



UK Hydrographic
Office

Supporting safe, secure and thriving oceans

Annual Report and Accounts 2020/21

Tidal stream station C

51°55'83N 1°18'94E

14.5 metres

Dredged
to 14.5m

7

Trinity Container
Terminal, berth 7

ADMIRALTY
Maritime Data Solutions

HC69I



Annual Report and Accounts 2020/21

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 25 October 2021



© Crown copyright 2021

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3

Where we have identified any third-party copyright information you will need to obtain permission from the copyright holders concerned.

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

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 978-1-5286-2865-5
E02680653 10/21

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

Contents

Overview

Introduction	4
Chair's foreword	12
Chief Executive's foreword	14
Strategic review	16
Sustainability report	34

Performance review **35**

Corporate governance report

UKHO Directors' report	40
Statement of Responsibilities of the Chief Executive as Accounting Officer	42
Governance statement	43

Remuneration and staff report **47**

Parliamentary accountability and audit report **54**

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament	56
---	----

Financial statements

UKHO trading fund financial statements for the year ended 31 March 2021	58
---	----



See more

Throughout this report is interactive content that can be viewed online

About the UKHO

Our purpose

For safe, secure and thriving oceans

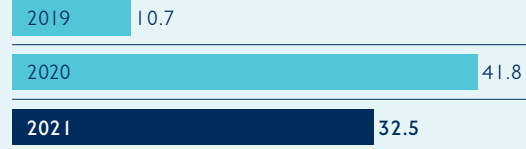
We are a world-leading centre for hydrography, specialising in marine geospatial data that supports defence and global shipping, while helping our customers and partners unlock a deeper understanding of the world's oceans and coastal environments.

UKHO is an executive agency and trading fund of the Ministry of Defence (MOD). This allows us to operate as a self-funded organisation at no additional expense to the taxpayer.

Financial highlights

Dividend (£m)

£32.5m



Profit (£m)

£30.3m



Revenue (£m)

£160.6m



Our vision

Be a global centre of hydrographic understanding

Our values

Our values are an expression of what the UKHO is like as an organisation and our behaviours.

They are central to achieving our vision; being a values-led organisation shows we are principled, focused and targeted.



For safer navigation



4
Quay number 4
berth 18

17.0 metres
Channel dredged
to 17.0m



Over 90% of ships trading internationally rely on our portfolio of ADMIRALTY Maritime Data Solutions to help them navigate safely and efficiently, and we will continue to provide mariners with assured and dependable information that meets their ever-changing needs.

› [Read more on page 22](#)



16

Conical lighted
mark number 16,
green single
flashing with a 5
second frequency

For secure waters

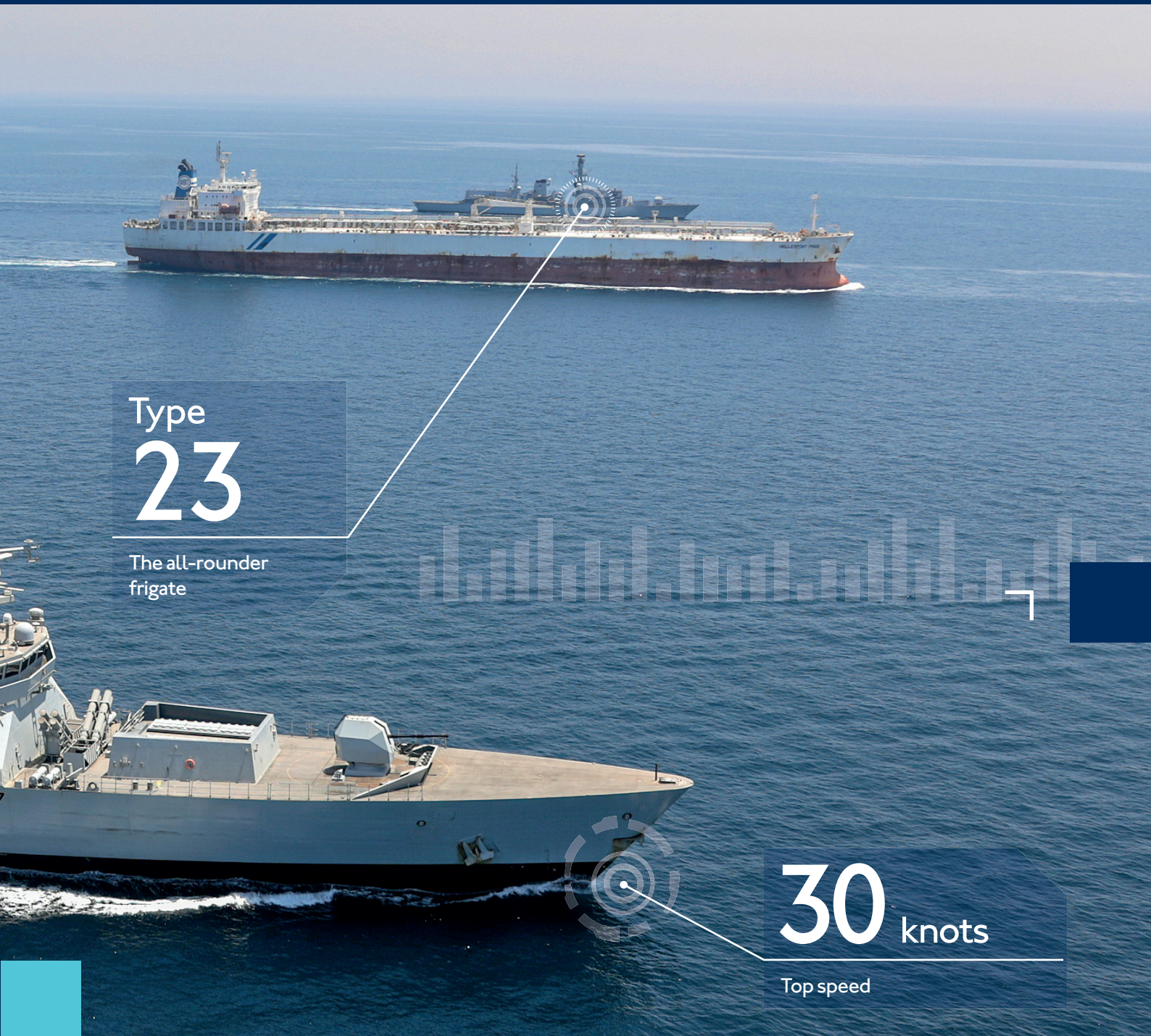
Type
45

Air defence
destroyer



We work with governments, non-governmental organisations and defence partners to support national and international safety, security and humanitarian needs.

> [Read more on page 16](#)



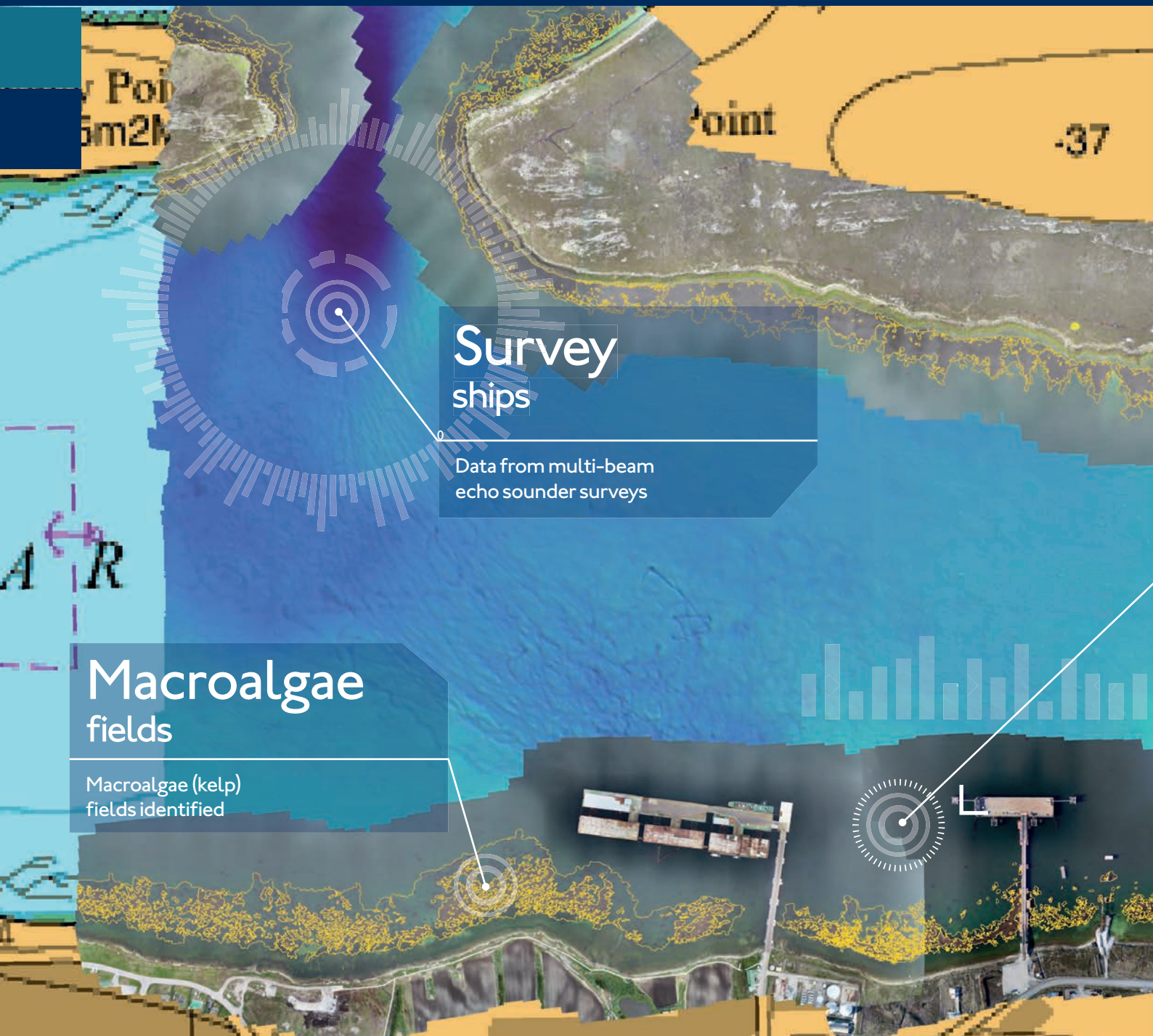
Type
23

The all-rounder
frigate

30 knots

Top speed

For thriving oceans



Our reliance on the oceans as a source for economic growth is increasing. We specialise in marine geospatial data so that we can make use of the marine environment in a responsible way, to support a sustainable and thriving blue economy for the future.

[Read more on page 26](#)



Chair's foreword

A formidable team

“Accessible marine information will drive growth in the ocean economy.”

Adam Singer



“The extraordinary truth is that the vast majority of the world’s shipping relies on the electronic navigational charts that the UKHO publishes.”

The UKHO is that nail – you know, the one in the doggerel about ‘for want of a nail the shoe was lost’. The one in which nail deprivation resulted in kingdom loss. That might sound like an exaggeration, but the extraordinary truth is that the vast majority of the world’s shipping relies on the electronic navigational charts that the UKHO publishes to fix position, transit safely and ultimately deliver the cargoes on which we all depend. The TV you watch, your mobile phone, the personal protective equipment that keeps our hospitals viable, they all got here on ships that rely on UKHO products.

It is not just commercial shipping that depends on the UKHO nail. The Royal Navy relies on UKHO products as well. From its surface ships, such as the new aircraft carrier HMS Queen Elizabeth, to its Trident submarines, the navy’s vessels are only effective if they are in the right place.

The UKHO is proud of the millions of miles that were navigated safely in 2020 by the world’s merchant and military shipping, using our products. But we cannot be complacent. As our industry is transformed – by, for instance, automated vessels, ultra-large ships and increasingly congested waterways – safety at sea must remain our primary concern. We will continue to champion the highest standards.

Doing so in 2020 was particularly challenging. But while the world reeled from the impact of COVID-19, the UKHO kept on shipping, keeping the Royal Navy effective and the global supply chain moving.

Let me give some illustrative examples typical of the way UKHO works. The Civil Hydrography Programme continued with physical surveys, devised ways to make virtual visits to vessels, and enabled staff at home to work with multi-terabyte data sets. Keeping this programme going throughout 2020 was an extraordinary achievement, and a critically important one. Why? The UK government’s fulfilment of its international obligations on Safety of Life at Sea depended on it.

Another example is the Hydrographic Programmes team, who had been expecting to travel to Guyana, Jamaica, and Antigua and Barbuda, to deliver training in the use of multibeam sonar survey equipment – part of the UKHO’s contribution to the Commonwealth Marine Economies Programme. Instead, working with the Scientific Analysis Group, the team created a dedicated online course covering everything from installing a tide gauge to accurately measuring the shape of the Earth.

Or I could simply mention Jake Williams, who started a new job at the UKHO during lockdown. He says he never felt anything less than welcome. In all, the UKHO’s riding of the COVID-19 wave was the epitome of dedication, professionalism and thoughtful improvisation.

The truth is always in the numbers, and they bear out that story of success in an extraordinary year. As our Chief Executive reports, our 20/21 turnover was £160.6m and we made a profit for our Owners, the Ministry of Defence, of £30.4m.

After seven years as Chair, this is my last annual report, and I am going to allow myself a glance at the wider horizon. In broad terms, the UKHO takes data authored by a wealth of sources – from the Royal Navy to hydrographic offices internationally – and makes it available to mariners. This is what a publishing company does: it takes the output of authors and makes it available to a wider market. The best publishers have always adapted their products to the new technical platforms of the day, and the UKHO has already demonstrated that it has the skills to do this, in the shift to electronic navigation. As new technologies make it easier and cheaper for new kinds of organisations to enter and disrupt the market, the UKHO will have to continue to adapt and respond, while maintaining that balance between its public task and entrepreneurial activities.

Finally, a personal note. The UKHO now has a new Chief Executive, Rear Admiral Peter Sparkes, who leads an excellent leadership team, headed by a Board that is one of the best I have served. I only managed to do my chairing with their help, and I would like to thank my Non-Executive Directors: Marion Leslie, Alison Henwood, Tom Loosemore, Derek Rae, Tara Usher and Heather Tayler. They made a formidable team, dedicated to assisting the UKHO in maintaining its role as the world’s leading provider of maritime navigational products.

I wish the UKHO well in this next part of its voyage.



Adam Singer
Non-Executive Chair


Chief Executive's foreword

Well placed for the future

“Together, the UKHO team have exceeded all forecasts and expectations.”

Peter Sparkes



 See more

“Building on our well-established partnerships with industry and working collaboratively with our 125 international partners, we will remain at the forefront of the marine geospatial sector.”

Reflecting on the UK Hydrographic Office’s very encouraging performance during financial year 2020/2021, I would like to praise and thank the wider team for their outstanding professionalism and enormous dedication in very challenging circumstances. Against the uncertain backdrop of a global pandemic, over 90% of UKHO staff moved seamlessly to working from home within 48 hours. Our Defence team commendably fulfilled their vital national security remit by remaining in the office throughout. Together, the UKHO team have exceeded all forecasts and expectations. They have displayed tremendous resilience and I am extremely proud and grateful for their unswerving commitment to the safety and security of mariners, worldwide.

The maritime sector has continued to underwrite global trade impressively throughout the pandemic. After an initial fall in industrial output and the consequent impact on both container and bulk shipping, there has been a strong rebound in international trade. In these uncertain times, the UKHO will continue to be proactive and respond with agility to the changing needs of our customers.

The pandemic has accelerated the decline of Standard Nautical Chart (SNC) sales, confirming a shift away from paper charts and publications to digital-based products. Although 86% of SNCs are now delivered via our Print on Demand (POD) service, reducing cost significantly, more work is required if the global paper chart series is to remain financially viable in the future.

ADMIRALTY publications sales remain strong, but they too have seen a shift to digital alternatives, an offering which we will continually look to improve and invest in.

The increased demand for Electronic Navigational Charts (ENCs) and digital publications is welcome. They now account for £115m (72%) of the UKHO’s total revenue, up by £56m in the last five years. The next generation of digital navigation will be built on the new, international S-100 data standards, and should leverage the projected exponential improvement in satellite connectivity at sea. These significant shifts will give us the opportunity to greatly speed up the delivery of our vital Safety of Life at Sea (SOLAS) services and enhance our support to mariners.

We are committed fully to the development of the S-100 series, working closely with industry and our international partners to deliver unprecedented improvements in near real-time navigation and situational awareness.

We have conducted a fundamental review of our five-year Corporate Plan to ensure that we are well placed to respond to both these shifts, and the gathering momentum behind digitalisation and the need to decarbonise at sea. Developed with the fulsome contribution of the Board and key stakeholders, it describes our plan for the next five years (from 2021 to 2026) and offers a long-term vision for the UKHO out to 2030. An annual Business Plan will be produced to detail our in-year aims and objectives, allocate resources, and enable any course corrections that become necessary.

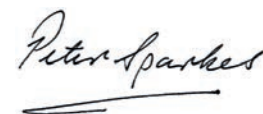
The four strategic objectives of the Corporate Plan 2021 reflect the centrality of our Defence work and the fundamental importance of our navigation business. Our support to the Royal Navy and our allies is vital and valued greatly. Over 90% of our revenues come from our commercial activities with an increased focus of demand coming from the Asia-Pacific region. We will need to evolve our digital product range and be even more receptive to the changing requirements of our customers. We will also discover and pursue opportunities in emerging markets; smart ports, autonomous vessel navigation, and professional service provision are three key areas of interest.

To deliver this ambitious Corporate Plan, we will continue to transform the way we operate, embracing developments in data science and engineering to improve our production processes and support to mariners by speeding up the delivery of navigational information to the bridge.

Building on our well-established partnerships with industry and working collaboratively with our 125 international partners, we will remain at the forefront of the marine geospatial sector. Our renowned ADMIRALTY brand is a hallmark of trust and excellence across the globe. We must therefore always demonstrate and uphold the highest professional, assurance and technological standards, while exhibiting a preparedness to learn and a willingness to support those organisations that need it.

We also have a responsibility to uphold and demonstrate our environmental credentials. The climate emergency motivates us to use our technical acumen and influence to mitigate the impact of shipping on our planet. We have already made exciting advances in data science, discovering new ways to support vulnerable coastal communities and mapping precious marine reserves and habitats such as kelp that capture carbon. However, the Board and the Executive Leadership Team know that environmental impact must now be considered as a core activity. We therefore commit to become Carbon Neutral by 2026, and Carbon Negative by 2030. To achieve this, we will invest a minimum of 1% of our annual revenue and change the way we operate day-to-day.

It is an enormous privilege to lead the UKHO during this exciting process of renewal, as we evolve the way we support our customers, operate and interact, in common purpose to deliver *safe, secure, and thriving oceans*.



Rear Admiral Peter Sparkes
Chief Executive

Strategic review

Serving government and defence

We are the UK government's hydrographic and marine geospatial experts. We also provide specialist advice and support on a wide range of disciplines including oceanography, marine cartography, computational astronomy and Law of the Sea.

Our expertise and the information we hold are national assets that can play a vital role in tackling many of society's challenges. In support of the UK government's wider political and economic objective, we continue to leverage these assets, helping to fulfil our nation's international obligations and meet the challenges of the future.

As part of the Ministry of Defence, the UKHO also plays a key role in supporting the UK's national security. Our specialist teams provide our armed forces and allied partners with the decision support, information and expertise needed for tactical advantage and a truly global reach.

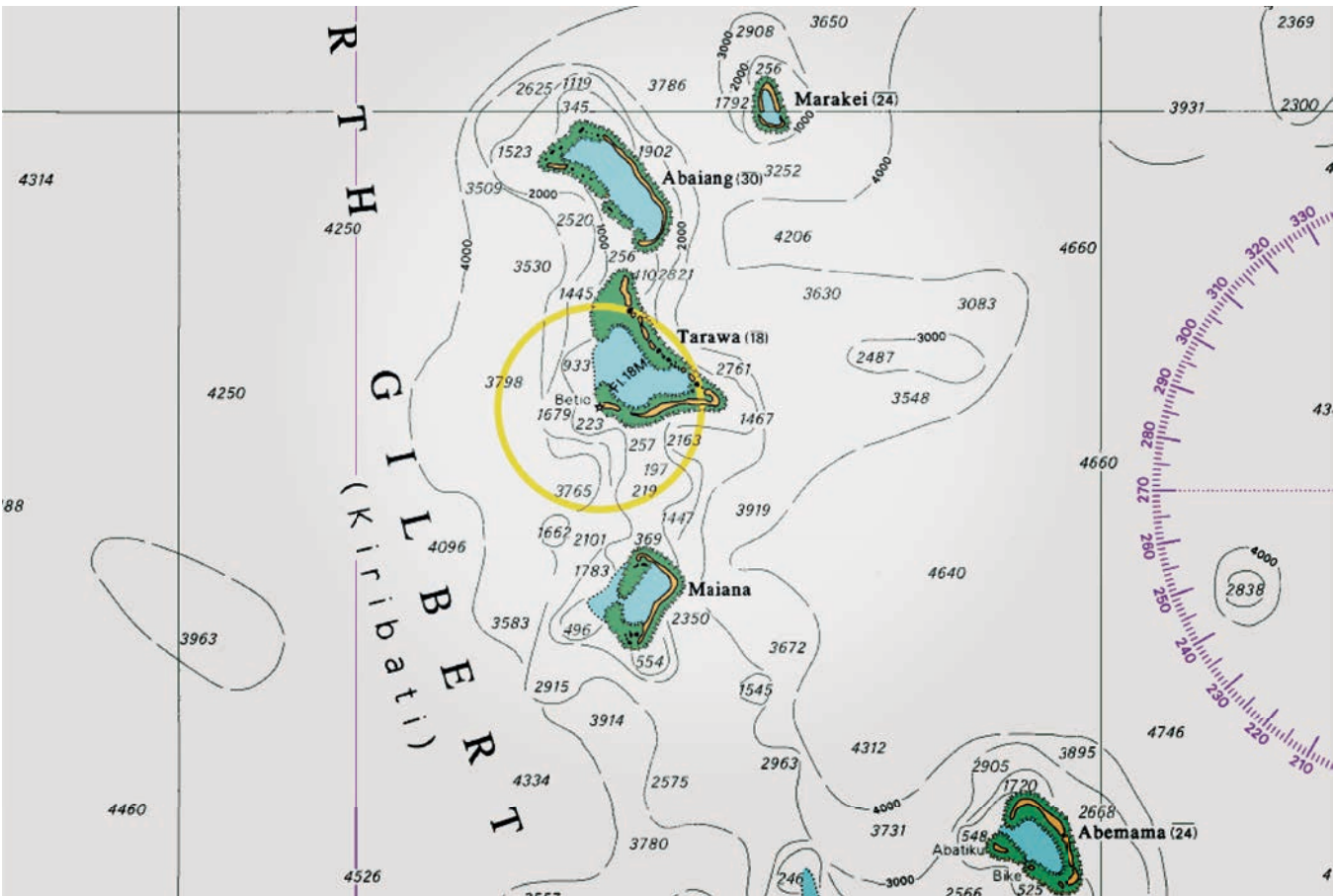
By helping to protect the world's oceans, enabling safe passage and supporting sustainable economic growth, we'll ensure that the UK remains a leading maritime nation in the years to come.

We support

90+

UK Defence vessels
including Royal Fleet
Auxiliary Ships





Leveraging greater value from blue data

Our work in the low-lying Pacific island chain of Kiribati has helped their government secure investment from international development finance institutions. Improving Kiribati's knowledge of the seabed and enhancing its understanding of the local marine environment plays a vital role in the development of a successful and sustainable blue economy in the region.

The Kiribati Outer Island Transport Infrastructure Investment Project (KOITIIP) aims to improve maritime infrastructure in the outer Gilbert Islands, and relieve the population density pressures from its capital, Tarawa. KOITIIP is funded by the World Bank and Asian Development Bank.

Working with Kiribati authorities in 2018, we gathered vital data, which included satellite imagery depicting the seabed, to help monitor and mitigate the effects of climate change and scope their ongoing requirement for marine geospatial data.

This work was funded by the UK government's Commonwealth Marine Economies (CME) Programme.

In 2020, this scoping study was used by the Government of Kiribati, the World Bank and Asian Development Bank to refine their plans for KOITIIP, securing an initial investment of approximately \$30m USD to develop Kiribati's marine infrastructure and ensuring that the maximum benefit is derived from the survey data.

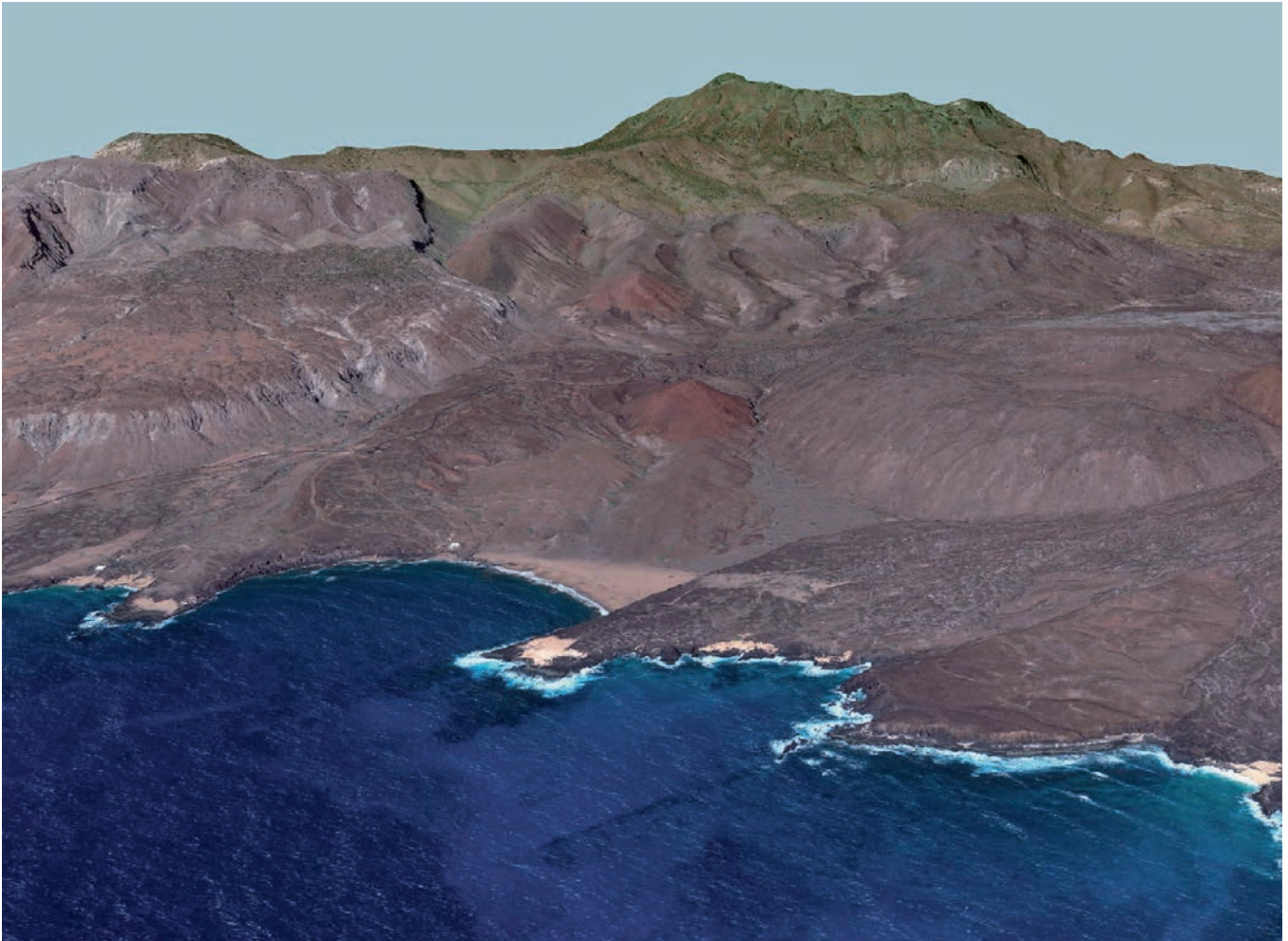
To Leverage greater value from blue data, the data gathered in the first place should not be restricted to a specific end use.

Modern hydrographic surveying and data management enables data to be collected once and used many times. These important data sets can then serve multiple uses to effectively support sustainable development and enable joined-up decision making across many different stakeholder groups.

KOITIIP also demonstrates how seabed mapping and navigational charting are critical parts of national infrastructure, alongside commonly recognised physical infrastructures such as harbours, jetties and sea walls.

[▶ See more](#)

Strategic review continued



Supporting the Royal Marines with 3D digital models

Our specialist teams provide cutting-edge three-dimensional digital modelling to the Royal Marines, giving them the advanced geospatial information they require to aid planning and execute successful exercises and operations.

The Tactical Products, Littoral and Riverine team (LitR) collaborate with our Remote Sensing team, who use the latest advances in photogrammetry – the science of surveying using images – to create bespoke Digital Terrain Models (DTMs). These create precise three-dimensional charts, visualisations and other data that can be transmitted to a ship using existing communication channels.

The technique combines pairs of stereo images to create DTMs that detail the shoreline and include inland features such as buildings and glaciers. These images allow the Royal Marines to see lines of sight from the perspective of an adversary, and aids route planning to maximise tactical advantage and minimise vulnerability. Even fine details such as how shadows fall can be identified.

The images are generated from satellites, and are therefore discreet, cost-effective and potentially offer global coverage. Because generating the images does not require aeroplane-mounted surveillance cameras, it does not warn potential adversaries about military interest in a particular area.

As part of the LitR team's remit of providing support for the Royal Marines and other parts of the Royal Navy, they offer tactical planning, decision making and training support for the Combat Intelligence Course at Commando Training Centre Royal Marines (CTCRM) based in Lympstone, Devon. Each year LitR provide training based on planning an amphibious landing on Ascension Island. Students use UKHO data and tactical products, including imagery, to plan a potential assault on an opposition headquarters, researching possible landing sites for military vehicles and personnel, and identifying obstacles.

Improving civil emergency responses



Our marine geospatial expertise is now playing a vital role helping the UK to respond to civil emergencies.

Run by the Cabinet Office, ResilienceDirect is a secure network that allows the police, ambulance service, fire brigades, other civil organisations and the armed forces to respond to incidents effectively. To date, it has been used in more than 3,000 major incidents across the UK.

This important tool helps civil protection practitioners in the UK and Overseas Territories to work together across organisations and geographical boundaries. It helps them plan for and respond to emergencies by allowing real-time information sharing and data visualisation. This leads to better cross-organisational coordination before and after major incidents.

ResilienceDirect now has access to a range of new marine geospatial services from the UKHO. This helps improve the UK's preparedness, enhancing its response to future incidents in the often challenging marine environment. These new coastal and marine data services include Territorial and Economic limits and boundaries ranging from the Continental Shelf and Exclusive Economic Zone to Port, Fishing and Marine Protected Areas Limits.

Emergency planners and responders also have access to essential data on offshore infrastructure and wrecks.

According to the Coastguard Search and Rescue Coordination Network, in 2018 there were more than 24,000 incidents in UK waters. The addition of our marine data sets will significantly improve the process of emergency response, allowing for greater cross-government collaboration in responding to large incidents that involve the maritime environment.

[▶ See more](#)

Strategic review continued

Supporting British Overseas Territories

Our work also enables British and allied forces to deliver humanitarian aid and disaster relief (HADR) to assist coastal communities affected by natural disasters and humanitarian crises.

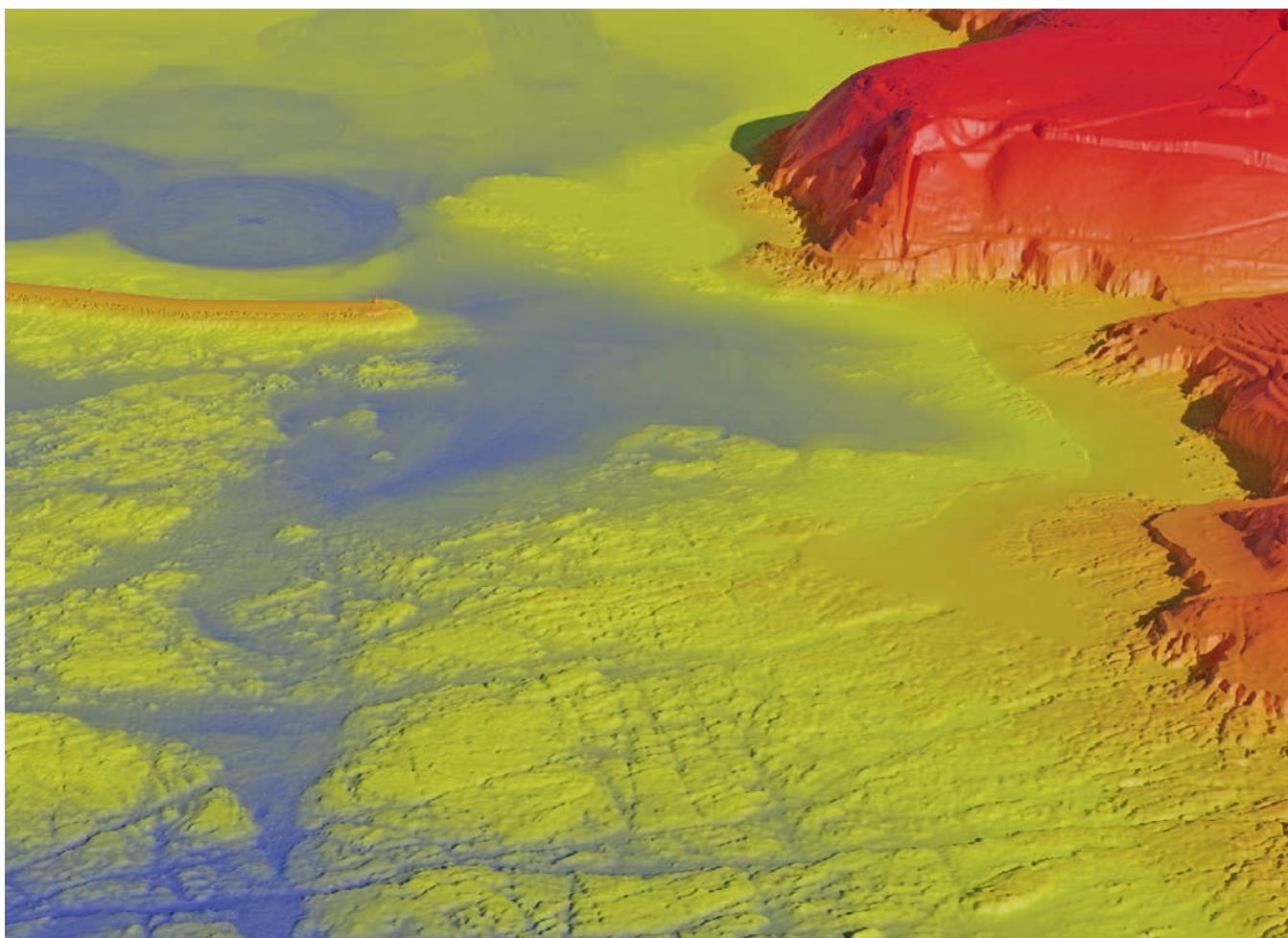
This includes gathering additional information needed to help ships deliver emergency supplies such as food, medicine and personal protective equipment, while also ensuring the safety of the personnel operating at sea.

This work ranges from conducting port assessments and finding alternative landing sites, to carrying out the surveys necessary to help ships navigate waterways safely after extreme weather events.

During the year, we supported UK Armed Forces taking part in Operation Broadshare, the British military's response to helping those outside the UK affected by the COVID-19 pandemic.

To support logistical work in British Overseas Territories in the Caribbean, our experts enhanced existing navigational charts. This included drawing on supplementary information from optical surveys to add detailed information on infrastructure features such as hospitals, roads and ports.





Globally recognised experts in seabed mapping

We hold vast amounts of data on the marine environment ranging from the seabed, water column and above the surface, to the coast, offshore and beyond.

Launched in September 2020, our new Beta Seabed Mapping Data Service now makes data from around the UK available to users via the ADMIRALTY Marine Data Portal. This portal provides improved access to extensive data on bathymetry, wrecks and obstructions which has been collated, processed and validated by our experts.

Incorporating many technical and functional innovations, including the automatic updating of seabed data, the service gives users current information to help them make more informed decisions about the marine environment.

This service helps ensure users carry out their marine-based activities successfully and sustainably, whether pursuing offshore commercial developments, seeking to use the sea for sporting activities, or conducting scientific research around the UK.

The data is available at two levels: the standard service allows users to freely download bathymetry data sets, and the enhanced service provides custom-made data sets that are compiled by our team of geospatial data experts on request.

The data service has been developed using agile principles and launched as a 'beta' service, meaning that development is ongoing and we can continually test and improve what we offer based on users' experience, insight and feedback.



[See more](#)

Strategic review continued

Navigating today, and into the future

Information for safe navigation is our core business, and most large ships on the world's oceans continue to rely on the information we provide.

As shipping continues to transition into the digital age, we continue to invest heavily and leverage cutting-edge technologies to meet the call for even more accurate, more dynamic global navigation information.

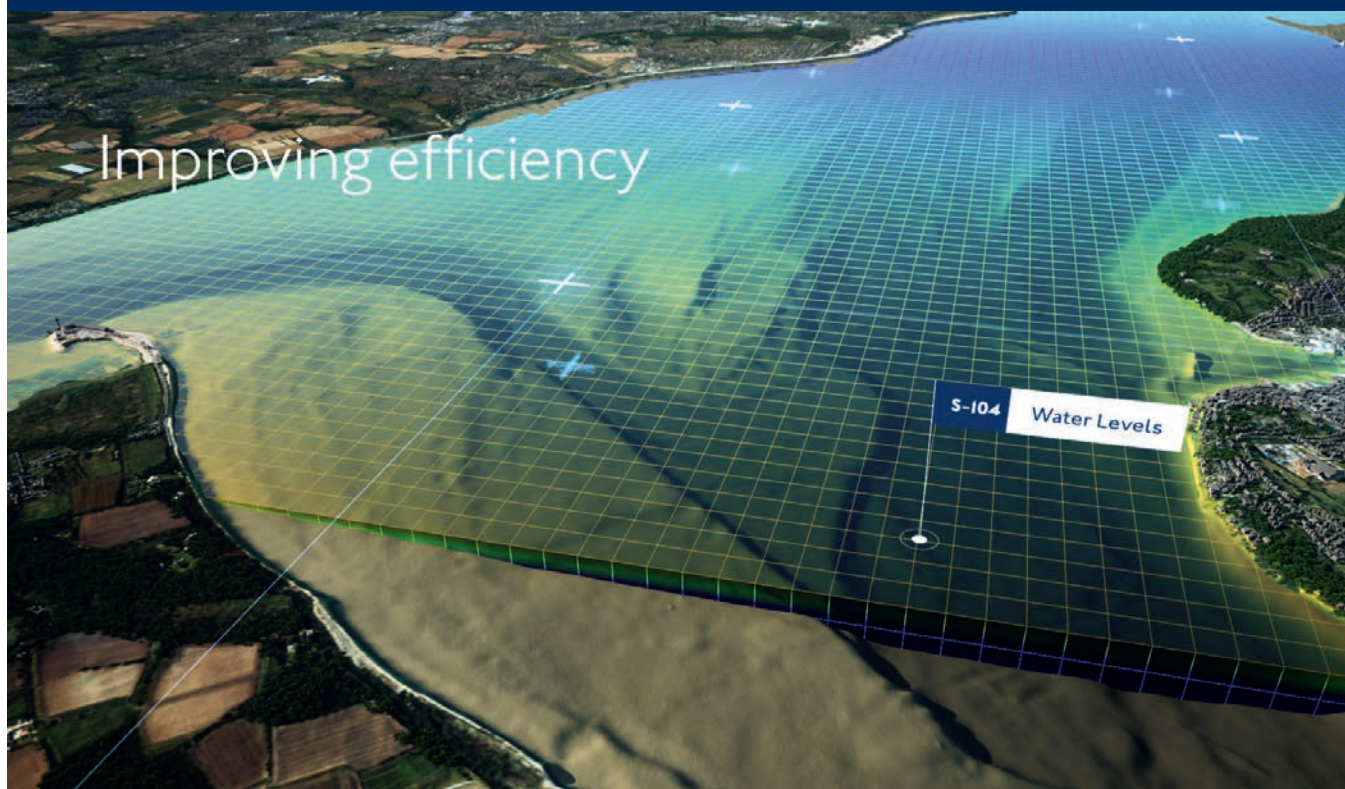
Working closely with industry and international partners on standards and the future of navigation, we will continue to provide mariners with assured and dependable information, delivering unprecedented improvements in near real-time navigation and situational awareness.

225+

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



Supporting the future of navigation



The future of navigation, intelligent shipping and sustainable oceans is being built on more powerful, more insightful and more usable information.

This means information that is readable and actionable by both humans and machines alike. Such information will enable ships and offices ashore to work in harmony, unlocking a new level of access, transparency and support in near real-time.

A product range built on new international data standards will deliver a positive, transformative impact across international ship navigation. This S-100 standards-based product range will also support the protection and improvement of marine habitats, coastal communities' national resources, and national infrastructure.

As a result, there are huge economic, commercial, technical, risk, safety and environmental benefits to be gained.

As we enter the United Nations 'Decade of Ocean Science for Sustainable Development (2021-30)', we are committed to continuing to work closely with our national and international partners, to deliver unprecedented improvements that will benefit future generations.

In supporting the development, testing and use of future S-100 products and services, we have made available four free-to-download S-100 trial data sets utilising the International Hydrographic Organization (IHO) S-100 Data Framework.

These trial data sets include:

- › **S-101 Electronic Navigational Chart (ENC)**
The base layer on which all the other S-100 based products can be overlaid
- › **S-102 Bathymetric Surface**
A high-resolution layer of depth measurements helps users to better understand the associated risk and complexity of the seafloor
- › **S-104 Water level information for Surface Navigation**
Provides tidal and water level information to help users better understand the changes in water levels – fundamental for route planning and port entry and exit
- › **S-111 Surface Currents**
Provides the speed and direction of currents to an approximate depth of 25 metres

As the development of other IHO S-100 product specifications matures, we will look to create additional data sets.

Strategic review continued

Advancing machine-readable data technology for autonomous vessels

The Mayflower Autonomous Ship (MAS) research project, a non-profit venture supported by the UKHO and IBM, among others is aiming to make the first fully autonomous transatlantic crossing from Plymouth, UK to Plymouth, USA, repeating the voyage of its famous predecessor 400 years ago.

With no on-board human captain or crew, MAS will use the power of artificial intelligence (AI) and automation to cross the Atlantic Ocean.

The project is designed to provide scientists with a flexible and cost-effective platform for collecting critical data about the health of the oceans.

It will also pioneer the development of machine-readable data; the technology that will make autonomous vessels a reality in the future and help unlock the potential of marine autonomy.

A range of our marine geospatial data, including high-resolution gridded bathymetry, tidal height and surface current data, and geospatial restriction and constraints data from the Plymouth Sound region, will provide MAS with a definitive view of the seabed in UK coastal waters as it completes the first stage of its journey. The data will enable the AI captain to make decisions on the ship's route, status and mission, fulfilling a role similar to a human captain.

We also facilitated the MAS project's meetings with the US National Oceanic and Atmospheric Administration, and secured similar data for the approach to its final destination.

Together with our partners, we are helping to tackle one of the main challenges facing the development of autonomous vessels at scale: how to convert navigational marine geospatial data, usually contained in Electronic Navigational Charts (ENCs) and read by humans, into machine-readable data that meets the needs of the autonomous or semi-autonomous shipping industry. Our involvement in the MAS project represents a key milestone in the development of safe and efficient autonomous navigation.

 [See more](#)



Image: Tom Dickenson for ProMare/IBM

Reducing plastic discs

As part of our commitment to improve our environmental credentials, we have cut the number of plastic data discs we produce. These discs have a significant impact on the environment; they are hard to recycle, and non-biodegradable and most end up as landfill waste.

In collaboration with our distributors, we have developed a new automated ordering process. This process has cut the number of plastic discs produced by over a third, demonstrating our commitment to protecting the environment by significantly reducing plastic wastage.

Following a successful trial in early 2020, listening to distributor needs and adapting to a more efficient ordering system has led to a drop in the number of manufactured discs from 38,000 to 25,000 a week – without compromising the quality of our service.

We have also phased out the use of shrink wrapping and plastic cases for these discs.

Although the discs still require sleeves to protect them from scratch damage, these are now made from 100% compostable materials.

During the year, we have saved approximately 200,000 plastic discs from being produced, distributed and eventually landfilled. We still plan to reduce our plastic usage further, however, these measures illustrate how, as an organisation, we are working with stakeholders and the international shipping community to take practical and meaningful steps to protect the environment.



Enabling faster delivery of data for safe navigation

The new ADMIRALTY Digital Delivery Service (ADDS) will transform how marine geospatial data is converted into meaningful navigational safety information for the international shipping industry.

Currently mariners across the globe rely on weekly data updates to enable safe and efficient navigation. This data is currently provided via a batch driven 'push' process through file transfer protocol (FTP) or email. Some ships still receive their data on physical plastic discs which are couriered to ports around the world for them to collect and upload.

The new ADDS system will transform this process, creating an automated, streamlined and efficient service that enables the seamless collection, processing and transmission of digital navigational information directly to ships. It will also yield significant environmental benefits as there will no longer be a need to manufacture and transport plastic discs.

ADDS will deliver data updates to display systems on ships as soon as they are ready for release – which is at least a week earlier than the current process.

We formed a working group of our customers, third-party development teams and UKHO experts to develop an 'alpha' launch of the system. Initial trials indicate that by using the latest big data and satellite technologies, we can offer the delivery of data within four minutes. This means that mariners will know almost immediately about any events that could affect their safe passage.

This service will not only deliver immediate benefits to existing users of ADMIRALTY Vector Chart Service (AVCS) but will also serve as a platform to deliver the next generation of Safety of Life at Sea (SOLAS) products and services. Additionally, it will provide the capabilities to offer data and support emerging markets, including non-SOLAS customers. As we evolve with the digitalisation of the maritime industry, it forms part of our long-term commitment to support safe navigation.

Strategic review continued

Developing future maritime opportunities

Our geospatial data and expertise play a crucial role in fuelling the growth of the global blue economy.

We gather data to ensure that the marine environment, and the industries and communities that rely on it, will thrive and prosper sustainably.

Developing cutting-edge technologies and working alongside our partners has enabled us to diversify into new and existing sectors - from renewable energy and aquaculture, to carbon-capture in the oceans and maritime insurance. Utilising our core capabilities to share comprehensive and up-to-date marine geospatial data supports sustainable economic growth across the globe.

By 2030, we estimate

1.5 million+

people around the world will be employed by the ocean renewables sector



Innovation programme launched to deliver data solutions

The ADMIRALTY Marine Innovation Programme was designed to encourage start-ups and innovators to use ADMIRALTY data sets to develop new solutions that support safe, secure and thriving oceans.

We launched the programme following extensive research carried out on our behalf into the blue economy, which is estimated to be worth £3.2 trillion by the year 2030. Marine geospatial data will play a vital role in supporting new areas such as tidal and wind energy generation, safe navigation of autonomous ships, mitigation against the effects of climate change, and other new technologies that will fuel the growth of a new data-driven blue economy.

We identified a series of specific maritime and marine environment challenges for industry partners from across the globe, harnessing their talent and expertise to develop new data solutions.

Those taking part were tasked with pitching ideas and solutions for key marine markets, including maritime insurance, offshore renewable energy, autonomous shipping and coastal habitat protection. Over 75 applications were submitted. Participants received access to ADMIRALTY data sets, ranging from seabed composition samples to tidal information, to develop new solutions for some of the most pressing challenges facing the world's oceans.

Successful participants were given the opportunity to work with our Research, Design and Innovation team, collaborating with our leading experts to work through the innovation process and support the launch of their products and services into fast-growing marine sectors and markets. We are now working with Marico Marine, BMT, HydroSurv and Geollect on their new solutions.

By providing access to accurate marine data and sharing our expertise, we want to play a leading role in stimulating smart, sustainable and resilient uses of the world's oceans in these emerging economic sectors.



[See more](#)



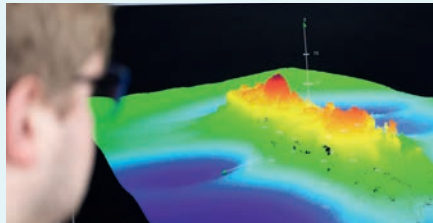
Strategic review continued

Developing machine learning

We are developing a number of new machine learning tools to help process the increased volume and complexity of marine data generated by rapid advances in the science of bathymetry.

As a world-leading provider of marine geospatial data and information, our expert teams process bathymetric data according to international standards.

However, with an exponential growth in both the volume and complexity of marine data now available, our expert teams needed to speed up this cleaning process to ensure that all bathymetric data is quickly made usable and accessible to audiences and markets across the world.



Combining our cutting-edge data science and engineering skills and expertise in bathymetry, as well as our comprehensive bathymetry data assets, enabled us to develop innovative new tools using machine learning technology. While development of the tools is continuing, one solution is nearing completion, and for specific types of data, this can halve the cleaning times. These tools will help to harmonise the quality and integrity of data sourced from

across the world and allow our teams to interpret complex bathymetric data sets more efficiently and make them available for wider application. This will aid the development of the blue economy and help protect global marine environments.

One example of this is our involvement in the Seabed 2030 international initiative to create a definitive map of the world's ocean floor by 2030.

We are working collaboratively with Seabed 2030 Regional Centres and software developer Teledyne CARIS to further advance this bathymetric data cleaning technology, which is based on machine learning.

[▶ See more](#)

Helping to unlock Anguilla's marine potential

Our partnership with the Caribbean island of Anguilla demonstrates how we enable developing coastal states to strengthen and conserve the blue economy, and to improve disaster resilience.

As part of our remit to support British Overseas Territories, we collaborated with the Anguillan government to build a marine data hub. Historically, data was taken by air on hard drives, which was neither sustainable nor practical.

This new, cloud-based portal combines bathymetric data with complementary data sets such as that flowing from the Automatic Identification System (AIS) fitted on most ships. It allows Anguilla to maximise the value of geospatial data, including wrecks and obstructions and seabed composition.

The portal follows the principles of Marine Spatial Data Infrastructure, a working framework that focuses on making marine data discoverable, accessible and reusable.

By December 2020, following an extensive training programme, the Anguillan authorities had full, independent use of the hub. This improved their capability to interpret and understand data allowing for accurate long-term decision making, providing them with opportunities to derive value from data and stimulate the blue economy.

The portal gives access to detailed information on seabed and ocean conditions, meaning Anguillan authorities can plan port developments with far greater knowledge.

This can enable larger cruise ships to dock, and in doing so, provide a significant boom to tourism – a vital industry that underpins the local economy.

Improved access to data means the impact of storm surges can be predicted and risks mitigated to better protect local communities. Coastal infrastructure development can also be supported by identifying those areas least at risk of erosion.

The hub's success has led to the development of similar marine data portals with other coastal states.

[▶ See more](#)

Helping to create a virtual world for autonomous ship navigation



This year we collaborated on the development of two advanced ‘digital twin’ models to support marine technologies of the future, which include sea trials of autonomous vessels.

As members of the Plymouth FAST (Future Autonomous at Sea Technologies) cluster, and working with the Marine Business Technology Centre (MBTC), these three-dimensional models were developed to accurately replicate or ‘digitally twin’ what has been called “Britain’s premier proving area for the marine sector” – the Smart Sound Plymouth.

The deep waters and weather conditions around Plymouth Sound are perfectly suited for the FAST cluster to establish the area as a leading centre for innovation, research and the development of cutting-edge marine science and technology.

As the UK government’s marine geospatial information custodians and experts, we provided complex seabed and underwater detail to test whether the concepts would work.

For the first project, we used Unity 3D gaming engine technology to create a digital twin model of the region in just 12 weeks. These were integrated into Thales software to create the prototype twin demo. The model stitched together satellite-derived bathymetry, seabed composition data, tidal height and water visibility data with land and weather data to make a developmental model that replicates Plymouth Sound’s real-life environment.

In the second project, our information was used to help the Norwegian-based Offshore Simulator Centre to produce a digital twin of the Plymouth city and Sound area.

Our information was combined with Ordnance Survey data to create a sophisticated 3D model of the region. This work was funded by Plymouth City Council.

As the development of the area’s digital twin moves forward, our world-leading marine geospatial information will remain crucial, enabling future, data-enriched projects to test autonomous ship navigation and to carry out sea trials.



See more

Strategic review continued

Building the organisation for the future

By providing a supportive work environment, we aim to enable our people to achieve their best every day.

Over the last year, COVID-19 has led to a fundamental shift in many aspects of life, including the way we work. Underpinned by our values of 'together', 'responsibility', 'excellence' and 'discovery' our leadership team has given the time, attention and support required to build a safe working environment.

To achieve our vision as an organisation, we seek to find new opportunities to work in ways that will meet the changing needs of the UKHO and our people. We recognise that a diverse workforce enables us to learn from one another and that agile ways of working allow us all to develop our skill sets.

As a people-centric organisation, we believe our workforce is the key to our success, and all our staff are encouraged to reach their full potential, while contributing to our shared goals.

“Smarter working is an integral part of our culture. And as we return to the office, it will play an important part of our future as we continue to build inclusive, trusted and collaborative teams.”

Amy Carrillo
Chief People Officer



A values-led response to COVID-19



As an organisation, we aim to build a culture based on trust, where everyone feels inspired, confident and empowered to achieve their best.

Throughout COVID-19 we experienced unparalleled change and uncertainty, but we reacted positively and in accordance with our four organisational values of 'together', 'responsibility', 'excellence' and 'discovery'. We worked as a team to meet the challenges of the pandemic in a way which prioritised our customers while balancing business need and, critically, the personal wellbeing of our people.

We responded quickly to the UK government's social distancing measures and within two days of expanding our home-working policy, over 90% of our staff were successfully set up to work outside of the office. This rapid change was a significant transition for staff, but by placing empathy and compassion at the heart of our leadership approach, we put into action our ongoing commitment to supporting our people.

We have always worked together to provide safe working practices and give physical and mental support to employees, but during the unprecedented shift in societal structure, we increased our efforts. This included encouraging flexible working hours, supporting parents and carers with special paid leave, training leaders in how to best support their teams, and providing clear, regular organisational communications.

Our continued focus on psychological safety enabled staff to not only communicate in a virtual environment, but encouraged diverse thinking and conversations. By engaging with our staff, we started to create a positive culture of speaking and listening that allowed for ideas to be comfortably shared and challenged.

The health and wellbeing of everyone in the UKHO community has been at the forefront during the pandemic and will continue to remain at the heart of our organisation.

Strategic review continued



Building a diverse and inclusive organisation

Diversity and inclusion (D&I) continues to be a cornerstone of our culture programme. As an innovative and forward-looking organisation and employer, an integral part of our future success is valuing the different perspectives, ideas and constructive challenges that diversity, in all its forms, brings.

Our Executive Leadership Team all have personal objectives to support improved diversity. Role modelling our values in everyday work helps us demonstrate positive respect and personal responsibility towards ourselves and each other by the way we behave.

Recognising and valuing we are all unique is also part of the story. Our active D&I staff networks play a key role in showcasing the different experiences, needs and contributions of our people by providing support and insight through individual stories. Staff-generated blogs on a range of topics including asexuality, being transgender, bereavement and mental wellbeing are helping to create an open culture where more people feel inspired and confident to share their experiences and be themselves.

We are also providing our people with practical skills. An ongoing programme of psychological safety training sessions is building an awareness of how we can work together to build a safe, inclusive and diverse environment for everyone to be their best at work.

There is a continued emphasis on the importance of quality conversations between individuals and line managers about wellbeing, development and performance feedback; this includes sustained support for both managers and staff to build on their skills and confidence through personality trait insights and training.

And we are providing effective feedback tools and support for giving and receiving feedback for all staff and managers to gain personal insight and awareness of their behaviours and their development.

Together, these initiatives are changing how it feels to work at the UKHO and are helping build our organisation for the future.

Investing in talent


Underpinning our organisation is our people and we continue to invest in attracting and retaining the best talent.

Our apprenticeship scheme offers new and existing staff the opportunity to learn and develop their skills and allows us to draw new talent into our workforce. Since 2016 we have supported 129 apprentices who have worked and learned in a range of roles. And this year, we have worked with providers to expand our offering and secured six new programmes, including BSc degrees. This is in addition to the 15 currently provided, ranging from Level 3 to Level 7.

By blending practical ‘hands-on’ learning with academic study, apprentices gain the skills and experience they need to thrive and prosper in the workplace.

In the local community, our award-winning STEM Ambassador outreach programme inspires the next generation into science, technology, engineering and mathematics careers. During 2020 we embraced the challenge of evolving into virtual online activities, working in collaboration with a range of community partners to develop new ways of working to promote STEM.

Over the last 12 months, our team of 26 accredited STEM Ambassadors worked with 1,750 young people aged 5-19 and 1,700 members of the public across the South West. With a view to resume our in-person events again in 2022, we look forward to speaking with, and showing even more young people what opportunities there are in STEM roles.

 [See more](#)



Sustainability report

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

Despite some temporary increases in waste and water consumption, related to the construction and move into our new 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.

Emissions

	2020/21 tCO ₂ e	2019/20 tCO ₂ e	2018/19 tCO ₂ e
Scopes 1 & 2 (energy)			
Electricity	1,187	1,190	1,497
Gas	591	506	564
Total for scopes 1 & 2	1,778	1,696	2,061
Scope 3 (business travel)	367	656	961
Total for scopes 1, 2 & 3	2,145	2,352	3,022
	£k	£k	£k
Expenditure on official travel	88	880	728
Expenditure on energy	379	391	435
Total expenditure on energy and travel	467	1,271	1,163

Commentary

We are reducing our emissions year-on-year. Our print production process (which was moved from Admiralty Way to Bridgwater in May 2018) has continued to reduce in size as we transition from printed paper products to digital products and services. A full year in our new energy efficient office building has also contributed to a significant reduction in our emissions.

Our buildings have remained open during the pandemic to support Defence work. However, the reduced heat, normally generated by having a full office, has led to increased gas usage. Official travel has plummeted this year due to COVID restrictions. We are actively looking to learn from this in future years to consider our travel needs carefully.

Waste

	2020/21 tonnes	2019/20 tonnes	2018/19 tonnes
Reused/recycled incinerated/energy from waste	41	41	128
Landfill	0	0	54
Reused/recycled	12	13	1
	53	54	183

Commentary

We have maintained our waste levels in line with the previous year.

Regular waste audits were undertaken by the Defence Infrastructure Organisation. Recycling remains a priority for the MOD estate.

Water

	2020/21 m ³	2019/20 m ³	2018/19 m ³
Water consumption	1,741	7,852	18,339
	£k	£k	£k
Water supply costs	8	32	73

Commentary

During January 2019, we moved into our new office and vacated our old estate. We are now seeing the benefit of a small modern estate.

Energy

	2020/21 MkWh	2019/20 MkWh	2018/19 MkWh
Energy consumption			
Renewable electricity	2.24	2.24	2.80
Gas	3.12	2.67	2.97
Total energy consumption	5.36	4.91	5.77
	£k	£k	£k
Energy supply costs	379	391	435

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. We are now seeing the benefit of a small modern estate.

Gas use increased due to having to heat an emptier office, due to COVID, which remained open to support Defence work.

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.

Performance review

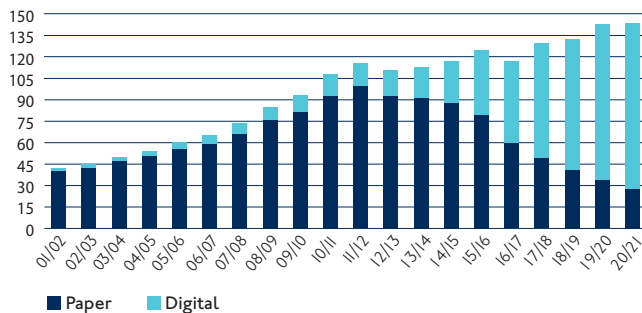
Financial review

Revenue fell by £4.0m. The continuing transition towards digital navigation from paper led to a fall in paper product revenue of £7.2m and a growth in digital of £8.8m. The fall in Other Government revenues was the major factor in the overall decline as the COVID pandemic caused the removal of funding for non-critical projects. Defence sales also fell by £1.5m as some non-critical activities were delayed.

The revenue decline led to a gross profit decline of £2.8m. Our continued transition to digital has resulted in 72% (2019/20: 68%) of our gross margin now being earned from digital products.

The transition to digital started 20 years ago when in 2001/02 we made our first sales of digital products. In 2016/17 sales of paper and digital were split equally and now digital accounts for 81% of total navigational product sales.

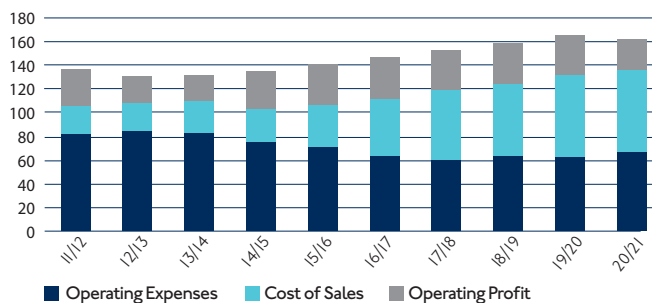
Navigation product sales



With costs remaining broadly level with last year, the resulting operating profit fell by £5.5m to £30.3m (2019/20: £35.8m).

We predicted this fall in gross profit and 10 years ago decided to pre-empt it and take steps to increase our efficiency and, as a result of that decision, took £20m of costs out of the business. As we acted faster than the decline in margin, we enjoyed a few years of very high profits. It is unlikely that this level of profits can be sustained but one of our core focuses over coming years is to look for new markets for our products and data services and to seek further efficiency improvements.

Where we have spent our revenues



Our Print on Demand service has been invaluable in providing valuable resilience of our paper chart supplies during the Coronavirus pandemic. During the year 85% of charts were printed using this service, (2019/20:73%, 2018/19:47%)

Despite this year's 18% fall in profits, we are still returning profits well in excess of our Return on Capital Employed target of 9% and have declared an ordinary dividend of £12.5m (2019/20: £11.8m) to our sole shareholder, the MOD.

We generated £34.5m of cash from operating activities and after investing activities which supported the payment of a special dividend of £20m on top of last year's ordinary dividend of £11.8m.

	Financial statements note	2020/21 £m	2019/20 £m
Revenue	2	160.6	164.6
Cost of sales		(67.6)	(68.8)
Gross profit		93.0	95.8
Staff costs	3	(42.8)	(41.6)
Other costs		(15.6)	(13.6)
Depreciation	3	(4.3)	(4.8)
Operating profit		30.3	35.8
Cash generated from operating activities	19	34.5	44.6

In 2018/19, we adopted a new measure: Human Capital Value Added. This focuses on increasing efficiency, growing revenue streams as well as controlling costs. This is calculated by dividing operating profit plus staff costs by the number of staff. The result indicates the average profit before staff costs generated by each member of staff. We achieved £87.7k per full-time equivalent employee (2019/20: £93.7k).

Performance review continued

Delivery against the 2020 Corporate Plan

Our corporate planning process is built on the basis of maximising our opportunities and mitigating the risks and uncertainties that we have identified. Once agreed the Board set us key performance measures (KPM) that are agreed with our Owner. Together these represent achievement of our overall Corporate Plan. In 2020/21, our performance against these measures was:

	Key performance measure	Achievement
1. Defence	Achieve a score of 95 for a composite index measuring the quality and timeliness of deliveries of the Defence programme.	Exceeded
2. Safety	External audit to show that our safety management systems are operating satisfactorily or better.	Exceeded
3. Financial return	Achieve an average 9% Return on Capital over the last three years.	Exceeded
4. Human Capital Value Added	Target £74k. Achieved £87.7k (2019/20: £93.7k).	Exceeded
5. Strategic plan	To achieve at least 70% of 24 strategic plan programme deliverables. These measures of achievement together provide a balanced scorecard reflecting our overall programme delivery. We achieved 21 (87.5%).	Exceeded

Principal risks and uncertainties

Risk	Impact	Mitigation of risk
There is a risk to our future viability, through disintermediation where third parties find a way to get similar products to customers in a better way.	Financial loss and potential change in status	We regularly review our business model and invest in data and systems to offer quality assured affordable products to mariners. Our value proposition must be crystal clear, and our culture needs to shift towards constantly changing in order to meet future demands. Further develop our Value Stacks work to show how value is added to input data to support product pricing and royalty payments.
There is a risk to the existence of our business as a result 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. Other events might include a data security breach or a data center failure.	Financial and reputational loss	We implement a safety management system supported by quality assurance. We carry out professional indemnity insurance. Review contingent liabilities.
There is a risk to our future success in terms of our culture and leadership. <ul style="list-style-type: none"> › We are too insular in our thinking (we have insufficient focus on our customer) leading to a loss of market share. › Senior leadership is unable to lead with a more commercial, agile and entrepreneurial mindset which in turn will create poor employee engagement and commitment resulting in loss of market position. 	Output, Capability	We improve awareness of our values, with a standard section into ELT papers and business cases. Clear accountability at REMENCO to support developing a high performing executive team. By embedding our values, understanding what they mean in our everyday work and always considering the voice of the customer. We invest in our leaders, trusting and empowering them towards successful outcomes. We act on people surveys, we develop a more adaptable and inclusive approach to work, and we improve inclusion and fair treatment.

Risk	Impact	Mitigation of risk
<p>There is a risk that our Corporate Plan 2021 (CP21) is not specific enough to ensure we remain focused on the priorities. That we, or a future ELT, do not have a single narrative and focus to deliver the transformational change we need to make at pace in our business to remain viable and agile for the future.</p>	Strategic	<p>We clearly articulate our CP21 priorities and align them with our investment plans and maintain a laser focus on delivery of Priority 1 deliverables. ELT engage the organisation regularly with a common narrative.</p>
<p>There is an opportunity to leverage our assets to better develop our business, provide greater public service and identify new commercial opportunities.</p> <ul style="list-style-type: none"> › Use our strategic assets (relationships, brand/ heritage, data supply arrangements) to grow and fully develop our business. › Use our leading position to improve the environment by developing products and services which help mitigate or adapt to climate change. 	Financial	<p>We reinvest some profits from our core business to fund a pipeline of products assessed for strategic fit and market attractiveness.</p> <p>We screen new business development opportunities for environmental benefit. We align to MOD NZ50 programme and work towards agreed carbon neutral targets.</p>
<p>There is a risk to our fundamental business model and automation opportunities with regard to data supply and quality.</p> <ul style="list-style-type: none"> › We fail to maintain access to our data supply. › The data we hold is of poor quality. 	Capability	<p>We ensure data is of sufficient quality to support our business requirements, including the potential for increased automation. We invest in and integrate both Data Science and Data Engineering capabilities alongside our core business.</p>
<p>There is a risk we lose market position, due to not focusing our business on delivering our strategic objectives.</p> <ul style="list-style-type: none"> › Attempting to do too many things. › Overloading the One Programme. 	Financial	<p>ELT focus on MoSCoW prioritisation, doing fewer things well and stopping non-strategic activity. Provide a clear single narrative to support priorities. We actively manage delivery of the One Programme priority projects. We refresh and resource our Business Assurance function and frameworks to improve our Governance, Risk and Compliance.</p>

Performance review continued

Principal risks and uncertainties continued

Risk	Impact	Mitigation of risk
<p>There is a risk that we cannot attract, retain or engage our employees leading to a failure to deliver our strategy.</p> <ul style="list-style-type: none"> › Through a disconnected workforce afraid to innovate. › Organisation over reliant on use of contractors or third parties, therefore increasing our costs. 	Severe	<p>We act on People Surveys, increase connection with employees through quality conversations for development, recognition, listening to ideas and wellbeing. We develop a strategic workforce plan, identifying the future requirements with a clear plan to implement. Line Management development focusing on encouraging feedback. We offer reward incentives for marketable skills. We partner with DSTL and Met Office to create a local market and critical mass for scarce resource. More resilient HR and L&D team to support the anticipated demand.</p>
<p>There is a risk to critical business activities, reputational and/or financial losses/fines as the result of an attack on UKHO.</p> <ul style="list-style-type: none"> › Cyber, physical, personnel, internal, external due to the increasing number and sophistication of attacks. 	Outputs and capability	<p>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.</p>
<p>There is a risk that we lose our market leading position and associated revenue.</p> <ul style="list-style-type: none"> › We do not exploit the next generation of digital navigation. › We do not manage our digital IP. 	Operational	<p>Invest to develop S-100 series and to provide on-demand updates to mariners. We engage IP legal support to help us to understand our current position. We determine and execute our IP strategy.</p>
<p>There is a risk that we fail to secure support for our strategic delivery plans due to a misalignment in the relationship with our Owner.</p> <ul style="list-style-type: none"> › Our relationship and governance processes with our Owner are insufficiently understood and aligned. › We damage our reputation with them and impacts support on approvals e.g. business cases. 	Infrastructure	<p>Fully implement the UKGI report recommendations to improve the governance relationship. Ensure the Government Relations team is sufficiently competent and resilient to fully support the relationship with the Owner.</p>

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 85.3% (2019/20: 79.0%).

Going Concern Basis

We have prepared a five-year Corporate Plan from 2021/22 on a prudent basis. Concerns felt last year, 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), UK National Hydrographer
(from 28 October 2019 to 1 July 2021)



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



Cathrine Armour
Chief Customer Officer



Amy Carrillo
Chief People Officer



Terry Makewell
Chief Technology Officer



Stephen Potts
Director of Finance
and Corporate Services
(from 5 October 2020)



David Tomaney
Director of Operations



David Healey
Interim Director of Finance
and Corporate Services
(from 7 May 2019 to 4 October 2020)

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 £139k (2019/20: £81k). £39k of the amount expended in 20/21 relates to the 19/20 audit fee.

The Comptroller and Auditor General provided no other services to the UKHO in 2020/21.

Non-Executive Directors



Adam Singer
Non-Executive Chair
(up to 6 July 2021)



Alison Henwood
Non-Executive Director



Marion Leslie
Interim Non-Executive Chair
(from 7 July 2021)



Tom Loosemore
Non-Executive Director



Captain Derek Rae
HM Hydrographer of the Navy,
Non-Executive Director



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 2020/21.

Post-reporting period events

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

Peter Sparkes
Chief Executive
15 October 2021

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 23 December 2020. 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

Scope of responsibility

I took over as Interim CEO and Accounting Officer on 10 July 2020 from Tim Lowe and was subsequently appointed to the position on 28 April 2021.

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 2020 to 31 March 2021, I have relied on and received advice and assurances from various sources including:

- › Defence Internal Audit
- › National Audit Office
- › Other external assurance providers
- › 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 23 December 2020 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 and financial projections covering a five-year period. 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.

A Board Effectiveness Review was undertaken during 2020/21. It showed a positive improvement in many areas and the following themes have been highlighted for continued focus in the coming year:

- › Board agendas and papers – continue to improve timeliness, use of clear and succinct language
- › Strategy – continue to plan sessions which ensure strategic issues can be discussed fully between the Board and UKHO Executive Leadership Team. Improve performance reporting to improve tracking of strategic delivery and better raise risks and issues to the Board
- › Relationships – continue to invest time developing the relationship between the Board and UKHO Executive Leadership Team by maintaining engagement outside of Board meetings and working collaboratively on strategic issues.

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

	Board	ARAC	REMNCO
Peter Sparkes	7/7		
Adam Singer	7/7		
Alison Henwood	7/7	5/5	2/2
Marion Leslie	7/7	5/5	2/2
Tom Loosemore	6/7		
Derek Rae	7/7	5/5	2/2
Tara Usher	7/7	5/5	2/2
Cathrine Armour	7/7		
Amy Carrillo	6/7		
Rhett Hatcher	3/3		
Terry Makewell	6/7		
Stephen Potts	3/3		
David Tomaney	7/7		
Tim Lowe	4/4		
David Healey	4/4		
Average attendance	97%	100%	100%

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 4 times a year. In addition, this year, it met to focus just on Corporate risks (2020/21: 5; 2019/20: 4). 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.

This year the Chair highlighted DIA's overall opinion of "Substantial Assurance", based on the results and weightings of the assessments undertaken in FY 20/21 and the delivery of associated management actions. This was a step up from the

Governance statement continued

“Limited Assurance” rating given in 2019/20 and in line with the outcome for the three previous years.

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.

For the two areas of limited assurance in the DIA programme, ARAC has assured itself that these are now within risk appetite. The Safety Board Effectiveness audit highlighted resource and technical resilience risks that have since been addressed. Although understandable that the planned DMR audit was postponed due to COVID, it is hoped that this will be undertaken in 2021/22 to provide assurance. The Security Management audit acknowledged the implementation of a dedicated Security Management Board to ensure effective direction, control and oversight and some good practice, but also identified a potential gap in risk mitigation plans where staff are appointed but awaiting the requisite security clearance: notwithstanding the need to rectify this, management testing has shown that no new staff were given access without appropriate risk mitigation which included ensuring that the postholder is not given administrative access to any IT systems, is not located within the Defence area, and a number of other measures which are confirmed and signed off at C2 level within the line management chain.

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.

Detail relating to the concerns raised by DIA and progress already made in addressing the majority of these concerns 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 the Board on product and other safety matters. It is chaired by the Hydrographer to the Navy. 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.

The Chair of SONAC reports to the ARAC and the Board.

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 has not been updated within the last three years as required by the code. The current Board framework, instituted in 2015, is currently under review and is expected to be revised in 2021/22. The Board considers the existing framework is still suitable.

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 2021 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.

In addition, this year we have carried out a review of assurance across the business using the HM Treasury model and are implementing prioritised changes on the back of that. During the coming year, we will be mapping all assurance sources across the 3 Lines of Defence to provide better insight, identify any problem/priority areas, improve the breadth of reporting to ELT, ARAC and the Board, and inform the development of the internal audit programme.

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

Overview	Performance review	Corporate governance report	Remuneration and staff report	Parliamentary accountability and audit report	Financial statements
----------	--------------------	-----------------------------	-------------------------------	---	----------------------

- › 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 governance structures, which include our Executive Leadership Team and Audit Committee, and processes and activities in place to manage our risks. Our risk management policy and process are aligned to the MOD risk management framework which generally follows the guidance as set out in ISO31000:2018 (Risk management guidelines). Corporate risks are owned by divisional heads and are subject to review and challenge by the Executive Committee, the Board and the ARAC. During 2020/21 a full review of all UKHO's strategic and corporate risks was undertaken, by both ELT and ARAC, to align them with the Corporate Plan and the Business Plan. 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

We have a mature system of financial control, evidenced in 2017/18 by Defence Internal Audit (DIA) giving a full assurance opinion in its audit. As a result, higher risk areas were selected for internal audit in 2018/19 and 2019/20 and no audit of the financial controls was carried out in these years. Specific areas of Period End Financial and Payroll Accounting Controls were subject to internal audit in 2020/21 and a substantial assurance opinion given.

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

A detailed business plan is prepared annually which form 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 2020/21 we passed an ISO surveillance audit of both ISO 9001 and 27001. Lloyd's Register, our certification body, reported only two minor nonconformities. These nonconformities have been logged and will be tracked for progress.

The role of internal audit

The ARAC approves the internal audit programme each year. The internal audit for 2020/21 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 are 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 2020/21 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 improvement on the 'Limited Assurance' rating given last year.

The DIA programme covered strategic risk areas including project delivery and safety management, as well as a number of core business processes including Security, Procurement and Financial Controls. Although weaknesses were identified in some key areas such as the management of security clearances for new staff and the effective operation of safety governance boards, they found improvement in the governance of procurement activity, the operation of period end financial controls and the implementation of actions to strengthen project delivery governance.

Their Departmental review of the impacts of COVID-19 found that UKHO had acted quickly and effectively to preserve decision making and governance capabilities and to transition to remote working.

They also noted that improvements had also been made on the 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.

Governance statement continued

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 Audit Committee 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 cyber threat landscape indicates that the use of ransomware continues to accelerate and is becoming more dangerous than ever. A particularly worrying trend is the emergence of ransomware-as-a-service, which includes offering malware and the skills to deploy it on a one-time or ongoing basis. Also, there is growing evidence that cyber criminals are turning their sights towards the cloud and therefore we must be particularly careful as we deploy more and more into this space.

In response to the ever-present cyber risk, 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

Despite the impact of the coronavirus pandemic, UKHO has continued to fully deliver its outputs and services to the customer. Our technology infrastructure has been particularly effective in providing the capability to work from home, with over 80% of staff accessing our systems using thin client laptops. The availability of MS Teams has allowed line managers and staff to stay in touch regularly and for large scale virtual events to take place, such as the launch of our Corporate Plan.

Within the office, we have implemented a range of COVID-19 safety measures, in accordance with Government guidelines, so that key workers can work safely in delivering products and outputs to the Defence Customer. Our COVID-19 Working Group, consisting of representatives from across the business including the trades union, has continued to meet on a weekly basis to ensure our response remains effective, our people are kept informed and staff welfare remains paramount.

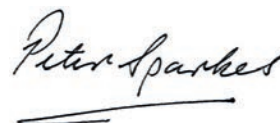
Throughout the year, we have continued to maintain our business continuity management system in accordance with Departmental requirements, having implemented a full refresh of our Business Impact Analysis data, published new crisis management and business continuity plans, and undertaken an emergency gas leak desktop exercise.

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.

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
15 October 2021

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.

The Non-Executive Directors are not UKHO employees but, 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.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

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 48 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 on page 48.

Salary

'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 (2019/20: £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 2020/21 relate to performance in 2020/21 and the comparative performance awards reported for 2019/20 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.

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 and staff report continued

Remuneration details

Subject to audit

2020/21	Contract Terms	Notes	Salary Band £k	Performance Awards £k	Termination Payment £k	Total £k	Pension Benefit (Note 3) £k
Rear Admiral Peter Sparkes – National Hydrographer (from 28 October 2019)	Royal Navy	1	120 – 125	–	–	120 – 125	
David Tomaney – Director of Operations	SCS		90 – 95	5 – 10	–	95 – 100	32
Terry Makewell – Chief Technology Officer	SCS		105 – 110	–	–	105 – 110	46
Cathrine Armour – Chief Customer Officer	SCS		100 – 105	5 – 10	–	105 – 110	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 09 September 2020)	Royal Navy		65 – 70 (120 – 125)	–	–	65 – 70 (120 – 125)	
Rear Admiral Tim Lowe (up to 10 July 2020)	SCS	2	65 – 70 (125–130)	–	–	65 – 70 (125–130)	
David Healey – Interim Director of Finance and Corporate Services (up to 16 October 2020)	Off Payroll		80 – 85 (150 – 155)	–	–	80 – 85 (150 – 155)	

2019/20	Contract Terms	Notes	Salary Band £k	Performance Awards £k	Termination Payment £k	Total £k	Pension Benefit £k
Rear Admiral Tim Lowe – Naval pay while on secondment UKHO Salary (17 September 2019)	Royal Navy SCS	2	60 – 65 70 – 75 (125 – 130)	–	–	– 130 – 135 (125 – 130)	–
Rear Admiral Peter Sparkes – National Hydrographer (from 28 October 2019)	Royal Navy	1	45 – 50 (115 – 120)	–	–	45 – 50 (115 – 120)	–
David Tomaney – Director of Operations	SCS		75 – 80	–	–	75 – 80	31
Terry Makewell – Chief Technology Officer	SCS		105 – 110	–	–	105 – 110	42
Cathrine Armour – Chief Customer Officer	SCS		100 – 105	–	–	100 – 105	40
Amy Carrillo – Head of People	UKHO		65 – 70	0 – 5	–	65 – 70	25
David Healey – Interim Director of Finance and Corporate Services (from 7 May 2019)	Off Payroll		135 – 140 (150 – 155)	–	–	135 – 140 (150 – 155)	–
Damian Bowler – Director of Corporate Services (up to 30 June 2019)	SCS		20 – 25 (80 – 85)	0 – 5	75 – 80	100 – 105 (160–165)	5

Notes

- Rear Admiral Peter Sparkes is 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. He is remunerated in line with his parent service. Pension and CETV figures are not disclosed. He was appointed acting Chief Executive and interim Accounting Officer from 10 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.
- 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.

Pension benefits

(This section has been subject to audit).

	Accrued benefits*		Real increase in benefits		CETV		CETV Real increase £k
	Pension (Note a) £k	Lump sum (Note a) £k	Pension (Note a) £k	Lump sum £k	31/03/2021 £k	31/03/2020 £k	
David Tomaney	20 – 25	Note b	0 – 2.5	Note b	303	264	21
Stephen Potts	0 – 5	Note b	0 – 2.5	Note b	39	27	8
Terry Makewell	15 – 20	Note b	2.5 – 5	Note b	207	169	19
Cathrine Armour	5 – 10	Note b	0 – 2.5	Note b	82	50	23
Amy Carrillo	10 – 15	Note b	0 – 2.5	Note b	110	88	13

* As at 31 March 2021.

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 2021 were:

	Appointed	Current Term End Date	Notes	2020/21 £k	2019/20 £k
Adam Singer	3 May 2014	7 July 2021		25 – 30	25 – 30
Marion Leslie	1 January 2015	6 January 2022		15 – 20	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
Tara Usher	1 December 2019	1 December 2022	1	–	–
Captain Derek Rae	6 July 2019		2	–	–

Notes:

The following NEDs do not receive separate remuneration for their role:

1. Tara Usher is a MOD SCS representing our Owner.
2. Captain Derek Rae is a serving Royal Navy Officer.

Fair Pay Report

(This section has been subject to audit)

	2020/21 £k	2019/20 £k
Band of highest paid Director's remuneration (£'000)	120 – 125	135 – 140
Median of all UKHO employees	34.1	32.4
Ratio	3.6	4.3

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

The banded remuneration of highest paid director in UKHO in the financial year 2020/21 is £120k-£125k.

Ratio to the median of all UKHO employees is 3.6. In 2020/21, no (2019/20, no) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £20,171 to £120,000-£125,000 (2019/20, £18,800 to £125,000-£130,000). The decrease in ratio relates to the increase in employees pay and decrease in the highest paid director. In 2020/19 our highest paid director was the interim finance director who was paid a contractor rate.

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

Our staff

Staff numbers (Averages over the year)

Subject to audit

	2020/21	2019/20
Civil servants	800	799
Agency staff	22	23
Service personnel	4	4
Total staff numbers	826	826

Staff turnover

Staff turnover in 2020/21 was 7.7% (2019/20 7.6%). Staff turnover is calculated as number of leavers divided by average staff numbers in year.

Staff costs

Subject to audit

	2020/21 £k	2019/20 £k
Salaries, wages etc.	30,549	29,659
Social security costs	3,137	2,957
Pension costs	7,596	7,443
Apprentice levy	136	128
Agency staff costs	2,189	1,707
Service personnel costs	857	623
Staff costs capitalised within intangible assets	(1,679)	(908)
Total staff costs	42,785	41,609

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.

Remuneration and staff report continued

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 £133k on consultancy (2019/20: £107k).

Staff composition (Number of staff at 31 March)

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
2019/20	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*	41	18
Total number of persons who were employed at the year end	578	271

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

Diversity

We are committed to improving all forms of diversity. The Chief Executive and his Executive Leadership Team (ELT) all have personal objectives supporting improved diversity and we see this as an integral part of our future success as an innovative and forward looking organisation.

Some of the actions we have implemented include:

- › Diversity and Inclusion (D&I) levels of ambition, which are reviewed regularly
- › A successful campaign for increased diversity reporting
- › All staff complete equality and diversity training
- › Active D&I forum and affiliated network groups: Women’s Network, Mental Health Awareness Group, Christian Fellowship, Science, Technology, Engineering and Maths (STEM) Group, Pride Network and Disability Group
- › Improving diversity in recruitment through the guaranteed interview scheme, being a Disability Confident employer, the use of a Gender Decoder algorithm for all adverts and gender diverse panels
- › Equality Analyses across all areas of our business; new systems, policy/guidance, ELT papers, change charters and Agile governance framework

- › A recently reviewed Mental Health Commitment
- › A network of peer supporters who are trained in Mental Health First Aid.

Sickness absence

The average number of days lost through sickness in 2020/21 was 4.38 (2019/20: 6.75). UKHO average days lost per employee, 4.38, is less than the public sector (8.5 days). Psychological disorders remain the main reason for absence (25% of all absence, this is in line with the average across the public sector). This has increased over the last three years from 20%. Our strategy to tackle this is covered in Mental Health Welfare below.

Disability

We are committed to recruiting the best people, regardless of whether they have a disability. We strive to provide an inclusive working environment for everyone; enabling colleagues to work in a way that accommodates their individual needs, so that they can work effectively and positively, and feel valued for their contribution and strengths.

We continue to conduct anonymous short-lists for recruitment, to help ensure a ‘level playing field’ in the assessment process. We are a ‘Disability Confident’ employer and participate in the Guaranteed Interview Scheme, whereby individuals who declare a disability are guaranteed an interview, if they meet minimum requirements.

Line managers across the business have access to consistent advice and expertise to enable them to support their team members; which includes ensuring necessary workplace adjustments are made in a timely manner and supporting their team members to complete a Workplace Adjustment Passport, if required. Advice may come direct from our HR team or through our contract with Occupational Health Services, who provide tailored advice for individuals who may have a short or long-term health condition.

Our colleagues have access to our Employee Assistance Programme (EAP) and we provide access to a range of learning and support. Our approach to training, career development and promotion is inclusive, and opportunities are offered on a fair and open basis. We actively promote talent programmes such as the Positive Action Pathway which is open to under-represented groups, including those with a disability.

Staff engagement

Throughout the year we hold corporate and team staff events to reflect on our performance and look ahead to the next period of our Corporate Plan. The Chief Executive and ELT are active contributors, with subject matter experts delivering spotlight talks on key themes and holding live Q&A sessions with staff. Teams are also given the opportunity to contribute to these events via talks and exhibitions, to showcase their work and how it contributes to achieving corporate objectives. We act on staff feedback to make these events accessible and engaging for as many people as possible. We also use a mix of digital and face-to-face channels to regularly share news on business performance and projects, again providing opportunities for staff to interact with comments, suggestions and questions.

Since April 2020 all events and talks have been delivered virtually, including a monthly live Q&A session where staff can ask ELT questions on any topic they choose. The Q&A was introduced as a way of helping staff feel connected to corporate issues and to our senior leaders, and have been so well received we will be continuing these as a business as usual activity, beyond the COVID-19 response.

Staff are encouraged to complete the Civil Service People Survey each year and results are reported to the Board. This survey gives us an annual measure of employee engagement. Senior managers work with staff to understand the outcomes from the survey and to make improvements. We are also underway with a new programme of in-house communication and engagement evaluation which will give us temperature checks through the year and help us refine how we deliver and engage on important messages, issues and opportunities.

Active staff network groups help us stay connected horizontally and vertically through the organisation and support our diversity and inclusion ambitions. Staff groups are encouraged to support work on key strategic themes, including a cross-section of people supporting and feeding into our smarter working trial (which includes hybrid working).

Trade unions are actively encouraged to contribute to studies and other reviews and are represented at the Board. Formal consultations on a wide range of issues are conducted through the Whitley Committee.

People are key to our success. Our line managers are encouraged and supported to have quality conversations with people through regular 1-to-1s, which include reviewing performance feedback, wellbeing and development. Throughout 2020 (and continuing through 2021) we have had a focus on developing psychological safety, creating an environment where our people feel safe to speak up, challenge and share ideas. A number of professional frameworks help monitor and track development, and our award-winning apprenticeship programme is nurturing our own talent.

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.

	2020/21	2019/20
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)	3	10
Near misses (Health and safety incidents not resulting in any injury)	5	3

Of the incidents reported in 2020/21: 0 required hospital treatment (2019/20: 0).

Wellbeing

The physical and mental health and wider wellbeing of UKHO people contributes directly to our operational capability; improving both is therefore a high priority for business reasons, as well as simply being ‘the right thing to do’. We continue to collaborate with our Mental Health Awareness Group on specific actions to improve wellbeing for all UKHO colleagues.

Our COVID-19 response has ensured that wellbeing has been at the heart of our priorities. This rapid change has been a big transition for people regardless of their circumstances, and placing empathy and compassion at the heart of our leadership approach has given people personalised support and adjustments where needed. Our leaders have shared personal their experience and challenges through this period, helping to create an environment where people have felt more confident to speak up when they need support. A central hub of resources on our intranet has provided additional ideas to help support wellbeing.

Our aims are to:

- › **Break down barriers** – encourage an open culture, where there is no stigma to speak about mental health
- › **Develop a supporting environment** – provide timely access to safe, effective and trained mental healthcare support, as well as networks, policies, procedures, guidance and training
- › **Measure and share** – produce and share statistics, survey results and other measures to increase our understanding of mental health and wellbeing at the UKHO, as well as the national picture.

Our continued focus at the time of writing 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 (mostly from home) during these unprecedented and uncertain times of the Coronavirus outbreak.

Some future interventions we have planned include:

- › Continuing to promote the use of our EAP 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.

Remuneration and staff report continued

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 2020/21, employers' contributions of £7,563k were payable to the PCSPS (2019/20: £7,414k). 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 2020/21 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 £28.4k (2019/20: £28.7k) 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 2021 were £4.7k (2019/20: £4.9k). 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.

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:

	2020/21	2019/20
No. of existing engagements as at 31 March	14	15
Of which ...		
No. that have existed for less than one year	10	9
No. that have existed for between one and two years	3	5
No. that have existed for between two and three years	1	1
No. that have existed for between three and four years	–	–
No. that have existed for four or more years	–	–

No. of new engagements, or those that reached six months in duration, during the year.

	2020/21	2019/20
No. of new engagements, or those that reached six months in duration, during the year.	12	14
Of which ...		
No. assessed as caught by IR35	12	13
No. assessed as not caught by IR35	–	–
No. engaged directly and/or on UKHO's payroll	–	1
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

	2020/21	2018/19
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	17

Civil Service exit packages

(This section has been subject to audit)

Exit package cost band	Total number of exit packages by cost band	
	2020/21	2019/20
< £10,000	1	–
£10,000 – £25,000	–	–
£25,000 – £50,000	–	–
£50,000 – £100,000	–	1
Total number of exit packages	1	1
Total cost (£k)	6	80

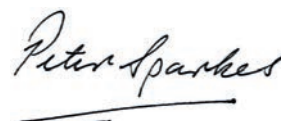
Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme.

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 2020/21 or 2019/20. No ex-gratia costs were paid.



Peter Sparkes
Chief Executive
15 October 2021

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 56.

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 68.

Regularity of expenditure

(This section has been subject to audit).

	2020/21 £k	2019/20 £k
Unrecoverable trade receivables	3	–
Realised foreign exchange loss/(gain)	540	(2,339)

Long-term expenditure trends

The transition of our core navigational market from largely paper based navigational products to digital navigation has resulted in a significant fall in gross profits of about £20m a year. Our next big challenge is to maintain our strength in navigation by investing in the development of the next generation of navigational products, S100. This together with our continued drive to develop new, non-navigation, revenue streams will result in continued investment over the next five years of about £37m. In addition, to support this level of investment, we see staff numbers increasing by about 125 over the next two years. However, part of this investment is also in measures to make us more efficient. By the end of our current five-year plan we expect staff number 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.

Impact of the COVID-19 pandemic

To date, the financial impact of COVID-19 has not been material on our business. We have met or exceeded all our Financial Targets and continued to serve our customers without major disruption. Due to excellent teamwork across the organisation, we were able to quickly move from an office-based organisation to one where most staff were working from home. We see the future as being a hybrid organisation with a significant degree of home working becoming the new norm. Clearly, the impact of COVID-19 is not over, but we remain confident in our ability to serve our customers and remain financially viable.



Peter Sparkes
Chief Executive
15 October 2021

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 2021 under the Government Trading Funds Act 1973. The financial statements comprise: Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- › the financial statements give a true and fair view of the state of UK Hydrographic Office's affairs as at 31 March 2021 and of its retained loss for the year then ended; and
- › the financial statements 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 (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 parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Chief Executive as 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 parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973;
- › the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the UK Hydrographic Office's and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

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

Responsibilities of the Board and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board and the Accounting Officer, is responsible for:

Overview	Performance review	Corporate governance report	Remuneration and staff report	Parliamentary accountability and audit report	Financial statements
----------	--------------------	-----------------------------	-------------------------------	---	----------------------

- › the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- › internal controls as the Board and 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.
- › 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 Board and the Accounting Officer either intends to liquidate the UK Hydrographic Office 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.

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

My procedures included the following:

- › Inquiring of management, Defence 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 Managing Public Money, the Government Trading Funds Act 1973 and The Hydrographic Office Trading Fund Order 1996;
- › discussing among the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals.
- › obtaining an understanding of the UK Hydrographic Office's framework of authority as well as other legal and regulatory frameworks that the UK Hydrographic Office operates in, focusing on those laws and regulations that had a direct effect

on 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, tax and pensions Legislation.

In addition to the above, my procedures to respond to identified risks included the following:

- › reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- › enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- › reading minutes of meetings of those charged with governance and the Board;
- › 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
- › In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

In addition, 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
22 October 2021

National Audit Office

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

Statement of comprehensive income

For the year ended 31 March 2021

	Note	2020/21 £k	2019/20 £k
Revenue	2	160,649	164,647
Cost of sales		(67,571)	(68,784)
Gross margin		93,078	95,863
Operating expenses		(62,823)	(60,050)
Operating profit		30,255	35,813
Profit on ordinary activities before interest and after exceptional items		30,255	35,813
Interest receivable and similar income	4	183	1,306
Profit before and after taxation		30,438	37,119
Dividends	6	(32,500)	(41,800)
Retained loss for the financial year		(2,062)	(4,681)
Other comprehensive income			
Revaluation of non-current assets		509	1,114
Total comprehensive loss		(1,553)	(3,567)

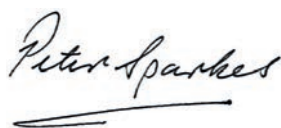
The notes on pages 62-77 form part of these accounts.

Statement of financial position

As at 31 March 2021

	Note	2020/21 £k	2019/20 £k
Non-current assets			
Property, plant and equipment	7	45,678	47,714
Intangible assets	8	14,103	13,249
Total non-current assets		59,781	60,963
Current assets			
Inventories	9	1,179	990
Trade and other current receivables	10	39,776	40,243
Cash and cash equivalents	11	101,546	101,197
Total current assets		142,501	142,430
Total assets		202,282	203,393
Current liabilities			
Trade and other current payables	12	(81,294)	(79,060)
Provisions	13	(1,530)	(1,715)
Total current liabilities		(82,824)	(80,775)
Current assets less current liabilities		59,677	61,655
Non-current liabilities			
Trade and other payables	12	(7,337)	(8,944)
Total non-current liabilities		(7,337)	(8,944)
Assets less liabilities		112,121	113,674
Taxpayers' equity			
Public dividend capital	14	13,267	13,267
Revaluation reserve	15	8,088	7,705
Profit and loss reserve		90,766	92,702
Total taxpayers' equity		112,121	113,674

The notes on pages 62–77 form part of these accounts.



Peter Sparkes
Chief Executive
15 October 2021

Statement of cash flows

For the year ended 31 March 2021

	Note	2020/21 £k	2019/20 £k
Net cash flow from operating activities	19	34,539	44,612
Cash flows from investing activities			
Interest received		183	1,306
Purchase of property, plant and equipment	7	(172)	(151)
Purchase of intangible assets	8	(2,401)	(1,787)
Net cash outflow from investing activities		(2,390)	(632)
Cash flows from financing activities			
Dividends paid	6	(31,800)	(40,734)
Net cash outflow from financing activities		(31,800)	(40,734)
Net financing			
Net increase in cash and cash equivalents in the year		349	3,246
Cash and cash equivalents at the beginning of the year	11	101,197	97,951
Cash and cash equivalents at the end of the year		101,546	101,197

The notes on pages 62-77 form part of these accounts.

Statement of changes in taxpayers' equity

For the year ended 31 March 2021

	Note	Profit and Loss Reserve £k	Revaluation Reserve £k	Public Dividend Capital £k	Total Reserves £k
Balance at 1 April 2020		92,702	7,705	13,267	113,674
Other comprehensive income					
Revaluation of property, plant and equipment (PPE)	7	–	126	–	126
Revaluation of intangibles	15	–	383	–	383
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
Restated balance at 1 April 2019		97,292	6,682	13,267	117,241
Other comprehensive income					
Revaluation of property, plant and equipment (PPE)	7	–	1,029	–	1,029
Disposal of intangible assets	15	50	(50)	–	–
Revaluation of intangible assets	8	–	85	–	85
Transfer between reserves profit/(loss)	15	41	(41)	–	–
Total other comprehensive income		91	1,023	–	1,114
Net income for the period		37,119	–	–	37,119
Total recognised income and expense for the period		37,210	1,023	–	38,233
Dividend	6	(41,800)	–	–	(41,800)
Balance at 31 March 2020		92,702	7,705	13,267	113,674

The notes on pages 62-77 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 23 December 2020 in pursuance of section 4(6) (a) of the Government Trading Funds Act 1973 and the Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context in the UK.

Where the FReM 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. Concerns felt last year, at the start of the COVID-19 pandemic, about the potential impact on our business, have 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 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

The UKHO has a wholly owned subsidiary company, Admiralty Holding Limited, which 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 45 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 2020/21.

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 2021. 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.

Government has created the Government Property Agency (GPA) to consolidate the ownership of all office buildings within one agency in order to maximise utilisation of office space across Government. Last year it was reported that we expected that our main office building would be transferred to GPA on 31 March 2022. However, it has since been agreed that MOD freehold properties will not be transferred and are now outside of the scope of GPA activities.

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 2022/23. 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.

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.

Assets Under Construction are capitalised during the period of construction and on completion, balances are released into the appropriate asset category.

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 Valuation Office 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.

Impact of the COVID-19 pandemic on valuation

The UKHO has considered whether the COVID-19 pandemic has led to any requirement to impair the valuation of these assets under IAS36: Impairment of assets. The UKHO, together with support from the MOD, has reviewed the appropriateness of its Property, Plant and Equipment Non-Current Asset valuations as at 31 March 2021 together with the data from the Valuation Office since the start of the pandemic and concluded that the pandemic has not given rise to any need for impairment of asset valuation.

The FReM has interpreted IAS36 to state that where the asset is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential.

It is not considered that there has been a reduction in service potential as a result of COVID-19. The UKHO considers that these assets continue to be held to meet our objectives and they are still expected to generate their intended future economic benefits.

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 1 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.

Notes to the accounts continued

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".

Impact of the COVID-19 pandemic on valuation

The UKHO considers that there has not been any identifiable impact from COVID-19 on the values of intangible assets. It considers that the carrying values of capitalised development costs continue to be appropriate and in line with the asset class they support.

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 2021.

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 2021. 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.

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.

Notes to the accounts continued

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 6 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. However, since we are unable to identify its share of the underlying assets and liabilities, it is accounted for as a defined contribution scheme. As a result, 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 47 to 53). Our staff may be in one of five statutory-based defined benefit schemes; alpha, classic, premium, classic plus, and nuvos (classic, premium, classic plus and nuvos are now closed to new 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. Exceptional items

Exceptional items are those significant items which individually, or if of a similar type in aggregate, are separately disclosed by virtue of their size or incidence to enable a full understanding of our financial performance. Business restructurings are considered exceptional in nature.

X. 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.

Y. 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 DR. 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. 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. We continue to explore options to sell all or part of this land. In June 2019 the land was valued at £3.65m. At that time, we also estimated that the costs associated with making the land ready for sale, largely demolition and asbestos removal, were likely to be about £3.5m and impaired the Land value to reflect this. We have now reduced this impairment to £2.1m following the letting of the demolition contract and cost incurred to date in making the land ready for sale.

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 of six years. 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. The revenue deferred, based on the current 6 year deferral period, is £11.6m. If the deferral period used had been 5 years the deferral would have been £8.8m and at 7 years, £15.2m.

Notes to the accounts continued

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 2020/21 £k	Defence 2020/21 £k	Other government 2020/21 £k	Total 2020/21 £k	Commercial 2019/20 £k	Defence 2019/20 £k	Other government 2019/20 £k	Total 2019/20 £k
Revenue	149,303	10,902	444	160,649	148,313	12,393	3,941	164,647
Cost of sales	(65,039)	(2,128)	(404)	(67,571)	(63,900)	(2,258)	(2,626)	(68,784)
Gross profit	84,264	8,774	40	93,078	84,413	10,135	1,315	95,863
Operating expenses				(62,823)				(60,050)
Exceptional items								
Interest receivable and similar income				183				1,306
Total per financial statements				30,438				37,119

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

Revenue from one customer exceeded 10% of the UKHO's total income.

	Commercial 2020/21 £k	Defence 2020/21 £k	Other government 2020/21 £k	Total 2020/21 £k	Commercial 2019/20 £k	Defence 2019/20 £k	Other government 2019/20 £k	Total 2019/20 £k
Customer 1	17,722			17,722	17,126	–	–	17,126
Customer 2	16,174			16,174	16,372			16,372

Revenue by geographical market

	2020/21 £k	2019/20 £k
Europe, Middle East & Africa	123,594	123,503
Asia-Pacific	31,234	31,510
North America	5,699	9,450
Central & Latin America	122	184
Total revenue	160,649	164,647

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

Timing of revenue recognition

	2020/21 £k	2019/20 £k
Products transferred at a point in time	27,226	36,847
Products and services transferred over time	133,423	127,800
Total revenue	160,649	164,647

3. Profit on ordinary activities before interest

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

	2020/21 £k	2019/20 £k
Salaries, wages etc.	30,549	29,659
Social security costs	3,137	2,957
Pension costs	7,596	7,443
Apprentice levy	136	128
Agency staff costs	2,189	1,707
Service personnel costs	857	623
Staff costs capitalised within intangible assets	(1,679)	(908)
Total staff costs	42,785	41,609
Voluntary early release scheme	6	80
Early retirement	0	106
Depreciation	2,324	2,539
Amortisation – software licences	49	55
Amortisation – developed software	1,881	2,195
Loss on disposal of non-current assets	12	1,303
Realised foreign exchange loss/(gain)	540	(2,339)
Unrealised foreign exchange loss/(gain)	(94)	630
Auditor's remuneration	139	81
Development and transformational activities	3,655	676

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.

	2020/21 £k	2019/20 £k
Interest receivable and similar income	183	1,306

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

	2020/21 £k	2019/20 £k
Ordinary dividend	12,500	11,800
Special dividend	20,000	30,000
Total dividends	32,500	41,800

Special dividends are declared and paid in the same year.

Notes to the accounts continued

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 2020	7,055	37,040	2,570	784	5,055	–	52,504
Additions	–	26	–	–	146	–	172
Transfers	–	–	–	–	–	–	–
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

Depreciation							
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

Cost or valuation							
At 1 April 2019	6,428	36,988	2,296	784	4,904	–	51,400
Additions	–	–	–	–	151	–	151
Transfers	–	(240)	240	–	–	–	–
Impairment	–	(90)	–	–	–	–	(90)
Revaluation	627	382	34	–	–	–	1,043
At 31 March 2020	7,055	37,040	2,570	784	5,055	–	52,504

Depreciation							
At 1 April 2019	–	–	916	22	1,299	–	2,237
Charged	–	895	254	77	1,313	–	2,539
Revaluation	–	–	14	–	–	–	14
At 31 March 2020	–	895	1,184	99	2,612	–	4,790

Net book value							
At 31 March 2020	7,055	36,145	1,386	685	2,443	–	47,714

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.

8. Intangible assets

	Software licences £k	Developed software restated £k	Assets under construction £k	Total £k
Cost or valuation				
At 31 March 2020	569	29,331	–	29,900
Additions	–	352	2,049	2,401
Reclassification	–	331	(331)	–
Transfer	–	–	–	–
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 2021	296	12,089	1,718	14,103
Cost or valuation				
Restated at 31 March 2019	569	28,449	1,488	30,506
Additions	–	1,787	–	1,787
Transfer	–	1,488	(1,488)	–
Disposals	–	(2,576)	–	(2,576)
Revaluation	–	183	–	183
At 31 March 2020	569	29,331	–	29,900
Amortisation				
At 1 April 2019	169	15,407	–	15,576
Charged	55	2,195	–	2,250
Disposals	–	(1,273)	–	(1,273)
Revaluation	–	98	–	98
At 31 March 2020	224	16,427	–	16,651
Net book value				
At 31 March 2020	345	12,904	–	13,249

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

Notes to the accounts continued

Analysis of intangible non-current assets

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

Project	Description	Carrying value 31/03/2021 £k	Remaining amortisation period (months)
Hydrographic Database and Chart Production Tools (HDB)	Production system for holding data and compiling charts	4,694	108
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	4,029	48
Marine Data Portal and related capabilities	Software Development in support of the delivery of capabilities required for us to deliver our data efficiently to our customers in support of our vision to become the world leading Marine Geospatial Information Agency	1,579	12-60

9. Inventories

	2020/21 £k	2019/20 £k
Finished inventories	839	691
Materials	340	299
Total inventories	1,179	990

10. Trade and other current receivables

	2020/21 £k	2019/20 £k
Trade receivables	23,706	24,171
Prepayments	14,837	13,944
Contract assets-accrued income	1,178	2,103
Net investments & finance leases	16	14
Other receivables	39	11
Total receivables	39,776	40,243

11. Cash and cash equivalents

	2020/21 £k	2019/20 £k
Balance at 1 April	101,197	97,951
Net change in cash and cash equivalent balances	349	3,246
Balance at 31 March	101,546	101,197

The following balances at 31 March were held at:

	2020/21 £k	2019/20 £k
Commercial banks – short-term investments	23,845	25,311
Commercial banks – instant access, high-interest accounts	77,701	75,886
Cash and cash equivalents	101,546	101,197

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 £9,967K (£11,346k 2019/20) 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 2021.

12. Trade and other payables

	2020/21 £k	2019/20 £k
Accruals	9,886	10,963
Contract liabilities-deferred income	38,622	38,802
Proposed dividend	12,500	11,800
Trade payables	19,015	16,370
Other taxation and social security	1,271	1,125
Total payables	81,294	79,060
Non-current liabilities		
Contract liabilities-deferred income	7,337	8,944
Total non-current liabilities	7,337	8,944

Notes to the accounts continued

13. Provisions

	2020/21 £k	2019/20 £k
Balance at 1 April 2020	1,715	2,520
Charged to operating cost	1,530	1,715
Applied	(1,715)	(2,520)
Total current liabilities at 31 March 2021	1,530	1,715

Analysis of expected timing of cash flows at 31 March 2021

	2021/22 £k	Balance at 31 March 2021 £k
Sales credits	1,530	1,530

Analysis of expected timing of cash flows at 31 March 2020

	2019/20 £k	Balance at 31 March 2020 £k
Sales credits	1,715	1,715

14. Public dividend capital

	2020/21 £k	2019/20 £k
Public dividend capital	13,267	13,267

Public dividend capital represents the deemed equity shareholding in the UKHO.

15. Revaluation reserve

	Land	Buildings	Plant & machinery	Developed software	Total £k
Balance at 1 April 2020	4,050	3,327	103	225	7,705
Revaluation	1,185	(1,071)	12	383	509
Disposals	–	–	–	–	–
Transfer to profit and loss reserve Development software	–	–	–	(126)	(126)
Balance at 31 March 2021	5,235	2,256	115	482	8,088

	Land	Buildings	Plant & machinery	Developed software	Total £k
Balance at 31 March 2019	3,423	2,945	83	231	6,682
Revaluation	627	382	20	85	1,114
Disposals	–	–	–	(50)	(50)
Transfer to profit and loss reserve	–	–	–	(41)	(41)
Restated balance at 31 March 2020	4,050	3,327	103	225	7,705

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.

Notes to the accounts continued

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
2020/21						
Receivables – not impaired	22,556	1,059	91	–	–	23,706
Allowance for doubtful debts	–	–	–	–	–	–
Net trade receivables	22,556	1,059	91	–	–	23,706
2019/20						
Receivables – not impaired	22,880	1,211	28	23	29	24,171
Allowance for doubtful debts	–	–	–	–	–	–
Net trade receivables	22,880	1,211	28	23	29	24,171

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.

	2020/21 £k	2019/20 £k
Financial liabilities		
Trade and other payables	88,631	88,004

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 2021.

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:

	2020/21 £k	2019/20 £k
Property		
Due within one year	97	97
Due after one year but within five years	73	194
	170	291
Plant and Machinery		
Due within one year	11	21
Due after one year but within five years	0	11
	11	32
Total leases	181	323

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

18. Capital commitments

	2020/21 £k	2019/20 £k
Capital expenditure that has been contracted for, but has not been provided for in these financial statements	49	0
Intangible assets	397	203
Total capital commitments	446	203

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

	2020/21 £k	2019/20 £k
Reconciliation of Trading Fund cash flow		
Profit on ordinary activities before interest and after exceptional items	30,253	35,813
Depreciation and amortisation	4,254	4,789
Previously recognised assets expensed	0	90
Loss on sale and disposal of non-current assets	12	1,303
(Increase)/Decrease in inventories	(189)	24
Decrease in receivables	467	4,452
Decrease in payables	(73)	(1,048)
Decrease in provisions	(185)	(811)
Net cash inflow from operating activities	34,539	44,612

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

Rear Admiral Peter Sparkes, UK National Hydrographer and Deputy Chief Executive, was appointed Acting Chief Executive and Accounting Officer with effect from 10 July 2020. Subsequently he was confirmed in post from 28 April.

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

Find out more about our market-leading
ADMIRALTY Maritime Data Solutions:

admiralty.co.uk    

ADMIRALTY and  are trademarks of the Secretary of State for Defence

E02680653
978-1-5286-2865-5