



UK Government
Investments

UK GOVERNMENT INVESTMENTS LIMITED

Annual Report and Accounts 2022-23



UK GOVERNMENT INVESTMENTS LIMITED

Annual Report and Accounts 2022-23

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

July 2023

Company No. 09774296

CP 882



© Crown copyright 2023

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

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

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

Any enquiries regarding this publication should be sent to us at enquiries@ukgi.co.uk

ISBN 978-1-5286-4251-4
E02908036 07/23

Printed on paper containing 40% recycled fibre content minimum

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office

Contents

Overview	1
Chairman’s Foreword	4
Chief Executive’s Statement	8
Strategic report	11
Business Model	12
How we work	13
Performance	14
Our Impact	16
Delivering our Objectives	18
Chief Operating Officer’s Statement	37
Risk Management	42
UKGI Funding Model	46
Directors’ Report and Governance Statement	49
Directors’ Report and Governance Statement	50
The UK Government Investments Limited board	61
Audit and Risk Committee Report	70
Transactions Committee Report	77
Contingent Liability Central Capability Committee Report	82
Remuneration Committee Report	86
Pensions schemes	93

Statement of Directors’ and Accounting Officer’s responsibilities in respect of the Directors’ Report and Financial Statements	101
Independent Auditor’s Report to the Members of UK Government Investments Limited and the Houses of Parliament	105
Financial Statements	117
Financial Statements of UK Government Investments Limited	118
Notes to the Financial Statements	122

Overview

Our purpose

UK Government Investments creates value for society from government's most complex commercial interests

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

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

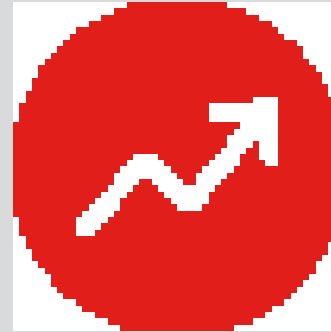
Objectives

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



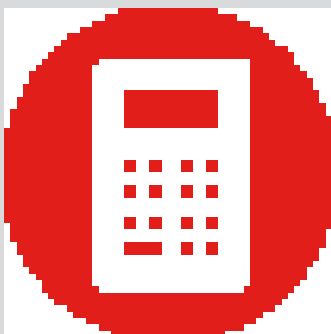
Corporate Governance

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



Corporate Finance

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



Contingent Liabilities

Analyse and advise on the UK government's contingent liabilities

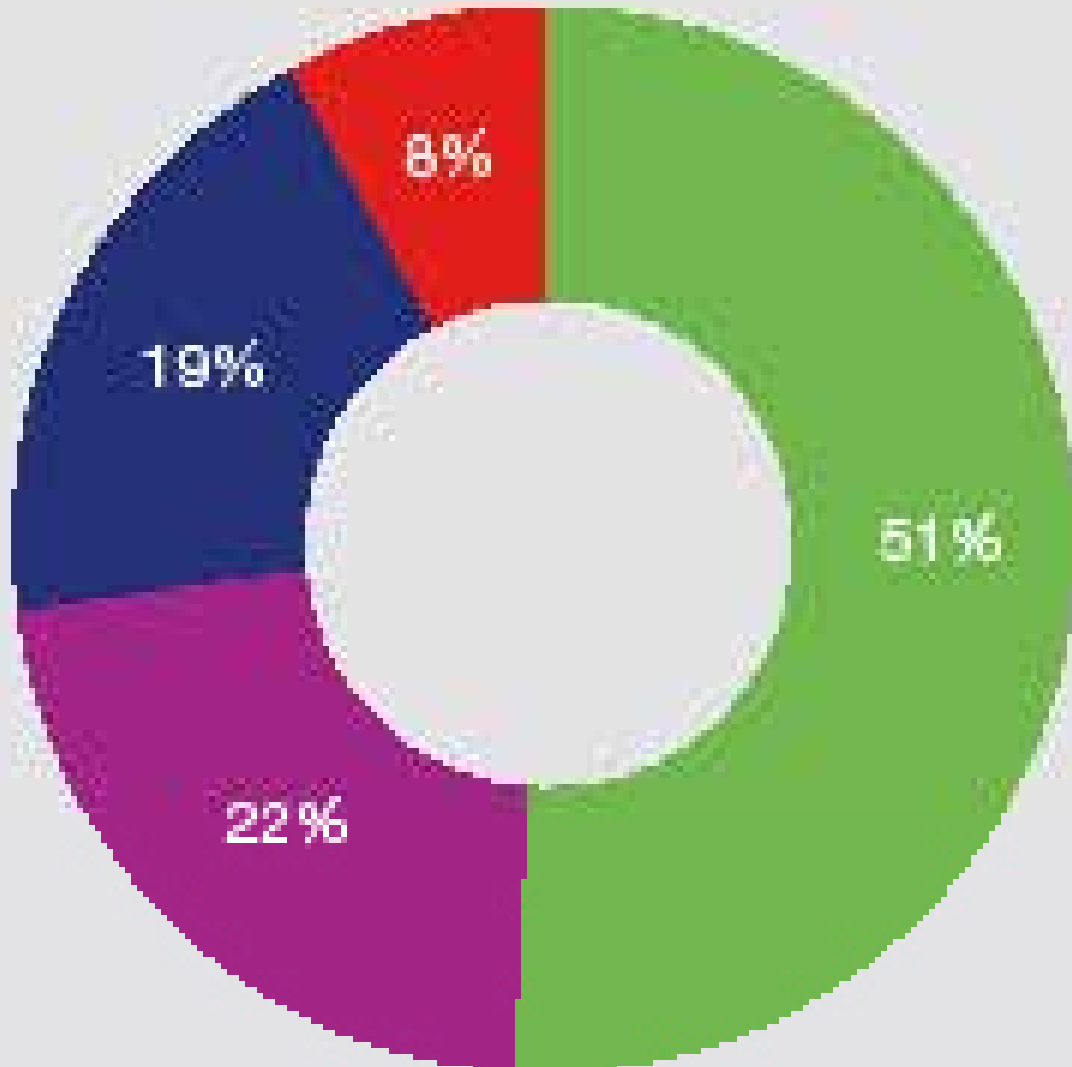


Asset Realisation

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

Company highlights

Overall breakdown of UKGI objective by FTE



-  Corporate Governance
-  Corporate Finance
-  Contingent Liabilities
-  Asset Realisation

Chairman's Foreword



UKGI marks its 20th year of operation in 2023. Our performance and delivery this past year demonstrate how the organisation has developed since its early foundations, especially since the combination of The Shareholder Executive and UK Financial Investments Ltd (UKFI) in 2016. Some things have remained the same; such as the blending of high-calibre public with private sector skills and experience enabling colleagues to offer quality advice to multiple departments, and the core values that bring our people together and drive them to deliver. What has changed is the enormous breadth of advice we are able to offer to deliver our purpose: “To create value for society from government’s most complex commercial interests.”

We have built on the work of The Shareholder Executive (ShEx, established in 2003) and currently work with 9 shareholder departments to improve the government’s capabilities and performance as a shareholder across our portfolio. Our goal is to challenge and support the governance, planning and performance of our assets; to take on new, complex assets where we can be most impactful; and disengage from assets where the department can effectively perform the shareholder role. Our combined skillsets of Corporate Finance and

Corporate Governance also allows us to be fundamental to the process of settling assets into public ownership and establishing government as the shareholder on such assets. We have done this recently for Sheffield Forgemasters and the Atomic Weapons Establishment.

We are always evaluating how we might refine and strengthen our processes, in light of developing best practice, as well as experiential lessons. Ongoing review and improvement are at the core of our stewardship responsibilities. For example, we continue to reflect on how we perform our shareholder representative role as we engage and fully co-operate with the Post Office Horizon IT Inquiry (POHIT Inquiry). We stand ready to learn any lessons relevant for UKGI. Those who have suffered so gravely because of the Horizon scandal deserve nothing less.

The asset realisation team in UKGI has built upon the commercial expertise of UKFI to become a highly expert group with a well established reputation for selling assets such as the government holding in Lloyd's Bank and NatWest Bank, where there is no policy reason for the government to continue to hold the asset and where the sale can achieve value for money.

In addition to these core activities, our Special Situations Team continued to support government departments as they responded to external factors and crises, often national concerns. Our unique combination of skills was once again brought to bear on some of government's

most pressing issues in the last year, such as energy supply. We provided support to the Energy Supply Taskforce, working on the wholesale and domestic supply sides respectively. The Special Situations team considered the operational possibilities of the Energy Markets Financing Scheme set up by HM Treasury and the Bank of England with support from Contingent Liability Central Capability (CLCC) within UKGI to better understand potential contingent liabilities. The government's desire to maintain energy security in the UK through new nuclear facilities has resulted in our being brought in to support the Department for Energy Security and Net Zero in relation to Sizewell C, the future 3.2 GW nuclear power plant. This is a core part of the government energy strategy and essential for Net Zero 2050. As ever, our ability to offer independent objective expert advice and support to departments is particularly valued, and is one of the reasons we are commissioned to work on projects of real significance.

The experience of the government departments working together with UKGI to deliver in the national interest is carried by our alumni as they move beyond UKGI into incredibly diverse and impressive careers in the public and private sectors. We are very proud of the continuing engagement and support of our Alumni Network towards UKGI.

Members of our board have also recently joined this consortium of alumni and I offer my heartfelt thanks to Sir James Leigh Pemberton, Robin Lawther, Caroline

Thompson and Sir Charles Roxburgh for their invaluable support, advice and commitment to UKGI over the last number of years.

I am pleased that our new non-executive directors from last year bring varied backgrounds and experience and are already highly engaged with our activities, bringing both support and welcome challenge. Our Board consisting of several Independent Directors as well as two Permanent Secretaries, continues to play an important role in governing and supporting UKGI as it delivers against its strategy and objectives for the years to come.

Vindi Banga

Chairman

14 July 2023

Chief Executive's Statement



For UKGI, this past year has been one of strengthening our proposition. We deliberately set out to focus on our core capabilities as an organisation and further professionalise across our four objectives so we can continue to offer expert advice to government departments and attractive development opportunities for our people.

UKGI is an organisation that seeks to learn from experience and stays alert to the latest practices in governance. One key area in the past year has been building the skills of our shareholder non-executive directors (NEDs) and teams across our governance portfolio, engaging in specific training, and bringing in external expertise to inform our thinking. We are grateful to be able to access a network of experienced Chairs and other governance practitioners who were able to share what they had learned from their varied careers to prompt our thinking.

We have also taken time this year to refresh our internal risk review and reporting processes and have continued to develop our internal training offering to those performing core stewardship functions across our portfolio of assets. We also strive for consistent, conscious and proactive reflection on how we deliver our

shareholder role and, in particular, the lessons we have learnt to date as a result of our engagement with the POHIT Inquiry. UKGI has sought to approach this Inquiry in the manner that the Sub-Postmasters, and the public at large, would hope and expect of a responsible public authority. We will of course be continuing to review our own initial observations on areas for improvement and reflection as the POHIT Inquiry progresses.

Our commitment to continuous improvement enables UKGI to provide governance advice to departments and contribute to government arm's length body (ALB) governance policy, for example inputting on core documents such as ALB-department Framework Documents and the Cabinet Office Sponsorship Code of Good Practice.

The CLCC team has also been strengthening its offering to departments over the year, providing invaluable support and guidance to teams considering establishing new liabilities and looking to review their existing stock, making tailored recommendations in specific areas of interest such as transport, housing and nuclear decommissioning.

Our agility as an organisation means we are able to respond to a changing landscape as new issues arise. The effects of the Ukraine war continued to be felt across our work this year, and market volatility also generated new challenges for the Special Situations and Mergers and Acquisitions teams to advise on. We always need to remain responsive to changes in government policy and,

during the year, reverted to our governance role for the Department for Culture, Media and Sport (DCMS) in respect of Channel 4.

UKGI's agile way of bringing together teams where each member is working on a few different projects at one time enables flexibility in our delivery to departments and also enhances the opportunities available to colleagues. By creating multi-disciplinary teams, we allow individuals to bring their own skills to bear on a project and complement the expertise of their colleagues to deliver a successful result. This is one of the reasons we continue to be an employer of choice for employees and secondees wanting to develop their skills and grow their careers. Our annual employee engagement survey showed that over 90% of colleagues would recommend UKGI as a place to work, an increase from the previous year.

Strengthening our proposition for our employees does not just mean investing in their development, it is also nurturing a culture where they feel trusted to carry out their job effectively and empowered to share their diverse perspectives.

With this culture of support, professionalism and collaboration, our strengthened organisation stands ready to support departments in delivering their priorities.

Charles Donald

Chief Executive

14 July 2023

Strategic report

Business Model

UKGI creates value for society from government's most complex commercial interests

UKGI is a company wholly owned by HM Treasury providing advisory services to Whitehall departments on the execution of a range of complex commercial and financial tasks. UKGI operates in a way that is consistent with the government's policy objectives.

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

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

How we work

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

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

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

Performance

UKGI assesses its performance through a process of feedback from key stakeholders, including departmental Permanent Secretaries and Chairs of portfolio entities; through measurement against performance metrics; and through a review of achievements against its objectives, which is subject to challenge and endorsement by its Board. Against all these measures, UKGI’s performance in 2022-23 has been strong.

Chart showing FTE time split across UKGI objectives, 3-year comparison

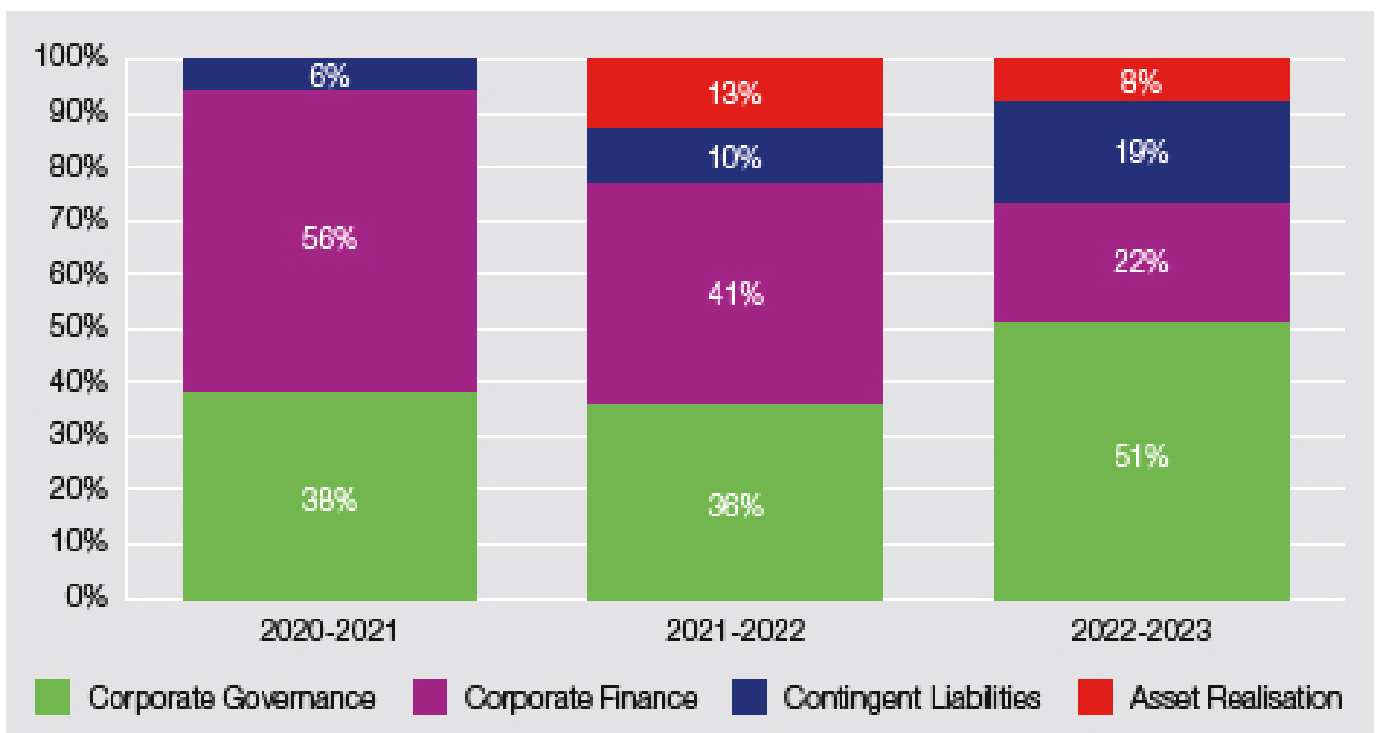
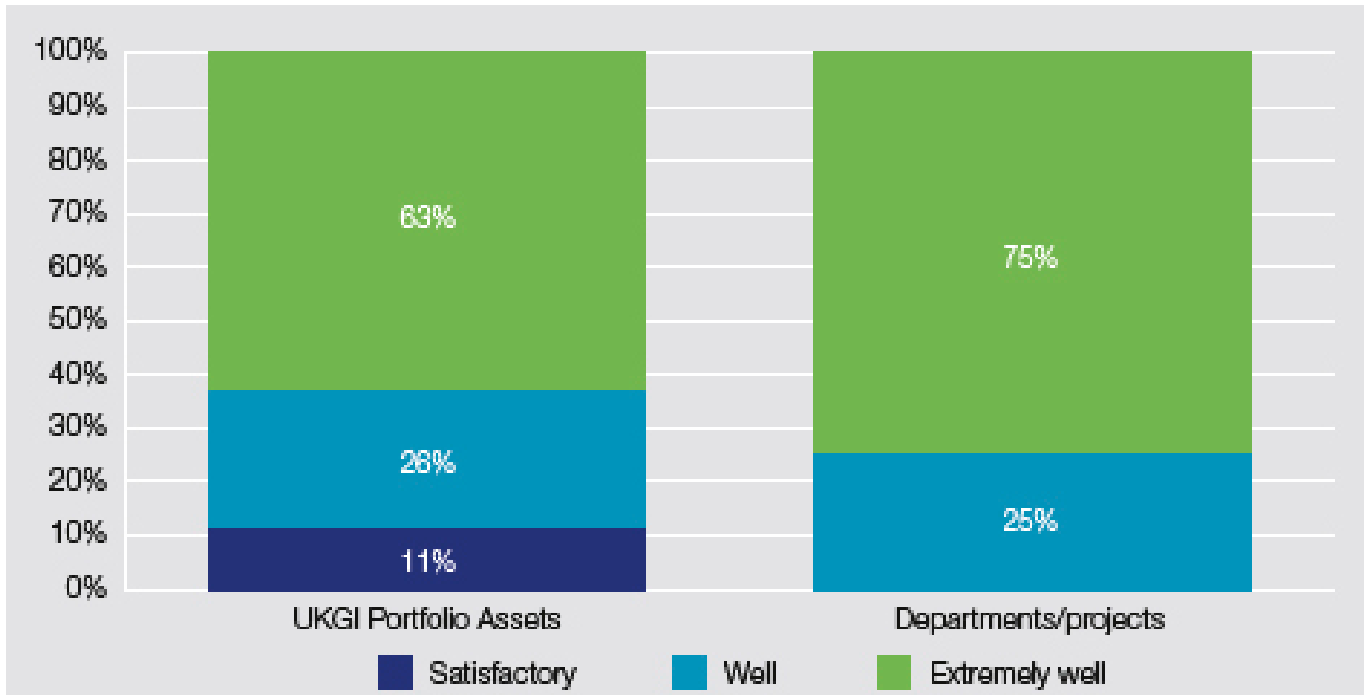


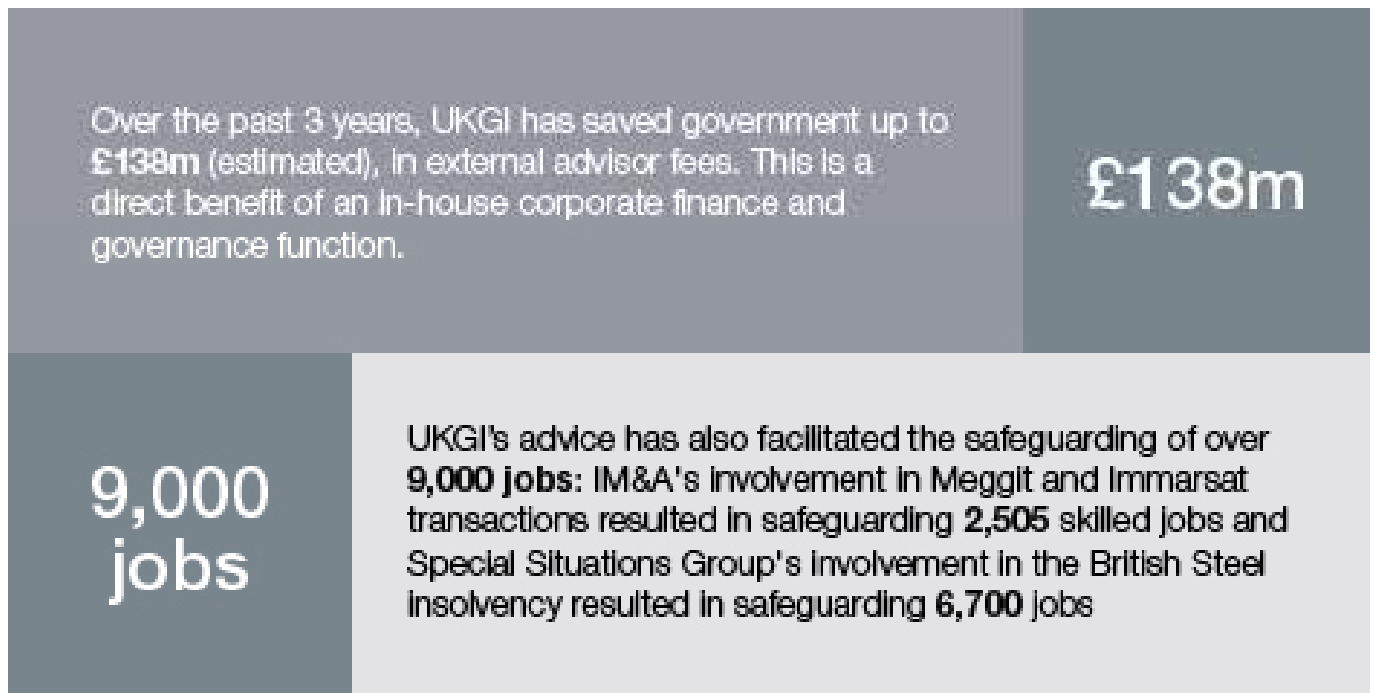
Chart showing overall rating received for UKGI’s performance in the 2022-23 year*



*Not all departments or assets that UKGI worked with in 2022-23 provided feedback and therefore charts only use available data from feedback received.

Our Impact

The breadth of UKGI’s scope means that the savings and benefits we deliver for taxpayers crystallise in a range of forms.



Selected savings and benefits accruing from specific teams and projects:

Inward M&A team

UKGI advised Government departments on 3 transactions valued at **£14.8bn** where HMG’s policy/ economic interests were key factors in the transaction and economic deeds were negotiated. This included contributing towards securing **£365m** of R&D investment in the UK.

Special Situations Group (SSG)

UKGI’s SSG team’s contribution to over 200 projects over the last 5 years has resulted in significant savings and

returns to government, through improved outcomes, appropriate use of external advisers and negotiating commercial terms when funds have been deployed. This includes British Steel insolvency; compared to a counterfactual of full closure, the total estimated benefits (both employment and postponement costs) of the HMG support designed by SSG, net of additionality and risk, range from £106m – £244m over 5 years, with a central estimate of **£176m**.

Financial Institutions Group (FIG)

UKGI's FIG team save an average of **£15m per year** (estimated), over the past 3 years in management fees, bookrunner fees and capital market advisor fees.

UKGI Defence

UKGI's engagement with rent reviews associated with service personnel housing owned by Annington Homes led to the achievement of substantial discounts to market rents. The Net Present Value over 30 years equates to approximately **£955m** lower compared to independent forecasts. UKGI also negotiated a government pensions guarantee for AWE, which reduces their pension deficit payments to the scheme trustees (which were reimbursed by MOD) by **£30m-40m per annum**.

Delivering our Objectives

Corporate Governance

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

Introduction

At UKGI we perform the shareholder function for a portfolio of 24 ALBs (each, an Asset and collectively, our Portfolio) on behalf of nine government departments which:

Employ over 158,000 people	Generate around £30bn of gross income	Manage over £1trillion of assets
---	---	---

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

Defence

AWE SHEFFIELDS FORGEMASTERS

Nuclear

NATIONAL NUCLEAR LABORATORY

Sizewell C
The power of good for Britain

Urenco

Property and Land

HM Land Registry

Government Property Agency

Ordnance Survey

Transport

national highways

Network Rail

Manufacturing

THE ROYAL MINT
THE ORIGINAL MAKER

Communications

BBC Commercial

4

OneWeb

POST OFFICE

Finance

INFRASTRUCTURE BANK

Reclaim Fund Ltd

UK Export Finance

British Business Bank

NatWest Group

UKAR
UK Asset Resolution

BIS Co

Managing our Portfolio

UKGI has continued to operate proactively as shareholder representative for our Portfolio. Whilst not actively seeking to expand, we responded to government requirements and increased our Portfolio to 24 Assets with new roles on Sizewell C and a monitoring role on BBC Commercial. We also successfully completed our role with the UK Green Investment Platform, with the corporate vehicle being liquidated following the successful disposal of its remaining entities.

As an organisation focused on continuous improvement, we enhanced our Portfolio management through a new Management Information (MI) pack. Through this more robust data driven approach our shareholder teams and Executive are able to understand and improve effective stewardship. It has enabled us to identify key trends, outliers, and areas for improvement – highlighting diversity, organisational culture, and cyber security as the key areas of focus in the new financial year.

Case study: Managing risk – Portfolio stress testing

We conducted Portfolio stress testing across the following five areas to assess preparations for macroeconomic and geopolitical risks, including from the ongoing war in Ukraine. This showed areas of good practice and some opportunities for improvement, which was expected due to the

diversity of Assets within our Portfolio. Teams have been using the information to enable improvements through sharing best practice and engaging with their Assets on the areas identified.



Promoting effective stewardship

Promoting our model

We have continued to strengthen UKGI as a centre of excellence for corporate governance across government. For a second consecutive year, we successfully became signatories to the Financial Reporting Council's Stewardship Code which continues to evidence our effective stewardship practices. To strengthen our Shareholder Model, we engaged with private sector asset managers to understand best practice and are building in reflections from lessons learned across our shareholder roles. We engage across Whitehall to promote effective governance.

Maintaining and sharing our knowledge and expertise

Continual improvement is core to UKGI. This year we launched the Corporate Governance Development Framework to continue to strengthen our workforce at all

stages of their careers and to provide our Portfolio with experts.



Case study: UK Infrastructure Bank (“UKIB”)

UKGI undertakes the role of shareholder for the UK Infrastructure Bank on behalf of HM Treasury (‘HMT’). UKIB’s core mission is to partner with the private sector and local government to increase infrastructure investment to tackle climate change and promote economic growth across the UK.

Since starting our role in May 2021 we have been able to utilise experience from the set-up of Green Investment Bank and British Business Bank to support HMT and UKIB on the initial phases of UKIB’s build out, including playing an important role in the preparation and execution of UKIB’s financial framework document and the establishment and implementation of UKIB’s £22billion financial capacity.

Working closely with UKIB and HMT, over the past 12 months UKGI has supported UKIB on its journey

from set-up into steady state with a number of key milestones achieved. UKIB's Board is now fully constituted, following the appointment of four non-executive directors and its senior management team has transitioned from interim to permanent. Board and committees are well-established and through our role we have helped strengthen the robustness of UKIB's governance processes. Operationally, UKGI has supported UKIB and HMT with building out its funding arrangements and risk management processes. Notable highlights have included the launch of the Sovereign Infrastructure Guarantee in February 2023 (where UKGI's shareholder team was supported by UKGI's Contingent Liability Central Capability team) as well as the publication of UKIB's Risk Management Framework in November 2022. Also during the course of the last year the NAO published a report into The Creation of the UK Infrastructure Bank in July 2022 and the PAC published a report in January 2023. UKGI are working with UKIB and HMT to take forward recommendations arising from these reports.

In March 2023 the UK Infrastructure Bank Act received Royal Assent and was passed into law, placing the bank on a statutory footing and concluding a significant year of achievements for UKIB. UKGI will continue to support UKIB on its mission, helping to drive value for HMT and to the taxpayer.

International work

UKGI has represented the UK at the Organisation for Economic Co-operation and Development (OECD)'s Working Party on State Ownership and Privatisation Practices (WPSOPP) since 2012. In addition, UKGI continues to engage internationally and share best practice reflections and lessons learnt on a variety of corporate governance topics related to UKGI's shareholder model for state-owned companies and privatisation practices.

Corporate Finance

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

Mergers and acquisitions (M&A) activity

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

The National Security & Investment Act 2021 came into force in January 2022, which considerably expanded the number and types of transactions subject to UK national security reviews, as well as introducing, for the first time, mandatory notification requirements alongside voluntary filings.

The team has been working closely across Whitehall, focused on the economic and national security assessment of transactions, leveraging our expertise to support negotiations between government and transacting parties.

In the last year the team has undertaken a key advisory role in some of the most high-profile national security transactions facing government, across aerospace, space, telecoms and digital sectors.

Major cases involving high profile economic interests include:

- Legally binding economic commitments offered by Parker-Hannifin Corporation to protect the future of Meggitt plc in the UK and secure the important role it plays in the UK's world-leading defence sector.
- Undertakings offered to mitigate national security concerns and legally binding economic commitments offered by Cobham Ultra Acquisitions Limited to protect the future of Ultra Electronics Holdings plc in the UK, including increases across engineering research and development expenditure, highly skilled employees and apprentices.
- Sale of Chelsea Football Club to a new consortium of investors, helping protect the integrity of the UK sanctions regime and ongoing investment into grassroots football in the UK.

Case Study: Sale of Chelsea FC

Following the invasion of Ukraine, Roman Abramovich announced his intention to sell Chelsea F.C., publicly stating:

1. He would not be asking for any loans to be repaid
2. A charitable foundation would be set up for the benefit of victims of the war in Ukraine
3. All net proceeds from the sale would be donated to the foundation

Government subsequently sanctioned Roman Abramovich, with Chelsea F.C. granted a General Licence allowing the club to complete its fixtures. A further licence from government was therefore required to permit the sale of the club.

The government objectives were:

1. No proceeds from the sale to benefit sanctioned designated persons/entities
2. The proceeds of the sale should ultimately be for the benefit of Ukraine
3. Preservation of Chelsea F.C. as an asset of cultural importance

UKGI provided the Department for Digital, Culture, Media and Sport (DCMS) and the Office for Financial Sanctions Implementation (OFSI) in HM Treasury

with advice on the transaction, in the context of an asset sale by a sanctioned entity. We were involved in a number of key workstreams such as document review and negotiation, sanctions leakage and licensing, contingency planning and ongoing operational support.

The sale was subsequently cleared and signed off on 24th May 2022, with the Secretary of State for Digital, Culture, Media and Sport, commenting:

“We are satisfied the proceeds of the sale will not benefit Roman Abramovich or other sanctioned individuals. I want to thank everyone, especially officials who’ve worked tirelessly to keep the club playing and enable this sale, protecting fans and the wider football community”

Special Situations Group (SSG)

SSG provides expert and practical advice to support effective responses by government to financially stressed corporate situations, as a trusted adviser to stakeholders across government. We provide our expertise in significant negotiations between the government and the private sector, including, for example, when the government considers its response to corporate distress, where firms are of potential strategic significance to the UK.

The team supports government departments to contingency plan for company and sector-wide failures,

helps them to understand the signs and implications of financial stress and distress and advises when they are considering intervention to further policy objectives.

The team works extensively with colleagues across government on specific projects and sectors on a varied portfolio of matters where work is always determined by criticality rather than size. In the last year the team took a lead advisory role in some of the most high profile situations facing government including:

- continuing to support the Department for Energy Security and Net Zero (DESNZ) and HM Treasury on the first Energy Supply Company Special Administration in respect of Bulb Energy Limited, providing expert restructuring and insolvency advice across a wide range of workstreams;
- supporting the Department for Culture, Media and Sport (DCMS) on distressed situations impacting the DCMS Covid Sport and Cultural Loan Book;
- working with the Department of Health and Social Care (DHSC) on the unprecedented stresses in the Adult Social Care sector;
- supporting Cabinet Office in relation to strategic suppliers to government;
- supporting the Department for Business and Trade (DBT) on the offer made to Britishvolt under the Automotive Transformation Fund and the company's subsequent entry into administration;

- supporting DESNZ, DBT, Department for Environment, Food, and Rural Affairs (DEFRA), HM Treasury and Cabinet Office on the effect of the war in Ukraine; and
- working with the Bank of England, HM Treasury, the Financial Conduct Authority and Ofgem on the launch of the Energy Markets Financing Scheme.

Government Corporate Finance Profession (GCFP)

Led by Charles Donald, UKGI's Chief Executive, as Head of Profession, the GCFP has gone from strength to strength over the past 12 months through the promotion of skills development, knowledge-sharing, collaboration, and career development initiatives. In June 2022 the profession held a cross-Whitehall panel event on the growth of the Global M&A market, with panellists from the public and private sector providing their views, and during the year an ongoing programme of seminars provided members with updates on a range of topics and case studies.

Contingent liabilities

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

The Contingent Liability Central Capability (CLCC) was formed in UKGI in April 2021 to improve the management of the government's portfolio of contingent liabilities and enhance taxpayers' value for money. The team comprises people with a diverse set of skills and expertise including actuaries seconded from the Government Actuary's Department (GAD), credit risk experts, and Civil Service policy and analysis professionals.

Review and report on existing contingent liabilities

The CLCC published its first report in July 2022, [Exploring the UK governments contingent liabilities](#), setting out the importance of contingent liability management.

Since then, the CLCC has worked with departments to develop a new, cross-government data collection exercise specifically relating to contingent liabilities, with a view to:

- summarising and analysing the existing stock of contingent liabilities across government
- better understanding the expected spend and the impact of crystallisations that could potentially be incurred from contingent liabilities; and

- collating on-balance sheet guarantee and indemnity data to build a comprehensive picture of where risk lies across government.

The importance of the work being done by the CLCC has been highlighted in Public Accounts Committee meetings and in HM Treasury's 2022 Autumn Statement.

Working with other departments, the CLCC also identifies and conducts thematic and strategic reviews in discreet areas, resulting in better articulation of the size and likelihood of fiscal risk which can be used to inform future policy.

Provide advice and analysis on departmental policies which give rise to contingent liabilities

The CLCC's credit and insurance experts regularly advise policy teams across government on structuring, managing, and charging for contingent liabilities.

Through the 2022-23 financial year, the CLCC has been commissioned by 11 departments and three ALBs. The CLCC provided detailed tailored guidance having:

- advised on 46 new cases of which, seven contingent liabilities have an exposure between £100m and £1bn, and five contingent liabilities have exposures over £1bn; and
- provided continued advice on a further 11 cases commissioned in the 2021-22 financial year.

The CLCC has improved value for money for existing and new contingent liabilities, some examples include:

Case Study: UK Space Agency

The CLCC works with the UK Space Agency to develop insurance and liability requirement policies, providing views on structuring liabilities, insurance requirements, and analysis of risk to maximise value for money.

The CLCC provided expert advice to explore alternatives to traditional third-party liability insurance for spaceflight related risks. This included reviewing the impacts of these alternatives on government, the space sector and the insurance market.

Case Study: Nuclear related incidents

In the highly unlikely event of a nuclear related incident, government has responsibility for third party liabilities. There is insufficient commercial capacity to insure this risk completely. Therefore, the government has agreed to provide an indemnity until a market led solution becomes viable.

The CLCC provided expert advice to the then Department for Business, Energy and Industrial Strategy and HM Treasury, using loss estimates provided by GAD, on practical ways of dealing with these contingent liabilities, including fair allocation of

risk and reward between private sector insurers and the government.

Promote and share best practice across government

The team aims to drive standardisation, reducing inconsistencies and inefficiencies in monitoring and reporting of contingent liabilities, through publishing guidance notes and establishing the Contingent Liability Advisory Network.

Asset Realisation

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

UKGI works across government to support departments on asset sales, advising ministers and senior officials on the best strategies and structures for a sale, carrying out market testing, and devising and managing the sale execution process to achieve value for money for the taxpayer. UKGI has a well-established reputation for selling assets where there is no policy reason for the government to hold the asset, and where the sale can achieve value for money. The UKGI Financial Institutions Group (FIG) is responsible for managing the government's shareholding in NatWest Group plc and residual liabilities relating to UK Asset Resolution Ltd.

Case Study: NatWest Group

Over the past year, the government has continued to make progress in its policy to return NWG to the private sector. Following a successful transaction in March 2022 which took HM Treasury's ownership below 50% for the first time, and the successful launch of a 12-month Trading Plan in August 2021, the Trading Plan was extended for a further 12-month period starting from August 2022. Since launch, the Trading Plan has delivered over £3.7bn for the taxpayer, and government's ownership stands at around 42% as at 31 March 2023. FIG continue to

actively seek opportunities for further disposal options when market conditions permit.¹

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

1 In April 2023 the Trading Plan arrangement was extended to 11 August 2025. In May, HMG successfully sold just under 5% of the company back to NatWest via a Directed Buyback, raising c. £1.26bn. As a result, as at 24 May the shareholding stood at 38.5%.

Chief Operating Officer's Statement

At UKGI our people are our most important asset. During the year we bedded in our post-pandemic operating model and continued to secure the best talent available from the private sector and the Civil Service by hiring 42 new people into UKGI, bringing us to a total of 163 people or 154 FTE. We continue to see benefits from our secondment model and have seen an overall reduction in staff turnover.

Key Priorities

We successfully delivered the People Action Plan, which was in response to our 2021 People Survey results. Excellent progress was made against the key themes of connectivity, reward/recognition, work-life balance, hybrid working, leadership and culture. Some other highlights include:

- We continue to embed the UKGI Values through the website, workspace and intranet and incorporating them into the induction, feedback, recruitment and progression processes.
- During the year we developed our purpose statement and refreshed our mission statement with wide input from across the organisation.

- The way we support our colleagues' mental health and wellbeing continues to be effective, with an improvement in sentiment in our people survey of people feeling that UKGI helps look after their mental health. We promote good mental health and wellbeing through events which raise awareness and signpost support mechanisms.
- We refreshed the corporate volunteering programme and partner with local charities to maximise take-up.
- We have expanded the alumni network which now includes 220 people in business and in Whitehall.
- Our Working in Government Network have continued their mission to attract excellent civil servants to UKGI with 16 joining during the year, and 17 completing their set time with us and returning to their home employer, and strengthened collaboration and understanding of government within UKGI via engagement across grades and professional backgrounds.

Diversity and Inclusion

In the last 18 to 24 months UKGI has changed materially and now has an even more diverse staff from a variety of backgrounds who bring a broad range of perspectives. In the recent staff survey, we scored highly on inclusivity at 88%, which was an increase of 8% from last year, and the feedback shows that our people enjoy being part of UKGI.

We have exceeded our formal gender diversity target with 46% of senior management (Executive Director and above) now female, against the Women in Finance target of 40%. We also met our target to have 10% of the senior management cadre identifying from an ethnically diverse background, which doubled from 5% in the last financial year. Whilst not a formal target, we continue to enable diversity of thought with a significant proportion of staff from an international background.

We have successfully piloted our graduate programme, recruiting from socio-economic tiers that have been under-represented in UKGI to date. We are now moving to full launch with a second cohort of graduates to join shortly. We have launched our apprentice scheme, also part of our social mobility focus, and this too will be developed further.

D&I is an ongoing journey, and whilst we have made good progress, there remains more to do.

Gender Pay

As an organisation with only 163 employees, UK Government Investments Limited is not required to publish the gender pay data required for companies with over 250 employees under the provisions of the Equality Act 2010 and associated regulations. We are, however, committed to the highest standards of transparency and have therefore elected to disclose our gender pay data,

setting out the difference in average hourly pay between men and women.

As at 31 March 2023, our mean gender pay gap was 6.6% (31 March 2022: 19%), and our median gender pay gap was 16.7% (31 March 2022 22.5%). Our mean and median bonus gap was 19% and 34% respectively (31 March 2021: 32% and 37.6%).

UKGI's mean gender pay gap composition over the past five years has gradually shifted from 27.2% (31 March 2018) through our commitment to diversity and inclusion and the initiatives outlined above; and we are pleased to have made a significant change from 19% to 6.6% over the past year.

Importance of continuous L&D to UKGI

Continuous improvement is core to UKGI and our new Head of L&D has enabled a more strategic focus on it. This included the development and delivery of the Corporate Governance Development Framework mentioned on page 21.

Since 2020 we have set and met a target for all our staff to have completed at least 16 hours of continuous professional development (CPD) during the year. In 2022-23 we have maintained excellent focus on continuous improvement with an average of 27.5 hours of CPD completed by our staff, enabled through access to

over 300 hours of training across 170 courses and seminars. Training was delivered in a mixture of online and in person to support hybrid working and continues to enable a high uptake.

Risk Management

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

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

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

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

“As an organisation whose role it is to act as an agent for ministers and government departments, the key risks

UKGI must manage are those which arise as a consequence of discharging its mandate.

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


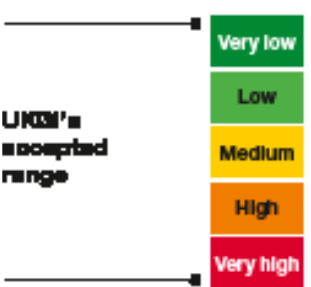
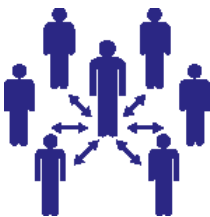
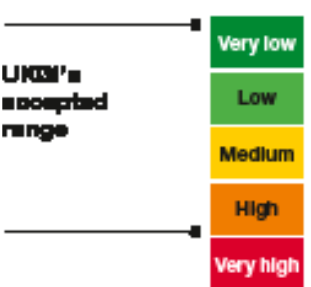

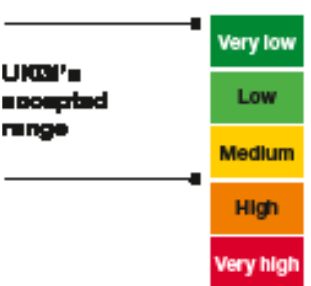
Risk will be monitored and controlled by systematic review from project/portfolio asset teams up to Board, via regular risk register reviews, project/portfolio reviews and discussion by the Executive Committee and the Risk & Audit committee. In addition, the culture of open and proactive communication,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

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

1. UKGI's Executive Committee, Board and Audit and Risk Committee (ARC) work together to define risks across the organisation and ensure that a strategy and processes are in place to mitigate those risks.
2. UKGI has memoranda of understanding in place with client government departments to clearly define its role as an agent of that customer and limit risk by defining ownership of risks.

3. Individual risks across UKGI's portfolio of projects and assets are regularly monitored, with project/asset risk registers reviewed and risk mitigations scrutinised by the Executive Committee and at the Board.
4. Regular in-depth project and portfolio reviews led by seniors to identify issues, potential risks and mitigating actions.
5. UKGI's values and culture – to ensure employees act in a collegiate manner, to have open and honest communication so that individuals feel comfortable raising risks and know that they will receive support in managing those risks, to be committed to continuous professional development and bettering our people and to mitigate the risk of UKGI's advice not being professional and to the required standard.
6. UKGI also monitors a number of internal operational and strategic risks. These include risks regarding staffing, finance, IT and data protection/management systems and relationships around Whitehall. These are regularly reported to HM-Treasury.

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

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

UKGI Funding Model

UKGI is funded by HM Treasury under section 36 of the Enterprise Act 2016. In addition, from 2022-23, UKGI has charged departments for the provision of Shareholder services. UKGI's funding agreement for 2022-23 is set out below. The funding is the total available and does not necessarily align to the grant-in-aid drawn down in the year as disclosed in the financial statements.

UKGI may recharge for specific costs incurred on behalf of another department, recharges may be via budget transfers or invoicing. During this financial year UKGI received budget transfers from DCMS and MOD. These transfers were made through HM Treasury and the transfers form part of the total UKGI budget, itemised below. The remaining funding was received via invoicing.

	2022-23 (£m)
HM Treasury	17.4
Department for Transport	0.4
Ministry of Defence	1.5
Department for Business, Energy and Industrial Strategy	2.8
Department for International Trade	0.2
Cabinet Office	0.2
Department for Digital, Culture, Media and Sport	1.5
Total Funding	24.0

Approval and signing

The Strategic Report was approved by the Board of Directors on 14 July 2023 and was signed on its behalf by:

Charles Donald
Chief Executive

Vindi Banga
Chairman

UK Government Investments
Limited Company Number 09774296

Directors' Report and Governance Statement

Directors' Report and Governance Statement

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

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

UKGI has an agreed Framework Document with HM Treasury. This document sets out the broad framework within which the Company will operate and can be found on our website at www.ukgi.org.uk. HM Treasury, as sole shareholder, has various reserved rights, including appointment of the Chair, Chief

Executive, and a shareholder representative Director, approval of board appointments, the terms of any Board appointments, the Company’s remuneration framework and the Company’s budget.

As at 31 March 2023, the Company’s directors are as listed below. They provide the Company with the appropriate expertise, skills and experience required to deliver its objectives.

Board Member	Position	Committee Membership
Vindi Banga (appointed 23 September 2021)	Chair	N (Chair), T (Chair)
Jane Guyett (appointed 12 February 2016, appointed as Senior Independent Director 28 September 2016)	Senior Independent Director	A (Chair), N, T, CL (Chair)
Andrew Duff (appointed 9 July 2019)	Non-Executive Director	N, A, T
Charles Donald (appointed 12 March 2020)	Chief Executive	T, CL
Philip Duffy (appointed 29 June 2017)	Shareholder Representative Non-Executive Director (Alternate)	N
Sarah Munby (appointed 30 September 2020)	Non-Executive Director	N
Mahnaz Safa (appointed 22 September 2022)	Non-Executive Director	R (Chair), N, T, A
Andrew Ballheimer (appointed 22 September 2022)	Non-Executive Director	R, N, CL
Kalpana Desai (appointed 22 September 2022)	Non-Executive Director	T, N
Beth Russell (appointed 17 November 2022)	Shareholder Representative Non-Executive Director	N

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

Non-Executive board appointments, other than Shareholder Representative Non-Executive Directors, are for a term of up to three years and can be terminated by either party with three months' notice. During the year, Robin Lawther, Sir James Leigh Pemberton and Caroline Thomson each resigned having reached the end of their second terms of office as Non-Executive Directors of the Company. Sir Charles Roxburgh's appointment as shareholder representative terminated concomitantly with his resignation as Second Permanent Secretary of HM Treasury. Sir Charles Roxburgh was replaced on the Board by Beth Russell, who is his successor as Second Permanent Secretary of HM Treasury. Andrew Ballheimer, Kalpana Desai and Mahnaz Safa were appointed to the Board in September 2022 following an open competition.

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

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

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

All committees are chaired by Non-Executive Directors.

Director indemnities

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

Corporate governance

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

Data received by the Board

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

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

Transparency

UKGI adheres to the government’s transparency agenda and publishes a range of data online including:

- [UKGI Website](#)
- [Transactions over £25,000](#)
- [Corporate credit card transactions over £500](#)
- [Contracts Awarded](#)

Review of effectiveness

In May 2022 an externally facilitated review of the Board’s effectiveness concluded that the Board is ‘effectively constituted and efficiently run’.

Recommendations included allotting more time for strategy discussions and reviewing the Board induction programme, which have been implemented.

In April 2023, an internally facilitated board effectiveness review was performed by the company secretary function. No material issues were noted, and recommendations focussed on the continuous improvement of the effectiveness of the Board.

Sustainability

UKGI has fewer than 200 members of staff and leases less than 3% of the floor space of 1 Victoria Street from the Government Property Agency, so our discrete environmental impact in terms of emissions, waste or consumption is both minimal, and cannot be quantified. However, we are committed to reducing this impact wherever possible.

Full sustainability data for BEIS, which for the year 2022-23 leased the majority of the office building, is reported in its annual report and accounts, available at [gov.uk](https://www.gov.uk).

UKGI has assessed areas where we can reduce our environmental impact and implemented campaigns and processes to achieve positive change, through making changes in our facilities arrangements and using internal awareness-raising campaigns to support colleagues to make changes in their own behaviours.

UKGI regularly procures goods as services in its daily course of business. As part of this process, staff are encouraged to consider how they can not only source the most economically advantageous supplier, but also to consider the environmental merits of those entering the competition for contracts and how we can challenge/change ways of working within the contract or competition.

Payment of suppliers

In May 2010, the government introduced a five day target for Small and Medium sized Enterprise suppliers to receive payment. During 2022-23, UKGI made 93% (2021-22: 97%) of all supplier payments within five days. HM Treasury group's target is 90%. UKGI will continue to seek further improvements in its payment processes in order to push towards making all supplier payments within five days.

Going concern

UKGI is funded annually by Parliament through grant-in-aid financed from the HM Treasury supply estimate. UKGI's funding has been agreed for 2023-24.

The financial statements for 2022-23 show a negative reserve in the Statement of Changes in Taxpayer Equity. This reflects UKGI's funding arrangement with HM Treasury, as set out in our framework document:

‘The grant-in-aid will normally be paid in monthly instalments based on written applications showing evidence of need. UKGI will comply with the general principle that there is no payment in advance of need. Cash balances accumulated during the year from grant-in-aid or other Exchequer funds shall be kept to a minimum level consistent with the efficient operation of UKGI. Grant-in-aid not drawn down by the end of the financial year shall lapse. Subject to approval by Parliament of the relevant Estimates provision, where grant-in-aid is delayed to avoid excess cash balances at the year-end, the department will make available in the next financial year any such grant-in-aid that is required to meet any liabilities at the year end, such as creditors.’

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

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

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

Summary of meetings and attendance

The Board and its committees meet regularly throughout the year. All agendas are structured to allow adequate and sufficient time for discussions of the items on the agenda, particularly strategic issues. The attendance of individual board members at Board and committee meetings during 2022-23, together with the overall number of meetings held is set out below.

Number of meetings attended in 2022-23	Board	Audit and Risk	Remuneration	Transaction	CLCC
¹ Vindi Banga	6/6			24/26	
Sir James Leigh-Pemberton	2/2			11/11	
Jane Guyett	6/6	3/3		20/26	3/3
Robin Lawther	1/1		1/2	4/4	
Caroline Thomson	5/5		4/4		
Andrew Duff	6/6	3/3		17/26	
Mahnaz Safa	3/3	1/1	2/2	11/14	
Andrew Ballheimer	4/4		1/2		2/2
Kalpana Desai	4/4			11/14	
Sarah Munby	4/6				
³ Sir Charles Roxburgh	1/1				
Beth Russell	3/3				
Philip Duffy	1/6				
² Charles Donald	6/6			25/26	3/3

¹Vindi Banga is the Chair of the Transactions Committee and the Nominations Committee; he was invited to attend all other committee meetings as an observer.

²Charles Donald is a member of the Transactions Committee, and the Contingent Liabilities Committee; he was invited to attend all other committee meetings as an observer.

³HMT official attended 1 Board meeting as an observer after Sir Charles Roxburgh stepped down.

Events after the reporting period

UKGI will be entering into a new lease at 100 Parliament Street on in the second quarter of 2023-24. The lease term is for 10 years with annual rental payments of £436k. There are no other events after the reporting period which will have a material effect on the Financial Statements of UKGI.

Disclosure of information to auditors

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006. UKGI has appointed the Comptroller and Auditor General as its external auditor. The National Audit Office carries out the audit for and on behalf of the Comptroller and Auditor General. The remuneration paid to its external auditor for work relating to this financial year was £47,250 plus VAT, and an additional fee for work relating to 2021-22 for £7,000 plus

VAT, (2021-22 £40,000). No non-audit work was undertaken by the auditors.

Other matters

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

The UK Government Investments Limited board

Vindi Banga, Non-Executive Chairman

Vindi was appointed Chair of UKGI in September 2021. He is also Chair of the Transaction Committee and Nominations Committee.

Vindi is an experienced Chair of public and private companies with an extensive Board career having been Senior Independent Director at M&S plc; GlaxoSmithKline; Chairman and CEO of Hindustan Unilever Ltd and Chair of privately owned companies.

He has 33 years of executive experience at Unilever, where his last role was President of the Global Foods, Home and Personal Care businesses, and where he served on the Unilever Executive Board.

Current additional appointments:

- Senior Independent Director at Haleon plc
- Non-Executive Director of The Economist Group
- Partner of CD&R, a global private equity firm
- Chair of Marie Curie

Charles Donald, Chief Executive

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

Prior to that, he spent his career in investment banking. From 2006, he held a number of senior management positions in corporate advisory after 14 years in equity research and five years in financing.

Charles is the Head of the Government's Corporate Finance Profession.

Current additional appointments:

- Non-Executive Director of the UK Infrastructure Bank
- Chair of the Working Party on State Ownership and Privatisation Practices at the OECD
- Trustee of Help for Heroes, the charity that helps the Armed Forces community live well after service

Jane Guyett CBE, Senior Independent Director

Jane was appointed Non-Executive Director of UKGI in February 2016. She is also the Senior Independent Director, Chair of the CLCC Committee and Chair of the Audit and Risk Committee.

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

Current additional appointments:

- Chair of Connect Plus (M25) Plc
- Non-Executive Director on the Board and Committees of Royal London Mutual Insurance Society
- Non-Executive Director of Banque Centrale de Compensation/LCH SA. and LCH Limited
- Member of Public Interest Committee and Business Oversight Board of BDO LLP

Andrew Ballheimer, Non-Executive Director

Andrew was appointed a Non-Executive Director of UKGI in September 2022.

From 2016 to 2020, Andrew was the Global Managing Partner of Allen & Overy LLP. Andrew has more than 35 years of legal experience advising multinational corporations and global financial institutions, including in other senior leadership positions at Allen & Overy, as Global Co-Head of Corporate and UK Managing Partner of Corporate.

Current additional appointments:

- Member of the fundraising committee of Moorfields Eye Charity
- Board member of Factor Law Inc.
- Member of the M&A Global Advisory Board at AON PLC

Kalpana Desai, Non-Executive Director

Kalpana was appointed Non-Executive Director of UKGI in September 2022. She is also the NED responsible for Engagement.

Previously, Kalpana was a member of the Takeovers and Mergers Panel of the Securities and Futures Commission in Hong Kong from 2007 to 2014 and was a Non-Executive Director at Canaccord Genuity Group Inc. from 2015-2019.

Kalpana has over 30 years of international advisory and investment banking experience. Until 2013, she was Chief Executive of Macquarie Capital Asia, the investment banking division of Macquarie Group Limited. Prior to this, she was Head of the Asia-Pacific Mergers & Acquisitions Group and a Managing Director from 2001 in the Investment Banking Division of Bank of America Merrill Lynch based in Hong Kong. Kalpana is a Fellow of the Institute of Chartered Accountants of England and Wales and holds a BSc Economics from the London School of Economics.

Current additional appointments:

- Non-Executive Director of Janus Henderson plc
- Founding Trustee of the Future is Bright Charitable Trust

Andrew Duff, Non-Executive Director

Andrew was appointed Non-Executive Director of UKGI in July 2019.

Andrew spent most of his executive career in the energy industry and was previously the Chief Executive Officer of RWE Npower. Andrew was the Senior Trustee of Macmillan Cancer Support and a member of the Steering Group on the Hampton Alexander Review. He is a Fellow of the Energy Institute. Andrew was previously Chair of Severn Trent plc and Chair of Elementis plc, a FTSE 250 chemicals company. He was a Non-Executive Director and Senior Independent Director of Wolseley plc (now Ferguson Plc) from 2004-2013.

Current additional appointments:

- Chair of Sage Group Plc, having been a member of the Board from 1 May 2021.

Sarah Munby, Non-Executive Director

Sarah joined the Board of UKGI in September 2020.

Sarah became Permanent Secretary at the Department for Science, Innovation and Technology (DSIT) in February 2023 which was established after a machinery of government change.

Previously Sarah was Permanent Secretary for the Department for Business, Energy and Industrial Strategy (BEIS) since July 2020. Sarah joined BEIS in July 2019 as Director General, Business Sectors. Before that, Sarah was a Partner at McKinsey, where she led their Strategy and Corporate Finance practice in the UK and Ireland. She began her career in the Civil Service, as an Assistant Economist in the Department for Environment, Food and Rural Affairs (Defra).

Beth Russell, Shareholder Representative Non-Executive Director

Beth joined the Board of UKGI in November 2022.

Beth was appointed as the Second Permanent Secretary of HM Treasury (HMT) in October 2022 and is based at the Darlington Economic Campus. HMT is responsible for developing and executing the government's public finance policy and economic policy.

Beth has worked in HMT since 2000 on a range of policy roles across tax, welfare and public spending. Previous to her current role she was the Director General of Tax and Welfare in the Treasury between 2017 and 2022. Her earlier Treasury roles included Director of Personal Tax, Welfare and Pensions (2013-2017), Principal Private Secretary to the Chancellor of the Exchequer George Osborne (2011-2013), Deputy Director of General Expenditure Policy (2008-2011), Deputy Director of Environmental and Transport Taxes (2005-07) and Speechwriter for Gordon Brown when he was Chancellor (2001-2005) and Prime Minister (2007-2008). Beth started her career in the Department of Social Security as a policy adviser on welfare (1996-2000).

Mahnaz Safa, Non-Executive Director

Mahnaz was appointed Non-Executive Director of UKGI in September 2022. She is also the NED responsible for Diversity and Inclusion, and the Chair of the Remuneration Committee.

With 30 years of experience in finance, Mahnaz has been a Senior Executive at UBS, Citi and ANZ. She led Debt Capital Markets for EMEA and headed Markets for Europe and America. Whilst at UBS and Citi, she co-chaired their respective women's leadership Executive Committees. She has previously served as a Senior Independent Director on the Board of Alternative Credit Investments, a FTSE 250 company. Mahnaz holds a PhD in computer aided technology from Imperial College.

Current additional appointments:

- Non-Executive Director at Jefferies International Limited
- Member of the Council at Imperial College where she is the Champion for Equality, Diversity and Inclusion.

Audit and Risk Committee Report

Audit and Risk Chair's Foreword

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

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

- provided robust challenge to the identification of, and measurement of, key risks and mitigating factors;

- helped ensure adequate resources are made available to the teams within UKGI working on the higher risk mandates;
- elevated key risks and the changing risk landscape to the relevant parties in order to help drive risk reducing actions;
- reviewed and approved the annual accounts with particular reference to the going concern statement;
- undertaken regular horizon scanning to consider emerging and developing risks;
- been engaged in shaping UKGI's risk management framework review to ensure arrangements are fit for purpose;
- reviewed UKGI's risk appetite and approach to risk;
- reviewed cyber security protocols in UKGI; and
- ensured UKGI appropriately mitigates the changing risk profile by managing and aligning the risk processes to UKGI's Assurance Map.

Looking forward to 2023-24, the key objectives for the ARC will be to continue providing guidance and support in the areas identified above, plus ensure UKGI appropriately mitigates the cyber security risk. The committee will continue to work closely with GIAA and the NAO, supported in particular by UKGI's finance and corporate services functions.

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

Jane Guyett

Chair of the Audit and Risk Committee

Activities of the Audit & Risk Committee

The ARC supports the Board and the Chief Executive as Accounting Officer on matters relating to risk, internal control and governance. The members of the ARC in 2022-23 were all non-executive directors of UKGI and are:

- Jane Guyett (Chair)
- Mahnaz Safa
- Andrew Duff

At least three meetings of the ARC are scheduled annually. Usually, the UKGI Chairman, Chief Executive, Risk Lead, Chief Financial Officer, General Counsel and Chief Operating Officer attend as observers.

Representatives from the external auditors, NAO, and internal auditors, the GIAA, are also invited.

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

- **Financial reporting** – responsibility for accounting policies, implementing and monitoring the maintenance of adequate accounting and other records, and reviewing the annual report and accounts;

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

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

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

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

The Chief Executive as Accounting Officer has confirmed to the ARC that there were no significant control issues in the year under review and that UKGI has an appropriate

and effective system of internal control and risk management framework.

Transactions Committee Report

Transactions Committee Chair's Foreword

This is my first report as Chair of the Transactions Committee, having succeeded Sir James Leigh-Pemberton in September 2022. I would like to extend my gratitude to James for steering the Committee with great skill, care and determination during his seven years as Chair, during which time he oversaw significant progress.

The role of the Transactions Committee is to oversee the stewardship, and preparation and execution of disposal strategies, of certain assets that the government has determined it has no policy reason to retain. The Transactions Committee currently provides oversight for the government's interests in NatWest and UK Asset Resolution Limited (UKAR). For the remaining assets in our portfolio, oversight is provided directly by the UKGI Board.

During 2022-23, UKGI has continued to make progress towards returning NatWest to private ownership. Following the successful off-market sale of shares directly to NatWest in March 2022, which achieved the landmark of reducing the government's shareholding to below 50%, the Transactions Committee recommended

the extension of the government's Trading Plan in NatWest shares by a further 12-month period. Since launch, the Trading Plan has delivered over £3.7bn for the taxpayer, and has helped reduce HMT's ownership further to around 42% as at 31 March 2023.

In addition, the Transactions Committee continued to oversee UKGI's stewardship responsibilities for NatWest throughout the year, supporting constructive engagement with NatWest on a range of topics. Key areas of focus included financial performance, remuneration, sustainability, purpose, values and culture, and technology and innovation. The Transactions Committee also made recommendations to HMT Ministers with regard to the government's shareholder responsibilities in line with the Financial Reporting Council's UK Stewardship Code, including voting at the Annual General Meeting.

The Transactions Committee also provides oversight of UKAR, the residual company whose purpose is to manage legacy liabilities, including warranties and indemnities from prior transactions and legacy employee liabilities, following completion of the sale of Bradford & Bingley and NRAM. UKAR has no employees, with the business administration outsourced to PwC. The Transactions Committee's involvement is now mainly centred on periodic governance requirements such as approving NED appointments, remuneration and other shareholder resolutions, and publication of the Annual Report. The Transactions Committee retained oversight

of UKAR’s ongoing wind-down progress, including the run-off of contingent liabilities, and reviewed UKGI’s work on bedding-in and optimising the governance arrangements with the outsourced provider PwC.

Vindi Banga

Chair of the Transactions Committee

Activities of the Transactions Committee

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

- Vindi Banga (Chair)
- Charles Donald
- Andrew Duff
- Jane Guyett
- Kalpana Desai
- Mahnaz Safa
- Holger Vieten

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

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

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

Contingent Liability Central Capability Committee Report

Contingent Liability Central Capability Chair's Foreword

The Contingent Liability Central Capability (CLCC) was set up as a new analytical and advisory unit in April 2021 to improve the management of contingent liabilities across government.

The CLCC Committee provides strategic oversight of the CLCC's activities and performance to provide assurance that the unit is delivering against its objectives. The Committee provides expert support and challenge to the CLCC on matters including the approach to provision of advice and reporting, team resourcing and skills, and the management of risks to UKGI from the unit's activities.

During the year the CLCC Committee has:

- Embedded the CLCC's remit, deliverables, objectives and KPIs in alignment with HM Treasury's policy objectives
- Endorsed the CLCC's cross-government data commission on contingent liabilities
- Provided advice on the CLCC's future reporting, including the unit's first annual report

- Reviewed key reporting products which have been shared across government and publicly
- Monitored the CLCC's progress and provided insight and challenge on its programme of work
- Ensured the CLCC's risks are appropriately identified and managed, including stakeholder management, technical, reputational and resourcing risks

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

Jane Guyett

Chair of the Contingent Liability Central Capability Committee

Activities of the Contingent Liability Central Capability Committee

The CLCC Committee's Chair is a Director of UKGI appointed by the UKGI Board. The Committee comprises two non-executive directors of UKGI, the Chief Executive of UKGI, the CLCC Director, and up to three external appointees.

The external members have a range of relevant experience which provides the Committee with a stronger knowledge base and allows for further depth of challenge. The current members of the Committee are:

- Jane Guyett (Chair)
- Charles Donald
- Siobhán Duffy
- Matt Gurden
- Jeremy Heap
- Anthony Odgers
- Andrew Ballheimer

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

meeting of the Board or as otherwise requested by the Board.

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

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

Remuneration Committee Report

The following report has been prepared in accordance with the Government Financial Reporting Manual.

Remuneration Chair's Foreword

UKGI's remuneration policy is required to have due regard to the wider civil service pay remit, and to the budgetary constraints imposed by the 2021 spending review settlement. UKGI also needs to attract and retain the best talent in the competitive market for specialist corporate finance skills. Balancing these requirements had been the key focus of the Committee in the year, and having considered staff turnover, the experience and qualification of new recruits, and the quality of UKGI's advisory work, the Committee remains satisfied that the remuneration framework remains fit for purpose, although it continues to monitor this carefully.

Mahnaz Safa

Chair of the Remuneration Committee

Activities of the Remuneration Committee

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

- Mahnaz Safa (Committee Chair, appointed 22 September 2022)
- Andrew Ballheimer (appointed 22 September 2022)
- Caroline Thomson (Committee Chair until 21 September 2022, resigned 11 February 2023)
- Robin Lawther (resigned 31 May 2022)

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

The purpose of the Remuneration *fee* is to:

- approve the Company's Remuneration Framework and Performance Related Pay (PRP) policy;

- approve the Remuneration and Performance related pay of the Chief Executive and UKGI director level staff; and
- recommend the approval of remuneration packages of the Chief Executive, his direct reports and UKGI director level staff to HM Treasury.

Remuneration Policy

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

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

UKGI operates a performance appraisal system through which performance is reviewed semi-annually.

Performance related pay is awarded in relation to performance linked to the annual staff appraisal and takes the form of a cash payment for those staff who have performed well in their roles.

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

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

Remuneration received including pension benefits (audited)

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

	Salary	PRP payments	Pension benefits	Total 2022-23	2021-22
	£'000	£'000	£'000	£'000	£'000
Andrew Ballheimer (from 22 September 2022)	15-20 FYE (30-35)			15-20 FYE (30-35)	N/a
Vindi Banga	50-55			50-55	20-25 FYE (40-45)
Kalpana Desai (from 22 September 2022)	15-20 FYE (30-35)			15-20 FYE 30-35	N/a
Charles Donald	220-225	35-40		260-265	250-255
Andrew Duff	35-40			35-40	35-40
Jitesh Gadhia	–			–	35-40
Jane Guyett	40-45			40-45	40-45
Clare Hollingsworth	–			–	20-25 (FYE 25-30)
Robin Lawther until 31 May 2022	5-10 FYE (40-45)			5-10 FYE (40-45)	40-45
Sir James Leigh-Pemberton (until 10 September 2022)	15-20 FYE (40-45)			15-20 FYE (40-45)	40-45
Mahnaz Safa (from 22 September 2022)	15-20 FYE (35-40)			15-20 FYE (35-40)	N/a
Robert Swannell	–			–	20-25 (FYE 50-55)
Caroline Thomson (until 11 February 2023)	25-30 FYE 30-35			25-30 FYE 30-35	30-35

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

Remuneration multiples and ratios (audited)

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

The Chief Executive is the highest paid member of the UKGI Board. The percentage change relating to salary and allowances, and performance pay from the previous financial year in respect of the highest paid director is 2% and 15% respectively. This was 2.9 times (2021-2022: 2.9 times) the median remuneration of the workforce which was £91k (2021-22 £85k).

The average percentage change relating to salary and allowances, and performance pay from the previous financial year in respect of the employees of the entity taken as a whole was 0% and (6%) respectively.

	25th percentile pay ratio		Median pay ratio		75th percentile pay ratio	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
Total remuneration	59,570	58,000	91,138	85,000	114,716	110,284
Salary	52,170	50,000	81,638	85,000	99,716	95,434
Ratio	4.4	4.3	2.9	2.9	2.3	2.3

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

Total employee remuneration ranged from £27k to £273k (2021-22 £28k to £267k).

Performance related payments (PRP) (audited)

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

	2022-23	2021-22
	£'000	£'000
Total performance related pay	1,276	1,306

Pension (audited)

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

Pensions schemes

Civil Service Pensions

For staff that TUPE'd into UKGI from the Civil Service, benefits are provided through the Civil Service pension arrangements.

From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13

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

Employee contributions are salary-related and range between 4.6% and 8.05% for members of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on

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

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age.

Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

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

Cash Equivalent Transfer Values

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

total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

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

UK Government Investments Limited Pension Scheme

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

Staff numbers and related costs (audited)

	Permanent and FTA staff	Staff seconded into UKGI	Total 2022-23	Total 2021-22
	£'000	£'000	£'000	£'000
Salaries (including PRP)	12,586	2,465	15,051	14,173
Social security	1,641	138	1,779	1,559
Other pension costs	879	283	1,162	1,165
Recoveries in respect of outward secondments	(340)	–	(340)	(383)
Total net costs	14,766	2,886	17,652	16,514
Staff numbers (including non-executive board members)	129	27	156	156

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

Exit payments (audited)

There were no exit payments made in 2022-23 (2021-22 none).

Male/female staff breakdown

	Male	Female
Non-executive board members	4	3
Staff	83	71
Total	87	74

Equal opportunities

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

Off-payroll engagement

There were no off-payroll engagements during 2022-23 (2021-22 none).

Employee Relations

UKGI recognises the following trade unions: Prospect, PCS and FDA. Staff are free to join the trade unions of their choice.

Learning and development

UKGI's learning and development policy aims to ensure that its staff have the right skills to meet its objectives. UKGI provides targeted training and support for

professional studies to enhance the skills base of its employees. All staff are required to undertake a minimum of 16 hours CPD per annum.

Staff sickness absence

The average working days lost to sick absence during 2022-23 was 1.54 days (2021-22 2.55 days).

Social, community and human rights issues

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

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

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

In preparing these Financial Statements, the Directors have:

- selected suitable accounting policies and then apply them consistently;
- made judgements and estimates on a reasonable basis;

- ensured the Financial Statements give a true and fair view of the state of affairs of the company and of the profit or loss of the company
- stated whether the applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepared the Financial Statements on a going-concern basis.

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

This report has been approved by the Board of Directors and is signed by the Chief Executive and Chairman on behalf of the Board of Directors.

The Principle Accounting Officer of HM Treasury has designated the Chief Executive as the Accounting Officer of UKGI. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for

safeguarding UKGI's assets, are set out in *Managing Public Money*, published by HM Treasury.

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

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

have been followed, and are in accordance with the Companies Act 2006; and

- to prepare the financial statements on a going concern basis.

The Directors' Report was approved by the Board of Directors on 14 July 2023 and was signed on its behalf by:

Charles Donald
Chief Executive

Vindi Banga
Chairman

UKGI Company Number 9774296

Independent Auditor's Report to the Members of UK Government Investments Limited and the Houses of Parliament

Opinion on financial statements

I have audited the financial statements of UK Government Investments Limited for the year ended 31 March 2023.

The financial statements comprise the UK Government Investments Limited'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 financial statements is applicable law and the UK adopted International Accounting Standards.

In my opinion the financial statements:

- give a true and fair view of the state of UK Government Investments Limited's affairs as at 31 March 2023 and its net operating expenditure after tax for the year then ended; and
- have been properly prepared in accordance with the UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on regularity

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

Basis for opinions

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion the part of the Remuneration Committee Report to be audited has been properly prepared in accordance with the Companies Act 2006 and the Government Financial Reporting Manual.

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

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

Matters on which I report by exception

In the light of the knowledge and understanding of UK Government Investments Limited and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report or the Directors' Report and Governance Statement.

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

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

Responsibilities of the directors for the financial statements

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

- 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 UK Government Investments Limited from whom the auditor determines it necessary to obtain audit evidence.
- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- ensuring such internal controls are in place as directors determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing the Annual Report, in accordance with the Companies Act 2006;
- preparing the Remuneration Committee Report, which is included in the Annual Report, in accordance with the Government Financial Reporting Manual; and
- assessing UK Government Investments Limited's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

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

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

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

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

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

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

- considered the nature of the sector, control environment and operational performance including the design of UK Government Investments Limited's accounting policies and performance incentives.
- inquired of management, UK Government Investments Limited's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating UK Government Investments Limited'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 UK Government Investments Limited's controls relating to UK Government Investments Limited's compliance with the Companies Act 2006 and Managing Public Money;

- inquired of management, UK Government Investments Limited's head of internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations; and
 - 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 UK Government Investments Limited for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of UK Government Investments Limited's framework of authority and other legal and regulatory frameworks in which UK Government Investments Limited 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 UK Government Investments Limited. The key laws and

regulations I considered in this context included Companies Act 2006, Managing Public Money, employment law and tax legislation.

Audit response to identified risk

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, 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; and
- 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 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 report.

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.

Stephen Young (Senior Statutory Auditor) 14 July 2023

For and on behalf of the

Comptroller and Auditor General (Statutory Auditor)

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Financial Statements

Financial Statements of UK Government Investments Limited

Statement of comprehensive net expenditure for the year ended 31 March 2023			
	Notes	2022-23	2021-22
		£'000	£'000
Staff costs	3	17,992	16,897
Operational costs	4	5,461	5,533
Total operating expenditure		23,453	22,430
Revenue	5	(5,189)	(1,441)
Net operating expenditure before financing		18,264	20,989
Finance income and expenditure	6	9	(9)
Net operating expenditure before tax		18,273	20,980
Taxation		–	(8)
Net operating expenditure after tax		18,273	20,972

The notes on pages 122-137 are an integral part of these financial statements. All activities are classified as continuing. There has been no other comprehensive income or expenditure in the current year.

Statement of financial position as at 31 March 2023			
	Notes	2022-23	2021-22
		£'000	£'000
Non current assets			
Property, plant and equipment	8	424	1,271
Total non current assets		424	1271
Current assets			
Cash and cash equivalents	9	889	1,538
Trade and other receivables	10	1,721	503
Total current assets		2,610	2,041
Total assets		3,034	3,312
Current liabilities			
Trade and other payables	11	(4,878)	(5,256)
Total current liabilities		(4,878)	(5,256)
Total assets less current liabilities		(1,844)	(1,944)
Non current liabilities			
Trade and payables due after one year	11	–	(1,073)
Total non current liabilities		–	(1,073)
Assets less liabilities		(1,844)	(3,017)
Taxpayers' equity			
General fund		1,844	3,017
Total taxpayers' equity		1,844	3,017

The notes on pages 122-137 are an integral part of these financial statements. These financial statements were approved by the Board of Directors on 14 July 2023 and were signed on its behalf by

Charles Donald
Chief Executive

UK Government Investments Limited company number
09774296

Statement of cash flows for the year ended 31 March 2023			
	Notes	2022-23 £'000	2021-22 £'000 Re- presented ¹
Cash flows from operating activities			
Net operating expenditure before financing		(18,264)	(20,989)
Depreciation		847	764
Decrease/(Increase) in trade and other receivables	10	(1,218)	275
(Decrease)/Increase in trade and other payables	11	(705)	261
Corporation tax		–	8
Net cash outflow from operating activities		(19,340)	(19,681)
Cash flows from investing activities			
Purchase of assets		–	(294)
Net cash inflow/(outflow) from investing activities		–	(294)
Cash flows from financing activities			
Grant-in-Aid from HM Treasury		19,446	21,500
Payment of interest and other finance expenditure	6	(9)	(14)
Repayment of lease liability		(746)	(389)
Net financing		18,691	21,097
Net increase/(decrease) in cash and cash equivalents in the period		(649)	1,122
Cash and cash equivalents at the beginning of the period		1,538	416
Cash and cash equivalents at the end of the period		889	1,538

The notes on pages 122-137 are an integral part of these financial statements.

- 1 The prior year statement of cash flows has been re-presented to better reflect the nature of transactions involved.

Statement of changes in taxpayers' equity for the year ended 31 March 2023

	General Reserve £'000
Balance at 1 April 2021	(3,545)
Grant-in-Aid from HM Treasury	21,500
Comprehensive expenditure for the year after tax and transfer	(20,972)
Balance at 31 March 2022	(3,017)
Grant-in-Aid from HM Treasury	19,446
Comprehensive expenditure for the year	(18,273)
Balance at 31 March 2023	(1,844)

The notes on pages 122-137 are an integral part of these financial statements.

Notes to the Financial Statements

1. Reporting Entity

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

2. Statement of Accounting Policies

The Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and, as appropriate, in relation to the financial statements and selected disclosures within the Annual Report only, the Government Financial Reporting Manual and other guidance issued by HM Treasury where the disclosure requirements of these go beyond the Companies Act 2006. The financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee interpretation.

(a) Accounting Convention

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

(b) Impact of new standards

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

(c) Going Concern

It has been considered appropriate to adopt a going concern basis for the preparation of these financial statements as UKGI has in place an agreed budget settlement with HM Treasury, comprising a commitment to financial year 2023-24. UKGI's status will be reviewed periodically. The going concern disclosures on page 56 of the Annual Report detail in full the basis on which the Directors consider it appropriate to prepare these Accounts on a going concern basis.

(d) Revenue

Revenue is recognised in the statement of comprehensive expenditure on an accruals basis. Fees charged to other government departments in relation to shareholder services are charged, received and recognised in the period to which the services relate to.

(e) Financing

The company is financed via Grant-in-Aid from HMT. The Grant-in-Aid is credited to the general fund in the year in which it is received. The total Grant-in-Aid received by the company from HMT in the financial year 2022-23 was £19.4m (2021-22 £21.5m).

(f) Pensions

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

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

(g) Employee benefits

The Company has accrued for the cost of the outstanding employee paid holiday entitlement. The accrual is based

on salary, employer's National Insurance contributions and pension contributions.

(h) Financial Instruments

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

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

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

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

i) Market risk

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

ii) Credit risk

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

iii) Liquidity risk

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

(i) Tax

Value Added Tax – input tax on purchases is partially recoverable, in proportion to the Company's taxable outputs. Irrecoverable tax is charged to the relevant expenditure category or included in the capitalised purchase of non-current assets. Where output VAT is charged, or input VAT is recoverable, amounts are stated net of VAT.

Corporation Tax – UKGI is liable to pay corporation tax where taxable income exceeds the costs associated with that income. Payment of £3k was made to HMRC in

relation to the period 01 April 2021 to 31 March 2022 (2020-21 £5.6k).

(j) Non-current assets and depreciation

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

Estimated useful economic lives of non-current assets

Asset type	Estimated Useful Life
Office furniture and fittings	Ten years
Leasehold improvements	The remaining period of the lease
Right-of-use-assets	The remaining period of the lease

(k) Leases

Leases are recognised and measured under IFRS 16. At the inception of each contract, the Company assesses whether the contract is, or contains a lease, where a lease is any arrangement which conveys the right to control an asset for a period of time in exchange for consideration. The Company recognises a right-of-use

asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost and is depreciated on a straight-line basis over the residual lease term. The lease liability is initially measured at the present value of remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, a rate determined by HM Treasury and based on government's incremental borrowing rate.

(I) Functional & Presentational Currency

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

(m) Estimates and Judgements

IFRS 15 requires that revenue is recognised as and when performance obligations have been satisfied. As described in note 2 (d) above, no judgement is required as to the satisfaction of these performance obligations as revenue is charged, received and recognised in the same period as the services performed.

3. Staff Costs

	2022-23	2021-22
	£'000	£'000
Salaries	12,586	11,508
Employer national insurance contributions	1,641	1,420
Pensions costs	879	862
Secondees	2,886	3,107
Total Costs	17,992	16,897

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

4. Operational Costs

	2022-23 £'000	2021-22 £'000
Office related costs	2,255	2,372
Professional services	2,051	1,729
Staff related costs including training, travel and expenses	309	673
Other operating expenditure	846	759
Total Costs	5,461	5,533

Professional services include audit fees payable to the National Audit Office of £54k plus VAT (2021-22 £33k), being £47k for work relating to 2022-23, and £7k for work relating to 2021-22. Other operating expenditure includes depreciation of £592k (2021-22 £542k) relating to the Company's leased office accommodation.

5. Revenue

	2022-23 £'000	2021-22 £'000
Staff costs recovery	340	383
Revenue from other government departments	4,600	–
Recharges and recoveries	249	1,058
Total	5,189	1,441

Revenue from other government departments relates to fees charged for the provision of shareholder services. Staff costs recovery represents income from the secondment of UKGI staff to other Government Departments and public bodies. Recharges and recoveries are the reimbursement of professional advice

related costs incurred by UKGI on behalf of UKGI's partner bodies, and fees charged for UKGI staff acting as NEDs.

6. Finance income and expenditure

Finance expenditure of £9k comprises of the interest portion of the lease liability only (2021-22 £14k). There was no gain or loss on reassessment of the lease term in 2022-23 (2021-22 gain of £23k) relating to the lease of the Company's office accommodation.

7. Directors' Emoluments

	2022-23 £'000	2021-22 £'000
Directors' emoluments	492	505
Total	492	505

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

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

Property, plant & equipment and Right-of Use Assets	Right-of-use assets £'000	Leasehold improvements £'000	Total £'000
At 1 April 2021	4,152	310	4,462
Additions	450	294	744
Remeasurements	(2,877)	–	(2,877)
At 31 March 2022	1,725	604	2,329
Depreciation			
At 1 April 2021	(294)	–	(294)
Depreciation charge for the year	(542)	(222)	(764)
At 31 March 2022	(836)	(222)	(1,058)
NBV at 31 March 2022	889	382	1,271
At 31 March 2022	1,725	604	2,329
Additions	–	–	–
At 31 March 2023	1,725	604	2,329
Depreciation			
At 31 March 2022	(836)	(222)	(1,058)
Depreciation charge for the year	(592)	(255)	(847)
At 31 March 2023	(1,428)	(477)	(1,905)
NBV at 31 March 2023	297	127	424

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

9. Cash and cash equivalents

	2022-23	2021-22
	£'000	£'000
Cash held with the Government Banking Service	889	1,538
Total	889	1,538

10. Receivables

Amounts falling due within one year	2022-23	2021-22
	£'000	£'000
Trade and other receivables	1,242	74
Prepayments and accrued income	479	348
Taxation	–	81
Total	1,721	503

Prepayments and accrued income include prepayments of £279k (2021-22 £114k) and accrued income of £200k (2021-22 £234k).

11. Payables

Amounts falling due within one year	2022-23	2021-22
	£'000	£'000
Trade & other payables	360	277
Accruals	3,999	3,735
Lease liability	302	748
Taxation and social security	217	496
Total	4,878	5,256

Amounts falling due after one year	2022-23	2021-22
	£'000	£'000
Other payables	–	773
Lease liability	–	300
Total	–	1,073

12. Commitments and Leases

The Company occupies office space within 1 Victoria Street, London. This is achieved by means of an agreement as set out within a Memorandum of Terms of Occupation between UKGI and the GPA. This covers the provision of accommodation. The lease agreement runs for a period of 11 years from 1 July 2020 to 30 June 2031. GPA exercised the option to terminate both leases at the lease break on 30 September 2023.

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

	Leases £'000
At 1 April 2021	3,887
Additions	450
Remeasurements	(2,900)
Accretion of interest	14
Payments	(403)
At 31 March 2022	1,048
Additions	-
Remeasurements	-
Accretion of interest	9
Payments	(755)
At 31 March 2023	302

Lease liabilities of £302k (2021-22 £579k) are repayable within one year.

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

The following amounts have been recognised in the Statement of Comprehensive Net Expenditure (SoCNE):

	2022-23 £'000	2021-22 £'000
Depreciation expense on right-of-use assets (note 8)	592	542
Interest expense on lease liabilities (note 11)	9	14
Gain on remeasurement of lease liability and right-of-use assets	-	(23)
Total amount recognised in SoCNE	601	533

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

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

13. Called up share capital

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

14. Related Party Transactions

UKGI is a wholly owned subsidiary of HM Treasury. HM Treasury is regarded as a related party. During the year, UKGI has had various material transactions with HM Treasury, with expenditure totalling £1,407k (2021-22 £1,656k), primarily in relation to the provision of secondees, recoveries for IT, finance and HR shared services, and receipts of £65k (2021-22 £73k) in respect of the outward secondment of staff by UKGI.

UKGI had material transactions with BEIS, incurring costs totalling £244k (2021-22: £337k), in relation to IT and office services and the provision of secondees by BEIS to UKGI, and receipts of £3,108k (2021-22 £263k), of which £2,800k (2021-22 £nil) related to income received for the provision of shareholder services. The remainder related to the outward secondment of staff by UKGI.

UKGI also received income related to the provision of Shareholder services of £1,000k (2021-22 £nil) from the Ministry of Defence, £400k (2021-22 £nil) from the Department for Transport, and £200k (2021-22 £nil) from each of the Department for International Trade and the Cabinet Office.

Besides the GPA disclosures made in note 12, UKGI also made material transactions with GPA, incurring costs totalling £1,646k (2021-22 £1,312k), primarily in relation to the provision of accommodation services.

No board member, key manager or other related party has undertaken any material transactions with UKGI during the year. Details about the board members' remuneration are included on page 90.

15. Contingent assets and liabilities

UKGI has no contingent assets. UKGI has entered into a series of industry standard indemnities with financial services firms as part of managing the disposal of HMG's shareholdings. The probability of any outflow of resources in relation to these indemnities is deemed to be remote. 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.

16. Ultimate controlling party

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

17. Dividends

UKGI has no intention of making a profit and does not intend to declare a dividend at any point. No dividend was declared or paid during the year (2021-22: Nil).

18. Events after the Reporting Period

There are no events after the reporting period which will have a material effect on the 2022-23 financial statements of UKGI. UKGI will be entering into a new lease at 100 Parliament Street on in the second quarter of 2023-24. The lease term is for 10 years with annual rental payments of £436k.

19. Losses and Special Payments

UKGI has no losses or special payments to be disclosed (2021-22 none).

20. Date authorised for issue

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

E02908036

ISBN: 978-1-5286-4251-4