was updated in February 2022 and can be found – on the .gov.uk website.

Admiralty Holdings Limited (AHL)

AHL is a private limited company. It was established in 2002/03 to exploit commercial opportunities if needed. The Secretary of State for Defence, who owns 100% of AHL, has delegated its management to the UKHO. AHL is currently dormant.

UKHO internal control

As documented above, our governance supports a system of internal control designed to cost-effectively manage risk to an acceptable level, in line with our status and our corporate risk appetite. This system of internal control was in operation throughout the year ended 31 March 2022 and up to the date of approval of this Annual Report and Accounts.

Each year we seek to improve this system of internal control by refining our system of controls using continuous improvement.

During the last year we have mapped all assurance sources across the 3 Lines of Defence (using the HM Treasury Model) to provide better insight, identify problem/priority areas, improve the breadth of reporting to ELT, ARAC and the Board, and inform the development of the internal audit programme. During the coming year this heatmap will be further refined and improved.

Corporate governance and risk management

Executive Committee members and senior managers provide written assurance to the Accounting Officer on the integrity and accuracy of:

- › Performance reports
- › Maintenance of effective controls in relation to the delivery of business objectives
- › Security (physical and data)
- › Financial propriety and fraud prevention
- › General conduct of business
- › Management of internal audit recommendations
- › Identification of contingent liabilities
- › Compliance with staff reporting requirements, including the provision of appropriate business skill capabilities.

Staff must complete training on information assurance, business resilience, personal data handling, countering fraud, bribery and corruption, equality, diversity & inclusion, conscious and subconscious bias, health & safety and security.

We have the relevant governance structures, which include our Executive Leadership Team and ARAC and processes and activities in place to manage our risks. Our risk management policy and process continue to align to the MOD risk management framework which generally follows the guidance as set out in ISO31000:2018 (Risk management guidelines).

Defence Internal Audit carried out a risk management maturity audit during 2021/22 financial year. The outcome being UKHO were assessed with an overall risk management maturity of level 3 'Implemented in all key areas'. We are now working on identified opportunities for improvement to further enhance our overall maturity.

A full review of all UKHO's strategic (existential) and corporate (delivery) risks has been undertaken during Q4 of 2021/22 financial year in readiness for the new financial year and to ensure full alignment to both the Corporate Plan and the 2022/23 Business plan. Strategic risks are owned by members of ELT and remain subject to review and challenge by the wider Executive Leadership, the Board and the ARAC. The revised 22-23 Strategic and Corporate risks can be found on page 36.

All employees have access to the business risk management policy and to guidance on identifying and mitigating risk via our intranet. This sets out clear accountabilities and a structured process for identifying, accessing, communicating and managing risk.

Financial control

As we have a mature system of financial control no specific additional control audits were carried out during the year by Defence Internal Audit (DIA).

Recent audits by DIA have been:

Audit area	Year	Opinion
Period End Financial Controls	2019/20	Substantial
Payroll Accounting Controls	2019/20	Substantial
Financial Controls	2017/18	Full

Financial authority is delegated from the Chief Executive to senior managers.

A detailed business plan is prepared annually which includes the annual budget which in turn is derived directly from our Corporate Plan. This ensures our activities are directly aligned with our short-term financial plans and our long-term financial objectives. Spend against annual budget is monitored monthly, with budget holders, by our ELT and by the Board at every meeting.

The ELT also reviews a range of Key Performance Measures, both financial and non-financial, each month. These measures give the Board confidence that all aspects of the business are being scrutinised and provide a framework for early intervention when required. This ensures that management scrutinises the assumptions underlying all major programmes and projects to ensure that they remain valid. All major programmes are subject to normal management disciplines.

We operate our commercial function in accordance with relevant Government procurement and regulatory requirements.

Management regularly reviews its commercial strategy to ensure that procurement accountabilities are clearly defined.

Exchange rate risk

As digital charts are sold in US dollars (USD), an increasing proportion of our sales are made in USD. As the related data costs are also in USD, we have a natural hedge. We review USD holdings, the balance of USD asset and USD liabilities every two weeks, and any excess USD cash held is sold at the spot rate on the day of transaction. We do not use derivatives such as currency options or forward currency exchange contracts to manage our exchange rate risk.

Improving quality

UKHO continue to be certified to ISO9001:2015 (Quality Management) and ISO27001:2013 (IT Security Management) standards. During 2021/22 we passed all ISO audits and achieved recertification to ISO 9001 and passed surveillance audits for ISO 27001. Lloyd's Register, our certification body, reported only two minor nonconformities in which have both been completed; no further nonconformities were raised.

The role of internal audit

The ARAC approves the internal audit programme each year. The internal audit for 2021/22 was contracted out to DIA.

In line with Public Sector Internal Audit Standards, DIA carried out a programme of risk-based audits. It submitted regular reports, including its opinion on the adequacy and effectiveness of our internal control. It made findings, which were agreed with management, which then form the basis of improvement actions. Where appropriate, the ELT monitors outstanding improvement actions to ensure they are implemented.

DIA's opinion on the work completed during 2021/22 provides a substantial assurance audit opinion based on the results and weighting of the assignments undertaken in year and the delivery of associated management actions. This is a welcome maintenance of the assurance given last year and an improvement on the 'Limited Assurance' rating given in 2019/20.

DIA's audit programme this year has provided coverage of strategic risk areas including Data Quality and Project Delivery, as well as core business processes including Risk Management, Ways of Working and Cyber. Although weaknesses were identified in some audit areas, including management information and delays to the delivery of improvement workstreams, DIA found continued development of risk management maturity and effective control over the agile delivery of projects and the quality of data; areas of work fundamental to the realisation of UKHO's corporate objectives. They also noted the reorganisation and development of second line Assurance activities to provide UKHO leadership with expanded assurance over governance and the operation of internal controls. Notwithstanding the Substantial Assurance Opinions for individual assignments, resourcing and the availability of staff was found to be a thematic issue across our programme of work.

Governance statement continued

Improvement has been made in the monitoring of completion of agreed management actions, although there remain opportunities to improve timeliness of delivery.

I am satisfied that management are focused on making the required improvements and that timely and consistent delivery of agreed management actions should help to ensure improvements are embedded.

UKHO management understand the true value of external objective scrutiny. We do not shy away from encouraging DIA to look at areas of the business where we know, or suspect, improvements can be made. We believe this is an important element of embedding our Core Values which include building a culture of taking responsibility while striving to achieve excellence.

Fraud and whistleblowing

We always seek to conduct our business honestly and with integrity. However, it is acknowledged that all organisations face the risk of their activities going wrong from time to time, or of unknowingly harbouring malpractice. We have a zero-tolerance approach to fraud. Our staff have easy access to advice on the UKHO's Intranet on what to do if they suspect fraudulent activity which includes the protection they receive if they report their suspicions. Staff are also provided with an annual update on fraud issues and a reminder of UKHO's expectations.

Any staff member having a genuine concern about an issue of impropriety or malpractice, is encouraged to raise it. Several avenues are open to them. In a majority of instances, the most appropriate place for a worker to raise concerns will be with their line manager or a more senior manager; in other cases a concern may be reported to the UKHO Fraud Focal Point, the Chair of the ARAC or the Chair of the Board or directly to the Fraud Defence team at the MOD.

We had no reported instances of fraud during the year.

Cyber security

The threat of a cyber-attack remains omnipresent and shows no signs of abating. Along with the constant threat from cyber criminals we are in the midst of a period of heightened cyber threat resulting from Russian cyber campaigns against Ukraine and western allies. In response, the UK Hydrographic Office has reviewed its cyber defence controls and incident response and resilience plans in line with NCSC guidance.

The UK Hydrographic Office continues to maintain a ISO27001 certification and operate a compliant Information Security Management System (ISMS). In addition to our ISO27001 certification, and as a requirement of the UKHO being a MoD organisation, our Information Systems are formally accredited by the Cyber Defence and Risk Directorate (CyDR). Accreditation is defined as a formal, independent assessment of technology or service against its Information Assurance (IA) requirements, resulting in the acceptance of residual risk in the context of the business requirements and information risk appetite.

Business continuity

Although coronavirus has continued to influence the way we work, we have nevertheless delivered a full programme of work covering all elements of the business continuity management lifecycle. This year greater focus has been given to the development and delivery of a wide-ranging exercise programme and while the types of exercise have been limited to desktop and scenario testing rather than live testing due to the pandemic, they have still proved worthwhile in identifying areas for improvement, particularly in relation to hybrid working. As a result, we have published updated plans for Incident Management, Crisis Management and IT Disaster Recovery.

In the second half of the year, we completed a series of workshops with teams from across the business, to review our IT systems in terms of their criticality to delivering outputs and our ability to implement manual or off-grid workaround solutions to the growing threat of a prolonged cyber or ransom-ware attack. The output from these workshops has helped to further inform our approach to IT Disaster Recovery and identified improvements to how we will continue to communicate and engage with customers in the event of a systems outage. Throughout the year we have continued to encourage everyone to keep their Civil Service business continuity required learning up-to-date and as at the end of this financial year over 80% of our people are compliant with their training.

Information Assurance (IA)

The UKHO continues to operate at level 3 of the IA Assessment Framework as required by the Cabinet Office. Employees and contractors undertake the Civil Service 'Responsible for Information' training regularly and third parties bidding for new contracts are subject to a cyber risk assessment under the Defence Cyber Protection Partnership. Additional resource to strengthen Data Protection and Information Compliance work is due to be in place during Q2.

Conclusion

I have carefully considered the governance and control issues noted above, and the plans to address them. After taking this, the report from the ARAC chair, and all the other evidence provided with regards to the production of the annual Governance Statement into consideration, I conclude that the organisation's overall governance, risk management and internal control structures are effective.



Peter Sparkes
Chief Executive
18th July 2022

Remuneration and staff report

Directors' Remuneration policy

Executive Director is interpreted to mean persons in senior positions having authority or responsibility for directing or controlling the major activities of the organisation. Executive Directors are also all members of the UKHO's Executive Leadership Team (ELT), which supports the Chief Executive in managing the UKHO.

Executive Directors are usually employed as Senior Civil Servants (SCS) subject to SCS terms and conditions. Their bonus arrangements fall under SCS rules rather than the UKHO's performance-award system. In addition the National Hydrographer is typically a Naval Officer and their remuneration is set and paid by the Royal Navy. Executive Directors may also be employed on the UKHO's terms, with their pay and conditions of employment set in accordance with UKHO's pay policy or as an off-payroll contractor, inside IR35, with their pay set in line with either SCS or the UKHO's terms. Off-payroll contractors do not receive benefits in kind, performance awards or pensions.

The Non-Executive Directors are not UKHO employees and, apart from two who are Government employees, are paid a fee for their services.

Service contracts

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

The Executive Directors covered by this report with the exception of those employed as off-payroll contractor, hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Executive Directors employed as off-payroll contractors hold appointments that are open ended that can be terminated, without compensation, on five days' notice.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk

The Chief Executive has delegated authority for recruitment up to, but not including, SCS. The duration of contracts and notice periods are in accordance with the Civil Service Management Code and business needs. The appointments of Non-Executive Directors are in accordance with MOD guidelines and The Office of the Commissioner for Public Appointments Code of Practice.

Executive Directors Remuneration

Salary entitlements

The table on page 36 provides details of the remuneration and pension interests of the executive members of the UKHO Board and other Executive Directors. Full Year Equivalent (FYE) amounts are shown in brackets within the table.

'Salary' includes gross salary; recruitment and retention allowances; and any other allowance to the extent that it is subject to UK taxation.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the UKHO and treated by HM Revenue and Customs as taxable. No benefits in kind were provided during the year (2020/21: £nil).

Performance awards

Performance awards are based on performance assessed in the appraisal process. Performance awards relate to the year in which they become payable to the individual. The performance awards reported in 2021/22 relate to performance in 2020/21 and the comparative performance awards reported for 2020/21 relate to 2019/20.

Pensions

Executive Directors who are employed under SCS or UKHO terms are members of the Civil Service Pension Schemes. Full details of the pension schemes are provided later in this note.

The pension figures quoted for Executive Directors show pension earned in the Principal Civil Service Pension Scheme (PCSPS) or Civil Servants and Others Pension Scheme (alpha) – as appropriate. Where the Executive Director has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.

The accrued pension quoted is the pension the Executive Director 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 Executive Directors show pension earned in PCSPS or alpha – as appropriate. Where the Executive Director 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.)

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.

Remuneration and staff report continued

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.

Remuneration details

Subject to audit

2021/22	Contract Terms	Notes	Salary Band £k	Performance Awards £k	Termination Payment £k	Total £k	Pension Benefit (Note 5) £k
Rear Admiral (Retired) Peter Sparkes – Chief Executive	SCS	1	125 – 130	–	–	125 – 130	34
David Tomaney	SCS		80 – 85	5 – 10	–	85 – 90	32
Terry Makewell – Chief Technology Officer	SCS		105 – 110	5 – 10	–	115 – 120	46
Cathrine Armour – Chief Customer Officer	SCS		100 – 105	–	–	105 – 110	40
Stephen Potts – Director of Finance and Corporate Services	SCS		90 – 95	–	–	90 – 95	35
Amy Carrillo – Head of People	SCS		70 – 75	0 – 5	–	70 – 75	29
Lucy Shirodkar – Director of Transformation	Off Payroll	3	40 – 45 (205 – 210)			40 – 45 (205 – 210)	
Rear Admiral Rhett Hatcher – National Hydrographer (from 1st July 2021) & Director Data Acquisition and Defence	Royal Navy		120 – 125	–	–	120 – 125	

2020/21	Contract Terms	Notes	Salary Band £k	Performance Awards £k	Termination Payment £k	Total £k	Pension Benefit (Note 5) £k
Rear Admiral Peter Sparkes – National Hydrographer	Royal Navy	1	120 – 125	–	–	120 – 125	
David Tomaney – Director of Operations	SCS		85 – 90	5 – 10	–	90 – 95	32
Terry Makewell – Chief Technology Officer	SCS		105 – 110	–	–	105 – 110	46
Cathrine Armour – Chief Customer Officer	SCS		100 – 105	5 – 10	–	100 – 105	40
Stephen Potts – Director of Finance and Corporate Services (From 5 October 2020)	SCS		40 – 45 (90 – 95)	– –	– –	40 – 45 (90 – 95)	17
Amy Carrillo – Head of People	UKHO		70 – 75	0 – 5	–	70 – 75	29
Rear Admiral Rhett Hatcher – Director of Data Acquisition (from 9 September)	Royal Navy		65 – 70 (120 – 125)	–	–	70 – 75 (120 – 125)	
Rear Admiral (Retired) Tim Lowe – Chief Executive (up to 10 July 2020)	SCS	2	65 – 70 (125 – 130)	–	–	65 – 70	
David Healey – Interim Director of Finance and Corporate Services (up to 16 October 2020)	Off payroll	4	80 – 85 (150 – 155)	–	–	80 – 85 (150 – 155)	

Notes

Numbers in brackets in the tables above denote annual full time equivalent.

- Rear Admiral (Retired) Peter Sparkes was a serving Royal Navy Officer on loan to the UKHO. While the Royal Navy charges for his services are based on loan capitation rates, the figures above reflect his actual salary paid by the Navy and UKHO. He was appointed Chief Executive and Accounting Officer from 28 April 2021. Prior to this he was acting Chief Executive and interim accounting officer from 10th July 2020.
- Tim Lowe was also a serving Royal Navy Officer on loan to the UKHO up until his retirement from the Navy in September 2019. He was appointed acting Chief Executive and interim Accounting Officer from 1 February 2019 and, following successful open competition, he was appointed Chief Executive and Accounting Officer from 17 September 2019. Tim retired on 10 July 2020.
- Lucy Shirodkar was appointed as Director of Transformation January 2022. Lucy is a contractor and not a Civil Servant.
- David Healey was appointed as Interim Director of Finance and Corporate Services on 7 May 2019 until his departure on 16 October 2020. David is a contractor and not a Civil Servant.
- The value of Pension Benefit disclosed is calculated as the real increase in pension multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual during the year. The real increases exclude increases due to inflation or any increases or decreases due to a transfer of pension rights. This is an estimate of the assumed value of the increase in pension that will be payable on retirement to the individual and has not been paid in the year. For serving naval staff on loan to UKHO, pension and CETV figures are not disclosed.

Pension benefits

(This section has been subject to audit).

	Accrued benefits*		Real increase in benefits		CETV		CETV	CETV
	Pension (Note a)	Lump sum	Pension (Note a)	Lump sum	31/03/2022	31/03/2021	Real increase	
	£k	£k	£k	£k	£k	£k	£	
Peter Sparkes	0 – 5	Note b	0 – 2.5	Note b	34	–	20	
David Tomaney	20 – 25	Note b	0 – 2.5	Note b	339	303	22	
Stephen Potts	5 – 10	Note b	0 – 2.5	Note b	63	39	16	
Terry Makewell	20 – 25	Note b	2.5 – 5	Note b	244	207	20	
Cathrine Armour	5 – 10	Note b	0 – 2.5	Note b	115	82	23	
Amy Carrillo	10 – 15	Note b	0 – 2.5	Note b	132	110	14	

* As at 31 March 2022.

Notes

a. Pension are as at pension age.

b. No automatic lump sum payable as member is in the premium/nuvos/alpha scheme.

Fees paid to Non-Executive Directors (NEDs)

Subject to audit

NEDs are appointed for an initial term of three years, which can be extended by mutual agreement normally for a further three years. NED contracts are not pensionable and there is no compensation for early termination. The Chair, Adam Singer, stood down with effect 07 July 2021 and Marion Leslie took up the role as interim chair with effect 08 July 2021.

Contracts may be terminated at one month's notice by either party or on dissolution of the Board, except in the case of gross misconduct when termination is immediate.

NEDs and their fees as at 31 March 2022 were:

	Appointed	Current Term End Date	Notes	2021/22 £k	2020/21 £k
Marion Leslie	1 January 2015	30 April 2025		25 – 30	15 – 20
Alison Henwood	26 January 2017	24 January 2023		15 – 20	15 – 20
Tom Loosemore	1 September 2017	31 August 2023		15 – 20	15 – 20
Adam Singer	3 May 2014	7 July 2021		5 – 10 (25 – 30)	25 – 30
Tara Usher	1 December 2019	1 December 2022	1	–	–
Captain Pat Mowatt	6 July 2021		2	–	–
Captain Derek Rae	6 July 2019	6 July 2021	2		

Notes:

Numbers in brackets in the tables above denote annual full time equivalent. The following NEDs do not receive separate remuneration for their role:

1. Tara Usher is a MOD SCS representing our Owner.

2. Captain Pat Mowatt is a serving Royal Navy Officer and Captain Derek Rae was during his tenure but has since retired from the Navy.

Fair Pay Report

(This section has been subject to audit)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director (HPD) in their organisation and the median remuneration of the organisation's workforce.

This year, in addition, we are now required to show the year-on-year percentage movement in the remuneration of the HPD and the average year-on-year percentage movement of all UKHO employees, excluding the HPD. We are also required to show, for the member of staff who represent the 25th percentile, the median and the 75th percentile, the total pay and benefits and the salary element of this and the ratio of the total pay to that of the total pay of the HPD.

During the year the Director of Transformation was a contractor on an interim contract. Her pay exceeded that of the highest paid permanent director. However, this is not a comparable figure as her pay includes a premium to reflect not receiving the

same benefits and rights as an employee. We have, therefore, used the remuneration of the highest paid permanent director as this provides a better basis of comparison. However, we have also shown the ratios of total pay to that of the Director of Transformation, which fell in the band £205k to £210k, in the table below

The table below shows the percentage increase this year in the salary and allowance of the HPD as 4.1%. The salary of the CEO has fallen since the post was held by his predecessor in 2019/20, this increase reflects the salary increase following his transfer from the RN and his permanent appointment to the role of CEO.

For our pay remit year 01 August 2021 – 31 July 2022, the Civil Service Pay Remit Guidance stated: departments that are not already covered by legally binding pay deals are subject to a public sector 'pay pause' on pay rises. However, under the terms of the pay pause, the chancellor directed that staff earning less than £24,000 full-time equivalent salary per annum, should receive a consolidated pay increase of £250 or an increase to the 2021 National Living Wage Rate, whichever is greater.

Remuneration and staff report continued

As a result, the average salaries of our staff and the percentile figures have not changed materially.

For our pay remit year 01 August 2020 – 31 July 2021, UKHO's pay award equated to a 2.5% average increase to pay bill.

Performance pay and bonuses are a combination of the all staff annual performance pay award which is linked to our delivery of our Key Performance Measures and individual bonus payments awarded to staff for specific evidence of performance excellence. The all-staff award makes up the majority of these bonuses and the year-on-year movement in this payment was 2021/22: -6.2% (2020/21: +0.7%).

	2021/22		2020/21	
Highest Paid Director (HPD) – % change in:				
Salary and Allowances ¹	4.1%		(3.9%)	
Performance Pay and bonuses payable ¹	0%		0%	
ALL UKHO Employees excluding HPD				
Salary and Allowances ²	(0.1%)		2.6%	
Performance Pay and bonuses payable ²	-9.3%		3.1%	
Band of highest paid Director's remuneration (£'000)	125-130		120-125	

	25th percentile		Median pay		75th percentile	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Total pay and benefits	27.6	27.5	34.1	34.1	43.3	43.3
Salary element of above	27.0	26.7	33.3	33.3	42.5	42.5
Ratio to HPD	4.6:1	4.4:1	3.7:1	3.6:1	2.9:1	2.8:1
Ratio to Director of Transformation	7.5:1	–	6.0:1	–	4.8:1	–

Notes

1. HPD % change is calculated based on the mid-point of the salary band this year and last year. The HPD did not receive any Performance pay or bonuses.
2. The average year-on-year percentage movement of all UKHO employees is calculated as the total for all employees as at 31 March on an annualised basis, excluding the highest paid director, divided by the FTE number of employees.

Our staff

Staff numbers (Averages over the year)

Subject to audit

	2021/22	2020/21
Civil servants	838	800
Agency staff	29	22
Service personnel	5	4
Total staff numbers	872	826

Staff turnover

Staff turnover in 2021/22 was 11.6% (2020/21: 7.7%). Staff turnover is calculated as number of leavers divided by average staff numbers in year.

Staff costs

Subject to audit

	2021/22 £k	2020/21 £k
Salaries, wages etc.	31,529	30,549
Social security costs	3,225	3,137
Pension costs	8,011	7,596
Apprentice levy	140	136
Agency staff costs	2,898	2,189
Service personnel costs	975	857
Staff costs capitalised within intangible assets	(1,809)	(1,679)
Total staff costs	44,969	42,785

The costs of full-time Government officials are borne by their parent departments.

Service personnel are included in employee numbers above. However, they are on loan to us and we are charged a capitation rate. We carry no pension liability for service personnel.

Agency staff

Agency staff are individual temporary workers engaged to cover business-as-usual or service-delivery activities, mainly under short-term arrangements.

Consultancy

It does not make economic sense for the UKHO to maintain all the specialist skills needed permanently in house, and access to some level of private-sector expertise is consequently of enduring value. We therefore contract short term, both for independent advice and for specialist skills, where these skills are not available among our permanent workforce.

During the year, the UKHO spent £173k on consultancy (2020/21: £133k).

Staff composition (Number of staff at 31 March)

2021/22	Male	Female
Number of persons of each sex who were Executive Directors at year end	4	3
Number of persons of each sex who were senior managers at year end*	51	22
Total number of persons who were employed at the year end	597	310
2020/21	Male	Female
Number of persons of each sex who were Executive Directors at year end	5	2
Number of persons of each sex who were senior managers at year end*	43	19
Total number of persons who were employed at the year end	553	288

* Senior managers have been defined as anyone of a UKHO band C or above.

Diversity and Inclusion

We are committed to improving all forms of diversity. Our work around psychological safety has been key to enable greater diversity of thought and ensure everyone feels included and supported. Our overall People Survey scores for both inclusion and fair treatment and discrimination and bullying have all improved from 2020.

As the organisation has grown this year, we have ensured that we have focused on improving the diversity in our recruitment. We have implemented a new online recruitment system, enabling all applications to be anonymised and we continue to use the guaranteed interview scheme, being a Disability Confident employer, the use of a Gender Decoder algorithm for all adverts and gender diverse panels.

Sickness absence

The average number of days lost through sickness in 2021/22 was 6.14, 21% of this was due to coronavirus, when taken away the average sick days lost would be 4.86 (2020/21: 4.38).

Psychological disorders remain the main reason for absence (29% of all absences (2020/21: 25%)). Our strategy to tackle this is covered below

Communication and Engagement

The Civil Service People Survey is our key benchmark for assessing staff engagement levels. The results help us to gather feedback from our people and benchmark our performance. It helps us recognise what we do well and areas for improvement. It also helps us evaluate the impact of the changes we are continually making to ultimately make the UKHO a better place to work. The 2021 response rate was 79% (-4% on 2020). The overall Engagement Index stayed the same as in 2020, at 69%, +3pp difference from the Civil Service 2021 Engagement Index Score. Six of the nine thematic areas were above the Civil Service score for 2021, with only three areas below: 'Organisational objectives and purpose, 83%', 'My Manager 71%' 'Pay and Benefits 29%'. The largest difference in the survey was Pay and Benefits in which UKHO was 10ppts below the Civil Service (39%). Senior Managers have been encouraged to work with their teams to study and understand their results, to build staff-led action plans and to prioritise and agree just one team action to focus on improving together.

Building on our established corporate-wide comms and engagement approach (including Spotlight Talks, 'Shaping our Future' sessions, ELT Q&A and the monthly 'golden thread' cascade from ELT to Senior Managers to all staff), we are now developing plans for more tailored comms and engagement which will run alongside our corporate-wide comms and help bring strategic objectives to life for teams and individuals.

With Transformation in mind, planning is underway to develop senior leader and senior manager engagement plans which will ensure consistent core messaging whilst supporting managers to develop highly relevant narratives for their own teams and people. Plans include having robust mechanisms which ensure managers have the information they need when they need it and have two and three-way communication channels (ensuring we close the feedback loop and are confident our key messages are landing) in place which are appropriate for their people.

Health, safety and welfare

Health, safety and welfare is a key priority for the UKHO and we maintain a number of policies to support this.

We track health and safety incidents including any reported near misses. Our health and safety record shows the following health and safety incidents.

	2021/22	2020/21
RIDDOR reportable (Incidents reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations)	–	–
Incidents (Health and safety incidents, from minor injuries not requiring first aid, up to incidents just below the RIDDOR threshold)	7	3
Near misses (Health and safety incidents not resulting in any injury)	16	5

Of the incidents reported in 2021/22: 0 required hospital treatment (2020/21: 0).

Remuneration and staff report continued

Wellbeing

We included the People Survey in our business plan success measures for 2021/22. Our overall scores for both inclusion and fair treatment and discrimination and bullying have all improved from 2020.

Although COVID-19 restrictions have been eased, we continue to ensure that wellbeing is actively supported. Our ongoing focus is ensuring colleagues across the business have the right support, guidance, training and equipment in place, so that they can continue to work as safely as possible and ensure the important lessons learnt about wellbeing throughout the pandemic, are fully embedded.

Key interventions include:

- › Continuing to promote the use of our Employee Assistance Programme and counselling services.
- › Continuing collaboration with our Mental Health Awareness Group to promote mental health awareness and awareness of our mental health first aider trained 'Peer Supporters'.
- › Further mental health training for managers across the business.
- › Supporting line managers in having regular wellbeing conversations through structured and regular 121's.
- › Introduction and promotion of Headspace app. Headspace is a science-backed mental health program. It allows you to learn the essentials of meditation and mindfulness, anytime, anywhere via your mobile phone. Support includes guided meditations, animations, articles, and videos. If you're short on time you can access bite-sized minis, exercises to add extra mindfulness to your day, and hundreds of meditations on everything from stress to sleep.
- › Occupational Health referrals for staff with longer term absence.

Embedding Smarter working practices to support a more flexible workforce

We have continued to look at how we can move our smarter working journey forward because if we don't continue to fully adopt and embrace smarter working, it poses a risk to our ability to be competitive in the recruitment market as well as our ability to retain existing staff. We continue to develop an innovative and responsive organisation, fit to enable our strategy by continuously adapting and improving our smarter working practices. The Government Property Agency (GPA) has set out several principles and criteria for meeting the standard for becoming a mature smarter working organisation and we aim to achieve this by December 2022. We have a working group responsible for the continued adaptation and delivery of Smarter Working workstreams: Culture, behaviour and leadership, Wellbeing and productivity, workplace, Technology and Engagement and change.

Psychological Safety and speaking-up

Having a psychologically safe working environment, where everyone can feel able to contribute their best every day is a key consideration for increased engagement and innovation. We have continued building on the theme of psychological safety across the organisation and have built in a 'Introduction to Psychological Safety' workshop into our orientation for all new starters.

In addition, we have continued to make psychological safety sessions available to all staff and managers and have started to broaden the theme with sessions planned on Inclusion Safety, Learner Safety, Challenger Safety and Contributor Safety, running throughout the year. In September we ran a 'Speak-Up' campaign across the organisation which included news articles, Ted Talks, blogs, Dilemma workshops, a psychological safety resource hub on our new Learning Management System and a themed ELT Q&A. A series of 'It's OK to' digital posters were also displayed in central points to encourage the behaviours that support the development of a safe and empowered culture.

Facilitated psychological safety team retrospectives have been offered to support teams to identify their existing levels of psychological safety and work together to agree ways that it can be improved. The feedback of these sessions has been that they have been very beneficial. A member of staff said:

"The sessions were very interactive with a focus on encouraging us to speak up. Once one member of the team started to speak up, others followed, and it became easier to see why people reacted in the way they do, which made it easier to be more understanding of those reactions. Overall, it was impressive the way the team were prepared to express their vulnerabilities in front of their colleagues."

Over half of all staff and managers have now attended our 'Great Conversations' Masterclass, which underline the importance of, 'the human side' of having effective (performance) conversations, exploring the neuroscience which underpins effective conversations and building awareness of the '5 Super-Skills' of effective conversations. Feedback from participants has been positive, with over 90% of those who gave feedback saying that attending the course has improved the quality of their conversations. Building on our cultural requirements, we have recently added another three Masterclasses for our managers, and latterly all staff, on, 'How to have Difficult Conversations', 'Enabling Great Team Dialogue' and 'How to Listen-up (to receive feedback)'.

As part of our new Learning Management System we now have access to a fully customisable 360 feedback tool and we have developed a 360-question set on our Values for Managers to use with their teams, peers and stakeholders to get feedback on how they are living the values (Together, Responsibility, Excellence and Discovery) and what areas of development they may have.

Senior Leadership Team (SLT) development

Building from the team development work that has been done to date with the ELT, we have been working to help our SLT become a more cohesive team, confident to build a high performing, innovative and responsive organisation for the future. Recognising the importance of individual experience, we met with each member of SLT, to understand more about how they felt about leading our organisation into the future, their clarity of what is required of them as Leaders, what is going well, and the opportunities that exist for learning and improvement to allow them to work at their best and successfully and confidently lead their teams to achieve our vision. From these conversations, there were three main themes for the learning: Psychological Safety, Self-Awareness and Team-Awareness and Clarity on Governance and Permissions.

To progress on the themes, we facilitated, strengths-based action learning groups to generate ongoing discussions, awareness, and

actions that SLT could work on together. This inclusive approach aimed to build a safe place to think, learn, discuss, and share ideas and as a result, encourage ongoing peer support and build trust, respect, empathy, and resilience to enable the team to face the organisations challenges and opportunities together. In addition, each participant learned enhanced challenge and support skills which they can increasingly apply both up and down the organisational hierarchy, normalising rigorous challenge and a greater sense of leadership 'team' and interpersonal coalition to create the right movement for lasting change.

The work on the business operating model has also provided an opportunity for the SLT to work closely together and with ELT building understanding of each other and business areas.

Core Values Special Awards

Listening to staff feedback, given through the People Survey, our Trade Unions and ELT Q&As, we recognise that individuals who are working in roles which don't always lend themselves to high profile work, but nonetheless work hard and contribute to our combined success, can get overlooked for recognition and reward. To address this, we asked managers to give extra focus to seeking out examples of exceptional behaviours, in line with our Values, and recognise these using our Special Bonus Scheme. The ELT has empowered the SLT to approve awards and to work together to ensure there is consistency across the organisation. They will also have the role of encouraging colleagues to make nominations, where they have evidenced an individual who has excelled in demonstrating our values.

Pensions

Employer pension contribution rates are as follows:

Scheme and annual salary bands to which rates apply	2021/22 %	2020/21 %
PCSPS – Band 1 – £23,000 and under	26.6	26.6
PCSPS – Band 2 – £23,001 to £45,500	27.1	27.1
PCSPS – Band 3 – £45,501 to £77,000	27.9	27.9
PCSPS – Band 4 – £77,001 and over	30.3	30.3

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded, multi-employer defined benefit scheme and we are unable to identify our share of the underlying assets and liabilities. The Government Actuary's Department valued the scheme as at 31 March 2016. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservicepensionscheme.org.uk).

For 2021/22, employers' contributions of £7,980k were payable to the PCSPS (2020/21: £7,563k). The scheme's actuary usually reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2021/22 to be paid when the member retires and not the benefits paid during this period to existing pensioners. Employees can opt for a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions of £25.8k (2020/21: £28.4k) were paid to stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% of pensionable pay.

Contributions due to the partnership pension providers at 31 March 2022 were £4.8k (2020/21: £4.7k). There were no prepaid contributions at that date.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme 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 uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

Remuneration and staff report continued

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

Off-payroll engagements

Off-payroll engagements as at 31 March for more than £245 per day and that last for more than six months are as follows:

	2021/22	2020/21
No. of existing engagements as at 31 March	32	15
Of which ...		
No. that have existed for less than one year	22	10
No. that have existed for between one and two years	5	3
No. that have existed for between two and three years	3	1
No. that have existed for between three and four years	1	–
No. that have existed for four or more years	1	–
No. of new engagements, or those that reached six months in duration, during the year.	27	12
Of which ...		
No. assessed as caught by IR35	26	12
No. assessed as not caught by IR35	1	–
No. engaged directly and/or on UKHO's payroll	–	–
No. of engagements reassessed for consistency/assurance purposes during the year	–	–
No. of engagements that saw a change to IR35 status following the consistency review	–	–

Board members and/or senior officials with significant financial responsibility, during the year

	2021/22	2020/21
No. of off-payroll engagements or Board members, and/or, senior officials with significant financial responsibility, during the financial year	1	–
No. of individuals that have been deemed 'Board members, and/or, senior officials with significant financial responsibility', during the financial year	14	14

Civil Service exit packages

(This section has been subject to audit)

Exit package cost band	Total number of exit packages by cost band	
	2021/22	2020/21
< £10,000	–	1
£10,000 – £25,000	–	–
£25,000 – £50,000	–	–
£50,000 – £100,000	–	–
Total number of exit packages	–	1
Total cost (£k)	–	6

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme.

Exit costs are accounted for in the year of departure and include lump sums and any annual compensation payments which are paid each year until they retire. Where we have agreed early retirements, the additional costs are met by us and not by the PCSPS.

Ill-health retirement costs are met by the pension scheme and not included in the table.

All other costs in the table above for both years relate to staff leaving under the Voluntary Early Release Scheme terms.

There were no compulsory redundancies in either 2021/22 or 2020/21. No ex-gratia costs were paid.



Peter Sparkes
Chief Executive
18th July 2022

Parliamentary accountability

The Chief Executive is personally responsible for the performance and management of the Trading Fund. Our Annual Report and Accounts are subject to audit by the Comptroller and Auditor General, who heads the National Audit Office and is responsible for scrutinising public spending and safeguarding the interests of taxpayers on behalf of Parliament. The audit certificate is presented on page 46.

More information on our Parliamentary Accountability is published in our Framework Document, this can be found at: www.gov.uk/government/organisations/uk-hydrographic-office/about#our-framework-document.

Statement of Parliamentary Supply

(This section has been subject to audit).

As a trading fund agency, we do not have a Statement of Parliamentary Supply.

Public spending and administration budgets

As a trading fund agency, we receive neither a departmental net expenditure limit nor an administrative control total. All our operating expenditures are funded by receipts from trading operations. Our Chief Executive receives his Letter of authority directly from the Parliamentary Under Secretary of State for Defence.

Pricing and charges

(This section has been subject to audit).

Our products are priced with reference to their cost, and to our assessment of their market value in relation to other similar products and the value our end-users derive from these products. Our revenue, analysed by our operating segments, can be found in Note 2 page 58.

Losses and special payments

(This section has been subject to audit).

	2021/22 £k	2020/21 £k
Unrecoverable trade receivables	–	3
Realised foreign exchange loss/(gain)	(643)	540

Long-term expenditure trends

Gross profits have dropped by £20m in the last ten years, from £113m in 2011/12 to £91m in 2021/22, reflecting the shift from high gross margin paper products to relatively lower gross margin digital products. Our Corporate Plan for the period 2021 to 2026 identified our next big challenge is to maintain our strength in navigation by investing in the development of the next generation of navigational products, S-100. This together with our continued drive to develop new revenue streams in adjacent markets will result in continued investment between 2021 and 2026 of about £37m. In addition, to support this level of investment, we see staff numbers increasing by about 175 from where they were in March 2021. However, we are in the early stages of a wider transformation to become a digital business. Part of our investment will also be in measures to make us more efficient. By the end of our current five-year plan, we expect staff numbers to decline below what they are today and for profitability to be maintained at between £15m and £20m a year.

Remote contingent liabilities

(This section has been subject to audit).

Error in our products and services

The Government ultimately carries the risk in the event that an error in our products and services contributes to an incident at sea. All of our safety and quality systems are focused on mitigating this risk. We carry Professional Indemnity insurance to cover the first £50m of any claim. Any liability beyond this is considered to be under-written by our parent department, the MOD and ultimately HMT who have noted this risk in their register of remote contingent liabilities.



Peter Sparkes
Chief Executive
18th July 2022

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the UK Hydrographic Office for the year ended 31 March 2022 under the Government Trading Funds Act 1973.

The financial statements comprise the UK Hydrographic Office's:

- › Statement of Financial Position as at 31 March 2022;
- › Statement of Comprehensive Income, 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 UK adopted International Accounting Standards.

In my opinion, the financial statements:

- › give a true and fair view of the state of the UK Hydrographic Office's affairs as at 31 March 2022 and its retained profit for the year then ended; and
- › have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements of Public Sector Entities in the United Kingdom. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the UK Hydrographic Office in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the UK Hydrographic Office's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements nor my auditor's certificate and report. The Accounting Officer is responsible for the other information.

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

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

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

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HT Treasury directions issued under the Government Trading Funds Act 1973.

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

- › the parts of the Parliamentary Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973;
- › the information given in the Performance review, Corporate governance report, Remuneration and staff report and the Parliamentary accountability report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the UK Hydrographic Office and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance Review and Parliamentary Accountability Report.

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

- › I have not received all of the information and explanations I require for my audit; or
- › adequate accounting records have not been kept by the UK Hydrographic Office 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 Parliamentary Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- › certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- › the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Responsibilities of the Chief Executive as Accounting Officer, the Accounting Officer is responsible for:

- › maintaining proper accounting records;
- › the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- › ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- › internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- › assessing the UK Hydrographic Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer 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, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973.

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

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

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

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

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

- › the nature of the sector, control environment and operational performance including the design of the UK Hydrographic Office's accounting policies and key performance measures.
- › Inquiring of management, UK Hydrographic Office's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the UK Hydrographic Office's policies and procedures relating to:
 - › identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - › detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - › the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the UK Hydrographic Office's controls relating to the UK Hydrographic Office's compliance with the Government Trading Funds Act 1973, Managing Public Money and The Hydrographic Office Trading Fund Order 1996;
- › 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 the UK Hydrographic Office for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the UK Hydrographic Office's framework of authority as well as other legal and regulatory frameworks in which the UK Hydrographic Office operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the UK Hydrographic Office. The key laws and regulations I considered in this context included the Government Trading Funds Act 1973, Managing Public Money, employment law, pensions legislation and tax legislation.

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament continued

In addition, I considered:

- › the results of analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- › reviews of internal audit reports.

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 Assurance Committee and in-house legal counsel 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; and
- › considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General
19th July 2022

National Audit Office

157-197 Buckingham Palace Road
Victoria, London
SW1W 9SP

Statement of comprehensive income

For the year ended 31 March 2022

	Note	2021/22 £k	2020/21 £k
Income	2	163,995	160,649
Cost of sales		(73,198)	(67,571)
Gross Margin		90,797	93,078
Operating expenses		(65,485)	(62,823)
Operating profit		25,312	30,255
Profit on ordinary activities before interest and after exceptionals		25,312	30,255
Interest receivable and similar income	4	62	183
Profit before taxation		25,374	30,438
Taxation	5	–	–
Dividends	6	(25,000)	(32,500)
Retained profit/(loss) for the financial year		374	(2,062)
Other comprehensive income			
Revaluation of non-current assets	7 & 8	3,427	509
Total comprehensive profit/(loss)		3,801	(1,553)

The notes on pages 53–68 form part of these accounts.

Statement of financial position

As at 31 March 2022

	Note	2021/22 £k	2020/21 £k
Non-current assets:			
Property, plant & equipment	7	46,022	45,678
Intangible assets	8	16,032	14,103
Total non-current assets		62,054	59,781
Current assets:			
Inventories	9	1,206	1,179
Trade and other receivables	10	44,563	39,776
Cash and cash equivalents	11	102,741	101,546
Total current assets		148,510	142,501
Total assets		210,564	202,282
Current liabilities:			
Trade and other payables	12	(86,918)	(81,294)
Provisions	13	(1,128)	(1,530)
Total current liabilities		(88,046)	(82,824)
Total assets less current liabilities		122,518	119,458
Non-current liabilities:			
Trade and other payables	12	(6,596)	(7,337)
Total non-current liabilities		(6,596)	(7,337)
Assets less liabilities		115,922	112,121
Taxpayers' equity:			
Public dividend capital	14	13,267	13,267
Revaluation reserve	15	11,271	8,088
Profit and loss account		91,384	90,766
Total taxpayers' equity		115,922	112,121

The notes on pages 53–68 form part of these accounts.



Peter Sparkes
Chief Executive
18th July 2022

Statement of cash flows

For the year ended 31 March 2022

	Note	2021/22 £k	2020/21 £k
Net cash flow from operating activities	19	30,210	34,539
Cash flows from investing activities			
Interest received	4	62	183
Purchase of property, plant and equipment	7	(105)	(172)
Purchase of intangible assets	8	(3,972)	(2,401)
Net cash outflow from investing activities		(4,015)	(2,390)
Cash flows from financing activities			
Dividend paid	6	(25,000)	(31,800)
Net cash outflow from financing activities		(25,000)	(31,800)
Net financing			
Net increase in cash and cash equivalents in the period		1,195	349
Cash and cash equivalents at beginning of year	11	101,546	101,197
Cash and cash equivalents at end of year		102,741	101,546

The notes on pages 53–68 form part of these accounts.

Statement of changes in taxpayers' equity

For the year ended 31 March 2022

	Note	Profit and Loss Reserve £k	Revaluation Reserve £k	Public Dividend Capital £k	Total Reserves £k
Balance at 1 April 2021		90,766	8,088	13,267	112,121
Other Comprehensive Income					
Revaluation of Property, plant & equipment (PPE)	7		2,693		2,693
Revaluation of Intangible assets	8		734		734
Transfer between reserves profit/loss		245	(245)		–
Total other comprehensive income		245	3,182	–	3,427
Net Income for the period		25,374			25,374
Total Recognised income and expense for the period		25,619	3,182		28,801
Dividend	6	(25,000)			(25,000)
Balance at 31 March 2022		91,385	11,270	13,267	115,922
Restated balance at 1 April 2020		92,702	7,705	13,267	113,674
Other Comprehensive Income					–
Revaluation of Property, plant & equipment (PPE)	7		126		126
Revaluation of Intangible assets	15		383		383
Restated transfer between reserves profit/loss	15	126	(126)		–
Total other comprehensive income		126	383	–	509
Net Income for the period		30,438			30,438
Total Recognised income and expense for the period		30,564	383	–	30,947
Dividend	6	(32,500)			(32,500)
Balance at 31 March 2021		90,766	8,088	13,267	112,121

The notes on pages 51–66 form part of these accounts.

Notes to the accounts

I. Accounting policies

A. Basis of accounting

We operate as a Trading Fund within the MOD in accordance with Statutory Instrument SI 1996/773. The accounts have been prepared in accordance with the direction given by HM Treasury on 16 December 2021 in pursuance of section 4(6) (a) of the Government Trading Funds Act 1973 and the Government Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context in the UK.

Where the FRoM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the circumstances of the UKHO for giving a true and fair view has been selected. The policies adopted are described below and have been applied consistently in dealing with items that are considered material to the accounts.

All figures within the financial statements and associated notes are in British pounds rounded to the nearest thousand (£k).

B. Accounting convention

These financial statements have been prepared on an accruals basis under the historical cost convention, modified by the revaluation of intangible assets and property, plant and equipment assets.

C. Going concern

The UKHO has prepared a five-year Corporate Plan from 2021/22 on a prudent basis. The impact of the COVID-19 pandemic has not been material. While we have seen an acceleration in the decline of our paper products, these have been offset by a corresponding growth of digital. Our staff have transitioned well to hybrid working and the deliverables to our key Defence customers have been maintained. Our financial performance has, throughout the pandemic, exceeded expectations.

The Board are confident that the UKHO can remain a viable business and that we will have the necessary cash to meet our obligations for the foreseeable future.

The financial statements have, therefore, been prepared on a going concern basis.

D. Basis of consolidation

Admiralty Holding Limited is 100% owned by the Secretary of State for Defence. He has delegated its management to the UKHO. Admiralty Holding Limited, in turn has 9 wholly owned subsidiary companies. Admiralty Holding Limited last traded in 2014/15 and the subsidiary companies have never traded. The assets and liabilities of these companies are immaterial to these financial statements.

On this basis none of the companies have been consolidated.

The UKHO also operates the International Centre for Electronic Navigational Charts (IC-ENC). IC-ENC has 47 member nations that collaborate on the quality control and distribution of ENCs.

The substance of these arrangements is such that the UKHO does not have control over the activities of IC-ENC members and their activities are therefore not consolidated.

These financial statements therefore only cover the UKHO.

E. Changes in accounting policies and disclosures

There are no new IFRS that came into effect during 2021/22.

F. IFRSs, amendments and interpretations in issue but not yet effective or adopted

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, require disclosures in respect of new IFRSs, amendments and interpretations that are, or will be applicable after the reporting period. There are a number of IFRSs, amendments and interpretations that have been issued by the International Accounting Standards Board (IASB) that are effective for financial statements after this reporting period.

The following have not been adopted early:

IFRS 16: Leases

The new standard requires lessees to recognise nearly all leases on the balance sheet, which will reflect their right to use an asset for a period of time and the associated liability for payments.

UK Government has decided to adopt this standard from 1 April 2022. UKHO currently has only one relevant lease, a property lease in respect of a print facility in Bridgwater. The current annual rental charge is £97k and the lease is due to expire by 31 March 2023. We do not anticipate any material impact of IFRS 16 on the accounts.

IFRS 17: Insurance Contracts

The new standard will apply more standardised and rigorous requirements on accounting for insurance contracts. It sets clearer expectations on the recognition, classification and measurement of assets and liabilities in relation to insurance contracts.

UK Government expects public sector implementation to be from 2024/25. UKHO will consider whether, through contractual arrangements or custom and practice, our activities insure other bodies against specific risks.

New transaction streams or arrangements will be monitored against the criteria of IFRS 17 to ensure all liabilities are appropriately recognised if applicable.

G. Property, plant and equipment non-current assets

Recognition

For furniture, plant and machinery, new acquisitions are capitalised where the cost exceeds £5,000. In respect of all other asset classes, new additions and improvements are capitalised where the value of discrete items exceeds £1,000. Assets are recognised initially at cost, which comprises purchase price, construction costs, after deducting for any discounts or rebates and any costs directly attributable to bringing the asset into the location and condition necessary for it to be capable of operating in the manner intended.

Notes to the accounts continued

Assets will also be recognised where collectively, a number of items have a cost of at least £5,000 and individually have cost of more than £250, and the assets are functionally interdependent, had broadly simultaneous purchase dates, are anticipated to have similar disposal dates and are under single managerial control.

Valuation

After initial recognition, Building and Plant and Machinery Assets are expressed at their fair value through professional valuation and/or the application of indices to revalue the asset to Depreciated Replacement Cost (DRC). Indices are provided by the Value Office Agency for land and buildings and by Defence Economics for plant and equipment. Buildings are subject to a quinquennial revaluation by external valuers in accordance with IAS 16 as interpreted by the FReM. The next quinquennial valuation is due in 2023/24.

Furniture and fittings and Information technology assets are retained at historic cost due to their short-term economic life. Assets under construction are not subject to indexation.

Assets which are not held for their service potential are valued in accordance with IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations or IAS 40 – Investment Property, depending on whether the asset is actively held for sale.

Assets which are surplus are valued in accordance with IFRS 13 Fair Value. The UKHO interprets surplus to mean that the assets are no longer required and there is no clear plan to bring them back into service.

Depreciation, impairment and review of estimated useful life

Freehold land is not depreciated. Depreciation on other assets is calculated to write off the original cost or revalued amount, over their estimated useful lives. Assets are depreciated on a straight-line basis as over the following periods:

- › Buildings not exceeding 100 years
- › Plant and equipment between 3 and 20 years
- › Furniture and fittings over 10 years
- › Information technology assets between 2 and 5 years.

Useful economic lives are reviewed at least annually. The bases for estimating useful economic life include experience of previous similar assets, the condition and performance of the asset and knowledge of technological advances and obsolescence.

All property, plant and equipment non-current assets are tested for impairment when there are indications that the carrying value may not be recoverable. Any impairment losses in excess of any amounts held in the revaluation reserve in respect of the asset being impaired, are recognised immediately in the Statement of Comprehensive Income.

H. Intangible non-current assets

Recognition

Intangible assets are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to the UKHO and where the cost of the asset can be measured reliably.

Software licences

We capitalise software assets as an intangible asset where we contract with a third party to develop software for our use and, as a result, we own the IP in that asset. Software that we develop internally is capitalised as Developed Software.

Developed software

Research costs are charged to the Statement of Comprehensive Income in the period in which they are incurred.

Development costs are capitalised in accordance with IAS 38 – Intangible Assets (as adapted in the FReM).

Specifically, databases and other software that are established for the internal use of management (such as payroll or HR systems) are not recognised as intangibles.

Valuation

The UKHO's capitalisation threshold is £5,000. Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.

Software licences are retained at historical cost due to their short-term economic life.

Subsequently, developed software is revalued using indices to revalue the intangible asset to DRC or, if the asset is income generating, to value in use if lower than DRC. We have calculated our own index for internally generated software assets to reflect the average cost per hour of resource charged to software development time each year. Intangible Assets Under Construction are not subject to indexation where the costs capitalised during the period of construction are deemed to reflect fair value.

Intangible assets held for sale are measured at the lower of their carrying amount or 'fair value less costs to sell'.

Amortisation, impairment and review of estimated useful life

Intangible assets are amortised on a straight-line basis over their useful economic lives, from the date economic benefit starts to be derived.

Software licences are amortised over the useful economic lives of between two and ten years. Developed software assets are amortised over the useful economic lives of between five and twenty-five years.

All intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. Any impairment losses in excess of any amounts held in the revaluation reserve in respect of the asset being impaired, are recognised immediately in the Statement of Comprehensive Income.

The following factors are considered in estimating useful lives: expected use of the asset, the effects of obsolescence, changes in demand, competing products, and other economic factors, including the stability of the market and known technological advances. Useful lives are reviewed on a regular basis to ensure they remain appropriate.

I. Hydrographic data

In carrying out our business, we utilise raw hydrographic data provided by the MOD, the MCA, and foreign governments and private companies. This data is owned by these third parties and we pay a royalty or data cost to use it. Accordingly, we do not carry the value of the data on our Statement of Financial Position, charging all costs of acquiring and maintaining the data to the Statement of Comprehensive Income as incurred.

J. Inventories and work in progress

Raw material inventory is valued at the lower of cost or net current replacement cost. Finished goods inventory is valued at the lower of cost and net realisable value. Provision is made, where necessary, for obsolete, slow-moving and defective inventories.

K. Financial instruments

We account for financial instruments in accordance with IFRS 7, IFRS 9 and IAS 39.

Trade and other receivables

All receivables, including trade and VAT receivables, staff loans and advances are initially recognised at fair value (plus transaction costs) and subsequently at their amortised cost. Discounting is relevant to those receivables and loans which carry a nil or a subsidised rate of interest. However, our receivables that are due within one year are not discounted on the grounds of materiality.

Trade and other payables

Liabilities covering trade payables, accruals, VAT, tax and loans are classified as other liabilities and are initially recognised at fair value (plus transaction costs), and subsequently at their amortised cost. This applies to those liabilities carrying a nil or a subsidised rate of interest. On the grounds of materiality, our liabilities are not discounted.

Cash and cash equivalents

We administer our cash management process to provide value for money to us. Wherever possible, cash is held in interest-earning accounts and each deposit is at a fixed rate of interest until the deposit is returned. These are recognised initially at fair value net of transaction costs, and subsequently at amortised cost under the effective interest rate.

L. Cash and cash equivalents

Cash and cash equivalents comprise cash held at bank and in hand.

The UKHO holds cash due to the members of IC-ENC in a UKHO bank account. The UKHO does not have full control over the use of this cash, nor does it have the right to the future economic benefits from this cash. This cash is therefore not recognised as an asset, but it is disclosed in Note 11 of these financial statements.

M. Investments

Surplus cash is held in interest-bearing accounts and invested for specific periods to ensure cash availability meets the demands of the business.

N. Provisions

Provisions for liabilities and charges have been established under the criteria of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and are based on realistic estimates of the expenditure required to settle legal or constructive obligations that exist at 31 March 2022.

O. Capital and Reserves

Public dividend capital

Public dividend capital represents the capital invested by the Ministry of Defence in the UKHO on becoming a Trading Fund on 1 April 1996. Public dividend capital is not an equity instrument as defined in IAS 32 Financial Instruments.

Profit and loss reserve

The Profit and loss reserve represents the cumulative retained net income (after dividends) since the UKHO became a Trading Fund.

Revaluation reserve

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments to assets. Increases arising on revaluation are taken to the revaluation reserve. A revaluation decrease is charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the income statement.

P. Foreign currencies

Assets and liabilities denominated in a foreign currency are translated into sterling at the rate of exchange ruling as at 31 March 2022. Transactions are recorded at the rate ruling at the time of the transaction. Exchange differences are taken to the Statement of Comprehensive Income.

Q. Revenue

All revenue is recognised in accordance with IFRS 15. Revenue is recognised when a performance obligation included within a contract with a customer is satisfied, at the transaction price allocated to that performance obligation.

Performance obligations

The table below sets out, for each revenue stream, when performance obligations are typically satisfied, the significant payment terms, and the nature of the goods or services which the UKHO supplies. All revenue streams usually have a contract of a duration of one year or less, and therefore the transaction price allocated to remaining performance obligations is not disclosed, applying the practical expedient in IFRS 15.121.

Notes to the accounts continued

Revenue stream	Description of income stream	Performance obligation	Payment terms
Paper charts and publications	Charts and other publications provided on paper	Delivery of the product to the customer and any updates over the period between the delivery and the publication of a new edition of that product	Payment is made in arrears on satisfaction of the initial performance obligation. A portion of this payment is in advance of satisfaction of the performance obligation to provide updates
Digital licensing (charts and publications)	Charts and other publications provided digitally as a service for a period of time	Provision of the digital product and any updates over the period of the licence	Payment is made in arrears on satisfaction of the initial performance obligation
Licensing revenue	Licences sold for the use of UKHO data	Provide data and updates to the data as they arise during the licence period	Payment in arrears on satisfaction of performance obligation
MOD services	Overarching contract for the delivery of goods and services to MOD	Delivery of the product or service to the customer	Payment in arrears on satisfaction of performance obligation
UK Government surveying contracts	Contracts held with UK Government to carry out hydrographic surveys	Delivery of the product or service to the customer	Payment in arrears on satisfaction of performance obligation

Revenue, which is stated net of any VAT, is from the provision of hydrographic and marine geospatial services.

A provision is made against current sales in respect of future credits for superseded inventories held by ADMIRALTY Chart Agents. The provision represents a 5% credit allowance for returns of inventory following release of new editions and a 1% credit allowance in relation to inventory cleanses.

Contract balances

Contract assets (accrued revenue) primarily relate to the UKHO's right to consideration for work completed but not yet billed at the reporting date.

Contract liabilities, reported under IFRS 15, are disclosed separately in the note for trade payables and other liabilities. Contract liabilities are recognised on receipt of cash for services and derecognised at the point of provision of those services. Contract liabilities (deferred revenue) primarily relate to the consideration received from customers in advance of transferring a good or service.

1. Paper products are sold with an implied performance obligation for the purchaser to receive updates for the period between purchase and the publication of the new edition of that product. The revenue that relates to the cost of providing the update service is deferred over the average new edition frequency of 7 years.
2. Digitally delivered products are sold for between 3-to-12-month periods. For expediency, the deferred revenue is calculated, for new purchases, over the life of the licence plus the month within which the licence was purchased. If that product is then renewed the revenue is deferred over the period of the licence as all renewals start on the first day of each month.

R. Operating segments

The operating segments are reported based on financial information provided to the UKHO's Executive Leadership Team. ELT is considered to be the Chief Operating Decision Maker (CODM) and is responsible for allocating resources and assessing the performance of the operating segments.

Three segments have been identified by the UKHO and discrete financial information, consisting of revenue with cost of sales and gross margin, for these segments is provided to the CODM. All operating segments derive their revenue from the provision of hydrographic and marine geospatial services.

ELT evaluates performance of the segments based on segment revenue and gross margin.

S. Royalties and data costs

The conditions governing the payment and receipt of royalties and data costs are covered by appropriate formal agreements with third parties and accounted for on an accruals basis.

T. Treatment of leases

All expenditure incurred in respect of operating leases is charged to operating expenses in the Statement of Comprehensive Income in the year in which they arise. We have no finance leases.

U. Salaries, wages and employment-related payments

Short-term benefits – salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. Where material, performance pay and annual leave earned but not taken by the year-end are recognised on an accruals basis in the financial statements.

V. Retirement benefit costs

Our staff are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is an unfunded multi-employer defined benefit scheme. The amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the accounting period.

Contributions are paid at rates determined from time to time by the scheme's actuary.

Details of rates and amounts of contributions during the year are given in the Remuneration and staff report (pages 37 to 44). Our staff may have benefits accrued in one of five statutory-based defined benefit schemes; alpha, classic, premium, classic plus, and nuvos. From 1 April 22 all staff were transferred to the alpha scheme, a career average defined benefits scheme. Pensions for future retirees will be paid from both their accrued benefits in their previous schemes and the alpha scheme. Classic, premium, classic plus and nuvos are now closed to both new and existing members.

New entrants after 1 April 2015 may choose between membership of alpha or joining a money purchase stakeholder pension agreement with a significant employer contribution (partnership pension account).

W. Taxation

Corporation Tax

The UKHO, as a Trading Fund, is exempt from corporation tax and consequently the requirements to account for current and deferred corporation tax are not relevant.

VAT

The UKHO is registered for VAT. Costs are included net of recoverable VAT. Income from services provided to third parties is included within operating income, net of related VAT. Where it arises, irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets.

Notes to the accounts continued

X. Critical accounting judgements and key sources of estimation uncertainty

The preparation of these financial statements requires the UKHO to make judgements, estimates and assumptions in respect of a range of activities that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts and liabilities within the next financial year are addressed below.

Valuation of Non-Current Intangible and Property, Plant and Equipment assets

Certain Non-Current Intangible and Property, Plant and Equipment assets are expressed at their fair value or at DRG. This requires the application of estimates and judgements. Land and property assets are revalued at least every five years from the anniversary of their initial recognition in accordance with FReM requirements. Between valuations, the UKHO updates asset values through the application of indices. The selection and application of indices represents a key judgement, and there is a risk that this could result in different values in the intervening years compared to a full valuation if these had been undertaken each year.

The useful lives of assets are based on an estimated out-of-service date or the estimated period of use, which is subject to change. The useful lives are reviewed annually.

In addition to considering the valuation of Non-Current Intangible and Property, Plant and Equipment assets, the UKHO considers more broadly whether there are any indications of impairments to the carrying amounts of UKHO's assets. Where such an indication exists, the UKHO makes a judgement as to the impairment required to bring the asset to the value it considers it should be held at.

In addition to the usual consideration of any indications of impairment we have considered the potential impact of the COVID-19 pandemic might have had on the valuation of Non-Current Intangible and Property, Plant and Equipment assets. Prior to completing the 2020/21 financial statements, the valuers were consulted on the potential impact on property valuations and have confirmed that, based on latest market information, there is no evidence that the indices provided have materially changed. They are considered to remain valid and the best available information.

It was reported in the 2018/19 Report that, following the completion and occupation of our new office building in January 2019, most of our older existing buildings will be demolished and the surplus land sold. Since then, plans have been approved to rebuild another of our facilities utilising about half of the available land. Further discussions are ongoing with MOD about possible uses of the remaining land. As such, options to sell the land are on hold. However, the demolition of the old offices is complete, the remaining impairment, which stood at £2.1m at the end of 2020/21, has been reduced to £0.9m to reflect the estimated

costs of landscaping and refencing the site perimeter which will be completed once the final site strategy has been agreed.

We have made the same consideration regarding the current land valuation as we have made to all PPE assets, including consideration of the impact that the COVID-19 pandemic might have. We have concluded that any change to this valuation is unlikely to be material and there is no reason to consider any further impairment at this time.

Estimation of Deferred Revenue

Per note 1Q, our paper charts have two performance obligations: the delivery of the product to the customer and our obligation to provide an update service for those products until the next new edition is published. Revenue relating to the first obligation is recognised on delivery of the product to the customer. Revenue relating to the second obligation is deferred over the average time between the original and new editions. As there is no market value for the update service we provide, we have used the percentage of the total cost of paper chart production that relates to the cost of providing the update service as a proxy to estimate the percentage of revenue that should be deferred in relation to the second obligation. This revenue is deferred over the average new edition frequency. This has been calculated using an analysis of all paper charts subject to the update service over the past ten years. The timing of new editions is highly variable and unpredictable and therefore the average period over which revenue could be deferred is also subject to variation. Last year the deferral period used was six years. However, this average has increased and in 2021/22 we have amended the accounting estimate to defer over seven years. This change of estimate has resulted in an additional revenue deferral of £2.7m and a corresponding reduction in profits.

Our sales of paper charts have been declining since 2011. In line with many hydrographic offices, we are actively considering the implications and timing of the withdrawal of paper charts in order to focus attention and resources on the benefits that digital products affords the users of our products. We will communicate with stakeholders once our plans are agreed. This decision will ultimately impact on our current revenue deferral policy. At the balance sheet date and the date of approval of these accounts the timing of this withdrawal is uncertain. In order to help readers understand the potential impact, the variance from the seven-year deferral used in the accounts is:

	Deferral	Impact on revenue and profits
8 Years	£15.6m	-£3.4m
7 Years	£12.2m	-
6 Years	£9.5m	+£2.7m
5 Years	£7.4m	+£4.8m
4 Years	£5.5m	+£6.7m
3 Years	£3.8m	+£8.4m
2 Years	£2.4m	+£9.8m

2. Operating segments

The UKHO has three reportable business segments, and these are disclosed to enable the users of these financial statements to evaluate the nature and financial effects of UKHO's business activities.

All operating segments derive their revenue from the provision of hydrographic and marine geospatial services.

	Commercial 2021/22 £k	Defence 2021/22 £k	Other government 2021/22 £k	Total 2021/22 £k	Commercial 2020/21 £k	Defence 2020/21 £k	Other government 2020/21 £k	Total 2020/21 £k
Revenue unadjusted	149,860	12,690	1,445	163,995	149,303	10,902	444	160,649
Cost of sales	(68,719)	(3,286)	(1,193)	(73,198)	(65,039)	(2,128)	(404)	(67,571)
Gross profit	81,141	9,404	252	90,797	84,264	8,774	40	93,078
Operating expense				(65,485)				(62,823)
Interest receivable and similar income				62				183
Total per financial statements				25,374				30,438

Overhead costs, assets and liabilities are not included in the financial information provided to review the performance of operating segments and are therefore not disclosed.

All revenue reported below is derived from external customers. There is no inter-segment revenue.

Information about major customers

Revenues from two customer exceeded 10% of the UKHO's total revenues in 2021/22:

	Commercial 2021/22 £k	Defence 2021/22 £k	Other government 2021/22 £k	Total 2021/22 £k	Commercial 2020/21 £k	Defence 2020/21 £k	Other government 2020/21 £k	Total 2020/21 £k
Customer 1	19,722			19,722	17,722	–	–	17,722
Customer 2	19,465			19,465	16,174	–	–	16,174

Revenue by geographical market

	2021/22 £k	2020/21 £k
Europe, Middle East & Africa	116,009	123,594
Asia Pacific	44,629	31,234
North America	3,117	5,699
Central & Latin America	240	122
Total revenue	163,995	160,649

Revenue has been attributed to geographical markets based on the location of the customer supplied.

Timing of revenue recognition

	2021/22 £k	2020/21 £k
Products transferred at a point in time	30,652	27,226
Products and services transferred over time	133,343	133,423
Total revenue	163,995	160,649

Notes to the accounts continued

3. Profit on ordinary activities before interest

Profit on ordinary activities before interest is stated after charging the following:

	2021/22 £k	2020/21 £k
Salaries, wages etc	31,528	30,549
Social security costs	3,225	3,137
Apprentice levy	140	136
Pension costs	8,011	7,596
Agency staff costs	2,898	2,189
Service personnel costs	975	857
Staff costs capitalised within intangible assets	(1,809)	(1,679)
A. Total staff costs	44,968	42,785
Voluntary early release	–	6
Depreciation	2,101	2,324
Amortisation software	123	49
Amortisation Development Software	2,650	1,881
Loss on disposal of fixed assets	350	12
Realised Foreign exchange loss/(gain)	(643)	540
Unrealised foreign exchange (gain)	(614)	(94)
Auditors remuneration	100	139
Development and transformational activities	4,541	3,655

4. Interest receivable and similar income

This relates to interest receivable from a commercial bank's high interest accounts and short-term investments for varying periods of between 3 and 12 months.

	2021/22 £k	2020/21 £k
Interest receivable and similar income	62	183

5. Taxation

The UKHO, as a trading fund, is exempt for corporation tax and consequently no current or deferred tax is accounted for.

6. Dividends

	2021/22 £k	2020/21 £k
Ordinary dividend	12,500	12,500
Special dividend	12,500	20,000
Total dividends	25,000	32,500

Special dividends are declared and paid in the same year.

7. Property, plant and equipment

	Freehold land £k	Buildings £k	Plant & machinery £k	Furniture & fittings £k	Information technology £k	Assets under construction £k	Total £k
Cost or valuation:							
At 1 April 2021	8,240	35,970	2,567	784	5,169	–	52,730
Additions	–	–	–	–	104	–	104
Disposals	–	–	(847)	–	(576)	–	(1,423)
Revaluation	1,456	1,264	79	–	–	–	2,799
At 31 March 2022	9,696	37,234	1,799	784	4,697	–	54,210
At 1 April 2021	–	1,734	1,424	176	3,718	–	7,052
Charged	–	896	509	77	619	–	2,101
Disposals	–	–	(497)	–	(576)	–	(1,073)
Revaluation	–	61	47	–	–	–	108
At 31 March 2022	–	2,691	1,483	253	3,761	–	8,188
At 31 March 2022	9,696	34,543	316	531	936	–	46,022
At 1 April 2020	7,055	37,040	2,570	784	5,055	–	52,504
Additions	–	26	–	–	146	–	172
Disposals	–	–	(26)	–	(32)	–	(58)
Revaluation	1,185	(1,096)	23	–	–	–	112
At 31 March 2021	8,240	35,970	2,567	784	5,169	–	52,730
At 1 April 2020	–	895	1,184	99	2,612	–	4,790
Charged	–	865	255	77	1,127	–	2,324
Disposals	–	–	(25)	–	(21)	–	(46)
Revaluation	–	(26)	10	–	–	–	(16)
At 31 March 2021	–	1,734	1,424	176	3,718	–	7,052
Net book value:							
At 31 March 2021	8,240	34,236	1,143	608	1,451	–	45,678

All tangible non-current assets are owned by the UKHO.

A professional valuation was carried out 27 February 2019 by James McLearn BSc from the valuation office agency (VOA). The next valuation of land and buildings will be 2024.

Notes to the accounts continued

8. Intangible assets

	Software Licences £k	Development Software £k	Assets under Construction £k	Total £k
Cost or Valuation:				
At 1 April 2021	536	30,806	1,718	33,060
Additions	–	476	3,495	3,971
Reclassification	–	552	(552)	–
Disposals	–	(208)	–	(208)
Revaluation	–	1,843	–	1,843
At 31 March 2022	536	33,469	4,661	38,666

Amortisation:				
At 1 April 2021	240	18,717	–	18,957
Charged	123	2,650	–	2,773
Disposals	–	(207)	–	(207)
Revaluation	–	1,111	–	1,111
At 31 March 2022	363	22,271	–	22,634

Net Book Value:				
At 31 March 2022	173	11,198	4,661	16,032

Cost or Valuation:				
At 1 April 2020	569	29,331	–	29,900
Additions	–	352	2,049	2,401
Reclassification	–	331	(331)	–
Disposals	(33)	–	–	(33)
Revaluation	–	792	–	792
At 31 March 2021	536	30,806	1,718	33,060

Amortisation:				
At 1 April 2020	224	16,427	–	16,651
Charged	49	1,881	–	1,930
Disposals	(33)	–	–	(33)
Revaluation	–	409	–	409
At 31 March 2021	240	18,717	–	18,957

Net Book Value:				
At 31 March 2020	296	12,089	1,718	14,103

All intangible non-current assets are owned by the UKHO.

Analysis of intangible non-current assets

The disclosure below shows individual intangible assets that are material to our financial statements.

Project	Description	Carrying value 31/03/2022 £k	Remaining amortisation period (months)
Hydrographic Database and Chart Production Tools (HDB)	Production system for holding data and compiling charts	4,424	96
Fleet Manager	Fleet Manager is our integrated digital catalogue, product viewer and passage planning aid for organising, updating and consolidating all paper and digital information needed for planning safe voyages while simplifying essential tasks	3,204	36
Various delivery capabilities	Systems for the support of efficient data delivery to our customers	2,616	12-96

9. Inventories

	2021/22 £k	2020/21 £k
Finished inventories	807	839
Materials	399	340
Total inventories	1,206	1,179

10. Trade and other current receivables

	2021/22 £k	2020/21 £k
Falling due within one year		
Trade receivables	26,894	23,706
Prepayments	16,396	14,837
Contract assets-accrued income	1,215	1,178
Net investments & finance leases	12	16
Other receivables	46	39
Total receivables	44,563	39,776

Notes to the accounts continued

11. Cash and cash equivalents

	2021/22 £k	2020/21 £k
Balance 1 April	101,546	101,197
Net change in cash and cash equivalent balances	1,195	349
Balance 31 March	102,741	101,546

The following balances at 31 March were held at:

	2021/22 £k	2020/21 Trading fund £k
Commercial banks – short-term investments	23,864	23,845
Commercial banks – instant access, high interest	78,877	77,701
Cash and cash equivalents	102,741	101,546

The carrying amounts of cash and cash equivalents approximate their fair values.

Commercial banks – instant access, high-interest account earns interest at 0.5%. Short-term investments earn at 0.15% interest and are made for varying periods of between 3 and 12 months.

The UKHO holds £15,512k (£9,967k 2020/21) in cash on behalf of the members of IC-ENC. This cash represents income due to IC-ENC members. It is not an asset of the UKHO and is not included in the note above.

Net cash and cash equivalents held in currencies other than sterling have been converted into sterling at 31 March 2022.

12. Trade and other payables

	2021/22 £k	2020/21 £k
Accruals	8,369	9,886
Contract liabilities–deferred income	42,561	38,622
Proposed dividend	12,500	12,500
Trade payables	22,533	19,015
Other taxation and social security	955	1,271
Total payables	86,918	81,294
Non-current liabilities		
Contract liabilities–deferred income	6,596	7,337
Total non-current liabilities	6,596	7,337

13. Provisions

	2021/22	2020/21
Opening balance at 1 April 2021	1,530	1,715
Charged to operating cost	1,129	1,530
Applied	(1,530)	(1,715)
Total current liabilities	1,129	1,530
Total liabilities at 31 March 2022	1,129	1,530

Analysis of expected timing of cashflows at 31 March 2022

	2021/22	Balance March 2022
Sales credits	1,129	1,129

Analysis of expected timing of cashflows at 31 March 2021

	2020/21	Balance March 2021
Sales credits	1,530	1,530

14. Public dividend capital

	2021/22 £k	2020/21 £k
Public dividend capital	13,267	13,267

Public dividend capital represents capital invested by the MoD in UKHO becoming a trading fund.

15. Revaluation reserve

	Land	Buildings	Plant and Machinery	Developed Software	Total
Balance at 1 April 2021	5,235	2,256	115	482	8,088
Revaluation	1,456	1,204	33	734	3,427
Transfer to P&L reserve				(245)	(245)
Balance at 31 March 2022	6,691	3,460	148	971	11,270
Balance at 1 April 2020	4,050	3,327	103	225	7,705
Revaluation	1,185	(1,071)	12	383	509
Disposal of Intangible assets				–	–
Transfer to P&L reserve				(126)	(126)
Balance at 31 March 2021	5,235	2,256	115	482	8,088

Notes to the accounts continued

16. Financial instruments

The UKHO's financial instruments comprise cash deposits and other items such as trade receivables, trade payables and provisions. The main purpose of these financial instruments is to finance the UKHO's operations.

The UKHO has limited powers to borrow or invest surplus funds. The main risks arising from the UKHO's financial instruments are foreign exchange, credit and liquidity risks. The UKHO's policies for managing these risks are set to achieve compliance with the regulatory framework including the rules contained within Managing Public Money.

Foreign exchange risk

The UKHO receives significant income in US dollars (USD) from the sale of digital products and makes significant USD payments to data owners in respect of those products. In order to manage this foreign exchange risk, the UKHO policy is to create a natural hedge by balancing USD assets and USD liabilities. We review the balance of USD assets and USD liabilities every two weeks and any excess USD cash held is sold at the spot rate on the day of transaction. We do not use any derivatives such as forward currency exchange contracts.

Credit risk

The UKHO is subject to some credit risk. The carrying amount of trade receivables, which is net of impairment losses (bad debt provision), contract assets and the amount of cash and cash receivables represents the UKHO's maximum exposure to credit risk.

Trade and other receivables consist of a large number of diverse government and non-government customers spread over a diverse geographical area. For trade receivables, the UKHO measures a provision for expected credit losses at an amount equal to lifetime expected credit losses, estimated by reference to past experience and relevant forward-looking factors.

The UKHO's assessment is that credit risk in relation to sales to government customers is extremely low as the probability of default is insignificant; therefore the provision for expected credit losses is immaterial in respect of receivables from these customers. For all non-government commercial customers, the UKHO assesses expected credit losses, however this is not considered material to the financial statements.

The UKHO manages the credit risk on trade receivables through the application of a credit control policy and credit insurance. The COVID-19 pandemic has caused significant economic disruption and uncertainty. We have been working closely with our channel and our trade credit insurers to evaluate the impact of any increased risk of default. To date we have not seen any discernible impact in payments and have not suffered any significant payment defaults.

For contract assets the expected credit loss provision is immaterial as the probability of default is insignificant.

The following table provides details of trade receivables beyond the due date and impairments made:

Trade receivables beyond the due date

	Not overdue £k	Overdue 0 – 3 months £k	Overdue 3 – 6 months £k	Overdue 6–12 months £k	Overdue Over 12 months £k	Total £k
2021/22						
Receivables – not impaired	26,860	–	31	5	–	26,896
Bad debt provision		–	–	–	–	–
Net total receivables	26,860	–	31	5	–	26,896
2020/21						
Receivables – not impaired	22,556	1,059	91	–	–	23,706
Bad debt provision		–	–	–	–	–
Net total receivables	22,556	1,059	91	–	–	23,706

The credit risk on cash and cash equivalents is managed by a Treasury policy that requires cash deposits and investments to be held by suitably credit-worthy commercial banks. The maximum exposure to credit risk is limited to the carrying value of cash and cash equivalents in the Statement of Financial Position as at the reporting date. Based on historical experience and no defaults, the credit quality of financial assets that are neither past due or impaired is considered to be very high.

Liquidity risk

Liquidity risk is the risk that the UKHO may not be able to settle or meet its obligations on time or at a reasonable price. The UKHO's finance department is responsible for management of liquidity risk, which includes funding, settlements, related processes and policies. The UKHO manages liquidity risk by maintaining adequate reserves and monitoring actual cash flow against forecast.

The table below sets out the UKHO's financial liabilities.

	2021/22 £k	2020/21 £k
Financial liabilities		
Trade and other payables	90,556	88,631

Fair values

We are subject to some credit risk. The carrying amount of receivables, net of impairment losses (doubtful debt provision), represents the current value of all our financial instruments is considered to equate to fair value at 31 March 2022.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial instrument are disclosed in Note 1 to the financial statements.

17. Commitments under leases

Operating leases

Commitments under operating leases to pay rentals after 31 March are analysed as follows:

	2021/22 £k	2020/21 £k
Property		
Due within one year	73	97
Due after one year but within five years	–	73
Total	73	170
Plant and Machinery		
Due within one year	–	11
Due after one year but within five years	–	–
Total	0	11
Total leases	73	181

The property lease relates to a five-year lease on a print facility in Bridgwater.

18. Capital commitments

Capital expenditure that has been contracted for, but has not been provided in these accounts.

	2021/22 £k	2020/21 £k
Property, Plant & Equipment	184	49
Intangible assets	250	397
Total capital commitments	434	446

Notes to the accounts continued

19. Reconciliation of profit on ordinary activities before interest to net cash inflow from operating activities

	2021/22 £k	2020/21 £k
Profit on ordinary activities before interest	25,312	30,253
Depreciation & Amortisation	4,874	4,254
Loss on sale and disposal of non-current assets	351	12
(Increase) in inventories	(27)	(189)
(Increase)/Decrease in receivables	(4,782)	467
Increase/(Decrease) in payables	4,883	(73)
(Decrease) in provisions	(401)	(185)
Net cash inflow from operating activities	30,210	34,539

20. Contingent liabilities

The Government ultimately carries the risk in the event that an error in our products and services causes an incident at sea. All of our safety and quality systems are focused on mitigating this risk. We carry Professional Indemnity insurance for the first £50m of any claim and any liabilities beyond this are considered to be under-written by our parent department, the MOD.

21. Related party transactions

The UKHO is a Trading Fund owned by the MOD. The MOD, as our parent department, is regarded as a related party. During the year, we have also entered into material transactions with the department and with other entities for which the department is regarded as the parent department. All these transactions were carried out under standard contract terms.

Other related parties

We have had various material transactions with other Government departments and other central government bodies. Most of these transactions have been with the Foreign, Commonwealth and Development Office. All transactions are carried out on standard contract terms.

22. Events after the reporting period

The accounts were authorised for issue on the date of certification by the Comptroller and Auditor General.

No other events have occurred subsequent to the financial year-end that require disclosure in these financial statements.



UK Hydrographic Office


Admiralty Way, Taunton, Somerset
TA1 2DN, United Kingdom

Telephone +44 (0)1823 484444
customerservices@ukho.gov.uk

gov.uk/ukho

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978-1-5286-3554-7