HM Treasury

Annual Report and Accounts
2022-23

HC 1467

July 2023

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This is part of a series of departmental publications which, along with the Main Estimates 2022-23 and the document Public Expenditure Statistical Analysis 2020, present the government's outturn for 2022-23 and planned expenditure for 2023-24.

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

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Preface

About this Annual Report and Accounts

This document integrates performance and financial data with analysis to help readers gain a better understanding of the work of the Treasury and how it spends taxpayers' money to deliver the government's economic and fiscal policies. It covers the activities of the Treasury from April 2022 to March 2023 (inclusive), and is split into 4 main sections:

- the **Performance report** includes a summary of progress and key milestones achieved during 2022-2023 (the Performance overview), followed by a deeper dive into the department's achievements over the year against each of the three priority outcomes and the Treasury's own corporate objective (the Performance analysis)
- the **Accountability report** is further split into three sub sections and includes: a Corporate governance report where the Treasury reports on the operating structure of the department and important transparency matters such as conflicts of interest and whistle blowing. It also includes a statement of the Accounting Officer's responsibilities, and a Governance Statement on how the Treasury manages risk; a Remuneration and staff report setting out an open account of the pay and benefits received by ministers, executive and non-executive members of the Board, disclosures on Treasury's pay and pensions policies, and details of staff numbers and costs; and a Parliamentary accountability and audit report allowing readers to understand the department's expenditure against the money provided to it by Parliament by examining the Statement of Outturn against Parliamentary Supply. A copy of the audit certificate and report made to Parliament by the head of the National Audit Office setting out his opinion on the financial statements is also included in this section
- the **Financial Statements** show the Treasury Group's income and expenditure for the financial year, the financial position of the department as at 31 March 2023, and additional information designed to enable readers to understand these results
- the **Trust Statement** provides a record of fine and levy income collected by Treasury on behalf of government during the financial year

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Foreword by the Exchequer Secretary to the Treasury

As the United Kingdom's economic and finance ministry, HM Treasury's work is central to the prosperity and resilience of the nation. During a period of significant economic challenges, for both the UK and the global economy, the department has been key to work driving towards the prime minister's economic priorities of halving inflation, growing the economy and reducing debt as a % of GDP.

With Russia's invasion of Ukraine causing high inflation in many countries, including the UK, the department has played a central role in providing significant cost of living support for people and businesses, which is worth an average of £3,300 per household in 2022-23 and 2023-24. This has included the Energy Price Guarantee, which was first announced in September 2022.

In October, the department supported the Chancellor to deliver a statement on the Medium-Term Fiscal Plan. Following this, in November 2022, the department supported the delivery of the Autumn Statement where the government set out a plan across taxation and spending focusing on economic stability. This was delivered against a backdrop of higher levels of government debt due to the economic impacts of the COVID-19 pandemic and the global pressures caused by Russia's invasion of Ukraine.

At the heart of HM Treasury's work is the government's ambition to grow the economy and build on the UK's economic strengths as one of the most prosperous countries in Europe. In March 2023, the department supported the delivery of the Spring Budget which set out the Chancellor's plan to boost growth, centred on the 4Es of employment, education, enterprise, and everywhere. At Budget, the department announced measures to help people into work, support people to access the education and training they need and boost businesses investment and innovation, including introducing full expensing for qualifying business investments in main plant and machinery for three years. The department has also supported the Chancellor's commitment to review EU derived regulations in key growth sectors, with November's Edinburgh Reforms improving the competitiveness of the UK's financial services sector.

The department has continued to drive forward the government's levelling up agenda and is committed to ensuring the benefits of economic growth are felt everywhere in the UK. This includes significant progress that continues to be made in establishing the Treasury's presence in the Darlington Economic Campus.

Through engagement with international partners, HM Treasury has been projecting this economic vision internationally to secure the UK's reputation as a pro-growth and high skill environment for investment.

I am proud of our brilliant team of Treasury officials, who have demonstrated their resilience and agility over the course of the year and who I believe will continue to provide high-quality advice and serve the citizens of the United Kingdom.

Gareth Davies MP

Exchequer Secretary to the Treasury

11 July 2023

Statement by the Permanent Secretary

It is a testament to its staff that HM Treasury has responded with agility and commitment to progress its key priorities through a busy past year.

The department has responded admirably to an uncertain macroeconomic outlook already recovering from the COVID-19 pandemic by, amongst other things, coordinating a significant response to Russia's invasion of Ukraine and subsequent international energy crisis, and working swiftly with the Bank of England and regulators to oversee the sale of the UK arm of Silicon Valley Bank to HSBC.

The Treasury took significant action to address the shocks caused by Russia's invasion of Ukraine. It supported the provision of £2.3 billion in military support to Ukraine in 2022 – more than any individual country other than the United States. It enacted significant economic sanctions with the Office of Financial Sanctions Implementation (OFSI), including international leadership to deliver an oil price cap.

The Treasury also played a central role in delivering support to households and helped millions to remain resilient to the rise in inflation. Over this year and last, support to households to help with higher bills is worth £94 billion, or £3,300 per household on average – one of the largest in Europe. Support provided this year and last has paid for almost half of the typical family's energy bill from October-June through the energy price guarantee and energy bills support scheme. The government has prioritised cost of living support for those most in need. This year and last, direct cash payments were made to more than 8 million UK households on eligible means tested benefits, 8 million pensioner households and 6 million people across the UK on eligible disability benefits.

HM Treasury remains resolutely committed to placing the public finances on a sustainable footing. After September's Growth Plan, the department delivered the Autumn Statement in November to place the public finances on a sustainable footing. The Chancellor announced a set of measures to ensure tax and spending policies are aligned with the government's commitment to get debt falling over the medium term and providing a stable foundation for sustainable growth against a backdrop of higher debt from essential interventions in the COVID-19 pandemic and energy costs.

The Statement prioritised further funding for vital public services, including making £8 billion of funding available for the NHS and adult social care in England in 2024-25. The Chancellor also launched an

Efficiency and Savings Review in the Autumn Statement to identify savings to manage pressures from higher inflation.

The department supported the Chancellor to outline his vision for long-term growth in the Spring Budget 2023, including a set of measures to improve labour supply – from childcare to inactivity – and several tax reforms to support growth through enhancing enterprise and employment.

Over the course of the year, HM Treasury supported the implementation of the Trade and Cooperation Agreement and the Northern Ireland Protocol. The department also supported the adoption of the Windsor Framework, which greatly simplifies the processes around the movement of goods from Great Britain to Northern Ireland.

In a notable achievement, the department surpassed 200 people in post in the Darlington Economic Campus by March 2023 as it continues to build sustainable careers outside London.

Across the whole of the department, in London, Darlington and Norwich, our people are at the centre of everything we try to achieve. The dedication and professionalism of our civil servants across this year is an illustration of public service at its best. It is a privilege to be part of this diverse and inclusive workplace, where all colleagues can thrive and contribute to the security and prosperity of the nation. My sincere thanks to everyone who has contributed to the Treasury's delivery this year.

James Bowler

Permanent Secretary to the Treasury

11 July 2023

Chapter 1: Performance Report

Performance Overview

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

HM Treasury has a broad remit and its work touches everyone in the UK, covering public spending policy (including departmental spending, public sector pay and pensions, Annually Managed Expenditure and welfare policy, and capital investment); financial services policy (including banking and financial markets regulation, financial stability, and competitiveness); strategic oversight of the UK tax system (including direct, indirect, business, property, personal tax and Corporation Tax); and ensuring the economy is growing sustainably, including through decarbonisation of the economy.

The department also plays an important role on the international stage. This includes trade and customs policy (free trade agreements, bilateral agreements, customs arrangements in relation to the EU), sanctions policy and implementation and international representation and cooperation (via the G7, G20, IMF and others). The Treasury has been at the forefront of the UK's continued response to Russia's invasion of Ukraine.

The department is led by The Rt Hon Jeremy Hunt MP, Chancellor of the Exchequer, supported by his ministerial team: The Rt Hon John Glen MP (Chief Secretary), Victoria Atkins MP (Financial Secretary), Andrew Griffith MP (Economic Secretary to the Treasury), Gareth Davies MP (Exchequer Secretary to the Treasury) and Baroness Penn (Treasury Lords Minister).

HM Treasury had three priority outcomes for 2022-23, published as part of Spending Review 2021[1]:

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

Treasury key performance indicators April 2022 – March 2023

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

April 2022 - November 2022

One of the government's fiscal objectives up until November 2022 was to have underlying debt (public sector net debt excluding the Bank of England) as a percentage of Gross Domestic Product (GDP) falling by the third year of the rolling forecast period[2]. This objective was supplemented by a target to balance the current budget by the third year of the rolling forecast period and a target to ensure that public sector net investment does not exceed 3% of GDP on average over the rolling forecast period.

Public sector net debt excluding the Bank of England (PSND ex BoE) as a percentage of GDP	
PSND is a measure of how much the public sector owes in total to private sector organisations including overseas institutions, minus the amount of cash and other short-term assets it holds. PSND ex BoE excludes the liabilities and the liquid assets held on the Bank of England's balance sheet and is often referred to as "underlying debt".	PSND ex BoE reached 88.1% of GDP in 2022-23 (2021-22: 83.9%). It was forecast in March 2023 to peak at 94.8% of GDP in 2026-27, before falling to 94.6% of GDP in the final year of the forecast, 2027-28. *Source: Office for National Statistics and Office for Budget Responsibility*

[1] Autumn Budget and Spending Review 2021: documents - GOV.UK (www.gov.uk)

[2] The 'forecast period' at Spring Budget 2023 covered 2022-23 to 2027-28

Current budget deficit as a percentage of GDP	
The current budget deficit is the difference between government's day-to-day spending and its revenue. It is measured on an accrued basis.	The current budget deficit was 3.2% of GDP in 2022-23 (2021-22: 3.2%). It is forecast to fall in each year of the forecast, before reaching balance in 2026-27. In 2027-28, the current budget balance is projected to be in surplus, at 0.4% of GDP. *Source: Office for National Statistics and Office for Budget Responsibility*

Public sector net investment (PSNI) as a percentage of GDP	
PSNI is the sum of all capital spending, mainly net acquisitions of capital assets and capital grants, less the depreciation of the stock of capital assets.	PSNI was 2.1% of GDP in 2022-23 (2021-22: 2.1%). It is forecast to peak at 2.9% of GDP in 2023-24, before falling in each year of the forecast, reaching 2.1% of GDP in 2027-28. *Source: Office for National Statistics and Office for Budget Responsibility*

November 2022 - April 2023

The Chancellor updated the government's fiscal rules at Autumn Statement 2022. The rules are designed to ensure tax and spending policies are aligned with the Prime Minister's priority to get debt falling over the medium term, providing a stable foundation for sustainable growth. The Charter for Budget Responsibility, which sets out the government's fiscal rules, was approved by the House of Commons on 6 February 2023.

The government's fiscal mandate is to reduce underlying debt (public sector net debt excluding the Bank of England) as a percentage of gross domestic product (GDP) by the fifth year of the rolling forecast period. Reducing debt will rebuild important buffers, providing space for the government to respond to future shocks, and reduce spending on debt interest that could otherwise be spent on public services. The debt rule is supplemented by a target for public sector net borrowing to be below 3% of GDP by the fifth year of the rolling forecast period; limiting borrowing will ensure debt reduction is delivered sustainably through tax and spending policy.

The Office for Budget Responsibility (OBR)'s March 2023 forecast confirms the government is on track to meet both its debt and borrowing fiscal rules. Underlying debt is projected to fall in the target year (2027-28 at Spring Budget 2023) and the borrowing rule is met two years early, with the deficit falling to 1.7% of GDP by 2027-28.

Public sector net debt excluding the Bank of England (PSND ex BoE) as a percentage of GDP	
PSND is a measure of how much the public sector owes in total to private sector organisations including overseas institutions, minus the amount of cash and other short-term assets it holds. PSND ex BoE excludes the liabilities and the liquid assets held on the Bank of England's balance sheet and is often referred to as "underlying debt".	PSND ex BoE reached 88.1% of GDP in 2022-23 (2021-22: 83.9%). It is forecast to peak at 94.8% of GDP in 2026-27, before falling to 94.6% of GDP in the final year of the forecast, 2027-28. *Source: Office for National Statistics and Office for Budget Responsibility*

Public sector net borrowing (PSNB) as a percentage of GDP	
PSNB is the gap between total spending and receipts measured over the course of a financial year. PSNB is an accrued measure, meaning transactions are recorded at the time of economic activity. Borrowing is often referred to by commentators as "the deficit".	PSNB was 5.3% of GDP in 2022-23. It is forecast to fall across the rest of the forecast period, reaching 1.7% of GDP in 2027-28. *Source: Office for National Statistics and Office for Budget Responsibility*

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

Employment Rate – UK and regional (16–64-year-olds)	
This shows the headline measure of progress on employment.	Over the course of 2022-23 the employment rate rose, from 75.5% in the first quarter of the year, to 75.9% in the final quarter of the year. The latest HMRC PAYE Real Time Information (RTI) data indicates that all twelve regions in the UK saw an increase in employee levels between April 2022 and April 2023. The employment rate in the final quarter of the year was 0.7 ppts lower than the record-high levels in the three months to February 2020. According to the latest data from HMRC PAYE RTI, the number of paid employees increased by 42,000 in March, 3.4% above February 2020 levels. In March 2023, the OBR forecast the unemployment rate would be 4.1% in 2023 and peak at 4.4% in 2024, before falling back to 4.1% by 2027. *Source: Office for National Statistics, HMRC PAYE Real Time Information Data, and Office for Budget Responsibility*

Business investment as a percentage of GDP	
Business investment as a share of GDP affects the UK's productivity and the long-term sustainable growth rate.	Business investment increased by 3.2% over 2022-23 and totalled 10.3% of GDP (or £57.6 billion) by the end of the financial year, recovering to 1.4% below its pre-pandemic level. In March 2023, the OBR forecast that business investment would fall by 2.8% in 2023, then grow again by 1.3% in 2024. *Source: Office for National Statistics and Office for Budget Responsibility*

UK output per hour growth (per cent)	
Growth in output per hour is the main indicator of productivity growth.	Output per hour was flat over 2022-23 just recovering to its 2019 level by the end of the financial year (2023 Q1 vs 2019 Q4). In March 2023 the OBR forecast that output per hour would increase by 0.1% in 2023, 1.0% in 2024, 1.3% in 2025, 1.2% in 2026, and 1.1% in 2027. *Source: Office for National Statistics and Office for Budget Responsibility*

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

Gross Domestic Product (GDP)	
GDP shows the total value of all goods and services an economy produces. GDP growth is the main indicator of economic activity.	The economy continued to recover from the COVID-19 pandemic over 2022, although an energy price shock and higher inflation following Russia's invasion of Ukraine weighed on growth. The economy grew 4.1% in 2022, following on from 7.5% growth in 2021. The UK economy avoided a recession in 2022-23, despite previous forecasts of one. Although private sector output was 1.4% above its pre-pandemic level by the end of the financial year in 2022-23, the whole economy is 0.5% below its pre-pandemic level. The OBR's March 2023 forecast projects that the economy is likely to contract by 0.2% in 2023, but avoid a recession, before growing by 1.8% in 2024. *Source: Office for National Statistics and Office for Budget Responsibility.*

CPI inflation	
The rate of inflation shows the average change in the prices of goods and services bought by households.	Over 2022, Russia's invasion of Ukraine, which drove energy prices to record levels, and global supply chain pressures pushed CPI inflation to 40-year highs. CPI Inflation averaged 9.1% across 2022 as a whole (2021: 2.6%), with annual inflation peaking at 11.1% in October. Domestic inflation has also risen over the last year, with price rises becoming more broad-based. The OBR forecasts inflation to fall steeply through 2023, returning to the Bank of England's 2% target by the end of the forecast. *Source: Office for National Statistics and Office for Budget Responsibility*

Aggregate capital ratio for the UK banking sector (using Common Equity tier 1 capital ratios)	
The aggregate capital ratio is the percentage of the total capital held by the banking system to its risk-weighted assets. It is a measure of the loss absorbing capacity of the banking system and is an indicator of the resilience of the financial system.	The most recent data show that the aggregate Common Equity Tier 1 capital ratio for the UK banking sector was 16.1% in Q4 2022 (Q4 2021: 16.8%). This is up 0.4ppts on Q3 2022. Overall, the key capital ratio for major UK banks remains over three times higher than during the financial crisis and significantly above regulatory requirements, demonstrating that the sector is resilient. *Source: Bank of England*

Snapshot of Treasury activity in 2022-23

Month	Milestones
April	**1 April** Increases to the National Minimum Wage and National Living Wage come into effect **6 April** Employment Allowance rises from £4,000 to £5,000 **20 April** Chancellor attends IMF and World Bank spring meeting **28 April** Solvency II regime reforms consultation published
May	**5 May** Chancellor and Governor of the Bank of England jointly agree to reduce the maximum authorised size of the Asset Purchase Facility **9 May** UK announces new package of sanctions on Russia and Belarus targeting £1.7 billion worth of trade **20 May** Chancellor attends G7 Finance Ministers meeting **26 May** New £15 billion support package announced to help with cost of living **30 May** Chancellor and Home Secretary announce new High Potential Individual route for highly skilled graduates
June	**6 June** UK government receives two awards from the Climate Bonds Initiative, celebrating its work as a global leader in green finance **9 June** The inaugural UK - Japan Financial Regulatory forum was held **14 June** Help to Grow: Management scheme expanded, backed by £220 million of government funding **20 June** Government announces proposals for regulation of the Buy-Now Pay-Later sector
July	**6 July** National Insurance threshold rises from £9,880 to £12,570, benefiting 30 million people across the UK **15 July** Chancellor attends G20 Finance Ministers meeting **18 July** The new Feethams House office for HM Treasury opens at the Darlington Economic Campus **19 July** Chancellor gives Mansion House speech **20 July** Financial Services and Markets Bill introduced into Parliament

Month	Milestones
August	**3 August** Public Sector Fraud Authority launched **15 August** Chancellor announces joint taskforce to ensure support in Northern Ireland equivalent to £400 Energy Bill Support Scheme
September	**22 September** Economic Crime and Corporate Transparency Bill introduced **23 September** Chancellor delivers Growth Plan **28 September** Bank of England announces a temporary and targeted intervention on gilt market operations
October	**12 October** Chancellor attends IMF and World bank annual meetings **13 October** HMT's interim evaluations of the COVID-19 support packages published **17 October** Chancellor delivers statement on fiscal policies, reversing measures from the growth plan **17 October** Joint HM Treasury and Bank of England Energy Markets Financing Scheme opens for applications **17 October** Government announces establishment of expert Economic Advisory Council
November	**3 November** Legislation laid introducing to ban UK ships and services facilitating the maritime transport of Russian crude oil and **17 November** Chancellor's letter to the Bank of England sets the remit for the Monetary Policy Committee **17 November** Chancellor delivers Autumn Statement **22 November** Autumn Finance Bill 2022 published **25 November** UK and Singapore agree Memorandum of Understanding (MoU) boosting fintech trade and cooperation at seventh meeting of the UK-Singapore Financial Dialogue
December	**2 December** UK and allies announce price cap on Russian crude oil traded by firms shipping oil to third countries of $60 **9 December** Chancellor unveils the 'Edinburgh Reforms' of UK financial services **13 December** MoU between the UK and Chile on Financial Services cooperation signed **15 December** UK government commits £7.2 million to a new Nature Positive Economy programme

Month	Milestones
	19 December Government announces six-month extension to alcohol duty freeze **19 December** Publication of the Financial Inclusion Report **20 December** Government extends Mortgage Guarantee Scheme by a year to the end of December 2023 **20 December** Chancellor and Minister of Finance of the Kingdom of Saudi Arabia sign an MoU on financial services cooperation **29 December** City of London commissioned to establish a taskforce to boost socio-economic diversity in UK financial and professional services
January	**9 January** Government announces the new 'Energy Bills Discount Scheme' for UK businesses, charities and the public sector from April **13 January** R&D Tax Relief Reform Consultation launched **27 January** Chancellor sets out long-term vision to grow the economy in Bloomberg speech
February	**7 February** Consultation paper published on a digital pound **23 February** Chancellor attends G20 Finance Ministers meeting **27 February** Windsor Framework is published **28 February** New national hub for fintech formally launched at Leeds event
March	**13 March** Government and Bank of England facilitate sale of Silicon Valley Bank UK Ltd to HSBC **15 March** Chancellor delivers Spring Budget, with a plan to get debt falling, halve inflation and grow the economy **16 March** Annual Women in Finance report published **23 March** Spring Finance Bill published **24 March** UK Infrastructure Bank Act received Royal Assent **29 March** Non-Domestic Rating Bill introduced, to modernise business rates system **30 March** Economic Crime Plan 2023-2026 published

Key issues and risks

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

Fiscal policy and macroeconomic stability

2022-23 saw domestic policy decisions, combined with an uncertain macroeconomic outlook and various global factors, cause market volatility to spike. Overall, financial conditions remain tighter on the year despite a partial recovery in the latter part of 2022-23. HM Treasury responded in an agile and resilient manner to this challenge and the Financial Policy Committee continue to judge that the UK banking system is resilient to the current economic outlook.

The department's ongoing management of the macroeconomic framework and economic strategy is focused on operationally independent monetary policy, responsible fiscal policy, supply side reforms and effective financial system regulation. These remain the key instruments to deliver macroeconomic stability. Recent instability in financial markets has demonstrated the importance of strong, credible and effective regulation, and the UK response to the failure of Silicon Valley Bank, coordinated by the Bank of England and HMT, evidenced the efficacy of the regulatory system.

Russia's invasion of Ukraine

Russia's invasion has led to devastating consequences for Ukraine, and implications for our own security and economic wellbeing. The Treasury is at the forefront of efforts to provide essential support to Ukraine and the Ukrainian people, and to cut off funding to Putin's regime. The UK has also used its shareholding and voice at key multilateral institutions to ensure Ukraine receives the non-military support it needs. At the IMF, the UK's vocal support helped deliver a $15.6bn Extended Fund Facility for Ukraine, which will bring much needed medium-term economic support. That was on top of the $2.6bn of emergency finance the IMF had already disbursed to Ukraine since the outbreak of the war. HMT and FCDO have worked together to provide a series of guarantees through both the World Bank and European Bank of Reconstruction and Development, enabling these institutions to provide hundreds of millions of dollars of additional support for Ukraine.

The department recognises the growing security threat and deteriorating geopolitical picture and is supporting the government which is now providing an extra £11 billion for defence and national security priorities over the next 5 years, with £4.95 billion over the next two years to improve resilience and readiness of the UK's armed forces.

The UK provided £2.3 billion in military support to Ukraine in 2022 – more than any individual country other than the United States - and has already committed to sustain that level of military support into 2023.

In addition, the UK has sanctioned over 1500 individuals and entities under the Russia sanctions regime, including asset freezes on all of Russia's major banks. £18.39 billion worth of Russian assets were reported as frozen to the Office of Financial Sanctions Implementation (OFSI) between the start of the invasion and 20 October 2022. The UK has also introduced prohibitions on new investments in Russia, imposed sanctions on the Central Bank of Russia and the Ministry of Finance, and has worked with international partners to remove key Russian banks from SWIFT. The UK announced the removal of Most Favoured National status from Russia and Belarus under WTO rules, and imposed a package of import and export sanctions on more than £4 billion of products and cutting Russia off from UK services that are critical to its economy.

The department and OFSI have led on the design and implementation of the oil price cap, leveraging the UK's central status in global shipping to deprive Putin's regime of excess oil revenues, closely collaborating with other government departments and international partners.

Since the invasion of Ukraine, HM Treasury has established a new International Economic Security Director Group, which will bolster the department's expertise on Ukraine and Russia, as well as wider economic security issues.

Cost of Living

HM Treasury has been at the forefront of government interventions to provide support to households and businesses facing severe cost of living pressures.

This support includes over £94 billion across 2022-23 and 2023-24 to help households and individuals with the rising cost of living – an average of over £3,300 per UK household. The support has included extending the energy bills support package and a freeze in fuel duty.

Energy Market

Linked to the two critical risks and issues mentioned above, the volatility in international and domestic energy markets has required a comprehensive response by HM Treasury. The department has been focused on delivering proportionate market and fiscal responses, by effectively balancing economic, fiscal and geopolitical goals and aligning near term interventions with long term energy transition. The government introduced a new levy on oil and gas producers in the UK in May 2022 to respond to exceptionally high energy prices. The

Autumn Statement 2022 also included the introduction of a new levy on the extraordinary returns being realised by certain electricity generators in the UK.

The department worked with the Bank of England to open a liquidity scheme, the Energy Markets Financing Scheme, to provide a backstop for energy firms with temporary financing issues linked to extreme price volatility. The scheme closed in January 2023 with no uptake, following improvements in energy prices.

The department supported the government's commitment to insulating families and businesses from major fluctuations in international gas prices. In the short term, by providing support to smooth the transition to lower prices; in the longer term, by putting the UK's energy future on a sustainable footing that boosts our energy independence and helps deliver our net zero objectives.

Structure of the Treasury Group

The wider organisations of the Treasury Group work to support the government's economic and fiscal strategy. The Permanent Secretary to the Treasury is the Principal Accounting Officer (PAO) for the Treasury Group. Details of the Treasury group can be found on page 89.

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

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

Our current structure as at 31 March 2023 is shown below. Refer to the governance report and the remuneration report for changes to the senior leadership in the year.

Our Ministers as at 31 March 2023

Chancellor of the Exchequer
The Rt Hon Jeremy Hunt MP

Chief Secretary to the Treasury The Rt Hon John Glen MP	**Financial Secretary to the Treasury** Victoria Atkins MP	**Economic Secretary to the Treasury** Andrew Griffith MP	**Exchequer Secretary to the Treasury** James Cartlidge MP	**Treasury Lords Minister** Baroness Penn

Our Organisation as at 31 March 2023[3]

Permanent Secretary
James Bowler CB

Second Permanent Secretary
Beth Russell CB

- **Director General Tax and Welfare**
  Dan York-Smith CB
- **Chief Economic Adviser**
  Vacant
- **Director General Productivity and Growth**
  Philip Duffy CB

Second Permanent Secretary
Cat Little CB

- **Director General Public Spending**
  Vacant
- **Director General International Finance**
  Lindsey Whyte CB
- **Director General Financial Services**
  Gwyneth Nurse CB

Our Non-Executive Directors as at 31 March 2023

Lead non-executive board member and non-executive board member with responsibility for the Union
The Rt Hon Lord Hill CBE

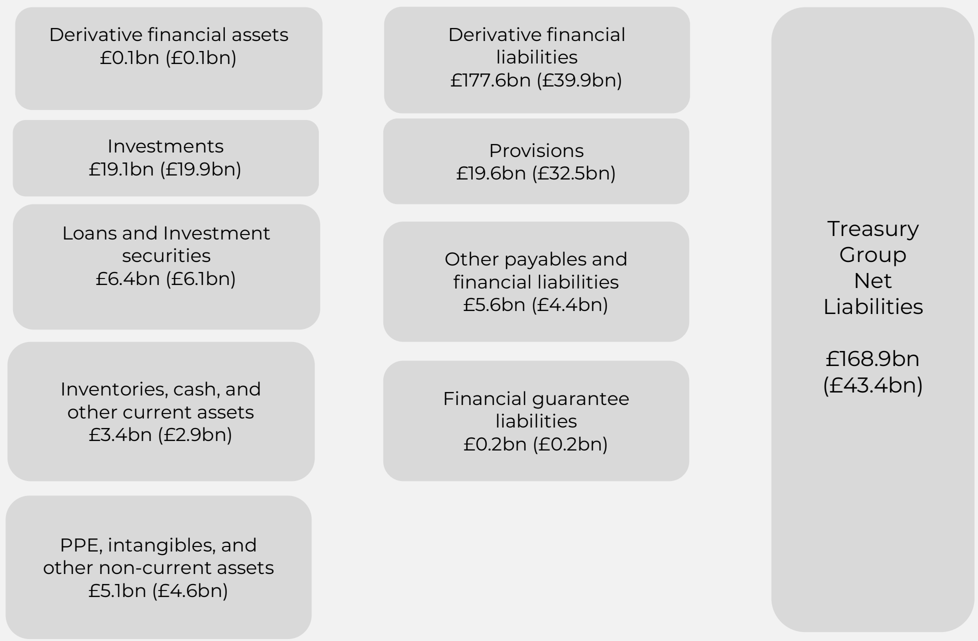
- **Non-executive board member**
  Gay Huey Evans CBE
- **Non-executive board member**
  Zarin Patel
- **Non-executive board member**
  Edward Braham
- **Non-executive board member**
  Jane Hanson CBE

[3] On the 31 May 2023 Sam Beckett was appointed Chief Economic Adviser and Second Permanent Secretary. On the 17 April 2023 Conrad Smewing was appointed as Director General, Public Spending.

Financial review

The Treasury's finances

Figure 1A: Treasury Group Financial Position as at 31 March 2023 (restated 31 March 2022)[4]



Total assets £34.1bn (£33.6bn) Total liabilities £203.0bn (£77.0bn)

Figure 1A shows the total assets, liabilities and net asset position for 31 March 2023 and the prior year. Figures rounded to the nearest £0.1bn

Detail of the entities which are consolidated into the Treasury Group can be found in Chapter 2 & 5.

[4] Further information on the Treasury Group's Consolidated Statement of Financial Position can be found in the Financial Statements in Chapter 3. Prior year (2021-22) comparatives are shown in brackets.

Where HM Treasury spent its money in 2022-23

The Treasury Group's income and expenditure is reported in the Statement of Comprehensive Net Expenditure (SoCNE) (page 215), and the Statement of Outturn against Parliamentary Supply (SOPS) (page 154).

For the year ended 31 March 2023, the Treasury Group reported net expenditure after tax of £132.7bn. Of this £132.8bn of net expenditure related to the Treasury Core and Agencies, and £0.1bn of net income related to our arm's length bodies (ALBs).

The overview of expenditure/(income) by Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME) is set out below. Explanations of the variance of outturn against estimate can be found on page 162.

In £m	2022-23 Estimate	2022-23 Outturn
Resource DEL	381	311
Resource AME	199,491	132,476
Capital DEL	15	7
Capital AME	4,641	3,084

The most significant cost for the Treasury Group during 2022-23 is the fair value movement of the Bank of England Asset Purchase Facility Fund (BEAPFF) derivative financial liability of £138.6bn (RAME). The Treasury provides an indemnity for BEAPFF, which was created to implement the quantitative easing programme, as a part of our objective to ensure the stability of the macroeconomic environment and financial system, enabling strong, sustainable growth. The most significant capital cost was the transfer of £5.0bn to the Bank of England under this indemnity. For more information see note 13 – Derivatives to the accounts.

The main area of resource income for the Treasury group is £1.4bn of dividend income generated from the government's shareholding in NatWest Group. For more information see note 6 – Finance Income.

The main area of capital income is £2.1bn of receipts from the sale of NatWest shares. For more information see note 11 – Equity Investments

Five-year net expenditure analysis

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

DEL net expenditure

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

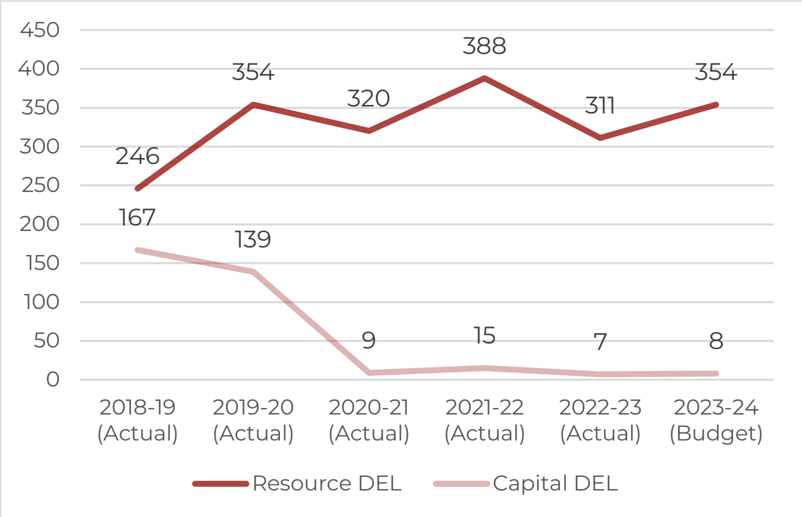


Figure 1B shows the five-year trend analysis of DEL expenditure with negative figures being net income

Resource DEL is less volatile year on year compared with other expenditure. The increase in 2019-20 was predominately due to an extra-contractual legal settlement, whilst the increase in 2021-22 was due to the introduction of the London Capital and Finance Compensation Scheme. The budgeted increase in Resource DEL for 2023-24 is due to underspends in 2022-23. Details of these underspends can be found on page 162.

Capital DEL expenditure peaked in 2018-19 due to the capital subscription to the Asian Infrastructure Investment Bank and the acceleration of loans provision as part of the Digital Infrastructure Investment Fund. The majority of Capital DEL expenditure since 2020-21 was due to the construction of the Darlington Economic Campus (DEC) and equipment for multi-site working.

AME net expenditure

Figure 1C: Five-year trend analysis – AME net expenditure (£bn)

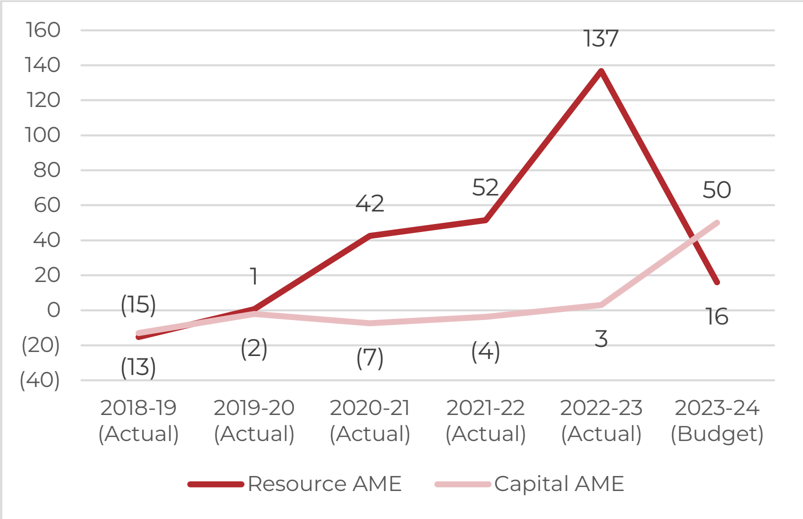


Figure 1C shows the five-year trend analysis of AME expenditure with negative figures being net income

Figure 1D: Five-year trend analysis – AME net expenditure excluding BEAPFF (£bn)

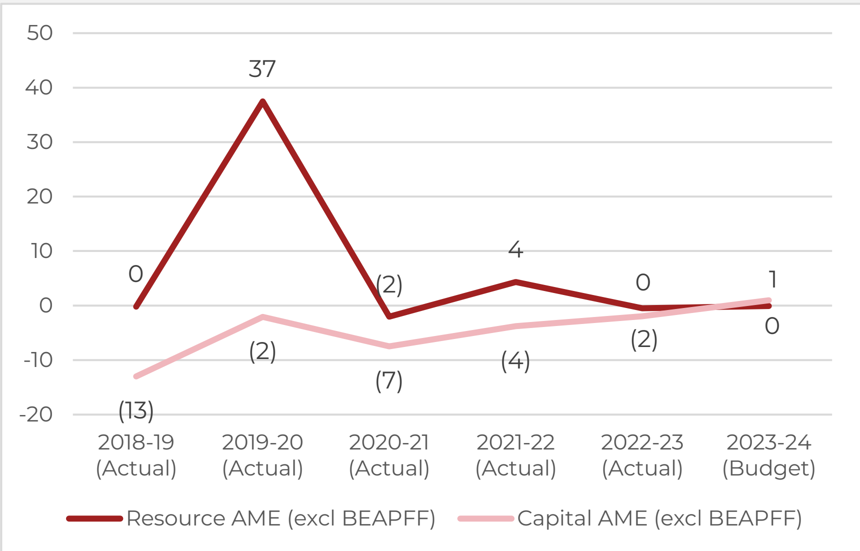


Figure 1D shows the five-year trend analysis of AME expenditure excluding BEAPFF with negative figures being net income

Resource AME expenditure fluctuations were primarily driven by the movement in the Bank of England Asset Purchase Facility Fund (BEAPFF) derivative instrument. Figure 1D shows movement in Resource AME excluding the movement in BEAPFF. In 2019-20, the movement in the BEAPFF derivative was offset by the recognition of the EU Financial Settlement liability.

Capital AME fluctuations were mainly driven by NatWest share sales and UK Asset Resolution's loan sales. See Treasury Core tables on page 184 for more information. The budgeted Capital AME expenditure in 2023-24 is related to HMT providing an indemnity to the Bank of England related to the BEAPFF.

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

Nature of balance	Note	Value (£m) 2022-23	Value (£m) 2021-22	Consists of
Provisions	16	(18,595)	(31,097)	Reste a Liquider (RAL), pensions, legal cases
Trade and other receivables	9	4,743	4,596	Cash returns relating to the EU's guarantee funds, share of investment in European Coal and Steel Community and European Investment Fund, budget adjustment, infringement, fine income for final, and European Investment Bank
Trade and other payables	15	(2,567)	(2,801)	Cash payments relating to the EU's guarantee funds and budget adjustments
Total amount recognised 31 March 2023		**(16,419)**	**(29,302)**	
Contingent assets	20	1,462	1,458	Fines imposed on companies found in breach of EU antitrust rules
Contingent liabilities	21	(338)	(152)	Legal cases
Non-IAS 37 contingent liabilities	Page 169	(32,178)	(30,707)	European Investment Bank callable and returned paid in capital

Additional disclosures are included in Note 1.5 – Significant judgements and estimates and Note 22.3 – Financial risk, Core Treasury and Agencies – EU Financial Settlement.

Financial risks

In carrying out its activities, the Treasury is exposed to a number of risks, including financial risks that have arisen due to the EU settlement net assets, the Bank of England Asset Purchase Facility Fund (BEAPFF) and investments held by the Group.

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

The table below outlines a summary of the key financial risks for the Treasury for the reporting year. Further details on the Treasury's risk management are set out in the Governance Statement in Chapter 2 and Note 22 to the financial statements.

Summary of key financial risks

Type of risk	Relates to	Carrying amount (£ billion)	Note to the Accounts
Credit risk	Loans and investment securities	6.4	12
Credit risk	Financial guarantees	(0.2)	17
Price risk	NatWest shareholding	10.5	11
Market risk	BEAPFF	(177.6)	13
Market and currency risk	EU financial settlement net assets	2.2	9, 15

In addition, the department holds a provision of £18.6bn for the amount payable to the EU under the financial settlement following the UK's withdrawal. The amount that will ultimately be paid is sensitive to a number of factors which are discussed in Note 17 – Financial Guarantees.

Going concern

In common with other government departments, the financing of the department's future service provision and liabilities are to be met by future grants of Supply and the application of future income, approved annually by Parliament. Parliament has authorised spending for 2023-24 in the Central Government Main Supply Estimates and there is no reason to believe that future approvals will not be made. It has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Performance analysis

Building the foundations for growth

Sustainable economic growth is at the heart of everything HM Treasury is working to achieve. The Treasury supported the government at Autumn Statement 2022 on announcements to lay the foundations for long-term growth.

This was consolidated at Spring Budget 2023, where the Chancellor outlined his vision for long-term growth and prosperity, built upon the four Es of enterprise, education, employment and everywhere. The Budget set out an ambitious package of measures to drive economic growth by boosting labour supply, creating the conditions for innovative and productive enterprise, investing in lifelong education and ensuring the benefits of economic growth are felt everywhere.

Response to economic shocks

The Treasury has taken significant steps to repair the public finances following the economic shocks of COVID-19 and Russia's invasion of Ukraine, which in turn led to an international energy crisis. These include the development of temporary taxes on the energy sector and legislating in Spring Finance Bill 2023 for the domestic implementation of the landmark Organisation for Economic Co-operation and Development (OECD) Pillar 2 agreement for a global minimum corporate tax rate. The department worked at pace in the autumn and winter to address the instability caused by the Growth Plan and to restore confidence in the UK economy and fiscal strategy.

These shocks have had material impacts on the economy and led to higher borrowing to fund additional support for households and businesses. The Government is committed to taking action to support those most acutely affected, while ensuring the public finances are restored to a sustainable footing. The department has worked most recently to address market instability, including working with the Bank of England to facilitate the sale of the UK arm of Silicon Valley Bank to HSBC.

Support for individuals

Support for individuals has focused on helping vulnerable members of society manage significant increases in the cost of living. In response to rapidly rising energy bills, HM Treasury supported wider government to design a package of support to help households worth £94 billion in 2022-23 and 2023-24, as well as cutting fuel duty for 12 months, saving consumers almost £2.4 billion. This is on top of existing support for households with the cost of energy bills, such as the Warm Home Discount, the Winter Fuel Payment and the Cold Weather Payment.

Support for businesses

Businesses have also been affected by rising costs and over the course of this year a range of support measures have been introduced to protect employment, encourage investment and support businesses. HM Treasury has developed policy to increase the Employment Allowance, benefitting approximately half a million businesses with a tax cut worth up to £1,000 each, and increasing the annual investment allowance from £200,000 to £1 million until March 2023. A business rates relief worth almost £1.7 billion for hospitality, retail and leisure businesses was introduced alongside reforms to research and development (R&D) tax reliefs to encourage investment. The Help to Grow: Management and Help to Grow: Digital schemes have also supported training and encouraged the adoption of digital technologies.

HM Treasury also worked with the Department for Energy Security and Net Zero to support energy companies and ensure minimal disruption to consumers. This included the setting up of the Special Administration Regime for energy provider Bulb in November 2021 after the company declared insolvency.

Response to Russia's invasion of Ukraine

Sanctions

In response to Russia's invasion of Ukraine, the UK has delivered the largest package of sanctions in its history, with over 1,200 new listings within the first 3 months of the invasion. This includes some of Russia's most significant and high-value individuals, as well as other financial measures to isolate the Russian financial system. £18.39 billion worth of Russian assets were reported as frozen to OFSI between the start of the invasion and 20 October 2022. The Office of Financial Sanctions Implementation (OFSI) has implemented the G7+ maritime services ban and associated price cap on Russian oil, which will undermine Russia's ability to fund their war in Ukraine through inflated global oil prices, while also ensuring that third countries can continue to secure affordable oil. OFSI publishes details in its Consolidated List of Asset Freeze Targets to assist industry with screening and due diligence. OFSI has continued to deliver a significant outreach programme alongside government partners, publishing guidance to assist the public and other stakeholders in understanding the sanctions and improving compliance.

Trade

Acting alongside international partners including the G7, the UK has announced removal of Most Favoured Nation status from Russia and Belarus under World Trade Organisation rules. Working with the Foreign, Commonwealth and Development Office and the Department for Business and Trade, we have imposed additional tariffs of 35% on an initial list of approximately £1 billion of Russian imports further isolating Russia from the global economy.

Finance

The UK government has worked with our international partners to remove key Russian banks from SWIFT and stands united with our allies in isolating Russia from the global financial system and our economies.

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

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

Lead minister:	**Chancellor of the Exchequer**
Lead officials:	Second Permanent Secretaries Second Permanent Secretary and Chief Economic Adviser Director General, Public Spending Director General, Tax and Welfare
KPIs:	PSNI as a percentage of GDP PSND ex BoE as a percentage of GDP Current budget deficit as a percentage of GDP PSNB as a percentage of GDP
Arm's length bodies that support Objective 1:	
UK Government Investments (UKGI) UKGI is a government company and is wholly owned by HM Treasury. UKGI is responsible for managing the government's financial and stewardship interests in a range of state-owned assets. This includes the government's shareholding in NatWest Group (NWG)	Government Internal Audit Agency (GIAA) GIAA provides assurance to Accounting Officers that financial management practices meet required standards.
Office for Budget Responsibility (OBR) Created to provide independent and authoritative analysis of the UK's public finances, the OBR is an Executive Non-Departmental Public Body (NDPB) sponsored by the Treasury.	Debt Management Office (DMO) The DMO's responsibilities include debt and cash management for the government, lending to local authorities and managing certain public sector funds.

Overview and key components

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

- Efficient, well-run fiscal events and legislation including the Budget, Finance Bill and the Spending Review
- Ensuring value for money, transparency and risk management in spending across government
- Managing the overall balance between taxes, borrowing and debt to ensure sustainability, fairness and stability
- Monitoring and analysis of taxes and spending to ensure effective debt, cash and reserve management, ensuring sustainability of the public finances
- Working with HMRC to ensure tax receipts are delivered efficiently and effectively

Managing public expenditure

Spending Review 2021 (SR21) set departmental delegated expenditure limits and devolved administration block grants' from 2022-23 to 2024-25. HM Treasury has taken a responsible and disciplined approach to the public finances to support economic stability while prioritising vital public services and infrastructure to drive economic growth.

In November 2022, HM Treasury delivered the Autumn Statement. The Statement confirmed that departmental budgets would be maintained at least in line with the budgets set at Spending Review 2021. Further funding was prioritised to support the NHS and social care in England with an additional £6.1 billion in 2023-24 and £8 billion in 2024-25, while the schools budget was increased by £2.3 billion in 2023-24 and £2.3 billion in 2024-25.

Building on the decisions taken at Autumn Statement 2022, in March HM Treasury presented the Spring Budget. The Budget continued to emphasise the importance of a fiscally responsible approach to public spending which helps get debt falling and limits inflationary pressure. Additional funding was provided to get more people into employment (£3.1 billion a year by 2024-25 rising to £5.2 billion at the end of the forecast period) and for defence (an additional £5 billion over the next two years and £2 billion each year for the remainder of the forecast period). As a result of the additional funding at the Autumn Statement and Spring Budget, total departmental spending will grow in real terms at 4% a year on average over this Spending Review period.

As part of the OBR forecast process, HM Treasury updated the assumption for the path of departmental spending beyond the current Spending Review period (2025-26 to 2027-28) at the Autumn Statement. Planned departmental resource spending will grow at 1% a year on average in real terms. Departmental capital spending will continue at the same level in cash terms.

Throughout 2022-23, HM Treasury also delivered ongoing in-year spending management and maintenance of the expenditure framework via spending relationships with other government departments, and through the Main Supply Estimates and Supplementary Estimates processes. To support departments to manage pressures from higher inflation the Chancellor launched the Efficiency and Savings Review at Autumn Statement. The Review built on the 5% efficiency challenge set at SR21, helping departments to reprioritise and identify greater efficiencies.

Tax policy

HM Treasury and HM Revenue and Customs (HMRC) have worked closely across the Policy Partnership to implement a number of important changes to the tax system to support the public finances and boost growth.

The Autumn Statement 2022 introduced tax reforms that contribute to fiscal sustainability worth £25 billion a year, including maintaining the personal tax thresholds at their current level until April 2028, reducing the Additional Rate threshold for income tax, and making changes to the Dividend Allowance and Capital Gains Tax Annual Exempt Amount. The main rate of Corporation Tax was also confirmed at 25% from April 2023.

The Government introduced a new levy on oil and gas producers in the UK in May 2022 to respond to exceptionally high energy prices. The Autumn Statement 2022 also included the introduction of a new levy on the extraordinary returns being realised from certain electricity generators in the UK.

The Spring Budget 2023 included several tax reforms that support growth through boosting enterprise and employment – including introducing a 100% tax relief for capital expenditure on plant and machinery in the year it is incurred for the next three years, and abolishing the Lifetime Allowance and increasing the Annual Allowance for pensions tax relief.

Alongside these reforms, the Government has progressed policies to reduce tax avoidance, evasion, and other forms of non-compliance in the tax system to keep the tax gap as one of the lowest published worldwide.

Legislation was passed to give effect to several of the policy changes above through Finance Act 2023, including legislating for the domestic implementation of the landmark OECD Pillar 2 reforms that introduces a 15% global minimum effective corporate tax rate, and reforms to alcohol duty.

The Government has also continued to simplify the tax system and improve the tax policy making process. Following the closure of the Office of Tax Simplification, officials were given a mandate to focus on simplification throughout the policy making process. Autumn Statement 2022 and Spring Budget 2023 introduced changes to simplify tax for small business, including making permanent the Annual Investment Allowance at £1 million and reviewing HMRC guidance.

Government Finance Function

HM Treasury supports the effective management of public money through its sponsorship of the Government Finance Function (GFF). which represents over 10,000 people involved in the management of public money across government. The head of the Government Finance Function is also the most senior official responsible for public spending. HM Treasury takes a collaborative approach, working with the wider finance community to set priorities and develop learning products, standards, guidance, and tools. The GFF's governance is made up of finance leaders from across the Civil Service. They are collectively responsible for the performance of the function.

Efficiency

To provide greater focus on efficiency, the GFF established the Finance Efficiency Board (FEB) which has published an 'Efficiency Narrative' setting out the roles played by the GFF in driving efficiencies.

The GFF is leading the Functional Convergence Programme to develop global designs for Finance, HR and Commercial that will result in better processes across government. This programme – now in its delivery phase – supports the wider Shared Services Programme – refreshing all core departments ERP systems and back-office service arrangements.

The GFF has continued to digitise data collection and financial analysis through the OSCAR II programme which is expected to complete in early in 2023-24.

The GFF delivered a Benchmarking Discovery Dashboard, to compare unit costs across core estates and IT spend, and is working to develop a new Government Efficiency Framework in 2023-24 to improve how departments report efficiency savings.

Reporting and Control

High quality financial reporting is fundamental to the GFF's mission of controlling public spending and strengthening public trust.

The GFF worked with the NAO on 2022-23 audits to support recovery of reporting timeliness, and has put a recovery plan in place to improve the timeliness of the Whole of Government Accounts.

GFF developed the Risk Control Framework to help accounting officers navigate existing standards, codes, and guidance.

Planning, risk, and performance

Outcome Delivery Plans (ODPs) are central to the government's planning and performance framework. All departments produced a draft Outcome Delivery Plan for 2022-23. The announcement of Civil Service 2025 in May 2022 meant that the Cabinet Office and HM Treasury Ministers agreed to pause the publication of Outcome Delivery Plans to ensure that they could reflect any workforce changes. Since then, the Chancellor of the Exchequer delivered the Autumn Statement and these changes need to be reflected in plans. The Government has agreed that we will not require departments to publish Outcome Delivery Plans for 2022-23 but to concentrate on the production of Outcome Delivery Plans for 2023-24.

The first Head of the Government Risk Profession joined in May to implement the risk strategy and improve risk management across government. In September, a new system of accreditation for Risk Managers was launched, building on the existing Risk Management Skills and Capability Framework.

In January, the GFF published the Budget Holder Forecasting Handbook providing best practice guidance for non-finance staff involved in forecasting. In March this was complemented by the OSCAR II Forecast Analysis Dashboard which provides forecasting accuracy reporting for departments and HM Treasury.

People and Capability

A skilled workforce is critical to the GFF's performance. Last year, the GFF implemented the Finance Career Framework to set clear skills, capability, qualification and experience expectations across eight core job families.

The Government Finance Academy (GFA) has continued to deliver high-quality, specialised Learning and Development for the GFF via a varied curriculum, targeted to support current and future skills requirements.

The GFF has supported departments to manage an increase in staff turnover, especially at senior grades, through attraction, recruitment, and talent management.

Fiscal transparency and risk management

While the public finances have proven more resilient than expected in the OBR's November forecast, public debt remains high and risks to the fiscal outlook remain heightened. Public sector net debt (PSND) reached 99.2% of GDP in 2022-23, the highest level since the 1960s, and in the OBR's March 2023 forecast it is expected to peak at 103.1% of GDP in 2023-24[5]. Debt has risen over recent decades as a result of external shocks such as the Global Financial Crisis, the COVID-19 pandemic and the energy crisis. These shocks have had material impacts on the economy and led to higher borrowing to fund additional support for households and businesses.

High inflation and rising interest rates have increased the cost of servicing government debt. Spending on debt interest was £106.8 billion in 2022-23; this level of interest spending is largely explained by higher Retail Prices Index (RPI) inflation. While this is £4.6 billion less than the OBR's March forecast, this remains double the level seen pre-pandemic. If this level of spending were a government department, its departmental budget for 2022-23 would be second only to the Department for Health and Social Care.

The government's plan to reduce debt as a proportion of GDP is particularly important in the context of elevated risks. The OBR published its Fiscal Risks and Sustainability Report on 7 July 2022. The move to an annual sustainability report further strengthens the independent risk monitoring provided by the OBR by bringing together the previously separate risks and sustainability reports. This ensures that short- to medium-term fiscal risks are considered alongside long-term sustainability factors, providing a comprehensive examination of the public finances.

The government responded to the report alongside Spring Budget on 15 March 2023. The requirement for the government to respond establishes a feedback loop which demonstrates the government's commitment to thoroughly assessing and actively mitigating fiscal risks, and to fiscal transparency. The response highlighted the actions the government is taking to manage the sources of risk identified by the OBR and outlined the government's approach to managing those risks which do arise. This approach, which is summarised in figure 1E, is modelled on international best practice. HM Treasury's Fiscal Risks Group is responsible for coordinating activity across the department to monitor and respond to these fiscal risks, escalating to the Executive Management Board and Treasury Board (Sub-Committee) as required.

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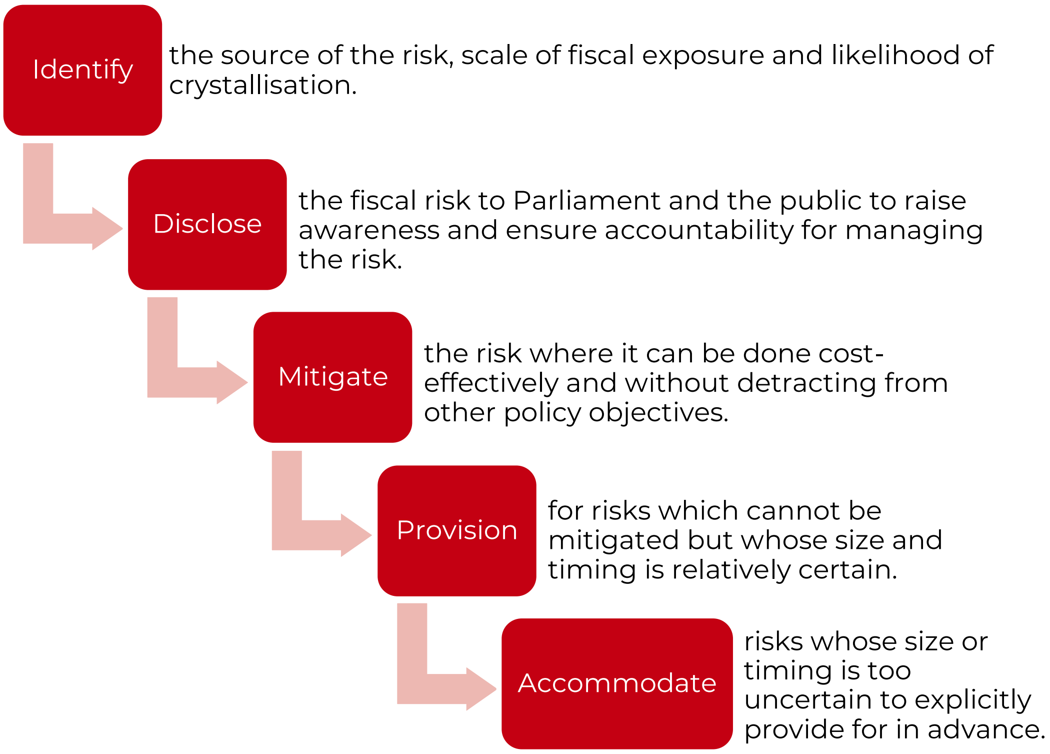
5 'Public sector finances, UK: April 2023', Office for National Statistics and 'Economic and Fiscal Outlook', Office for Budget Responsibility, March 2023.

Figure 1E: Five Stages of Fiscal Risk Management



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

Lead minister:	**Chancellor of the Exchequer**
Lead officials:	Second Permanent Secretaries Director General, Growth and Productivity Director General, Public Spending Director General, Financial Services Director General, Tax and Welfare Director General, International Finance
KPIs:	UK and regional employment rate Business investment as a share of GDP Growth in output per hour Economic performance of all functional economic areas relative to their trend growth rates
Arm's length bodies that support Objective 2:	
National Infrastructure Commission (NIC) The NIC provides the government with impartial, expert advice on major long-term infrastructure challenges.	UK Infrastructure Bank (UKIB) UKIB can provide up to £22 billion of infrastructure finance to help tackle climate change and support regional and local economic growth. It was established in June 2021.

Overview and key components

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

- Supporting strong Employment across the UK
- Extensively collaborating across government to boost UK Enterprise and Education including skills, innovation and productivity
- Unlocking existing and finding new capital for private and business investment to drive growth, including through tax, trade and customs
- Delivering a financial services sector reform package to ensure stability, drive competition, support innovation and protect consumers
- Delivering strategic policymaking, investment and oversight of the government's capital infrastructure portfolio
- Ensuring an open trading environment globally
- Ensuring the benefits of economic development are felt everywhere through the department's levelling up agenda

Employment and inactivity

The Chancellor outlined 'Employment' as one of his four pillars of economic growth. Increasing employment raises living standards and helps businesses grow.

In September 2022, the former Chancellor strengthened the conditionality of the sanctions regime, to provide more work coach support for claimants who are in work and on low earnings. The Chancellor also announced an expansion to DWP's existing 50PLUS: Choices offer, providing further bespoke work coach support to half a million job seekers over the next two years.

Recognising the challenges posed by rising inactivity and labour shortages in the UK, at Autumn Statement 2022, the Chancellor announced that the Secretary of State for Work and Pensions would review workforce participation by early 2023. Reflecting on this work, at Spring Budget 2023, the Chancellor set out a comprehensive employment package focused on four groups: the long-term sick and disabled, welfare recipients and the unemployed, older workers, and parents. This package of reforms amounted to the biggest supply-side intervention the OBR have ever recognised in their forecast. The OBR expects this package to result in 110,000 more individuals in the labour market by the end of the forecast period.

For those with disabilities and long-term health conditions, the Government announced the Universal Support programme and published the Health and Disability White Paper which sets out plans to reform the welfare system. The Chancellor announced support for those with long-term health conditions, including through an ambitious programme of healthcare digitisation, and a pilot for WorkWell, a new integrated local-level work and health hub. These measures will be delivered by DWP and DHSC.

To support welfare claimants to move into work and increase their earnings, the Government announced new measures to be delivered by DWP, including: an increase in the Administrative Earnings Threshold (AET) from 15 to 18 hours at the National Living Wage for an individual claimant and the removal of the household AET for couples; an increase in work coach support and work search requirements for Universal Credit claimants who are lead carers of children aged 1-12; and strengthening the application of sanctions.

For older workers, the Government announced pension tax changes to remove barriers that disincentivise individuals from working more hours or remaining in the workforce, and the expansion of DWP's midlife MOT offer to support people to prepare for a more secure retirement.

To support parents, the Government expanded their childcare offer to ensure all eligible working parents in England will be able to access 30 hours of free childcare per week for 38 weeks per year from when their child is 9 months old, until they start school. This measure will be delivered by DfE.

Alongside the changes announced at Spring Budget, the Government also remains committed to tackling low pay. The Chancellor announced that the National Living Wage (NLW) will increase by 9.7% to £10.42 an hour for workers aged 23 and over from 1 April 2023. This represents an increase of over £1,600 to the annual earnings of a full-time worker on the NLW and is expected to benefit over 2 million people.

HM Treasury continues to work closely with DWP, and other government departments, to support their implementation of policies to support employment, monitor their delivery and ensure they deliver value for the taxpayer.

The Chancellor hosted successful Treasury Connect conferences on Life Sciences, Green Industries and Digital Technology. These form part of a series of conferences for each of the five priority sectors announced by the Chancellor at Autumn Statement which are green industries, digital technology, life sciences, creative industries and advanced manufacturing.

Investment

HM Treasury supported the Chancellor in delivering his January 2023 Bloomberg lecture[6] which set out the Government's plan for driving long-term productivity growth in the UK. Budget 2023 focused on incentivising business investment.

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

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

This financial year was the first full year of the UK Infrastructure Bank's (UKIB's) operation, which included the appointment of a permanent board and Executive Committee. The Bank signed 8 deals in the financial year 2022-23, committing approximately £1.11 billion and unlocking more than £5.1 billion in private capital, supporting projects which contribute to meeting net zero and regional and local economic growth.

The Bank also published its first Strategic Plan, setting out how UKIB will partner with private sector businesses and local authorities while building out its operations and focusing on five priority areas of: clean energy, transport, digital, water and waste. The Plan highlights how UKIB will measure the impact of its investments utilising Key Performance Indicators such as private finance mobilised, and number of jobs supported. The Bank was put on a statutory footing via the UK Infrastructure Bank Act in March 2023.

The National Infrastructure Commission (NIC) continued to provide the government with expert, impartial advice on long-term infrastructure challenges, through its study on surface water flooding and the annual Infrastructure Progress Review. In April 2023, the NIC published a study on the infrastructure planning system, in particular the role of National Policy Statements (NPSs).

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6 https://www.gov.uk/government/speeches/chancellor-jeremy-hunts-speech-at-bloomberg

Tax and Customs

In line with the commitment to supporting enterprise outlined above, HMT officials continue to work on maintaining the UK's business tax regime as one of the most competitive of major economies by providing generous tax incentives for investment. This work has included designing a new full expensing policy which means that the UK's capital allowances regime continues to be the joint most competitive in the G7 and OECD; a permanent increase in the R&D Expenditure Credit rate meaning the UK has the joint highest uncapped headline rate of tax relief in the G7 for large companies, and reforms to the audio-visual tax reliefs.

HM Treasury also contributed to the implementation of the Windsor Framework for VAT, excise, and energy taxes. The new Framework guarantees Northern Ireland's position within the UK's VAT and excise area, while still maintaining frictionless arrangements for those businesses trading with the EU - granting Northern Ireland businesses the ability to benefit from new UK changes, ensuring that Northern Ireland households can benefit from the UK's Brexit freedoms.

Alongside this, HM Treasury has developed new tax policy to support the delivery of Freeports and Investment Zones by the Department for Levelling Up, Housing and Communities to support growth across the whole of the UK.

HM Treasury has now fully approved seven of the English Freeports, and conditionally approved Humber Freeport pending the designation of a customs site. 23 of the proposed 24 tax sites have been designated. The UK Government also announced in January 2023 Scotland's two Green Freeports in Firth of Forth and Inverness and Cromarty Firth, and in March 2023 that Wales will have two Freeports, one in Anglesey and another in Port Talbot and Milford Haven.

At Spring Budget 2023, the Government announced the refocused Investment Zones programme. It was announced that the programme is aimed at catalysing 12 high potential, knowledge-intensive growth clusters across the UK, including four across Scotland, Wales, and Northern Ireland, in our key future sectors, bringing investment into areas which have traditionally underperformed economically. Each of the eight English Investment Zones will be able to benefit from access to interventions of £80 million over 5 years, which can be used flexibly between spending and a single five-year tax offer. The tax offer is identical to that available in Freeports, scalable in tax sites up to a total of 600 hectares of underdeveloped land.

Promoting free, fair and open trade

Throughout the year, HM Treasury supported the Chancellor and his ministerial team in bilateral engagement with international economic partners to ensure an open trading environment and maintain the UK's competitive advantages, including at the G7 and G20 Finance Ministers and Central Bank Governors meetings.

HM Treasury supported the Department for Business and Trade's (DBT) free trade agreement (FTA) negotiations, leading on financial services provisions and providing policy expertise in other areas, such as customs and trade facilitation, tax, rules of origin, and services and investment. These negotiations included the UK accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (in March 2023) and signing a Digital Trade Agreement with Ukraine (in March 2023). Other negotiations are in progress, including India, the Gulf Co-operation Council, Canada, Mexico and Israel.

HM Treasury shares responsibility for tariff policy with DBT and is solely responsible for tariff legislation; the department laid ten statutory instruments since April 2022, including on tariff suspensions requested by businesses and preferential tariffs for FTA partners, including Ukraine. HM Treasury helped to prepare legislation to reform the UK's Trade Remedies framework and implement new processes for bilateral safeguards and the reimbursement of trade remedies duties in the Finance Bill 2022-23.

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

Financial services

HM Treasury supported the then Chancellor to deliver his July 2022 Mansion House speech where he reiterated the government's vision for the financial services sector, based around the four themes of openness; competitiveness; technology; and green finance.

HM Treasury supported the introduction of the Financial Services and Markets Bill which:

- Revokes retained EU law, and enables HM Treasury and the financial services regulators to replace it with legislation designed specifically for UK markets.
- Enhances the UK's regulatory regime by updating the financial services regulators' objectives to ensure a greater focus on long-term growth and competitiveness.
- Promotes openness between the UK and international markets by providing for the implementation of mutual recognition agreements (MRAs) with the UK's global partners
- Develops the UK's position as a world-leading FinTech hub by bringing stablecoins, a type of crypotasset, into the scope of

regulation, and by enabling technological innovation in financial market infrastructure.

- Maintains the UK's position as a competitive market by reforming the UK's capital markets regime, providing the Bank of England new tools to mitigate risk in critical financial institutions, enhances the UK's insolvency regime for insurers, and creating a senior managers and certification regime for a number of systemically important firms.
- Introduces measures that support financial inclusion by ensuring access to cash, enabling credit unions to offer core products, introducing a gateway to improve the quality of financial promotions, and enhancing protection for victims of authorised push payment scams.

At Autumn Statement 2022, HM Treasury announced reforms to the Solvency II regulations which, the government expects, could unlock over £100bn of additional investment into the UK's most productive assets.

HM Treasury launched the Edinburgh Reforms in December 2022, a major package of financial services reforms. Workstreams include improving the functionality of the ring-fencing regime, pressing ahead with the implementation of the repeal and replacement of retained EU law, delivering significant wholesale markets reforms, building a new type of trading venue that will act as a bridge between private and public markets, and consulting on the Consumer Credit Act to modernise consumer lending.

HM Treasury also took forward work on a number of policies to improve consumer outcomes in relation to financial services, including consulting on bringing Buy-Now-Pay-Later products into regulation, and completing the full roll-out of the No Interest Loan Scheme, helping consumers in vulnerable circumstances access affordable credit to meet unexpected costs.

Financial Services Smarter Regulatory Framework (SRF)

The UK's domestic model for regulation was introduced by the Financial Services and Markets Act (FSMA) 2000 and later adapted to address the regulatory failings that contributed to the 2007-08 global financial crisis.

The government published a document 'Building a smarter financial services framework for the UK'[7], as part of the Edinburgh Reforms in December 2022, which sets out the government's implementation plan

[7] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1122734/Building_a_smarter_financial_services_framework_for_the_UK_.pdf

to deliver a comprehensive FSMA model of regulation through the powers established in the Financial Services and Markets (FSM) Bill. This follows on from the Future Regulatory Framework Review consultation in November 2021 which was established to determine how the financial services regulatory framework should adapt to the UK's new position outside of the European Union (EU).

Public Services Reform

HM Treasury has worked closely with departments across government on the reform of Public Services, ensuring that they are effective in both serving the public and in delivering efficiency and value for money. Over the past year, HM Treasury has been especially active in public service reforms pertaining to health, education, transport, property and digital.

HM Treasury took steps to support structural reforms to the NHS across England, including commissioning the independent Hewitt Review, which was then published in April 2023. It made recommendations on the oversight and governance of Integrated Care Systems (ICSs) established via the Health and Care Act 2022. HMT delivered with the Department of Health and Social Care (DHSC) measures to ensure a sustainable health workforce, including the pension tax reforms announced in the Spring Budget to help remove incentives for doctors to work reduced hours or retire early due to pension tax concerns.

Measures introduced at Spring Budget 2023 also targeted some of the leading health causes of labour market inactivity since the pandemic, including mental health, musculoskeletal conditions and cardiovascular disease. These measures will be delivered by DHSC and the Department for Work and Pensions. To encourage labour participation through retraining, it worked with the Department for Education on reforms detailed in the Skills for Jobs White Paper: delivering T Levels, rolling out approved Higher Technical Qualifications and skills bootcamps, and preparing for the introduction of the Lifelong Loan Entitlement from 2025.

HM Treasury has enabled a more consolidated and devolved model of transport funding and delivered significant improvements for users, through investing a combined £5.7bn in five-year integrated transport settlements to 8 English city regions. At Spring Budget a further £8.8bn was announced for the second five year City Region Sustainable Transport Settlements funding period. Both schemes were delivered by the Department for Transport.

HM Treasury administered £30.4 million from the Treasury Reserve to the Shared Outcomes Fund to fund 10 existing projects testing and evaluating innovative approaches to cross-government working and public service provision. These covered areas such as data and digital, education, and service provision, and will be delivered by departments.

HM Treasury has worked closely with the Cabinet Office on its property disposals programme, aiming to dispose of £500m p.a. sales by rationalising surplus Government property and by using lease breaks to exit expensive London offices benefitting from hybrid working patterns.

In April 2022, the Cabinet Office launched a new programme of Public Body Reviews. HM Treasury supported the programme in the development of guidance and tools for reviewers, these will ensure reviews consider the efficacy, governance, accountability, and efficiency of Public Bodies. Reviews are also required to identify efficiency savings of more than 5% of RDEL.

At SR21, departments received a total of £8 billion in funding for new digital and data programmes across all departments to enhance public services. HM Treasury continues to monitor the delivery of departmental and cyber programmes through the Quarterly Business Reviews held jointly with the Cabinet Office's Central Digital and Data Office (CDDO). HM Treasury has also worked closely with CDDO on "Transforming for a Digital Future", a cross-government Digital Data and Technology (DDaT) roadmap launched in June 2022. On its mission, "A system that unlocks digital transformation" HMT has looked at ways of making existing business case and finance processes more amenable to DDaT projects through agile methodologies. All of these were delivered by the Cabinet Office.

Green Growth

HM Treasury remains committed to supporting delivery of the government's legally binding net zero target and ensuring the UK maximises the growth benefits of the transition. In September 2022 the Prime Minister announced an independent review, led by the Rt Hon Chris Skidmore MP, into how to ensure the net zero transition is pro-growth and pro-business. HM Treasury engaged fully with this review, building on the work of our own Net Zero Review (2021).

At Autumn Statement 2022, the Chancellor identified green industries as a key growth area for the UK, committing to rapidly review regulations to unlock growth through the Sir Patrick Vallance Pro-innovation Regulation of Technologies Review. In March HM Treasury published the government response to Sir Patrick Vallance's Review and accepted the recommendations in full.

Autumn Statement 2022 also made new long-term commitments to drive improvements in energy efficiency and accelerate clean, affordable, home-grown energy technologies for green growth. This included committing £700 million of funding to Sizewell C, establishing the Energy Efficiency Taskforce and committing £6 billion of new government funding for energy efficiency for 2025 to 2028, in addition to £6.6 billion allocated previously this Parliament. This will support the government's ambition to reduce the UK's final energy consumption from buildings and industry by 15% by 2030 against 2021 levels.

The Spring Budget went further to help deliver our net zero ambitions through the confirmation of up to £20 billion of funding for Carbon Capture, Utilisation and Storage (CCUS), the launch of Great British Nuclear (GBN) and the competition for Small Modular Reactors which will help deliver our objectives and support the growth of these industries in the UK.

HM Treasury supported the Department for Energy Security and Net Zero (DESNZ) to publish Powering Up Britain, a set of plans to deliver energy security, net zero and green growth. This included the Net Zero Growth Plan, containing the government's responses to the Skidmore Review and the Climate Change Committee's 2022 Progress Report, as well as an Energy Security Plan and the 2023 Green Finance Strategy. The 2023 Green Finance Strategy was published jointly with the Department for Energy Security and Net Zero and the Department for Environment, Food and Rural Affairs, and includes a Nature Markets Policy Framework alongside plans to enable the financial services sector to support our climate and environmental objectives.

Alongside these documents, HM Treasury announced a £10 billion expansion of UK Export Finance's capacity to support exports and a Review into Foreign Direct Investment, led by Lord Harrington – both of which will support the growth of green industries in the UK. Together with the rest of the UK Emissions Trading Scheme (ETS) Authority, HM Treasury has closed a consultation this year on significant reforms to the ETS to ensure carbon pricing continues to play a key role in the UK's decarbonisation plans. Alongside this, HM Treasury and Department for Energy Security and Net Zero published an exploratory consultation considering a range of potential policy measures to mitigate carbon leakage risk in the future and ensure UK industry has the optimal policy environment to decarbonise.

Since the launch of the Green Financing Programme in June 2021, the government has raised £26 billion via the sale of green gilts, and a further £0.6 billion via the sale of National Savings & Investment's retail Green Savings Bonds. These will go towards funding climate-related and environmental expenditures.

Further information on how HM Treasury has integrated sustainability into its policymaking is contained in the Sustainability Report later in this chapter.

Supporting the Union

Much of the support provided to businesses and households over 2022-23 has been delivered UK wide, including the Energy Price Guarantee, Energy Bill Support Scheme, and Energy Bill Relief Scheme, as well as the cost of living payments that have been made to the most vulnerable throughout 2022-23. In addition, HMT has worked with devolved administrations to ensure support for Ukrainian refugees is provided UK wide, such as the thank you payments for sponsors.

Alongside this UK-wide support, Spending Review 2021 set the largest settlements for the devolved administrations since the devolution Acts. As a result, their funding for 2022-23 still grew in real terms (compared to 2021-22 baselines) despite inflation being higher than expected.

The UK government is also making specific investments in each of Scotland, Wales and Northern Ireland.

Scotland

The Scottish Government's total block grant (DEL) funding is £42.4 billion in 2022-23. Over the Spending Review 2021 period, the Scottish Government is receiving around 25% more per head than equivalent UK government funding in other parts of the UK.

This included £127 million ringfenced funding to continue delivery on UK government commitments linked to the Scottish City and Growth Deal programme.

The UK government and Scottish Government also jointly commissioned an independent report on how the Scottish Government's block grant funding is adjusted in relation to tax and welfare devolution. This report was completed and returned to both governments to inform the wider review of the Scottish Government's fiscal framework.

Wales

The Welsh Government's total block grant (DEL) funding is £18.5 billion in 2022-23. Over the Spending Review 2021 period, the Welsh Government is receiving around 20% more per head than equivalent UK Government funding in other parts of the UK.

This included £48 million ringfenced funding to continue delivery on UK Government commitments linked to the Welsh City and Growth Deal programme.

Northern Ireland

The Northern Ireland Executive's total block grant (DEL) funding is £15.9bn in 2022-23. Over the Spending Review 2021 period, the Northern Ireland Executive is receiving around 20% more per head than equivalent UK government funding in other parts of the UK.

The UK government has also continued to support Northern Ireland through delivering previously announced agreements. For example, in December 2020, the UK government announced the £400 million New Deal for Northern Ireland. This financial package is aimed at supporting businesses to operate after the Transition Period, whilst also ensuring that Northern Ireland is ready to seize the trade and investment opportunities ahead. In 2022-23 UK Government had agreed funding of around £67 million in support of New Deal for Northern Ireland projects, around £74 million in support of the New Decade, New Approach deal, as well as further amounts in relation to earlier agreements such as Fresh Start.

Over the course of 2022-23, HM Treasury and HMRC officials have continued to support the implementation of the Trade and Cooperation Agreement and the Northern Ireland Protocol, specifically regarding the customs and tax elements. Following the adoption of the Windsor Framework on 24 March 2023, HM Treasury and HMRC will undertake work to implement, and support businesses with, the new trading arrangements.

The UK government has agreed in principle to fund the costs required to meet the UK's obligations under the Windsor Framework. The Northern Ireland Executive received £51 million for the costs of implementing the Framework in 2022-23.

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

Lead minister:	**Chancellor of the Exchequer**
Lead officials:	Second Permanent Secretary and Chief Economic Adviser Director General, Financial Services Director General, International Finance
KPIs:	GDP CPI inflation Aggregate capital ratio for the UK banking sector (using Common Equity tier 1 capital ratios)
Arm's length bodies that support Objective 3:	
The Bank of England The Bank of England has specific statutory responsibilities for setting monetary policy, protecting and enhancing financial stability, and subject to those, to support the economic policy of the government, including its objectives for growth and employment. It is operationally independent from the Treasury.	

Overview and key components

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

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

Macroeconomic Stability & Resilience

Over 2022-23 global factors have continued to be the initial drivers of increases in inflation. Global supply chain pressures following the COVID-19 pandemic, and rising energy prices, exacerbated by Russia's invasion of Ukraine, drove the annual Consumer Prices Index (CPI) to 40-year highs in October 2022. Since then, inflation has fallen back slightly, although remains elevated, falling to 8.7% in April 2023. Recently, domestic price pressures have become more broad-based, including the UK's tight labour market which has driven high nominal pay growth. The Bank of England's independent Monetary Policy Committee (MPC) has responded by raising Bank Rate in increments from 0.75% at the start of 2022-23 to 4.25% in March 2023 with further rises thereafter. The MPC has a strong track record of delivering price stability and at Autumn Statement 2022, the Chancellor reaffirmed – and committed not to change – the Bank's 2% CPI inflation target. While gas prices have fallen, the Bank of England have noted that the labour market remains tight and domestic price and wage pressures have been stronger than expected, suggesting risks of greater persistence in underlying inflation.

High inflation, record energy prices and rising Bank Rate have weighed on the performance of the UK economy in 2022-23. The economy grew in Q1 2022-23 (April to June) by 0.1%, following on from the recovery from the pandemic, but shrank by 0.1% in Q2 2022-23 (July to September). Despite predictions for a recession starting in 2022, the economy grew by 0.1% in Q3 2022-23 (October to December) as government support helped cushion the fall in household incomes. Initial estimates suggest the economy grew slightly by 0.1% in Q4 2022-23 (January to March). The UK economy had not recovered to its pre-pandemic level (Q4 2019) by the end of 2022. Output in the UK's private sector industries has seen a strong recovery from the pandemic, returning to 1.3% above pre-pandemic levels by the end of the financial year. However, a slower recovery in the public sector, principally the health sector, has kept GDP 0.5% below pre-pandemic levels.

In the autumn, domestic policy combined with an uncertain macroeconomic outlook and various global factors, particularly on the path of energy prices, raised wider market interest rates and weakened the outlook for the UK economy. On 23 September, the then Chancellor announced the Growth Plan. Following from this long-term gilt yields rose sharply and the pound depreciated - prompting the Bank to monitor developments very closely in light of the significant repricing. Shortly after, the Bank intervened to purchase long-dated gilts to address issues in the sudden rise in yields caused LDI funds, in a timely and targeted intervention. HM Treasury indemnified this operation. In October, the Chancellor delivered a statement on medium-term fiscal plan, reversing measures from the growth plan. At Autumn Statement 2022, the government set out a plan across taxation and spending to restore economic stability. The government's plan to reduce debt was particularly important in the context of these elevated challenges and, without these decisions, the outlook for the economy would have been weaker.

The OBR's latest forecast at Spring Budget 2023 improved relative to its last forecast in November 2022 and projects higher potential output in the medium term. Over the longer term, the UK's strong fundamentals and the government's plan – built on the four pillars of employment, education, enterprise and everywhere – should promote stronger, sustainable growth.

Financial stability

HM Treasury works closely with the Bank of England and the FCA to ensure the stability of the financial system and uphold UK interests in global financial stability and openness. During 2022-23 the authorities worked together to address areas of instability in the financial system, and to advance regulatory reforms that would strengthen risk management while encouraging sustainable economic growth.

Gilt market volatility and Liability Driven Investment

HM Treasury has responsibility for ensuring the stability of the macro-economic environment and continuously monitors risks across the financial system, including non-banks, and escalates its response where appropriate in coordination with the independent financial authorities, as well as relevant government departments.

Market volatility in late September 2022 had a significant impact on Defined Benefit (DB) pension funds running Liability Driven Investment (LDI) strategies. On 28 September, the Bank of England (the Bank) announced that it would carry out temporary purchases of long-dated UK government bonds (gilts) through the Asset Purchase Facility (APF) under the Bank's financial stability objective to restore orderly conditions. Total gilt purchases under this temporary operation reached £19.3 billion when the daily auctions ended as planned on 14 October.

On 29 November 2022, the Bank began to unwind its financial stability related gilt portfolio in a timely and orderly way and completed the process on 12 January 2023[8].

The scale and speed of repricing seen in late September far exceeded historical precedents and therefore exceeded price moves within regulatory stress tests. We continue to engage actively with regulators and market participants across the sector on mitigating future risks, in an evolving market environment.

Banking stability and resolution

There were two incidents involving banks with UK operations in March 2023.

Silicon Valley Bank (UK) Ltd (SVBUK) was a subsidiary of Silicon Valley Bank, a US firm that experienced stress in early March. Following intensive work by the relevant UK authorities SVBUK was sold on 13 March to HSBC using resolution powers granted to the Bank of England under the Banking Act 2009. The use of the private sector purchaser tool powers limited risks to the taxpayer and preserved continuity of banking services for SVBUK's customers, while ensuring relevant losses were borne by SVB-UK's shareholders and creditors.

Negative market sentiment towards Credit Suisse also crystallised in March. On 19 March, the Swiss authorities announced that they would be supporting a takeover of Credit Suisse by UBS. The Prudential Regulation Authority and Financial Conduct Authority have approved a 'change in control' (CiC) application for the Credit Suisse subsidiaries in the UK, as required under the Financial Services and Markets Act 2000 (FSMA). The PRA has also approved an application from UBS for it to continue to operate in the UK as branch. The approach to managing Credit Suisse's difficulties was led by the Swiss authorities and did not require the use of any of the UK's resolution powers under the Banking Act 2009.

HM Treasury will be working closely with the regulators and international counterparts, including through the Financial Stability Board (FSB) to continually monitor market conditions and to reflect on any operational and policy implications of these events.

8 See also contingent liabilities outside the scope of IAS 37 from page 169 and note 13 – Derivatives

Regulatory Reform

Next steps on the ring-fencing review

In December 2022, the government announced its intention to take forward the recommendations from the independent statutory review on ring-fencing, chaired by Sir Keith Skeoch. Ring-fencing separates core retail services from risks arising elsewhere in the financial system and applies to large banking groups. The review recommended a series of changes to improve the functionality of the ring-fencing regime in the near term, while maintaining financial stability safeguards. It also recommended that HM Treasury reviews the alignment between the ring-fencing regime and the bank resolution regime. HM Treasury issued a Call for Evidence in March 2023 on how best to align the ring-fencing and resolution regime and intends to consult on near-term reforms to ring-fencing in mid-2023, with a view to bringing forward secondary legislation later this year.

Cyber and Operational Resilience

HM Treasury, alongside the other financial authorities, has continued work to strengthen the operational resilience of the finance sector to risks such as hostile state activity, cyber-attacks, technological failure and dependencies on other critical sectors. As part of this, HM Treasury is taking steps to strengthen the regulatory framework by introducing legislative proposals in the *Financial Services and Markets Bill* to enable the Financial Conduct Authority and the Prudential Regulation Authority to oversee the services provided by designated critical third-party suppliers to the finance sector. HM Treasury has taken part in cyber and other resilience exercises, which involved partners from across government and the sector. International work has continued, particularly through the G7 Cyber Expert Group. HM Treasury has also responded to incidents causing operational disruption in the sector, working closely with the other financial authorities.

Resolution Policy Framework

The UK's resolution regime sets the policy and legal framework for managing the orderly failure of financial firms, in a way that limits risks to financial stability, consumers and taxpayers. The resolution regime for banks was introduced by the Banking Act 2009 and was expanded to central counterparties in 2014.

In July 2022, HM Treasury laid legislation in Parliament to expand the resolution regime for central counterparties, as part of the Financial Services and Markets Bill. The new powers give the Bank of England further flexibility to manage the potential failure of a central counterparty by increasing the number of stabilisation options that are available.

In January 2023, HM Treasury also published proposals to introduce a resolution regime for insurers, which would provide the Bank of

England with new stabilisation powers and tools to manage the failure of a systemic insurer, enhancing UK financial stability and minimising risks to taxpayers' funds.

Money Market Funds

Money Market Funds (MMFs) are collective investment funds and play a key role in the smooth functioning of UK financial markets. HM Treasury, in collaboration with the Bank of England (Bank) and Financial Conduct Authority (FCA), have been developing reform proposals to address financial stability risks from MMFs and improve their resilience. The authorities will publish a consultation later in 2023 which will build on a discussion paper issued in 2022. The UK will engage in an international stocktake of reform efforts by the Financial Stability Board at the end of 2023.

Exit from financial sector assets

HM Treasury has made further progress in resolving the financial sector interventions made as a result of the 2007-09 financial crisis. As set out at Budget 2023, the government intends to fully dispose of its NatWest Group shareholding, subject to market conditions and achieving value for money, and expects the programme of sales to be completed by 2025-26. On 3 April 2023, HM Treasury announced an extension to its successful trading plan which, having raised over £3.7bn of proceeds, has played a key role in reducing the government's shareholding to around 41.5%[9]. See also note 11 – Equity Investments.

International Leadership

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

HM Treasury has played a key role in the financial and economic response to Russia's invasion of Ukraine, working with DBT on tariff measures and bans to increase pressure on Russia. HM Treasury has also played an increasing role in cross government discussions on economic security, including feeding into the Integrated Review Refresh published in March 2023.

G7

HM Treasury supported the Chancellor in playing an active role in the G7 under the German Presidency in 2022 and Japanese Presidency in 2023. This involved discussions with the G7 on the shared challenges

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[9] https://www.gov.uk/government/news/natwest-on-track-to-return-to-private-ownership-as-successful-trading-plan-extended

facing the global economy, including the rising cost of living globally and the acute challenges faced by developing economies including heightened food insecurity, exacerbated by Russia's invasion of Ukraine.

G7 Finance Ministers' and Central Bank Governors' united and robust response to Russia's invasion of Ukraine was central to the G7 agenda. The UK alongside the G7 and other partners took coordinated action to increase the cost of war for Russia, through imposing and enforcing economic and financial sanctions. The G7 expressed unwavering support for Ukraine and took concrete steps, alongside the wider international community, to provide economic support to Ukraine. Meeting in December 2022, Finance Ministers and Central Bank Governors issued a statement noting that the G7 mobilised $32.7 billion of budget support to help Ukraine to close its financing gap for the year. The G7 also coordinated on successive rounds of sanctions in response to Russia's invasion to isolate Russia and restrict its ability to wage war on Ukraine.

The G7 further committed to work together to minimise the impact of the war globally, as well as on the UK and other G7 economies and providing well-targeted support where necessary. On tax, following the UK's G7 Presidency announcement of the landmark global tax reform agreement, the Chancellor joined other G7 Finance Ministers in reiterating strong commitment to implementation of the OECD/G20 Two-Pillar Solution – an agreement that will ensure that multinational companies pay tax in the countries they do business in, as well as cracking down on harmful tax planning through a 15% global minimum corporate tax rate. On climate, the G7 committed to mobilising high levels of private and public investment to unleash the potential for innovation and productivity gains and to intensifying efforts to accelerate the transition to net zero in a way that positively impacts jobs, growth, fairness and the environment.

G20

HM Treasury worked closely with the Bank of England to drive progress on key policy priorities at the G20 Finance Track under the Indonesian and Indian Presidency, and used our representation in multilateral fora to isolate Russia and counter their false narrative on the detrimental impact of sanctions on the global economy. As the co-chairs of the G20 Framework Working Group, HM Treasury collaborated with the Indian Ministry of Finance to deepen the G20's understanding of the macroeconomic outlook and risks, including inflation and climate change.

In July, the G20 also oversaw the publication of the independent Capital Adequacy Framework (CAF) Review. This has the potential to unlock significant additional financing for development, and HM Treasury has taken a leading role in working with international partners to ensure these recommendations are implemented by the Multilateral Development Banks (MDBs).

In November, G20 Health and Finance Ministers launched the Pandemic Fund, which will help to fill critical gaps to ensure the world is better placed to prevent, detect and respond to future health threats. Alongside other G20 members, we announced a £25 million UK Official Development Assistance (ODA) contribution to the Pandemic Fund. We have signed our Contribution Agreement for the Pandemic Fund and will continue to engage more fully as a Board member.

EU Trade and Cooperation Agreement and the Windsor Framework

HM Treasury has continued to support the successful implementation of the Trade and Cooperation Agreement, including through the successful meetings of the Committees established by the agreement where HM Treasury is the responsible department. Throughout 2022-23, HM Treasury worked with departments across government, including the Windsor Framework Task Force in the Foreign, Commonwealth and Development Office (FCDO), to support the government's negotiations with respect to the Windsor Framework. Particular areas where HM Treasury led work, in partnership with HM Revenue & Customs and other responsible departments, include goods movements, parcels, VAT and excise and subsidy control. The outcomes reached addressed the full range of issues in these areas, safeguarding both economic and democratic principles in Northern Ireland. In addition, HM Treasury continued to work with FCDO in 2022-23 on Gibraltar's future relationship with the EU.

Sanctions

HM Treasury's Office of Sanctions Implementation (OFSI) has further developed the UK's position as a global leader in financial sanctions implementation through the breadth and depth of its bilateral and multilateral engagement. It has worked closely with allies, partners, and other UK government departments to help mitigate unintended impacts of sanctions. As well as engaging on operational areas of mutual interest and multi-jurisdictional casework, OFSI's engagement has spanned bilateral relationships and active input to the work of multilateral bodies including the UN, EU, G7, IMF, World Bank, Financial Action Task Force (FATF) and FATF style regional bodies. Capacity building has been further strengthened this year through OFSI's contributions to HMT's Technical Assistance Unit and sharing its experience and expertise to help partners enhance their implementation capability and effectiveness.

OFSI has also provided regular guidance to stakeholders, considered specific licence applications, investigated suspected breaches, and produced new and updated sectoral guidance products on GOV.UK on financial sanctions.

Strategic Enablers

Lead minister:	**Chancellor of the Exchequer**
Lead official:	Permanent Secretary Second Permanent Secretaries

Overview and key components

HM Treasury's Strategic Enablers describe the internal reforms and priorities the department has prioritised, in line with the Civil Service Modernisation agenda, to increase our capacity and capability to deliver for the people of the UK. These priorities are anchored in the One Treasury Vision and Strategy and essential to the department's success in remaining a world leading economics and finance ministry. The Strategic Enablers, as defined in the HMT Outcome Delivery Plan, are organised under four themes:

- Workforce, skills and location – including the major transformation to a multi-site model and establishment of the Darlington Economic Campus
- Innovation, technology and data – including the recruitment of the Treasury's first ever Chief Data Officer and development of a new Data Strategy
- Delivery, evaluation and collaboration – including the introduction of a new Change Portfolio and publication of the department's Evaluation Strategy
- Sustainability – including efforts to embed sustainability in all HM Treasury policymaking and aim for a Building Research Establishment Environmental Assessment Method (BREEAM) Excellent rating for the new permanent Darlington Economic Campus building.

Workforce, skills, location

HM Treasury’s Corporate Strategy

HM Treasury is committed to ensuring the Treasury is, and remains, a world leading economics and finance ministry. Our vision for 2024 is that the Treasury is a department which lives the Civil Service values of honesty, integrity, impartiality and objectivity, with a diverse, inclusive and innovative workforce and culture that creates an environment for all staff to thrive. As an institution, HM Treasury is undergoing a period of sustained and extensive change, which require skills to sustain our position as a world leading economics and finance ministry, underpinned by a commitment to multi-site working and technological capacity; establish and nurture a common Treasury culture and career offer wherever our staff are located and respond to new challenges with clarity of purpose, supported by professional and effective processes. A departmental vision and strategy – One Treasury, with robust governance and regular staff consultation, has been implemented to help smooth the transition.

People Strategy

The department launched its new People Strategy in April 2023, which underpins the One Treasury vision. It sets the people priorities for the department, including the investment in the skills, capability and wellbeing for all staff; attracting and retaining diverse and talented colleagues and embedding diversity and inclusion into everything we do so that the Treasury is a place where everyone can thrive. The four priorities of the Treasury’s People Strategy are:

- Build our offer - We aim to be an employer of choice; building our offer for colleagues to attract and retain great capability and talent in the Treasury. We will be clear in what you can expect from us and what we will expect from colleagues through role modelling the Treasury Values and adhering to the Civil Service Code.

- Improve employee wellbeing, resilience and workload - We will support and empower colleagues to manage their wellbeing by improving our ways of working, evolving our culture and by delivering a wide-ranging suite of effective products and services.

- Invest in our people - We will embed learning and development opportunities throughout each stage of colleagues’ careers. We will provide development and talent programmes, core skills development and professional training.

- Promote diversity, inclusion and belonging - We are committed to embedding diversity, inclusion and belonging into our people-related activities, building on progress to date to ensure the Treasury is diverse, inclusive - an organisation where everyone can thrive wherever they are based.

Expanding HM Treasury decision-making outside of London

The Darlington Economic Campus (DEC)[10] continues to grow its presence, relocating roles from across government, with over 1,200 new roles due to be in place by 2024-25 from across HM Treasury, the Department for Business and Trade, the Department for Science Innovation and Technology, the Department for Energy, Security and Net Zero, the Department for Culture, Media, and Sport, the Department for Levelling Up, Housing and Communities, the Office of National Statistics, and the Competition and Markets Authority. These complement the over 700 Department for Education staff already based in the area.

Significant progress continues to be made in establishing the Treasury's presence in the campus. In 2022-23 the department has:

- Following the success of meeting the 100 FTE target by March 2022, met the recruitment target of 200 FTE in post by end March 2023. 84% have been recruited with 16% relocating from London since 2021. Of the 84%, 32% of those were previously working in the civil service and 68% new to the civil service.

- Continued to base roles at all grades out of the campus, including a Second Permanent Secretary and Director General. Staff are making significant contributions to policy work including on the Budget, as well as leading on areas of energy policy, financial services, tax and pensions, Russia/Ukraine, data analytics and broader economic and fiscal policy.

- Continued to recruit to meet the department's overall FTE target of 335 by end March 2025, including at entry level (i.e. graduates and apprenticeships) and experienced hires.

- Worked with the Government Property Agency (GPA) to fit-out Feethams House, the long-term temporary home of the campus with the building officially opening in July 2022. Core to the design of Feethams House is the ability of all departments to share space and collaborate, enabling all departments to sit alongside and collaborate with each other.

- Continued to work with the GPA to finalise the procurement process for the permanent site, and with the other departments to consider and agree the principles for its design.

- Worked with campus partners to create a talent pipeline in the local community with over 90 young people coming into the campus in a range of work experience and internship events and

[10] The Government Property Agency (GPA) are responsible for the physical delivery of the Darlington Economic Campus with Capital and revenue costs reported through the GPA accounts.

staff across campus making over 30 visits to Schools and FE Colleges in the region.

HMT continues to actively contribute towards the development and success of the Darlington Economic Campus to ensure it plays an integral part in the delivery of HMT's objectives, whilst also delivering its contribution to the Places for Growth and Levelling Up Programme. This builds on HMT's existing presence outside of London, with HMT staff also based in Norwich and Edinburgh.

Diversity, Inclusion and Belonging

During 2022-23 HM Treasury has continued its commitment to creating a department that has a rich mix of backgrounds, skills and expertise. We draw on the widest possible evidence, experiences and perspectives, which helps our decision making, allows us to better understand and resolve problems, and means our advice to our ministers is effective. We monitor our diversity data in line with Civil Service and national statistics and are proud of our sustained progress on representation over the last few years, recognising a potential year on year fluctuation in a workforce of this size. This delivery ultimately strengthens our policy making and allows us to deliver robust corporate functions. We support diversity of thought and innovation, ensuring we feel empowered to perform in our jobs to the best of our ability and in different ways. We support everyone to thrive and belong here, therefore all talents are embraced, valued and successes celebrated.

Our key actions include

Focus	**Progress**
Recruitment	In 2022, HM Treasury hosted 14 interns from the civil service Summer Internship Programme and will also participate in 2023. HM Treasury partners with organisations who have supported those from an ethnically diverse and lower socio-economic background through the assessment process for its Graduate Development Programme (GDP). The department also offered 2022 Summer Internship ProgrammeP candidates the opportunity to 'Fast Pass' to the final assessment stage through their performance as an intern. HM Treasury has continued its involvement in a mentoring scheme and participates in the Access Project, where Treasury volunteers coach young people from lower socio-economic backgrounds (LSEB). We also provide 1:1 mentoring support for LSEB graduates via UpReach and group sessions to LSEB students via UpReach and the Sutton Trust.
Talent	HM Treasury has two talent development programmes designed to support internal progression for underrepresented groups: Accelerate and Boost. The Accelerate programme is

Focus	Progress
	open to colleagues at Ranges E and E2 (Grades 7 and 6); who are from an ethnically diverse background, have a disability, identify as LGBT, are from 'routine' (or 'lower') socioeconomic backgrounds or those aged 40 years old and above; and aims to support progression to the Senior Civil Service. The Boost programme, which is open to colleagues from the same underrepresented groups at Range D (HEO/SEO), has been designed to develop the confidence and skills to progress to Range E (Grade 7). 129 colleagues participated in Accelerate and Boost during 2022-23.
Inclusion and wellbeing	The department has modernised the way our Workplace Adjustments are delivered to improve the support provided to staff with Disability and long-term health conditions. The department has continued to address bullying, harassment and discrimination (BHD), raising awareness through open surgeries, and carrying out a review of our processes and cultures. We continue to support and empower colleagues to manage their wellbeing by improving our ways of ways of working, evolving our culture and by strengthening our community of volunteers and ensuring they feel supported. The Civil Service Health and Wellbeing standards will inform the strategic approach we are taking.
Expanding and diversifying our data and evidence	The department is committed to ensuring that diversity of background, thought, and expertise results in effective policy and decision making for those it serves. HM Treasury is focused on building its capability to ensure policy makers are equipped to consider the impacts of policies on different regions and groups within the UK, including encouraging greater openness and innovation in our policymaking, engaging with a wider range of stakeholders, and bringing in data and evidence from different sources whilst ensuring we meet our legal obligations under the Public Sector Equality Duty.

Health, safety and wellbeing

The department actively promotes the health, safety and wellbeing of its staff.

Six work related accidents, near misses or ill health reports were received in the reporting period. None were reportable to the Health & Safety Executive under the Reporting of Injuries, Diseases, or Dangerous Occurrence Regulations 2013.

HM Treasury moved to a more effective fire marshal process in the event of emergency evacuations in our Darlington and Norwich offices.

Mental wellbeing guidance and details of support available were regularly communicated to all HM Treasury employees. Support included trained Mental Health First Aiders, Treasury Supporters, and Group Wellbeing Champions.

The Employee Assistance Programme provided awareness information and counselling sessions as appropriate.

Reward and recognition

The public sector pay pause was lifted in 2022, meaning that the Treasury was able to award a pay uplift to staff in August 2022, in line with the pay remit guidance issued by the Cabinet Office. HM Treasury staff received a minimum of 2% uplift to their pay, with higher increases being awarded to lower earners. The decision was also taken, in line with that taken the previous year, to award performance bonuses to all staff who had met their performance objectives, rather than just the higher performers, offering another mechanism of support during the cost of living challenges.

In addition to those bonuses linked to the annual performance management process, the Treasury has two other recognised methods for recognising staff. These are:

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

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

HM Treasury is also committed to minimising the gender pay gap within the organisation. HM Treasury publishes the department's gender pay gap data annually. The most recent report was published in November 2022[11]. Information for the Executive Agencies can be found in the full report.

The mean and median gender pay gaps for core Treasury are 6.5% and 18% respectively; the mean and median gender bonus gaps are -7.1% and -4.3% respectively; the proportion of women and men who received bonuses (76.5% and 78.5% respectively); and the proportions of female employees in each pay quartile (lower quartile: 58.4%, lower middle quartile: 49.1% upper middle quartile: 43.6%, top quartile 47.3%).

These figures show that our median pay gap has decreased, and our bonus gap is now in favour of women. However, our mean gender pay

[11] https://www.gov.uk/government/publications/hm-treasurys-gender-pay-gap-report-2021-to-2022

gap has continued to widen this year. Most of the gender pay gap is explained by gender representation at different grades; women are over-represented at ranges B and C and under-represented at ranges E and E2. Female representation at ranges E and E2 is lower than female representation at SCS grades. Whilst female representation at range E and E2 has improved, at the same time, representation at lower grades has also increased, reinforcing existing imbalances at range B and C and offsetting the positive impact of increased female representation across the higher grades.

We are fully committed to reducing our gender pay gap through the initiatives we have detailed within the report, such as setting out steps to increase the number of female applicants at Range E and above, standardising salary allowance assessments, ensuring the allowance policy is visible and automated, and increasing monitoring and transparency of pay negotiations.

Recruitment

Key recruitment campaigns in the last year included:

- Campaign for a Second Permanent Secretary, which was advertised externally
- 2 SCS3 Director General campaigns, which were advertised externally
- 6 permanent Director appointments at SCS2, 2 of which engaged executive search support
- A further two intakes of external graduate recruits, in April (22) and September (31) 2022, with a total of 53 policy advisers at Range D
- Apprentice recruitment campaigns which brought in 9 policy apprentices; as well as the Government Economics Service recruitment campaign to recruit 3 economics apprentices.

The GDP (Graduate programme) for 2023 saw 54% of applications from females, with good representation from those with ethnically diverse backgrounds, declaring a disability, and identifying from the LGBT community. 29 new staff started in April 2023 and we expect around 40 to start in September 2023. Around a quarter of these are based in Darlington.

As of March 2023, 4.7% of HM Treasury Group staff are apprentices, including the core department and ALBs. This puts the department in a good position to meet the updated cross-government apprenticeships target that 5% of our staff should be apprentices by March 2025.

Staff survey

The Treasury uses its annual staff survey results as an indicator of progress. In October 2022, the department took part in the annual Civil Service People Survey. The Employee Engagement Index – the key indicator of staff opinion – was down from 74% in 2021 to 68% in 2022, likely reflecting a particularly challenging year for the department. However, the Treasury's Employee Engagement Index score remained above the civil service average of 65%, which also fell in comparison to the previous year.

The department continues to enjoy strong scores across key metrics when compared to the Civil Service benchmark. For example, 66% of staff who responded said that the Treasury inspires them to do the best in their job, 10 percentage points higher than the Civil Service benchmark. However, the department is concerned about areas where scores have fallen and has initiated an EMB-led plan to address areas of concern, including workload, capability and leadership and improving the working environment, identified through the 2022 Staff Survey.

Learning, development and skills

HM Treasury invests in its people to develop the skills and capabilities required to undertake varied and complex work and respond flexibly to the evolving needs of the organisation.

Throughout 2022-23 a range of corporate Learning and Development initiatives were delivered. HM Treasury focused on strengthening policy-making capability within the department, partnering with the Civil Service Policy Profession, and delivering a range of learning and development tools and programmes, to ensure policy excellence. Highlights have included delivering the Policy Leadership Programme (PLP), the Graduate Development Programme (GDP), Policy Base camp and a well-received Policy Excellence Toolkit.

The Policy Basecamp is a developmental opportunity for people new to policy roles to gain critical policy knowledge and skills needed to quickly become more effective in their role, and to help build a strong support network of other Treasury officials across locations. 50 staff members attended the Policy Base Camp across London and Darlington sites.

The department will continue to focus on building skills and expertise which strengthen delivery, including policymaking, analytical and data science capabilities. We will work to improve the accessibility and availability of learning and development.

Innovation, technology and data: data science

Over the 2022-23 financial year there has been ongoing work to establish a central Data Science Hub, to identify and shape the opportunities for development of data science capability across the department. The hub has delivered several improvements across analysis, IT infrastructure and data architecture.

Additionally, the department appointed a Chief Data Officer, tasked with formalising a data strategy and business plan that would detail a pathway for departmental data transformation. The Chief Data Officer, will lead the data science hub after additional investment in skills and technology to modernise data practice. The department has also begun a skills development programme alongside the ONS to introduce coding capability, across a range roles, and with some exposure in every group.

Delivery, evaluation and collaboration

Evaluation Strategy

In line with our evaluation vision, evaluation results are used to support policy making and delivery, and as part of our commitment to accountability. HMT published an Evaluation Strategy in March 2023[12]

The Treasury also recognises the importance of successful project delivery and taken steps to improve the department's capability on achieving HMT strategic objectives.

The department has introduced an internal Change Portfolio function to provide a cumulative view of change taking place across the organisation and improve informed decision making on the approval and prioritisation of project investments.

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12 https://www.gov.uk/government/publications/hm-treasury-evaluation-strategy/hm-treasury-evaluation-strategy

Other corporate reporting

Transparency and scrutiny of performance

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

Scrutiny by internal audit – the Government Internal Audit Agency

The 2022-23 annual internal audit plan for the department was developed through consultation with the Treasury's senior management team and discussed by Directors and Executive Management Board. The ARC approved the audit plan for 2022-23 in March 2022.

The Audit and Risk Committee agreed minor changes to the plan throughout the year, reflecting changes in HM Treasury's assurance needs, priorities, and key risks. By 31 March 2023, Internal Audit issued 21 assurance reports, and 6 pieces of advisory work for the department.

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

Scrutiny by Parliament

Treasury ministers and officials are committed to providing timely and accurate responses to Parliamentary Questions and the government has agreed to provide regular statistics to the House of Commons Procedure Committee. From 1 April 2022 to 31 March 2023 Treasury ministers responded on or before the parliamentary deadlines in relation to 98% of the 1,457 ordinary written questions received; 96% of the 1,038 named day questions received; and 97% of the 332 Lords written questions tabled to the department.

In addition to questions from individual Members of Parliament, during the period from 1 April 2022 to 31 March 2023 HM Treasury ministers and officials appeared at various Committee sessions, including:

House of Commons Treasury Committee	
Budget 2023	29 March 2023
The crypto-asset industry	10 January 2023
The work of the Treasury	12 December 2022
Autumn 2022 Fiscal Events	23 November 2022
The Financial Services and Markets Bill	11 October 2022
Russia: effective economic sanctions	22 June 2022
HM Treasury's role in combating fraud	27 April 2022

Source: House of Commons Treasury Committee

House of Commons Public Accounts Committee	
Energy Bills Support	27 February 2023
Digital Services Tax	8 December 2022
COVID-19 Employment Support Schemes	17 November 2022
Creation of the UK Infrastructure Bank	7 November 2022
Improving the Accounting Officer Assessment Process	18 July 2022
Measuring and reporting public sector greenhouse gas emissions	4 July 2022
Whole of Government Accounts	8 June 2022

Source: House of Commons Public Accounts Committee

House of Lords European Affairs Committee	
UK-EU relationship in financial services	26 April 2022

Source: House of Lords European Affairs Committee

House of Lords Economic Affairs Committee	
Chancellor of the Exchequer	21 March 2023
UK energy supply and investment	14 June 2022

Source: House of Lords Economic Affairs Committee

House of Lords Industry and Regulators Committee	
Defined benefit pensions with Liability Driven Investments (jointly with Work and Pensions Committee)	22 March 2023
Source: House of Lords Industry and Regulators Committee	

Scottish Affairs Committee	
Access to cash in Scotland	23 May 2022
Source: Scottish Affairs Committee	

House of Commons International Development Committee	
Aid spending in the UK	8 February 2023
Debt relief in low-income countries	1 November 2022
Source: House of Commons International Development Committee	

House of Lords Built Environment Committee	
Infrastructure policymaking in central government	17 January 2023
Source: House of Lords Built Environment Committee	

House of Commons Work and Pensions Committee	
Defined benefit pensions with Liability Driven Investments (jointly with Industry and Regulators Committee)	22 March 2023
Source: House of Commons Work and Pensions Committee	

Scrutiny by the public – correspondence and information requests

In the calendar year of 2022, the Treasury replied to 10,277 enquiries from MPs (ministerial correspondence) and 2,388 direct from members of the public (treat official correspondence). Despite volumes remaining higher than pre-pandemic levels, the steps taken during the year to reduce the outstanding volume of correspondence meant that the timeliness of replies sent to MP's improved consistently until September. This included the introduction of automation, allowing us to register new cases quickly and allocate them to officials to reply to. The fast moving nature of political events, and rapidly changing policy during the final quarter, resulted in delays and only 40% of replies to MP's were within the Treasury's 20 working day deadline overall in 2022 (down from 66% in 2021). 50% of treat official responses were sent within 20-working days.

The Treasury is focused on improving performance and is exploring ways to further automate the allocation of correspondence to the right policy group. This will improve efficiency and increase timeliness of responses. More detailed analysis of correspondence data is being developed for policy groups, to provide better visibility of their performance and identify further areas for improvement.

The Treasury received 1,174 requests for information that were handled under either the Freedom of Information Act or the Environmental Information Regulations and in 94% of cases the statutory response deadline was met, the same as the previous year.

Data Subject Access Requests

In the calendar year of 2022, the Treasury responded to 18 data subject access requests, which it considered under the terms of the UK General Data Protection Regulation (UK GDPR). 10 of the Treasury's responses were made within the statutory deadline and 8 were completed outside of that deadline.

Parliamentary and Health Service Ombudsman

The Parliamentary and Health Service Ombudsman (PHSO) can investigate complaints about the administrative actions of a wide range of government departments and other public bodies, or the actions of organisations acting on their behalf. Eight complaints were made to the PHSO regarding the Treasury during 2022-23, but none of these were taken forward for investigation.

The National Audit Office

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

- Investigation into Bulb Energy
- COVID-19 business grant schemes
- Energy bills support
- Delivery of employment support schemes in response to the COVID-19 pandemic
- Accounting Officer assessments: improving decision-making and transparency over government's major programmes
- The Creation of the UK Infrastructure Bank
- Whole of Government Accounts 2019-20

Better regulation agenda

The Treasury is committed to delivering better regulation, and the principles of Better Regulation guide policymaking across the department. As is set out in this chapter, the Treasury seeks to minimise unnecessary costs to business arising from regulation. The Treasury also works with other departments to determine the government's overall approach to regulation and how it supports policy outcomes.

The Treasury strives for efficient regulation that minimises costs to businesses and consumers whilst maintaining vital protections. During the previous fiscal period (April 2022 to March 2023), the Treasury has delivered the following deregulatory measure to improve the efficiency of its regulations:

- The Markets in Financial Instruments (Investor Reporting) (Amendment) Regulations 2022 removed burdensome EU requirements related to reporting rules. Without this instrument, the default method for investment firms to send certain reports to their retail clients would have continued to be paper-based, which does not reflect the way clients want to communicate with their firms anymore and is costlier to produce. This builds on the reforms brought forward through the Financial Services and Markets Bill, and the Markets in Financial Instruments (Capital Markets) (Amendment) Regulations 2021 no. 774, laid in June 2021.

Financial Services Smarter Regulatory Framework

The government published a document “Building a smarter financial services framework for the UK” (published on gov.uk[13]), as part of the Edinburgh Reforms in December 2022, which sets out the government’s implementation plan to deliver a comprehensive Financial Services Markets Act model of regulation through the powers established in the Financial Services and Markets Bill. This follows on from the Future Regulatory Framework Review consultation in November 2021 which was established to determine how the financial services regulatory framework should adapt to the UK’s new position outside of the European Union (EU).

“Building a smarter financial services framework for the UK” sets out the government’s tranche approach to repealing and replacing retained EU law and the principles by which reforming retained EU law is prioritised across the programme which is expected to take a number of years. More detail on the Treasury’s financial services work can be found on pages 43 - 44.

In particular, in terms of specific key regulatory reforms, the Government is legislating to implement major reforms to the prudential regulatory regime for the insurance sector, known as Solvency II, to ensure that the UK’s prudential regulatory regime is better tailored to reflect the particular structures, products and business models of the UK insurance sector and the wider UK regulatory approach.

Non-financial information

During the 2022-23 financial year, HM Treasury had no reportable incidents relating to anti-corruption and anti-bribery matters. Issues of social matters and respect for human rights are addressed through this report’s separate disclosures on diversity and disability.

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[13] https://www.gov.uk/government/publications/building-a-smarter-financial-services-framework-for-the-uk

Sustainability report

The Treasury is committed to promoting and embedding sustainability through policy development, its work with other government departments and international partners, and its own operations.

Embedding sustainability in policy making

The Treasury's objectives include:

- place the public finances on a sustainable footing, ensuring value for money and improved outcomes in public service
- ensure the stability of the macro-economic environment and financial system, enabling strong, sustainable and balanced growth

The Treasury is committed to sustainable economic growth. For growth to be sustainable in the long term, it must support wellbeing and opportunity for all, and be achieved alongside the objectives of transitioning to a net zero economy, protecting and enhancing biodiversity, and the sustainable use of natural resources.

As the UK's economics and finance ministry, the Treasury is central to ensuring these aims are accounted for in policy appraisal across His Majesty's Government and pursued through policies that deliver value for money and are affordable.

The Treasury has particular responsibility for the UK Sustainable Development Goal (SDG 8) relating to 'promoting sustained, inclusive and sustainable economic growth. In this chapter, the Treasury has also identified where its work directly contributes to the delivery of other SDGs[14]. However, as set out in the Performance Report, the department's work also influences and supports the UK's approach across government to all of the SDGs.

Mitigating and adapting to climate change

Spending Review 2021 helped lay the foundation for the UK's transition to net zero, including confirming £30 billion of government investment to 2024-25. The Autumn Statement 2022 provided an extra £6 billion for energy efficiency and the establishment of a taskforce to reduce energy consumption from buildings and industry by 15% by 2030. This will contribute to delivering the government's vision for a market-led, technology-driven transition to decarbonise the UK economy and reach net zero by 2050.

[14] UN Sustainable Development Goals: https://sdgs.un.org/goals

Preparing for a changing climate will help the UK to reduce the negative consequences of climate change and position the UK to respond to new technologies and innovations to help adapt. The Department for Environment, Food and Rural Affairs (DEFRA) has been working with the Treasury and across government to develop the third National Adaptation Programme (NAP3) – due to be published in 2023. NAP3 will address the 61 risks and opportunities identified in the third Climate Change Risk Assessment.

Following our G7 and COP26 Presidencies, the government ensured that protecting the environment and acting on climate change remained at the top of the global agenda in 2022. We used the remainder of our COP26 Presidency to focus on implementation, particularly on commitments made in Glasgow to align and mobilise financial flows for climate. The Treasury actively participated in COP27's Finance Day. The Exchequer Secretary engaged with his international counterparts on climate in key areas such as climate-related disaster financing, transition planning and Multilateral Development Bank reform. In 2022, the Treasury continued to use its position as a leading and active member of the Coalition of Finance Ministers for Climate Action to advance international understanding of the role of Finance Ministries on climate and environment and to work with others to explore the range of available policy levers.

The National Infrastructure Strategy (NIS), published in November 2020, set out the Government's plans to transform UK infrastructure based around three central objectives: economic recovery from COVID-19; levelling up and unleashing the power of the Union; meeting the UK's net zero emissions target by 2050. The government continues to make progress delivering on the commitments made in the NIS, with the Elizabeth Line opening in stages, most notably the central section between Paddington and Abbey Wood opening for passenger services in May 2022. Further progress has also been made with the opening of the UK Infrastructure Bank (UKIB) in June 2021. The Bank is delivering against its dual objectives of supporting regional and local economic growth and helping to tackle climate change. In total, the UKIB has £22 billion of financial capacity to deliver on its objectives, consisting of up to £12 billion of equity and debt capital and the ability to issue up to £10 billion of guarantees. As of March 2023, the Bank has announced 15 deals in total, investing approximately £1.44 billion and unlocking more than £6.09 billion in private capital, supporting projects which contribute to meeting net zero and regional and local economic growth.

In October 2021, the Treasury led the publication of the Greening Finance: A Roadmap for Sustainable Investing[15], detailing the government's plan for implementing Sustainability Disclosure Requirements (SDR). The Financial Conduct Authority (FCA) launched a

[15] https://www.gov.uk/government/publications/greening-finance-a-roadmap-to-sustainable-investing

consultation on SDR and Investment Labels in October 2022, which sought views on new SDR requirements for asset managers and FCA-regulated asset owners, as well as the sustainable investment labelling regime. To support the ambition to have firms report how they will transition towards net zero, the UK introduced updated rules in January 2022 for asset managers, asset owners and listed companies with comply or explain requirements to publish transition plans. The UK also launched a Transition Planning Taskforce (TPT) to develop best practice in this area, co-chaired by the Treasury. The TPT has made progress this year, launching a consultation on its recommendations and guidance at COP27 in November 2022. Working closely with the Treasury as well as the Department for Environment, Food and Rural Affairs, the Department for Energy Security and net zero has published a 2023 Green Finance Strategy, which provides further clarity on key policy areas such as our ambition to become a Net Zero Aligned Financial Centre, transition plan disclosures, next steps on the green taxonomy, consulting on the regulation of ESG ratings providers and investor stewardship. The Strategy aims to strengthen the UK's leading position at the forefront of the rapidly growing global green finance market while providing the financing needed to deliver our energy security, net zero and environmental ambitions and targets.

Through these policies, HMT supports the following UN sustainable development goals:

- SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all
- SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation
- SDG 11: Make cities and human settlements inclusive, safe, resilient and sustainable
- SDG 12: Ensure sustainable consumption and production patterns
- SDG 13: Take urgent action to combat climate change and its impacts

Nature recovery

The government's response to the 'The Economics of Biodiversity: The Dasgupta review' was published in July 2021, accepting the Review's central conclusion that nature sustains our wellbeing, livelihoods, and our economy. The response set out several Treasury-led areas of work to embed nature into financial institutions globally, and into the processes that underpin economic and financial decision making in government and the private sector. The Treasury has been progressing the delivery of these workstreams, including through the strengthening of processes for assessing the climate and environmental impacts of fiscal decisions. The Treasury has also convened a group of experts, including academic economists and scientists as well as users of Treasury's Green Book, to produce new supplementary guidance on Biodiversity Valuation for the Green Book. Furthermore, the Treasury is working closely with DEFRA on the implementation of the new duty on Ministers of the Crown to have due regard to the environmental principles policy statement when making policy, which will place environmental considerations at the heart of policymaking across government.

HM Treasury is supporting biodiversity goals through the government's international agenda. Through the UK's COP26 and G7 Presidencies, the Treasury ensured the natural world was at top of the global agenda, engaging with Finance Ministers and financial institutions internationally to mainstream climate and nature into economic and financial decision-making and mobilise finance at scale for realising a nature positive future. The Treasury continues to be a leading finance ministry on international biodiversity. In December 2022, the Treasury championed this important agenda at the 15th Conference of the Convention on Biological Diversity (COP15), including green budgeting, nature positive public and private financial flows and mobilisation of private nature finance.

Through these policies, HMT supports the following UN sustainable development goals:

- SDG 12: Ensure sustainable consumption and production patterns
- SDG 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development
- SDG 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

Social justice

HM Treasury fulfils its responsibilities under the Public Sector Equality (PSED) in the Equality Act 2010 by carefully considering the impacts of its decisions on those sharing any of the nine protected characteristics set out in the Act; including with regards to sex, race, age and disability. This applies when developing, deliberating and taking decisions on the impacts for those sharing one or more of the nine protected characteristics.

HM Treasury processes also promote consideration of wider non-PSED angles. For example, it plays an important role in driving the government's levelling up agenda to address regional inequalities. HM Treasury actively considers the spatial impacts of policies and spending decisions and works to ensure that public spending is focused on priority outcomes to enable everyone to benefit from levelling up.

Government has committed to support industry-led efforts to improve the gender balance in financial services through the Women in Finance Charter, which has over 400 signatories across the sector.

Through this policy, HMT supports the following UN sustainable development goals:

- SDG 5: Achieve gender equality and empower all women and girls
- SDG 10: Reduce inequality within and among countries

Working with other government departments to improve sustainability

The Treasury requires all departments to adhere to the Green Book guidance when providing a business case for a policy, programme or project[16]. In January 2023, supplementary guidance to the Green Book on the appraisal and evaluation of energy use and greenhouse gas (GHG) emissions was revised to improve its use for policymaking[17]. The Treasury also continues to support policymakers with the application of Enabling a Natural Capital Approach (ENCA) - supplementary guidance to the Green Book that covers the practical application of techniques for valuing both positive and negative environmental impacts in policy appraisal[18].

The Green Book also directs users to the Climate Change Risk Assessment (CCRA) to consider current and potential future climate risks and vulnerability to risks of an intervention. This is of particular relevance when a policy has long term implications, for example, new infrastructure investment. Moreover, in December 2022 government published further detail on the methodology for assessing environmental impacts at Spending Review 2021.

As standard setter, the Treasury has announced plans to implement the Task Force on Climate-related Financial Disclosure (TCFD) recommendations in central government annual reports and accounts, with a three-year phased implementation extending to 2025-26. This will align central government climate-related disclosure with best practice in the private sector, improve climate-related risk reporting, and embed climate change into organisations' decision-making processes.

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16 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1063330/Green_Book_2022.pdf

17 https://www.gov.uk/government/publications/valuation-of-energy-use-and-greenhouse-gas-emissions-for-appraisal

18 https://www.gov.uk/government/publications/enabling-a-natural-capital-approach-enca-guidance

Performance against GGC targets in 2022-23

HM Treasury is committed to incorporating sustainability into its own operations to align with UK becoming net zero by 2050. We are doing this through the Greening Government Commitments (GGCs) – a framework for government departments to improve their sustainability across a range of targets.

The current framework is 2021-25 and targets are measured against a 2017-18 baseline to be achieved by March 2025.

Scope

The Government Property Agency (GPA) was responsible for managing the department's property portfolio in 2022-23, however the overall responsibility for sustainability remains with HM Treasury.

The Treasury have collected sustainability information on travel for staff across the three sites and energy across London and Norwich sites for the full year, and with Feethams House in Darlington commencing from July 2022[19].

Information about arms length bodies that fall within the scope of the GGC's and other group organisations, can be found within their own Annual Report and Accounts.

Summary

HMT has made a positive start against the 2021-25 Greening Government Commitment targets and is able to see how HMT is progressing against targets now that COVID-19 is no longer a significant factor in the rate of reduction. The following tables provide an analysis of our performance against baseline and the 2022-23 target.

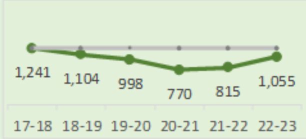
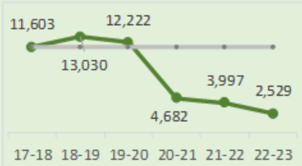
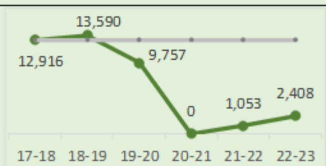
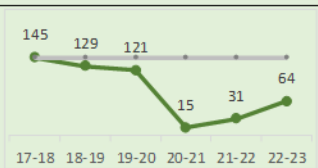
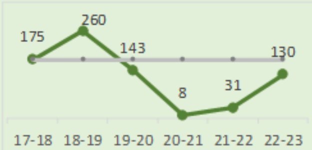
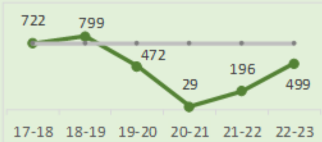
[19] Feethams house data is not available for Q1 & Q2. Full data for Q3 and Q4 has been included in year but baseline has not been updated. Baseline is to be updated in 23/24 in agreement with DEFRA.

GGC targets by March 2025

GHG emissions	Outcomes 2022-23 against baseline 2017-18	Comments
Overall emissions[20]- 69% reduction	25% reduction	Overall emissions reduced by 25% of which overall emissions based on GGC targets which excludes international travel reduced by 15%
Direct emissions - 25% reduction	98% increase	as above
ULEV - 25% of fleet by 31 Dec 2022[1]	-	One car leased from Government Car Service who are responsible to meet recommended targets
Domestic flights - reduce emissions by 30%	36% reduction	We have reduced our domestic flights by 36%. We are committed to ensuring that all our offices are equipped for effective multisite working, so that staff based in any of our sites do not have to travel, unless necessary. However, some travel is critical to delivering the organisation's priorities, and where this is the case, the department will seek to reduce the environmental impact where possible
Waste		
Overall waste - 15% reduction	56% reduction	We have worked with GPA on implementing clearer waste bins throughout each site
Landfill - reduce to less than 5% of overall waste	-	as above
Recycling - increase to 70% of overall waste	56% increase	as above
Paper use - reduce by 50%	81% reduction	as above
Water		
Usage[21] - reduce by 8%	78% reduction	We have reduced our water by 78%. Hybrid working has contributed to the reduction.

[20] Norwich apportionment increased from 11.89% to 15.24% / Darlington apportionment 33.98% not included in Baseline / HGR apportionment changes as tenants change. In 2022-23 was 46.63%

[21] Baseline figures do not include Darlington data.

Greening Government Commitments	2017-18 Baseline	Progress from 2017-18 to 2022-23	2022-23 Performance	2022-23 Target
Greenhouse Gas Emissions* (tCO2e) Scopes 1, 2 & 3 exc Int'l Travel	1,241		1,055	745
Water use (m3)	11,603		2,529	10,675
Paper (A4 reams eqivalent)	12,916		2,408	6,458
Waste arising (Tonnes)	145		64	131
No of Domestic Flights	175		130	123
No of International Flights	722		499	505

*The Greenhouse Gas emissions (tCO2e) consists of Scopes 1,2 and 3 and Domestic Travel only.

Greenhouse gas (GHG) emissions

Emissions	2017-18	2019-20	2020-21	2021-22	2022-23
			Tonnes CO_2e		
Scope 1 (Direct - gas)	7	5	2	4	14
Scope 2 (Energy indirect)	1,092	880	719	736	904
Scope 3 (Official business travel) - domestic	142	113	49	75	137
Total excl. International Travel for GGC	**1,241**	**998**	**770**	**815**	**1,055**
Other Travel (International flights and Eurostar travel)	679	892	13	121	376
Total GHG emissions	**1,920**	**1,890**	**783**	**936**	**1,431**

By 2024-25, HMT has committed to reduce overall GHG emissions by 69% from a 2017-18 baseline and reduce direct GHG emissions from estate and operations by 25% from a 2017-18 baseline.

The GGC target excludes international travel. Against this target, overall emissions are down by 15% from the 2017-18 baseline, this target is not exceeded. Direct GHG emissions are up by 98% exceeding the target in 2022-23.

A policy of procuring carbon offsets has been implemented during the year, as outlined in the Sustainable Procurement section of this report. This does not affect the emissions in the table above which are gross emissions. Expenditure on carbon offsetting during the year amounted to £25k for the purchase of 2000 CERs[22].

[22] Certified Emission Reductions provided by EDF.

Energy use[23]

	2017-18	2019-20	2020-21	2021-22	2022-23
		mWh			
Electricity: non-renewable	-	-	-	-	-
Electricity: renewable	2,547	2,765	2,214	2,406	2,731
Gas	36	27	12	15	76
Whitehall District Heating System (scope 2)	742	625	763	849	1,417
Total related energy use	**3,325**	**3,417**	**2,989**	**3,270**	**4,223**
		Tonnes CO2e			
Electricity: non-renewable	-	-	-	-	-
Electricity: renewable (scope 2/3)	979	767	560	556	576
Gas (Scope 1)	7	5	2	4	14
Whitehall District Heating System (scope 2)	197	173	203	225	376
Total related energy use	**1,183**	**945**	**765**	**785**	**967**
		£000			
Electricity: non-renewable	-	-	-	-	-
Electricity: renewable	327	425	376	414	538
Gas	1	2	1	1	12
Whitehall District Heating System (scope 2)	144	130	126	115	379
Gross energy expenditure	**472**	**557**	**503**	**530**	**929**

The reductions in energy use in 2020-21 and 2021-22 are due to the reduced use of buildings resulting from COVID-19 restrictions. The data does not include any consumptions and emissions from staff working at home or other remote locations outside of HMT offices. In 2022-23 figures increased due to now including our share of Feethams House, as well as our share of Roseberry Court increasing.

23 Darlington office is included for Q3 and Q4 2022-23 only

Official travel[24]

	2017-18	2019-20	2020-21	2021-22	2022-23
		km[25]			
Domestic air travel (scope 3)	147,935	122,035	4,973	16,589	103,590
International air travel (other travel)	3,842,194	2,795,954	115,538	885,588	3,665,015
Rail/underground/tram (scope 3)	619,494	805,241	45,491	670,057	1,938,913
Hire car/taxi (scope 3)	21,509	16,894	3,571	6,825	4,726
Fleet/private car/private motorbike (scope 3)	29,913	10,107	12,361	20,775	34,058
Other travel – Eurostar (other travel)	643,862	386,834	1,249	67,254	195,567
Total business travel	**5,304,906**	**4,137,064**	**183,183**	**1,667,088**	**5,941,871**
		Tonnes CO2e			
Domestic air travel	21	16	1	2	13
International air travel	671	890	13	121	375
Rail/underground/tram	29	33	2	24	69
Hire car/taxi	3	2	-	1	-
Fleet/private car	6	2	2	4	6
Other travel - Eurostar	8	2	-	-	1
Total business travel	**737**	**945**	**18**	**152**	**465**
		£000			
Domestic travel	650	534	125	385	709
International flights	975	743	38	192	852
Total business travel[26]	**1,625**	**1,277**	**163**	**577**	**1,561**
		Number of Flights			
Domestic flights	175	143	8	31	130
International flights	722	472	29	196	499
Total number of flights	**897**	**615**	**37**	**227**	**629**

International travel has historically been a significant driver of HM Treasury's carbon emissions. However, some domestic and international travel is critical to delivering the organisation's priorities, and where this is the case, the department will seek to reduce the environmental impact where possible – including through requiring rail

24 Darlington office is included for Q3 and Q4 2022-23 only

25 Data for the Km's travelled and CO2 emissions for coach and bus travel are not currently available from travel providers

26 Includes the costs of Fleet (including Government Car Service), Rail, Domestic Flights and Taxis

travel to be considered first as an alternative to each planned flight, and the use of green providers and carbon offsetting.

By 2024-25, HMT has committed to reduced emissions from domestic flights by at least 30% from a 2017-18 baseline. This year, emissions from domestic flights are down 36% on the 2017-18 baseline.

The GGCs aim for 25% of the government car fleet to be ultra-low emission vehicles (ULEV) by 31 December 2022 and for 100% of the government car and van fleet to be fully zero emissions at the tailpipe by 31 December 2027. The percentage of ULEVs in HMT's fleet/hire is 0%[27]. Two electric car charging points have been installed at 1HGR.

Waste Production[28]

	2017-18	2019-20	2020-21	2021-22	2022-23
			Tonnes		
Waste recycled (excl. ICT waste)	77	62	8	18	36
Waste composted/ anaerobic digestion	9	10	1	2	2
Waste incinerated with energy recovery	59	49	6	11	26
Total waste arising	**145**	**121**	**15**	**31**	**64**

The above represents the extent of information that the Government Property Agency is able to provide the Department on waste and waste disposal. No information on the costs of waste disposal is available.

56% of waste was recycled this year (GGC Target: >70%). We do not have information on the amount of waste that went to landfill (GGC target: <5%).

ICT waste is re-used, re-sold or disposed of responsibly in line with regulations. The Treasury uses an IT Lifecycle Management contract which meets a number of external environmental accreditations.

In 2022-23 the Department also used 2,408 reams of paper, that represents an 81% reduction from the 2017-18 baseline.

27 DFT's report on the GCS and HMT states that no ULEV's are used continuously for more than 5 days.

28 The following information was not reported in the prior year and cannot be identified in 2022-23 i) total cost of expenditure on waste disposal; and in respect of tonnage weight; ii) ICT waste recycled, reused and recovered iii) waste incinerated without energy recovery iv) waste to landfill. A request will be made to the GPA to supply this information in future.

Consumer single use plastics

The target is to remove all consumer single use plastics from the government estate. Though its use of consumer single use plastics has been very low for many years, the Treasury does not expect to remove all such items in the short term.

The Treasury and GPA have removed plastic cups and cutlery and using compostable products in our catering outlets where possible. The Treasury has no control for those items that are not manufactured by the catering supplier.

Water consumption and financial costs

	2017-18	2019-20	2020-21	2021-22[29]	2022-23
			m^3		
Water consumption23	11,603	12,222	4,682	3,997	2,529
Water consumption per FTE	9	8	3	2	1
		£000			
Water expenditure	33	32	12	18	7

It is assumed that the large reduction in water consumption in 2020-21 and 2021-22 is likely due to the reduced use of buildings due to COVID-19 restrictions. The 2022-23 figures reduced by 78% against the 2017-18 baseline, due to hybrid working. They only include quarter 4 figures for Feethams House. Water use is monitored across the London, Norwich and Darlington offices, enabling focused improvement measures.

[29] Water consumption has been restated from 4 to 2 cubic metres per FTE in 2021-22.

Other initiatives in 2022-23 relating to our estate and services include:

Initiative	Activity
Climate change adaption	During 2022-23, GPA has completed a preliminary Climate Change Adaptation Risk Assessment. The work has followed the Office for Government Property Framework. This is work in progress and will be continued during 2023-24 to consider what action plans may be needed as part of a wider Climate Change Adaptation Strategy.
Sustainable procurement	We are committed to sustainability in the way we procure goods and services and working with suppliers to improve their performance. We support this through a range of activity, such as incorporating sustainability factors in developing our commercial requirements and using Crown Commercial Service (CCS) commercial agreements. These agreements offer sustainable solutions that comply with relevant and appropriate buying standards and include sustainability factors as a key criterion for award.
Green champions network	The Treasury Green Champions Network brings together staff from across HM Treasury to identify ways of making the HM Treasury estate more environmentally sustainable, and to support wider staff understanding and engagement with issues relating to environmental sustainability.
Sustainable construction	The GPA has undertaken a project to improve the lagging around the district heating system, improving insulation and in turn reducing energy losses. This was completed in 2022-23. Further work to upgrade the heat exchangers will allow a lowering of system temperatures and result in a further carbon saving. This change is due to go live in October 2023. GPA continues to install more energy efficient LED lighting which will be completed in 2023-24. Works in Norwich to update the Heating Ventilation and Air conditioning system were completed in April 2023. This will support more efficient operation of that system.

James Bowler

Permanent Secretary

11 July 2023

Chapter 2: Accountability Report

The Accountability Report contains the following three sections:

- Corporate governance report which explains the composition and organisation of the entity's governance structures and how they support the achievement of the entity's objectives.
- Remuneration and staff report which provides information on staff numbers and costs, and the remuneration of members of the Departmental Board; and
- Parliamentary accountability and audit report that presents the Department's expenditure against the budgets set by Parliament and the audit opinion on the financial statements prepared by the National Audit Office.

Corporate governance report

Report from the Lead Non-Executive Board Member

This has been another year of change and challenge at the Treasury.

The Department has been at the heart of the Government's response to the Russian invasion of Ukraine, the energy crisis, and the economic challenges arising from high inflation. In the last year alone, there have been three major fiscal events and rolling changes to personnel, both at a political and official level. More prosaically, we have seen a number of changes to the membership of the Executive Management Board (EMB) and the introduction of a new People Committee.

Tom Scholar stepped down as Permanent Secretary of the Department in September 2022. On behalf of the Non-Executive Directors of HMT, I want to record formally our gratitude to him not just for leading the Department with such integrity and professionalism from 2016-22, but for his long and distinguished career as a public servant. He was held in high regard not just in the Treasury but across Whitehall.

We have welcomed back James Bowler to the Department as our new Permanent Secretary, where he is supported by our two new Second Permanent Secretaries, Catherine Little and Beth Russell. Peter King (Director, Treasury Legal Advisers) and Conrad Smewing (Director, Public Spending) joined the EMB on an interim basis. Catherine Webb (Director of Operations) and Clare Lombardelli (Chief Economic Adviser) left the Treasury and Rebecca Coady became the new Director of Operations. I am grateful to all those who have left for the contribution they made to the Treasury.

The building up of our new Economic Campus at Darlington continues apace. We have beaten our target of employing 200 staff there by March 2023 and managed to bring in people to the Civil Service who would not have previously considered a career in it, helping to add fresh ways of thinking. As the Department continues to work flexibly across its three sites in London, Darlington and Norwich, our next challenge is to continue to meet our priorities as we reduce in size. Despite the uncertainty of the past year, I am glad to say that Treasury staff engagement continues to be above average for the civil service employee engagement index.

Rt Hon Lord Hill of Oareford CBE

Lead Non-Executive Board Member

Governance statement

The governance statement sets out HM Treasury's governance, risk management and internal control arrangements. It explains the composition and organisation of the department's governance structures and shows how they support the achievement of the department's priority outcomes. It applies to the financial year 1 April 2022 to 31 March 2023 and up to the date of approval of the Annual Report and Accounts.

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

The roles of additional accounting officers and the assurances received in preparing this report are also declared. More detail on the control system is given in the Accounting Officer System Statement on gov.uk at https://www.gov.uk/government/publications/hm-treasury-principal-accounting-officer-system-statement.

About HM Treasury

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

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

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

The Treasury Group

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

Core Department & Agencies The Agencies act as an arm of the Core Department.	**Departmental group** These bodies are within our accounting boundary and consolidated into the Group accounts.
Core Department: • HM Treasury • Office of Financial Sanctions Implementation (OFSI) • Office of Tax Simplification (OTS)[1] **Executive agencies:** • UK Debt Management Office (DMO) • National Infrastructure Commission (NIC) • Government Internal Audit Agency (GIAA)	**Non-Departmental Public Bodies:** • Office for Budget Responsibility (OBR) **Companies:** • UK Government Investments Limited (UKGI) • UK Asset Resolution Ltd (UKAR) • Reclaim Fund Ltd • UK Infrastructure Bank Ltd (UKIB) • IUK Investments Holdings Ltd • Help to Buy (HMT) Ltd[2] • HM Treasury UK Sovereign Sukuk plc • Pool Reinsurance Company Ltd **Additional bodies:** • Sovereign Grant • The Royal Mint Advisory Committee (RMAC) • Financial Reporting Advisory Board (FRAB)

Wider departmental group

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

Public corporations:

- Bank of England (and its subsidiaries)
- Financial Conduct Authority (FCA)
- NatWest Group plc (and its subsidiaries)
- Crown Estate
- Royal Mint Trading Fund (and its subsidiary)
- Local partnerships LLP
- Financial Services Compensation Scheme (FSCS)

Non-Ministerial Department:

- Government Actuary's Department (GAD)
- National Savings and Investments (NS&I)
- HM Revenue & Customs (HMRC)

Additional bodies (Dual HM Treasury & Cabinet Office reporting):
- Infrastructure & Projects Authority (IPA)
- Public Sector Fraud Authority (PSFA)

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[1] The Office of Tax Simplification was an Independent Office of HM Treasury. The intended closure was announced by the Chancellor at a fiscal event on 23 September 2022 and formal closure took effect when the Spring Finance Bill 2023 received Royal Assent on 11 July 2023.

[2] Help to Buy (HMT) Ltd dissolved on 11 July 2023. Operation of the schemes will continue, and will be operated by the core department.

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

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

The Public Bodies Review Programme[3] aims to:

- assess whether a function should be delivered by the State, or whether an alternative is more fitting
- ensure public bodies have a 'laser-like' focus on delivering their objectives, and are not making decisions which fall under the remit of Ministers
- reduce the burden on the taxpayer as the increased pressures of the pandemic on the public purse come to an end
- spend taxpayer money with greater care and ensure performance, expenditure and other data is shared openly

A review of UK Government Investments (UKGI) is currently underway and will be followed by other bodies within Treasury Group as part of a rolling programme of reviews.

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

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

How we are structured

HM Treasury Ministers

Over the past year, there have been a number of changes in HM Treasury's Ministerial team. These are set out in detail in the Remuneration chapter of this report on pages 126-127.

As of 31 March 2023, the department had six ministers.

The Chancellor of the Exchequer, Jeremy Hunt was appointed Chancellor of the Exchequer on 14 October 2022.

The Chancellor of the Exchequer is the government's chief financial minister and as such is responsible for raising revenue through taxation or borrowing and for controlling public spending. He has overall responsibility for the work of the Treasury.

The Chancellor's responsibilities cover:

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

The Chief Secretary to the Treasury is responsible for public Expenditure.

Rt Hon John Glen MP was appointed Chief Secretary to the Treasury on 25 October 2022.

The Economic Secretary to the Treasury and City Minister is responsible for financial services.

Andrew Griffith was appointed Economic Secretary and City Minister to the Treasury on 27 October 2022.

The Exchequer Secretary to the Treasury is responsible for growth and productivity; energy and climate policy and taxes; and excise duties.

Gareth Davies MP was appointed Exchequer Secretary to the Treasury on 21 April 2023[4].

The Financial Secretary to the Treasury is responsible for tax policy and customs and is Departmental Minister for HMRC.

Victoria Atkins was appointed Financial Secretary to the Treasury on 27 October 2022.

The Treasury Lords Minister covers Lords business relating to the Treasury's work, including legislation, debates, and questions.

Baroness Penn was appointed Treasury Lords Minister in the UK Government on 30 October 2022.

[4] At 31 March 2023 James Cartlidge was the Exchequer Secretary to the Treasury

Permanent Secretaries

James Bowler was appointed Permanent Secretary and Principal Accounting Officer (PAO) for HM Treasury on 17 October 2022.

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

Tom Scholar was Treasury Permanent Secretary and PAO from the start of the 2022-23 financial year until 8 September 2022. In the intervening period between Tom Scholar's departure and James Bowler's appointment, Catherine Little and Beth Russell assumed responsibility as Acting Permanent Secretaries, with Catherine Little acting PAO. James has received assurance of PAO cover throughout the period 1 April to 17 October prior to him becoming the PAO.

Charles Roxburgh was the department's Second Permanent Secretary from the start of the 2022-23 financial year until his retirement at the end of June 2022. Catherine Little and Beth Russell were appointed as Second Permanent Secretary's to HM Treasury on 17 October 2022.

Catherine Little is responsible for:

- Public Spending and Public Services
- International Finance
- Head of the Government Finance Function

Beth Russell is responsible for:

- Tax and Welfare
- Growth and Productivity
- The Darlington Economic Campus

After the year end, Sam Beckett was appointed Chief Economic Adviser and Second Permanent Secretary on 31 May 2023.

Sam Beckett is responsible for:

- HM Treasury's work programme, on supporting the government's objectives on macroeconomic stability
- Treasury's relationships on monetary policy and the wider economic community
- Leading the Government Economic Service

Non-Executive Board Members (Non-Executive Directors)

Rt Hon Lord Hill of Oareford CBE

Lead Non-Executive Director

Experience: Lord Hill brings wide financial regulation experience having been European Commissioner for Financial Stability, Financial Services and Capital Markets Union between 2014-16.

He has extensive government and political knowledge having worked in five government departments and also in the European Commission. He was Chancellor of the Duchy of Lancaster and Leader of the House of Lords 2013-14 and Parliamentary Under Secretary of State for Education between 2010-2013.

Other roles: Chairman, Council of Management, Ditchley Foundation (from 1 November 2017); Senior Adviser, Freshfields Bruckhaus Deringer; Senior Adviser, Intercontinental Exchange Inc; Adviser, Banco Santander SA; Member of International Advisory Panel to Iberdrola; Adviser to WITTY, Proof of Trust, VISA Europe; Director, Centre for Policy Studies and Co-Founder of Prosperity UK; Member of the House of Lords Commission.

Committees: The Treasury Board, Chair of the Treasury Board Sub-Committee and Nominations Committee.

Zarin Patel

Non-Executive Director and Chair of the Audit and Risk Committee (ARC)

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

Other roles: Non-Executive Director (NED); Chair of ARC; Member of Environment, Social and Governance, Remuneration and Nominations Committees at Pets at Home Group PLC (2021 to date); NED at Hays plc (from January 2023); NED, Chair of ARC, Member of

Nominations and Remuneration Committee of Anglian Water Services Limited (2018 to date); Trustee and Chair of ARC at National Trust (2018 to date.

Committees: The Treasury Board, The Treasury Board Sub-Committee, Nominations Committee and Chair of the Audit and Risk Committee.

Edward Braham

Experience: Edward is one of the most senior lawyers in the City, with a wealth of experience across finance and business. He was the Senior Partner of the international law firm, Freshfields, successfully leading the firm for 5 years through Brexit uncertainty, increased nationalism around the world, and the pandemic, and remains as a partner. His focus was particularly in strategic growth in the US and addressing all aspects of sustainability, including culture and diversity and building on the firm's existing environmental, social and governance (ESG) commitments.

Other roles: Director of TheCityUK, Chair of its International Trade and Investment Group and member of its Nominations and Remuneration Committee (2018 to date); Mayoral and Shrieval Independent Panel and Innovation and Growth Advisory Board at City of London Corporation (2021 to date); Member of the Campaign Board at the Museum of London (2021 to date); Member of the Advisory Council at Capital as a Force for Good (2021 to date); Member of the Court of the Goldsmiths Company, Trustee of the Goldsmiths' Charity and Chair of the Goldsmiths' Centre, the leading educational and workshop charity for the UK trade (2011 to date).

Committees: The Treasury Board, The Treasury Board Sub-Committee, Nominations Committee and Audit and Risk Committee.

Gay Huey Evans CBE

Experience: Gay's experience covers financial and regulatory services, banking, capital markets and commercial. She was Vice Chair Investment Banking and Investment Management at Barclays Capital from 2008-2010. She was Head of Governance of Citi Alternative Investments (EMEA) from 2007-2008 and president of Tribeca Global Management (Europe) Ltd from 2005-2007, both part of Citigroup. She was director of markets division and head of capital markets sector at UK Financial Services

Authority from 1998-2005 and has held various senior management positions with Bankers Trust Company in New York and London.

Gay has previously served on the boards of Itau BBA International, the Financial Reporting Council, London Stock Exchange Group plc, Aviva plc. and was Interim Non-Executive Director of the UK Infrastructure Bank.

Other roles: Chair of the London Metal Exchange; Boards of Standard Chartered, Conoco Phillips and S&P Global; Trustee of Benjamin Franklin House; Senior Adviser to Chatham House; Member of the US Council on Foreign Relations and the Indian UK Financial Partnership; Adviser to Quantexa.

Committees: The Treasury Board, The Treasury Board Sub-Committee and Nominations Committee.

Jane Hanson CBE

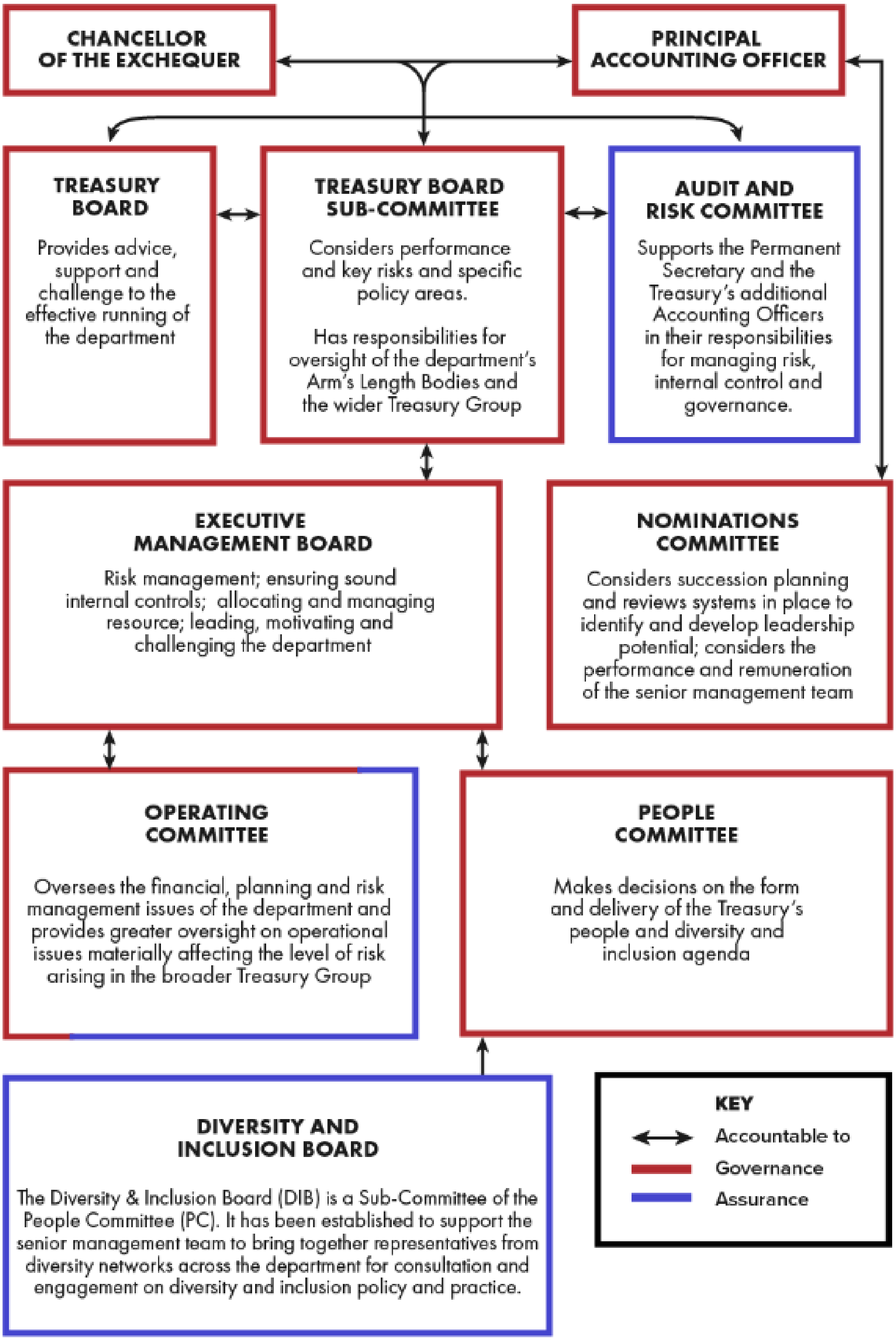
Experience: Jane brings wide financial, public and private sector experience. Jane is a fellow of the Institute for Chartered Accountants with over 30 years' experience in commercial, not for profit, other private and public sector organisations. She was previously Risk and Governance Director at Aviva plc (2002 to 2006) and Non-Executive Director and Chair of the Board Risk Committee at Direct Line Insurance Group plc (2011 to 2021), Old Mutual Wealth plc (2013 to 2016) and William Hill plc (2019 to 2021). Jane is also a magistrate.

Other roles: Chair of Reclaim Fund Ltd and UK Gov Dormant Asset Expansion Board (2011 to date). Chair of Audit Committee and Non-Executive Director of Welsh Water plc (2021 to date). Chair of Audit Committee at the Civil Aviation Authority (2021 to date). Chair Bardi Symphony Orchestra (2020 to date).

Committees: Member of the Treasury Board; Treasury Board Sub-Committee; Nominations Committee and Audit and Risk Committee.

Our governance structure

Figure 2A: The Treasury Board and its committees



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

Treasury Board

The Treasury Board is the most senior of the department's oversight committees. It draws together ministerial and civil service leaders with experts from outside government. The board supports and challenges the Department's performance and risk management, and progress against delivery of its objectives and priorities.

The board is chaired by the Chancellor and met once during 2022-23.

Committee members as at 31 March 2023	Areas of discussion
• Treasury ministers • NEDs • Permanent Secretary • Second Permanent Secretaries • Chief Economic Adviser • Finance Director • Head of Government Finance Function	• Departmental priorities • Departmental challenges • Performance and risk • Staff Survey results

Treasury Board Sub-Committee TB(SC)

TB(SC) is the second most senior board and has delegated authority of the Treasury Board. TB(SC) is chaired by the Lead NED and met five times during 2022-23.

Committee members as at 31 March 2023	Areas of discussion
• NEDs • Executive Management Board members • Head of Government Finance Function	• Quarterly Performance and Risk Reports • Departmental oversight • COVID-19 pandemic • Board Effectiveness • Climate Change and Green agenda • ALB oversight (Reclaim Fund, IPA, GIAA, NS&I and Royal Mint)

Board Effectiveness Evaluation

The department is required to undertake a Board Effectiveness Evaluation (BEE) annually, in line with the Code of Practice on Corporate Governance in central government departments[5]. This evaluation is coordinated by the Cabinet Office for government.

As with previous years the department has undertaken a survey which sought the views from all current TB(SC) members.

The responses received to the survey were very positive while noting that further consideration should be given to the work of the Committees and the prioritisation of strands of work.

Recommendations included ensuring progress monitoring of the Outcome Delivery Plan; information between board meetings for Non-Executive members and delegating responsibility for the contract pipeline to Operating Committee. Responses to the evaluation also confirmed that the TB(SC) would continue to have oversight of the department's Arms' Length Bodies.

The key points and recommendations of the evaluation will be considered fully and actions taken as appropriate moving forward through this financial year.

The Executive Management Board (EMB)

EMB meets weekly, focusing on the Treasury's core functions, ministerial priorities and identified risks. EMB meet separately for additional sessions where members will consider the strategic direction of specific Treasury policy areas and understand the risks across the department to ensure sufficient executive oversight. EMB also meets regularly with the Directors from across the department to receive updates.

An annual business planning process, overseen by EMB sets the department's priorities and resourcing for the year ahead. It was a priority to ensure the department had the right resource to be able to support the government in its priorities.

EMB membership changed during the year, including with the appointment of two second Permanent Secretaries to provide added resilience and continuity during a period of significant personnel changes and to provide additional skills expertise.

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

The short term vacancies open at year end as cited below are in the process of being filled. Full details of staff changes are set out in the Remuneration chapter of this report on pages 133-134

Committee members as at 31 March 2023	Areas of discussion
• Permanent Secretary – James Bowler • Second Permanent Secretaries – Catherine Little and Beth Russell • Director General, Financial Services – Gwyneth Nurse • Director General, Public Spending – Vacant[6] • Chief Economic Adviser – Vacant[7] • Director General, International – Lindsey Whyte • Director General, Tax and Welfare – Dan York-Smith • Director General, Productivity and Growth – Philip Duffy • Finance Director – Anna Caffyn • Director of Operations – Rebecca Coady • Director of Operations (maternity cover) – Tamara Bruck[8] • Director Strategy, Planning and Budget – Vacant • Director International – Veda Poon • Director Treasury Legal Advisers – Peter King[9]	• Quarterly Performance and Risk Reports • Business Planning • Health and Safety • Security and Counter Fraud • Resourcing, Pay and Performance • Diversity and Inclusion • Fiscal Events (Spending Review and Budget) • Ukraine • Climate Strategy • Energy/Growth plan • International Agenda • Departmental Staff Survey results

Sub-committees to the Executive Management Board

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

Operating Committee (OpCo)

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

It also acts in an advisory capacity in relation to finance and management information, including headcount. OpCo meets monthly and is chaired by Catherine Little (Second Permanent Secretary) and any member of EMB is welcome to attend any of the meetings.

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6 Following an open recruitment campaign Conrad Smewing was appointed as Director General, Public Spending on 17 April 2023.

7 Following an open recruitment campaign Sam Beckett was appointed as Chief Economic Adviser and Second Permanent Secretary on 31 May 2023.

8 Tamara Bruck started her role as Director of Operations on 27 March 2023, covering Rebecca Coady who went on maternity leave from April 2023.

9 Recognising the need for additional resilience and continuity on EMB whilst recruiting for a Permanent Secretary and two Director General posts, Conrad Smewing and Peter King joined the Executive Management Board on an interim basis from 13 September 2022. Conrad left on 27 November 2022.

Committee members as at 31 March 2023	Areas of discussion
• Second Permanent Secretary • Finance Director • Director of Operations • Director Strategy, Planning and Budget • 1-3 Directors from the policy side of the Treasury on 1-2 year rotation. • 5-6 Deputy Directors on a 1–2 year rotation • Commercial Director for Cabinet Office and HM Treasury	• Finance, Headcount and Security • Business Planning • Operational Risk • Data Strategy • Counter Fraud • Hybrid and Flexible Safer Working • Business Appointment Rules • Sustainability • Health, Safety and Wellbeing

People Committee

The People Committee supports and challenges the department's performance on people issues and ensures delivery of the People Strategy which incorporates actions on diversity, inclusion and belonging.

The People Committee met for the first time on 18 January 2023, replacing the Diversity Delivery Committee (DDC) as a Sub-Committee of the Executive Management Board (EMB) with delegated authority to make decisions on the form and delivery of the Treasury's people and diversity and inclusion agenda. The People's Committee meets bi-monthly and is chaired by Beth Russell (Second Permanent Secretary).

Committee members as at 31 March 2023	Areas of discussion
• PC Chair and EMB Diversity Champion (Second Permanent Secretary) • Director of Operations • Chair of the Diversity Inclusion Board • Head of People and Capability • Deputy Finance Director • Deputy Director Strategy, Planning and Projects • Head of DIB • Up to 6 additional members of SCS on a 1-2 year rotation	• Recruitment including Graduate Development Programme and Apprenticeships • Bullying, Harassment and Discrimination • Updates and escalation from the Action Plan Project Board • Diversity and inclusion • Departmental diversity networks • Diversity of thought • Development programmes • Sponsoring and mentoring

The Diversity & Inclusion Board (DIB) is a Sub-Committee of the People Committee (PC). It has been established to support the senior management team to bring together representatives from diversity networks across the department for consultation and engagement on diversity and inclusion policy and practice.

Lowri Khan (Director, Financial Stability) is Chair of DIB. She was joined by Sarah Pemberton as deputy and by representatives from the diversity networks across the department. EMB members are welcome to attend any of the meetings.

Other committees

In addition, EMB has two committees focussed on risk: the Economic Risk Group and the Fiscal Risk Group.

The Risk Groups contribute to the Treasury's risk management framework by identifying and tracking indicators, horizon-scanning, and assessing the likelihood, probable impact and potential mitigation of risks, enabling EMB and senior managers to agree an appropriate response.

The Economic Risk Group meets every eight weeks and is co-chaired by the Director of Economics and the Director of Financial Stability. The Fiscal Risk Group is chaired by the Director of Fiscal and meets every six to eight weeks.

Audit and Risk Committee (ARC)

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

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

In accordance with the ARC Handbook[10] the Committee provides independent challenge on the robustness of the mechanisms in place, and the evidence provided, to deliver the assurance needed by the Board and Departmental Accounting Officers. ARC provides oversight of activity performed by the Government Internal Audit Agency (GIAA) and approves the Internal Audit Plan for the year which is developed to assure key risks and controls. The Group Chief Internal Auditor attends every ARC meeting updating on the plan and reporting on key controls. The ARC oversees the work of the department's external auditors, the National Audit Office (NAO).

The NAO present their audit plan, risk assessment and audit findings. The ARC meets privately with both GIAA and NAO to discuss any issues in detail. Members of ARC are appointed by the Chair along with the Principal Accounting Officer. The membership of the committee[12] during the year ended 31 March 2023 was:

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[10] https://www.gov.uk/government/publications/audit-committee-handbook. Further information on how the department manages risk can be found on pages 112 to 114.

- Zarin Patel (Chair of the Audit and Risk Committee and a non-executive director of the Treasury Board)
- Sir Peter Estlin[11]
- Edward Braham
- Jane Hanson
- Ian Kenyon [12]

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

[11] Sir Peter Estlin's appointment finished on 31 October 2022. His interests include: Alderman, City of London. Independent Director, Rothschild & Co; Chair, Association of Apprentices, (previously Group Financial Controller and acting Group CFO, Barclays).

[12] Ian Kenyon joined ARC as an independent member on 25 April 2022 having been appointed by the PAO and Chair of ARC. Ian stepped down on 17 January 2023. Ian's interests included: Director of Nuclear Finance and Programmes at the MoD's Defence Nuclear Organisation and previously held senior finance roles at Kingfisher, Sainsbury's and Chief Finance Officer roles at Carpetright plc, Carphone Warehouse and HMV Group plc and Cancer Research UK). He is Treasurer of the University of Nottingham and a member of their Council, and Trustee of the Kenyon Charity Trust.

Audit and Risk Committee Chair's Report

The Audit and Risk Committee met 6 times in the year and has undergone some membership changes during the year:

Jane Hanson CBE joined us in September 2022 and brings considerable financial and risk experience and we welcome her insight; Peter Estlin's term as a Non-Executive Director ended on 31 October 2022, while it is with regret that Ian Kenyon retired in December 2022. We thank both Peter and Ian for their contributions.

The Committee receives regular progress reports from the Permanent Secretary on the work of the department, and also receives updates from the Second Permanent Secretaries on all matters related to operational risk within the department.

Additionally, regular reports were received from the Finance Director on financial management and budget issues, the financial control framework and on resourcing. The GIAA and NAO also reported to each committee on internal and external audit matters as appropriate. The Committee also took regular updates on the department's management of risk, aiming to ensure that current and emerging risks were appropriately identified and managed.

The Committee has reviewed the annual financial statements for each HM Treasury Fund and Account, including prior to submission for year end audit. The Committee also considered management's responses to issues identified by GIAA in their internal audit activity, and by the NAO in their external audit management letter. This enabled the Committee to provide HM Treasury's Accounting Officers with an independent assessment of the integrity of the financial statements and any reports and associated matters relating to the financial accounts or Governance Statement. In addition this year the Committee reviewed the department's cyber security risks and control frameworks, counter fraud and the controls and risk assurance framework over the department's Arms Length Bodies.

In a year of continued economic challenges including supporting the response to Ukraine the department has continued to act with agility and professionalism. Tom Scholar stepped down as Permanent Secretary of the Department on 8 September 2022. I want to record formally my gratitude to him while welcoming James Bowler as the new Permanent Secretary, where he is supported by our three new Second Permanent Secretaries, Catherine Little, Beth Russell and Sam Beckett (who re-joined the department in May 2023).

Zarin Patel

Chair Treasury Group Audit and Risk Committee

Nominations committee

The nominations Committee considers succession planning within the department. The committee is chaired by the Permanent Secretary and met once during 2022-23.

Committee members as at 31 March 2023	Areas of focus
• Permanent Secretary • Second Permanent Secretaries • NEDs	• Succession planning • Identify and develop leadership potential • Performance and remuneration

Attendance of members at board and committee meetings

Attendance	Treasury Board	TB(SC)	ARC	Nominations Committee
Ministers				
Chancellor	1/1	-	-	-
Chief Secretary	0/1	-	-	-
Economic Secretary	1/1	-	-	-
Exchequer Secretary	1/1	-	-	-
Financial Secretary	0/1	-	-	-
Treasury Lord Minister	1/1	-	-	-
Non-Executives and ARC members				
Edward Braham	1/1	5/5	6/6	1/1
Sir Peter Estlin	-	-	4/4	-
Jane Hanson	1/1	3/3	3/3	1/1
Lord Jonathan Hill	1/1	5/5	-	1/1
Gay Huey Evans CBE	1/1	5/5	-	1/1
Ian Kenyon	-	-	4/5	-
Zarin Patel	0/1	4/5	6/6	0/1
Executives				
James Bowler	1/1	3/3	-	1/1
Tamara Bruck	-	0/0	-	-
Anna Caffyn	1/1	4/5	-	-
Rebecca Coady	-	0/0	-	-
Philip Duffy	-	4/5	-	-
Peter King	-	2/3	-	-
Catherine Little	1/1	4/5	-	1/1
Claire Lombardelli	0/1	4/5	-	-
Gwyneth Nurse	-	4/5	-	-
Veda Poon	-	4/5	-	-
Charles Roxburgh	0/0	1/1	-	-
Beth Russell	1/1	4/5	-	1/1
Tom Scholar	0/0	2/2	-	0/0
Catherine Webb	-	4/5	-	-
Lindsey Whyte	-	2/5	-	-
Dan York-Smith	-	5/5	-	-

HM Treasury's internal group structure and functions

The department is structured into 13 Director led groups, with each group working to achieve the department's core objectives. Each Director has responsibility delegated to them from the management board for the delivery of policy and management of risk within their group. They are also responsible for ensuring any policy or operational risks in their groups are understood across the department to help actively manage the cross-cutting risks.

HM Treasury groups and their responsibilities

The **Business and International Tax Group** provides strategic oversight of business, indirect and property taxes and customs duties that raise over £400 billion annually, delivering policy change in consultation with stakeholders. The group leads the UK's relationship with other countries and international institutions on tax and customs issues and manages and mitigates risks to the UK's tax base.

The **Corporate Centre Group** provides corporate systems, services, solutions and facilities to enable HM Treasury Group (Treasury and its agencies and public bodies) to deliver effectively and efficiently. We also support practical delivery of the government's operational financing needs which are met through the Exchequer Funds team.

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

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

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

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

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

The **International Group** promotes UK interests in international economic and financial policy, by working through major international forums (including the G7 and G20 COP26 Presidencies), international financial institutions, and bilateral relationships; improving the UK's response to economic crime and sanctions implementation; and strengthening the UK's new trading relationships.

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

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

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

The **Public Spending Group** leads on setting overarching public spending strategy and public sector pay policy. It controls and reports on public spending, improves value for money, productivity and efficiency, and works across government to improve finance and risk information, processes and capability.

The **Strategy, Planning and Budget Group** (SPB) is at the heart of the Treasury and core to its strategy. SPB supports the Executive Management Board in setting the strategic direction for the Treasury, working with and alongside groups across the department to bring together the Treasury's departmental objectives into a coherent strategy. SPB co-ordinates fiscal events, promotes excellent policy making across the department and works to ensure the successful delivery of the Darlington Economic Campus.

Quality of information

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

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

Register of interests

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

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

Senior Civil Servant interests

In line with the conflicts process the department have assessed all conflicts declarations for directorships and there is one SCS directorship that is material.

Name	Interest
Clive Martin	Mr Martin holds a paid role as a Director at Clive Martin Consultancy Ltd. Mitigations have been put in place to ensure there is no real conflict of interest. Mr Martin may not use government information for the benefit of his outside role.

No member of EMB held company directorships or other interests which may have conflicted with their responsibilities.

The department has also assessed all conflicts on third party employment for the Senior Civil Service (SCS) in Treasury.
These are as follows:

Name	Role (in the Department)	Outside employment
Rob Montanari	Public Services (Health), Deputy Director	Consultancy to a start-up business in the kids toys/games industry
Eleanor Taylor	BEIS Spending Team, Deputy Director	French tutoring for children after school
Mark McClelland	Special Adviser to the Chief Secretary	Senior Parliamentary Assistant (part time basis) to John Glen
Tim Leunig (Left HMT 30 June 2022)	Director	Lecturer in economic history at London School of Economics

Ministers' interests

The register of ministers' interests is held by Parliament.

Board interests

Other Board member interests are shown below.

NEDs interests are set out in this document on pages 95-97. The following conflicts and mitigations were put in place in relation to potential perceived conflicts of interest for the department's NEDs.

- Gay Huey Evans CBE: mitigation has been put in place to avoid any perceived conflict with her Director role of S&P and in relation to her NED role at Standard Chartered.
- Zarin Patel: mitigation has been put in place to avoid any perceived or real conflict with her Post Office NED role[13].
- Edward Braham: mitigation has been put in place to avoid any real or perceived conflict with his Senior Partner role at Freshfields and his Chair role at M&G.
- Jane Hanson: mitigations have been put in place to avoid any perceived or real conflict with her roles at: the Civil Aviation Authority; Reclaim Fund Limited; Disaster Emergency Committee; and her partners role at the Department for Work and Pensions

Special Adviser interests

In line with the current Declaration of Interests policy for Special Advisers, all Special Advisers have declared any relevant interests or confirmed they do not consider they have any relevant interests. The Permanent Secretary has considered these returns and the following relevant interests are set out in public:

Name	Interest
Mark McClelland	Mr McClelland holds a paid role as a Senior Parliamentary Assistant to John Glen MP. Mr McClelland is a Councillor for Wiltshire Council. Mr McClelland may not use government information for the benefit of his outside roles.
Alex Thompson (Left HMT 24 April 2023)	Mr Thompson was recused from work on one company he held a minor shareholding in.

[13] Zarin Patel stepped down as NED for the Post Office on 13 March 2023

Business Appointment Rules

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

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

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

Total number of leavers from the Civil Service	399
Total number of BARs applications received	782
Total number of BARs with conditions	69
Number of breaches	0

The total number of applications assessed under BARS by grade is as follows:

	Number of BAR applications	Number of BAR applications with set conditions	Unsuitable applications	Breaches of rules
Executive Officer (Range C)	1	1	-	-
Higher / Senior Executive Officers (Range D/D2)	31	25	-	-
Grade 7 (Range E)	22	20	-	-
Grade 6 (Range E2)	15	12	-	-
Special Advisor	7	7	-	-
SCS 1	3	2	-	-
SCS 2	1	-	-	-
SCS 3	2	2	-	-
Total	**82**	**69**	**-**	**-**

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

In compliance with BARs, the department is transparent in the advice given to individual applications for senior staff, including special advisers. Advice regarding specific business appointments has been published on HM Treasury's website.[14]

For reasons of data protection, decisions are not published for applications made by junior officials.

Managing risks to our objectives

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

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

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

HM Treasury's approach to risk management is informed by principles set out in The Orange Book[15]. In line with this guidance, risk management forms an integral part of the department's governance, leadership, and activities. HM Treasury's ARC supports the Accounting Officer in overseeing our Risk Management Framework.

The Committee provides independent, objective and constructive challenge on HM Treasury's internal control and evidence of assurance. This includes oversight of key publications such as the Treasury Annual Report and Accounts, Central Funds and Whole of Government Accounts.

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

15 https://www.gov.uk/government/publications/orange-book

Our risk management framework

The Treasury's risk management framework enables the identification and management of risks to the department's strategic objectives. The framework is underpinned by Directors', Risk Groups' and the Operations Committee's responsibility for monitoring, challenging and reporting on performance against, and risks to, the Treasury's objectives.

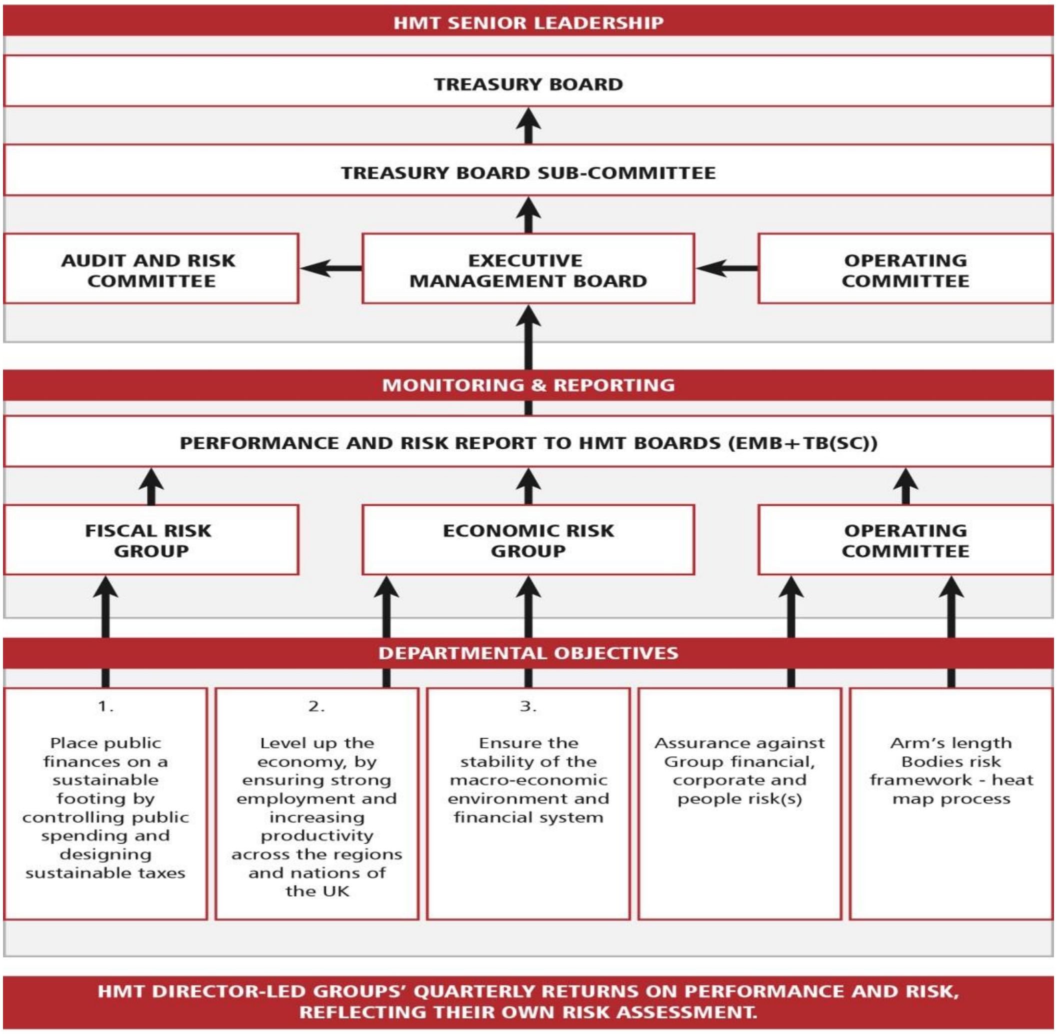
Following a full review in summer 2021 the department embedded a new approach to risk appetite, with EMB setting the appetite for different categories of risk, improving consistency of reporting and driving decision making based on mitigations and responses.

All key updates on performance and risk for EMB and TB(SC) are shared via the Quarterly Performance and Risk Report, escalating critical issues and risks that exceed the department's risk appetite to enable senior managers to respond appropriately.

Throughout 2022-23, EMB has taken an active approach to mitigating and managing specific risks and issues through its regular meetings and ad-hoc risk deep-dive meetings.

These have included discussions on policy issues – including economic developments, supply chain pressures, and the Treasury's work to support the government's policy objectives on climate and the environment – as well as organisational issues such as ensuring the success of the new Economic Campus in Darlington and responding to the department's 2022 Staff Survey results.

Figure 2B: Risk management framework



Principal Accounting Officer’s report

Delegation

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

Assurances

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

The Group Chief Internal Auditor has provided assurance to me (as outlined in his report on page 117) and to the ARC throughout the period. In turn the ARC has challenged and endorsed the Government Internal Audit Agency’s work programme throughout the year, which included following up on key internal audit actions with management to ensure they were delivered.

The Group Annual Accounts are audited by the Comptroller and Auditor General under the requirements of the Government Resources and Accounts Act 2000. His Certificate and Report is set out from page 189. The cost of the external audit is disclosed in Note 26 – Auditor’s Remuneration of the financial statements.

Other internal HM Treasury Group assurances have been provided by:

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

Additional Accounting Officers

To assist in the stewardship of public funds, and to maintain the system of internal control, additional accounting officers have been appointed across HM Treasury Group and details can be found from page 320 of this report.

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

Account Name and Accounting Officer as at 31 March 2023	Notes
Consolidated Fund (CF) James Bowler	The CF was set up in 1787 and is akin to the government's current account. It receives the proceeds of taxation and other government receipts to fund public expenditure.
National Loans Fund (NLF) James Bowler	The NLF was established in 1968 and is akin to the government's main borrowing and lending account. Most of the NLF's borrowing needs are met indirectly through borrowing on its behalf by the Debt Management Office and National Savings and Investments.
Contingencies Fund Catherine Little	The Contingencies Fund is used to finance payments for urgent services in anticipation of parliamentary agreement and to provide funds temporarily to departments for working balances or meet other temporary cash deficiencies. All advances from the Fund must be repaid and where legislation allows are recovered in the same financial year.
Exchange Equalisation Account (EEA) Ruth Curtice	The EEA was established in 1932 to provide a fund that could be used, when necessary, to regulate the exchange value of sterling. It holds, amongst other assets, the UK's reserves of gold and foreign currency assets and comprises the UK's official holdings of international reserves.
Whole of Government Accounts (WGA) Catherine Little	The WGA consolidates the audited accounts of over 10,000 public sector organisations to produce a comprehensive, accounts-based picture of the financial position of the UK public sector.

Internal audit arrangements

Chris Westwood, Director of Internal Audit, Centre of Government at the Government Internal Audit Agency, provided his Annual Report and Opinion on the adequacy and effectiveness of the Treasury's framework of governance, risk management and control to the Principal Accounting Officer and the ARC.

A Moderate opinion was provided for the period 2022-23. This assessment is based on the work that the GIAA have conducted during the year in the department and HM Treasury's ALBs where GIAA undertake their internal auditing. It provides assurance on the adequacy and effectiveness of the risk management, control and governance framework relevant to the annual report and accounts. There were no matters arising from the work of Internal Audit in the period that would give rise to separate comment in the Governance Statement.

Group Chief Internal Auditor's Report

A Moderate assurance rating has been provided for 2022-23. This is the same level of assurance on the adequacy and effectiveness of governance, risk management and internal control that was issued to the Accounting Officer in 2021-22.

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

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

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

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

GIAA has delivered a wide programme of challenging internal audit engagements throughout 2022-23 from policy delivery to core systems and included coverage of a range of Treasury work including OSCAR II, PWLB, Risk Management, EU Financing models, Funding to Combat Illegal Money Lending, No-Interest Loans Scheme (pilot) and Exchequer Funds Accounts, corporate functions and in addition, HMT was also involved in the Cross Government internal audits of Data Management, Compliance with Functional Standards and Partnership Working.

GIAA also attended Project Board meetings of key projects, providing adhoc advice on Multisite Darlington Economic Campus, OSCAR II Renewal Project and TRIS 2022 (the project that is re-procuring IT outsourced services), in order to observe and advise on risk and project management.

Chris Westwood

Director of Internal Audit, Centre of Government

Government Internal Audit Agency

Raising a Concern: Whistleblowing

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

The department's staff survey results in 2022 showed an increase to 60% of staff being aware of how to raise a concern under the Civil Service Code and 76% were confident that if a concern was raised it would be investigated properly.

The department has had 4 nominated officers over the financial year responsible for investigating staff concerns that are raised confidentially. They were:

- Zarin Patel - NED and Chair of the ARC
- Nathan Paget - Group Chief Internal Auditor, Government Internal Audit Agency (until January 2023)
- Aneil Jhumat - Group Chief Internal Auditor, Government Internal Audit Agency[16] (from January 2023)
- Philippa Davies - Director, Public Services Group

During 2022-23 the department received no concerns.

Transparency and scrutiny

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

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

Detail on the scrutiny of the department by internal audit, the public and Parliament can be found from page 67 of the Performance Report.

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[16] Aneil Jhumat acted as an interim nominated officer until April 2023.

The NAO undertakes independent scrutiny of the department's performance. In addition to the financial audit services, the value for money studies of relevance to HM Treasury can be found on page 71.

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

For example, the Public Accounts Committee's Fourth Report of Session 2022-23 on Use of evaluation and modelling in government[17] was published on 18 May 2022, to which the government formally responded in a Treasury Minute[18] published in August 2022. Progress on the implementation of the PAC's recommendations was provided in the Treasury Minutes Progress Report[19] published in December 2022.

Workforce reporting

The Treasury's workforce is critical to its ability to operate effectively, it relies on the expertise of its staff, their hard work and dedication. Information on sickness absence, off payroll engagements and staff pension costs is within the Staff Report on pages 143 to 153.

Personal data incidents

During 2022-23 the department did not experience any personal data breaches meeting the required threshold for notifying the Information Commissioner's Office.

Ministerial directions

The Accounting Officer is accountable to Parliament for ensuring that all expenditure meets the standards under Managing Public Money (MPM). If they conclude one or more of the four Accounting Officer standards cannot be met - regularity, propriety, value for money and feasibility, they must seek a written direction from the senior departmental minister before the expenditure can be committed.

No written directions were sought in the department during 2022-23.

17 https://committees.parliament.uk/publications/22451/documents/165470/default/

18 https://www.gov.uk/government/publications/treasury-minutes-august-2022

19 https://www.gov.uk/government/publications/treasury-minutes-progress-report-december-2022

Operational issues facing the department in 2022-23

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

Resourcing

In 2022-23 the Treasury continued to respond to COVID-19 and to Russia's invasion of Ukraine, as well as embedding the new Economic Campus in Darlington. Further details on the department's policy work and interventions in these and other areas are set out in the Performance Report and in HM Treasury's Outcome Delivery Plan for 2021-22.[20]

The size of the Treasury's workforce in 2022-23 remained broadly consistent with that of the previous year and additional information on our staffing profile is also included in the Staff Report on page 143.

The department operates a flexible and dynamic approach to resourcing – ensuring it is highly responsive and able to work at pace, with scope to move people with relevant experience into key roles quickly where required. This has enabled us to continue to respond effectively, responding to Russia's invasion of Ukraine and achieving wider policy outcomes including those related to the cost of living.

Ukraine

The Treasury has also played a key role in the government's ongoing policy response to Russia's invasion of Ukraine. The department has redirected resources as a result (for example, more than doubling numbers of staff working in the Office of Financial Sanctions Implementation) and enhancing its powers through new legislation. It has also established a temporary new Director-led coordination unit to provide oversight of the overall economic response and impact, which reports regularly to EMB. The department has also put in place resources and support for those personally affected by the situation in Ukraine and Russia.

Change programmes

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

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

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

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

Multi-site working

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

HM Treasury has delivered a change programme focussed on developing the culture, leadership, process, workspace and technology necessary to embed the department's new multisite model. The success of the Darlington Economic Campus rests on the successful adoption of the technology and collaboration tools that will underpin this new multisite approach, ensuring that staff across all our locations have the tools they need to deliver their best work.

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

This work – which will continue in 2023-24 – will enable the department to attract and retain great, diverse talent, work effectively across campuses, deliver value for money for the taxpayer, and keep pace with other government departments and industry.

Diversity and inclusion

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

Our programme of work included:

- Continuing to recruit talented individuals to our Economic Campus in Darlington and engaging with communities to promote a career in the civil service to those that may not have considered it previously. Our broader community focused activity is complimented by the DEC schools outreach programme visiting schools in the region prioritised by deprivation indexes. The campus has also delivered a variety of work experience opportunities.

- A rigorous recruitment outreach programme including expanding apprenticeship opportunities, engaging with a wider range of universities when recruiting to our flagship Graduate Development Programme, undertaking visits to schools with a higher percentage of children eligible for free school meals and extending the networks, guidance and open days we provide to potential applicants.

- Improvements to our support services and procedures for staff with disabilities and long-term health conditions, including a new online request portal for reasonable adjustments.

- Engaging with external partners to support the applications of those from underrepresented backgrounds to our Graduate Development Programme, using lessons learnt and feedback to shape our approach to recruitment across the department.

- Continuing to improve the quality of, and access to our people data.

We have a suite of development programmes for all staff designed to support key career transition points. Our internal development offer includes both a portfolio of formal learning courses and resources, as well as more informal structures and forums – including supporting internal progression for underrepresented groups.

Security

Security remained a priority for the department with HMT taking more responsibility in the UK's national security effort. We increased our resource to mitigate cyber threats and cleared more staff to higher security levels following the Russian invasion of Ukraine.

Twice annual security briefings were delivered to EMB by our Senior Security Adviser. Security communications to staff remained a priority, incorporating guidance from the National Cyber Security Centre and the Government Security Group.

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

We continued to refresh departmental Business Continuity plans, further increased our expertise and worked with colleagues across government to ensure key role holders understand their roles in any Business Continuity event.

The Corporate Governance Code

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

Conclusion

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

James Bowler

Permanent Secretary

11 July 2023

Statement of Accounting Officer responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the department to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the department (inclusive of its executive agencies) and its sponsored non-departmental and other arm's length public bodies designated by order made under the GRAA by Statutory Instrument 2022 number 247 and 1319 (together known as the 'departmental group', consisting of the department and sponsored bodies listed at Note 1.2 to the accounts).

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

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

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

HM Treasury appointed the Permanent Secretary of the department as Principal Accounting Officer of the department. James Bowler was appointed as the Permanent Secretary and Principal Accounting Officer for HM Treasury on 17 October 2022. The former Permanent Secretary Tom Scholar stepped down from his role on 8 September 2022. The interim period was covered by Beth Russell and Catherine Little who were appointed as Acting Permanent Secretary's, with Catherine Little acting as Principal Accounting Officer.

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

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

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

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

Statement regarding the disclosure of information to the auditors

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

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

Remuneration and staff report

Remuneration report[21]

Treasury ministers – single total figures of remuneration (audited)

£[22]	2022-23 Salary (FYE)	2022-23 Benefits in kind[23]	2022-23 Pension benefits[24]	2022-23 Total	2021-22 Salary (FYE)	2021-22 Benefits in kind	2021-22 Pension benefits	2021-22 Total
Current Ministers								
Jeremy Hunt Chancellor of the Exchequer (from 14/10/22)	31,393 (67,505)	3,100	8,000	**43,000**	-	-	-	**-**
John Glen Chief Secretary to the Treasury[25] (from 25/10/22), Economic Secretary to the Treasury (to 06/07/22)	-	-	-	**-**	10,317	-	6,000	**16,000**
Victoria Atkins Financial Secretary to the Treasury (from 27/10/22)	13,626 (31,680)	-	3,000	**17,000**	-	-	-	**-**
Andrew Griffith Economic Secretary to the Treasury[25] (from 27/10/22), Financial Secretary to the Treasury (from 08/09/22 to 27/10/22)	-	-	-	**-**	-	-	-	**-**
James Cartlidge Exchequer Secretary to the Treasury (from 28/10/22)[26]	9,563 (22,375)	-	2,000	**12,000**	-	-	-	**-**
Baroness Penn Treasury Lords Minister (from 30/10/22)	31,653 (70,969)	-	7,000	**39,000**	-	-	-	**-**
Former Ministers								
Kwasi Kwarteng Chancellor of the Exchequer (from 06/09/22 to 13/10/22)[27]	2,359 (67,505)	200	-	**3,000**	**-**	**-**	**-**	**-**
Nadhim Zahawi Chancellor of the Exchequer (from 05/07/22 to 05/09/22)	11,251 (67,505)	1,100	3,000	**15,000**	**-**	**-**	**-**	**-**

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

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

[23] Chancellor of the Exchequer received benefits in kind in respect of the use of the official Downing Street residence.

[24] Where nil values are shown Ministers either opted out of the scheme or were unpaid.

[25] The Chief Secretary to the Treasury (from 25 October 2022) and Economic Secretary to the Treasury are currently unpaid roles. Andrew Griffith did not receive a salary for his time as Financial Secretary to the Treasury.

[26] On 21 April 2023 James Cartlidge was replaced by Gareth Davies as Exchequer Secretary to the Treasury.

[27] Kwasi Kwarteng did not participate in the ministerial pension scheme during his time as Chancellor of the Exchequer.

£[22]	2022-23 Salary (FYE)	2022-23 Benefits in kind[23]	2022-23 Pension benefits [24]	2022-23 Total	2021-22 Salary (FYE)	2021-22 Benefits in kind	2021-22 Pension benefits	2021-22 Total
Rishi Sunak Chancellor of the Exchequer[28] (to 04/07/22)	17,602 (67,505)	1,800	-	**19,000**	67,505	6,800	N/A	74,000
Edward Argar Chief Secretary to the Treasury[29] (from 14/10/22 to 24/10/22)	-	-	-	**-**	**-**	**-**	**-**	**-**
Chris Philp Chief Secretary to the Treasury (from 06/09/22 to 13/10/22)	4,840 (31,680)	-	1,000	**5,000**	**-**	**-**	**-**	**-**
Sir Simon Clarke Chief Secretary to the Treasury (from 15/09/21 to 05/09/22)	15,840 (31,680)	-	3,000	**19,000**	17,248 (31,680)	-	5,000	22,000
Stephen Barclay Chief Secretary to the Treasury (to 14/09/21)	-	-	-	**-**	15,840 (31,680)	-	3,000	19,000
Lucy Frazer Financial Secretary to the Treasury (from 16/09/21 to 07/09/22)	15,840 (31,680)	-	4,000	**19,000**	17,160 (31,680)	-	4,000	21,000
Jesse Norman Financial Secretary to the Treasury (to 15/09/21)	-	-	-	**-**	14,520 (31,680)	-	3,000	18,000
Richard Fuller Economic Secretary to the Treasury[25] (from 08/07/22 to 26/10/22)	-	-	-	**-**	-	-	-	-
Felicity Buchan Exchequer Secretary to the Treasury (from 08/09/22 to 29/10/22)	3,294 (22,375)	-	1,000	**4,000**	-	-	-	-
Alan Mak Exchequer Secretary to the Treasury (from 08/07/22 to 07/09/22)	3,743 (22,375)	-	1,000	**5,000**	-	-	-	-
Helen Whately Exchequer Secretary to the Treasury (from 16/09/21 to 07/07/22)	6,015 (22,375)	-	1,000	**7,000**	12,120 (22,375)	-	3,000	15,000

[28] Rishi Sunak did not participate in the ministerial pension scheme during his time as Chancellor of the Exchequer.

[29] Edward Argar remained on the Cabinet Office payroll for the period he served as Chief Secretary to the Treasury.

Treasury ministers – severance payments[30] (audited)

£[31]	2022-23 Actual Severance Received	2022-23 Severance Entitlement	2021-22 Actual Severance Received	2021-22 Severance Entitlement
Kwasi Kwarteng Chancellor of the Exchequer (to 13/10/22)	16,876	16,876	-	-
Rishi Sunak [32] Chancellor of the Exchequer (to 04/07/22)	16,876	16,876	-	-
Alan Mak Exchequer Secretary to the Treasury (to 07/09/22)	5,593	5,593	-	-
Helen Whately Exchequer Secretary to the Treasury (to 07/07/22)	5,593	5,593	-	-
Jesse Norman Financial Secretary to the Treasury (to 15/09/21)	-	-	7,920	7,920

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

31 Severance payments are presented to the nearest £1.

32 Rishi Sunak repaid severance in the sum of £16,876.

Treasury ministers – pension benefits (audited)

£000	Accrued pension at pension age as at 31/3/23	Real increase in pension at pension age	CETV[33] at 31/3/23	CETV at 31/3/22 [34]	Real increase in CETV
Current Ministers					
Jeremy Hunt Chancellor of the Exchequer	15-20	0-2.5	285	258	5
John Glen [35] Chief Secretary to the Treasury	N/A	N/A	N/A	N/A	N/A
Victoria Atkins Financial Secretary to the Treasury	0-5	0-2.5	30	26	1
Andrew Griffith [36] Economic Secretary to the Treasury	N/A	N/A	N/A	N/A	N/A
James Cartlidge Exchequer Secretary to the Treasury	0-5	0-2.5	5	3	1
Baroness Penn Treasury Lords Minister	0-5	0-2.5	36	29	2
Former Ministers					
Kwasi Kwarteng [36] Chancellor of the Exchequer	N/A	N/A	N/A	N/A	N/A
Nadhim Zahawi Chancellor of the Exchequer	0-5	0-2.5	18	15	2
Rishi Sunak [36] Chancellor of the Exchequer	N/A	N/A	N/A	N/A	N/A
Edward Argar [35] Chief Secretary to the Treasury	N/A	N/A	N/A	N/A	N/A
Chris Philp Chief Secretary to the Treasury	0-5	0-2.5	15	14	-
Sir Simon Clarke Chief Secretary to the Treasury	0-5	0-2.5	11	8	1
Lucy Frazer Financial Secretary to the Treasury	0-5	0-2.5	37	32	2
Richard Fuller [35] Economic Secretary to the Treasury	N/A	N/A	N/A	N/A	N/A
Felicity Buchan Exchequer Secretary to the Treasury	0-5	0-2.5	1	-	1
Alan Mak Exchequer Secretary to the Treasury	0-5	0-2.5	1	-	-
Helen Whatley Exchequer Secretary to the Treasury	0-5	0-2.5	17	15	1

[33] Cash Equivalent Transfer Value. There are impending changes to the CETV basis used for calculating these figures. The expected impact of the change is an increase in the CETV related values.

[34] Figures have been restated where the administrator has made retrospective updates to the data.

[35] These ministers were in unpaid roles, therefor there are no figures to disclose.

[36] These ministers opted out of the scheme.

Additional ministerial remuneration borne by HM Treasury (audited)

The table above shows remuneration for those in post throughout the year and not only at 31 March.

£000	2022-23	2021-22
Current Ministers		
Rishi Sunak Prime Minister[37] (from 25/10/22)	**30-35 (75-80)**	-
Simon Hart Chief Whip, Commons (from 25/10/22)	**10-15 (30-35)**	-
Marcus Jones Deputy Chief Whip, Commons (from 27/10/22)	**10-15 (30-35)**	-
Baroness Williams of Trafford Chief Whip, Lords (from 07/09/22)	**65-70 (115-120)**	-
The Earl of Courtown Deputy Chief Whip, Lords	**105-110**	105-110
Former Ministers		
Liz Truss Prime Minister[37] (from 06/09/22 to 24/10/22)	5-10 (75-80)	-
Boris Johnson Prime Minister[37] (to 05/09/22)	30-35 (75-80)	75-80
Wendy Morton Chief Whip, Commons (from 06/09/22 to 24/10/22)	0-5 (30-35)	-
Christopher Heaton-Harris Chief Whip, Commons (to 05/09/22)	15-20 (30-35)	0-5 (30-35)
Mark Spencer Chief Whip, Commons (to 07/02/22)	-	25-30 (30-35)
Craig Whittaker Deputy Chief Whip, Commons (from 08/09/22 to 25/10/22)	0-5 (30-35)	-
Kelly Tolhurst Deputy Chief Whip, Commons (from 01/07/22 to 06/09/22)	5-10 (30-35)	-
Christopher Pincher Deputy Chief Whip, Commons (to 30/06/22)	5-10 (30-35)	0-5 (30-35)
Stuart Andrew Deputy Chief Whip, Commons (to 07/02/22)	-	25-30
Lord Ashton of Hyde Chief Whip, Lords (to 06/09/22)	50-55 (115-120)	120-125
Other Additional Ministers (includes current and former ministers)		
Baronesses and Lords-in-Waiting	**490-495**	495-500
Government and Assistant Government Whips	**260-265**	250-255

[37] In addition to the ministerial salary listed above, serving Prime Ministers receive a benefit in kind in respect of the use of the official Downing Street residence. Boris Johnson received £3,200 in 2022-23 (2021-22 £7,500); Liz Truss received £500 in 2022-23, Rishi Sunak received £3,200 in 2022-23 in respect of his role as Prime Minister.

Baroness and Lords-in-Waiting comprise

Current – 5 posts: Baroness Bloomfield of Hinton Waldrist, Lord Harlech, Lord Davies of Gower, Lord Caine, Lord Evans of Rainow.

Former: Viscount Younger of Leckie, Lord Sharpe of Epsom, Baroness Penn of Teddington, Baroness Scott of Bybrook, Lord Parkinson of Whitley Bay.

Government and Assistant Government Whips comprise

Current – 14 posts: Rebecca Harris MP, Jo Churchill MP, Andrew Stephenson MP, Amanda Solloway MP, Steve Double MP, Jacob Young MP, Fay Jones MP, Robert Largen MP, Mike Wood MP, Stuart Anderson MP, Joy Morrissey MP, Ruth Edwards MP, Julie Marson MP, Scott Mann MP.

Former: Nigel Huddleston MP, Adam Holloway MP, Gareth Johnson MP, Craig Whittaker MP, David TC Davies MP, Sarah Dines MP, Lee Rowley MP, James Dudderidge MP, Rt Hon Sir David Evennett, Michael Tomlinson MP, Suzanne Webb MP, David Morris MP, Lia Nici MP, Mark Jenkinson MP, Damien Moore MP, Darren Henry MP, James Cartlidge MP, Heather Wheeler MP, Andrea Jenkyns MP, Marcus Jones MP, James Morris MP.

Additional ministers - severance payments[38] (audited)

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

£[39]	2022-23		2021-22	
	Actual Severance Received	**Severance Entitlement**	**Actual Severance Received**	**Severance Entitlement**
Lord Ashton of Hyde Captain of the Honourable Corps of Gentlemen at Arms (to 06/09/22)	20,371	20,371	-	-
Liz Truss Prime Minister (from 06/09/22 to 24/10/22)	18,660	18,660	-	-
Boris Johnson Prime Minister (to 05/09/22)	18,660	18,660	-	-
Lord Parkinson of Whitley Bay[40] (to 19/09/22)	16,406	16,406	-	-
Baroness Penn of Teddington[40] (to 19/09/22)	7,572	16,406	-	-
Wendy Morton Parliamentary Secretary to the Treasury (from 06/09/22 to 24/10/22)	7,920	7,920	-	-

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

39 Severance payments are presented to the nearest £1.

40 Baroness Penn and Lord Parkinson of Whitley Bay each repaid severance to the government in the sum of £8,834, the equivalent to seven weeks of their claimed annual ministerial salaries representing the period after which, they were reappointed within the government.

£[39]	2022-23 Actual Severance Received	2022-23 Severance Entitlement	2021-22 Actual Severance Received	2021-22 Severance Entitlement
Craig Whittaker Deputy Chief Whip, Commons (from 08/09/22 to 25/10/22	7,920	7,920	-	-
Christopher Pincher Deputy Chief Whip, Commons (to 30/06/22)	7,920	7,920	-	-
Adam Holloway, Lord Commissioner of HM Treasury, Government Whip (to 26/10/22)	4,479	4,479	-	-
Lee Rowley, Lord Commissioner of HM Treasury, Government Whip (to 06/07/22)	4,479	4,479	-	-
Rt Hon Sir David Evennett, Lord Commissioner of HM Treasury, Government Whip (to 26/10/22)	4,479	4,479	-	-
Lia Nici, Lord Commissioner of HM Treasury, Assistant Government Whip (to 26/10/22)	4,479	4,479	-	-
Mark Jenkinson, Lord Commissioner of HM Treasury, Assistant Government Whip (to 26/10/22)	4,479	4,479	-	-
Damien Moore, Lord Commissioner of HM Treasury, Assistant Government Whip (to 26/10/22)	4,479	4,479	-	-
Darren Henry, Lord Commissioner of HM Treasury, Assistant Government Whip (to 26/10/22)	4,479	4,479	-	-
James Cartlidge[41], Lord Commissioner of HM Treasury, Assistant Government Whip (to 07/07/22)	4,479	4,479	-	-
Suzanne Webb, Lord Commissioner of HM Treasury, Assistant Government Whip (to 19/09/22)	4,479	4,479	-	-
David Morris, Lord Commissioner of HM Treasury, Assistant Government Whip (to 19/09/22)	4,479	4,479	-	-
Julie Marson[41], Lord Commissioner of HM Treasury, Assistant Government Whip (to 19/09/22)	4,479	4,479	-	-
David Duguid Lord Commissioner of HM Treasury, Government Whip (to 16/09/21)	-	-	4,479	4,479
Craig Whittaker Lord Commissioner of HM Treasury, Government Whip (to 08/02/22)	-	-	4,479	4,479

[41] Severance payments for James Cartlidge and Julie Marson relate to roles before their current Treasury ministerial appointments.

Senior management – single total figure of remuneration (audited)

£000[42]	2022-23 Salary (FYE)	2022-23 Bonuses	2022-23 Pension benefits	2022-23 Total	2021-22 Salary (FYE)	2021-22 Bonuses	2021-22 Pension benefits	2021-22 Total
Current Management								
James Bowler Permanent Secretary (from 17/10/22)	75-80 (180-185)	-	32	**105-110**	-	-	-	**-**
Cat Little Second Permanent Secretary (from 17/10/22); Director General, Public Spending (to 17/10/22)[43]	155-160	10-15	59	**230-235**	140-145	15-20	55	**210-215**
Beth Russell Second Permanent Secretary (from 17/10/22); Director General, Tax and Welfare (to 17/10/22)	155-160	10-15	37	**205-210**	145-150	15-20	36	**195-200**
Philip Duffy Director General, Productivity and Growth	135-140	10-15	14	**160-165**	125-130	5-10	36	**165-170**
Gwyneth Nurse Director General, Financial Services (from 01/01/22)	130-135	10-15	98	**240-245**	25-30 (115-120)	-	8	**35-40**
Lindsey Whyte Director General, International Finance (from 22/11/21)	125-130	-	72	**200-205**	45-50 (115-120)	-	34	**80-85**
Dan York-Smith Director General, Tax and Welfare (from 02/03/23); Director, Strategy, Planning and Budget (to 02/02/23)[43]	115-120	10-15	55	**185-190**	95-100	10-15	30	**140-145**
Rebecca Coady Director, Operations (from 14/03/23)	0-5 (95-100)	-	2	**5-10**	-	-	-	**-**
Tamara Bruck Director, Operations (from 27/03/23)[44]	0-5 (105-110)	-	-	**0-5**	-	-	-	**-**
Anna Caffyn Director, Finance	95-100	10-15	7	**115-120**	95-100	10-15	39	**150-155**
Veda Poon Director, International	95-100	10-15	8	**120-125**	100-105	10-15	42	**155-160**
Peter King, Treasury Legal Advisor (from 13/09/22)[45]	-	-	-	**-**	-	-	-	**-**
Former Management								
Tom Scholar Permanent Secretary (to 08/09/22)	540-545 (195-200)	-	11	**550-555**	195-200	-	56	250-255
Charles Roxburgh Second Permanent Secretary (to 30/06/22)	65-70 (160-165)	-	-	**65-70**	160-165	15-20	N/A	175-180
Clare Lombardelli Chief Economic Adviser (to 26/03/23)	140-145	10-15	23	**180-185**	140-145	15-20	43	200-205
Catherine Webb Director, Operations (to 03/02/23)	85-90 (105-110)	10-15	9	**110-115**	100-105	10-15	43	160-165
Conrad Smewing Director General, Public Spending (from 13/09/22 to 27/11/22)	30-35 (100-105)	-	-	**30-35**	-	-	-	-
Mark Bowman Director General, International and EU (to 30/09/21)	-	-	-	**-**	75-80 (145-150)	-	(1)	75-80

[42] Salary and full year equivalent (FYE), bonuses and totals are presented in £5000 bands. FYE is shown in brackets. Benefits in kind are presented to the nearest £100, pension benefits and total remuneration to the nearest £1,000. There were no benefits in kind for 2022-23 or 2021-22.

[43] Director General, Public Spending and Director Strategy, Planning and Budgeting were a vacant posts as at 31 March 2023.

[44] Tamara Bruck started her role as Operations Director on 27 March 2023, covering Rebecca Coady who went on maternity leave from April 2023.

[45] Peter King sits on the Executive Management Board but is paid by the Government Legal Department.

Tom Scholar received a severance payment of £335k for loss of office paid during 2022-23. After stepping down as Permanent Secretary, and before leaving the department on 2 November, Tom Scholar received £122k, which includes annual leave adjustments and compensation in lieu of notice. These amounts are included above in the 2022-23 salary disclosure for Tom Scholar.

Tom Scholar ceased to act as Permanent Secretary on 08 September 2022. Before James Bowler was appointed as the new Permanent Secretary on 17 October 2022, Beth Russell and Cat Little jointly led the department as Acting Permanent Secretaries on an interim basis.

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

The bonus awards made in HM Treasury in the current year reflect the previous year’s performance and all bonus payments were within the thresholds set by Cabinet Office. No permanent secretary bonuses were paid in respect of performance in 2021-22.

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

Senior management – pension benefits (audited)[46]

£'000	Accrued pension at pension age as at 31/3/23 and related lump sum	Real increase in pension at pension age	CETV at 31/3/23	CETV at 31/03/22 [47]	Real increase in CETV[48]
Current management					
James Bowler Permanent Secretary	70–75 plus a lump sum of 130-135	0–2.5 plus a lump sum of 0–2.5	1,146	1,086	17
Cat Little Second Permanent Secretary	30-35	2.5–5	304	258	22
Beth Russell Second Permanent Secretary	55–60 plus a lump sum of 105–110	2.5 – 5 plus a lump sum of 0	937	826	11
Philip Duffy Director General, Productivity and Growth	40–45 plus a lump sum of 60 – 65	0–2.5 plus a lump sum of 0	556	502	(6)
Gwyneth Nurse Director General, Financial Services	50–55 plus a lump sum of 95 – 100	5–7.5 plus a lump sum of 5 – 7.5	942	776	73
Lindsey Whyte Director General, International Finance	45–50 plus a lump sum of 5 – 10	2. 5-5 plus a lump sum of 0 – 2.5	655	548	38
Dan York-Smith Director General, Tax and Welfare	35–40	2.5–5	476	402	25
Rebecca Coady Director, Operations	10-15	0-2.5	103	102	1
Tamara Bruck Director, Operations	30-35	0-2.5	476	475	-
Anna Caffyn Director, Finance	30–35	0–2.5	423	383	(8)
Veda Poon Director, International	30–35	0-2.5	359	326	(6)
Former management					
Tom Scholar, Permanent Secretary	90-95 plus a lump sum of 165-170	0-2.5 plus a lump sum of 0	1,589	1,518	(7)
Clare Lombardelli, Chief Economic Adviser	40–45	0–2.5	545	488	(1)
Catherine Webb Director, Operations	35–40 plus a lump sum of 55–60	0–2.5 plus a lump sum of 0	489	447	(6)
Conrad Smewing, Director General, Public Spending	35-40	0-2.5	472	467	(3)

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

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

[48] Taking account of inflation, the CETV funded by the employer has decreased in real terms and a negative CETV is shown for some individuals.

Fair pay (audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in the organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce. This disclosure encompasses HM Treasury and its Agencies.

The banded remuneration of the highest paid director employed by HM Treasury in the financial year 2022-23 was a salary of £195k-£200k plus a bonus of nil (2021-22: Salary £195k-200k plus a bonus of nil). This was 3.7 times (2021-22: 4.0 times) the median remuneration of the workforce, which was £52,839 (2021-22: £49,777).

The reduction in the median remuneration ratio is primarily driven by changes in the grade mix of employees and an increase in performance related pay.

The median pay ratio for 2022-23 reflects the remuneration policies of the department in light of the pay freeze and bonuses paid for the performance year 2021-22.

In 2022-23, no employee received remuneration in excess of the highest paid director. Remuneration ranged from £21.2k to £193.1k (2021-22: £16k to £202k).

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

	2022-23 £000	2021-22 £000	Movement %
Highest paid director			
Salary and allowances	195-200	195-200	-
Performance pay and bonuses	-	-	-

	2022-23 £	2021-22 £	Movement %
Average (mean) remuneration of other employees			
Salary and allowances	51,004	49,390	3%
Performance pay and bonuses	971	519	87%

Total pay and benefits	2022-23 Lower Quartile (25%)	2022-23 Median (50%)	2022-23 Upper Quartile (75%)	2021-22 Lower Quartile (25%)	2021-22 Median (50%)	2021-22 Upper Quartile (75%)
Remuneration	£34,379	£52,839	£60,515	£32,968	£49,777	£59,120
Ratio	5.7	3.7	3.3	6.0	4.0	3.3
Salary only	**Lower Quartile (25%)**	**Median (50%)**	**Upper Quartile (75%)**	**Lower Quartile (25%)**	**Median (50%)**	**Upper Quartile (75%)**
Remuneration	£33,629	£51,350	£59,428	£32,320	£49,539	£57,680
Ratio	5.9	3.8	3.3	6.1	4.0	3.4

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

£000[49]	2022-23 Fees (FYE)	2022-23 Benefits in kind	2021-22 Fees (FYE)	2021-22 Benefits in kind
Rt Hon Lord Hill of Oareford CBE Lead Non-Executive for HM Treasury	20-25	-	20-25	-
Zarin Patel Non-Executive Director and Chair of the Audit and Risk Committee (from 01/01/22);	20-25	-	10-15 (20-25)	-
Edward Braham Non-Executive Board member	15-20	-	0-5 (20-25)	-
Jane Hanson CBE Non-Executive Director and member of the Audit and Risk Committee (from 01/09/2022)	10-15 (20-25)	-	-	-
Gay Huey Evans CBE Non-Executive Board member	15-20	-	15-20	-
Ian Kenyon Member of the Audit and Risk Committee (from 25/04/22 to 17/01/23)[50]	-	-	-	-
Sir Peter Estlin Member of the Audit and Risk Committee (to 31/10/22)	5-10	-	5-10	-
Richard Meddings CBE Non-Executive Board member and Chair of the Audit and Risk Committee (to 31/12/21)	-	-	15-20 (20-25)	-
Tim Score Non-Executive Board member (to 31/12/21)	-	-	15-20 (20-25)	-

During the year Rt Hon Lord Hill of Oareford CBE donated his fees to charity.

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

[50] This is unpaid as Ian Kenyon was a serving Civil Servant.

Remuneration policy

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

In making its recommendations, the Review Body considers:

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

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

Service contracts

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

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

Pay committees

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

Salary and bonuses

Salary covers both pensionable and non-pensionable amounts and includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances; and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the department and thus recorded in these accounts.

In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration. The salary for their services as an MP £84,144 (from 1 April 2022) and various allowances to which they are entitled are borne centrally.

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

Bonuses are based on performance levels achieved in 2021-22 and comparative bonuses on those achieved in 2020-21. Annual bonuses are paid following the appraisal process.

Benefits in kind

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

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

Ministerial pensions

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

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

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

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

Civil service pensions

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

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

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

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

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

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

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

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

Cash Equivalent Transfer Value (CETV)

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

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

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

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

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-24 CETV figures.

Real increase in CETV

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

Payments to past directors (audited)

Payments were made to Tom Scholar (former Permanent Secretary) as detailed within the remuneration report (see page 134). No other payments have been made to former directors of the department in 2022-23 (2021-22: nil).

Staff Report[51]

Workforce dynamics[52]

Core Treasury – Workforce breakdown (headcount)

		31 March 2023	31 March 2022
Workforce Dynamics (%)	Annual Turnover rate (%)	25.7	18.8
Workforce Diversity (%)[53]	Diverse Ethnic Background	18.4	19.2
	Women	49.3	50.1
	Disabled person	10.2	10.2
	Part time	7.0	7.9
	Lesbian, gay, bisexual, other (LGBO)	9.2	8.5
	Lower socio-economic background (LSEB)[54]	16.5	16.6
Diversity of Senior Civil Servants only (%)[53]	Diverse Ethnic Background	13.4	14.5
	Women	50.0	50.0
	Disabled person	6.3	6.6
	Part time	17.6	18.4
	LGBO	7.0	7.9
	LSEB	n/a	n/a

51 This part of the Remuneration and Staffing Report provides details of staff numbers and costs, including pension costs and exit packages for the Treasury Group in 2022-23. With the exception of the table which details average staff numbers, all numbers are presented on an actual basis as at the reporting date. Information is reported in headcount unless indicated as FTE in the heading. For information on staff matters, such as recruitment, Civil Service People Survey results and diversity see Strategic Enablers from page 58.

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

53 Diversity percentages are calculated based on paid headcount using ONS definitions. This includes personnel on maternity and paternity leave, and short-term secondments. Further information on how HMT fulfils its responsibilities under the Public Sector Equality Duty (PSED) in the Equality Act 2010 is available on pages 76-77.

54 LSEB figures have been aligned to match the way this category is mapped in HMT reporting, which is based on Cabinet Office and ONS guidance. To enable comparisons between years, the 2022 figure has been restated.

Core Treasury – Staff composition (FTE) as at 31 March 2023 (31 March 2022)

	Female	Male	Total
All employees	978 (1,011)	1,030 (1,034)	2,008 (2,045)
Of which:			
Senior Civil Service	66.6 (70.5)	69.5 (75.1)	136.1 (145.6)
Directors (SCS2)	15.0 (12.5)	13.5 (12.0)	28.5 (24.5)

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

Range55	**31 March 2023**	**31 March 2022**
SCS1	101	113
SCS2	29	24
SCS3	7	8
Total	**137**	**145**

Core Treasury - Grade diversity (headcount) as at 31 March 2023 (31 March 2022)

Range	Women	People from Ethnically Diverse Background	People with disabilities	LGBO	LSEB
B (%)	65.3 (63.5)	18.4 (26.9)	n/a (5.8)	n/a (11.5)	n/a (n/a)
C (%)	62.9 (67.7)	26.2 (28.6)	n/a (10.0)	6.3 (6.4)	11.4 (15.9)
D (%)	46.1 (49.3)	19.9 (21.2)	11.9 (11.6)	11.6 (9.6)	9.5 (19.8)
E (%)	46.2 (44.7)	17.3 (16.4)	9.1 (10.2)	8.8 (9.6)	6.4 (13.4)
E2 (%)	49.8 (48.2)	12.9 (14.0)	10.8 (9.4)	8.4 (5.0)	9.8 (19.4)
SCS 1,2,3 (%)	50.0 (50.0)	13.4 (14.5)	6.3 (6.6)	n/a (7.9)	n/a (n/a)

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

Core Treasury - Grade diversity by age as at 31 March 2023 (31 March 2022)

Range	Under 30	30-39	40-49	50+
B (%)	n/a (n/a)	n/a (n/a)	n/a (n/a)	n/a (n/a)
C (%)	51.5 (50.0)	13.1 (13.6)	17.7 (13.2)	17.7 (23.2)
D (%)	65.8 (70.5)	20.8 (17.4)	5.9 (5.5)	7.6 (6.5)
E (%)	39.8 (44.4)	43.7 (40.0)	8.0 (7.0)	8.5 (8.6)
E2 (%)	3.8 (5.8)	70.0 (69.1)	18.8 (18.3)	7.3 (6.8)
SCS 1,2,3 (%)	n/a (n/a)	n/a (n/a)	n/a (n/a)	n/a (n/a)

Recruitment[56]

Core Treasury – Recruitment (headcount) 2022-23 (2021-22)

Range	Permanent appointments	Fixed term appointments	Loans from other government departments	Secondments	Total
B[57]	14 (13)	40 (42)	- (-)	- (-)	54 (55)
C	91 (52)	4 (15)	5 (1)	- (-)	100 (68)
D	204 (211)	3 (4)	12 (21)	8 (6)	227 (242)
E	75 (78)	5 (4)	9 (8)	7 (5)	96 (95)
E2	25 (27)	- (-)	1 (4)	1 (5)	27 (36)
SCS 1,2,3	13 (5)	- (-)	2 (4)	- (-)	15 (9)
Total	**422 (386)**	**52 (65)**	**29 (38)**	**16 (16)**	**519 (505)**

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

57 Including students.

Staff redeployment (headcount) – Core Treasury

Loaned In

	Loaned in total	Loaned in short-term (6 months or less)[58]	Loaned in long-term (more than 6 months)	Average loan in (years)
Range B	-	-	-	-
Range C	3	1	2	1.7
Range D	12	2	10	1.2
Range E	11	2	9	1.8
Range E2	3	-	3	1.6
SCS1	3	-	3	2.8
SCS2	2	-	2	1.5
Total	**34**	**5**	**29**	**1.6**

Loaned Out

	Loaned out total	Loaned out short-term (6 months or less)[59]	Loaned out long-term (more than 6 months)	Average loan out (years)
Range B	-	-	-	-
Range C	4	-	4	2.0
Range D	32	-	32	2.0
Range E	44	1	43	2.3
Range E2	19	-	19	2.4
SCS1	15	-	15	2.6
SCS2	5	-	5	2.5
Total	**119**	**1**	**118**	**2.3**

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

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

Health, safety and wellbeing

Sickness absence

	Jan – Dec 2022 Average working days lost	Jan – Dec 2021 Average working days lost
Government Departments[60]	7.9	6.1
Treasury and its agencies	3.6	3.2
Core Treasury	2.2	2.6

Staff with no sickness absence

	Jan – Dec 2022	Jan – Dec 2021
Treasury and its agencies	54%	68%
Core Treasury	66%	71%

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

	Jan – Dec 2022	Jan – Dec 2021
Total days lost	1,599.5	1,414.0
Long term absence days lost	938.0	954.0
Short term absence days lost	661.5	460.0

Trade Union Facilities Time

Relevant union officials

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

Percentage of pay bill spent on facility time

The percentage of total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period was less than 1%. The total cost of facility time was £3,078 of a total pay bill of £142m[61].

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

60 Figures provided by Cabinet Office. Taken from the latest cross-government data for the year ended 31 March 2022 and 2021. https://www.gov.uk/government/collections/sickness-absence

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

Analysis of staff costs (audited)

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

Staff Costs

In £m	Permanent staff	Other[62]	Ministers	2022-23 £000 Total	2021-22 £000 Total (restated)
Wages and salaries	181	31	1	**213**	199
Social security costs	22	-	-	**22**	21
Other pension costs	28	-	-	**28**	32
Sub total	**231**	**31**	**1**	**263**	252
Less recoveries in respect of outward secondments	(2)	-	-	**(2)**	(2)
Total net costs	**229**	**31**	**1**	**261**	250
Core department & Agencies	182	4	1	187	191
Departmental Group	49	27	-	76	61
Total Costs	**231**	**31**	**1**	**263**	252

Staff costs include costs in relation to discontinued operations for 2021-22 of £4m wages and salaries and £1m other pension costs.

See also Note 3 – Staff costs and numbers

Average number of full-time equivalent persons employed

	Ministers	Special Advisors	Permanent staff	Other	2022-23 Number Total	2021-22 Number Total (restated)[63]
Core Treasury and agencies	5	6	2,597	64	2,672	2,665
ALBs and other bodies	-	-	751	186	937	837
Total persons employed	**5**	**6**	**3,348**	**250**	**3,609**	**3,502**

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

[63] Restated due to Pool Re becoming part of the HM Treasury Group.

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

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

Staff pension costs

Staff pension costs for permanent staff of £28m (2021-22: £32m) are primarily employer contributions, including £36m (2021-22: £35m) payable to the Civil Service Pension schemes [64], £4m (2021-22: £3m) payable to defined contribution schemes and £12m net credit (2021-22: £7m net credit) for United Kingdom Asset Resolution (UKAR) pension schemes and post-retirement healthcare benefits. The UKAR schemes are in surplus at the reporting date and the credit reflects the net interest income on the schemes.

The Civil Servants and Others Pension Scheme (alpha) was launched as a new pension scheme for civil servants from 1 April 2015. Details on the transition arrangements between alpha and Principal Civil Service Pension Scheme (PCSPS) are outlined on pages 140 to 141. The PCSPS scheme actuary valued the scheme as at 31 March 2016. Details can be found in the valuation report by the Government Actuary Department.[65]

For 2022-23, employer's contributions of £36m (2021-22: £35m) were payable to the PCSPS at one of four rates in the range of 26.6% to 30.3% of pensionable earnings, based on salary bands. The scheme actuary reviews employer contributions usually every 4 years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accrued during 2021-22 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £0.3m (2021-22: £0.3m) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and have ranged from 8.0% to 14.75% of pensionable pay since 1 October 2015. In addition, employer contributions of 0.5% of pensionable pay of £9k (2021-22: £10k) were payable to the Civil Service Pension schemes to cover the cost of the

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

[65] https://www.civilservicepensionscheme.org.uk/media/tuxle142/csps-2016-valuation-report-final.pdf

future provision of lump sum benefits on death in service or ill health retirement of these employees. Further details of the Treasury Group's pension schemes are provided in Note 10 – Net pension asset.

Exit Packages (audited)

The tables below show exit packages for the period ended 31 March 2023 (as at 31 March 2022)

Core Treasury and Agencies

Exit package cost band	Compulsory redundancies	Other departures	Total
<£10,000	- (-)	- (-)	- (-)
£10,000 - £25,000	1 (-)	- (-)	1 (-)
£25,000 - £50,000	- (1)	- (-)	- (1)
£50,000 - £100,000	- (-)	- (-)	- (-)
£100,000 - £150,000	- (-)	- (-)	- (-)
£150,000 - £200,000	- (-)	- (-)	- (-)
>£200,000	- (-)	1 (-)	1 (-)
Total number of exit packages	**1 (1)**	**1 (-)**	**2 (1)**
Total cost (£000)	**17 (36)**	**397 (-)**	**414 (36)**

Group[66]

Exit package cost band	Compulsory redundancies	Other departures	Total
<£10,000	4 (1)	- (-)	4 (1)
£10,000 - £25,000	6 (2)	1 (-)	7 (2)
£25,000 - £50,000	4 (9)	1 (-)	5 (9)
£50,000 - £100,000	- (2)	- (-)	- (2)
£100,000 - £150,000	1 (-)	- (-)	1 (-)
£150,000 - £200,000	- (3)	- (-)	- (3)
>£200,000	- (1)	2 (2)	2 (3)
Total number of exit packages	**15 (18)**	**4 (2)**	**19 (20)**
Total cost (£000)	**418 (1,499)**	**648 (700)**	**1,066 (2,199)**

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (CSCS), a statutory scheme made under the Superannuation Act 1972. The table

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

above shows the total cost of exit packages agreed and accounted for in 2022-23 (2021-22 comparative figures are also given).

In 2021-22 there were 12 exit packages totalling £1.9m in relation to UKAR. UKAR exit packages are not paid under the Civil Service Compensation Scheme. No further exits will be made for that arm's length body.

Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Consultancy

Consultancy and contingent labour

In £m	2022-23		2021-22	
	Core Treasury and Agencies	Group	Core Treasury and Agencies	Group (restated)
Consultancy	10	37	5	23
Contingent labour	3	30	5	19
Total	**13**	**67**	**10**	**42**

HM Treasury, its agencies and arm's length bodies use professional service providers to support specialist work. This includes consultancy, contingent labour (temporary workers), legal advice and IT expertise.

The increase in consultancy and contingent labour spend is primarily due to the continuing scale up of the UK Infrastructure Bank and will ultimately be replaced as the bank continues its permanent recruitment programme, and an increase in economic and IT consultancy for time limited projects in core Treasury.

Off-payroll

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

UK Infrastructure Bank (UKIB) has had 1 board members and/or senior officials with significant financial responsibility between 1 April 2022 and 31 March 2023 who have been engaged off-payroll. UKIB has had a total of 18 individuals on payroll and off-payroll that have been deemed board members and/or senior officials with significant financial responsibility during the period.

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

There have been no further board members and/or senior officials with significant financial responsibility between 1 April 2022 and 1 April 2023 who have been engaged off-payroll across the rest of the Treasury Group.

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

Off-payroll engagements as of 31 March 2023, earning at least £245[67] per day or greater

	Core Treasury	UKIB	DMO	RFL
The total number of existing engagements	16	85	16	5
Of which:				
No. that have existed for less than 1 year at time of reporting	8	49	7	1
No. that have existed for between 1 and 2 years at time of reporting	8	36	2	3
No. that have existed for between 2 and 3 years at time of reporting	-	-	1	-
No. that have existed for between 3 and 4 years at time of reporting	-	-	2	-
No. that have existed for 4 or more years at time of reporting	-	-	4	1

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

All off-payroll engagements at any point during the year ended 31 March 2023 and earning at least £245 per day or greater

	Core Treasury	UKIB	DMO	RFL
The total number of engagements	16	141	28	6
Of which:				
Not subject to off-payroll legislation[68]	-	-	-	-
Subject to off-payroll legislation and determined in-scope of IR35	8	141	25	-
Subject to off-payroll legislation and determined as out-of-scope of IR35	8	-	3	6
No. of engagements reassessed for compliance or assurance purposes during the year	-	-	-	-
Of which:				
No. of engagements that saw a change to the IR35 status following review	-	-	-	-

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

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

	Core Treasury	UKIB
No. of off-payroll engagements of board members, and/or senior officials with significant financial responsibility during the financial year	-	1
Total no. of individuals on payroll and off payroll that have been deemed “board members and/or senior officials with significant financial responsibility”, during the financial year. This figure should include both on-payroll and off-payroll engagements.	16	18

James Bowler
Permanent Secretary

11 July 2023

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

Parliamentary Accountability and Audit Report

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

For the period ended 31 March 2023

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

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

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

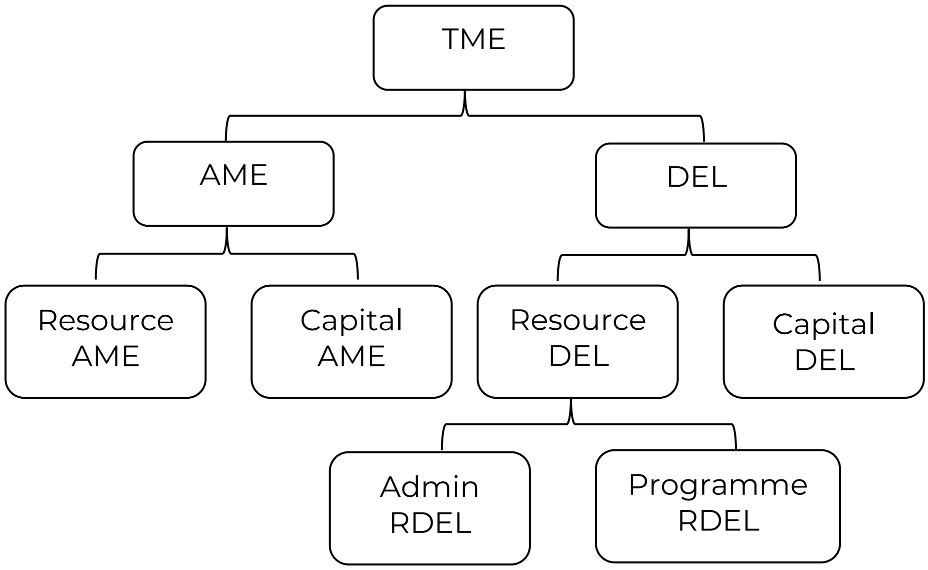
Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

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

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

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

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



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

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

AME budgets are volatile or demand-led in a way the department cannot control. The department monitors AME forecasts closely and updates them annually.

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

Budgets are classified into resource and capital.

Resource DEL includes a further split into:

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

Further information on the Public Spending Framework and the reasons why budgeting rules are different to IFRS can also be found in Chapter 1 of the Consolidated Budgeting Guidance, available on gov.uk[69].

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

Summary table

Summary table, 2022-23, all figures presented in £000's

Type of spend	SoPS note	Outturn			Estimate			Outturn vs Estimate, saving/(excess)		Prior Year Outturn Total 2021-22
		Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted	Total	Total
Departmental Expenditure Limit										
Resource	1.1	308,957	2,173	311,130	379,190	2,220	381,410	70,233	70,280	388,013
Capital	1.2	7,064	-	7,064	14,881	-	14,881	7,817	7,817	15,151
Total Departmental Expenditure Limit		**316,021**	**2,173**	**318,194**	**394,071**	**2,220**	**396,291**	**78,050**	**78,097**	**403,164**
Annually Managed Expenditure										
Resource	1.1	132,471,323	4,237	132,475,560	199,487,108	3,900	199,491,008	67,015,785	67,015,448	51,575,794
Capital	1.2	3,083,563	-	3,083,563	4,640,647	-	4,640,647	1,557,084	1,557,084	(3,779,191)
Total Annually Managed Expenditure		**135,554,886**	**4,237**	**135,559,123**	**204,127,755**	**3,900**	**204,131,655**	**68,572,869**	**68,572,532**	**47,796,603**
Total Budget										
Resource		132,780,280	6,410	132,786,690	199,866,298	6,120	199,872,418	67,086,018	67,085,728	51,963,807
Capital		3,090,627	-	3,090,627	4,655,528	-	4,655,528	1,564,901	1,564,901	(3,764,040)
Total Budget Expenditure		**135,870,907**	**6,410**	**135,877,317**	**204,521,826**	**6,120**	**204,527,946**	**68,650,919**	**68,650,629**	**48,199,767**
Non-Budget Expenditure		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Budget and Non-budget		**135,870,907**	**6,410**	**135,877,317**	**204,521,826**	**6,120**	**204,527,946**	**68,650,919**	**68,650,629**	**48,199,767**

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

Net cash requirement 2022-23, all figures presented in £000’s

Item	SoPS note	Outturn	Estimate	Outturn vs Estimate, (saving/(excess)	Prior Year Outturn Total 2021-22
Net cash requirement	3	10,431,947	13,917,829	3,485,882	57,306

Administration costs 2022-23, all figures presented in £000’s

Type of spend	SoPS note	Outturn	Estimate	Outturn vs Estimate, (saving/(excess)	Prior Year Outturn Total 2021-22
Administration costs	1.1	309,245	368,876	59,631	270,682

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

Notes to the Statement of Outturn against Parliamentary Supply, 2022-23 (£000's)

SOPS1 Outturn detail, by Estimate Line

SOPS1.1 Analysis of resource outturn by Estimate Line (in £000's)

Type of spend (Resource)		Resource Outturn							Estimate			Outturn vs Estimate, savings /(excess)	Prior Year Outturn Total 2021-22
		Administration			Programme			Total	Total	Virements	Total inc. virements		
		Gross	Income	Net	Gross	Income	Net						
Spending in Departmental Expenditure Limits (DEL)													
Voted expenditure													
A	Core Treasury	228,933	(8,186)	220,747	2,992	(7,508)	(4,516)	216,231	270,296	(343)	269,953	53,722	321,173
B	Debt Management Office	20,345	(2,932)	17,413	6,088	(1,856)	4,232	21,645	22,550	-	22,550	905	23,204
C	Government Internal Audit Agency	41,689	(38,964)	2,725	-	-	-	2,725	6,650	-	6,650	3,925	999
D	Office of Tax Simplification	857	-	857	-	-	-	857	683	174	857	-	889
E	UK Asset Resolution Limited (net)	4,797	-	4,797	-	-	-	4,797	5,440	-	5,440	643	-
F	Office for Budget Responsibility (net)	4,417	-	4,417	-	-	-	4,417	4,347	70	4,417	-	3,913
G	IUK Investments Limited (net)	-	-	-	-	-	-	-	-	-	-	-	(416)
I	HM Treasury Sovereign Sukuk plc (net)	-	-	-	(4)	-	(4)	(4)	1	-	1	5	(4)
J	Royal Mint Advisory Committee (net)	-	-	-	-	-	-	-	1	-	1	1	-
K	National Infrastructure Commission	5,234	(35)	5,199	-	-	-	5,199	5,100	99	5,199	-	4,687
L	UK Government Investments Limited (net)	17,178	-	17,178	-	-	-	17,178	19,446	-	19,446	2,268	19,565
M	UK Infrastructure Bank (net)	35,912	-	35,912	-	-	-	35,912	44,676	-	44,676	8,764	11,829
Total voted DEL		**359,362**	**(50,117)**	**309,245**	**9,076**	**(9,364)**	**(288)**	**308,957**	**379,190**	**-**	**379,190**	**70,233**	**385,839**

Non-voted expenditure												
N Banking and gilts registration services	-	-	-	15,913	(13,740)	2,173	2,173	2,220	-	2,220	47	2,174
Total non-voted DEL	**-**	**-**	**-**	**15,913**	**(13,740)**	**2,173**	**2,173**	**2,220**	**-**	**2,220**	**47**	**2,174**
Total spending in DEL	**359,362**	**(50,117)**	**309,245**	**24,989**	**(23,104)**	**1,885**	**311,130**	**381,410**	**-**	**381,410**	**70,280**	**388,013**
Spending in Annually Managed Expenditure (AME)												
Voted expenditure												
O Core Treasury (AME)	-	-	-	203	(9,688)	(9,485)	(9,485)	(13,395)	3,910	(9,485)	-	10,647
P UK circulating coinage	-	-	-	12,135	(1,338)	10,797	10,797	13,300	-	13,300	2,503	17,064
Q Royal Mint dividend	-	-	-	-	(6,158)	(6,158)	(6,158)	(5,000)	-	(5,000)	1,158	(5,630)
S Assistance to financial institutions, businesses and individuals	-	-	-	138,633,472	(1,413,210)	137,220,262	137,220,262	199,015,366	-	199,015,366	61,795,104	47,219,511
T Royal Household (net)	-	-	-	107,323	-	107,323	107,323	111,827	-	111,827	4,504	103,053
U UK Asset Resolutions Limited (net)	-	-	-	241	-	241	241	31,097	-	31,097	30,856	50,997
V Help to Buy (HMT) Limited	-	-	-	-	-	-	-	1	-	1	1	-
W Help to Buy ISA	-	-	-	5,861	-	5,861	5,861	7,265	-	7,265	1,404	6,991
X EU Withdrawal Agreement Financial Settlement	-	-	-	(4,321,629)	-	(4,321,629)	(4,321,629)	385,000	-	385,000	4,706,629	4,825,236
Y Reclaim Fund Ltd (net)	-	-	-	(49,741)	-	(49,741)	(49,741)	(27,057)	-	(27,057)	22,684	(9,203)
Z UK Infrastructure Bank (net)	-	-	-	(23,216)	-	(23,216)	(23,216)	7,704	(3,910)	3,794	27,010	(131,137)
AA Pool Reinsurance Company Limited (net)	-	-	-	(65,337)	-	(65,337)	(65,337)	6,000	-	6,000	71,337	-
AB Provisions	-	-	-	(397,595)	-	(397,595)	(397,595)	(45,000)	-	(45,000)	352,595	(515,591)
Total voted AME	**-**	**-**	**-**	**133,901,717**	**(1,430,394)**	**132,471,323**	**132,471,323**	**199,487,108**	**-**	**199,487,108**	**67,015,785**	**51,571,938**
Non-voted expenditure												
AC Royal Household Pensions	-	-	-	4,598	(361)	4,237	4,237	3,900	-	3,900	(337)	3,830
AD Civil List	-	-	-	-	-	-	-	-	-	-	-	26
Total non-voted AME	**-**	**-**	**-**	**4,598**	**(361)**	**4,237**	**4,237**	**3,900**	**-**	**3,900**	**(337)**	**3,856**
Total spending in AME	**-**	**-**	**-**	**133,906,315**	**(1,430,755)**	**132,475,560**	**132,475,560**	**199,491,008**	**-**	**199,491,008**	**67,015,448**	**51,575,794**
Total Resource	**359,362**	**(50,117)**	**309,245**	**133,931,304**	**(1,453,859)**	**132,477,445**	**132,786,690**	**199,872,418**	**-**	**199,872,418**	**67,085,728**	**51,963,807**

SOPS1.2 Analysis of capital outturn by Estimate line (in £000's)

Type of spend (Capital)		Outturn			Estimate			Outturn vs Estimate, saving/(excess)	Prior Year Outturn Total 2021-22
		Gross	Income	Net total	Total	Virements	Total inc. virements		
Spending in Departmental Expenditure Limits (DEL)									
Voted expenditure									
A	Core Treasury	3,422	(62)	3,360	7,620	-	7,620	4,260	13,305
B	Debt Management Office	120	-	120	968	-	968	848	362
C	Government Internal Audit Agency	-	-	-	343	-	343	343	48
G	IUK Investments Limited (Net)	-	-	-	1	-	1	1	216
H	IUK Investments Holdings Limited (Net)	-	-	-	1	-	1	1	(339)
K	National Infrastructure Commission	711	-	711	2,082	-	2,082	1,371	659
L	UK Government Investments Limited (net)	-	-	-	-	-	-	-	294
M	UK Infrastructure Bank (Net)	2,873	-	2,873	3,866	-	3,866	993	606
Total voted DEL		**7,126**	**(62)**	**7,064**	**14,881**	**-**	**14,881**	**7,817**	**15,151**
Total spending in DEL		**7,126**	**(62)**	**7,064**	**14,881**	**-**	**14,881**	**7,817**	**15,151**
Spending in Annually Managed Expenditure (AME)									
Voted expenditure									
R	Sale of shares	-	(2,146,454)	(2,146,454)	(832,055)	-	(832,055)	1,314,399	(3,877,577)
S	Assistance to financial institutions, businesses and individuals	5,009,881	(347)	5,009,534	5,009,881	-	5,009,881	347	98,376
T	Royal Household (Net)	(4,132)	-	(4,132)	4,555	-	4,555	8,687	1,807
W	Help to Buy ISA	137,975	-	137,975	180,000	-	180,000	42,025	171,575
X	EU Withdrawal Agreement Financial Settlement	-	(258,934)	(258,934)	(258,934)	-	(258,934)	-	(252,908)
Y	Reclaim Fund Ltd (Net)	14,057	-	14,057	129,200	-	129,200	115,143	28,001
Z	UK Infrastructure Bank (Net)	245,165	-	245,165	487,000	(165,352)	321,648	76,483	51,535
AA	Pool Reinsurance Company Limited (Net)	86,352	-	86,352	(79,000)	165,352	86,352	-	-
Total voted AME		**5,489,298**	**(2,405,735)**	**3,083,563**	**4,640,647**	**-**	**4,640,647**	**1,557,084**	**(3,779,191)**
Total spending in AME		**5,489,298**	**(2,405,735)**	**3,083,563**	**4,640,647**	**-**	**4,640,647**	**1,557,084**	**(3,779,191)**
Total Capital		**5,496,424**	**(2,405,797)**	**3,090,627**	**4,655,528**	**-**	**4,655,528**	**1,564,901**	**(3,764,040)**

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury). Further information on virements is provided in the Supply Estimates Manual, available on gov.uk.

The outturn vs estimate column is based on the total including virements. The estimate total before virements have been made is included so that users can tie the estimate back to the Estimates laid before Parliament.

Explanation of key variances between Estimates and net resource outturn as at 31 March 2023

SOPS 1.1 Analysis of resource outturn by Estimate line

Spending in Department Expenditure Limit (DEL)

A: Core Treasury

Underspend is driven by a pending legal case that HMT provided for which did not materialise in the financial year 2022-23.

C: Government Internal Audit Agency

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

M: UK Infrastructure Bank

Underspend has been driven by slower than anticipated upscaling through UKIB's first full year of operations, which has impacted pay and non-pay costs, including IT systems developments and recruitment.

Spending in Annually Managed Expenditure (AME)

S: Assistance to Financial Institutions, businesses and individuals

Budget cover of £200bn was sought at the Supplementary Estimate 2022-23 for a potential decrease in the fair value of the Bank of England Asset Purchase Facility Fund (BEAPFF). For more information (see Note 13 Derivative Financial Instruments).

X: EU Withdrawal Agreement Financial Settlement

The variance relates to the changes in provisions and receivables for the Financial Settlement following the UK's exit from the European Union (see Note 9 – Trade and other receivables and Note 16 – Provisions).

Due to unpredictable exchange rate movements and uncertainty over movements in the underlying assets and liabilities at the time that budgetary cover was sought, a decision was made to cover a £0.4bn net increase in the liability, thereby generating the variance disclosed. By electing to budget for the potential downside, this ensured that a breach in control totals was less likely to occur.

AA: Pool Reinsurance Company Limited (net)

Pool Re holds an investment fund of £6.7bn, built up by its members and available to pay claims in the event of an act of terrorism. The reported resource variance is as a result of movements in the fair value of Pool Re's financial assets.

AB: Provisions

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

SOPS 1.2 Analysis of capital outturn by Estimate line

Spending in Department Expenditure Limit (DEL)

A: Core Treasury

Underspend is due to lower than expected costs for the development of the temporary Darlington Economic Campus site.

Spending in Annually Managed Expenditure (AME)

R: Sale of Shares

Due to potential market sensitivity no estimate for NatWest share sale income was included in the HMT Estimate in advance of it being earnt. The 2022-23 budget figure is therefore income to 31 December, as included at Supplementary, with the variance relating to sales in the remainder of the financial year.

Y: Reclaim Fund

The Reclaim Fund capital budget allowed for an increase in investment security purchases linked to the expected receipt of additional funds from scheme participants in respect of the Dormant Assets Act 2022. Although scheme income was as expected, due to the volatility of the global economy and the significant increase in Bank of England (BoE) interest rates, the budgeted investment purchases were not undertaken in the 2022-23 period with cash being held within BoE rather than re-invested. Therefore, the final outturn was significantly lower than budgeted.

Z: UK Infrastructure Bank

The underspend is driven by a number of confirmed projects having drawdowns deferred against plan beyond 2022-23 contributing to the variance against C-AME budgets.

AA: Pool Re

The Capital AME budget provided for a net disposal of investment securities of £79.4m to meet liabilities as they fell due, however due to asset reallocation within the investment fund, the resulting position was a net purchase of £86.3m.

SOPS2 Reconciliation of outturn to net operating expenditure (in £000’s)

Item		Note	Outturn total 2022-23	Prior Year Outturn Total 2021-22
Total Resource outturn		**SOPS 1.1**	**132,786,690**	**51,963,807**
Add:	Capital grant in kind		(1)	150,547
	Capital provisions		137,975	171,575
	Capital research		704	659
	Call of guarantees		-	87,216
Total			**138,678**	**409,997**
Less:	Income payable to the Consolidated Fund		(227,967)	(749,569)
	PFI liability transfer		-	(105,055)
Total			**(227,967)**	**(854,624)**
Net Operating Expenditure in Consolidated Statement		**SOCNE**	**132,697,401**	**51,519,180**

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

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

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

Income payable to the consolidated fund does not appear within the budgetary framework but is accounted for as spend on the face of the SoCNE, and therefore function as a reconciling item between Resource and Net Operating Expenditure. The income payable to the Consolidated Fund primarily relates to £54m (2021-22: £512m) gifts to the nation in respect of repayments of business rates received during the year and in the prior year prior to their consolidation into the group, (2021-22: £230m) Pool Re fees, which have been accrued for and will be paid over to the Consolidated Fund when they have been received by the Treasury.

Capital grants in kind are budgeted for as C-DEL but accounted for as spend on the face of the SoCNE, and therefore function as a reconciling item between Resource and Net Operating Expenditure. The capital grants in kind in 2021-22 relates to the transfer of the 1 Horse Guards Road PFI asset to the Government Property Agency.

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

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

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[1] European System of Accounts 2010

SOPS3 Reconciliation of net resource outturn to net cash requirement (in £000)

Item	Note	Outturn total	Estimate	Outturn vs Estimate, saving/(excess)
Total Resource outturn	**SOPS 1.1**	**132,786,690**	**199,872,418**	**67,085,728**
Total Capital outturn	**SOPS 1.2**	**3,090,627**	**4,655,528**	**1,564,901**
Adjustments for ALBs and other bodies:				
Remove voted resource and capital		(337,565)	(749,106)	(411,541)
Add cash in grant-in-aid		165,158	689,876	524,718
Adjustments to remove non-cash items:				
Depreciation		(8,406)	(33,863)	(25,457)
Derivative fair value movements		(138,617,577)	(200,000,000)	(61,382,423)
New provisions and adjustments to previous provisions		3,285,897	(342,704)	(3,628,601)
Other non-cash items		1,229,445	(200)	(1,229,645)
Adjustments to reflect movements in working balances:				
Increase/(decrease) in inventories		1,928	-	(1,928)
Increase/(decrease) in receivables		(1,130,532)	-	1,130,532
(Increase)/decrease in payables		315,192	-	(315,192)
Use of provisions		9,657,500	9,832,000	174,500
Total		**(125,438,960)**	**(190,603,997)**	**(65,165,037)**
Removal of non-voted budget items:				
Banking and gilts registration service		(2,173)	(2,220)	(47)
Royal Household pension scheme		(4,237)	(3,900)	337
Total		**(6,410)**	**(6,120)**	**290**
Net cash requirement		**10,431,947**	**13,917,829**	**3,485,882**

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

SOPS4 Amounts of income to the Consolidated Fund

SOPS4.1 Analysis of income payable to the Consolidated Fund (in £000's)

Item	Note	Outturn total		Prior Year, 2021-22	
		Accruals	Cash basis	Accruals	Cash basis
Operating income outside the scope of the Estimate		227,967	241,225	749,569	774,468
Capital receipts outside the scope of the Estimate		-	4,232,269	-	7,217,969
Excess cash surrendered to the Consolidated Fund		-	-	3,394,563	3,394,563
Excess cash surrenderable to the Consolidated Fund		-	-	48,562	48,562
Total amount payable to the Consolidated Fund		**227,967**	**4,473,494**	**4,192,694**	**11,435,562**

Operating income outside the scope of the Estimate includes the inter-company income from Pool Re under the retrocession agreement, which eliminates at group level, and the income received to the government as a gift to the nation. See also Note 2 – Other operating income.

Capital receipts outside the scope of the estimate consists entirely of cash transfers from the BEAPFF derivative. See also Note 13 – Derivative Financial Assets and Note 22 – Financial Risk.

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

SOPS4.2 Consolidated Fund income

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

Parliamentary Accountability Disclosures

Losses and special payments (audited)

During the financial year 2022-23 the Treasury Group, had one reportable loss totalling £91m (2021-22: £6m) and no special payments (2021-22 nil) totalling over £300,000. The loss is related to business as usual foreign exchange rate movements on the amounts invoiced under the EU Financial Settlement which are paid as they fall due at the prevailing rate at that time[2].

Fees and charges (audited)

The Treasury Group receives the below fees and charges for services.

Fees and charges (Core Treasury)	**Priority Outcome[3]**	**Income (£m)**
Reinsurance fees[4]	3	174
UK Guarantees Scheme	2	9
Mortgage Guarantees	2	10

Fees and charges (Group)	**Priority Outcome**	**Income (£m)**
Pool Re commercial reinsurance fees	3	284
GIAA audit fees	1	39
DMO fees and charges	1	3

Fees for guarantees and reinsurance fees provided by core Treasury and the commercial reinsurance premiums charged by Pool Re are set based on the risk of a call on the underlying guarantees and insurance activities and are entered into to achieve specific policy objectives rather than to achieve a financial objective of recovering the annual costs of a service being provided. There is no material administration cost incurred in providing these services.

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[2] There have been £0.1m net gains on foreign exchange rate movements on amounts invoiced over the lifetime of the EU financial settlement.

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

[4] Including interest due on receivable. This charge eliminates at group level.

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

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

Payment of suppliers

In May 2010, the government introduced a 5-day target for all suppliers to receive payment. During 2022-23, the Treasury Group made 91% (2021-22: 87%) of all supplier payments within 5 days, against a cross-government target of 90%.

Auditor

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

Central Funds

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

Functional Standards

Our corporate functions are aligned with agreed cross-functional standards as appropriate, and drive a culture of compliance with legislative demands and the general good practice expected of an effective government department.

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

In addition to contingent liabilities reported under IAS 37 in Note 21, HM Treasury is required to disclose liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of a contingent liability or a contingent liability otherwise outside the scope of IAS 37, such as financial guarantees.

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

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

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

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

EU Withdrawal Agreement

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

HM Treasury's financial statements and related disclosures set out the accounting implications of the financial settlement for HM Treasury. See Note 1.5 – Significant judgements and estimates, Note 9 – Trade and other receivables, Note 15 – Trade and other payables, Note 16 – Provisions, Note 20 – Contingent assets and Note 21 – Contingent liabilities for detail.

HM Treasury also has a remote contingent liability, which does not meet the threshold for disclosure in the financial statements, in respect of the UK's contingent liability to the European Investment Bank (EIB). The terms of this are set out in Article 150 of the EU Withdrawal Agreement and is limited to the callable and returned paid in capital the UK held as a member state. The remote contingent liability is valued at £32.2bn as at 31 March 2023 (2021-22: £30.7bn). See also page 181.

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

Further information on the financial impact of EU Withdrawal Agreement is included in the "European Union Finances" publication series.

Bank of England Asset Purchase Facility Fund Limited (BEAPFF)

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

The BEAPFF is financed by a loan from the Bank of England, which totalled £844bn at 31 March 2023, (2021-22: £867bn). At 31 March 2023 the APF had a total authorised ceiling of £851bn (2021-22: £895bn) of assets funded by the loan. On 3 February 2022 the MPC voted to begin reducing the APF's stock of purchased assets by ceasing to reinvest the proceeds from redemptions and also voted to initiate a programme of corporate bond sales to be completed no earlier than towards the end of 2023.

The Chancellor and Governor agreed that the authorised maximum size of the APF would be reduced every 6 months in line with the reduction of assets, with the first exchange of letters occurring on 5 May 2022. In September 2022, the MPC voted to begin active sales of APF gilt holdings purchased for monetary policy purposes, and voted to reduce the stock of UK government bond purchases held in the APF by £80bn over the next 12 months.

On 28 September 2022, the Bank carried out temporary and targeted purchases of long-dated gilts for financial stability purposes. These purchases were expanded to include inflation-linked gilts from 11 October 2022. The operation was carried out through the APF and indemnified by HM Treasury, with the Chancellor and Governor agreeing an increase to the maximum authorised size of the APF of £100bn to support this intervention. The intervention finished as scheduled on 14 October 2022, with a total of £19.3bn of purchases of long-dated and inflation-linked gilts. On 29 November 2022, the Bank began a demand-led approach to unwinding these assets. On 12 January 2023, the Bank completed its sale of the financial stability gilt portfolio, and on 16 January 2023 the Chancellor and Governor agreed to reduce the maximum authorised size of the APF to £851bn to reflect the unwinding of the financial stability gilt portfolio.

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

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

HM Treasury's current exposure under the indemnity is represented on the Statement of Financial Position (SoFP) as a derivative. The derivative is valued on the basis of the difference between the fair value of the BEAPFF's assets and liabilities.

It is difficult to predict the movement in the BEAPFF derivative as the fair value of its financial assets is re-priced in response to market changes. At 31 March 2023, the BEAPFF's liabilities exceeded its assets by £177.6bn (2021-22: liabilities exceeded assets by £39.9bn), driven by market-value losses within its portfolio. Quarterly transfers of surplus cash between the BEAPFF and HM Treasury under the indemnity agreement impact the value of the BEAPFF's net assets and so also the value of the derivative. When there is an excess of assets over liabilities, the derivative value is represented by a liability on the BEAPFF's SoFP and by a corresponding asset on HM Treasury's SoFP. Whereas when the fair value of the BEAPFF's assets falls below that of its liabilities, the indemnity conversely entails the BEAPFF recognising a derivative asset and HM Treasury a derivative liability (see Note 13 – Derivatives). The liability is payable as and when there is a shortfall of cash as the BEAPFF unwinds and individual positions are settled. HM Treasury funds this by way of quarterly cash transfers, as set out in the deed of indemnity and in line with the current quarterly arrangement with the BEAPFF.

The size of the current liability of the BEAPFF derivative for HM Treasury, which includes the net size of the BEAPFF transfers to HM Treasury over its life to 31 March 2023 of £119bn (2021-22: £120bn), and the cash held in the BEAPFF on 31 March 2023 of £19.9bn, means that overall the total return arising to HM Treasury is now negative £58.8bn, (2021-22: positive £79.8bn). The indemnity will require payments of cash to the BEAPFF in future periods as the underlying liabilities in the BEAPFF fall due and the BEAPFF holds a cash shortfall. These are accounted for via HM Treasury's Supply Estimate: quarterly cash payments and any residual settlement of the derivative from HM Treasury to the BEAPFF are recorded as Capital Annually Managed Expenditure (AME).

Accordingly, a Non-IAS 37 contingent liability is disclosed to reflect the possibility that, despite risk management undertaken by the Bank of England on the BEAPFF's and HM Treasury's behalf (see Note 22 of the Accounts), there is a net loss to the public sector over the life of the BEAPFF. Although the indemnity supports authorised total asset acquisitions and lending of £851bn, the crystallisation of a potential loss on realising these assets is currently unquantifiable, as the quantum of any potential loss is driven by both the Bank of England's future policy decisions regarding the pace of winding up the scheme and by market prices at that time.

The risk management undertaken by the Bank of England on the BEAPFF and HM Treasury's behalf is detailed in Note 22.4 – Financial Risk, Core Treasury and Agencies – Other.

Bank of England capital framework

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

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

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

Director indemnities

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

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

Service provider indemnities

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

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

UK Guarantees

The UK Guarantees scheme was announced on 18 July 2012 and extended for a further 5 years in November 2015. It is now closed to new applicants. The scheme aimed to help infrastructure projects access debt finance where they have been unable to raise finance in the financial markets. Up to £40bn of guarantees were available under the scheme. As at 31 March 2023 three projects were guaranteed (2021-22: seven projects).

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

As at 31 March 2023 the maximum potential liabilities under this scheme were estimated to be £0.6bn. A breakdown of the exposure by each infrastructure project can be seen on Note 22.4 - Financial Risk, Core Treasury and Agencies - Other.

Mortgage guarantee schemes

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

Under the scheme rules, the maximum contingent liability limit was set at £12bn. As at 31 March 2023 the maximum potential liabilities under this scheme were estimated to be £22m.

During the life of the scheme there have been 33 successful claims totalling £389k. Since inception, average property values have increased This has contributed to a low number of claims. The scheme will be completely closed in June 2024 and no claims will be honoured beyond this date.

A new mortgage guarantee scheme was launched on the 19 April 2021 to address the shortage of high loan-to-value mortgages by offering lenders the option to purchase a guarantee on mortgages where the borrower has a deposit of at least 5%. The scheme was going to remain open to new loan applications until 31 December 2022, however, to continue to support first-time buyers, the Government has decided to extend the scheme for a further 12 months until 31 December 2023.

Under the scheme rules the maximum contingent liability limit was set at £3.9bn. In December 2022, this was reduced to £3.2bn. As at 31 March 2023 the maximum potential liabilities under this scheme were estimated to be £885m. There have been no claims to date.

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

For information on the related financial guarantee see Note 17 of the Accounts.

Asian Infrastructure Investment Bank

The Asian Infrastructure Investment Bank (AIIB) was established in December 2015 with the UK as a shareholder, to support sustainable development by financing for infrastructure projects in Asia. The UK's investment, like that of all other shareholders in the bank, is in the form of 20% paid-in capital and 80% callable capital. The paid-in capital was transferred in five annual instalments of US$122m, totalling US$611m, with the last payment in December 2019.

A remote contingent liability arises in relation to the US$2.4bn (approximately £2.0bn) of callable capital. This is not paid over, but the AIIB would be able to call on it in the event that the bank became unable to meet its obligations.

Although the AIIB has the right to call for payment of this callable capital if there is a crisis affecting the bank's assets, the equity base of the bank is currently more than sufficient to meets its financial objectives by absorbing risk from its own resources, thus protecting member countries from a possible call on callable capital. Three major credit ratings agencies reaffirmed the highest available credit ratings for the AIIB in 2022-23, and no such instance whereby payment has been called has occurred in any major multilateral development bank in the past. If the liability were to be called, provision for any payment would be sought through the normal Supply Estimates procedure.

European Bank for Reconstruction and Development

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

A remote contingent liability arises in relation to the €2.0bn (approximately £1.8bn) of callable capital. This is not paid over, but the ERBD would be able to call on it in the event that the bank were not able to meet its obligations.

Although the ERBD has the right to call for payment of this callable capital if there is a crisis affecting the bank's assets or loans, the equity base of the bank is currently more than sufficient to meets its financial objectives by absorbing risk from its own resources, thus protecting member countries from a possible call on callable capital. Three major credit ratings agencies re-affirmed the bank with AAA ratings in 2022 and no such instance whereby payment has been called has occurred in any major multilateral development bank in the past. If the liability were to be called, provision for any payment would be sought through the normal Supply Estimates procedure.

UKAR: Bradford & Bingley plc and NRAM Ltd financial assets

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

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

On the 31 March 2017, the Chancellor announced the sale of a portfolio of UKAR's B&B loan book assets to Prudential plc and funds managed by Blackstone. The proceeds of the sale were £11.4bn.

Maximum value of remote contingent liabilities arising from:

Fundamental warranties	£11,400m

On 26 April 2018, the Chancellor announced the sale of UKAR's B&B loan book assets to an investor group led by Barclays. The proceeds of the sale were £5.4bn.

Maximum value of remote contingent liabilities arising from:

Corporate Warranties	£5,400m

On the 27 September 2018, the Chancellor announced the sale of a portfolio of UKAR's B&B and NRAM loan book assets to Rothesay Life. The proceeds from the sale were £983m.

Maximum value of remaining remote contingent liabilities arising from:

Fundamental warranties	£195m

On 2 April 2019 the Economic Secretary to the Treasury announced the sale in March 2019 of a portfolio of UKAR's NRAM 'together' loans to Citi with majority funding from PIMCO. The proceeds from the sale were £4.9bn.

Maximum value of remote contingent liabilities arising from:

Fundamental warranties	£4,900m

NRAM Limited provided certain warranties and indemnities to Cerberus in respect of the sale to Cerberus of certain loans and the shares in NRAM plc. The sale agreement set various time limits for bringing claims under the warranties. For most of the warranties this time limit was on or before 5 May 2019 and the contingent liabilities have since expired, but for certain tax-related warranties the time limit is 5 May 2023. The buyer has not made any claims under the warranties.

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

Maximum value of remote contingent liabilities arising from:

Fundamental warranties	£5,090m
Intermediate warranties	£975m
Other warranties	£4,828m
Capped indemnities	£290m
Tax covenant	£290m

UKAR: Other

The B&B plc Transfer of Securities and Property etc Order 2008 requires HM Treasury to give a guarantee or to make other arrangements for the purposes of securing that the assets of the remaining section of the B&B Pension Scheme are sufficient to meet its liabilities. As such, HM Treasury guarantees to pay or procure the payment of any benefit amount which falls due from the remaining section at a time when there are insufficient assets to pay that amount. As at 31 March 2023, there is no contingent liability to report (2021-22: £nil).

The Treasury Group's former lending and other consumer credit business is governed by consumer credit law and other regulations. Claims upheld in favour of customers in relation to potential breaches of requirements could result in costs to the Treasury Group. It is not possible to provide any meaningful estimate or range of the possible cost.

Pool Re and Pool Re (Nuclear) Ltd

Pool Re and Pool Re (Nuclear) are mutual reinsurance companies providing terrorism cover for damage to industrial and commercial property or nuclear facilities and consequential business interruption in Great Britain who pay a portion of their income to HM Treasury. In the event of losses exceeding their available resources, HM Treasury would extend them a repayable loan.

The total reserves of Pool Re from its 2022-23 Annual Report and Accounts was £6.2bn at March 2023 (March 2022: £6.3 billion). The total reserves for Pool Re (Nuclear) as at the date of its latest management accounts was £32m March 2023 (March 2022: £32m) respectively. Maximum potential liabilities under this arrangement are considered unquantifiable as there is no past experience to use in forming an estimate, and the size and scale of a potential terrorist incident cannot be predicted. It is also considered remote that circumstances would arise requiring HM Treasury to provide such financial assistance. These arrangements are given statutory authority under the Reinsurance (Acts of Terrorism) Act 1993.

For further information on the Pool Re insurance risk see note 22.

Royal Mint

The Royal Mint Trading Fund has a Memorandum of Understanding arrangement with the National Loans Fund by which it can draw down against a financing facility, with an upper limit of £36m. Parliamentary authority limits the overall amount of public money available to the Royal Mint at £50m.

If the Royal Mint Trading Fund was unable to repay any drawdowns against this commitment the National Loans Fund funding conditions dictate that the amount outstanding would have to be met by HM Treasury.

HM Treasury has provided an indemnity to the Cabinet Office in respect of employer contributions payable to the Civil Service Pensions Scheme when the Royal Mint's pensions transferred under 'new fair deal'. This liability would only materialise in the unlikely event that the Royal Mint failed to make payments to the pension scheme. It is unquantifiable since the scheme is expected to run for the foreseeable future, and the timing and scale of any possible failure by the Royal Mint cannot be predicted.

UK Government Investments

UK Government Investments (UKGI) maintains framework contracts with 24 financial-services firms to manage the disposal of the government's shareholdings. These services would typically include drafting prospectuses and other market-facing documents on the basis of information provided by the government. As is market-standard, these firms require an indemnity to cover the risk that they could become liable to market participants for any misrepresentation, misleading statements or omissions (based on the information from the government) made in the context of their engagement. Only the issuer/seller - not the bank - is responsible for the information contained in prospectuses and other documents. Therefore, any claims brought against the bank on these grounds would be meritless, meaning the likelihood of their success (and therefore of the liability crystallising) is seen to be exceptionally low. The number and breadth of participants involved, and value of any transaction is such that it is not possible to assert with any confidence what a suitable estimate might be.

It was necessary to procure specialist capital-markets advice as part of due-diligence work for companies in distress as a result of COVID-19 at the start of the pandemic in early 2020. One advising bank, working on one company's case, required an indemnity to cover the risk that they could become liable to market participants for any misrepresentation, misleading statements or omissions (based on information from the government) made in the context of their engagement. Any such claims would almost certainly be without merit – the contract provides no duty of care or contractual obligations to third parties – meaning the likelihood of their success is seen to be exceptionally low. Because of the breadth of this indemnity and the extreme unlikelihood of its crystallising, it is impossible to estimate a value.

Reclaim Fund Limited – Dormant Assets

Reclaim Fund Limited (RFL) acts as a dormant account fund operator. The Dormant Bank and Building Society Accounts Act 2008 and Dormant Assets Act 2022 enable participating financial institutions to transfer to RFL money that dormant accounts (e.g. eligible bank and building society accounts which have remained dormant for 15 years or more with no customer transactions).

The Acts require RFL to manage dormant account funds in such a way as to enable them to meet whatever customer repayment claims it is prudent to anticipate. HM Treasury has taken a power in the Dormant Assets Act 2022 to enable it to provide RFL with a loan in the event it is or looks likely to be unable to meet it reclaim obligations and thereby become insolvent.

The total remaining exposure that RFL may be required to settle above and beyond the amounts already set aside is £1,048m at 31 March 2023 (£961m at 31 March 2022).

No Interest Loans Scheme

The pilot No-Interest Loans Scheme was announced at the Budget on 3 March 2021. The loans will support consumers in vulnerable circumstances who would benefit from affordable credit to meet unexpected costs and will provide an alternative to relying on high-cost credit. Fair4All Finance, who were founded to support the financial wellbeing of people in vulnerable circumstances, have been appointed to run the pilot and will enter contracts with lenders to deliver the loans, including to provide a partial guarantee against default losses. To facilitate the lending to consumers in vulnerable circumstances, HM Treasury will reimburse Fair4All Finance for eligible default losses they incur under eligible guarantees.

HM Treasury will reimburse Fair4All Finance for up to 80% of eligible default losses incurred as part of the pilot. The maximum amount to be paid under the contingent liability is £10 million, with expected lifetime payments totalling £1.8 million. HM Treasury will reimburse Fair4All Finance for eligible default losses on loans initiated after 22 September 2021 and will stop reimbursing costs by 31 March 2026. As of 31 March 2023, the maximum potential liabilities under this scheme were estimated to be £130,703.

Sovereign Infrastructure Guarantee

The UK Infrastructure Bank (UKIB) is an arm's length body of HMT. Under their framework agreement, UKIB are authorised to provide guarantees to enable investment in infrastructure. UKIB will be able to deploy these guarantees flexibly up to a total of £10 billion.

To maximise the impact of UKIB guarantees, HMT provides backing to UKIB such that rating agencies would consider it to have a sovereign credit rating. On 2 February 2023, UKIB and HMT entered into a Sovereign Infrastructure Guarantee (SIG) agreement to this effect. This agreement sets out the terms under which HMT backs UKIB's guarantees.

This SIG results in a remote contingent liability for HMT, given a possible obligation for HMT to act as guarantor should UKIB make a qualifying claim. This eliminates out at group level, given UKIB is consolidated into the HMT group.

There is no reliable estimate of possible cost at the reporting date, as no guarantees have yet been issued under the SIG. Any possible outflow is considered remote for HMT, given that UKIB will manage its capital position through its economic capital framework with an appropriate buffer, as well as through the institution's wider liquidity and operational risk management. As per UKIB's framework agreement, the default position is for UKIB to meet any calls on its guarantees from its existing funded financial capacity.

Reconciliation of contingent liabilities included in the supply estimate to the accounts

Quantifiable Contingent Liabilities			
Description of CLs **£'m**	**Supply Estimate** (up to)	**Amount disclosed in ARA**	**Variance (Estimate – Amount disclosed in ARA)**
EU Withdrawal Agreement	30,700	32,178	1,478
Help to Buy mortgage guarantee scheme	12,000	12,000	-
UKAR: Bradford & Bingley plc and NRAM Ltd mortgage assets sales:			
March 2017 - fundamental warranties	11,400	11,400	-
September 2017 - fundamental warranties	195	195	-
March 2019 - fundamental warranties	1,000	4,900	3,900
February 2021 – fundamental warranties	4,800 290 5,090	5,090	-
February 2021 – intermediate warranties	1,000 80 1,080	960 15 975	(40) (65) (105)
February 2021 – other warranties	28 4,800 241 5,069	28 4,800 - 4,828	- - (241) (241)
February 2021 – capped indemnities	290	290	-
February 2021 – tax covenant	290	290	-
UK Guarantees	610	577	(33)
Mortgage guarantee scheme	3,200	3,200	-
RFL Dormant Assets	1,034	1,048	14
Royal Mint Trading Fund	36	36	-
No Interest Loans Scheme	10	10	-

Unquantifiable Contingent Liabilities			
Description of CLs	**Included in Supply Estimate (Yes/No)**	**Included in these financial statements (Yes/No)**	**Explanation of difference**
Bank of England Asset Purchase Facility Fund Indemnity	Yes	Yes	Not Applicable
UKAR: Bradford & Bingley plc and NRAM Ltd Mortgage Warranties and Indemnities	Yes	Yes	Not Applicable
Bank of England Recapitalisation Guarantee	Yes	Yes	Not Applicable
Litigation Outside the Scope of IAS37	Yes	Yes	Not Applicable
Decommissioning Relief Deeds	Yes	Yes	Not Applicable
Royal Mint Pension Guarantee	Yes	Yes	Not Applicable
Service Provider Indemnities	Yes	Yes	Not Applicable
Director Indemnities	Yes	Yes	Not Applicable
Pool Re Indemnity	Yes	Yes	Not Applicable
UKAR: Bradford & Bingley plc and NRAM Ltd Pension Guarantees	Yes	Yes	Not Applicable
European Bank for Reconstruction and Development Callable Capital Guarantee	Yes	Yes	Not Applicable
Asian Infrastructure Investment Bank Callable Capital Guarantee	Yes	Yes	Not Applicable
Sovereign Infrastructure Guarantee	No	Yes	Agreement signed after Supplementary Estimate finalised

The £1.5bn movement in the EU Withdrawal Agreement contingent liability is due to the effect of exchange rate movements, and the receipt of a further £0.3bn of paid in capital from the EIB during the year, which is added to the Contingent liability.

The variances relating to March 2019 UKAR fundamental warranties (£3,900m) and February 2021 UKAR intermediate warranties (£105m) are due to changes in the expected maximum exposure to the HMT group at the reporting date after the supplementary estimate was finalised. The £241m variance relating to February 2021 other UKAR warranties is due to these warranties maturing during the financial year and no longer giving rise to a contingent liability at the reporting date.

The Sovereign Infrastructure Guarantee remote contingent liability is in the financial statements but not the supply estimate, as the underlying SIG agreement was signed with UKIB on 2 February 2023 after HMT's supplementary estimate was finalised.

Treasury core tables

Total resource and capital spending for the Treasury Group

The tables on the following pages provide a summary of HM Treasury's net expenditure outturn for 2021-22 and the four prior years, along with the planned expenditure for 2022-23.

The outturn and planned expenditure is recorded on the same basis as the information on financial performance in the Statement of Outturn against Parliamentary Supply beginning on page 154. They represent the spending incurred collectively across the departmental group in meeting its priority outcomes detailed in the Performance Report in Chapter 1.

Resource

			Outturn			Budget
In £m	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**
Resource DEL						
Core Treasury	189	296	255	321	216	224
Debt Management Office	17	19	27	23	22	22
Government Internal Audit Agency	1	-	(1)	1	3	6
Office of Tax Simplification	1	1	1	1	1	-
UK Asset Resolution	-	-	-	-	5	6
Office for Budget Responsibility	3	3	4	4	4	4
UK Infrastructure Bank	-	-	4	12	36	69
IUK Investments Limited	-	(1)	(1)	(1)	-	-
UK Government Investments Ltd	13	14	16	20	17	15
National Infrastructure Commission	5	5	4	5	5	5
Asian Infrastructure Investment Bank	10	9	9	-	-	-
Non-voted: Banking & gilts registration	7	8	2	2	2	2
Total Resource DEL	**246**	**354**	**320**	**388**	**311**	**353**
Resource AME						
Core Treasury	-	(13)	-	11	(9)	(13)
Provisions	135	192	234	(516)	(397)	-
UK circulating coinage	27	31	9	17	11	14
Investment in the Royal Mint	(4)	(4)	2	(6)	(6)	(5)
Investment in the Bank of England	(54)	(45)	-	-	-	-
Financial stability	(15,114)	(36,770)	44,520	47,220	137,220	16,000
Sovereign Grant	66	70	88	103	107	89
Pool Re	-	-	-	-	(65)	(185)
Financial Services Compensation Scheme	(11)	(1)	-	-	-	-
Reclaim Fund Ltd (net)	-	-	(17)	(9)	(50)	(39)
UK Asset Resolution	(328)	40	34	51	-	44
Help to Buy ISA	-	12	7	7	6	6
UK Government Investments	1	1	-	-	-	
UK Infrastructure Bank	-	-	-	(131)	(23)	8
EU Withdrawal Agreement Financial Settlement	-	37,191	(2,385)	4,825	(4,322)	-
Non-voted: Royal Household pension	4	4	4	4	4	4
Total Resource AME	**(15,278)**	**708**	**42,496**	**51,576**	**132,476**	**15,923**
Total Resource DEL and AME (net)	**(15,032)**	**1,062**	**42,816**	**51,964**	**132,787**	**16,276**
of which:						
DEL Depreciation	5	4	4	4	9	

Note**:** data for years beyond 2022-23 is not held, so only 5 historic years and one future year is included.

Resource DEL

Resource DEL in Core Treasury has reduced in 2022-23 predominantly due to a payment of £114.3m, in relation to the London Capital and Finance Compensation Scheme in the prior year.

Resource AME

Financial stability comprises fair value movements in derivatives, changes to financial stability provisions, fees and interest arising from financial stability interventions and impairments of financial instruments.

EU Withdrawal Agreement Financial Settlement includes the movements in provisions and receivables recognised for the UK's share of EU's assets and liabilities following the UK's exit from the European Union.

Provisions relate primarily to bonus payments under the Help to Buy ISA scheme, and the Equitable Life Payment Scheme.

Capital

In £m	2018-19	2019-20	Outturn 2020-21	2021-22	2022-23	Budget 2023-24
Capital DEL						
Core Treasury	1	1	2	13	3	6
Debt Management Office	5	1	2	-	-	1
UK Infrastructure Bank	63	43	4	1	3	1
IUK Investments Limited	1	-	-	-	-	-
National Infrastructure Commission	-	1	1	1	1	1
Asian Infrastructure Investment Bank	97	93	-	-	-	-
Total Capital DEL	**167**	**139**	**9**	**15**	**7**	**9**
Capital AME						
Investment in the Bank of England	1,180	-	-	-	-	-
Assistance to Financial Institutions	(2,509)	(1,618)	(2,742)	(3,780)	2,863	49,100
Sovereign Grant	9	12	5	2	(4)	4
Reclaim Fund Ltd (net)	-	-	40	28	14	181
Financial Services Compensation Scheme	1	1	-	-	-	-
UK Asset Resolution	(11,807)	(600)	(4,951)	-	-	-
Help to Buy ISA	128	141	151	172	138	180
Pool Reinsurance Ltd	-	-	-	-	86	(44)
UK Infrastructure Bank	-	-	27	52	245	921
EU Withdrawal Agreement Financial Settlement	-	-	-	(253)	(259)	(266)
Total Capital AME	**(12,998)**	**(2,064)**	**(7,470)**	**(3,779)**	**3,083**	**50,076**
Total Capital DEL and AME (net)	**(12,831)**	**(1,925)**	**(7,461)**	**(3,764)**	**3,090**	**50,085**
Total Departmental Spending	**(27,863)**	**(863)**	**35,355**	**48,200**	**135,877**	**66,361**

Capital DEL

From 2018-19 the capital subscription to the Asian Infrastructure Investment Bank was made by HM Treasury. The final subscription was made in 2019-20.

From 2020-21 investments made by UK Infrastructure Bank on the Digital Infrastructure Investment Fund and Charging Infrastructure Investment Fund were transferred from DEL to AME.

Capital AME

Assistance to financial institutions can fluctuate considerably due to the nature of the activity being driven by market conditions providing value for money. This consists of capital income from the proceeds from the sale of NatWest shares, and from 2022-23 capital expenditure on cash transfers to the Bank of England to part settle the BEAPFF derivative.

UKAR capital receipts fluctuate between years, largely due to sales of former Bradford and Bingley and Northern Rock mortgage books, which were driven by market conditions providing value for money. There were no mortgage book sales during 2019-20 and 2020-21 saw the sale of all remaining mortgages held within UKAR.

The budget for EU Withdrawal Agreement Financial Settlement from 2021-22 is for the repayment of the UK's paid in capital by the European Investment Bank. The transfer of this asset from the Consolidated Fund, where the capital expenditure from the asset addition offsets the equivalent income from the capital grant-in-kind was included in DEL in 2020-21, and transferred to AME from 2021-22.

In 2021-22 the UK Infrastructure Bank opened for business. From 2021-22 the capital expenditure has accelerated, as the bank gears up towards its full lending capacity.

Analysis of administration costs

An analysis of administration income and expenditure is provided below.

			Outturn			Budget
In £m	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**
Core Treasury	150	165	212	211	221	226
Debt Management Office	13	15	21	17	17	18
Government Internal Audit Agency	1	-	(1)	1	3	6
Office of Tax Simplification	1	1	1	1	1	-
UK Asset Resolution	-	-	-	-	5	6
Office for Budget Responsibility	3	3	4	4	4	4
UK Infrastructure Bank	-	-	-	12	36	68
UK Government Investments Ltd	13	14	16	20	17	15
National Infrastructure Commission	5	5	4	5	5	5
Total net administration costs	**186**	**203**	**257**	**271**	**309**	**348**
of which:						
Staff costs	151	168	200	210	208	
Other expenditure	94	97	124	122	151	
Income	(59)	(62)	(67)	(61)	(50)	

Staff costs and other expenditure

Staff costs remained consistent with 2021-22. Other expenditure has increased due to the continuing expansion of the UK Infrastructure Bank.

Income

Income has reduced following the transfer of the building at 1 Horse Guards Road to the Government Property Agency during the year in 2021-22, with the result that HMT no longer generates income from leasing parts of the building to other government departments.

Disaggregated information on arm's length bodies

The following table provides a breakdown of total operating income, total operating expenditure, net expenditure for the year, staff numbers and staff costs in respect to arm's length bodies.[5]

In £m	Total operating income	Total operating expenditure	Net expenditure for the year (including financing)	Permanently employed staff		Other staff	
				Number of employees	Staff costs	Number of employees	Staff costs
Debt Management Office	(5)	26	22	110	11	21	3
National Infrastructure Commission	-	6	6	44	4	1	-
Government Internal Audit Agency	(39)	42	3	451	33	5	-
UK Asset Resolution Ltd[6]	-	5	5	-	(12)	-	-
UK Government Investments Ltd	(5)	22	17	124	15	31	2
UK Infrastructure Bank Ltd	-	30	13	25	5	137	22
Office for Budget Responsibility	-	4	4	42	4	-	-
Royal Household Sovereign Grant	(10)	117	107	510	27	17	3
Reclaim Fund Ltd	(143)	106	(50)	14	1	-	-
Pool Reinsurance Ltd	(284)	45	(239)	36	8	1	-
HM Treasury UK Sovereign Sukuk	(2)	-	-	-	-	-	-
Total	**(488)**	**403**	**(112)**	**1,356**	**96**	**213**	**30**

Figures may not agree directly to the published ALB accounts, due to FReM alignment, intergroup eliminations, timing differences and other consolidation adjustments.

James Bowler
Permanent Secretary

11 July 2023

[5] Financial Reporting Advisory Board, IUK Investments Holdings Ltd, IUK Investments Ltd, Help to Buy (HMT) Ltd and Royal Mint Advisory Committee are excluded from the table as nil for all columns.

[6] UKAR's staff income relates to a net credit on their defined benefit pension schemes in surplus

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of HM Treasury and of its Departmental Group for the year ended 31 March 2023 under the Government Resources and Accounts Act 2000. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) Order 2022. The financial statements comprise the Departmental Group's:

- Statement of Financial Position as at 31 March 2023;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of HM Treasury and the Departmental Group's affairs as at 31 March 2023 and their net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2023 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of HM Treasury and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of authorities	
Authorising legislation	Government Resources and Accounts Act 2000
Parliamentary authorities	Supply and Appropriations Acts
HM Treasury and related authorities	Managing Public Money

Conclusions relating to going concern

In auditing the financial statements, I have concluded that HM Treasury's and its Group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

The going concern basis of accounting for HM Treasury and its Group is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified through the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around management override of controls, an area where my work has not identified any matters to report.

The key audit matters were discussed with the Audit and Risk Committee; its report on matters that it considered to be significant to the financial statements is set out in the governance statement.

In this year's report the following changes to the risks identified have been made compared to my prior year report:

- I have not identified a key audit matter this year relating to the provision for reclaims of dormant account balances. I have assessed this as an area of lower risk in comparison to the prior year, following the restatement in the prior year financial statements and my consideration of the level of estimation uncertainty within the modelling of this provision, as compared to materiality for my audit of HM Treasury Group financial statements; and
- I have identified two new key audit matters this year relating to: the first-time consolidation of Pool-Reinsurance Limited (Pool Re) into HM Treasury Group; and the valuation and existence of Pool Re's financial assets. I have detailed my considerations over these areas in Key Audit Matters 4 and 5 below.

Key audit matter 1 – EU Financial Settlement

Description of risk

The UK left the European Union (EU) on 31 January 2020 under terms defined by the Withdrawal Agreement. The Agreement includes a Financial Settlement and sets out the various rights and obligations of the UK and EU during the transition period and beyond. These include financial rights and obligations that fall to HM Treasury. The transition period ended on 31 December 2020. I have identified a significant risk of material misstatement in HM Treasury accounts because of the underlying complexity and sensitivity of judgements surrounding interpretation of the Withdrawal Agreement. I consider this area to be a key audit matter.

The specific areas of risk identified by my audit are:

- Classification: HM Treasury receives invoices and reporting from the European Commission, in accordance with the terms of the Withdrawal Agreement. If HM Treasury does not sufficiently scrutinise EU data and understand the Commission's process for classification, or identify where changes in circumstances affect classification, and assess against IFRS requirements, there is a risk of subsequent misclassification in HM Treasury's accounts. Separately, there is a risk that balances in the accounts are misclassified where invoiced amounts to be paid are known at year end or subsequent to the reporting date;
- Valuation: the valuation of items arising from the Withdrawal Agreement requires the use of different estimation techniques, with varying degrees of complexity, that utilise a range of inputs and assumptions with differing degrees of sensitivity. For some of these estimates, there is a high level of estimation uncertainty and input data has to be derived from limited sources. Reports received from the European Commission, in accordance with the requirements of the Withdrawal Agreement, may also provide additional information over time that HM Treasury will need to consider when preparing these estimates. Due to non-coterminous reporting periods, there is a risk HM Treasury will not obtain data from the European Commission in time or obtain sufficient assurance over the completeness and accuracy of these reports. Additionally, there is a risk that some of the data

being relied upon to derive assumptions will become outdated or may no longer be fit for purpose;

- Disclosures: there is a risk that the estimation uncertainty and other disclosures for fair value measurements and other balances are not sufficient or accurate, due to the risks of using inappropriate methodologies, assumptions or data sources. There is also a risk of insufficient disclosure if information received after the reporting date, such as the publication of the European Commission's annual accounts, provides additional evidence in relation to events or conditions in existence at 31 March; and
- Regularity: HM Treasury is making payments to the European Commission under the Withdrawal Agreement with limited visibility over the underlying data underpinning the transaction's value. I have identified a risk that HM Treasury needs to obtain sufficient assurance over the amounts to confirm these are in line with the framework of authorities.

How the scope of my audit responded to the risk	My response to addressing the risk of material misstatement in this area included: • reviewing governance processes and the design of controls in place over the models used to prepare the estimates, and the process in place to ensure appropriate balances and disclosures derived from these models are appropriately included in the financial statements. I have not relied on these controls; • reviewing the design and implementation of controls over the completeness and accuracy of invoiced amounts, payments processes and also the 'truing up' mechanism for adjusting amounts when agreed by the UK and EU in accordance with the terms of the Withdrawal Agreement. I have not relied on these controls; • undertaking review of previous judgements on recognition to ensure these remain valid and to identify any

changes required. I have also considered whether the financial reporting impact of these is appropriately presented and disclosed within the financial statements;

- reviewing the models used in preparing the estimates, to confirm the estimates drawn from these models are reasonable, based on relevant information, and follow an appropriate measurement methodology;
- identifying where management have used experts and evaluating the competence, capabilities and experience of those experts. This has included confirming that the scope of their work is appropriate and sufficient for the purposes relied upon by management;
- engaging my own experts in modelling, corporate finance and actuarial science to support my work evaluating the methodology, logical integrity and assumptions applied in the estimates performed by management;
- reviewing management's assessment of the level of uncertainty present within these estimates and the processes in place to address this uncertainty;
- considering the assurances obtained over amounts included within invoices received from the European Commission to confirm that these conform to the authorities that govern them and are appropriately supported;
- evaluating and challenging management's assessment of information received after the reporting date, including additional reporting under the Withdrawal Agreement as well as information published within the European Commission's own accounts. This included requesting and reviewing management's comparison of the

balances reported in the European Commission's 2022 accounts with their own assessment; and

- reviewing the proposed disclosures required under the Government Financial Reporting Manual and Managing Public Money to ensure that these are adequate and sufficient for readers to be able to gauge the level of estimation uncertainty within the amounts recognised and disclosed.

Key observations

I am satisfied that the amounts recognised within the financial statements are appropriate.

I have found that HM Treasury's measurement of assets and liabilities within the Departmental and Group accounts identified in the Withdrawal Agreement to be accurate.

I have found that the models prepared by management use appropriate input data and apply reasonable and appropriate measurement techniques based on the data available. Key judgements are disclosed in note 1.5 and sensitivities are disclosed in notes 16.2 and 22.3. The Department has used the discount rates mandated by the Government Financial Reporting Manual, the basis for which is explained in note 16 and 22. Future cash flows are denominated in Euros, and therefore valuations are particularly sensitive to future change in exchange rate also explained in note 16 and 22.

I note that the nature of the data available to HM Treasury in estimating the value of assets and liabilities has limitations that require management to make significant judgements, including estimating the level of funds currently committed to programmes which will not be fully implemented (the decommitment rate).

This, together with the long term and forward-looking nature of the estimates involved, heightens the level of uncertainty in the valuation.

I am content that the amounts paid over to the European Commission have been calculated and paid in line with the Withdrawal Agreement, noting the presence and operation of a subsequent ‘truing up’ mechanism.

I have found HM Treasury's disclosures on estimation uncertainty and other disclosures for fair value measurements and other balances to be sufficient and accurate.

Key audit matter 2 – BEAPFF derivative valuation

Description of risk

HM Treasury provides an indemnity to the Bank of England Asset Purchase Facility Fund (BEAPFF) over its functions as a holding vehicle for debt securities purchased under the Quantitative Easing programme. Under this agreement, any losses incurred by BEAPFF on these assets are indemnified by HM Treasury, while any gains accrue to HM Treasury. This indemnity is therefore recognised as a derivative financial liability and was valued at £38.9bn at 31 March 2022. As at 31 March 2023, this liability position had increased to £177.6bn.

The BEAPFF prepares its financial statements to 28 February, one month before HM Treasury’s reporting date. HM Treasury uses BEAPFF’s March management accounts to establish the value of the derivative at year end. Due to the non-coterminous year ends, the magnitude of the debt security holdings, scope for market price movements and risk of non-compliance with the financial reporting framework, I identified the valuation of the indemnity as a significant risk and key audit matter.

How the scope of my audit responded to the risk	My response to addressing the risk of material misstatement in this area included: • Assessing the design and implementation of controls carried out by HM Treasury, to ensure that the figures reported in the BEAPFF management accounts for March 2023 are sufficiently accurate to use for the valuation of the BEAPFF derivative liability in HM Treasury's accounts; • Confirming BEAPFF asset holdings at year-end to independent sources to ensure that those included in the valuation are complete and accurate; • Recalculating the 31 March BEAPFF liability figures from independent sources; • Independently confirming the quoted market prices used by HM Treasury are within a reasonable variance using an independent market source; • Confirmation and review of settlement transactions, which occur on a quarterly basis between HM Treasury and BEAPFF, to assess whether they are accurately recorded and complete; and • Confirming that management have performed the calculations and processes underpinning the valuation of the derivative appropriately and applied these accurately. This included confirming completeness and accuracy of the data used in valuing the BEAPFF derivative. **Key observations** I am satisfied that the amounts recognised within the financial statements are appropriate. I did not identify any significant misstatements as a result of the work I have performed. As explained in note 22, quoted market prices may vary reasonably between reputable sources. I am content that management has accurately used appropriate pricing data but note that, as

	indicated by management's sensitivity analysis, small variations that could reasonably arise from using alternative data sources would have a material impact on the accounts.

Key audit matter 3 – UKAR Defined Benefit Pension Liability

Description of risk

HM Treasury Group financial statements recognise a net pension asset in relation to the closed funded defined benefit pension schemes recognised by UKAR. These consist of a gross defined benefit liability and scheme assets.

The gross defined benefit pension liability is material to HM Treasury Group's financial statements and subject to a high level of estimation uncertainty and, to a lesser extent, management judgement. As such I have classified the valuation of the defined benefit pension liability as a significant risk and as a key audit matter in respect of the audit of the Departmental Group.

The scheme assets include buy-in policies that are intrinsically linked to the scheme liabilities, and so these assets are scoped-in to the significant risk. All other pension assets continued to be recognised as an area of limited management judgement, due to the balance being primarily made up of assets with externally quoted prices. The estimation uncertainty for the non-buy-in policy asset balance is lower than for the liabilities, and as such I have judged that this does not represent a risk of material misstatement.

How the scope of my audit responded to the risk	I issued group audit instructions to the UKAR component audit team, and reviewed the work performed in response. The UKAR team's testing included: • Evaluating the design and implementation of the controls that UKAR has in place to ensure that the liability is not materially misstated. This has included consideration of

management's review of assumptions used, and the final IAS 19 report issued to support the valuation of the liability;

- Evaluating the design and implementation of controls over membership data in place at the pension scheme administrator;
- Reviewing the report of management's actuary and agreement to the accounts;
- Performing procedures to earn the right to rely on the work of the scheme actuary as a management expert in accordance with ISA 500 *Audit Evidence*;
- Engaging with my own actuarial experts to obtain assurance over the reasonableness of key assumptions used by management's actuary in calculating the liability;
- Review of policy documentation for the Northern Rock Asset Management pension scheme buy-in policy; and
- Performing procedures to obtain assurance over membership data and other inputs used to calculate the liability.

Key observations

I have obtained sufficient assurance over this risk through my substantive testing. I did not identify significant misstatements in the funded defined benefit pension liabilities or buy-in policies as a result of the work I have performed.

Key audit matter 4 – Existence and Valuation of Pool Re's Financial Instruments

Description of risk

Pool Re receives premiums and invests these in a managed portfolio to generate returns and expand its asset base. Where claims are subsequently made under the reinsurance contracts Pool Re has issued, Pool Re is able to pay against these claims out of its investment portfolio, reducing the risk that the Departmental Group will need to call upon taxpayer funding via Supply to meet its liabilities.

Pool Re's investment portfolio as at 31 March 2023 exceeded £6.6bn in financial instruments, in large part corporate bonds and gilts, and these are material to the group. There is an inherent risk of material misstatement in relation to the valuation and existence of these assets, given their scale in context of the group financial statements.

Pool Re's investment portfolio contains financial assets and liabilities with varying levels of observability of prices and market liquidity for the underlying instruments. This introduces complexity and subjectivity in determining the appropriate level within the IFRS 13 fair value hierarchy the investments should be disclosed at and in the pricing of less-observable or less-liquid markets.

How the scope of my audit responded to the risk	I issued group audit instructions to the Pool Re component audit team, and reviewed the work performed in response. The Pool Re audit team's testing included: • Evaluating design, implementation, and operating effectiveness of controls over the existence and valuation of financial instruments in Pool Re' investment portfolio including inspection of the custodian bank's SOC1 report; • Obtaining independent custodian statements for financial assets and reconciling these to the general ledger to confirm the existence and completeness of the portfolio;

- Recalculation of valuation of financial instruments held by Pool Re utilising third party pricing data, totalling 98.5% of financial assets held by Pool Re, and engaging with specialists to value derivatives as necessary; and
- Review of financial instruments disclosures to ensure consistency with *IFRS 7 – Financial Instrument Disclosures*, IFRS *9 – Financial Instruments*, and IFRS *13 – Fair Value Measurement* requirements.

Key observations

I have reviewed the component auditor's work over financial instruments and the investment portfolio held by Pool Re. Based upon my review I am satisfied that the amounts recognised within the financial statements relating to the investment portfolio held by Pool Re are not materially misstated.

Key audit matter 5 – First-Time Consolidation of Pool Re

Description of risk

Pool Re has been consolidated into HM Treasury Group for the first time in 2022-23, following its designation by the Office for National Statistics (ONS) to the central government sector. Total assets held by Pool Re as at 31 March 2023 stood at some £7bn, which is material to the group financial statements.

The first-time consolidation of Pool Re presents an inherent risk of misstatement, arising from the need to accurately apply consolidation procedures, provide new disclosures and restate comparative data. Initial consolidation was complicated by the following factors:

- The reporting dates for HM Treasury and Pool Re were non-coterminous prior to 31 March 2023. As a result new Pool Re

data was required for the purposes of consolidating into HM Treasury;
- Pool Re is of a significantly different nature to other entities falling within HM Treasury Group;
- Reinsurance contracts held by Pool Re required HM Treasury to apply IFRS 4 *Insurance contracts* for the reinsurance contracts held, and issued by, Pool Re. As this standard has not been applied widely by the group previously, this presents a higher risk of balances being incorrect, or disclosures being insufficient or not in compliance with the requirements of IFRS 4; and
- Pool Re has changed its reporting framework from FRS 102 to IFRS, to align with the group.

How the scope of my audit responded to the risk	My audit response included both testing undertaken by the group audit team, and testing that I instructed Pool Re's auditors to complete. Work undertaken by the group audit team included: • Evaluating the design and implementation of controls over the consolidation process and restatement of accounts for the inclusion of Pool Re balances; • Reviewing the appropriateness of the accounting treatment proposed by HM Treasury for the consolidation of Pool Re into HM Treasury Group; • Reviewing the appropriateness of the accounting treatment of the intra-group retrocession agreement, where HM Treasury provides cover to Pool Re, under IFRS 4; • Assessing manual adjustments and eliminations performed as part of the consolidation process, to verify their accuracy and completeness, including specific challenge of any intra-group mismatches;

- Reviewing disclosures of the restatements and comparative information to confirm Pool Re transactions and balances had been accurately included; and
- Reviewing other disclosures to ensure risks presented by the introduction of Pool Re to the group are adequately captured.

I issued group audit instructions to the Pool Re component audit team containing agreed upon procedures in regard to component data, and reviewed the work performed in response. The Pool Re audit team's testing included:

- Testing the restatement models and consolidation packs for financial position at 31 March 2022 and 1 April 2021 and performance statements for 2021-22 which are restated in HM Treasury's accounts to ensure their accuracy; and
- Specific testing over the investment portfolio held by Pool Re at 31 March 2022 and 1 April 2021 to provide assurance over valuation and existence at these dates, consistent with that detailed in Key Audit Matter 4.

Key observations

Based upon the evidence reviewed and the audit work completed, I am satisfied that the amounts recognised within the financial statements relating to the current year are appropriate. The first time consolidation of Pool Re has been appropriately reflected within the restated comparative figures for 2021-22 and 1 April 2021. I did not identify any material misstatements as a result of the work I have performed.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for the Department and its Group financial statements as a whole as follows:

	Departmental group	Department
Overall Account Materiality	£2,030m	£2,017m
Basis for determining overall account materiality	1% of Gross Liabilities of £203.0bn (1% of BEAPFF derivative liability of £39.9bn in 2021-22)	1% of Gross Liabilities of £201.7bn (1% of BEAPFF derivative liability of £39.9bn in 2021-22)
Rationale for the benchmark applied	Gross liabilities in 2022-23 contain the BEAPFF derivative and liabilities relating to the UK's obligations to the EU under the withdrawal agreement. The derivative is volatile, and together these are the most significant items by value in the financial statements. A number of other policy activities also lead to large liabilities on the statement of financial position. Overall, due to the parliamentary and public profile of these, I have judged gross liabilities to be the area of most interest to users of the financial statements.	
Particular classes of transactions, account balances and disclosures where an additional level of materiality has been applied	All classes of transactions, account balances, and disclosures excluding the BEAPFF derivative balances. The materiality level is set at £190.3m	All classes of transactions, account balances, and disclosures excluding the BEAPFF derivative balances. The materiality level is set at £180.7m

Basis for determining residual account materiality	0.75% of gross liabilities, excluding BEAPFF derivative, of £25.4bn (0.75% of gross assets of £27.0bn in 2021-22)	0.75% of gross liabilities, excluding BEAPFF derivative, of £24.1bn (0.75% of gross assets of £26.0bn in 2021-22)
Rationale for the benchmark applied	Despite the dominance of the BEAPFF derivative within HM Treasury's financial statements, I consider that readers would also have a significant level of interest in other items that reflect HM Treasury's delivery of wider activities. I do not believe that this interest is diminished by the presence of the BEAPFF derivative. Therefore it is appropriate to adopt an additional materiality for other items in the financial statements	

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality of the financial statements as a whole. Group performance materiality was set at 75% of overall group account materiality, and 54% of residual group account materiality for the 2022-23 audit (2021-22: 71% and 57%, respectively). In determining performance materiality, we have considered the level of misstatements identified in the previous period.

Other Materiality Considerations

My approach to setting overall account materiality changed this year. Having used the BEAPFF derivative asset/liability value as materiality base for previous audits, I have used gross liabilities this year. This is due to the volatility exhibited by the BEAPFF derivative. Using gross liabilities enables my audit to retain a focus on items which are of most interest to users, and to build greater stability into my assessment of those interests.

There were revisions to the materiality threshold as the audit progressed. The value of the BEAPFF derivative has moved from an opening liability value of £39.9bn to a liability of £177.6bn by the reporting date, with significant variations in intervening periods. This is reflected in the overall materiality level.

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in the Related Parties note in the financial statements. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing my audit work to support my opinion on regularity and in evaluating the impact of any irregular transactions, I considered both quantitative and qualitative aspects that would reasonably influence the decisions of users of the financial statements.

Error Reporting Threshold

I agreed with the Audit and Risk Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £1 million, as well as uncorrected misstatements in aggregate whose individual values are between £300,000 and £1 million. I undertook to report differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit and Risk Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

Total unadjusted audit differences reported to the Audit and Risk Committee would have increased net expenditure and decreased net assets by £2m.

Audit scope

The scope of my Group audit was determined by obtaining an understanding of the department and its Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

I identified three significant components for my audit of the Departmental Group: HM Treasury, Pool Reinsurance Company Ltd (Pool Re), and UK Asset Resolution Ltd (UKAR). I classified UK Infrastructure Bank (UKIB) as a material non-significant component. Together these represent over 95% of the group's gross assets and over 99% of the group's gross liabilities.

I carried out a full audit of HM Treasury as part of my audit of the Departmental Group and had regular involvement in my statutory audit of UKAR particularly in respect of the significant risk that I identified in relation to the UKAR defined benefit pension liabilities. I have performed sufficient work on UKIB to support my opinions. I have also relied on the statutory audit of Pool Re and had regular involvement in the component auditor's work particularly in respect of the significant risks that I identified in relation to the first time consolidation of Pool Re, as well as the existence and valuation of Pool Re assets. I requested additional procedures be performed by the Pool Re component auditor to obtain assurance to support the first-time consolidation restatement of the prior period and I have reviewed their work.

This work covered substantially all of the group's assets and net expenditure, and together with the procedures performed at group level, gave me the evidence I needed for my opinion on the group financial statements as a whole.

Other Information

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

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

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

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

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

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

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of HM Treasury and its Group and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability reports.

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 by the HM Treasury Group or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or

parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or

- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

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

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within HM Treasury and its Group from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- assessing HM Treasury's and its Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by HM Treasury and its Group will not continue to be provided in the future.

Auditor’s responsibilities for the audit of the financial statements

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion.

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

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

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

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

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

- considered the nature of the sector, control environment and operational performance including the design of HM Treasury and its Group’s accounting policies, key performance indicators and performance incentives.
- inquired of management, the Department’s Head of Internal Audit and those charged with governance, including obtaining and reviewing supporting documentation relating to HM Treasury and its Groups policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations;
    - detecting and responding to the risks of fraud; and

    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including HM Treasury and its Group's controls relating to the Department's compliance with the Government Resources and Accounts Act 2000, Managing Public Money and Supply and Appropriation Acts.

- inquired of management, the Department's Head of Internal Audit and those charged with governance whether:
    - they were aware of any instances of non-compliance with laws and regulations;
    - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team, including significant component audit teams and involving relevant internal and external specialists, including Modelling, Corporate Finance and Actuaries, how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within HM Treasury and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, and bias in management estimates. I also identified the risk that management could manipulate compliance with parliamentary control totals through manipulation of reconciling items between the Statement of Outturn against Parliamentary Supply and the Statement of Comprehensive Net Expenditure. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of HM Treasury and its Group's framework of authority and other legal and regulatory frameworks in which HM Treasury and its Group operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of HM Treasury and its Group. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000 and Supply and Appropriation Acts, Managing Public Money, European Union (Withdrawal Agreement) Act 2020, Bank of England Act 1998, employment law, tax legislation and pensions legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, internal audit and the Audit and Risk Committee, concerning actual and potential litigation and claims, as well as any investigations or enforcement action being undertaken by a relevant authority;
- I considered whether my audit work identified any transactions of high risk of not complying with relevant laws and regulations, and reviewing HM Treasury's assessment of compliance for any such transactions;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business;
- I confirmed compliance with Managing Public Money where this is relevant to my audit of the financial statements and of the parts of the Accountability report that are described in that report as having been audited. I performed this by confirming that relevant approvals required under Managing Public Money have been obtained by management and that disclosures required by Managing Public Money have been appropriately included within the financial statements and are complete; and
- I confirmed that the department has complied with the parliamentary control totals set out in the Supply and Appropriation (Main estimates) Act 2022 and Supply and Appropriation (Adjustments) Act 2022 by confirming that outturn is within the limits approved by Parliament, that the allocation of amounts to those parliamentary control categories is appropriate and that management have not vired amounts inappropriately between control totals approved by Parliament. I also performed work to confirm that journals which move amounts in favourable directions, from a parliamentary control total perspective, were appropriate and did not indicate fraud through management

override of controls. In addition, I performed work to confirm that the reconciling items between the Statement of Outturn against Parliamentary Supply and the Statement of Comprehensive Net Expenditure have been correctly calculated and are complete.

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

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

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement.

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies **14 July 2023**

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Chapter 3: Financial Statements

Consolidated Statement of Comprehensive Net Expenditure (SoCNE) for the period ended 31 March 2023

		2022-23		2021-22	
In £m	**Note**	**Core Department & Agencies**	**Departmental Group**	**Core Department & Agencies**	**Departmental Group (Restated)[1]**
Continuing operations					
Income from sales of goods and services		(40)	(42)	(39)	(39)
Other operating income	2	(259)	(549)	(803)	(1,031)
Total operating income		**(299)**	**(591)**	**(842)**	**(1,070)**
Staff costs	3	187	263	191	247
Purchase of goods and services	4	121	297	127	282
Other operating expenditure	5	(3,083)	(3,141)	5,380	5,418
Total operating expenditure		**(2,775)**	**(2,581)**	**5,698**	**5,947**
Net operating costs/(income) before financing		**(3,074)**	**(3,172)**	**4,856**	**4,877**
Capital grant in kind (income)/expenditure		-	-	46	46
Finance income	6	(1,508)	(1,643)	(5,483)	(739)
Finance expense	7	25	36	184	192
Revaluation of financial assets and liabilities	8	137,385	137,504	47,138	46,866
Net expenditure before tax		**132,828**	**132,725**	**46,741**	**51,242**
Taxation		-	(28)	-	44
Net expenditure after tax from continuing operations		**132,828**	**132,697**	**46,741**	**51,286**
Net expenditure after tax from discontinued operations		-	-	-	49
Total net expenditure after tax		**132,828**	**132,697**	**46,741**	**51,335**
Other comprehensive net (income)/expenditure from continuing operations					
Items that will not be reclassified to net operating expenditure					
Net (gain)/loss on assets recognised in reserves	SoCTE	(1,415)	(1,475)	3,468	(1,285)
Actuarial (gain)/loss on pension scheme liabilities	SoCTE	-	174	-	(23)
Total other comprehensive net (income)/expenditure from continuing operations		**(1,415)**	**(1,301)**	**3,468**	**(1,308)**
Net comprehensive expenditure for the year		**131,413**	**131,396**	**50,209**	**50,027**

The notes on pages 220 to 302 form part of these accounts.

[1] Prior periods have been restated due to the first-time consolidation of Pool Reinsurance Company Limited. See also Note 28 – Prior period restatements.

Consolidated Statement of Financial Position (SoFP) as at 31 March 2023

In £m	Note	31 March 2023 Core Department & Agencies	31 March 2023 Departmental Group	31 March 2022 Core Department & Agencies	31 March 2022 Departmental Group (Restated)[2]	1 April 2021 Departmental Group (Restated)
Non-current assets						
Property, plant and equipment		11	41	10	39	202
Intangible assets		8	9	8	9	9
Right of use assets		70	77	-	-	-
Trade and other receivables	9	4,250	4,542	3,823	3,923	3,628
Net pension asset	10	-	399	-	620	585
Equity Investments	11	19,309	19,113	20,040	19,894	22,395
Loans and investment securities	12	64	5,223	24	4,149	3,138
Total non-current assets		**23,712**	**29,404**	**23,905**	**28,634**	**29,957**
Current assets						
Inventory		28	28	26	26	31
Trade and other receivables	9	1,424	1,450	1,903	1,961	1,086
Loans and investment securities	12	-	1,141	-	1,982	2,687
Derivative financial assets	13	-	53	70	78	15,208
Cash and cash equivalents	14	1,396	1,979	54	881	3,940
Assets held for sale		-	-	-	-	1,656
Total current assets		**2,848**	**4,651**	**2,053**	**4,928**	**24,608**
Total assets		**26,560**	**34,055**	**25,958**	**33,562**	**54,565**
Current liabilities						
Lease Liabilities		(7)	(9)	-	-	-
Trade and other payables	15	(4,076)	(4,444)	(2,056)	(2,355)	(1,100)
Provisions	16	(6,342)	(6,603)	(8,717)	(8,988)	(10,026)
Derivative financial liabilities	13	(177,632)	(177,640)	(39,862)	(39,908)	(24)
Financial guarantees	17	(21)	(21)	(18)	(18)	(19)
Liabilities held for sale		-	-	-	-	(55)
Total current liabilities		**(188,078)**	**(188,717)**	**(50,653)**	**(51,269)**	**(11,224)**
Non-current liabilities						
Lease Liabilities		(65)	(71)	-	-	-
Trade and other payables	15	(404)	(1,029)	(1,315)	(2,031)	(516)
Provisions	16	(12,985)	(12,990)	(23,556)	(23,561)	(28,229)
Financial guarantees	17	(194)	(194)	(165)	(165)	(85)
Total non-current liabilities		**(13,648)**	**(14,284)**	**(25,036)**	**(25,757)**	**(28,830)**
Total assets less liabilities		**(175,166)**	**(168,946)**	**(49,731)**	**(43,464)**	**14,511**
Equity						
General fund		(168,226)	(161,039)	(39,441)	(32,147)	27,954
Available for sale reserve		(6,942)	(7,909)	(10,292)	(11,319)	(14,521)
Revaluation reserve		2	2	2	2	50
Merger reserve		-	-	-	-	1,028
Total equity		**(175,166)**	**(168,946)**	**(49,731)**	**(43,464)**	**14,511**

The notes on pages 220 to 302 form part of these accounts.

James Bowler, Permanent Secretary

11 July 2023

[2] Prior periods have been restated due to the first-time consolidation of Pool Reinsurance Company Limited. See also Note 28 – Prior period restatements.

Consolidated Statement of Changes in Taxpayers' Equity (SoCTE) for the period ended 31 March 2023

Group

In £m	Note	General Fund	Fair Value Reserve	Revaluation Reserve	Merger Reserve	Total Reserves
Balance at 1 April 2021 (Restated)[3]		**27,954**	**(14,521)**	**50**	**1,028**	**14,511**
Net income/(expenditure) after tax		(51,335)	-	-	-	(51,335)
Change in CFERs payable to the Consolidated Fund	15	25	-	-	-	25
CFERs paid to the Consolidated Fund	SOPS 4.1	(7,992)	-	-	-	(7,992)
Change in excess cash payable to the Consolidated Fund	SOPS 4.1	(49)	-	-	-	(49)
Net parliamentary funding		106	-	-	-	106
Consolidated Fund standing services		4	-	-	-	4
Actuarial gains and losses on pension schemes		23	-	-	-	23
Dividends paid[4]		(31)	-	-	-	(31)
Revaluation gains/(losses)	11	-	1,285	-	-	1,285
Transfers		(841)	1,917	(48)	(1,028)	-
Other movements		(11)	-	-	-	(11)
Balance at 31 March 2022 (Restated)		**(32,147)**	**(11,319)**	**2**	**-**	**(43,464)**
Net income/(expenditure) after tax		(132,697)	-	-	-	(132,697)
Change in CFERs payable to the Consolidated Fund	15	13	-	-	-	13
CFERs paid to the Consolidated Fund	SOPS 4.1	(4,473)	-	-	-	(4,473)
Supply payable adjustment	15	(1,396)	-	-	-	(1,396)
Net parliamentary funding – drawn down		11,828	-	-	-	11,828
Consolidated Fund standing services		4	-	-	-	4
Actuarial gains and losses on pension schemes		(174)	-	-	-	(174)
Dividends paid[4]		(72)	-	-	-	(72)
Other movements		10	-	-	-	10
Revaluation gains/(losses)	11	-	1,475	-	-	1,475
Transfers		(1,935)	1,935	-	-	-
Balance at 31 March 2023		**(161,039)**	**(7,909)**	**2**	**-**	**(168,946)**

The notes on pages 220 to 302 form part of these accounts.

[3] Prior periods have been restated due to the first-time consolidation of Pool Reinsurance Company Limited. See also Note 28 – Prior period restatements.

[4] Dividend paid by Pool Re to its members

Consolidated Statement of Changes in Taxpayers' Equity (SoCTE) for the period ended 31 March 2023

Core Treasury and Agencies

In £m	Note	General Fund	Fair Value Reserve	Revaluation Reserve	Total Reserves
Balance at 1 April 2021		**17,067**	**(8,736)**	**50**	**8,381**
Net income/(expenditure) after tax		(46,741)	-	-	(46,741)
Change in CFERs payable to the Consolidated Fund	15	25	-	-	25
CFERs paid to the Consolidated Fund	SOPS 4.1	(7,992)	-	-	(7,992)
Change in excess cash payable to the Consolidated Fund	SOPS 4.1	(49)	-	-	(49)
Excess cash paid to the Consolidated Fund		106	-	-	106
Consolidated Fund standing services		4	-	-	4
Revaluation gains/(losses)	11	-	(3,468)		(3,468)
Transfers		(1,864)	1,912	(48)	-
Other movements		3	-	-	3
Balance at 31 March 2022		**(39,441)**	**(10,292)**	**2**	**(49,731)**
Net income/(expenditure) after tax		(132,828)	-	-	(132,828)
Change in CFERs payable to the Consolidated Fund	15	13	-	-	13
CFERs paid to the Consolidated Fund	SOPS 4.1	(4,473)	-	-	(4,473)
Supply payable adjustment	15	(1,396)	-	-	(1,396)
Net parliamentary funding – drawn down		11,828	-	-	11,828
Consolidated Fund standing services		4	-	-	4
Other movements		2	-	-	2
Revaluation gains/(losses)	11	-	1,415	-	1,415
Transfers		(1,935)	1,935	-	-
Balance at 31 March 2023		**(168,226)**	**(6,942)**	**2**	**(175,166)**

The notes on pages 220 to 302 form part of these accounts.

Consolidated Statement of Cashflows (SoCF) for the period ended 31 March 2023

		2022-23		2021-22	
In £m	**Note**	**Core Department & Agencies**	**Departmental Group**	**Core Department & Agencies**	**Departmental Group (Restated)[5]**
Cash flows from operating activities					
Net operating income/(expenditure) before financing from continuing operations	SoCNE	3,074	3,172	(4,856)	(4,877)
Net operating expenditure before financing from discontinued operations		-	-	-	(13)
Adjustments for non-cash transactions	18	(3,291)	(3,161)	5,052	5,063
Changes in working capital		1,063	1,047	2,701	2,520
Corporation Tax paid		-	(68)	-	(9)
Use of provisions	16	(9,660)	(9,766)	(11,004)	(11,071)
Net cash flows from operating activities		**(8,814)**	**(8,776)**	**(8,107)**	**(8,387)**
Cash flows from investing activities					
Proceeds/(payments): derivatives	13	(778)	(1,091)	7,218	7,148
Proceeds: sale of shares UK listed entities		2,146	2,146	3,878	3,735
Proceeds: sale of investment securities and other assets		-	808	-	673
Proceeds: interest, dividend and other finance income		1,539	1,651	5,259	638
Purchases: financial assets		(125)	(9,553)	(309)	(6,679)
Proceeds: repayment of financial assets		85	8,707	3	5,976
Proceeds: sale of loans to banking customers		-	-	-	47
Other investing activities		(10)	(17)	(9)	(20)
Net cash flow from investing activities		**2,857**	**2,651**	**16,040**	**11,518**
Cash flows from financing activities					
Cash from the Consolidated Fund (non-supply)		4	4	4	4
Cash from the Consolidated Fund (supply) – current year		11,828	11,828	3,500	3,500
Advances from the Contingencies Fund		828	828	120	120
Repayments to the Contingencies Fund		(828)	(828)	(120)	(120)
Dividend paid		-	(72)	-	(31)
Capital element of leases		(6)	(10)	(2)	(4)
Net cash flows from financing activities		**11,826**	**11,750**	**3,502**	**3,469**
Net increase in cash and cash equivalents before Adjustments		**5,869**	**5,625**	**11,435**	**6,600**
Payments of receipts due to the Consolidated Fund	SoCTE	(4,473)	(4,473)	(7,992)	(7,992)
Excess cash paid to the Consolidated Fund – current year	SoCTE	-	-	(3,389)	(3,389)
Amounts paid to the Consolidated Fund – prior year balance	SoCTE	(54)	(54)	(5)	(5)
Net increase/(decrease) in cash and cash equivalents after adjustments	14	**1,342**	**1,098**	**49**	**(4,786)**
Cash and cash equivalents at the beginning of the period	14	54	881	5	5,667
Cash and cash equivalents at the end of the period[6]	14	**1,396**	**1,979**	**54**	**881**

The notes on pages 220 to 302 form part of these accounts.

[5] Prior periods have been restated due to the first-time consolidation of Pool Reinsurance Company Limited. See also Note 28 – Prior period restatements.

[6] Cash and cash equivalents are a total of the balances for the continued and discontinued operations.

Notes to the Resource Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the Government Financial Reporting Manual 2022-23 (FReM) and the Government Resources and Accounts Act 2000. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted and interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of HM Treasury for the purpose of giving a true and fair view has been selected.

The particular policies adopted by HM Treasury are described below. In addition to the primary statements prepared under IFRS, the FReM requires HM Treasury to prepare a Statement of Outturn against Parliamentary Supply and supporting notes analysing the net resource outturn and capital outturn against control totals voted by Parliament through the Estimate. These are included within the Parliamentary Accountability section of this document.

HM Treasury is domiciled in the United Kingdom and its principal place of business is at 1 Horse Guards Road, London, with offices in Darlington and Norwich. The presentational and functional currency is pound sterling.

In common with other government departments, the financing of HM Treasury's future service provision and liabilities are to be met by future grants of Supply and the application of future income, approved annually by Parliament. Parliament has authorised spending for 2023-24 in the central government Main Supply Estimates and there is no reason to believe that future approvals will not be made. It has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.1 Accounting convention

These accounts have been prepared on an accruals basis under the historical cost convention, modified to account for the revaluation of land and buildings and certain financial instruments to fair value, as determined by the relevant accounting standards and the bespoke accounts direction issued by HM Treasury.[7]

[7] The bespoke accounts direction directs HM Treasury to account for income received from the financial settlement of the EU Withdrawal Agreement within the consolidated group accounts, rather than in a trust statement.

1.2 Basis of consolidation

These accounts consolidate Core Treasury and Agencies and those entities which fall within the Departmental Boundary as defined in the FReM and listed in the Designation Order 2022-23 issued by HM Treasury.

Core Treasury and Agencies include HM Treasury plus the Office of Financial Sanctions Implementation and the Office of Tax Simplification[8] along with the UK Debt Management Office, the National Infrastructure Commission and the Government Internal Audit Agency who are recognised as executive agencies.

Transactions between entities included in the reporting boundary are eliminated on consolidation. All entities have a 31 March reporting date.

The Treasury Group includes, in addition to Core Treasury and Agencies:

Entity name	Principal activity
UK Asset Resolution Ltd (UKAR)	Asset and liability management
UKAR Corporate Services Ltd	Not trading – liquidated January 2023
Financial Reporting Advisory Board	Advice on government financial reporting
UK Government Investments Ltd	Manage government shareholdings
Help to Buy (HMT) Ltd[9]	Delivers the mortgage guarantee schemes
UK Infrastructure Bank Ltd	Investment in infrastructure projects
IUK Investments Holdings Ltd	Investment in IUK Investments Ltd
IUK Investments Ltd	Investment in PF2 projects
Office for Budget Responsibility	Independent fiscal watchdog
Pool Reinsurance Company Ltd	Reinsuring terrorism risk
Reclaim Fund Ltd	Distribution of dormant assets
Royal Household Sovereign Grant	Public funding for the Royal Household
Royal Mint Advisory Committee	Advice on design of coins, seals & medals
HM Treasury UK Sovereign Sukuk plc	Issue of Sukuk

For details on HM Treasury's ownership interests in other entities which are not consolidated, refer to Note 11 – Equity Investments.

[8] As announced in the Growth Plan 2022, the Office of Tax Simplification ceased work in the winter of 2022, and formally closed on royal assent of the Spring Finance Bill 2023 on 11 July 2023.

[9] Help to Buy (HMT) Ltd dissolved on 11 July 2023. Operation of the schemes will continue, and will be operated by the core department.

1.3 Adoption of new accounting standards

IFRS 16 Leases

The Group has adopted IFRS 16 with effect from 1 April 2022. As required by the FReM, prior periods have not been restated.

IFRS 16 represents a significant change in lessee accounting by removing the distinction between operating leases (off-statement of financial position financing) and finance leases (on-statement of financial position financing) and introducing a single lessee accounting model. IFRS 16 requires recognition of assets and liabilities for all leases in the Statement of Financial Position (SoFP), with exemption given to low value leases (set at the £5,000 capitalisation threshold for fixed assets) and short-term leases, i.e. those with lease terms of less than 12 months. The adoption of the standard results in the recognition of a right-of-use asset, representing a right to use the underlying leased asset and a lease liability, representing an obligation to make lease payments.

The group has made the following transitional arrangements:

- To adopt IFRS 16 retrospectively, without restatement of comparative balances. Consequently, the Statement of Comprehensive Net Expenditure and the Statement of Financial Position for 2021-22 reflect the requirements of IAS 17
- Not to reassess the classification of contracts previously classified as leases or service contracts under IAS 17 and IFRIC 4. However, new contracts have been classified using the IFRS 16 criteria
- For leases previously treated as operating leases:
    - To measure the liability at the present value of the remaining payments, discounted by the incremental cost of borrowing[10] as at the transition date
    - To measure the asset at an amount equal to the liability, adjusted for any prepayment or accrual balances previously recognised for that lease
    - To exclude leases whose term ends within twelve months of first adoption
    - To use hindsight in assessing remaining lease terms

The following table shows the adjustments to the Statement of Financial Position on the date of initial application of 1 April 2022.

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[10] The discount rate reflecting the department's incremental cost of borrowing is set centrally by HM Treasury, and promulgated in PES (Public Expenditure System) papers. The rate applicable was 3.51%.

In £m	Core Department & Agencies	Departmental Group
Right of use assets	76	83
Lease Liabilities	(76)	(83)

1.4 Standards in issue but not yet effective

The Treasury Group has not early-adopted any new or amended standards in preparing these consolidated financial statements

IFRS 17 Insurance contracts

IFRS 17 was issued in May 2017 and applies to the public sector for annual reporting periods beginning on or after 1 January 2025.

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts. The Treasury Group impact assessment exercise will be performed ahead of the implementation date. The Treasury Group has significant levels of reinsurance contracts issued by Pool Re, along with retrocession agreements in place, that are in scope of the new standard.

There are no other IFRS or IFRIC interpretations not yet effective that would be expected to have a material impact on the Treasury Group.

1.5 Significant judgements and estimates

Expected credit losses on guarantees

The allowance for expected credit losses on guarantees is management's estimate of losses expected at the reporting date, on the basis of a probability-weighted evaluation of a range of possible outcomes, based on historic, current and forward-looking information. Where the ECL calculated on a guarantee liability is higher than the fair value on initial recognition less the cumulative amount of income recognised, the guarantee liability is valued at the ECL.

Valuation of investment securities

Under IFRS 9 the Treasury Group's investment securities held by Reclaim Fund Ltd are held at amortised cost. Management intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. As these securities were entered into at commercial arm's length terms and are managed purely to generate financial returns, rather than to further a policy objective, discount rates specific to the loans are used, rather than the public sector financial instrument rates set out in the FReM where those differed, as approved by HM Treasury.

Equity investments

Under IFRS 9, strategic investments in equity instruments have been classified as held at fair value through other comprehensive income (FVOCI) and all changes in fair value are taken to reserves. Non-strategic portfolio equity investment and rights to the residual net assets on wind up of entities with a limited life are held at fair value through profit and loss (FVTPL).

Valuation of unlisted equity investments

Net asset value has been used as a proxy for fair value in the valuation of HM Treasury's unlisted equity investments. Net assets are considered to be a good proxy for fair value for unlisted entities because the underlying assets of each entity are held at fair value with reference to either the market value or, when this is not available, discounted cashflows. Management has assessed the impact of the Russian invasion of Ukraine on assets held at net asset value and determined that this continues to provide a good proxy for fair value.

Fair value hierarchy

Significant judgement is required to categorise Pool Re' s investment holdings under the fair value hierarchy classifications defined in IFRS 13 Fair Value Measurement. The group exercises judgement in determining whether a market is active and if valuations in these markets reliably reflect the price of an arm's length transaction. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques utilising observable and unobservable inputs. The risks related to these judgements are set out in note 22 – Financial Risk. See also Note 23 – Group financial instruments -fair value hierarchy.

Provisions

Recognition and valuation of provisions rely on the application of professional judgment, historical experience, and other factors expected to influence future events. A provision is recognised where the likelihood of a liability crystallising is probable and where such provision can be measured with reasonable certainty. Provision balances which contain regular, similar transactions are often derived from financial models. Estimates and assumptions applied in these models are routinely evaluated and reviewed.

Provisions related to EU financial settlement

The provisions comprise principally of obligations in respect of EU pensions, the Joint Sickness Insurance Scheme (JSIS) and outstanding EU Budgetary commitments (the so-called RAL) at the end of 2020. The UK obligation in respect of EU pensions is estimated on the basis of full membership data supplied by the EU to the UK as at 31 December 2020, projecting forward salary to the assumed date of scheme members' exit, applying the UK post 2020 financing share to end 2020 EU pension obligations, and discounting.

The obligation in respect of JSIS is estimated on the basis of the UK's post 2020 financing share of the employer contributions to JSIS made on payment of the pension, to the extent the pension was accrued prior to 31 December 2020. This obligation therefore follows the same profile as estimated for the EU pensions. The contribution rate applied to the pre-tax pension payments at 31 March 2022 was 3.4% as set out by the legislation.

The Withdrawal Agreement provides the UK with an option of early settlement on a different valuation basis, as explained in Note 16 - Provisions. HMT has valued the provision using the default calculation basis set out at the beginning of paragraph 6 of Article 142 of the Withdrawal Agreement, i.e. assuming that HMT will not invoke the early settlement option, as this is considered to be HM Treasury's best estimate of how this obligation will be settled.

The obligation in respect of the RAL is estimated based on information in EU Budgets adopted on or before 31 March 2023 and associated budgetary implementation data provided to Member States and the UK. The post 2020 financing share is applied to commitments in EU Budgets up to 2020 and adjusted for forecast implementation. The estimated level of decommitments (i.e. commitments that do not lead to payments) is based upon historical decommitment rates for the relevant programmes at the end of a Multiannual Financial Framework period, with an experience adjustment applied as new outturn data on the current framework period is received. Alternative approaches are available. For example, the European Union detail their expectations for decommitments on this liability within their annual accounts publication. However, the levels of decommitments estimated are an area of forecast uncertainty, with limited data available for analysis. The approach used by the Treasury is based on historical decommitment rates, which the Treasury considers the best available. Alternative modelling based on the EU's expectations would result in an assumed average rate of 2.9%. Whereas the Treasury's assumed average rate used is 8.6%, this is based on historical data to forecast decommitments and is consistent with outturn over 2021 and 2022. We believe this approach to be the most appropriate as it overcomes issues in uncertainty in forecast methodology and further judgements, such as distribution of decommitments over future years. Further details on the sensitivity on movements in the decommitment rates are presented in Note 16 - Provisions.

The accounting valuations for the pension related liabilities are sensitive to actuarial assumptions (e.g. life expectancy, inflation, retirement age) for defined benefit pension obligations. Life expectancy is drawn from the most recent Eurostat mortality expectations for scheme members in 2018, adjusted for ONS changes to mortality data since then. The inflation assumption is based on central government rates set by HM Treasury and promulgated in PES (Public Expenditure System) papers. The retirement age assumption is drawn from the EU's 2022 assessment of the Pension Scheme for EU Officials (PSEO) population retirement ages.

The above obligations of the financial settlement are principally denominated in Euros and therefore the sterling valuations are sensitive to changes in the Sterling/Euro exchange rate.

Receivables and payables related to EU financial operations in the financial settlement with the EU (Article 143 and 144)

UK financial rights and obligations in respect of certain EU financial operations covered by Articles 143 and 144 of the EU Withdrawal Agreement, include rights and obligations to future cash flows and are accounted for as financial instruments under IFRS 9 Financial Instruments and measured at fair value. These articles cover a range of financial instruments. Those under Article 144 can only give rise to future cash inflows for HM Treasury. These instruments have been funded by the EU budget, and HM Treasury will receive a share of amounts recovered by the EU.

Instruments within the scope of Article 143 include two broad categories: those with associated guarantee funds to meet potential calls, and those without. Where the associated guarantee funds exceed calls, HM Treasury will receive net cash inflows. The UK is entitled to a share of net revenue received by the EU arising from these operations, and certain EU guarantees generate fee income. To the extent the calls exceed the revenues generated and the associated guarantee funds, HM Treasury will have net cash outflows. For instruments without associated guarantee funds HM Treasury can only make cash outflows.

To measure the fair value of these instruments HM Treasury has made assumptions about the financial performance of the underlying instruments in order to forecast future cashflows, which are then discounted by applying the financial instrument rate set by HM Treasury, in accordance with the FReM. The level of granular data available on the underlying operations (such as the ultimate counterparty, terms of the investments and credit risk) is minimal, and therefore HM Treasury make simplifying assumptions. This includes key assumptions in respect of the repayment profiles, risk of default, rate of recovery given default, as well as the revenue generated by the EU in relation to these underlying operations.

Under Article 143, the final counterparties for these operations include both sovereign and corporate entities.

Sovereigns

For those operations with sovereign counterparties and those within the Guarantee Fund for External Actions (GFEA), the default and recovery assumptions are primarily sourced from published reports by Moody's. Treasury's assumption is that the probability of default on a repayment is linked to the sovereign credit rating and that recovery amounts are in line with historical recoveries on sovereign defaults. The default probability by rating assumption uses estimated default rates in line the Sovereign issuers, average 12-month rating migration rates in Moody's Sovereign Default reports, 1983-2022. The default rates assumption uses the latest Moody's credit ratings of countries as at March 2023.

The Moody's data referred to above is backwards-looking and historic, and therefore do not consider market expectations around future defaults at the end of the reporting period. These backward-looking historical average probabilities of default are therefore adjusted for market conditions by comparing credit spreads at March 2023 to historical average credit spreads on suitable proxy indices for sovereign debt of a similar credit quality.

Further details on the sensitivity on movements in the default rates are presented in Note 22.3 - Financial Risk.

The recovery rates assumptions for sovereigns use estimated rates of recovery of 75% for countries currently rated B and higher and a rate of recovery of 50% based on historic recovery rates on defaulted Sovereign bond issuers in the Moody's Sovereign Default and Recovery Rates 1983-2022 report and the rating at time of default.

No additional risk premium adjustment is made to the estimate of expected of future cashflows.

Corporates

In respect of the European Fund for Strategic Investments (under Article 143), the European Investment Bank collects revenue from the underlying operations which are assigned back to the Guarantee Fund via the EUs budget, the model assumes that there will be sufficient revenues to cover expected losses.

The final counterparties for these operations are corporate entities. For corporates (in the absence of specific data) credit quality is assumed based on the type of finance, depending on the EU programme being modelled. Assumptions about the composition of the portfolios of corporates is based on the policy documentation produced by the EU for the associated programmes and information in the EU's accounts. These sources represent the most detailed, and in the case of the EU accounts third party assured, information on these instruments that is available to Member States of the EU.

The provisioning rates used in the model are based on those communicated under the Withdrawal Agreement to HM Treasury in March 2023. The financial modelling has been cross checked against information reported to the UK under the terms of the Withdrawal Agreement.

All the cash inflows and outflows are denominated in Euros. The sterling value of future net cashflows are sensitive to the Sterling/Euro exchange rate (see above).

1.6 Changes in Accounting Estimates

This year the Treasury has further developed the underlying assumptions of estimating liabilities arising under the EU Withdrawal Agreement Financial Settlement to incorporate newly available information.

Article 140 – RAL model

The Treasury has updated the estimate to include new data provided by the EU, as per the obligations under the Withdrawal Agreement. The model now includes a more nuanced assumption for decommitment forecasting. The updated assumption allows for a correction to Treasury's forecasted rate of decommitments using outturn data which is available to the Treasury for the first time in 2022-23, this is as opposed to the previous historical profiled rate applied. The Treasury judges the new approach as the best assumption available whilst recognising that this remains an area of significant estimation uncertainty. Testing of the new approach against outturn shows a strong correlation to the limited outturn data available, however the Treasury will continue to test this crucial assumption as more data is available. The impact of the change in method is an increase of £257m in the provision reported at 31 March 2023. See also Note 17 – Provisions.

1.7 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Treasury Group recognises revenue when it transfers control over a product or service to a customer.

Performance obligations and timing of revenue recognition

For loan commitment fees, the service being provided is the commitment to provide a loan. The performance obligation is that of standing ready to provide the loan and is satisfied over time as the commitment is available.

Voluntary gifts to the nation are recognised when cash is received.

Dormant account monies

IFRS 15 is not applicable to RFL's amounts received in respect of dormant accounts. In the absence of a standard or an interpretation that specifically applies to a transaction, other event or condition, management has used its judgement in developing and applying an accounting policy that results in information that is relevant and reliable in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

RFL's amounts received in respect of dormant accounts represent receipts, from participants, of dormant account monies and are recognised where it is virtually certain that future economic benefits will flow to the Company and these benefits can be measured reliably.

1.8 Property, plant and equipment

Property, plant and equipment assets are initially recognised at cost. The threshold for capitalising non-current assets is £5,000 except for antiques where no threshold is set. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Treasury Group and the cost of the item can be measured reliably.

When an asset is disposed of, any gain or loss on disposal is calculated as the difference between the disposal proceeds and the carrying value of the asset and is recognised as profit or loss in the SoCNE.

The charge for depreciation or amortisation is calculated to write down the cost or valuation of property, plant and equipment and intangible assets to their estimated residual values by equal instalments over their estimated useful lives which are as follows:

Freehold and long leasehold buildings	40 to 50 years
Property improvements	7 to 50 years
Plant and machinery	3 to 12 years
Furniture, fixtures and fittings	5 to 20 years
IT equipment and other non-IT equipment	3 to 10 years

1.9 Heritage Assets

The Sovereign Grant is used to maintain the land and buildings that are held by The King in trust for the nation and cannot be sold without the authority of the Department for Culture, Media and Sport.

Owing to the incomparable nature of these properties, it is considered that conventional valuation techniques lack sufficient reliability and that, even if valuations could be obtained, the costs would be onerous compared with the additional benefits derived by the users of the accounts. As a result, no value is reported for these assets in the Statement of Financial Position.

1.10 Tax

Value Added Tax (VAT)

Many activities of HM Treasury are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

Corporation Tax

The Core Department and its Agencies are exempt from corporation tax by way of Crown exemption. Some consolidated bodies are subject to corporation tax on taxable profits. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to HM Revenue and Customs, based on tax rates and laws that are enacted or substantively enacted by the reporting date.

1.11 Operating segment reporting

In accordance with the relevant reporting requirements, including IFRS 8, the SOPS and supporting notes reflect net resource and capital outturn in line with the control totals voted by Parliament. The figures within SOPS 1.1 provide the income and expenditure totals associated with key business activities within the Treasury Group and reflect the HM Treasury business plan and the management information reported to the board during the period.

1.12 Pensions

The Treasury Group operates several retirement benefit plans for its employees, including defined benefit plans, defined contribution plans and post-retirement healthcare benefits.

Defined benefit schemes

Pension benefits are provided through civil service pension arrangements as detailed in the Remuneration Report.

HM Treasury recognises the expected cost of future pension liabilities in a systematic and rational basis over the period during which it benefits from employees' service by payment to civil service pension schemes of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the scheme.

One of the Royal Household's pension schemes, managed by the government, is an unfunded scheme by analogy to the PCSPS. The Royal Household is unable to identify the share of the underlying assets and liabilities of the scheme attributable to employees funded by the

Sovereign Grant (or its equivalent in previous years) on a consistent and reasonable basis and therefore this scheme is treated as a defined contribution scheme.

UKAR, and the Royal Household also operate defined benefit schemes that are separate from the civil service pension schemes and accounted for under IAS 19.

Defined contribution schemes

A defined contribution plan is a pension arrangement where the employer pays fixed contributions into a separate fund. The costs for the defined contribution schemes are recognised as an expense in the SoCNE as incurred. For defined contribution plans, the employer has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

UKAR, RFL, Pool Re and the Royal Household operate defined contribution pension schemes.

1.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held with financial institutions net of bank overdrafts. Highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value are also included. Such investments are normally those with less than 3 months' maturity from the date of acquisition.

1.14 Financial instruments: financial assets

Initial recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, which is the date on which HM Treasury commits to purchase or sell the asset. Financial assets are recognised initially at their fair value plus, in the case of a financial asset not at fair value through profit & loss (FVTPL), transaction costs that are directly attributable to the acquisition or issue of the instrument. Financial assets carried at FVTPL are initially recognised at fair value and transaction costs are expensed in the SoCNE. Where the transaction price differs from fair value, the value at initial recognition is adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Subsequent measurement

After initial recognition, financial assets are measured at their fair values except for those assets which are designated as measured at amortised cost using the effective interest rate (EIR) method. The basis for designation as fair value or FVOCI is based on criteria set out in IFRS 9.

Fair value measurement

The Treasury Group measures certain financial instruments at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value are summarised in the following notes:

Disclosures for valuation methods, significant judgements and estimates	Note 1.5
Disclosures of fair value measurement hierarchy	Note 23
Financial Instruments	Note 24

Movements in fair value are recognised in the SoCNE, except in the case of instruments categorised as FVOCI, in which the fair value movements are taken to the Fair Value Reserve, until realised when they are reclassified to the General Fund.

Derivative financial assets – Derivatives are initially recognised at fair value and subsequently re-measured to reflect changes in fair value. Fair values are obtained from quoted market prices in active markets and, where these are not available, from other valuation techniques including discounted cash flow models. See also Note 1.5 – Significant judgements and estimates

Classification

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Classification of financial assets is determined by the objectives of the business model under which the assets are managed and the contractual cash flow characteristics of those assets.

The business model may be considered to be one of holding the assets to collect the cash flows arising; holding the assets to both collect the cash flows arising and to sell them, or; holding the assets to sell them.

The contractual cash flow characteristics of an asset may be considered to be 'solely payments of principal and interest' (SPPI) or not to be SPPI.

Financial assets may be measured at amortised cost, FVTPL, or FVOCI.

The measurement classifications of financial assets are as follows:

	SPPI	**Not SPPI**
Held to collect	Amortised cost	FVTPL
Held to collect and sell	FVOCI	FVTPL
Held to sell	FVTPL	FVTPL

IFRS 9 permits an entity to make an irrevocable election to measure certain equity instruments at FV with subsequent measurements presented in OCI rather than through profit and loss. This election is considered to be more appropriate for a group of strategic investments for which the election has been made.

Impairment

Further disclosures relating to impairment of financial assets are also provided in the following notes:

Loans and investment securities	Note 12
Equity Investments	Note 11

Impairment identification

IFRS 9 requires that expected credit losses (ECL) are calculated using a range of forward-looking economic scenarios, weighted by the estimated probability of each scenario.

The Treasury Group recognises either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model applies to debt instruments accounted for at amortised cost.

Each financial asset is categorised as 'stage 1', 'stage 2' or 'stage 3':

- stage 1 assets are those for which there has been no significant increase in credit risk since the asset's origination
- stage 2 assets are those for which there has been a significant increase in credit risk since the asset's origination
- stage 3 assets are those which are in default

In respect of stage 1 assets, the impairment provision reflects the next 12 months' expected losses. In respect of stage 2 and 3 assets, the impairment provision reflects full lifetime expected losses. In respect of stage 3 assets, interest income is recognised only in respect of the balance net of impairment.

For trade receivables, contract receivables and lease receivables, the Treasury Group recognises impairment losses using the simplified approach required by FReM. Under this approach, a lifetime ECL is recognised for all assets.

Assets carried at amortised cost – For financial assets carried at amortised cost, the Treasury Group first considers whether an impairment is required for those assets considered significant in their own right. For those assets which are not considered individually significant, these are assessed for evidence of impairment on a collective basis.

Loans and investment securities – Evidence considered when assessing an impairment loss includes the probability of future delinquency in contractual payments of principal, interest or cash flow difficulties experienced by the borrower, the likelihood of breach of loan covenants or conditions or any future deterioration in the value of collateral.

Equity Investments – Impairments are not recognised for equity investments. A decline in the fair value of the asset is reflective of a reduction in the expected returns on the investment. This reduction in fair value is shown within other comprehensive income through the fair value reserve, or as a revaluation through the SoCNE.

Impairment measurement

Assets carried at amortised cost – The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate applicable at the inception of the loan. The carrying amount of the asset is reduced in the SoFP by the amount of this expected credit loss and the loss is recognised in the SoCNE. The present value of estimated future cashflows is based on a probability-weighted evaluation of a range of possible outcomes, based on historic, current and forward-looking information.

De-recognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Treasury Group has transferred substantially all the risks and rewards of ownership.

1.15 Financial Instruments: financial liabilities

Recognition

Financial liabilities are initially recognised on the date on which they originate.

Measurement

Financial liabilities are measured at amortised cost using the effective interest rate (EIR) method or at FVTPL.

Classification

Financial liabilities are classified on initial recognition as either at FVTPL, or financial liabilities measured at amortised cost:

Financial liabilities at fair value through profit or loss	Financial liabilities at FVTPL are liabilities held for trading or designated as at FVTPL.
Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. Trade and other payables, borrowings and bank overdrafts are classified as financial liabilities measured at amortised cost.

Derivative financial liabilities

Derivatives are measured initially at fair value and subsequently re-measured to reflect changes in fair value. Fair values are obtained from quoted market bid prices in active markets and, where these are not available, from other valuation techniques including discounted cash flow models.

Derecognition

Financial liabilities are derecognised if the Treasury Group's obligations specified in the contract expire, are discharged or cancelled.

1.16 Provisions, contingent liabilities and contingent assets

Provisions are carried in respect of certain known or forecast future expenditure. Under IAS 37, provisions are recognised when there is a present obligation arising from past events, it is probable that a transfer of economic benefits will be required, and a reliable estimate can be made. Where the future payment amount is unknown, provisions are set at a level which covers the estimated number of future payments and the estimated average payment amount. In calculating provisions, future payments may be subject to discount rates depending on the expected timing of cash flows. Provisions are calculated using the best available information, but the actual outcomes of items provided for, may differ from expectations.

Contingent liabilities and contingent assets are not recognised as liabilities or assets in the SoFP but are disclosed in the notes to the Accounts. A contingent liability is either: a possible obligation arising from past events, the existence of which will be confirmed by the occurrence or non-occurrence of one or more uncertain future events, or; it is a present obligation arising from past events but is not recognised because either an outflow of economic benefits is not probable to settle the obligation or the amount of the obligation cannot be reliably estimated. A contingent asset is a possible asset whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of HM Treasury. Where the time value of money is material, the contingent liabilities and assets are stated at discounted amounts.

In addition to contingent liabilities disclosed in the accounts in accordance with IAS 37, HM Treasury discloses within its accountability report, for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities outside the scope of IAS 37 which have been reported to Parliament in accordance with the requirements of Managing Public Money.

1.17 Financial guarantees

Financial guarantee liabilities and associated receivables are initially recognised in the financial statements at fair value on the date the guarantee was given. The period over which the receivables and the associated liabilities have been recognised is over the length of these guarantees. Guarantee arrangements are re-assessed at every subsequent reporting date and estimates for the assets and liabilities relating to the guarantees are adjusted if necessary.

The fair value of financial guarantee liabilities at initial recognition is estimated as the fair value of the guarantee fee income.

Subsequent measurement of liabilities under financial guarantees is measured at the higher of the initial measurement, less amortised fee income recognised in the SoCNE as the service is provided; and the amount of the loss allowance for expected credit losses at the reporting date. Any increase in the liability relating to guarantees is taken to the SoCNE.

1.18 Insurance Contracts

Pool Re insurance contracts

The group has reviewed the nature of the reinsurance business it transacts through Pool Re. It is satisfied that all such business transfers significant insurance risk and has therefore treated the relevant contracts as insurance contracts, as defined by IFRS 4 Insurance Contracts, for the purposes of these financial statements. All premiums disclosed in the SoCNE relate to standard insurance contracts.

(i) Premiums written

Premiums written relate to business that incepted during the year, together with any difference between booked premiums for prior years and those previously accrued and includes estimates of premiums due but not yet notified to the Group. Where written premiums are subject to subsequent adjustment, reductions are made as soon as they are foreseen, however, potential increases are not recognised until the amount can be determined with reasonable certainty. Additional or return premiums are treated as adjustments to gross written premiums.

(ii) Unearned premiums

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the reporting date, calculated on a time apportionment basis. The unearned premiums calculation has been carried out using the most appropriate basis available, which is considered to be the eighths basis. This basis assumes premium received for a particular quarter represents policies which incept, on average, at the mid-point of the quarter. Thus 1/8 of the premium for the first quarter, 3/8 of the premium for the second quarter, 5/8 of the premium for the third quarter and 7/8 of the premium for the fourth quarter is unearned at the end of the period. The Group calculates unearned premiums in respect of its gross written premiums and also in respect of the commercial retrocession it has purchased.

(iii) Claims incurred

Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

(iv) Claims provisions and reinsurance recoveries

Provision is made at the year end for the estimated cost of claims incurred but not settled at the reporting date, including the cost of claims incurred but not yet reported to the Group. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

In estimating the cost of claims notified but not paid, the group has regard to the cost of claims incurred by Pool Re's members, both within and in excess of each Member's retention. The overall emerged claims cost is closely managed by Pool Re.

The nature of the underlying business is such that there is unlikely to be a significant delay between the occurrence of a claim and the claim being reported. However, there can be significant delays in assessing the group's ultimate liability for such claims. Claims notified to the group at the reporting date are estimated on a basis that reflects the current position for Pool Re's members' liabilities to their policyholders, less members' retentions.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that may be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

Retrocession agreements

The Group has two retrocession agreements in place with Pool Re and Pool Re (Nuclear) Ltd. Under the retrocession agreements funds would be provided to the companies if they faced claims in excess of the companies' resources. The risk associated with the companies not having the ability to pay for claims above their own resources has been transferred to HM Treasury. These agreements constitute the substance of an insurance contract. The retrocession premium income is earned by HM Treasury from Pool Re and Pool Re (Nuclear) and eliminates on consolidation.

HM Treasury receives fees in relation to these retrocession agreements. These are recognised in the SoCNE through fees and charges on an accruals basis.

No claims have been raised, nor are likely, as detailed within Note 22.

1.19 Off-balance sheet loan commitments

Off-balance sheet loan commitments are disclosed in Note 19 – Commitments. They comprise commitments to advance cash sums as loans.

Under IFRS 9 an impairment provision for expected credit losses is required to be held against undrawn loan commitments. The impairment provision for each loan considers the expected drawdown on the loan commitment.

1.20 Foreign currencies

Transactions which are not denominated in pounds sterling are translated at the spot rate of exchange on the date of the transaction. Monetary assets and liabilities which are not denominated in pounds sterling are translated at the closing rate of exchange at the reporting year-end date. Foreign exchange gains and losses resulting from the restatement and settlement of such transactions are recognised in the SoCNE.

2. Other operating income

In £m	2022-23 Core Department & Agencies	2022-23 Departmental Group	2021-22 Core Department & Agencies	2021-22 Departmental Group (restated)
Fees and charges	(173)	(21)	(242)	(24)
Dormant Accounts	-	(143)	-	(154)
Insurance premiums	-	(284)	-	(281)
Gifts to the Nation	(54)	(54)	(512)	(512)
Recoveries and recharges	(10)	(15)	(13)	(26)
Other operating income	(22)	(32)	(36)	(34)
Continuing operations	**(259)**	**(549)**	**(803)**	**(1,031)**
Fees and charges	-	-	-	(1)
Other operating income	-	-	-	(7)
Discontinued operations	**-**	**-**	**-**	**(8)**
Total	**(259)**	**(549)**	**(803)**	**(1,039)**

Fees and charges at core and agencies level comprise primarily of fee income from Pool Re for £151m (2021-22: £219m) in relation to the retrocession agreement with HMT. The reduction of £80m primarily relates to a reduction in the profit share element due to the performance of Pool Re's investments. This eliminates at a departmental group level.

Insurance premiums are related to Pool Re's principal activity which is reinsurance in respect of losses arising from damage to, or destruction of, commercial property resulting from Acts of Terrorism within England, Wales and Scotland.

In response to the COVID-19 pandemic the government introduced a relief of retail business rates for 2020-21. Some businesses subsequently voluntarily repaid the relief they received to the government as a gift to the nation. The reduction in income of £458m reflects the end of this relief.

3. Staff costs and numbers

In £m	2022-23 Core Department & Agencies	2022-23 Departmental Group	2021-22 Core Department & Agencies	2021-22 Departmental Group (restated)
Staff Costs	187	263	191	247
Continuing operations	**187**	**263**	**191**	**247**
Staff Costs	-	-	-	5
Discontinued operations	**-**	**-**	**-**	**5**
Total	**187**	**263**	**191**	**252**

For more information and for staff numbers refer to page 148 of the Remuneration and Staff Report.

4. Purchase of goods and services

In £m	2022-23 Core Department & Agencies	2022-23 Departmental Group	2021-22 Core Department & Agencies	2021-22 Departmental Group (restated)
UK coinage: metal and manufacturing costs	12	12	18	18
Professional and office services	78	132	74	106
Reinsurance expense	-	45	-	45
Other purchase of goods and services	31	108	35	113
Continuing operations	**121**	**297**	**127**	**282**
Professional and office services	-	-	-	9
Other purchase of goods and services	-	-	-	1
Discontinued operations	**-**	**-**	**-**	**10**
Total	**121**	**297**	**127**	**292**

5. Other operating expenditure

In £m	2022-23 Core Department & Agencies	2022-23 Departmental Group	2021-22 Core Department & Agencies	2021-22 Departmental Group (restated)
Movement in provisions	(3,286)	(3,190)	5,213	5,353
Other operating expenditure	203	49	167	65
Continuing operations	**(3,083)**	**(3,141)**	**5,380**	**5,418**
Movement in provisions	-	-	-	(1)
Other operating expenditure	-	-	-	7
Discontinued operations	**-**	**-**	**-**	**6**
Total	**(3,083)**	**(3,141)**	**5,380**	**5,424**

For more information on the movement in provisions see Note 16 – Provisions.

Other operating expenditure comprise primarily of funding provided to arms-length bodies and the sovereign grant (£165m).

6. Finance income

In £m	2022-23 Core Department & Agencies	2022-23 Departmental Group	2021-22 Core Department & Agencies	2021-22 Departmental Group (restated)
Interest and fee income from loans	(96)	(203)	(12)	(92)
Dividend income	(1,412)	(1,440)	(5,471)	(647)
Total	**(1,508)**	**(1,643)**	**(5,483)**	**(739)**

Dividend income received from NatWest was £1.4bn in 2022-23 (2021-22: £0.6bn). The £800m increase relates to a special dividend declared by NatWest in 2022-23 (16.8p) compared to 2021-22 (10.5p).

Following the cash receipts from the sale of the residual B&B and NRAM Ltd mortgage books in February 2021, UKAR held sufficient cash to make total dividends of £4.9bn to HM Treasury in 2021-22. This was eliminated at group level.

7. Finance expense

In £m	2022-23 Core Department & Agencies	2022-23 Departmental Group	2021-22 Core Department & Agencies	2021-22 Departmental Group
Impairments of financial assets and financial guarantees	16	25	180	186
Interest expense	8	10	-	2
Interest element of lease contracts	1	1	4	4
Continuing operations	**25**	**36**	**184**	**192**
Impairment of financial assets	-	-	-	2
Discontinued operations	**-**	**-**	**-**	**2**
Total	**25**	**36**	**184**	**194**

Financial guarantees are monitored and expected credit losses recognised for distressed projects. In 2021-22, the impairments were driven by one guarantee which was called and settled in full on 4 January 2022 for £87m, and a £90m increase in expected credit loss across the UK Guarantees scheme portfolio. For more information see Note 17 – Financial Guarantees.

8. Revaluation of financial assets and liabilities in the SoCNE

In £m	2022-23 Core Department & Agencies	2022-23 Departmental Group	2021-22 Core Department & Agencies	2021-22 Departmental Group
Fair value (gain)/loss on derivatives	138,618	138,848	47,758	47,866
Fair value (gain)/loss on financial assets and liabilities	(1,165)	(1,276)	(638)	(1,018)
FX movements on financial instruments held at amortised cost	(68)	(68)	18	18
Total	**137,385**	**137,504**	**47,138**	**46,866**

For an explanation of the change in the fair value on derivatives refer to Note 13 - Derivatives.

The fair value gain in financial assets relates to elements of the EU Financial Settlement, and financial instruments held at FVTPL. See also Note 9 – Trade and other receivables, Note 11 Equity Investments and Note 15 – Trade and other payables.

9. Trade and other receivables

In £m	2022-23 Core Department & Agencies	2022-23 Departmental Group	2021-22 Core Department & Agencies	2021-22 Departmental Group (restated)
Amounts falling due within one year:				
Trade receivables	13	75	19	83
Accrued interest and dividend income	403	541	434	542
Reinsurance asset	-	41	-	41
Pool Re accrued income (see note 15)	227	-	181	-
Guarantee fees receivable	3	3	6	6
EU financial settlement	742	742	1,237	1,237
Other	36	48	26	52
Total current	**1,424**	**1,450**	1,903	1,961
Amounts falling due after more than one year:				
Pool Re accrued income (see note 15)	208	-	266	-
Guarantee fee receivable	41	41	47	47
EU financial settlement	4,001	4,001	3,359	3,359
Sukuk Deposit	-	500	-	500
Other	-	-	151	17
Total non-current	**4,250**	**4,542**	3,823	3,923
Total receivables	**5,674**	**5,992**	5,726	5,884

EU financial settlement receivables

The EU financial settlement receivables are related to Article 136, 140, 141, 143, 144, 145, 146 and 150 of the EU Withdrawal Agreement.

Article 136 – Post 2020 Flows	Under Article 136 of the Withdrawal Agreement "Provisions applicable after 31 December 2020 in relation to own resources", the UK remains party to corrections or adjustments to contributions over the 2014-20 Multi-Annual Financial Framework (MFF) that are made after the end of 2020 (i.e. the UK's final year of participation in the EU Budget). These amounts cover a number of adjustments including those arising from statistical revisions and the return of any surplus arising from the implementation of the 2020 EU Budget. The fair value of the Article 136 instrument is estimated to be £nil (2021-22: £47m). Article 136 also includes corrections and adjustments to VAT and gross national income contributions which were historically included in the calculation of future years' EU budget contributions and are now met through the Withdrawal Agreement. The fair value of the asset arising from this element is £1,180m (2021-22 £506m). See note 15 – Trade and other payables for the liability associated with this asset.

Article 140 –Infringements, Traditional Own Resources and net financial corrections	Under Article 140 of the Withdrawal Agreement "Outstanding commitments", the UK's liability under Article 140 will be reduced by a number of items, including the amount of net financial corrections; the proceeds of any Member State Making Available Resources infringements; and Traditional Own Resources adjustments. The fair value of the Article 140 instrument is estimated to be £215m (2020-21: £249m).
Article 141 – Fine income	Under Article 141 of the Withdrawal Agreement "Fines decided upon before or on 31 December 2020", the UK is entitled to a share of EU fine income that relates to activity up to the end of 2020 (and in some cases after this period) including where collection of the fine income arises post UK exit. The fair value of the fine income is estimated to be £33m (2021-22: £212m).
Article 143 – Receivables arising from the financial liabilities related to loans for financial assistance, EFSI, EFSD	Under Article 143 of the Withdrawal Agreement "Contingent financial liabilities related to loans for financial assistance, European Fund for Strategic Investments (EFSI), European Fund for Sustainable Development (EFSD) and the external lending mandate", the UK is entitled to receive a return of cash provided to guarantee loans and investments, where the guarantee is not called because the underlying loan/investment is repaid. Included in Article 143 are four separate elements across two distinct categories: • Non-prefunded instruments specifically loans to member states. As these are not prefunded, any under recovery results in a loss. • Prefunded instruments specifically: - European Fund for Strategic Investments - European Fund for Sustainable Development - Other Lending As these are prefunded with associated guarantee funds, they only result in net cash outflows where defaults in the underlying instruments exceed the prefunded provisioning for the instrument and associated revenue inflows. Where instruments are expected to result in net cash inflows, we have recognised a receivable; and where net cash outflows are expected, we recognise a payable. As there are no outstanding underlying pre-withdrawal obligations for EFSD, the related element of the asset was settled during 2021-22. HM Treasury's best estimate of the forecast future cash flows arising from these instruments is based on financial modelling developed with the Government Actuary Department. This modelling considers a number of forecast activities in arriving at an overall value for each financial instrument. HM Treasury estimate the fair value of Article 143 instrument is £840m (2021-22: £955m).

Article 144 – Financial instruments	Under Article 144 of the Withdrawal Agreement "Financial Instruments under direct or indirect implementation financed by the programmes of the 2014-20 MFF or under earlier financial perspectives", the UK is entitled to receive a return of cash provided to guarantee loans and investments, where the guarantee is not called because the underlying loan/investment is repaid. HM Treasury's estimate of the fair value of potential receipts under Article 144 is £409m (2021-22: £423m).
Article 145 – ECSC and Article 146 – EIF	Under Article 145 "European Coal and Steel Community (ECSC)", the UK will receive its share of the net assets of the ECSC upon liquidation at 31 December 2020. This is received from the EU over 5 years commencing 30 June 2021. The valuation is based on amounts notified by the EU of the UK's share of the ECSC net assets. Under Article 146 "Union Investment in the European Investment Fund (EIF)", the UK will receive its share of the investment in paid-in capital of the EIF as at 31 December 2020. This is received from the EU over 5 years commencing 30 June 2021. The valuation is based on amounts notified by the EU of the UK's share of the EIF paid in capital. HM Treasury's estimate of the fair value of the receipts under Article 145 and 146 is £112m (2021-22: £142m).
Article 150 – EIB	Under Article 150 "Continued liability of the United Kingdom and reimbursement of the paid-in capital", the UK is entitled to receive an amount equal to the UK's share of the paid-in subscribed capital of the European Investment Bank (EIB). The asset was transferred from the Consolidated Fund to HM Treasury in 2020-21 with the effective date of 31 March 2021. The first annual instalment was received in October 2020 and accounted for in the Consolidated Fund. The remaining 11 instalments are received by HM Treasury. HM Treasury's estimate of the receipts under Article 150 is £1,954m (2021-22: £2,062m).

All receivables are measured at fair value through profit or loss, with the exception of receivables relating to Article 150 of the EU Financial Settlement, which are measured at amortised cost. See Note 8 for the fair value movement recognised in the SoCNE, Note 1.5 – Significant judgements and estimates for discussion on key judgements and estimates, Note 22.3 for the risk disclosure, and also Note 15 – Trade and other payables for the recognition of the payables arising from Article 143.

Sukuk Deposit

£500m (2021-22: £500m) of Sukuk certificates were sold to investors based in the UK and across major hubs for Islamic finance around the world. The certificates were priced in line with the yield on the equivalent maturity gilt and are due to mature on 22 July 2026.

Pool Re accrued income

Pool Re income is receivable 3 years in arrears every March. The receivable from Pool Re includes all income accrued since January 2021 in relation to the retrocession agreement with HMT. This eliminates at a departmental group level.

A reconciliation of receivables from the retrocession agreement is as follows:

Receivables from Pool Re	**2022-23**	**2021-22**
Opening balance	447	472
Retrocession fee & interest earned	169	227
Retrocession fee paid	(181)	(252)
Closing balance	**435**	**447**

The opening and closing balances include current and non-current receivables.

10. Net pension asset

Defined contribution schemes

UK Government Investments Ltd (UKGI), Reclaim Fund Ltd, Pool Reinsurance Company Limited (Pool Re) and the Royal Household (RH) operate defined contribution schemes. The RH also operates an unfunded defined benefit scheme which is accounted for as a defined contribution scheme as the RH is unable to identify the share of the underlying assets and liabilities of the scheme attributable to employees funded by the Sovereign Grant (or its equivalent in previous years) on a consistent and reasonable basis.

Defined benefit schemes

The RH additionally operate defined benefit schemes, which are accounted for as such. The amount recognised in the Statement of Financial Position is a net asset of £0.5m (2021-22 net asset of £1.3m). UK Asset Resolution (UKAR) operates several retirement benefit plans for the former employees of Northern Rock and Bradford & Bingley (B&B), including defined benefit pension plans and post-retirement healthcare benefits. The current service cost of the Treasury Group’s defined benefit schemes is £nil (2021-22: £nil), as the UKAR schemes are now closed to future service accrual.

The amount recognised in the Statement of Financial Position relating to UKAR for the former B&B defined benefit scheme is a net asset of £274.2m and a net liability for post-retirement medical benefits and unfunded defined benefit obligations of £4.1m (2021-22: net asset of £441.1m and a net liability for post-retirement medical benefits of £5.9m) and the amount recognised relating to UKAR for the former

Northern Rock defined benefit scheme is a net asset of £139.3m and a net liability for unfunded defined benefit obligations of £10.4m. (2021-22: net asset of £196.6m and a net liability for unfunded defined benefit obligations of £13.6m).

In 2022-23 UKAR contributed £0.1 million towards the administrative costs of B&B's defined benefit scheme (2021-22: £1.9 million). The latest formal triennial valuation of the B&B scheme, prepared by the scheme actuaries as at 30 June 2021 and agreed in July 2022, showed a surplus of £129m on a Trustee's valuation basis.

In 2022-23 UKAR contributed £nil towards the administrative costs of NRAM's defined benefit scheme (2021-22: £1.1 million) The latest formal triennial valuation of the NRAM scheme, prepared by the scheme actuaries at 5 April 2021 and agreed in March 2022, showed a surplus of £75.4m on a Trustee's valuation basis.

In March 2022 the Public Service Pensions and Judicial Offices Act received Royal Assent. This gives the Treasury powers to establish new pension schemes to house the pension liabilities of UKAR, and to transfer the assets and liabilities of the schemes to the government. The preparations for an orderly transfer continue.

A reconciliation of the net pension asset for the UKAR and RH pension schemes is shown in the table below. Further details of these schemes, including valuation assumptions for the defined benefit schemes, are included in their respective annual report and accounts.

In £m	Group 2022-23	2021-22
Reconciliation of fair value employer assets		
Balance at 1 April	2,113	2,139
Interest income	56	45
Contributions paid by employer	1	3
Introduction of insured pensioner liabilities	6	-
Remeasurements:		
- Return on plan assets excluding interest income	(598)	(13)
Administrative expenses	(5)	(4)
Benefits paid from plan	(58)	(57)
Balance at 31 March	**1,515**	2,113
Reconciliation of defined benefit obligations		
Balance at 1 April	(1,493)	(1,554)
Interest cost	(41)	(32)
Introduction of insured pensioner liabilities	(6)	-
Remeasurements:		
- effect of GMP equalisation	-	-
- effect of changes in demographic assumptions	(2)	34
- effect of changes in financial assumptions	423	73
- effect of experience adjustments	(55)	(71)
Transfer payments	-	57
Benefits paid from plan	58	-
Balance at 31 March	**(1,116)**	(1,493)
Closing net pension assets/(liability)	**399**	620

11. Equity investments

Current year

In £m	At 1 April 2022 (restated)	Additions, disposals & transfers	Fair value adjustments	At 31 March 2023
Listed entities				
NatWest ordinary shares	11,031	(2,146)	1,615	10,500
Unlisted investments				
Bank of England share capital	5,777	-	(353)	5,424
Asian Infrastructure Investment Bank	477	-	41	518
European Bank for Reconstruction and Development	1,285	-	173	1,458
Other shareholdings	12	-	-	12
Group entities				
UK Asset Resolutions Ltd	507	-	(163)	344
UK infrastructure Bank	545	-	41	586
Reclaim Fund Ltd	405	-	62	467
IUK Investments Holdings Ltd	1	-	(1)	-
Total Core Treasury and Agencies	20,040	(2,146)	1,415	19,309
Intra-group eliminations	(1,458)	-	61	(1,397)
Group portfolio investments	1,312	(155)	44	1,201
Total Group	**19,894**	**(2,301)**	**1,520**	**19,113**

Equity Investments, where measured at FVOCI, represent the Treasury Group's strategic equity investments, which are not held for trading.

On 12 August 2021, HM Treasury began a 12-month trading plan to continue the sale of NatWest shares. The trading plan involves selling shares in the market through an appointed broker in an orderly way at market prices over the duration of the plan. Due to the success of the trading plan in selling down the shareholding, the trading plan was extended for a second time and will run up to 11 August 2025

As a result of these sales, the shareholding of HM Treasury has reduced from 5,109 million shares[11] representing 48.0% of the ordinary share capital of NatWest Group at 31 March 2022, to 3,983 million shares, representing approximately 41.5% of the ordinary share capital at 31 March 2023.

The cumulative lifetime loss on disposal of these shares of £1.9bn has been released from the fair value reserve to the General Fund (see Statement of Changes in Taxpayers' Equity).

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[11] Following the NatWest share exchange (a share consolidation in August 2022) which reduced the number of shares in issue at a ratio of 14:13, this is equivalent to 4,745 million new shares.

An increase in fair value in the NatWest shareholding is due to favourable market moves, which saw the share price increase from 215.90p [12]on 31 March 2022 to 263.60p on 31 March 2023.

Group portfolio investments contain the portfolios of equity investment holdings held by Pool Re and the UK Infrastructure Bank, and are measured at FVPTL. The majority of Pool Re's equity portfolio is public traded shares, plus mutual funds and venture capital, and the UK Infrastructure Bank's portfolio consists of investments in limited life funds.

For more information see Note 22 – Financial Risk, Note 23 – Financial Instruments Fair Value Hierarchy, Note 28 – Prior period restatements.

Group shareholdings

In accordance with the Government Financial Reporting Manual (FReM) additional details of significant shareholdings are shown below:

In £m	2022-23			2021-22		
	Stake %	**Total net assets**	**Entity's reported profit/(loss)**	**Stake %**	**Total net assets**	**Entity's reported profit/(loss)**
Bank of England	100	5,424	39	100	5,777	7
NatWest ordinary shares	41.5	36,496	3,595	48	41,803	3,312

The reported profit/(loss) and net assets of the above entities is disclosed for the reporting period to the end of February for the Bank of England and end of December for NatWest.

[12] The post consolidation value of the shares would be £232.51.

Prior Year (restated)

In £m	At 1 April 2021 (restated)	Additions, disposals & transfers (restated)	Fair value adjustments (restated)	At 31 March 2022 (restated)
Listed entities				
NatWest ordinary shares	13,578	(3,878)	1,331	11,031
Unlisted investments				
Bank of England share capital	5,828	-	(51)	5,777
Asian Infrastructure Investment Bank	451	-	26	477
European Bank for Reconstruction and Development	1,306	-	(21)	1,285
Other shareholdings	12	-	-	12
Group entities				
UK Asset Resolutions Ltd	5,374	-	(4,867)	507
UK infrastructure Bank	143	285	117	545
Reclaim Fund Ltd	408	-	(3)	405
IUK Investments Holdings Ltd	1	-	-	1
Total Core Treasury and Agencies	**27,101**	**(3,593)**	**(3,468)**	**20,040**
Intra-group eliminations	(5,926)	(285)	4,753	(1,458)
Group portfolio investments	1,220	(261)	353	1,312
Total group	**22,395**	**(4,139)**	**1,638**	**19,894**

12. Loans and investment securities

12.1 Group

Current Year

In £m	At April 2022 (restated)	Advances and purchases	Redemptions, repayments and transfers	Revaluations[13]	As 31 March 2023
Loans	188	162	(42)	(3)	305
Fixed income investment securities held at amortised cost	433	170	(157)	-	446
Fixed income investment securities held at FVTPL	5,510	8,725	(8,670)	48	5,613
Total	**6,131**	**9,057**	**(8,869)**	**45**	**6,364**
Current	1,982				1,141
Non-current	4,149				5,223

During the year, the UK Infrastructure Bank invested in £162m of loans across private sector.

Fixed income investment securities held at amortised cost are held by Reclaim Fund Ltd as part of the ongoing investment strategy. A highly liquid, secure position is maintained, with maturing bonds and coupons generated from the investment portfolio being re-invested.

Fixed income investment securities held at fair value through profit and loss (FVTPL) are held by Pool Re as part of its ongoing investment strategy. The majority of the holdings are government and corporate bonds, which are liquid and secure.

[13] Revaluations include impairments, reversals, amortisation and FX adjustments

Prior Year

In £m	At April 2021 (restated)	Advances and purchases (restated)	Redemptions, repayments and transfers (restated)	Revaluations[13] (restated)	As 31 March 2022 (restated)
Loans	4	190	(3)	(3)	188
Fixed income investment securities held at amortised cost	405	226	(198)	-	433
Fixed income investment securities held at FVTPL	5,416	6,047	(5,972)	19	5,510
Total	**5,825**	**6,463**	**(6,173)**	**16**	**6,131**
Current	2,687				1,982
Non-current	3,138				4,149

12.2 Core Treasury and Agencies

Current Year

In £m	At April 2022	Advances and purchases	Redemptions, repayments and transfers	Revaluations[13]	As 31 March 2023
Loans	24	125	(85)	-	64
Total	**24**	**125**	**(85)**	**-**	**64**
Current	-				-
Non-current	24				64

Prior Year

In £m	At April 2021	Advances and purchases	Redemptions, repayments and transfers	Revaluations[13]	As 31 March 2022
Loans	6	24	(4)	(2)	24
Total	**6**	**24**	**(4)**	**(2)**	**24**
Current	-				-
Non-current	6				24

13. Derivatives

In £m	2022-23 Core Department & Agencies	2022-23 Departmental Group	2021-22 Core Department & Agencies	2021-22 Departmental Group (restated)
Balance at 1 April	(39,792)	(39,830)	15,184	15,184
Cash movements	778	1,091	(7,218)	(7,148)
Fair value gain/(loss) (Note 8)	(138,618)	(138,848)	(47,758)	(47,866)
Balance at 31 March	**(177,632)**	**(177,587)**	**(39,792)**	**(39,830)**
Derivative financial assets	-	53	70	78
Derivative financial liabilities	(177,632)	(177,640)	(39,862)	(39,908)

All derivative financial instruments are current. Of the balance at 31 March 2023, £177.6bn is attributable to BEAPFF's derivative liability (2021-22: £39.9bn derivative liability). Following the closure of the scheme and redemption of the underlying assets, less than £1m is attributable to CCFF's derivative asset (2021-22: £70m). Pool Re holds derivative assets of £56m (2021-22: £8m) and £12m of derivative liabilities (2021-22: £46m) The reduction in the balance of £137.8bn primarily comprises the downwards fair value adjustment of £138.6bn and cash transfers from the BEAPFF to HM Treasury of £4.2bn which were surrendered to the Consolidated Fund, offset by £5.0bn cash transfers from HM Treasury to the BEAPFF.

The fair value adjustment is mainly driven by the decrease in the market value of the gilt and corporate bond holdings held within BEAPFF. This was matched by a decrease in the amount due to HM Treasury under the indemnity. For more information refer to Note 22 – Financial Risk.

In February 2022 the Bank announced its plan to unwind the BEAPFF portfolio in a gradual and predictable manner by ceasing to reinvest gilts as they mature and through a programme of sales of corporate bonds. In September 2022 the Bank announced its plan to accelerate the unwinding of the BEAPFF by initiating a programme of sales of gilts, which commenced on 1 November.

In late September and early October 2022, in line with its financial stability objective, the Bank conducted temporary and targeted purchases of inflation-linked and long-dated gilts, and fully unwound the position by January 2023.

For further information see also contingent liabilities outside the scope of IAS 37 from page 169 and the performance report from page 52.

The derivative financial liability reflects the fair value of the underlying assets and liabilities of the BEAPFF at 31 March prices. As the BEAPFF portfolio unwinds, the cash transfers which have historically been from Bank of England to HM Treasury (totalling a net position of £119bn at 31 March 2023; £120bn at 31 March 2022) have changed direction and from October 2022, quarterly transfers are made from HMT to the BEAPFF when it needs cash to settle its position.

14. Cash and cash equivalents

In £m	2022-23 Core Department & Agencies	2022-23 Departmental Group	2021-22 Core Department & Agencies	2021-22 Departmental Group (restated)
Balance at 1 April	54	881	5	5,667
Net change in cash balance and cash equivalent balances	1,342	1,098	49	(4,786)
Total	**1,396**	**1,979**	**54**	**881**
The following balances were held at 31 March/December				
Government Banking Service	1,396	1,519	54	528
Bank of England	-	248	-	211
Commercial banks, cash in hand and cash equivalents	-	212	-	142
Total	**1,396**	**1,979**	**54**	**881**

Detail on cash movements can be found in the SoCF.

Following HMT's transition from a department funded by income it generates through asset sales, to a department from supply issued from the Consolidated Fund, the department no longer passes excess cash held to the consolidated fund at the end of the year, and amounts issued from the Consolidated Fund for supply but not spent will be available for use on voted activities next year when it becomes 'Deemed Supply'.

15. Trade and other payables

In £m	2022-23 Core Department & Agencies	2022-23 Departmental Group	2021-22 Core Department & Agencies	2021-22 Departmental Group (restated)
Amounts falling due within one year:				
Trade payables	11	23	7	22
Accrued expenditure	52	88	40	69
Unearned reinsurance premiums	-	126	-	134
Pool Re payable to Consolidated Fund	227	227	182	182
Dormant account distributions	-	-	-	-
Corporation tax payable	-	-	-	-
EU Financial Settlement	2,380	2,380	1,764	1,764
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,396	1,396	-	-
Other	10	204	63	184
Total	**4,076**	**4,444**	**2,056**	**2,355**
Amounts falling due after more than one year:				
Pool Re payable to consolidated fund	208	208	266	266
Unearned insurance premiums	-	-	-	-
Sukuk certificates	-	500	-	500
Deferred tax	-	118	-	207
EU Financial Settlement	187	187	1,037	1,037
Other	9	16	12	21
Total	**404**	**1,029**	**1,315**	**2,031**
Total payables	**4,480**	**5,473**	**3,371**	**4,386**

Amounts issued from the Consolidated Fund for supply but not spent at year end

Following HMT's transition from a department funded by income it generates through asset sales, to a department from supply issued from the Consolidated Fund, the department no longer passes excess cash held to the consolidated fund at the end of the year, and amounts issued from the Consolidated Fund for supply but not spent will be available for use on voted activities next year when it becomes 'Deemed Supply'.

Pool Re payable to the Consolidated Fund

Under the retrocession agreement with Pool Re[14], 50% of gross premiums written and 25% of surplus earnings reported is payable to HM Government. This is paid 3 years in arrears to the consolidated fund leading to a current liability of £227m (2021-22: £182m) and a non-current liability of £208m (2021-22: £266m).

Sukuk Certificates

Sukuk certificates to the value of £500m were issued on 1 April 2021 and are payable on 22 July 2026.

EU financial settlement payables

The EU financial settlement payables are related to Article 136, 140, 142 and 143 of the EU Withdrawal Agreement.

Article 136 - Provisions applicable after 31 December 2020 in relation to own resources	£916m of EU financial settlement flows from the UK to the EU relate to Article 136 of the Withdrawal Agreement "Provisions applicable after 31 December 2020 in relation to own resources" for corrections and adjustments to VAT and gross national income contributions which were historically included in the calculation of future years' EU budget contributions and are now met through the Withdrawal Agreement and which the EU has now notified the UK of the amounts payable (2021-22: £869m). See also Note 9 – Trade and other receivables for receivables relating to this Article.
Article 140 – Outstanding commitments	£1.4bn of EU financial settlement payables relates to Article 140 of the Withdrawal Agreement "Outstanding commitments" (2021-22: £1.7bn). This represents the amounts payable under this article that the UK had formal notification of the amounts due at 31 March, and have been transferred from the provision for this article. See also Note 16 - provisions.
Article 142 – Union liabilities at the end of 2020	£195m of EU financial settlement payables relates to Article 142 (5) of the Withdrawal Agreement "Union liabilities at the end of 2020" in respect of certain EU pension schemes which the UK is liable for its share of the liabilities as they were recognised by the EU as at 31 December 2020 (2021-22: £209m).
Article 143 – Contingent financial liabilities related to loans for financial assistance, European Fund for Strategic Investments (EFSI), European Fund for Sustainable Development (EFSD) and the external lending mandate	£17m of EU financial settlement payables relates to Article 143 of the Withdrawal Agreement "Contingent financial liabilities related to loans for financial assistance, European Fund for Strategic Investments (EFSI), European Fund for Sustainable Development (EFSD) and the external lending mandate" (2021-22: £6m). Under Article 143, the UK remains responsible for its share of the contingent financial liabilities that were made during the UK's membership of the EU. HM Treasury's best estimate of the forecast future cash flows arising from these instruments is based on financial

14 https://www.gov.uk/government/publications/terms-of-engagement-between-hm-treasury-and-pool-reinsurance-limited-pool-re

	modelling developed with the Government Actuary Department. This modelling considers a number of forecast activities in arriving at an overall value for each financial instrument. All payables under Article 143 are measured at fair value through profit or loss. Please see note 8 for the fair value movement recognised in the SoCNE, note 1.5 – Significant judgements and estimates for discussion on key judgements and estimates, and note 22.3 for the risk disclosure. In addition, the UK is entitled to a share of receipts in relation to these instruments, see detail in note 9 – Trade and other receivables.

16. Provisions

16.1 Group

Current year

In £m	EU Financial Settlement	ELPS	Oil and Gas	HTB ISA	Reclaim Fund Ltd	Other	Total
Balances at 1 April	31,097	259	129	784	267	13	32,549
Provided in year	1,302	-	-	-	98	14	1,414
Provisions not required	-	(1)	(28)	(185)	-	(4)	(218)
Exchange rate movement	1,012	-	-	-	-	-	1,012
Unwinding of discount and changes in the discount rate	(5,341)	(31)	(3)	(23)	-	-	(5,398)
Provisions utilised in year	(9,475)	(28)	(16)	(138)	(106)	(3)	(9,766)
Balances at 31 March	**18,595**	**199**	**82**	**438**	**259**	**20**	**19,593**
Within 1 year	5,802	25	64	438	259	15	6,603
Between 1 and 5 years	5,703	79	16	-	-	5	5,803
Later than 5 years	7,090	95	2	-	-	-	7,187

16.2 Core Treasury and Agencies

Current year

In £m	EU Financial Settlement	ELPS	Oil and Gas	HTB ISA	Other	Total
Balances at 1 April	31,097	259	129	784	4	32,273
Provided in year	1,302	-	-	-	13	1,315
Provisions not required	-	(1)	(28)	(185)	(1)	(215)
Exchange rate movement	1,012	-	-	-	-	1,012
Unwinding of discount and changes in the discount rate	(5,341)	(31)	(3)	(23)	-	(5,398)
Provisions utilised in year	(9,475)	(28)	(16)	(138)	(3)	(9,660)
Balances at 31 March	**18,595**	**199**	**82**	**438**	**13**	**19,327**
Within 1 year	5,802	25	64	438	13	6,342
Between 1 and 5 years	5,703	79	16	-	-	5,798
Later than 5 years	7,090	95	2	-	-	7,187

The movement in provisions detailed in Note 5 – Other operating expenditure, is made up of: Provided during the year, provisions not required, exchange rate movement, and unwinding of discount and changes in the discount rate above.

Further detail on provisions can be found below:

EU Financial Settlement: Article 140 – Reste à Liquider (RAL)	Under Article 140 of the Withdrawal Agreement "Outstanding Commitments", the UK remains responsible for its share of the EU Budget commitments made during the UK's participation in the EU Budget over the 2014-20 MFF (ending December 2020). The RAL represents EU budgetary commitments that have been made and are expected to result in payments by the EU in the future. Budgetary commitments that are subsequently decommitted, for example where the underlying programme does not go ahead, are removed from the RAL. The UK is only liable to pay a share of RAL at the end of 2020 to the extent it crystallises as payments by the EU. The UK's liability under Article 140 will be reduced by a number of items, including: the amount of net financial corrections; the proceeds of any Member State Making Available Resources infringements; and Traditional Own Resources adjustments. See related asset disclosure in respect of Article 140 in Note 9 – Trade and other receivables, related financial liability disclosure in Note 15 Trade and other payables and Note 1.5 – Significant judgements and estimates.
EU Financial Settlement: Article 142 – Union Liabilities at End 2020	Under Article 142 of the Withdrawal Agreement "Union Liabilities at End 2020", the UK will pay a share of the EU's payments for the employment and other related benefits accrued by EU employees up to the end of 2020. Specifically, these benefits are materially comprised of pensions schemes and the Joint Sickness Insurance Scheme (JSIS).

	The UK has always been due to pay these benefits. Expenditure to settle in-year benefits is incurred by the EU and accordingly by all Member States as part of their budget contributions. As the UK has left the EU, the Withdrawal Agreement in effect created a liability for the UK and HM Treasury is required to make provisions for the future cash outflow. See also Note 1.5 – Significant judgements and estimates.
EU Financial Settlement: Article 147 – Liabilities relating to legal cases	Under Article 147 of the Withdrawal Agreement "Contingent liabilities related to legal cases", the UK will pay a share of costs incurred by the EU in relation to certain legal cases around the EU Budget and financial interests where the facts forming the subject matter of those cases occurred before 31 December 2020. See related contingent liability disclosure in Note 21 – Contingent liabilities.
Equitable Life Payments Scheme (ELPS)	The Equitable Life Payments Scheme is for eligible policy holders who purchased an Equitable Life pension policy between 1 September 1992 and 31 December 2000. In 2010 the government committed to pay in the region of £1.5bn to policy holders in the scheme; as at the reporting date £1.3bn has been paid. The scheme was closed to new entrants from 31 December 2015 but continues to make payments to 'with annuities' policyholders.
Oil and gas	This provision relates to claims on Decommissioning Relief Deeds (the deeds). The deeds were signed between eligible oil and gas companies and HM Treasury. The deeds indemnify the industry for changes in tax codes or the default of their partners in decommissioning North Sea oil fields, allowing them to claim relief from HM Treasury potentially otherwise available to the field from HMRC through the tax system. HM Treasury recognise a provision when a claim is notified, and the amount can be measured reliably. The value of the provision of £82m represents the best estimate of the outstanding costs to settle. During the year, HM Treasury was required to make payments of £16m on claims which were paid directly to the claimants. For more information on the scheme and other potential claims, refer to Note 21 – Contingent liabilities.
Help to Buy (HTB) ISA	The Help to Buy ISA scheme commenced on 1 December 2015 and offers first time buyers government bonuses to be claimed on completion of a successful property purchase. The government will award a 25% bonus based on an individual's total savings in an HTB ISA account. There is a minimum £400 bonus and a maximum £3,000 bonus. The scheme closed to new entrants in November 2019, and all bonuses must be claimed by December 2030. The value of the provision of £438m represents the best estimate of the outstanding cost to settle the HTB ISA provision. This is based on forecast utilisations in future years. The movements will reflect trends in the housing market and latest residential property transaction data. The reduction in the provision is predominantly due to less favourable economic considerations due to the ongoing cost of living crisis which is causing a reduction in utilisations as well as recent volatility in the mortgage market. There is significant uncertainty in relation to forecast bonus volumes which drive the forecast utilisations and the HTB ISA provision. For the 2022-23 provision, HMT has estimated that approximately 26% of current eligible deposits will be utilised. As an indication of sensitivity on the

	provision, if 35% of eligible deposits were utilised, the provision would increase by £174m. Alternatively, if only 20% of eligible deposits were utilised, the provision would reduce by £103m. Notwithstanding the uncertainties noted above, this sensitivity covers the range of scenarios HTM considers could potentially arise. There is significant variability over the timing of when the provided funds would be drawn on by homebuyers, dependent on factors including the housing market and the level of savings accrued prior to joining the scheme, so although homebuyers have the ability to draw on the bonus at any point, this is likely to be spread over the lifetime of the scheme.
Reclaim Fund Ltd	Upon transfer of dormant account monies from UK financial institutions to the Reclaim Fund Ltd, the obligation to repay dormant account holders who subsequently reclaim their money is also transferred to the Fund. The element of the provision relating to dormant account holders is £169m. Although account holders have the ability to reclaim their dormant balances at any point, in practice this is likely to be spread over a number of years. The Dormant Bank and Building Society Accounts Act 2008 dictates that the Reclaim Fund Ltd is obliged to pay over the excess of dormant account monies received, after deduction of running costs, to the National Lottery Community Fund (NLCF) for ongoing distribution to the benefit of the community. The element of the provision relating to future distributions to the NLCF is £90m. Further details on the estimates can be found in the RFL's Annual Report and Accounts, within the accounting policies note.

Sensitivity analysis: EU Financial Settlement

Sensitivity analysis for the key assumptions of the EU Financial Settlement provisions are set out below:

Assumption	Change	Degree of uncertainty	Sensitivity of output to change in input	Financial impacts In £m
Exchange rate – Sterling/Euro exchange rate	Sterling appreciation of 1%	High	Moderate	A decrease of 186
Decommitments – the proportion of EU Budgetary commitments in the RAL that are not implemented	An decrease of 1 percentage point	High	Moderate	An increase of 74
Discount rate – the discount rate applied to future cash flows to take account of the time value of money	A decrease of 0.1 percentage point	Moderate	Moderate	An increase of 161
Salary changes – the assumption about salary changes used when calculating the provision in respect of the Pension Scheme for European Officials	Expected "salary increases" higher by 0.1 percentage point	Moderate	Moderate	An increase of 160
Retirement age – the assumption about the retirement age used when calculating the provision in respect of the Pension Scheme for European Officials	1 year lower	Low	Low	A decrease of 28
Life expectancy – the assumption about life expectancy used when calculating the provision in respect of the Pension Scheme for European Officials	1 year higher	Low	High	An increase of 292

An appreciation of Sterling against the Euro results in the value of the RAL and Pension provisions decreasing. A depreciation of Sterling has the opposite effect. This models a depreciation of 1% from the 31 March 2023 exchange rate (GBP 1: EUR 1.14). The exchange rate exposure is unhedged and payment obligations will be met through funds provided by Parliament through the Supply process.

Decommitments are the portion of the EU budget that is planned but ultimately never spent. As the UK is only liable for EU obligations that actually materialise, an increase in the estimate of decommitted spend reflects a reduction in the actual amount spent by the EU and therefore a decrease in the RAL liability. The decommitment assumptions used in the calculation above vary by EU programme, however the estimated average over all commitments is c. 8.6%.

Provisions are discounted in accordance with the requirements of the Financial Reporting Manual and the rates set centrally by HM Treasury based on the yields of gilts issued by the government; cash flows within 5 years (3.27%), between 6-10 years (3.20%), between 11-40 years (3.51%) and more than 40 years (3.00%). The 0.1% decrease is applied to each of the spot rates set for different time horizons. Changes to this discount rate do not affect what the UK pays under the financial settlement, only the valuation of the liability for financial reporting purposes. Excluding the effect of discounting would result in a provision of £27.4bn.

An increase in assumed salary increases results in individuals receiving larger pensions at the point of retirement for final salary schemes. The main component of the salary increase assumption used is inflation, with a long term rate of 2% used.

A decrease in retirement age results in individuals receiving pensions for a longer period of time, which in isolation would result in an increase to the liability. However, retiring earlier reduces the amount of accrual at the special rates available to those who remain working after pensionable age and increases the reductions applied to the pensions of those who retire before pensionable age. Overall, the effect of retiring earlier is to reduce the liability. The retirement age assumptions used are those used in the EU 2022 accounts (63/64/66 for the respective cohorts).

An increase in life expectancy results in individuals receiving pensions for a longer period of time, resulting in an increase to the liability. The life expectancies are based on Eurostat assessments of the scheme, adjusted for the UK's experience of COVID-19 and are set at age 65 in 2020 and 2040 are 22 and 24 years for men and 24 and 26 years for women.

The timing of the liabilities is set out in the table below:

Component of the provisions	Gross discounted payments (£m)	Time period	Note
RAL	10,237	2023-27	The RAL liability represents the vast majority of the provisioned settlement. Current forecasting estimates that this liability will be fulfilled within seven years of the first payment. The payment obligations will crystallise with the greatest amounts in the earliest years of the time period with payments reducing sharply as time goes on.
Pensions	8,317	2023-65	The pensions liability inherently has a long term cashflow profile as the liability is underpinned by the EU's cash requirements for EU staff pensions. We currently estimate that payments will last till 2065, with the vast majority being paid later than 5 years from the reporting date. The payment obligations will rise gradually year on year over the short and medium term as more scheme members retire but then begin to fall gradually over the remaining decades as they are linked to payments made to final beneficiaries. Article 142 of the Withdrawal Agreement provides a mechanism for early settlement of the principal obligations based upon actuarial estimates of the outstanding amount. The provision is based on the payment of the obligations as they fall due.
Legal Cases	41	2024	The liability for legal cases provided for is expected to have been paid by September 2024.
Total	**18,595**	**-**	

17. Financial guarantees

In £m	2022-23 Core Department & Agencies	2022-23 Departmental Group	2021-22 Core Department & Agencies	2021-22 Departmental Group
UK Guarantees	161	161	159	159
Help to Buy guarantees	54	54	24	24
Total	**215**	**215**	**183**	**183**
Current	21	21	18	18
Non-current	194	194	165	165

The financial risks and management policies associated with financial guarantees are detailed in Note 22 – Financial Risk which sets out the maximum exposure to HM Treasury as a result of issuing these guarantees

UK Guarantees scheme (UKGS)	The UK Guarantees scheme was announced on 18 July 2012. The scheme aimed to support infrastructure projects that may have stalled because of adverse credit conditions. As at 31 March 2023, three projects were guaranteed (2021-22: seven projects). During the reporting period one guarantee expired, and three guarantees ended early whilst no new guarantees were issued.
Mortgage guarantee schemes	The Help to Buy: mortgage guarantee scheme was launched on 8 October 2013. The scheme is designed to address the shortage of high loan-to-value mortgages, by offering lenders the option to purchase a guarantee on mortgages where a borrower has a deposit of between 5% and 20%. The Scheme closed to new loan applications on 31 December 2016. A new mortgage guarantee scheme was launched on the 19 April 2021 following the same characteristics of the 2013 scheme. The scheme has been extended and will now close to applications on the 31 December 2023.

For more information see the Contingent liabilities not required to be disclosed under IAS 37 section from page 169.

18. Adjustments for non-cash transactions

In £m	2022-23 Core Department & Agencies	2022-23 Departmental Group	2021-22 Core Department & Agencies	2021-22 Departmental Group (restated)
Adjustment for non-cash transactions				
Net provisions provided in year	(3,286)	(3,190)	5,213	5,353
(Impairments)/impairment reversals of non-financial assets	(16)	(16)	(167)	(167)
Depreciation and amortisation	8	15	3	8
Non-voted – banking and gilts registration services	2	2	2	2
Other non-cash adjustments	1	28	1	(133)
Total	**(3,291)**	**(3,161)**	5,052	5,063

19. Commitments

	2022-23		2021-22	
In £m	**Core Department & Agencies**	**Departmental Group**	**Core Department & Agencies**	**Departmental Group**
Capital commitments	153	434	189	189
Loan commitments	7,700	1,441	750	883
Total	**7,853**	**1,875**	939	1,072

HM Treasury Group has entered into the following commitments.

Capital commitments	
DIIF	Capital commitments of £24m (2021-22: £35m) relate to The Digital Infrastructure Investment Fund (DIIF). The DIIF originally made legal commitments over a 4-year period to July 2021 to provide a total of £300m worth of investment to the relevant fund managers, of which £150m was decommitted during 2020-21. By the end of the reporting period, a total of £126m had been drawn down and £11m in commitments were readvanced as a result of divestments and other readvances, as allowed in the partnership agreement. As at 31 March 2023, the undrawn commitment of £24m remains available to fund managers. The drawn amounts as at 31 March are recognised as Equity Investments in Note 11.
CIIF	Capital commitments of £128m (2021-22: £155m) relate to The Charging Infrastructure Investment Fund (CIIF). The CIIF is legally committed to provide a total of £200m worth of investment to the relevant fund managers from 2019-20 to 2023-24. £7m in commitments were readvanced as a result of a re-callable gain following a distribution, as allowed in the partnership agreement. The drawn amounts as at 31 March are recognised as Equity Investments in Note 11.
UKIB	Capital commitments of £282m relating to UKIB Equity fund commitments. A total of £68.3m has been drawn down by the end of the reporting period. The drawn amounts as at 31 March are recognised as Equity Investments in Note 11.
Loan commitments	
UKIB	UK Infrastructure Bank (UKIB) has undrawn loan commitments totaling £691m (2021-22: £133m) for loans to support infrastructure projects at the end of the reporting period.
GLA	HM Treasury has provided a £750m (2021-22: £750m) standby refinancing facility to Transport for London – Greater London Authority for the Northern Line extension as part of the UK Guarantees scheme.
Pool Re Nuclear	HM Treasury has a commitment to provide a loan to Pool Re Nuclear in the event of losses following a terrorist event exceeding their available resources. The maximum potential loan is unquantifiable and therefore not included in the above table. See also contingent liabilities outside the scope of IAS 37 from page 169.

Intra-group	HM Treasury also provides a loan facility to UKIB. As at 31 March 2023, the total facility available for UKIB was £7bn (2021-22: £10m), of which £50m (2021-22: £10m) is currently drawn down. HM Treasury has a commitment to provide a loan to Pool Re in the event of losses following a terrorist event exceeding their available resources. The maximum potential loan is unquantifiable and therefore not included in the above table. See also contingent liabilities outside the scope of IAS 37 from page 169. As these are intra-group, they are eliminated at group level.

20. Contingent assets

IAS 37 – Provisions, contingent liabilities and contingent assets – requires the disclosure of contingent assets, defined as:

- A possible asset that arises from past events, and
- Whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within control of the entity.

Contingent assets are not recognised but are disclosed where an inflow of economic benefit is probable - once the realisation of income is certain, the asset is no longer a contingent asset and is recognised at this time.

As a result of the UK's withdrawal from the European Union, a number of items within the Withdrawal agreement were considered by HM Treasury to meet the definition of a contingent asset for the core Treasury as follows:

Article 141 – Fine Income	Under Article 141 of the Withdrawal Agreement the UK is entitled to a share of EU fine income that relates to activity up to the end of 2020 (and in some cases after this period) including where collection of the fine income arises post UK exit. A contingent asset is disclosed in relation to the fine income where the likelihood of cash inflow is dependent on the EU successfully winning the case and this likelihood is assessed to be probable. Following the end of the transition period the contingent assets under this article that are not the subject of ongoing litigation are no longer contingent and appear in Note 9 – Trade and other receivables. The value is estimated based on fines issued by the EU, but not yet definitive and adjusted for fines expected to be issued relating to the period based on past performance. HM Treasury's current best estimate of the contingent asset related to fine income is c.£1.5bn (2021-22 £1.5bn).

21. Contingent liabilities

HM Treasury has entered into the following guarantees and indemnities. All meet the definition of contingent liabilities under IAS 37 and are disclosed below accordingly. Remote contingent liabilities and those within the scope of other standards such as IFRS 9 do not require disclosure under IAS 37, however they are required to be disclosed in accordance with Managing Public Money and the FReM. They have been separately disclosed from page 169.

The Core Treasury and its Agencies have the following contingent liabilities:

EU Financial Settlement: Article 147 – Contingent liabilities relating to legal cases	Under Article 147 of the Withdrawal Agreement "Contingent liabilities related to legal cases", the UK will pay a share of costs incurred by the EU in relation to certain legal cases around the EU Budget and financial interests where the facts forming the subject matter of those cases occurred before 31 December 2020. Note 16 sets out provisions recognised by HM Treasury in respect of this article. The EU disclose a number of contingent liabilities related to legal cases in their 2020 accounts, including cases where a reliable estimate of the cost cannot be made and instead the damages being sought are disclosed. If these contingent liabilities crystallised as obligations for the EU, which depends on future events, and were they to fall within the scope of this article they could give rise to a liability for HM Treasury in the future. The UK share of these disclosed items is estimated at £338m (2021-22: £152m).
Decommissioning Relief Deeds	The Government has entered into Deeds with oil and gas companies to guarantee the basis on which tax relief for decommissioning is available. As part of the terms of becoming a participator in a licence in the UK or UK Continental Shelf, companies have a statutory obligation to decommission their operations properly once oil and gas production has ceased. The deeds have been signed by the government and eligible companies. Any company that has carried on a ring-fenced trade, and the associates of those companies, are eligible to be party to a Deed. The Deed provides companies with greater certainty in respect of decommission tax relief and allows them to adopt post-tax securitisation arrangements for the future costs of decommissioning. The Deeds support the government's objective of maximising economic recovery of oil and gas reserves in the UK Continental Shelf. The Deeds are designed to free up capital that otherwise would have been held in reserve against possible changes in tax rules. As at March 2023, Offshore Energies UK estimate that around £10bn of capital has been unlocked for reinvestment as a result of the Deeds. As at 31 March 2023, 105 Deeds had been signed and were in force (31 March 2022: 101). These Deeds indemnify the companies for changes in tax legislation or the default of joint-venture partners in respect of their decommissioning activities, allowing them to claim relief potentially otherwise available to them from HMRC.

	The crystallisation of any liability is dependent on the financial health of the companies (and their joint-venture partners) that are party to the Deeds. Since inception, two claims have been made: - the remaining amount of the claim that was received in 2016 has been reflected as a provision for £80.2m - see Note 16 - Provisions. - the remaining amount of a new claim that was received by HMT during 2022 has been reflected as a provision for £1.8m. HM Treasury has not disclosed the financial effect of the Decommissioning Relief Deeds because it is unquantifiable, given that the likelihood of economic conditions at the individual firm level required for the contingent liability to crystallise cannot be accurately estimated the absence of comparable data to use in any calculation.
Legal action	HM Treasury is currently engaged in litigation activity as the defendant. This may result in costs or damages being ordered against HM Treasury. HM Treasury has not disclosed all of the information that is ordinarily required under IAS 37 on the grounds that it may be prejudicial to legal privilege and the outcome of the litigation. This election is made in accordance with IAS 37.92.

22. Financial risk: management objectives, policies and sensitivity analysis

22.1 Introduction

HM Treasury is responsible for managing economic risk on behalf of the government. Economic risk can include changes in regional, national and international economies and can be triggered by external events such as macroeconomic events, conflict, natural disasters or by changes in government policy and legislation. Depending on the nature of the change an economic risk can have positive or negative impacts.

In the recent past, HM Treasury has reacted to uncertainty in the global and national economies by creating policy solutions that contribute to the UK's fiscal and economic recovery. These policy solutions include the financial stability interventions, which are designed to:

- stabilise and restore confidence in the financial system
- protect depositors' money
- protect taxpayers' interests
- ensure continued lending to creditworthy borrowers

HM Treasury's Accounts include multiple financial assets and liabilities. These financial assets and liabilities expose the Treasury to financial risks, which are: market risk, liquidity risk and credit risk. These risks are discussed below.

The HM Treasury board is responsible for the establishment and oversight of the Treasury Group's risk management programme. Risk management forms a core part of day-to-day operations for HM Treasury's policy teams, sub-committees and UK Government Investments Limited (UKGI) - which manages the government's investment in the NatWest Group.

UKGI, under the UKGI Framework Agreement, is responsible to HM Treasury for providing oversight.

For NatWest, UKGI aims to:

- engage with the board and management team of the bank to build shareholder value
- ensure that analytical frameworks used to assess value for money and wider policy, operational and legal implications remain robust
- maintain an ongoing dialogue and communication with existing and prospective investors in NatWest.

This note covers the following:

- Group
    - Pool Re – insurance risk, market risk, credit risk, liquidity risk
    - UKIB – market risk, liquidity risk, credit risk
    - Other Group – credit risk
- EU Financial Settlement
    - Market risk
    - Liquidity and credit risk
- Core Treasury and Agencies (excluding EU financial Settlement)
    - Market risk
    - Liquidity risk
    - Credit risk
    - Insurance risk

22.2 Group

This section focuses on the risks that are associated with Pool Re, UKIB and then credit risk for the remainder of the Treasury Group.

Pool Re financial risks

Further information on the financial risks of Pool Re will be published in the upcoming Pool Re annual report.

Insurance risk – Pool Re

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is unpredictable.

Pool Re's approach to the management of insurance risk is influenced by the commitments contained in the agreements which form the foundations of Pool Re's scheme. Pool Re undertakes to accept all risks presented to it which meet the criteria of the scheme and has a Retrocession Agreement with HM Treasury which makes funds available where it faces claims beyond the extent of its ability to pay from its own resources. Under the PRA capital regime, Pool Re has a capital resource requirement set equal to zero.

In turn, these arrangements ensure that Pool Re can provide primary insurers with the reinsurance protection they need to enable them to provide terrorism cover to all clients upon request to the full extent of their policy programme. Hence, it is not an objective to limit the assumption of insurance risk, but to ensure that:

- risks accepted fall within the criteria set by the scheme and fall within the scope of the Retrocession Agreement;
- pricing is fair between the Members of the scheme; and
- administration arrangements are in place in the event of a major claim.

Pool Re's appetite for insurance risk is therefore unlimited, provided that losses will ultimately be met by its funds and its retrocessional cover.

Pool Re reduces its sensitivity to insurance risk through the purchase of commercial retrocessional reinsurance, placed across two programmes. The first is a three-year contract incepting 1st March 2022 covering terrorism losses which are triggered by damage. The cover is placed across three layers totalling £2,400m attaching at £400m. Cover is placed 100%.

The second programme was first incepted in 2019 to reflect the extension of Pool Re's cover to include non-damage business interruption. The placement is a single layer of cover for £15m attaching at £10m. Pool Re renewed this programme at the same terms for a further 12 months at 1st March 2023.

On 8th March 2022, Pool Re placed a three-year insurance linked security (ILS) bond with a principal amount of £100m, issued through a special purpose vehicle (SPV), Baltic PCC Limited. The issue has an initial attachment level of £500m, with the ILS and commercial retrocession participants sharing losses at a ratio of 50/50 respectively up to an exhaustion level of £700m.

Controls are in place to ensure, to the extent possible, that liquid funds are available to meet claims or a series of claims as and when necessary.

There are no claim costs from 2019 through to 2023, and no claims outstanding at 31 March 2023.

Market risk – Pool Re

- Equity price risk

Pool Re is exposed to equity price risk as a result of changes in the value of its holdings in direct equity and equity derivative instruments.

In order to mitigate its exposure to the risk of changes in the prices of individual equities, Pool Re has a broadly diversified portfolio of global equities which are managed on a passive basis against well-established market indices.

The table below shows the profit/loss impact should equity market indices increase/decrease by 30%, with all other market variables held constant.

In £m	**At 31 March 2023**
Notional exposure to equity markets	682
Sensitivity to 30% movement in value of equities	205
Total equity market exposure	10.4%

- Interest rate risk

Pool Re is exposed to interest rate risk which arises primarily from investments in fixed interest securities.

Modified duration has been used as the measure of sensitivity of Pool Re's fixed interest portfolio to changes in interest rates. Modified duration is the weighted average of the duration of each holding in the portfolio, taking into account the key characteristics of the coupon, maturity and cash flows.

Pool Re uses certain derivatives to mitigate this interest rate risk. Investments in derivatives are governed by specific provisions within the investment mandates and can only be made for the purposes of efficient portfolio management.

The table below shows the value of Pool Re's holdings of financial assets and liabilities exposed to interest rate risk at the year end and shows the profit/loss impact of a 50-basis point, parallel decrease/increase in interest rates assuming all other assumptions remain unchanged:

In £m	**At 31 March 2023**
Notional exposure of assets to interest rate risks	5,811
Sensitivity to 0.5% movement in interest rates	70
Average modified duration	2.41 years

- Currency risk

Pool Re is exposed to currency risk in respect of investments denominated in a currency other than Sterling.

Pool Re's policy is to manage its exposure to non-Sterling currencies through the use of forward contracts.

The table below shows the value of assets denominated in currencies other than Sterling not covered by foreign exchange contracts at the year end. The table also shows the profit/loss if Sterling had weakened/strengthened by 25% against the mix of currencies within the uncovered portion of Pool Re's investment fund, with all other variables held constant:

In £m	At 31 March 2023
Unhedged investments	421
Sensitivity to 25% weakening in value of Sterling in unhedged investments	139
Sensitivity to 25% strengthening in value of Sterling in unhedged investments	(85)

The table below shows the increase/decrease in profit from a 25% weakening/strengthening of Sterling against Pool Re's top five unhedged foreign currency exposures:

In £m	Fair value of asset	Increase in profit	Decrease in profit
EUR	34	12	(6)
CAD	17	6	(3)
HKD	32	11	(6)
JPY	48	16	(10)
USD	76	23	(17)
Total	**207**	**68**	**(42)**

Credit risk – Pool Re

Credit risk arises from the failure of a counterparty to perform its financial obligations, including a failure to perform those obligations in a timely manner. Pool Re's investment policies are designed to restrict the level of credit risk in the fund by setting limits on individual investments or groups of investments. Such limits are set by reference to the credit ratings determined by established credit rating agencies and individual issuer limits. Pool Re also mitigates counterparty credit risk by concentrating debt and fixed income investments in a portfolio of high quality, investment grade, corporate and government bonds, which are considered to have low credit risk.

Pool Re assesses the condition and creditworthiness of financial depositories by reviewing credit grades provided by rating agencies and other publicly available information. Pool Re also places limits on the level of counterparty exposure to financial depositories.

Pool Re receives reports from its investment managers detailing any breaches of mandates including those resulting from defaults and past due items. No financial assets of material value were past due or impaired at the year end.

The total exposure of the investment fund to credit risk at the year end was £6,048mn representing the total value of bonds, loans, derivative financial instruments, short term deposits and cash at bank and in hand. Of this total, 59% was invested in UK Government Gilts and other AAA/AA rated securities. A full analysis is set out below:

In £m	At 31 March 2023
Equities and investment funds	82
Debt and fixed income holdings	5,642
Derivative financial instruments	53
Short term deposits	143
Cash at bank and in hand	26
Other debtors	102
Total assets bearing credit risk	**6,048**

In £m	At 31 March 2023	
AAA	1,154	19%
AA	2,395	40%
A	1,308	22%
BBB	682	11%
BB	70	1%
B	29	-
CCC and below	4	-
Not rated	406	7%
Total assets bearing credit risk	**6,048**	**100%**

At the reporting date, excluding UK Government Gilts and US Government Securities, the maximum credit risk exposure to a single counterparty amounted to 1.5% of the Net Asset Value.

Liquidity risk – Pool Re

Pool Re's overall financial risk management objective is to invest the assets against the contingency that they may be required in the short term to deal with a claim or series of claims, but with recognition that they may not be called upon for long periods. In respect of short-term liquidity, the benchmark investment portfolio provides for 33% of the Pool Re's total investment assets to be self-liquidating within 18 months, comprising bonds with maturities of less than 18 months. At 31 March 2023, 48% (2021-22: 41%) of the Company's investment assets were held in bonds with maturities of less than 18 months.

Cash and cash equivalents reported within the Statement of Cash Flows include cash collateral positions in respect of foreign exchange derivative contracts at year end. Cash collateral received is included in Cash at bank and in hand and is regarded as encumbered. The value of cash collateral held at 31 March 2023 was £36.1m (2021-22: £0.2m).

Pool Re has financial liabilities in respect of creditors, foreign exchange derivatives, equity derivatives, bond futures, interest rate derivatives and credit default swaps. The table below is a maturity analysis of Pool Re's financial liabilities. Cash flows in respect of derivative liabilities are shown on an undiscounted basis.

In £m	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	At 31 March 2023
Derivatives	7	-	1	-	8
Claims outstanding	-	-	-	-	-
Deferred tax	-	11	-	-	11
Creditors arising from reinsurance operations	264	149	59	-	472
Other creditors, including investment and lease creditors	164	-	1	-	165
Total	**435**	**160**	**61**	**-**	**656**

UKIB financial risk

Further information on the financial risks of UKIB will be published in the upcoming UKIB annual report.

Market risk – UKIB

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for UKIB comprises of interest rate risk and other price risk.

Interest rate risk

UKIB's investments comprise of fixed and variable interest rate loans. UKIB's exposure to interest rate risk is not significant for the financial period 2022-23. UKIB does not use derivatives to hedge interest rate risk.

Other price risk

UKIB is subject to certain risks associated with the ownership of infrastructure and infrastructure related assets. For example, local, national and economic conditions; the supply and demand for services from and access to infrastructure; availability of funds which may render the purchase, sale or refinancing of infrastructure assets difficult or impracticable. These risks could cause fluctuations in the valuation of the investments and negatively affect the returns.

Liquidity risk – UKIB

Liquidity risk is the risk that UKIB is unable to meet its payment obligations associated with its financial liabilities as they fall due.

UKIB closely monitors its liquidity position through cash flow forecasting and reporting, taking into consideration all financial commitments.

The table below provides detail on UKIB's liquidity position, evaluated by comparing its financial assets and liabilities on a stand-alone basis, including balances with HMT, into relevant maturity groupings.

In £m	On demand	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	At 31 March 2023
Total financial assets	55	-	-	59	543	657
Total financial liabilities	-	-	(6)	-	(50)	(56)
Total	**55**	**0**	**(6)**	**59**	**493**	**601**

The table below reflects the anticipated drawdown based on cashflow forecast and also reflects the element of total commitment that is expected to expire without being drawn.

In £m	On demand	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	At 31 March 2023
Contractual lending commitments	-	107	178	356	50	691
Capital commitments	-	47	106	238	43	434
Total	**-**	**154**	**284**	**594**	**93**	**1,125**

Credit risk – UKIB

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss to the Company by failing to discharge an obligation. The table below shows the total expected credit losses recognised on amortised cost assets for UKIB:

In £m	Stage 1: 12 month ECL	Stage 2: Lifetime ECL	Stage 3: Lifetime ECL	At 31 March 2023 Total
Loans originated or purchased	(6)	-	-	(6)
Loan commitments	(6)	-	-	(6)
Total	**(12)**	**-**	**-**	**(12)**

Other Group financial risk

Credit risk – Other Group

HM Treasury Group is exposed to material credit risk through investment securities provided by the government to external counterparties. The investment securities are held and managed by Reclaim Fund Ltd (RFL). Adverse changes in the credit quality of borrowers or a general deterioration in economic conditions could affect the recoverability or value of securities, and therefore the financial performance of the Treasury Group. If a borrower is not able to meet its principal and interest obligations, the security is in default. A security will be written off if the borrower is in a default position and there is no restructuring or other plan that would give a reasonable expectation of recovery.

Where level 1 fair values cannot be obtained because they are not quoted in active markets, fair value is estimated by discounting future cash flows receivable at relevant market rates of a comparable maturity (discounted value), as shown in the table below.

	2022-23		2021-22	
In £m	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Investment securities	447	426	433	427

Investment securities	Investment securities are held by RFL and managed by RFL's investment manager as part of the ongoing investment strategy. RFL's business model is to hold assets to maturity, investing in a mix of UK Government securities, high quality agency securities and corporate bonds, with initial purchases being restricted to investments graded no lower than BBB+.

22.3 Core Treasury and Agencies – EU financial settlement

The fair value of financial instruments recognised in HM Treasury accounts in respect the EU Withdrawal Agreement are sensitive to certain key assumptions which include performance of the underlying financial operations (market risk), the sterling/euro exchange (currency risk and the discount rate applied to future cash flows. The table below sets out the sensitivity of the fair value to changes in these key assumptions. The provisioning rates used in the Articles 143 and 144 model are not included in the list of the key assumptions below as they are based on those communicated under the Withdrawal Agreement to HM Treasury in March 2022.

In £m

Assumption	Change	Financial impact on receivables	Financial impacts on payables
Market risk – the valuation of these instruments is sensitive to the credit risk of the underlying operations which affects their hypothetical market price	A significant and permanent increase in the probability of default (50% increase) and fall in the rate of recoveries (15% fall), representing a long-term deterioration in economic conditions	A decrease of 596	An increase of 22
Market risk – probability of default	A significant and permanent increase in the probability of default of 50%	A decrease of 244	An increase of 7
Market risk – rate of recoveries	A 15% fall in the rate of recoveries	A decrease of 265	An increase of 10
Exchange rate – the Sterling/Euro exchange rate	Sterling appreciation of 1%	A decrease of 47	A decrease of 25
Discount rate – the discount rate applied to future cash flows to take account of the time value of money	A decrease of 0.1 percentage point	An increase of 3	An increase of 2
EU Budgetary risk - the valuation Article 143 is sensitive to the revenue collected by the European Investment Bank (EIB) to fund the European Fund for Strategic Investments.	EIB collected revenue is halved	A decrease of 155	No impact

The future cash flows arising from the Article 143 and 144 instruments are sensitive to the likelihood of default in the underlying operations (probability of default) and the extent to which defaulted payments can be subsequently recovered (the rate of recovery). The table above applies significant changes in both assumptions. The 50% increase in the probability of default is based on analysis of economic growth and insolvencies, where changes in insolvencies is taken as a broad proxy for changes in the probability of default. A 50% increase was taken as illustrative of a permanent 1% reduction in long term trend economic growth. The 15% reduction in recovery rates is based on historical corporate recovery data and represents the upper end in the distribution of historic movements.

The future cash flows for HM Treasury of the Withdrawal Agreement will be denominated in Euros, and therefore the changes in the Sterling/Euro exchange rate will affect the Sterling value of those cash flows. The table below gives an indication of the timing of the cash flows under these instruments.

The discount rate applied to future cash flows to determine fair value is the financial instrument rate set by the Treasury in accordance with the Financial Reporting Manual. The interest rate intrinsic to these instruments is judged to be zero and therefore the Treasury financial instrument rate of 1.9% is applied to future cash flows. A change in the Treasury financial instrument discount rate does not affect the future cash flows that will be received or paid by HM Treasury. Excluding the effect of discounting would result in a financial asset of £5.1bn and financial liability of £2.6bn.

The timing of the assets and liabilities is set out in the table below:

Receivables/ Payables	Gross discounted payments (£m)	Time period	Note
Article 136 - Receivables	1,180	2023-2028	Article 136 covers corrections or adjustments to contributions over the 2014-20 Multi-Annual Financial Framework (MFF). The receivables are corrections or adjustments to Value Added Tax or Gross National Income-based contributions paid or received after 31 March 2021 and expected to be due from 2021.
Article 136 - Payables	(916)	2023-2028	Article 136 covers corrections or adjustments to contributions over the 2014-20 Multi-Annual Financial Framework (MFF). The amounts payable are corrections or adjustments to Value Added Tax or Gross National Income-based contributions paid or received after 31 March 2021 and expected to be due from 2021.
Article 140 - Receivables	215	2023-2040	The financial assets in Article 140 cover infringements, Traditional Own Resources adjustments and net financial corrections that the EU will receive from the member states and distribute back to UK its share. Receipts under this article are expected as they are recovered from member states up to 2040.
Article 140 - Payables	(1,439)	2023	The financial liabilities in Article 140 cover elements of the RAL previously recognised as a provision, for which the UK has received formal notification of the amounts due at 31 March and were therefore transferred to payables. See also Note 16 – Provisions.
Article 141 - Receivables	33	2023	Article 141 covers the UK's share of fines issued by the EU. This income is expected to be received in 2023. See also Note 20 – Contingent assets, for fines dependent on the EU successfully winning cases.
Article 142 – Payables	(195)	2023-2031	Article 142(5) covers the UK's share of the liability for the pension rights and rights to other employment-related benefits by Members and EU high-level public office holders up to the end of 2020. Specifically, these benefits are materially comprised of pensions schemes for EU high-level public officials. The amount payable by HM Treasury in 2022-23 correlate to EU payments made in 2021-22.
Article 143 - Receivables	840	2023-2050	Article 143 includes loans and financial instruments guaranteed by the EU budget which have corresponding guarantee funds, and over time we expect to receive our shares of

Receivables/ Payables	Gross discounted payments (£m)	Time period	Note
			those guarantee funds back, less the funds necessary to cover defaults. Those loans covered by the European Fund for Strategic Investments (EFSI) (the largest of the relevant funds) and European Fund for Sustainable Development (EFSD) guarantee funds are expected to have fully matured by 2035, with only those loans covered by the Guarantee Fund for External Actions (GFEA) (proportionally smaller than EFSI) expected to continue until 2050.
Article 143 - Payables	(17)	2023-2042	Article 143 also includes some loans guaranteed by the EU budget which have no corresponding guarantee fund, and so can only represent a potential net cost to the UK in future cases of default. Most of these are scheduled to fully mature by 2042.
Article 144 - Receivables	409	2023-2035	Article 144 covers various financial instruments wholly provisioned for under the EU budget through successive Multiannual Financial Frameworks. We expect our provisioning to be returned to us on a steadily declining profile, with the last of the relevant instruments expected to fully mature in 2035.
Article 145 and 146 – Receivables	112	2023-2025	Articles 145 and 146 cover the payment of the UK's share of the assets of the ECSC and the investment in the EIF. These are paid in five equal instalments from 2021 to 2025
Article 150 – Receivables	1,954	2023-2031	Article 150 covers the repayment of the paid in capital of the European Investment Bank. This will be made in equal instalments until 2030 with the remainder paid in 2031
Total	2,176	-	-

Market risk

The fair value of financial instruments recognised in respect of Articles 143 and 144 of the EU Withdrawal Agreement is sensitive to changes in the probability of default, and the rate of recoveries, of the underlying operations within the scope of the relevant EU financial instruments. Such sensitivities would affect the price a hypothetical market participant would pay for such instruments. The EU is responsible for managing the financial risks associated with their exposures arising from the underlying instruments, which determine the UK's exposure under the Withdrawal Agreement to financial operations approved before the UK's withdrawal. The EU is required to manage such risks in accordance with the requirements of the "EU's Financial Regulation applicable to the general budget of the Union (2018)".

Currency risk

Future cash flows arising from all financial instruments recognised in respect of the EU Withdrawal Agreement are denominated in Euros. The sterling value of these instruments is sensitive to changes in the Sterling/Euro exchange rate. Cash flows arising from these instruments are expected over a period of more than 10 years. Cash outflows will be funded through Parliamentary Supply and inflows will be returned to the Exchequer. Foreign exchange needs will be managed in aggregate with the expected Euro requirements of other obligations under the financial settlement.

In addition to currency risk on financial instruments the provision created by the EU Financial settlement is also sensitive to currency fluctuations. Further detail is provided in Note 16 – Provisions.

Liquidity risk and credit risk

The EU is the UK's (HM Treasury's) counterparty to the cash flows arising from all financial instruments recognised in respect of the EU Withdrawal Agreement, and is AAA rated. Liquidity and credit risks are immaterial.

22.4 Core Treasury and Agencies – Other

Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market price. Other price risk and currency risk are sub-sets of market risk and are discussed below.

Market risk at the Core Treasury level primarily relates to the impact of movements in market interest rates on the Bank of England Asset Purchase Facility Fund (BEAPFF). The BEAPFF is a wholly owned subsidiary of the Bank of England that was set up in 2009 to implement quantitative easing in the UK. The BEAPFF purchased gilts and corporate bonds financed by the creation of central bank reserves, to a maximum authorised size of £895bn. On 3 February 2022 the Bank announced its decision to begin reducing the Asset Purchase Facility (APF)'s stock of purchased assets in a gradual and predictable manner by ceasing to reinvest gilts as they mature and through a programme of sales of corporate bonds. In September 2022 the Bank announced its plan to initiate a programme of sales of gilts. In late September and early October 2022, in line with its financial stability objective, the Bank conducted temporary and targeted purchases of inflation-linked and long-dated gilts, and fully unwound the position by January 2023.

The table below summarises the maximum authorised size of the BEAPFF at 31 March 2023[15]. The size of the Bank of England loan to the BEAPFF will reduce gradually as the BEAPFF unwinds.

In £ bn	**31 March 2023**	**31 March 2022**
Government bond purchases	834.6	875
Corporate bond purchases	16.4	20
Total quantitative easing package	**851**	**895**

Further information can be found in BEAPFF Ltd's Annual Report and Accounts and the 'Contingent liabilities not required to be disclosed under IAS 37' disclosure from page 169.

HM Treasury provides an indemnity to the Bank of England for any losses or profits from operating the BEAPFF. The derivative is valued based on the difference between the fair value of BEAPFF Ltd's assets and liabilities (excluding the indemnity itself).

The assets mainly comprise the portfolio of gilts and corporate bonds held by the BEAPFF and valued at market rates as well as some cash holdings. Moves in market rates, over and above those caused by the operations of the BEAPFF itself, are driven by multiple factors including actual or expected monetary and fiscal policy changes, changes in the market's risk premia assessments, and movements in related international markets. The market value of the gilts and corporate bonds portfolio held by BEAPFF at 31 March 2023 was £643bn, using quoted prices from commercial providers. Quoted gilt and bond prices can vary depending on the data source. A 5 percent increase in the quoted prices leads to a 5 percent (£32.2bn) increase in the fair value of the portfolio.

The company's liabilities are represented by the Bank of England loan and accrued interest on the loan. As the indemnity exposes HM Treasury to losses in the underlying instruments, and entitles it to any gains, the sensitivities of the underlying instruments held in the BEAPFF Ltd have an equal impact on the value of the derivative.

It is difficult to predict the movement in the BEAPFF derivative as the fair value of its financial assets is re-priced in response to market changes. At 31 March 2023, the BEAPFF's liabilities exceeded its assets by £178bn, driven by market-value losses within its portfolio.

The Indemnity agreement between HMT and the Bank of England requires that any excess funds held by the APF are transferred to HMT to manage Government's cash more effectively. Since 2012 the APF has transferred circa £120 billion to HMT from interest payments on

[15] In April 2023 the authorised size of the BEAPFF reduced to £821.3bn, including £6.0bn of corporate bonds.

purchased gilts net of interest and other costs. This cash flow has now reversed, as was expected as QE was unwound, and gilts sold back into the market, with the first quarterly payment made from HMT to the BEAPFF in October 2022. Quarterly transfers of cash between the BEAPFF and HM Treasury under the indemnity agreement impact the value of the BEAPFF's net assets and so also the value of the derivative. When there is an excess of assets over liabilities, the derivative value is represented by an asset on HM Treasury's SoFP, or conversely a liability when the fair value of the BEAPFF's assets falls below that of its liabilities. The liability is payable as and when there is a shortfall of cash as the BEAPFF unwinds and individual positions are settled, for example if interest and principal repayments on BEAPFF's loan from the Bank of England exceed the cash earned from coupon and redemption proceeds.

The Bank of England manages risk associated with BEAPFF on HM Treasury's behalf. Subject to the policy objectives, the aim is to minimise overall risk through the appropriate choice of portfolio and risk management practices. A set of high-level financial risk parameters is in place for the Company's operations, agreed to by HM Treasury and the Bank of England, relating to eligible asset classes, investment limits, credit risk and counterparties. Whilst the Monetary Policy Committee (MPC) retains independence for setting monetary policy, the Treasury can provide views to the MPC on the design of the schemes within the BEAPFF as they may affect the government's broader objectives.

Market risk associated with the BEAPFF derivative arises as a natural consequence of its policy objectives, principally through the re-pricing of its assets due to market changes. Interest rate risk is monitored in the form of a delta, which is the change in the valuation of BEAPFF Ltd's underlying assets from a 50 basis point increase in market interest rates. The delta at 31 March 2023 was £26.8bn (2021-22: £44.7bn).

As BEAPFF is wholly owned by the Bank of England and the value of the indemnity on wind up will be equal to the cash held in the company, there is minimal credit risk arising on the indemnity itself. However, the risk of change in the value of the derivative that is legally due could be impacted by credit risk to the BEAPFF. Credit risk for the BEAPFF is smaller in comparison to market risk, as most BEAPFF assets are high quality gilts with a low default risk. Risk is also monitored through value at risk. Value at risk estimates the potential loss that might arise if existing positions were unchanged for 10 business days under normal market conditions, given the historic volatility of the returns on different types of assets, and the correlation between their returns. The value at risk at 31 March 2023 was £29.5bn (2021-22: £44.7bn), the decrease reflecting the reduced portfolio of underlying assets and reduced market volatility at the end of the reporting period.

The amount due to or from HM Treasury under the indemnity does not indicate whether the public sector as a whole made a profit or loss from the operations of the BEAPFF. The bulk of assets held by BEAPFF Ltd are gilts and are liabilities of the broader public sector.

Other Price Risk

Price risk is the risk of a decline in the value of a security or a portfolio. Price risk relates to HM Treasury's shareholding in listed entities, currently only the NatWest Group.

HM Treasury purchased shares in NatWest as part of the financial stability interventions made during the global financial crisis. The shares in NatWest were not purchased for commercial reasons. The purchase of the shares and the resulting injection of capital were necessary to ensure the financial survival of the entity and to avoid a collapse of the UK banking sector.

The fair value of the UK listed shares fluctuates due to changes in market prices. Market prices for a particular share may fluctuate due to factors specific to the individual share or its issuer, or factors affecting all shares traded in the market.

UKGI, under the UKGI Framework Agreement, is responsible for the development and execution of an investment strategy for disposing of the investment in the NatWest Group in an orderly and active way, within the context of protecting and creating value for the taxpayer.

The analysis below shows the impact on reserves based on a 10% and a 25% increase/decrease in the market price of the share investment in the NatWest Group. There is no impact on net operating income arising from a change in market prices of the investment.

	Reserves	
In £m	**2022-23**	**2021-22**
Increase +10%	1,050	1,103
Increase +25%	2,625	2,758
Decrease -10%	(1,050)	(1,103)
Decrease -25%	(2,625)	(2,758)
Investment in NatWest Group	10,500	11,031

Currency risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The only material financial instruments, other than those discussed in the Pool Re section above, that are exposed to currency risk are EU financial settlement receivables, which are discussed in note 22.3 (see also Note 9 - Trade and Other Receivables).

Valuations of AIIB and EBRD are denominated in foreign currency (USD & EUR respectively) so are subject to currency risk although no future transactions are currently anticipated.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

HM Treasury's liquidity management controls include monitoring cash flows to ensure that daily cash requirements are met and re-assessing the net cash requirement on a regular basis and reporting this to Parliament through Estimates. HM Treasury is not exposed to significant liquidity risk because it can apply for Parliamentary approval for additional cover to pay for any liquidity gap.

Due to the magnitude of the financial stability interventions, liquidity requirements can fluctuate significantly.

HM Treasury's liquidity risk principally relates to BEAPFF. Monthly cash inflows are generated from gilt and bond coupon interest and maturity proceeds which are offset by repayments of loan principal and monthly loan interest payments to the Bank of England and quarterly HM Treasury cash payments. The Treasury is required to make payments to the BEAPFF when the BEAPFF's short term cash needs are greater than its cash reserves. This happens if the Bank Rate exceeds the coupon rate for the gilt holdings (as the interest falling due on the APF loan exceeds the interest earned from the coupon payments) or if losses arise from gilt and bond sales below the initial purchase price funded by the bank loan.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

HM Treasury is also exposed to credit risk for guarantees provided to group entities and external counterparties.

HM Treasury offered guarantees to support the government's policy objective to support significant infrastructure and lending to small and medium businesses projects which had been affected by a shortage of financing or other risk issues. Guarantee fees are paid to compensate the Treasury for its expected losses under the schemes. The schemes are not entered into for commercial gain however fees are set at commercial rates where required by state aids rules. The guarantees do not involve direct cash support, but they do expose HM Treasury to potential liabilities if the guarantees are called.

The UK Infrastructure Bank are responsible for monitoring the UK Guarantees Scheme portfolio and providing regular risk updates on projects to HMT. If a pay-out is required, HM Treasury is legally entitled to recover as much as possible from the borrower.

Maximum exposure for financial guarantees is disclosed under contingent liabilities not required to be disclosed under IAS 37 from page 169.

Project	Description	Maximum exposure £m[16] March 2023	March 2022	Projected end date
Mersey Gateway	Mersey Gateway is a £257m guarantee that underpins the issuance of bonds to fund the construction of a bridge over the River Mersey. The guarantee was issued in April 2014	267	267	Mar-2043
Uliving@ Gloucestershire	Uliving@Gloucestershire is a guarantee for debt issued to finance the construction of a student village at the University of Gloucestershire's Pittville Campus and the refurbishment of existing student facilities at the site. The guarantee was issued in January 2016	40	65	Sep-2051
University of Northampton	University of Northampton is a guarantee for public bonds and Local Authority loans raised to finance the construction of the University's campus at the Waterside site near Northampton town centre. The guarantee was issued in November 2014	270	272	Mar-2056
East Anglia/ West Midlands 1 and 2/ South Western Railway 1 and 2	There were four projects under the contract with Bombardier. The guarantees supported the manufacture and supply of new electric carriages for use on three rail franchises. The guarantees were issued in May and June 2020. During the year all four projects were released.	-	298	Now ended
	Total for infrastructure projects monitored by UKIB	**577**	**902**	
Mortgage guarantees	The Help to Buy: mortgage guarantee scheme was launched on the 8 October 2013 to address the shortage of high loan-to-value mortgages by offering lenders the option to purchase a guarantee on mortgages where the borrower has a deposit of between 5% and 20%. The scheme closed to new loan applications on 31 December 2016. Loans with an application date on or before 31 December 2016 continued to be accepted into the scheme until 30 June 2017.	22	139	Dec-2023
	The new mortgage guarantee scheme was launched on the 19 April 2021 and will close to new applications on 31 December 2023.	885	459	Dec-2030
	Total for mortgage guarantee schemes	**907**	**598**	

16 Maximum exposure is calculated at the principal amount of the borrowing guaranteed, plus one year's interest.

Insurance risk

Insurance risk is a pre-existing risk transferred from the policyholder to the insurer.

HM Treasury has two retrocession agreements in place with both Pool Reinsurance Company Ltd (Pool Re) and Pool Reinsurance (Nuclear) Ltd (Pool Re (Nuclear)). Under the retrocession agreements funds would be provided if Pool Re or Pool Re (Nuclear) faced claims in excess of the companies' resources. The risk associated with Pool Re and Pool Re (Nuclear) not having the ability to pay for claims above its own resources has been transferred to HM Treasury. These agreements constitute the substance of insurance contracts, exposing HM Treasury to insurance risk.

The insurance risk associated with the retrocession agreements is very remote for two reasons: Firstly, Pool Re has not received a claim since 2017, and Pool Re (Nuclear) has never received a claim from their respective members. Secondly, Pool Re has £6.7bn worth of funds, plus commercial retrocession agreements and an insurance linked security providing £2.5bn worth of cover. Details of the commercial agreements can be found in the Insurance risk – Pool Re section of note 22.2 and in Pool Re's 2022-23 annual report. Pool Re (Nuclear) has £32m worth of funds. These funds are considered sufficient to cover potential claims. HMT has never been required to pay out under the retrocession agreements to date.

HMT does not manage investments in relation to the retrocession agreement. The department is funded by the consolidated fund through the supply process.

23. Group financial instruments – fair value hierarchy

	2022-23			2021-22 (restated)		
In £m	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial assets: fair value through OCI						
Equity Investments	10,500	7,407	-	11,031	7,545	-
Financial assets: amortised cost						
Loans and investment securities	-	712	-	-	618	-
Financial assets: fair value through P&L						
Equity Investments	501	327	373	767	328	217
Loans and investment securities	2,660	2,952	1	2,866	2,643	1
Trade and other receivables	-	112	2,676	-	142	2,392
Derivative financial assets	-	53	-	-	78	-
Financial liabilities: fair value through P&L						
Trade and other payables	-	-	(933)	-	-	(875)
Derivative financial liabilities	(1)	(177,639)	-	-	(39,908)	-

Introduction	All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole. There were no reclassifications between the hierarchies.
Level 1	The value is determined using quoted prices (unadjusted) in active markets for identical assets and liabilities the entity can access at the measurement date.
Level 2	The value is determined using inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly or indirectly. Unlisted entities use net assets as a proxy for their fair value. Derivatives are calculated by reference to underlying net asset value. Loans and investment securities are estimated by discounting expected future cash flows using market interest rates. Investment securities are based on prices providers cannot guarantee are based on actual trades in the market. Net assets are considered to be a good proxy for fair value for unlisted entities because the underlying assets of each entity are held at fair value with reference either to market value or, when this is not available, discounted cashflows. The fair value of the BEAPFF derivative is calculated by reference to the underlying net assets which are all in turn measured at fair value with reference to market information or discounted cashflows. Receivables held at fair value through profit and loss are recognised in respect of Article 145 "European Coal and Steel Community in liquidation", and Article 146 "Union investment in the European Investment Fund" of the EU Withdrawal Agreement. These are fixed tranches of payments of the UK's share of EU assets as at 31 December 2020. The fair value of the financial assets have been estimated on the basis of the value of the instruments as reported in the EU's annual accounts, discounted at the

	financial instrument rate set by HM Treasury under the Financial Reporting Manual to account for the timing of the cash flows as specified under the articles. For corporate bonds, emerging market government and semi-government bonds, asset backed securities, loans, mutual funds and over the counter (OTC) derivatives that have no active market, fair value is established using a valuation technique. The techniques applied incorporate relevant information and reflect appropriate adjustment for the risks of the instrument. These valuation techniques maximise the use of observable market data where available and rely as little as possible on entity specific estimates.
Level 3	Values are not based on observable market data or have significant unobservable inputs. Unlisted entities measured at fair value through profit and loss use net assets as a proxy for fair value. The net assets for these unlisted entities are not publicly available and are not observable market data. Receivables and payables held at fair value through profit and loss are recognised in respect of Article 136 "Provisions applicable after 31 December 2020 in relation to own resources", Article 140 "Outstanding Commitments", Article 141 "Fines decided upon before or on 31 December 2020", Article 143 "Contingent financial liabilities related to loans for financial assistance, European Fund for Strategic Investments (EFSI), European Fund for Sustainable Development (EFSD) and the external lending mandate", and Article 144 "Financial Instruments under direct or indirect implementation financed by the programmes of the 2014-20 MFF or under earlier financial perspectives" of the EU Withdrawal Agreement. The fair value of the financial assets and liabilities have been estimated on the basis of the value of the instruments in the reporting received under the Withdrawal Agreement in March 2022 and other relevant available information from the EU's annual accounts and associated EU policy documentation for the instruments. Forecast future cash flows are discounted at the financial instrument rate set by HM Treasury under the Financial Reporting Manual to account for the timing of the cash flows as specified under the articles.
Other	These assets cannot be classified within the fair value hierarchy because the FReM requires them to be held at historic cost. These amounts are not shown in the table above on the basis of materiality, 2022-23: £6m (2021-22: £6m).

A reconciliation from the opening balances to the closing balances of recurring fair value measurements within Level 3 of the fair value hierarchy is given in the table below:

In £m	EU financial settlement receivables	EU financial settlement payables (restated)	Investment securities (restated)	Unlisted equity investments (restated)
Balance at 1 April 2021	**1,686**	**(362)**	**1**	**162**
Additions	-	-	-	43
Disposals	(668)	315	-	(147)
Gains and losses recognised in SoCNE	1,374	(828)	-	159
Balance at 31 March 2022	**2,392**	**(875)**	**1**	**217**
Additions	-	-	1	156
Disposals	(990)	47	-	(15)
Gains and losses recognised in SoCNE	1,274	(105)	(1)	15
Balance at 31 March 2023	**2,676**	**(933)**	**1**	**373**

24. Financial instruments – assets and liabilities

The accounting policies for financial instruments have been applied to the line items below. The carrying amount below represents fair value unless stated otherwise.

Where no market price is available, fair value is estimated by discounting expected future cash flows using market interest rates. Expected future cash flows take account of estimated future losses.

24.1 Group

In £m	2022-23 Fair Value	2022-23 Carrying Value	2021-22 Fair Value	2021-22 (restated) Carrying Value
Financial assets: at amortised cost				
Cash and cash equivalents	-	1,979	-	881
Trade and other receivables[17]	3,292	3,142	3,456	3,280
Loans and investment securities	712	751	618	621
Financial assets: fair value through OCI				
Equity Investments	-	17,907	-	18,576
Financial assets: fair value through SoCNE				
Equity investments	-	1,201	-	1,312
Loans and investment securities	-	5,613	-	5,510
Trade and other receivables	-	2,788	-	2,625
Derivative financial assets	-	53	-	78
Financial liabilities and guarantees: amortised cost				
Trade and other payables[18]	-	(4,285)	-	(3,163)
Financial guarantees	-	(215)	-	(182)
Financial liabilities: fair value through SoCNE				
Trade and other payables[18]	-	(933)	-	(875)
Derivative financial instruments	-	(177,640)	-	(39,908)

[17] Trade and other receivables are shown net of non-financial assets.

[18] Trade and other payables are shown net of non-financial liabilities.

24.2 Core Treasury and Agencies

In £m	2022-23 Fair Value	2022-23 Carrying Value	2021-22 Fair Value	2021-22 (restated) Carrying Value
Financial assets: at amortised cost				
Cash and cash equivalents	-	1,396	-	-
Trade and other receivables[19]	3,024	2,874	3,354	3,178
Loans and investment securities	65	64	26	7
Financial assets: fair value through OCI				
Equity Investments	-	19,304	-	20,035
Financial assets: fair value through SoCNE				
Trade and other receivables[17]	-	2,788	-	-
Derivative financial assets	-	-	-	-
Financial liabilities and guarantees: amortised cost				
Trade and other payables[20]	-	(3,541)	-	(2,495)
Financial guarantees	-	(215)	-	(183)
Financial liabilities: fair value through SoCNE				
Trade and other payables[18]	-	(933)	-	(875)
Derivative financial instruments	-	(177,632)	-	(39,862)

25. Related party transactions

The entities listed in Note 1.2 – Basis of Consolidation, are regarded as related parties to HM Treasury. The Treasury had material transactions with UKAR during the previous year, including material dividends (Note 6 – Finance Income).

Although the Bank of England, the Royal Mint, Local Partnerships and the NatWest Group fall outside the accounting boundary, their share capital is either wholly owned or partially owned by HM Treasury. Dividends and other income received from these bodies are material and are recorded in the SoCNE.

NatWest participates in the 'Help to Buy: mortgage guarantee scheme', the 'mortgage guarantee scheme' and the 'Help to Buy: ISA scheme' on an arm's length basis and pays guarantee fees which are recognised as income in HM Treasury's Accounts.

[19] Trade and other receivables are shown net of non-financial assets.

[20] Trade and other payables are shown net of non-financial liabilities.

NatWest also participates in the Dormant Assets Scheme on an arm's length basis and transfers dormant account funds to the Reclaim Fund Ltd which are recognised as income in HM Treasury's Group Accounts.

In addition, HM Treasury and its Group entities have transactions with other government departments and central government bodies.

No minister, board member, key manager or other related party has undertaken any material transaction with HM Treasury during the year. [21]

Jane Hanson served as a Non-Executive Director of HM Treasury and is also Chair of the Board of Reclaim Fund Ltd.

Details of compensation for key management personnel can be found in the Remuneration Report section of the Accountability Report.

26. Auditor's remuneration

Remuneration for the audit of the Treasury Group accounts was a notional cost of £891k (2021-22: £713k). In addition, £1,040k (2021-22: £853k) was charged by the NAO for other audit services, of which £205k (2021-22: £165k) was notional. £25k (2021-22: £nil) was paid to the NAO in respect of non-audit services.

27. Discontinued operations

On 26 February 2021 UKAR entered into a contract which resulted in the sale of its 100% shareholdings in B&B and NRAM, along with their subsidiaries, to Davidson Kempner. On 2 November 2021, the government confirmed the completion of the sale of B&B and NRAM to Davidson Kempner.

The assets and liabilities which were to be disposed of were classified as a disposal group held for sale in 2020-21 as their carrying amount was to be recovered principally through a sale transaction rather than through continuing use. At both 31 March 2022, and 31 March 2023, the disposal group has nil value, as the cash balances were paid from B&B and NRAM to UKAR when the sale completed.

As the sale completed during 2021-22, there are no discontinued operations in 2022-23

[21] For transparency, the former Financial Secretary of the Treasury, Lucy Frazer QC MP is married to the Chief Executive of Alexander Mann Solutions Ltd (AMS). AMS are contracted under a Crown Commercial Service framework arrangement to source contractors and temporary workers. Until her departure on 7 September 2022, HM Treasury Group paid an immaterial amount of £0.9m since her appointment on 16 September 2021) to AMS in respect of temporary staffing resources. The majority of this cost relates to payments to agency staff but an element covers the services provided by AMS to source these temporary workers. Lucy Frazer had no role in the decisions relating to this expenditure.

The analysis of the discontinued operations in 2021-22 is as follows:

Discontinued operations

In £m	Note	2021-22
Other operating income	2	(8)
Total operating income		(8)
Staff costs	3	5
Purchase of goods and services	4	10
Other operating expenditure	5	6
Total operating expenditure		21
Net operating expenditure before financing		**13**
Finance income	6	-
Finance expense	7	2
Net gain on disposal of assets		-
Net (income)/expenditure before tax		**15**
Taxation		34
Net (income)/expenditure for the year from discontinued operations		**49**

Cash flows from discontinued operations

In £m	2021-22
Net cash used in operating activities	(22)
Net cash generated from investing activities	(2)
Net cash generated from financing activities	(925)
Net increase/(decrease) in cash and cash equivalents from discontinued operations	**(949)**

28. Prior period restatements

The prior year restatements comprise of the following items:

Consolidation of Pool Reinsurance Company limited (Pool Re)

Pool Reinsurance Company Limited (Pool Re) is consolidated into HM Treasury Group for the year ended 31 March 2023 onward following ONS classification to Central Government. Pool Re is the UK's leading terrorism reinsurer, working in partnership with Government to serve 90% of the UK terrorism property insurance market. The ONS classification applies from the date of incorporation, 8 March 1993, which means prior period restatements are required.

Consolidated Statement of Comprehensive Net Expenditure (2021-22)

In £m	HMT Group 2021-22	Pool Re 2021-22	HMT Group 2021-22 (Restated)
Continuing operations			
Income from sale of goods and services	(39)	-	(39)
Other operating income	(969)	(62)	(1,031)
Total operating income	**(1,008)**	**(62)**	**(1,070)**
Staff costs	240	7	247
Purchase of goods and services	227	55	282
Other operating expenditure	5,406	12	5,418
Total operating expenditure	**5,873**	**74**	**5,947**
Net operating expenditure/(income) before financing	**4,865**	**12**	**4,877**
Capital grant in kind (income)/expenditure	46	-	46
Finance income	(638)	(101)	(739)
Finance expenditure	192	-	192
Revaluation of financial assets and liabilities	46,985	(119)	46,866
Net (income)/expenditure before tax	**51,450**	**(208)**	**51,242**
Taxation	20	24	44
Net (income)/expenditure after tax from continuing operations	**51,470**	**(184)**	**51,286**
Net (income)/expenditure after tax from discontinued operations	49	-	49
Total net (income)/expenditure after tax	**51,519**	**(184)**	**51,335**
Other comprehensive net (income)/expenditure from continuing operations			
Items that will not be reclassified to net operating expenditure			
Net gain/(loss) on assets recognised in reserves	(1,285)	-	(1,285)
Actuarial loss on pension scheme liabilities	(23)	-	(23)
Total other comprehensive net (income)/expenditure from continuing operations	**(1,308)**	**-**	**(1,308)**
Net comprehensive (income)/expenditure for the year	**50,211**	**(184)**	**50,027**

Consolidated Statement of Financial Position (31 March 2022)

In £m	HMT Group 31 March 2022	Pool Re 31 March 2022	HMT Group 31 March 2022 (Restated)
Non-current assets			
Property, plant and equipment	39	-	39
Intangible assets	9	-	9
Trade and other receivables	4,187	(264)	3,923
Net pension asset	620	-	620
Equity investments	18,752	1,142	19,894
Loans and investment securities	504	3,645	4,149
Total non-current assets	**24,111**	**4,523**	**28,634**
Current assets			
Inventory	26	-	26
Trade and other receivables	1,916	45	1,961
Loans and investment securities	117	1,865	1,982
Derivative financial assets	70	8	78
Cash and cash equivalents	784	97	881
Total current assets	**2,913**	**2,015**	**4,928**
Total assets	**27,024**	**6,538**	**33,562**
Current liabilities			
Trade and other payables	(2,090)	(265)	(2,355)
Provisions	(8,988)	-	(8,988)
Derivative financial liabilities	(39,862)	(46)	(39,908)
Financial guarantees	(18)	-	(18)
Total current liabilities	**(50,958)**	**(311)**	**(51,269)**
Non-current liabilities			
Trade and other payables	(1,990)	(41)	(2,031)
Provisions	(23,561)	-	(23,561)
Financial guarantees	(165)	-	(165)
Total non-current liabilities	**(25,716)**	**(41)**	**(25,757)**
Total assets less liabilities	**(49,650)**	**6,186**	**(43,464)**
Equity			
General fund	(38,333)	6,186	(32,147)
Available for sale reserve	(11,319)	-	(11,319)
Revaluation reserve	2	-	2
Total equity	**(49,650)**	**6,186**	**(43,464)**

Consolidated Statement of Financial Position (1 April 2021)

In £m	HMT Group 1 April 2021	Pool Re 1 April 2021	HMT Group 1 April 2021 (Restated)
Non-current assets			
Property, plant and equipment	201	1	202
Intangible assets	9	-	9
Trade and other receivables	3,848	(220)	3,628
Net pension asset	585	-	585
Equity investments	21,316	1,079	22,395
Loans and investment securities	223	2,915	3,138
Total non-current assets	**26,182**	**3,775**	**29,957**
Current assets			
Inventory	31	-	31
Trade and other receivables	1,092	(6)	1,086
Loans and investment securities	186	2,501	2,687
Derivative financial assets	15,184	24	15,208
Cash and cash equivalents	3,846	94	3,940
Assets held for sale	1,656	-	1,656
Total current assets	**21,995**	**2,613**	**24,608**
Total assets	**48,177**	**6,388**	**54,565**
Current liabilities			
Trade and other payables	(785)	(315)	(1,100)
Provisions	(10,026)	-	(10,026)
Derivative financial liabilities	-	(24)	(24)
Financial guarantees	(19)	-	(19)
Liabilities held for sale	(55)	-	(55)
Total current liabilities	**(10,885)**	**(339)**	**(11,224)**
Non-current liabilities			
Trade and other payables	(501)	(15)	(516)
Provisions	(28,229)	-	(28,229)
Financial guarantees	(85)	-	(85)
Total non-current liabilities	**(28,815)**	**(15)**	**(28,830)**
Total assets less liabilities	**8,477**	**6,034**	**14,511**
Equity			
General fund	21,920	6,034	27,954
Available for sale reserve	(14,521)	-	(14,521)
Revaluation reserve	50	-	50
Merger reserve	1,028	-	1,028
Total equity	**8,477**	**6,034**	**14,511**

Consolidated Statement of Changes in Taxpayers' Equity (2021-22)

In £m	HMT Group 2021-22	Pool Re 2021-22	HMT Group 2021-22 (Restated)
Total reserves	**8,477**	**6,034**	**14,511**
Net income after tax	(51,519)	184	(51,335)
Change in CFERs payable to the Consolidated Fund	25	-	25
CFERs paid to the Consolidated Fund	(7,992)	-	(7,992)
Change in Excess cash payable to/receivable from the Consolidated Fund	(49)	-	(49)
Net parliamentary funding	106	-	106
Consolidated Fund standing services	4	-	4
Actuarial gains and losses on pension schemes	23	-	23
Dividends paid	-	(31)	(31)
Revaluation gains/(losses)	1,285	-	1,285
Other movements	(10)	(1)	(11)
Closing Balance at 31 March 2022	**(49,650)**	**6,186**	**(43,464)**

Consolidated Statement of Cash Flow (2021-22)

In £m	HMT Group 2021-22	Pool Re 2021-22	HMT Group 2021-22 (Restated)
Cash flows from operating activities			
Net operating income/(expenditure) before financing of continuing operations	(4,865)	(12)	(4,877)
Net operating expenditure before financing of discontinuing operations	(13)	-	(13)
Adjustments for non-cash transactions	5,184	(121)	5,063
Changes in working capital	2,563	(43)	2,520
Corporation tax paid	1	(10)	(9)
Use of provisions	(11,071)	-	(11,071)
Net cash flows from operating activities	**(8,201)**	**(186)**	**(8,387)**
Cash flows from investing activities			
Proceeds/(payments): derivatives	7,218	(70)	7,148
Proceeds: sale of shares UK listed entities	3,735	-	3,735
Proceeds: sale of investment securities and other assets	341	332	673
Proceeds: interest, dividend and other finance income	414	224	638
Purchases: financial assets	(445)	(6,234)	(6,679)
Proceeds: repayment of financial assets	3	5,973	5,976
Proceeds: sale of loans to banking customers	47	-	47
Other investing activities	(17)	(3)	(20)
Net cash inflow from investing	**11,296**	**222**	**11,518**
Cash flows from financing activities			
Cash from the Consolidated Fund (non-supply)	4	-	4
Cash from the Consolidated Fund (supply) - current year	3,500	-	3,500
Advances from the Contingencies Fund	120	-	120
Repayments to the Contingencies Fund	(120)	-	(120)
Dividends paid	-	(31)	(31)
Capital element of leases	(2)	(2)	(4)
Net cash flows from financing	**3,502**	**(33)**	**3,469**
Net increase in cash and cash equivalents before adjustments	**6,597**	**3**	**6,600**
Payments of receipts due to the Consolidated Fund	(7,992)	-	(7,992)
Excess cash paid to the Consolidated Fund – current year	(3,389)	-	(3,389)
Amounts paid to the Consolidated Fund – prior year balance	(5)	-	(5)
Net (decrease)/ increase in cash and cash equivalents after adjustments	**(4,789)**	**3**	**(4,786)**
Cash and cash equivalents at the beginning of the period	5,573	94	5,667
Cash and cash equivalents at the end of the period	**784**	**97**	**881**

29. Events after the reporting period

Bank of England Asset Purchase Facility

On 28 April 2023 the Chancellor and the Governor of the Bank of England agreed to further reduce the authorised maximum size of the BEAPFF from £851bn to £821.3bn, of which up to £6bn can be corporate bonds. The reduction reflects the continuing reduction in assets supported by the BEAPFF following the Bank's decision to unwind the BEAPFF in February 2022.[22]

NatWest Group

On May 2023 the Government sold £1.26bn of NatWest Group shares reducing the stake to 38.6%.[23]

30. Date authorised for issue

The financial statements were authorised for issue on the date of the Comptroller and Auditor General's signature.

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22 https://www.bankofengland.co.uk/letter/2023/april/asset-purchase-facility-april-2023

23 https://www.gov.uk/government/news/government-sells-126-billion-of-natwest-shares-reducing-stake-to-386

Chapter 4: Trust Statement

Foreword to the Trust Statement

Introduction

The Trust Statement reports the revenue, expenditure, assets and liabilities related to the fines collected by HM Treasury from the:

- Financial Conduct Authority (FCA) and its subsidiary the Payment Systems Regulator (PSR)
- Prudential Regulation Authority (PRA)
- Office of Financial Sanctions Implementation (OFSI)
- approved regulators empowered by the Legal Services Act 2007
- levies on the banking industry collected by the FCA to fund financial guidance to the public

The costs of running HM Treasury are reported in the Core Treasury and Agencies' balances in the financial statements.

Section 109 of the Financial Services Act 2012 requires the FCA to pay its penalty receipts to HM Treasury after deducting its enforcement costs and requires HM Treasury to pay these receipts to the Consolidated Fund. Further information on penalties applied by the FCA is available on the FCA website.[1]

Section 36 of the Competition Act 1998 require the PSR to pay its penalty receipts to HM Treasury and requires HM Treasury to pay these receipts to the Consolidated Fund. Further information on penalties applied by the PSR is available on the PSR's website.[2]

Similarly, the PRA is required to pay any enforcement fines it levies in excess of enforcement costs to HM Treasury, which is required to pay those receipts to the Consolidated Fund. Further information on penalties applied by the PRA is available on the PRA website.[3]

The Policing and Crime Act 2017 empowered the Treasury to impose penalties for serious sanctions breaches on individuals and bodies. The

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[1] https://www.fca.org.uk/news/news-stories/2022-fines

[2] https://www.psr.org.uk/news-updates/

[3] https://www.bankofengland.co.uk/prudential-regulation/pra-statutory-powers

penalty powers apply to offences committed after 1 April 2017. This process is led and managed by the Office of Financial Sanctions Implementation (OFSI), which is part of HM Treasury. Further information on penalties applied by OFSI is available on gov.uk.[4] Additional detail about the work of OFSI can be found in the Performance report.

The Financial Guidance and Claims Act 2018 requires the FCA to pay the Financial Guidance levies to the government after deducting its enforcement costs. The Money and Pensions Advice Service Levy and Devolved Administrations Debt Advice Levy were created, starting from 2019-20 following the transfer of the of the Money Advice Service's functions to the Department for Work and Pensions (DWP) and the devolved administrations. HM Treasury pays these receipts to the Consolidated Fund so that they can be issued via supply to DWP and devolved administrations to fund the provision of financial guidance to the public. Further information on levies applied by the FCA is available on the FCA website.[5]

Basis for the preparation of the Trust Statement

A Trust Statement provides an account of the collection of revenues which by statute or convention are due to the Consolidated Fund, where the entity undertaking the collection acts as agent, rather than as principal. The legislative requirement for this Trust Statement is set out in section 2 of the Exchequer and Audit Departments Act 1921. The HM Treasury accounts direction, which is reproduced on page 318, requires the Trust Statement to give a true and fair view of the state of affairs relating to the collection and allocation of taxes and duties and the revenue income and expenditure and cash flows for the financial year. Regard shall be given to all relevant accounting and disclosure requirements given in the Government Financial Reporting Manual (FReM), Managing Public Money and other guidance issued by HM Treasury.

The governance statement and statement of Accounting Officer responsibilities applicable to both the Trust Statement and the Treasury's financial statements is included within the main body of the report from page 89.

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[4] https://www.gov.uk/government/collections/enforcement-of-financial-sanctions

[5] https://www.fca.org.uk/firms/fees

Auditor

The Trust Statement is audited by the Comptroller and Auditor General under the Exchequer and Audit Departments Act 1921. The auditor's remuneration for this is included in HM Treasury's Annual Accounts. No non-audit work was carried out by the auditor for HM Treasury on the Trust Statement.

Financial review

HM Treasury has received £158m in fine income (2021-22: £266m) and £164m in levy income (2021-22: £140m) from the FCA, £26m from the PRA (2021-22: £49m), £10m in fine income from PSR (2021-22: £33m) and £0.05m from OFSI fine income (2021-22: £0.09m) in the period ended 31 March 2023. The decrease in fine income is due to a decrease in fines issued by FCA and PRA.

Forward look

The Government has introduced an economic crime levy on entities who are supervised under the Money Laundering Regulations, to fund the fight against economic crime, beginning in 2023-24. The levy will be collected for the Government by HMRC, the FCA and the Gambling Commission. Levies collected by the FCA from its regulated population will be passed to the Consolidated Fund through HM Treasury's Trust Statement.

The Report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I have audited the financial statements of the HM Treasury Trust Statement for the year ended 31 March 2023 under the Exchequer and Audit Departments Act 1921.

The financial statements comprise: the HM Treasury Trust Statement's

- Statement of Financial Position as at 31 March 2023;
- Statement of Revenue and Expenditure, and Statement of Cash Flows for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the HM Treasury Trust Statement's affairs as at 31 March 2023 and its net revenue for the year then ended; and
- have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I am independent of the HM Treasury Trust Statement in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the HM Treasury Trust Statement’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

The going concern basis of accounting for the HM Treasury Trust Statement is adopted in consideration of the requirements set out in HM Treasury’s Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the Performance Report, Accountability Report and Foreword to the Trust Statement, but does not include the financial statements and my auditor’s report thereon. The Accounting Officer is responsible for the other information.

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

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

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

I have nothing to report in this regard.

Opinion on other matters

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

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Exchequer and Audit Departments Act 1921;
- the information given in the Performance report, Accountability Report and Foreword to the Trust Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the HM Treasury Trust Statement and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report.

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

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

Responsibilities of the Accounting Officer for the financial statements

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

- maintaining proper accounting records;
- providing the Comptroller and Auditor General (C&AG) with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within HM Treasury from whom the auditor determines it necessary to obtain audit evidence;

- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Exchequer and Audit Departments Act 1921;
- ensuring that the annual report, is prepared in accordance with HM Treasury directions made under the Exchequer and Audit Departments Act 1921; and
- assessing the HM Treasury Trust Statement ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the HM Treasury Trust Statement will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the Exchequer and Audit Departments Act 1921.

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

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

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

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

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

- considered the nature of the sector, control environment and operational performance including the design of the HM Treasury Trust Statement's accounting policies.

- inquired of management, the Department's Head of Internal Audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the HM Treasury Trust Statement's policies and procedures on:
    - identifying, evaluating and complying with laws and regulations;
    - detecting and responding to the risks of fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the HM Treasury Trust Statement's controls relating to its compliance with Exchequer and Audit Departments Act 1921, Competition Act 1998, Legal Services Act 2007, Financial Services Act 2012, Policing and Crime Act 2017, The Financial Services (Banking reform) Act 2013, and Financial Guidance and Claims Act 2018.
- inquired of management, the Department's Head of Internal Audit and those charged with governance whether:
    - they were aware of any instances of non-compliance with laws and regulations;
    - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the HM Treasury Trust Statement for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the HM Treasury Trust Statement's framework of authority and other legal and regulatory frameworks in which the HM Treasury Trust Statement operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the HM Treasury Trust Statement. The key laws and regulations I considered in this context included the Exchequer and Audit Departments Act 1921, Competition Act 1998, Legal Services Act 2007, Financial Services Act 2012, Policing and Crime Act 2017; The Financial Services (Banking reform) Act 2013, and Financial Guidance and Claims Act 2018.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and tested to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- I reviewed the accounts and underlying evidence to ensure the operation of the HM Treasury Trust Statement is within the legal framework under which it was established.

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

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

Other auditor's responsibilities

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

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

Gareth Davies **14 July 2023**

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Statement of Revenue and Expenditure

For the period ended 31 March 2023

In £m	Note	2022-23	2021-22
Net fine income	2	194	348
Net levy income	3	164	140
Net Revenue	4	**358**	488

Statement of Financial Position

As at 31 March 2023

In £m	Note	31 March 2023	31 March 2022
Current assets			
Receivable from the FCA		12	54
Cash and cash equivalents		-	-
Total assets		**12**	54
Balance on Consolidated Fund account	4	**12**	54

The notes on pages 315 – 317 form part of this statement

James Bowler

Permanent Secretary

11 July 2023

Statement of Cash Flows

For the period ended 31 March 2023

In £m	Note	2022-23	2021-22
Net cash flow from operating activities	A	400	444
Cash paid to the Consolidated Fund		(400)	(444)
Increased in cash paid this period		**-**	-

A: Reconciliation of net cash flow to movement in net funds

In £m	2022-23	2021-22
Net revenue for the Consolidated Fund	358	488
(Increase)/Decrease in non-cash assets	42	(44)
New cash flow from operating activities	**400**	444

Notes to the Trust Statement

1. Statement of accounting policies

Notes to the financial statements provide additional information required by statute and accounting standards to explain a particular feature of the financial statements.

1.1 Basis of accounting

The Trust Statement is prepared in accordance with:

- the accounts direction issued by HM Treasury under the Exchequer and Audit Departments Act 1921
- the 2022-23 FReM issued by HM Treasury
- reference to UK adopted international accounting standards as adapted or interpreted for the public sector context
- the accounting policies detailed in subsequent notes

The accounting policies have been developed by HM Treasury and have been reviewed during 2022-23. These policies have been applied consistently in dealing with items considered material in relation to the accounts. The Trust Statement is prepared on a going concern basis.

The financial information presented is rounded to the nearest £m.

1.2 Standards issued but not yet effective

There have been no new standards issued since 1 April 2022. One new standard is effective for annual periods beginning after 1 April 2023.

Their application is not expected to have any impact on the Trust Statement financial statements in the period of their initial application. The Trust Statement does not intend to early-adopt the following standard.

IFRS 17 Insurance contracts

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on, or after, 1 January 2025.

There are no other IFRS or IFRIC interpretations not yet effective that would be expected to have a material impact on the Trust Statement.

1.3 Accounting convention

The Trust Statement has been prepared on an accrual basis under the historical cost convention.

1.4 Revenue recognition

Fine income is accounted for in accordance with the FReM adaptation of IFRS 15 Revenue from Contracts with Customers, net of enforcement costs where these are deductible by legislation. It is recognised when the revenue can be measured reliably, and it is probable that the economic benefits from the taxable event will flow to HM Treasury.

Levy income is accounted for in accordance with the FReM adaptation of IFRS 15 Revenue from Contracts with Customers, net of enforcement costs. It is recognised when all, or substantially all, of the consideration promised by the levy payer has been received by the FCA and is non-refundable.

1.5 Receivables

Receivables are accounted for in accordance with the requirements of IFRS 9 Financial Instruments. Accrued revenue receivable represents the amount due from the FCA, PSR and PRA, where penalties and levies have been received by the regulators, but the cash has not been transferred to HM Treasury as at the reporting date.

2. Net fine income

In £m	2022-23	2021-22
Fine income from Financial Conduct Authority (FCA)	158	266
Fine income from Prudential Regulation Authority (PRA)	26	49
Fine income from Payment Systems Regulator (PSR)	10	33
New fine income	**194**	348

Detailed information on fines collected can be found in both the audited accounts of PSR and the FCA and the Bank of England (of which the PRA is part).

Less than £1m (2021-22: £1m) was received in relation to penalties from sanctions breaches issued by OFSI and penalties from approved regulators empowered by Legal Services Act 2007.

3. Net levy income

In £m	2022-23	2021-22
Levy income from FCA for financial guidance	164	140
Total	**164**	140

Detailed information on levies collected can be found in the audited accounts of the FCA (www.fca.org.uk)

4. Balance on Consolidated Fund Account

In £m	2022-23	2021-22
Balance on Consolidated Fund Account as at 1 April	54	10
Net revenue for the Consolidated Fund	358	488
Less amount paid to the Consolidated Fund	(400)	(444)
Total	**12**	54

5. Events after the reporting period

There were no events after the reporting period.

6. Date authorised for issue

The financial statements were authorised for issue on the date of the Comptroller and Auditor General's signature.

Accounts direction given by HM Treasury in accordance with section 2 of the Exchequer and Audit Departments Act 1921

1. This direction applies to those government departments listed in appendix 2.

2. The Department shall prepare a Trust Statement ("the Statement") for the financial year ended 31 March 2023 for the revenue and other income, as directed by the Treasury, collected by the department as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of Government Financial Reporting Manual ("FReM") 2022-23.

3. The Statement shall be prepared, as prescribed in Appendix 1, so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties and other income by the Department as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.

4. The Statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

5. When preparing the Statement, the Department shall comply with the guidance given in the FReM (Chapter 11). The Department shall also agree with HM Treasury the format of the Principal Accounting Officer's Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.

6. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.

7. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed

with the Comptroller and Auditor General and HM Treasury to enable compliance with the administrative deadline for laying the audited accounts before Parliament.

8. The Trust Statement, together with this direction (but with the exception of the related appendices) and the Report produced by the Comptroller and Auditor General under section 2 of the Exchequer and Audit Departments Act 1921 shall be laid before Parliament at the same time as the Department's Resource Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Michael Sunderland
Deputy Director, Government Financial Reporting
His Majesty's Treasury
15 December 2022

Chapter 5: The Treasury Group

Treasury Group Executive Agencies

Name	Function	Accounting Officer
UK Debt Management Office (DMO)	Established as an Executive Agency of the Treasury in 1998, the DMO's responsibilities include debt and cash management for the UK Government, lending to local authorities and managing certain public sector funds.	Sir Robert Stheeman is the Accounting Officer and Chief Executive.
Government Internal Audit Agency (GIAA)	Established as an Executive Agency of the Treasury on 1 April 2015, this body provides internal audit services to government departments.	Elizabeth Honer is the Accounting Officer and Chief Executive.
National Infrastructure Commission (NIC)	The Commissioners provide expert, impartial advice to the government on infrastructure, develop the national infrastructure assessment as well as specific studies and engage with the public and private sectors to consult on future infrastructure needs and solutions.	James Heath is the Accounting Officer and Chief Executive.

Treasury Group Non-Departmental Public Bodies

Name	Function	Accounting Officer
Office for Budget Responsibility (OBR)	Created in 2010, the OBR provides independent and authoritative analysis of the UK's public finances.	Richard Hughes is the Accounting Officer and Chairman.

Treasury Group companies

Name	Function	Accounting Officer
UK Government Investments Limited (UKGI)	UKGI began operating on 1 April 2016 as a government company and is wholly owned by HM Treasury. UKGI is responsible for managing the government's financial interest in a range of state-owned businesses.	Charles Donald is the Accounting Officer and Chief Executive.
UK Asset Resolution Ltd (UKAR)	UKAR is the holding company established in October 2010 to bring together the business of Bradford & Bingley and NRAM. Following the sale of the NRAM and Bradford & Bingley companies, UKAR services the residual pension schemes and contingent liabilities related to the sales.	John Tattersall is the Accounting Officer and Chairman.
Reclaim Fund Ltd	Established in 2011 following the enactment of the Dormant Bank and Building Society Accounts Act 2008 and the completion of the regulatory regime, Reclaim Fund Ltd makes it possible for money in dormant financial assets to be used to help good causes.	Adrian Smith is the Accounting Officer and Chief Executive.
UK Infrastructure Bank Ltd (UKIB)	UKIB was established in 2021. The bank partners with the private sector and local government to increase infrastructure investment to help tackle climate change and promote economic growth across the regions and nations of the United Kingdom.	John Flint is the Accounting Officer and Chief Executive.
Pool Reinsurance Company Limited	Incorporated in 1993, Pool Re is the UK's leading terrorism reinsurer, working in partnership with Government to serve 90% of the UK terrorism property insurance market.	Tom Clementi is the Accounting Officer and Chief Executive.
IUK Investments Holdings Ltd	The IUK Investments group, comprising IUK Investments Holdings Ltd and its subsidiary IUK Investments Ltd, was established in March 2013 to hold PF2 investments in infrastructure projects.	Cat Little is the Accounting Officer. The company's directors are

		directors of the IPA.
Help to Buy (HMT) Ltd[1]	Incorporated in September 2013, the company's sole activity is to operate the Mortgage Guarantee Schemes.	Anna Caffyn is the Accounting Officer and a director.
HM Treasury UK Sovereign Sukuk plc	Incorporated in May 2014, the company's sole activity has been to issue and service Sukuk certificates.	Kunal Patel is the Accounting Officer and a deputy director of Fiscal Group.

Treasury Group additional bodies

Name	**Function**	**Accounting Officer**
Sovereign Grant	The Treasury is responsible for the upkeep of the Sovereign Grant payments which support HM The King in his official duties. Introduced in 2012 this funding replaced the Civil List and the three grants in aid for travel, communications, and the maintenance of the Royal Palaces.	The keeper of the Privy Purse and the Treasurer's Office has overall responsibility for the Sovereign's financial affairs. This post is currently held by Sir Michael Stevens KCVO who is also the Accounting Officer for the Sovereign Grant.
The Royal Mint Advisory Committee on the Design of Coins, Medals, Seals and Decorations. (RMAC)	RMAC was established in 1922 by King George V to raise the standard of art on coins and medals and this remains its primary concern, it is responsible for recommendations on all new designs for UK coins and official medals.	As Chief Executive of the Royal Mint, Anne Jessop is also the Accounting Officer for the RMAC.

[1] Help to Buy (HMT) Ltd dissolved on 11 July 2023. Operation of the schemes will continue, and will be operated by the core department.

Office of Tax Simplification (OTS)[2]	As an independent office of the Treasury, the OTS provided the government with independent advice on simplifying the tax system.	As Second Permanent Secretary in the Treasury, Beth Russell was Accounting Officer for the OTS.
Office of Financial Sanctions Implementation (OFSI)	The Office of Financial Sanctions Implementation helps to ensure that financial sanctions are properly understood, implemented and enforced in the United Kingdom.	As Accounting Officer for the Treasury, James Bowler is also Accounting Officer for OFSI.
Financial Reporting Advisory Board (FRAB)	Originally set up in 1996 following the publication of the July 1995 White Paper 'Better Accounting for Taxpayer's Money', the role of the Financial Reporting Advisory Board, or FRAB, is to ensure that government financial reporting meets the best possible standards of financial reporting. In 2000 the Government Resources and Accounts Act set out that the Treasury shall consult a group of appropriate people to advise on financial reporting and standards. This role is fulfilled by FRAB as an independent body and put the existence of the board on to a more formal footing.	Charlotte Goodrich represents HM Treasury on the Board as a Relevant Authority.

[2] As announced in the Growth Plan 2022, the Office of Tax Simplification ceased work in the winter of 2022, and formally closed on royal assent of the Spring Finance Bill 2023 on 11 July 2023.

HM Treasury contacts

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