

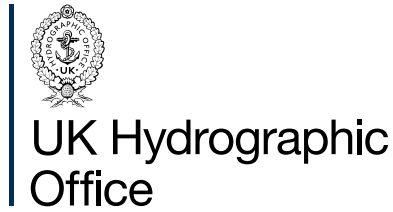


UK Hydrographic
Office



Supporting safe navigation

Annual Report and Accounts 2023/24



Annual Report and Accounts 2023/24

For the period 1 April 2023 to 31 March 2024

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

Ordered by the House of Commons to be printed on 24 July 2024



© Crown copyright 2024

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

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

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

Any enquiries regarding this publication should be sent to:



UK Hydrographic
Office

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

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

gov.uk/ukho

ISBN 978-1-5286-4796-0

E03105354 07/24

Printed on paper containing 75% recycled fibre content minimum

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

Contents

Overview

About us	2
Chair's foreword	8
Chief Executive's foreword	10
Strategic review	12
Sustainability report	22
Performance review	24
Corporate governance report	
UKHO Directors' report	28
Statement of Responsibilities of the Chief Executive as Accounting Officer	30
Governance Statement	31
Remuneration and staff report	38
Parliamentary accountability and audit report	46
The certificate and report of the Comptroller and Auditor General to the Houses of Parliament	47
Financial statements	
UKHO trading fund financial statements for the year ended 31 March 2024	50

About us

A beacon for quality, innovative maritime navigation solutions.

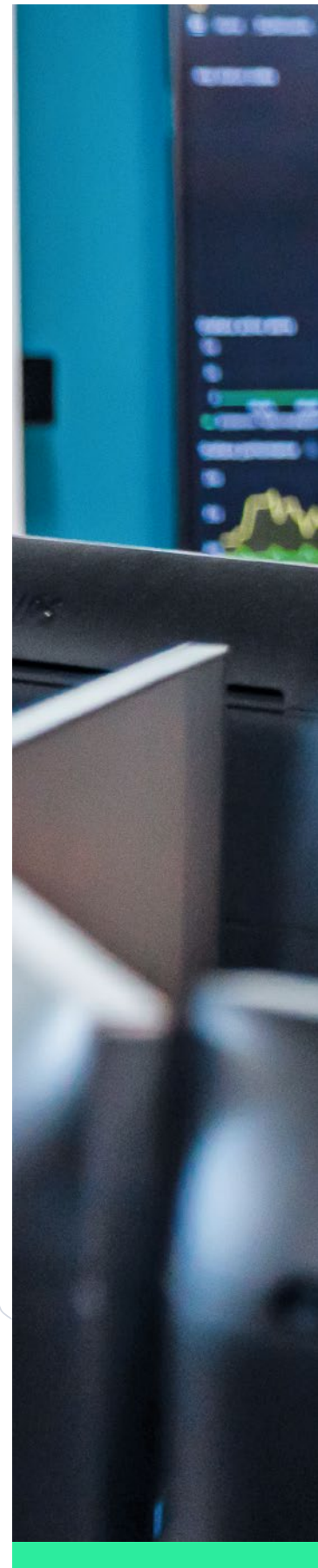
The UK Hydrographic Office (UKHO) is a world-leading centre for hydrography, delivering data and expertise for safe, secure and thriving oceans.

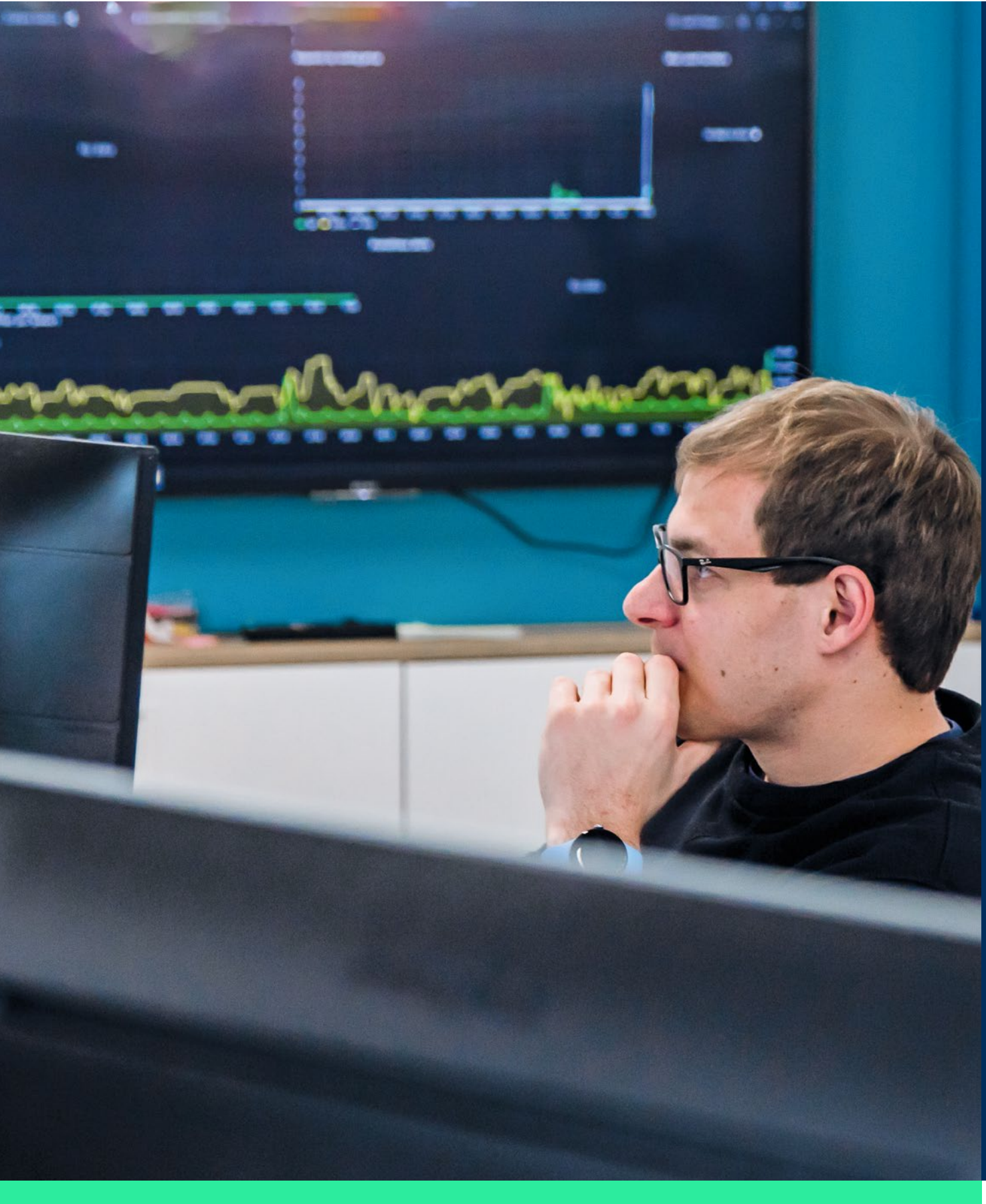
We deliver quality, innovative maritime navigation solutions, trusted by customers and partners worldwide. Over 90% of large ships trading internationally rely on our ADMIRALTY portfolio to support safe, efficient and compliant global trade.

Our experts, in partnership with a range of organisations worldwide, source, process and publish hydrographic and marine geospatial data from seabed to surface and beyond.

We represent the UK Government internationally as an authority on hydrography and bathymetry. As part of our Public Task, we fulfil the UK's Safety of Life at Sea (SOLAS) obligations, advise on policy matters and help to set and raise standards worldwide. This includes vital support to the Royal Navy and all UK defence vessels, from ships to submarines, which rely on our products, services and information for safe navigation and operations.

We are committed to promoting hydrography's role in addressing global challenges and ensuring the safe and responsible use of our oceans today and for generations to come.





Delivering safe maritime navigation...

For over 225 years, we have been delivering accurate and timely navigational information to support decision-making for safe, compliant and efficient maritime navigation. Today, over 90% of large ships trading internationally carry our ADMIRALTY portfolio and all UK defence vessels depend on our products and services for enhanced situational awareness. Discover how we are delivering safe navigation trusted by mariners worldwide.

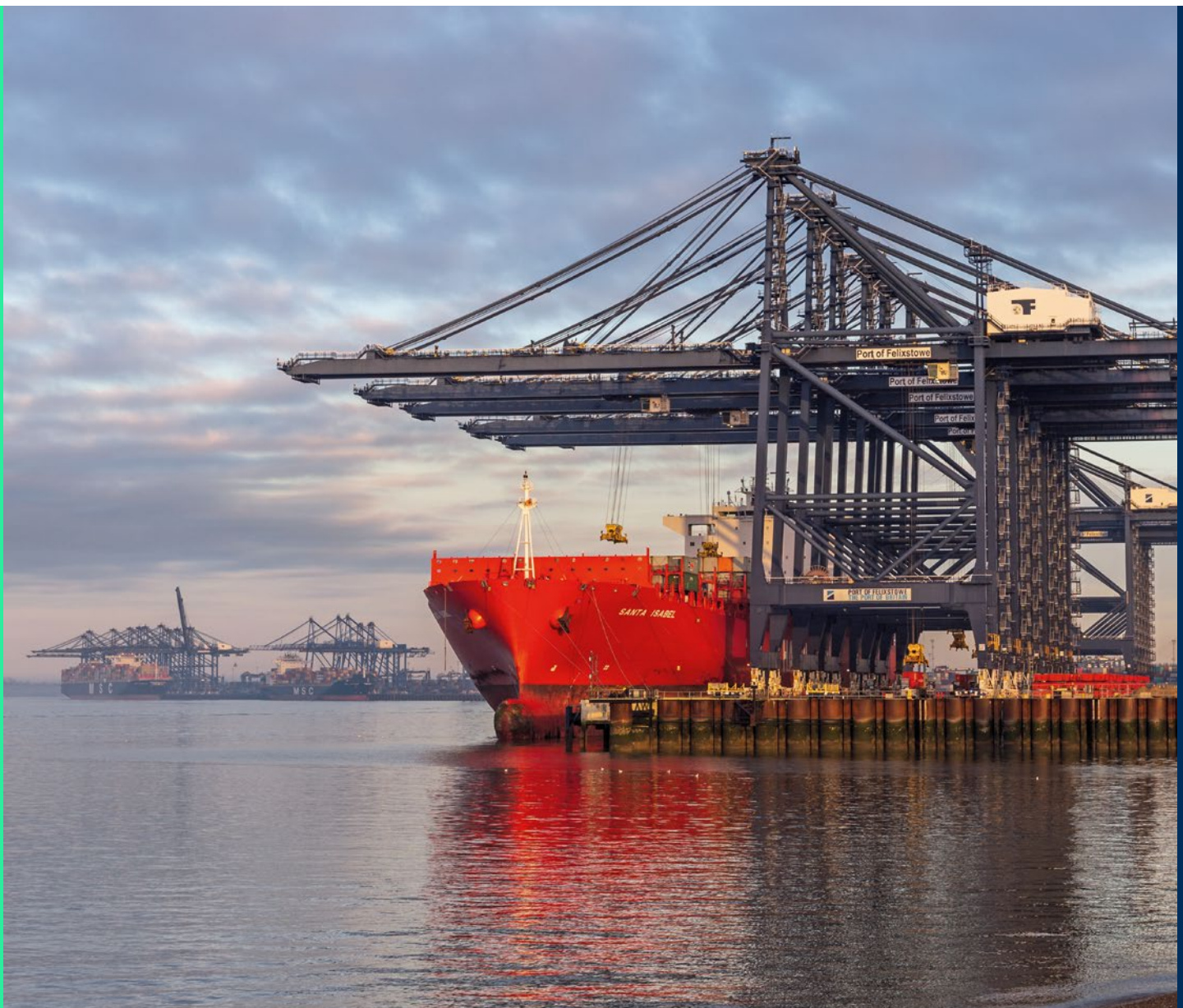
...by providing quality navigation solutions

Our ADMIRALTY products and services ensure compliance with the latest regulatory standards. Our comprehensive portfolio provides mariners with the insight to plan and carry out the most efficient voyages and port calls, helping to minimise costs and reduce carbon emissions.

> Find out more page 16:
Collaborating for the future

63

coastal states rely on us as the Primary Charting Authority



...by putting our customers first

As the maritime industry evolves, we know mariners' needs are evolving too. We are transforming our ways of working from organisational culture to processes and technology to best serve our customers' needs, ensuring we navigate the future together.

> Find out more on page 18:
Evolving our culture to deliver our vision

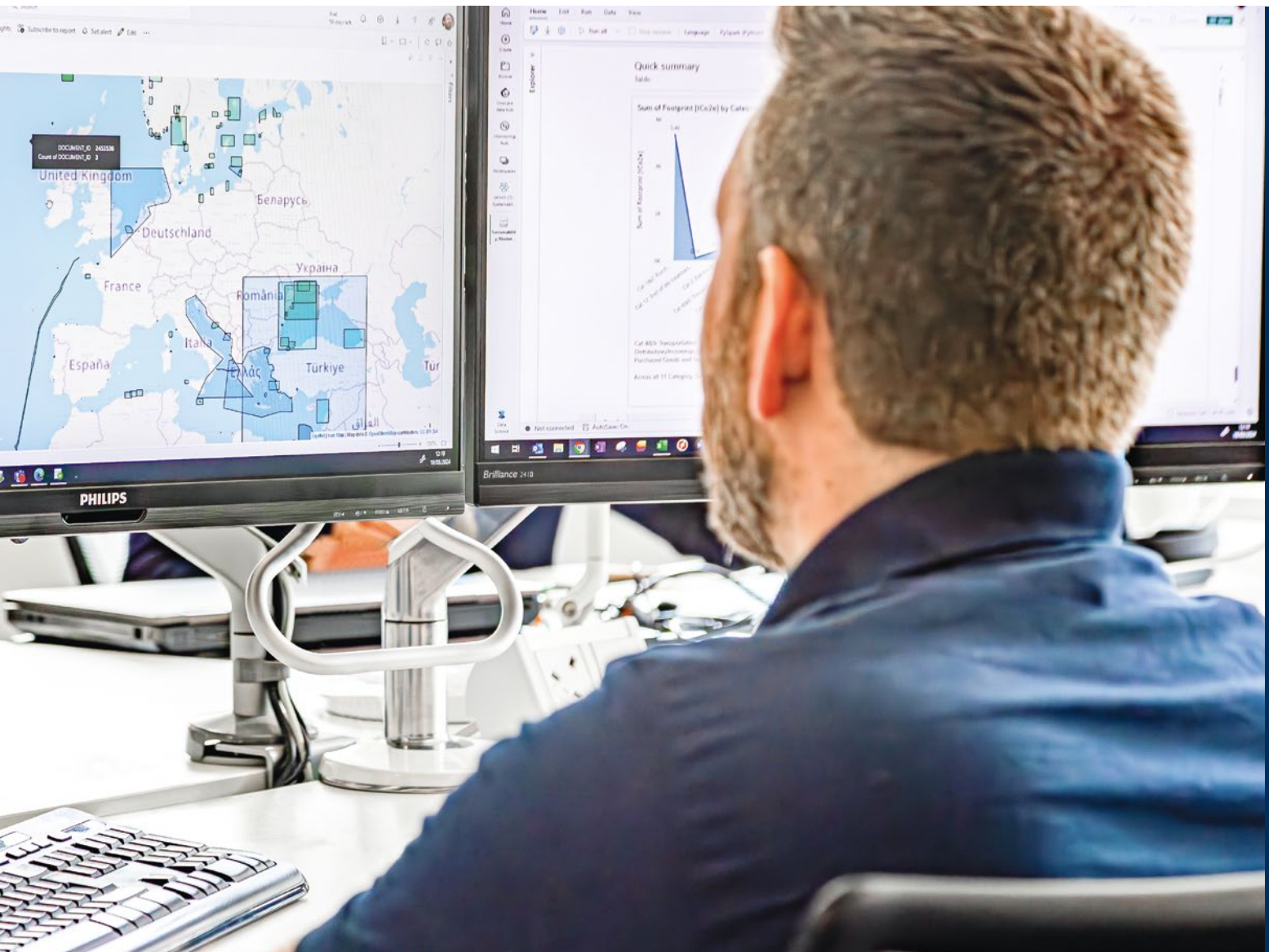
86%

of our customers feel the service they receive meets their needs

120+

international partners





...by championing innovation

Our experts work closely with partners across the maritime industry to help develop the navigational solutions of tomorrow. The next generation of ADMIRALTY products and services will deliver faster, more reliable, and more dynamic decision support to mariners worldwide.

> Find out more on page 14:
[Committing to advancing navigation technologies](#)

53tb

of bathymetric survey data
received and processed,
equivalent to streaming
900,000 hours of music

Chair's foreword

Championing the digital navigational solutions of the future

The UK Hydrographic Office (UKHO) is driven by three priorities: our core obligation to help ensure safety of life at sea, our support to the Ministry of Defence (MOD) and our pursuit of commercial success. To do all this within one business model might seem to require a degree of cognitive dissonance, especially as our work requires us to look in two directions at once.

Our critical service to defence and safety of life at sea means that we are rooted in consistency, continuity and reliability. We have a long legacy. At the same time, as a global organisation dealing daily with data science, digitalisation and artificial intelligence (AI), not to mention sustainability, we are grappling with powerful forces of change.

What is needed, in response, is systems thinking – to see the patterns and interrelationships in what we do. Accordingly, we have invested in our core technology, and are committed to maintaining legacy products, such as paper charts, to meet customer needs in the longer term. At the same time, we are championing the digital navigational solutions of the future, developing the products and subscription models that our customers increasingly demand.

This is not a binary or twin-track approach. Our navigational products are all connected by their dependence on data and our data science capabilities. Enabled and challenged by AI, and given our expertise in handling high-volume, high-velocity and highly variable data, we are creating new products and services to support our customers and stakeholders. Their needs are multiple and various, ranging from the local to the global, and from traditional navigation services to innovative, digital-based approaches to decarbonisation.

What supports all of this activity is our culture. Our people bring experience of defence, civil service and commercial cultures. We seek to draw on the best aspects of each and draw them together. Our goal must be to achieve the highest standards of transparency, psychological safety and inclusion. As an organisation whose primary purpose is to support safety and security at sea, this is a mission-critical issue for us.

Organisational culture and accountability have been two areas of particular focus for the Board. Our work on diversity, inclusion and belonging, undertaken in the last year, has challenged us to do more. The Board has welcomed Paul Boyle as Chair of the Audit and Risk Assurance Committee, replacing Alison Henwood who stepped down from the Board in July. Paul brings extensive financial experience, as well as expertise in governance and assurance activities. I thank Alison sincerely for her significant contribution to the Board and to the UKHO.



The UKHO is driven by three priorities: our core obligation to help ensure safety of life at sea, our support to the Ministry of Defence and our pursuit of commercial success.

Looking forward to 2024/25, a key task will be to welcome our next Chief Executive (CE). After four years as CE of the UKHO, Peter Sparkes is taking up a new leadership role at another mission-driven organisation that is all about safety of life at sea: the Royal National Lifeboat Institution. He has led the UKHO through its ambitious transformation programme and through periods of significant geopolitical turbulence, yet it continues to enjoy the trust of its customers and stakeholders, and remains poised to deliver on the next phase of its evolution.

Taking up the role of Chief Executive on an interim basis is Chief Customer Officer, Vanessa Blake. Vanessa joined the UKHO in July 2023, during which time she developed and implemented the customer strategy.

Vanessa specialises in growth strategy, change management and digital transformation, with a focus on end-to-end customer journey transformations. I am delighted that she has taken on this new role, and I know the Board will offer her our full support in this important and challenging period for the UKHO.

In turbulent times, it is worth stressing the significance of the UKHO's contribution to UK defence. Our navigational products are foundational to the successful operation of the Royal Navy. In the years ahead we will seek to maximise the value we provide to the MOD in the expanded range of digital products and services we offer.

Identifying and articulating the opportunities, and integrating our commercial business development with defence strategy and planning will be critical to the success of our ongoing transformation. Our core missions are neither singular nor multiple but interdependent, and systems thinking allows us to see that. I am confident that we have the commitment, confidence and capability to support both heritage and innovation, to change and to continue to deliver, building on everything the UKHO has achieved in over 225 years of excellence and expertise.



Marion Leslie
Non-Executive Chair



Given our expertise in handling high-volume, high-velocity and highly variable data, we are creating new products and services to support our customers and stakeholders.

Marion Leslie Non-Executive Chair

Chief Executive's foreword

A strong performance in a challenging year



I am encouraged by the steadfast determination that I have observed in the UKHO's people to responsibly do what is best for the organisation and our customers.

Peter Sparkes Chief Executive

In a most challenging year, characterised by regional conflicts, disrupted maritime supply chains, higher-than-forecast inflation, and increasing geopolitical uncertainty, the UKHO and its ADMIRALTY portfolio have performed well, and often above expectations. I am pleased to report that all our business Key Performance Measures (KPMs) have been achieved.

The forecast shift to Electronic Navigational Charts (ENCs) and the accelerating trend towards digital publications, away from paper Standard Nautical Charts (SNCs) and hard copy books, has continued. Overall revenue has exceeded £200m for the first time, although the higher-than-predicted increase in the volume of ENC sales has not offset the reduction in margin associated with a decline in SNC sales, which are now 10% lower year-on-year. Earnings before interest and tax (EBIT) was £8.8m and, benefiting from higher interest rates, £15.0m post-interest. This has enabled the payment of a £12.5m dividend to our owner, the Ministry of Defence, and the continuation of our vital public service at minimal cost to the taxpayer.

Our principal customer remains defence, and specifically the Royal Navy. Throughout the year, the UKHO's defence team has supported global maritime operations 'under, on and over the sea'. The team's impressive work includes support for NATO operations on the Northern Flank, coalition missions in the Red Sea and Gulf of Aden, and bilateral partnering and capacity-building operations in the Pacific.



Our people are invested deeply, professionally and personally in what they do, together, in public service, motivated to promote safe, secure and thriving oceans.

The UKHO has continued to invest in the transformation of the organisation and the development of the next generation of digital services. These include the S-100 suite of ENC standards, ADMIRALTY Digital Sailing Directions, and the highly innovative 'digital twin for port familiarisation'. Fundamental to transformation has been the determination of the 'as is' baseline position, the identification of the 'to be' architecture, and the development of transitional states and milestones during that process. This financial year has necessarily seen significant investment in the stabilisation of our technology estate to enhance the services and availability we provide to our customers today, whilst improving business resilience and security, assuring the availability of our ADMIRALTY portfolio to support safety of life at sea at an uncertain time.

Service availability has improved by 36% in the past year, but we readily acknowledge there is still more to do.

In shifting to a more service-based approach, the UKHO will become more customer focused which will greatly enhance the indispensable value we afford to the world's mariners and the global shipping industry.

The enforced delay to the proposed withdrawal of the SNC service, coupled with the growing demand for first-generation ENCs, and the mandate for all Electronic Chart Display Information Systems (ECDIS) to be capable of displaying S-100 on bridge fits from January 2029 onwards, will necessitate a mixed economy delivery model for at least the next ten years. This has become known colloquially within the hydrographic and maritime navigation sector as 'triple fuel' production. In parallel with this, the UKHO is working with technical and regulatory partners, and leading efforts in the International Hydrographic Organization to develop a credible Electronic Chart System solution that will enable legacy SNC users to move to a more dynamic and safer digital alternative. The UKHO will need to mitigate the associated increase in operational costs and the related forecast contraction in margin by generating physical media as a by-product of digital processes, and discovering additional revenue opportunities through new offers, such as voyage optimisation, improved tidal services, and the upselling of enhancements, such as digital twin for port familiarisation.

This financial year has seen further consolidation of our business-to-business distribution channel. We retain 100+ valued ADMIRALTY Distributors and Technical Solution Providers, with 80% of the UKHO's revenue now being generated by key, value-adding service integrators. We anticipate there will be further consolidation in the years ahead as the demand for physical media, such as paper charts and publications, falls and the delivery emphasis shifts further towards the incorporation of our assured ADMIRALTY digital services within our partner offerings to end-users. The UKHO is working closely with our channel to ensure that our ADMIRALTY portfolio, which enjoys unrivalled trust and confidence with 96% consumer satisfaction, remains a visible, tangible, and enduring tenet of that integrated digital offer both now and into the future.

To make the required shift to being a more agile and responsive 'digital-first' provider, we will need to continually adapt our processes, technology, and the skills of our people. Change can be challenging and it is often unsettling for both institutions and individuals. Nevertheless, as I prepare to leave the UKHO and reflect upon four years at the helm as Chief Executive and Accounting Officer, I am encouraged by the steadfast determination that I have observed in the UKHO's people to responsibly do what is best for the organisation and our customers. It has been my great privilege to lead this globally important organisation and its amazing people. They are invested deeply, professionally and personally in what they do, together, in public service, motivated to promote safe, secure and thriving oceans.

Peter Sparkes
Chief Executive (until 12 May 2024)

Strategic review

Supporting the nation's security and prosperity

We play an important role in supporting the UK Government's national defence and security policy. As a Defence Specialist Geospatial Centre, the UKHO is one of the four approved authorities providing authoritative, assured and compliant Geospatial Foundation Data, products and services to the Ministry of Defence.

The Royal Navy (RN) and all UK defence vessels, from ships to submarines, rely on the UKHO and our ADMIRALTY products and services for safer navigation. Working closely with maritime forces and global allies, our specialist teams provide bespoke solutions that enable the best possible view of the marine environment. This is essential to helping to maintain the protection and prosperity of our national infrastructure, international maritime trade routes and the world's oceans.

As the UK Government's centre for hydrography and seabed mapping, we are responsible for providing hydrographic products and services for safer navigation to support Safety of Life at Sea (SOLAS). We also work with other UK Government departments and agencies, harnessing greater value from UK marine geospatial data to advise on policy matters and inform policy-making in transport, trade, international aid, and environmental initiatives.

Autonomous capability and the UKHO Military Data team

As an island nation, the UK is vulnerable to maritime obstruction which can affect vital trade routes and the safe transportation of cargo. This could include the use of mines to prohibit the safe passage of commercial ships, either in shallow waters or in areas of maritime congestion, such as major ports, harbours and estuaries.

Mines can also exert a direct military presence, blocking sea areas and preventing surface and sub-surface maritime operations and manoeuvres. Supporting the Royal Navy's mine warfare capability, the UKHO delivers the products and services needed to enable defence maritime operations for the safety and security of UK waters.

The RN's mine warfare squadron aims to ensure peace and security on a global scale. It does so by seeking and destroying unexploded sea mines, operating either independently or as part of a multinational force to help maintain the safety and security of international shipping routes. To support this, the Military Data team at the UKHO provides specialist products and services, including the verification of seabed contact data collected using Mine Countermeasures Vessels (MCMVs). In time, the MCMVs will be replaced by autonomous mine warfare capability; the defence team at the UKHO is supporting its defence colleagues throughout this transition.

The development in technology and connectivity has fuelled the exploration into Maritime Autonomous Systems, supported by a £184 million investment by the Ministry of Defence into the joint maritime mine countermeasure programme with France. The RN is investing in the development and testing of uncrewed systems to enable this transition from traditional ship-based mine clearance to autonomous mine hunting, enabling the disposal of sea mines to be safer, more efficient and effective.

The use of uncrewed systems has significantly increased the volume and coverage of hydrographic and oceanographic data collection. Over the past 12 months, our Military Data team have witnessed a sharp increase in the volume of data being received. This is coupled with the increase in density of the information gathered by the uncrewed systems. Detailed, up-to-date seabed data, derived from route surveys of the seafloor, helps our Military Data team to identify changes such as newly laid mines or underwater explosive devices. This is especially important in areas where the seafloor is uneven with non-mine, mine-like bottom objects or in areas where the seabed alters due to natural disaster or conflict.



Detailed, up-to-date seabed data, derived from route surveys of the seafloor, helps our Military Data team to identify changes such as newly laid mines or underwater explosive devices.

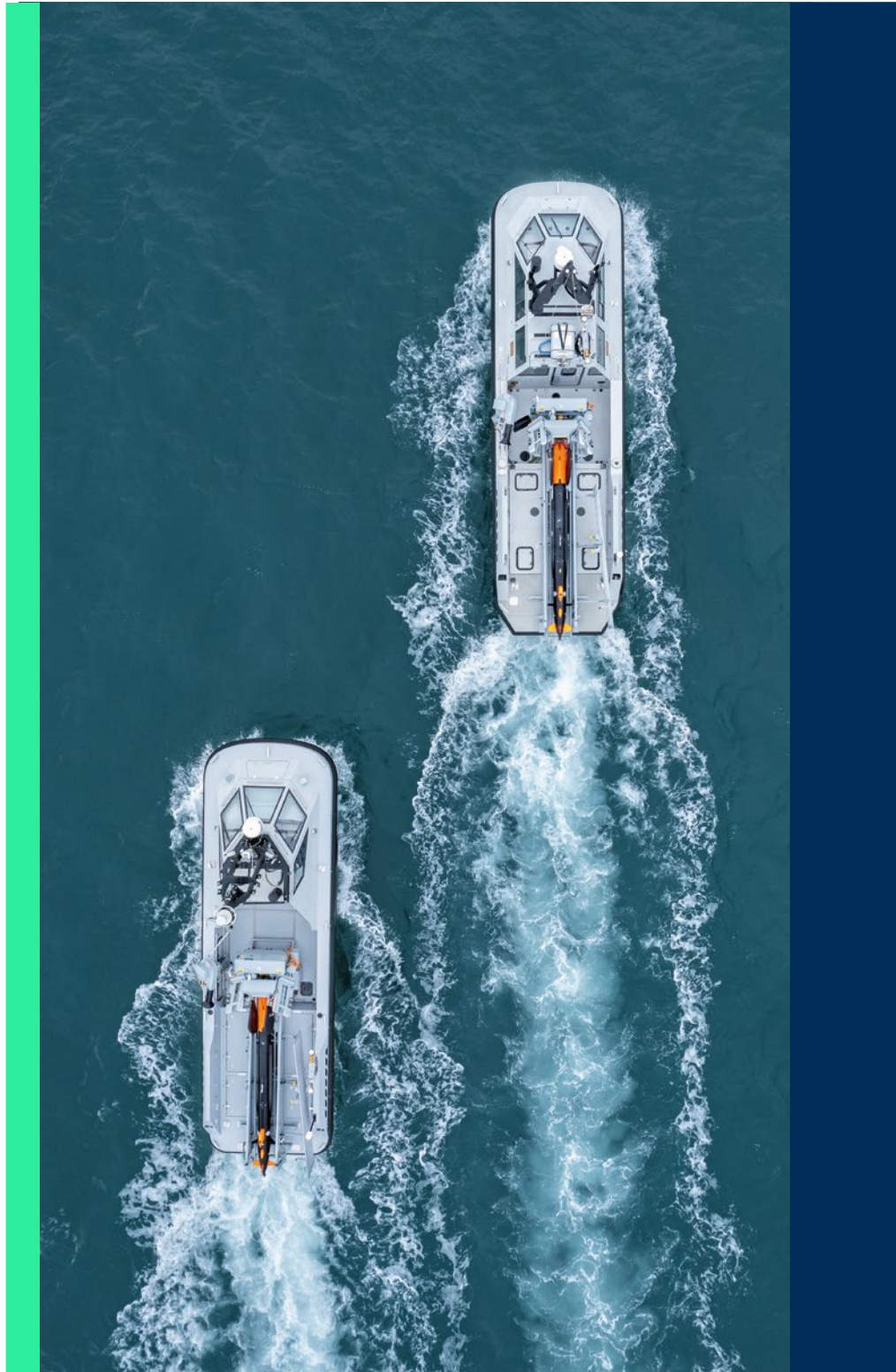
→ Find out more about our defence capabilities: <https://www.admiralty.co.uk/defence>



Supporting the Royal Navy warfare squadrons, the UKHO delivers the products and services needed to enable defence maritime operations for the safety and security of UK waters.

Working as an extension to the RN, our skilled military data experts ensure the data is processed, verified and delivered back to the RN, defence vessels and allied forces in a timely manner. Our experts maintain the high standard, reliability and usability of the information for safe navigation, situational awareness and operational planning. As the maritime data centre, the data collected is stored at the UKHO and the Military Data team maintains a close working relationship with the Mine Hunting Capability project team, ensuring that we are at the heart of ongoing discussions and developments.

Recognising the benefits of machine learning and artificial intelligence to allow efficient data processing, the team works alongside the Data Science team at the UKHO to develop Automated Target Recognition (ATR) for data processing and validation. Initially focused on mine warfare, the ATR will in time benefit wider UK defence in emerging programmes, ensuring that the best possible techniques are developed and deployed to protect our nation and prosperity on a global scale.



Strategic review continued

Committing to advancing navigation technologies

Our world-class team of experts compile, assess and verify hydrographic data, to ensure our ADMIRALTY products and services support decision-making for safe, compliant and efficient maritime navigation.

The relationships we hold with our commercial partners across the globe are integral to the way we deliver our ADMIRALTY portfolio. We sell our trusted products and services through a global network of official ADMIRALTY Distributors and Technical Solution Providers, who provide ADMIRALTY charts, publications and wider services to an international customer base. We also work closely with a wide range of technical partners, including Original Equipment Manufacturers (OEMs), to ensure we understand the needs and technical challenges of ECDIS users.

As we work towards delivering more innovative solutions, faster updates and more granular data, these relationships are invaluable in shaping future ADMIRALTY products and services so that they remain fit to support navigation today and for generations to come.



Through shared insights, we gained valuable perspectives on how we can address the challenges as well as seize the opportunities that exist within our market.

Navigating the maritime future together

In March, our Distributor Conference and Technical Partner Conference both convened in Singapore, marking significant milestones in our ongoing commitment to advancing navigation technologies and enhancing customer experiences. Unified in purpose, we are empowered to navigate the maritime future together.

At the Distributor Conference, we were privileged to welcome 102 delegates from 48 different organisations. Together, we delved into crucial topics, emphasising the importance of elevating the customer experience. Engaging discussions revolved around our strategic priorities for the future of navigation, encompassing the evolution of S-100 standards, next-generation navigation solutions and emerging technologies. Through shared insights, we gained valuable perspectives on how we can address the challenges as well as seize the opportunities that exist within our market.

Additionally, our second Technical Partner Conference brought together over 40 delegates from 20 organisations. A deep dive into the International Hydrographic Organization's S-100 standards and advancements in Electronic Chart Systems were central to our discussions.

A focal point was the UKHO's strategy to advocate for the adoption of S-100 compatible ECDIS, underpinned by a robust business case. Delegates actively contributed to shaping the marketing messages tailored to resonate with diverse stakeholder groups, highlighting the collaborative spirit that defines our community.



Delegates actively contributed to shaping the marketing messages tailored to resonate with diverse stakeholder groups, highlighting the collaborative spirit that defines our community.

The unveiling of the UKHO's S-100 roadmap marked a pivotal moment, outlining how we will bring new data services to market. Participants were unanimous in their support, affirming the significance of prioritising user-centric solutions in the comprehensive S-100 'stack' of products.

Discussions also focused on the requirement for rigorous trials and testing. Through these deliberations, we reaffirmed our commitment to ensuring the integrity and efficacy of evolving standards.

As we reflect on our conferences, we are energised by the collective dedication and insights shared. Armed with new-found clarity and a spirit of collaboration with all our valued partners, we are poised to chart a course and effectively navigate the maritime future together.



Find out how we are supporting innovation across the maritime industry:
<https://www.admiralty.co.uk/innovation>



Strategic review continued

Collaborating for the future

Collaboration is key as we continue to support the evolving needs of the maritime industry.

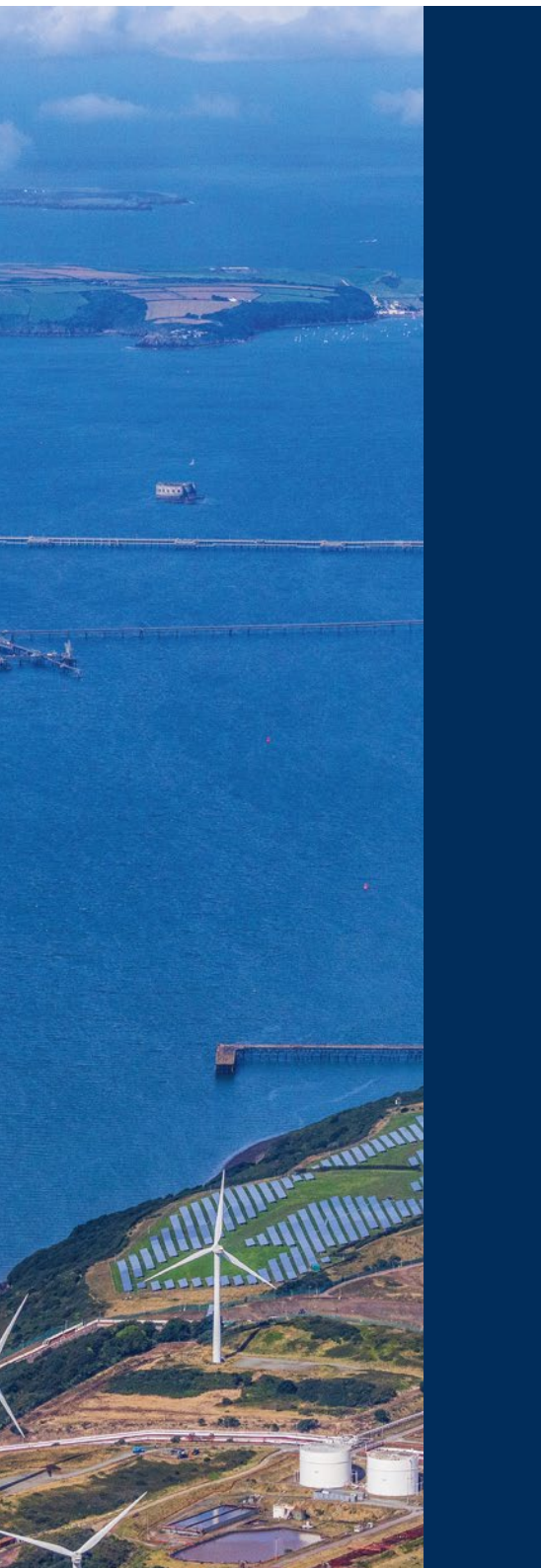
Whether we are finding new ways to help improve efficiencies or testing the next generation of navigational solutions, working together with our partners can help us gain further insight into the challenges our customers face, as well as identifying new opportunities for innovation.

We hold many valuable partnerships with organisations across the globe – from ports and data suppliers to other national hydrographic offices. By pooling together our collective expertise and insight, together we are working to support safe, efficient and compliant navigation.



Our ongoing partnerships with ports across the UK are vital in helping us to understand the requirements and challenges of coastal areas and waterways as we work towards the next generation of digital navigation products.





Supporting precision navigation

Situated on the coast of South Wales, the Port of Milford Haven serves as a busy shipping channel and a major energy port for the UK. With so many vessels making use of this historic waterway, supporting safe and efficient navigation is a complex but crucial task.

Despite being one of the deepest natural harbours in the world, navigating the waterway's narrow channels can be a challenge; in some areas, the channel width is reduced to under 200m and a vessel's under-keel clearance can be as little as 1m. For the large commercial vessels, oil tankers and liquefied natural gas (LNG) carriers that frequent the waterway, this often means that only one large vessel can move at a time. This requires deep-draught vessels to keep strictly on track with limited manoeuvrability, particularly in areas of high traffic.

To help mariners make safe passage with confidence and precision, the UKHO has been working closely with the Port of Milford Haven to provide more detailed navigational information through 'high-density' Electronic Navigational Charts (HD ENC's). These HD ENC's were developed using high-resolution bathymetric surveys, coordinated by the port, to provide detail-rich data on the seabed.



HD ENC's are contoured at one-metre intervals, enabling users to choose the most appropriate safety contour for the draught of their vessel to help them overcome these navigational complexities and navigate with greater precision.

HD ENC's are contoured at one-metre intervals, enabling users to choose the most appropriate safety contour for the draught of their vessel to help them overcome these navigational complexities and navigate with greater precision. These supplementary contours have helped mariners to overcome navigational 'pinch points', opening up more navigable space to enter and exit the waterway and enabling pilots to use parts of the channel that they would have been unable to in the past.

This work was made possible due to the ongoing collaboration between the UKHO and the Port of Milford Haven. Our ongoing partnerships with ports across the UK are vital in helping us to understand the requirements and challenges of coastal areas and waterways as we work towards the next generation of digital navigation products.



Find out how we work with ports and harbours:
<https://www.admiralty.co.uk/news/supporting-precision-navigation-milford-haven>

Strategic review continued

Evolving our culture to deliver our vision

To better meet the needs of our customers, we are evolving the way we work, developing a culture that puts the customer at the heart of everything we do.

Recognising the value of our people, we have been working collaboratively on evolving our culture. Creating a shared set of behaviours, connected to our values, is enabling us to define our expectations and ways of working, shaping our workplace culture and the environment our people experience every day.

These behaviours influence our customer interactions, service, productivity and overall reputation. They will also help us work towards our new corporate vision and support the delivery of our transformation programme, helping ensure our people are equipped with the behaviours, skills and technology to always put our customers first.



We are striving to achieve our strategy and vision to be the beacon for quality, innovative maritime navigation solutions, trusted by partners and customers worldwide.



Shaping a stronger, high-performing culture

Culture continues to be an important focus for us as we strive to continually deliver stronger customer experiences. Recently, we have worked across the whole organisation to redefine our future culture to achieve our new vision.

Working alongside our culture and performance consultants, our People team engaged with a range of stakeholders within the organisation. Using a variety of methods, they gathered comprehensive data and insight to understand our current strengths and development areas. This first phase of discovery and diagnostics included the facilitation of a series of culture labs, face-to-face meetings and events, providing the opportunity for individuals and teams across the business to openly share their views on our culture.

The Culture Programme Project team incorporated these results with the data from our recent diversity, inclusion and belonging audit; our Civil Service People Survey; and Investors in People and Institute of Customer Service surveys. This comprehensive approach ensured the team gathered enough information and insight to fully understand the current culture of our organisation, helping to inform and support opportunities on where we go next.

From the wealth of data collected, six key areas emerged, including clarity of vision and focus, customer centricity, trust and accountability, and psychological safety and belonging. The team paused before moving into phase two, 'co-creation of our future culture', as it was evident from insights gathered that there was an opportunity to develop a new corporate vision and understand how our culture and behaviours need to evolve to achieve it.

Working closely with our leadership teams and culture and performance consultants, the project team developed a new vision statement. This coincided with the development of our new corporate and business plans and provided the start to the culture blueprint and behaviours our organisation needs to successfully deliver our maritime products and services to customers.

Phase two, 'co-creation of our future culture', is underway, identifying and shaping the desired culture by prioritising the behaviours and ways of working. Our existing values of Together, Discovery, Excellence and Responsibility provide the foundations to this. We will prioritise the behaviours and ways of working that resonate with these values to ensure our people have the clarity, skills and tools needed to deliver positive customer experiences.

Looking ahead, the Culture Programme Project team will also take part in a culture roadmap session, seeking to understand the most effective and impactful way to launch and embed the new culture blueprint and framework within our organisation. This roadmap will bring together all existing business activities and initiatives connected to the culture workstream, and plan ahead the activities needed to bring the desired culture to life, exploring how it connects to and influences the employee experience.

This roadmap will provide the organisation with a clear view of what is included in phase three, 'activation and embedding'. Here, we will seek to create clear leadership expectations and understand how we can create an environment in which everyone has the capability, opportunity and motivation to demonstrate our priority behaviours. This will give the whole organisation the foresight on the activities and programmes that will activate the culture across the UKHO in a genuine and meaningful way.

As we continue on this journey, our people will play a pivotal role in collectively shaping a stronger, more high-performing culture in our organisation, striving to achieve our strategy and vision to be the beacon for quality, innovative maritime navigation solutions, trusted by partners and customers worldwide.



Putting the customer at the heart of everything we do.

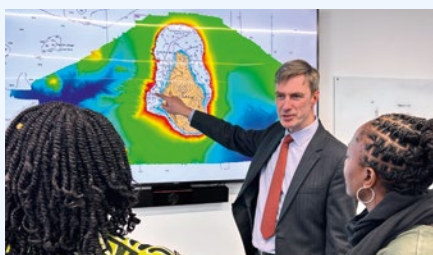


Learn more about the skills and expertise at the UKHO:
<https://www.admiralty.co.uk/ukho/careers/life-ukho>

Strategic review continued

Charting a sustainable future

We are playing our part in building a better future for our people, the natural world and our communities across the globe.



Developing hydrographic understanding

The good governance of our oceans and the sustainable use of sea resources are of great importance to the UK and its Overseas Territories and Crown Dependencies, which together are custodians of the fifth-largest marine estate in the world. The UKHO hosted 22 delegates of the Overseas Territories Seabed Mapping Programme (OTSMP) for a week-long workshop in the UK on hydrographic data governance. Covering a range of topics, the workshop facilitated collaboration on the importance of hydrographic data to support safe navigation and sustainable management of the marine environment.

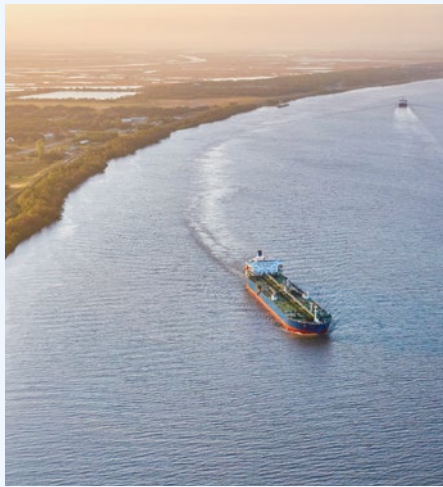


Monitoring climate change and extreme weather events

Working with representatives of the Anguilla Maritime Administration and Shipping Register, experts at the UKHO facilitated the procurement and installation of a Marine Environmental Monitoring Station (MEMS). The MEMS will record real-time vertical movement of the sea level and meteorological data to support marine operations. Linked to the UNESCO sea level station monitoring network, the MEMS data provides the scientific community with the information needed to inform the management of transnational challenges, such as climate change and extreme weather events.

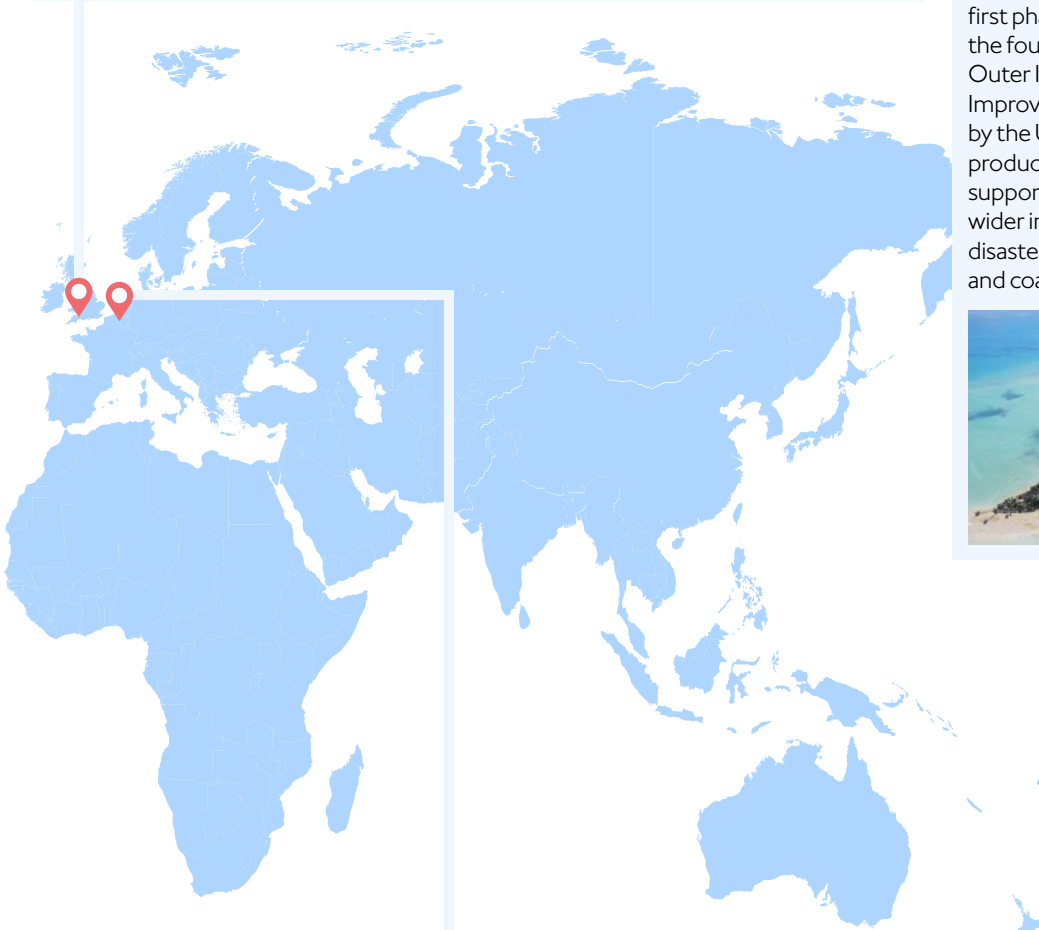
Our roadmap towards a more sustainable maritime future

Last year we launched our Sustainability Roadmap which sets out a three-year pathway to reduce our negative environmental impact, support communities we interact with and expand our influence in developing a more sustainable maritime industry. It sets our goals as an organisation to reduce our environmental impact through an ambitious, science-based commitment to Net Zero by 2050, by reducing, offsetting and insetting our emissions to carbon neutrality from 2030.



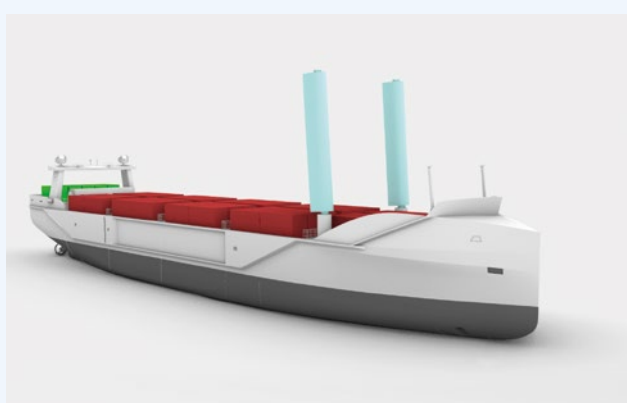
Data collection to inform maritime decision-making

The UKHO acts as the Primary Charting Authority for one of the smallest and most geographically dispersed countries in the world, Kiribati. Using airborne and vessel-based bathymetric surveys, our specialist teams managed the first phase of data collection across the four islands, as part of the Kiribati Outer Island Transport Infrastructure Improvement Project. Once validated by the UKHO, the data will be used to produce new navigational charts and support the Kiribati Government with wider initiatives on climate change, disaster management and planning and coastal zone management.



Sustainable benefits of Maritime Autonomous Surface Ship navigation

ZULU MASS, an uncrewed, zero-emissions container ship, aims to navigate the world's busiest shipping lane by 2026. Initially sailing between the Scheldt estuary and the Thames estuary, the autonomous freight transport will use the UKHO's next-generation ADMIRALTY S-100 digital products to optimise the ship's voyages. Our team will provide S-102 bathymetry and S-104 and S-111 tidal levels and currents information. This project aligns with the aims of the Clydebank Declaration and the recent UK, Danish, and Belgian governmental Memorandum of Understanding on international cooperation in Maritime Autonomous Surface Ship (MASS) operations and initiatives such as green shipping corridors.



Sustainability report

Task Force on Climate Related Financial Disclosures (TCFD) Compliance Statement

The UKHO has reported on climate-related financial disclosures consistent with HM Treasury's TCFD-aligned disclosure application guidance, which interprets and adapts the framework for the UK public sector, in line with the implementation timetable. The UKHO has complied with all the TCFD recommendations for Phase 1 disclosures around Governance, either as part of this disclosure or elsewhere within the Annual Report and Accounts. The UKHO will continue to do so next year, building in strategy and risk management in future periods, in line with the central government implementation timetable.

The Board receives regular updates on the progress of the UKHO Sustainability Roadmap as part of the Performance and Risk Report. The materiality assessment of the UKHO climate risk is reviewed quarterly by the Head of Sustainability and Director of Finance and Corporate Services and remains low. Risk management is a fundamental focus of the Board and the Executive Leadership Team. How risks are managed at the UKHO is explained within the Risk Management section of the Governance Statement on pages 32 and 33.

Management assesses climate-related risks and opportunities in each of the three Sustainability Roadmap pillars, e.g in the last year the Executive Committee reviewed Net Zero plans to increase use of renewables on site, and policies incorporating an environmentally driven travel hierarchy. The Head of Sustainability is establishing a Climate Task Group and an Environmental Management System group to assess climate related risks, opportunities, processes, and reporting. The Heads of Strategic Business Intelligence and Sustainability scan for and regularly raise climate related issues with the Executive Committee and Board. Sustainability is part of our procurement process, and we are enhancing scope 3 reporting from our major suppliers.

Executive summary

We are constantly evolving and adapting to meet the changing needs of our customers, stakeholders and society. Sustainability is integral to this journey and to the activities we undertake as an organisation.

Our environmental, social and governance (ESG) performance are summarised in this report. Last year, we released the UKHO Sustainability Roadmap, which provides greater detail on our approach.

Our sustainability strategy has several key outcomes: protection and enhancement of the environment, enabling self-sustainability and energy security at our main site, and delivering value to our communities and ensuring that we are responsible for the design and delivery of our products and services.

Last year, we developed a Net Zero implementation plan to achieve carbon neutrality by 2030 and Net Zero by 2050. The plan has helped us to understand our carbon footprint and plan and design interventions.

We are evolving our capabilities to communicate sustainability within our organisation and across our boundaries of influence. This is reflected in new collaborations and opportunities that help people and the planet.

We are also working to deliver against the Greening Government Commitments (GGC). The GGC comprises a set of actions that UK Government departments and partner organisations will take to improve the environmental impact of the government estate and its operations. Our progress against the GGC 2021–25 framework is set out in our sustainability report.

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

As a world-leading hydrographic office, we are committed to embedding sustainable practices in all areas of our future operations, seeking to ensure the long-term viability of our business and the maritime industry. Through collaborative efforts, we are charting the path towards a more sustainable and resilient ocean for all.

Introduction

We have developed our first Sustainability Strategy, we footprinted the organisation's Greenhouse Gas (GHG) emissions and published our commitment to be Net Zero by 2050. The UKHO Sustainability Roadmap was included in this. The roadmap identified the decarbonisation of our HQ site in Taunton as a key lever. The site alone accounted for over 15% of total organisation emissions in 2023.

GHG emissions

Total emissions

	2023/24 tCO ₂ e	2022/23 tCO ₂ e	2017/18 tCO ₂ e
Scopes 1 and 2 (energy)			
Fugitive emissions	37	37	36
Electricity	421	422	1,354
Gas	132	125	644
Total for scopes 1 and 2	590	584	2,034
Scope 3 (business travel)	1,589	1,040	1,011
Total for Scopes 1, 2 and 3b (business travel)	2,179	1,624	3,045
	£k	£k	£k
Expenditure on official travel	1,305	977	—
Expenditure on energy	469	403	546
Total expenditure on energy and travel	1,774	1,380	546
	'000 km	'000 km	'000 km
Distance travelled by international flights	5,601	3,900	—

Commentary

Our footprint has increased in 2023/24 when compared to the previous year, driven by an increase in business as we engage with our stakeholders following a period of no/low travel during COVID.

We have revised our travel policy, aiming to significantly reduce our international travel emissions in future years. We are supporting an IHO working group to prioritise virtual over face-to-face meetings.

Waste

	2023/24 tonnes	2022/23 tonnes	2017/18 tonnes
Incinerated	22	19	128
Landfill	0	0	54
Reused/recycled	15	8	1
Food waste	3	3	
	40	30	183
	2023/24 tCO ₂ e	2022/23 tCO ₂ e	
Water (wastewater treatment)	0.69	0.93	

Commentary

Our waste levels have increased from 2022/23. This can be attributed to a further increase in the number of employees returning to our offices.

Despite challenges, we are committed to reducing waste across our estate and will continue to explore opportunities to promote a circular economy, prompting us to take a lifecycle perspective in considering how we can better reduce, reuse and recycle our waste.

Water

	2023/24 m ³	2022/23 m ³	2017/18 m ³
Water consumption	3,416	3,351	18,339
	£k	£k	£k
Water supply costs	8	7	73

Commentary

Increased office attendance has driven a 2% rise in our water consumption. As part of our ongoing site strategy, we will be reducing our water consumption and harvesting rainwater.

Energy

	2023/24 MkWh	2022/23 MkWh	2017/18 MkWh
Energy consumption			
Electricity	2.03	1.99	4.70
Gas	0.72	0.69	3.00
Total energy consumption	2.75	2.68	7.70
	£k	£k	£k
Energy supply costs	469	403	546

Commentary

A minor increase in energy consumption is attributed to weather fluctuations and increased office attendance. In line with our Net Zero implementation, we are currently implementing a site-wide solar strategy to drive down our emissions while increasing our capacity for generating renewable energy.

We are in phase one of our Net Zero implementation plan and are moving quickly to embrace smarter technologies that will decrease our energy demands, enhance energy efficiency, and continue to swiftly decrease our emissions across site.

Sustainable procurement

In 2023, a letter of intention was sent to all UKHO suppliers communicating the steps we will be taking to decarbonise our supply chain. We will send suppliers a 'readiness questionnaire' to better understand their challenges and enable co-development of solutions for decarbonisation. These activities will help to drive down our own emissions and collectively achieve better transparency, traceability, and greater levels of responsibility within the procurement and delivery of our products and services.

Information and communications technology

As we continue to digitalise our product base and digitally transform our organisation, it is important that we ensure our ICT systems are managed responsibly. We are formulating a strategy guided by the Greening Government: ICT and Digital Services Strategy aligned with the MOD's core principles, reduce our environmental footprint, use digital to adapt and evolve, and deliver responsible and assured procurement.

Adapting to climate change

We are developing our understanding of climate change aspects and impacts related to our organisation and communities. Our environmental management system board oversees the continual improvement, protection, and commitment to improving the environmental aspects and impacts on site. We have conducted a materiality analysis of our climate risks and shall be building on this work to ensure that our climate adaptation and mitigation plans align with our Sustainability Roadmap, and corporate and business plans.

Nature recovery

We recognise the importance of harnessing our resources to create a sustainable and self-sufficient ecosystem that supports both the environment and the community. Our current work with Somerset Wildlife Trust is enabling us to better understand our site ecology and protected habitats. This collaboration has also allowed us to formulate a plan for achieving the Biodiversity Benchmark award, which is the standard that certifies and celebrates the management of business landholdings for nature and wildlife.

Social value

Our deep commitment to engage our community has placed emphasis on collaboration and participation.

- › The ADMIRALTY Library (Portsmouth) has housed our 3,000+ collection of copper plates for the past decade. These are in the process of being returned to the UKHO. They represent 250 years of UKHO printing and are the largest collection of engraved printing plates in the world.
- › We are in partnership with the Museum of Somerset. Last August we undertook an exhibition on the 'Snail and the Whale', introducing children to hydrography and the oceans. We met with 6,222 visitors in three days. We will continue to support similar initiatives in the future.
- › We are working with the Science Museum and its new facilities in Wroughton where a series of our historic instruments are safely housed in the sustainable collection's storage facility, the National Collections Centre.

Performance review

Financial review

As lower margin digital projects dominate our revenues, gross profit in 2023/24 rose by only £4.0m (+3.8%) to £108.3m despite revenues increasing by £13.2m (+7.0%) to £202.3m (2022/23: £189.1m). Digital navigational products now account for 89% of our navigation product turnover (2022/23: 86%).

At the same time, we have seen our operating expenses increase by £15.8m (+18.8%), driven by a 23% increase in staff costs as we increase staff numbers to support our ambitious transformation plans (+13.6%). This is at a time when staff costs are increasing, driven by wage inflation and a greater reliance on high-cost contractors as we struggle to recruit skills in shortage technology areas, together with a £3.8m (+43%) increase in our transformational activities.

The result is a planned drop in our profit from ordinary activities before interest of £11.1m (-56%) to £8.8m (2022/23: £20.0m).

We are planning a significant transformation plan for our business, investing in programmes to simplify and modernise our technology estate, and improve how we work together. Implementing new ways of working enabled by modern technologies which will improve our service for customers and drive significant efficiencies in how we deliver. This significant self-funded investment programme will result in some years of single-digit profitability before returning to healthy profitability for the long term and allow UKHO to take advantage of

opportunities in a more agile way in the future. We continue to define this work and maximise the benefits it will deliver.

Net profits have benefited from high interest earnings of £6.2m due to the current high interest rates, and finished at £15.0m (2022/23: £22.0m).

While our three-year average Return on Capital Employed remains ahead of our target of 9%, for the first time in 24 years our in-year ROCE has fallen under 9% at 6.6%. We see this continuing for a further three years during the transformation years.

We have declared an ordinary dividend of £12.5m (2022/23: £12.5m) to our sole shareholder, the MOD.

We generated £6.9m (2022/23: £36.7m) of cash from operating activities which, after investing activity spend of £1.4m and the dividend payment of £12.5m, left a net reduction in cash at year-end of £4.2m.

Revenue (£m)



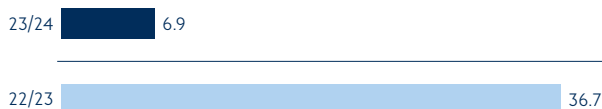
Cost of sales (£m)



Gross profit (£m)



Cash generated from operating activities (£m)



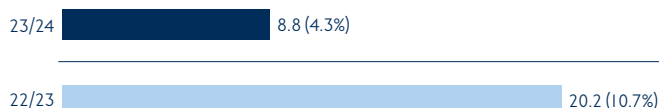
Staff costs (£m)



Other costs (£m)








Operating profit (£m)



Delivery against the Corporate Plan

Our corporate planning process is designed to maximise opportunities and mitigate the risks and uncertainties identified. We set Key Performance Measures (KPMs) that are agreed with our Owner, the MOD. Together these represent achievement of our overall Corporate Plan. In 2023/24, our performance against these measures was:

	Key Performance Measure	Achievement
1. Defence	Achieve each of five elements of a composite index measuring the quality and timeliness of deliverables of the defence programme.	 Achieved
2. Safety	External audit to show that our safety management systems are operating satisfactorily or better.	 Achieved
3. Financial return	Achieve an average 9% ROCE over the last three years.	 Exceeded
4. Profitability	Target net profit £11m. Achieved £15m (2022/23: £22.0m).	 Exceeded
5. Strategic plan	To achieve at least seven of ten strategic programme deliverables. We achieved seven.	 Met

Principal risks and uncertainties that we considered during 2023/24

Risk	Category	Impact	Mitigation of risk
Strategic Risks			
There is a risk that the UKHO will lose market share in its core market due to consolidation and/or disintermediation by existing players or competition from a new entrant.	External drivers	Financial	Disintermediation wargaming. Strategic business intelligence function.
There is a risk that we are unable to recover quickly enough from a significant critical business event (e.g. cyber attack, 'black swan' event) due to a lack of business continuity measures, resulting in a risk to the existence of our business, financial loss and/or significant reputational damage.	External drivers	Financial Reputational	Crisis leadership cyber exercises. Contract third party to provide back-up permit service. Stabilisation activity, e.g. expandable, cloud-based capability.
There is a risk the UKHO causes or contributes to a maritime accident due to a safety error or delay in our products or services, resulting in loss of life, environmental impact or damage to property/service.	Get the basics right	Financial, Health, Safety and Environment	Improve safety culture. Effective risk-based safety targets and monitoring. Enable PCA surveying in high-risk countries. Reduce the operational backlog.
There is a risk the transformation portfolio will not deliver the tangible benefits required, due to primarily focusing on reducing technical risk, protecting current revenue streams and failure to deliver at the speed required, resulting in an inability to deliver the required profitability.	Internal transformation	Financial	Dynamically prioritised transformation portfolio. Deliver target enterprise architecture. Deliver operating model – customer-centric, digital first, organisationally optimised (affordable) UKHO.
Corporate risks			
There is a risk our data supply model undermines our strategy because our relationship with data suppliers is not optimised to deliver our future digital portfolio (Data supply arrangements and Data quality), resulting in an inability to sustainably adapt/improve our service, resulting in loss of business.	External drivers	Capability and Financial	Transition our UKHO/Foreign Hydrographic Office relationships to support our Future of Navigation programme ambitions. Define 'good quality data' in the right format to enable automated processing. Broaden data sources (e.g. crowdsourcing) and analysis (e.g. open-source machine learning).
There is a risk we are not able to recruit and retain people with the skills required, due to a buoyant employment market and pay constraints resulting in an inability to deliver corporate objectives.	External drivers	Capability	Strategic Workforce Plans. Targeted pay actions to address specific skills sets that command a premium in the market.
There is a risk that the UKHO is exposed to unforeseen critical events as a result of poor behaviours and psychological safety, lack of trust and clear accountabilities of staff and leaders resulting in reputational damage, SOLAS incidents and health and wellbeing of our people.	Internal transformation	Capability and Financial	Strategic Workforce Plans. Leadership management development. Empowerment. Psychological safety programmes.

Risk	Category	Impact	Mitigation of risk
There is a risk UKHO is entering a period of instability in terms of priorities, focus and direction due to high levels of interim roles, short term length of service and lack of succession planning into ELT, resulting in negative impact on adoption and delivery of our corporate plan vision, employee morale and impact on outputs and capability.	Internal transformation	Capability and Financial	Focus on succession planning for senior leaders. ELT engagement strategy to ensure cross-organisation engagement to support a 'unified voice' on key strategic themes and messages. Develop senior leaders to play a more active role in operational delivery enabling ELT to focus on strategic delivery. Development of leadership behaviours framework in line with values and vision.
There is a risk we fail to prevent cyber attack/data breach by an internal/external threat actor either maliciously or accidentally, due to vulnerabilities and a lack of stability in our systems, resulting in reputational damage and/or financial loss/fines.	Get the basics right	Capability, Reputational and Financial	Maintain internal and external assurance activities (including ISO 27001 and MOD Cyber Compliance Framework audits). Continue to invest in robust security infrastructure. Stabilisation of priority applications to reduce vulnerability.
There is a risk we fail to deliver Defence and/or SOLAS services, due to a lack of maintenance in our estate (e.g. physical environment, buildings), resulting in an adverse impact on our reputation and outputs which may have financial implications.	Get the basics right	Capability, Reputational and Financial	Complete lessons-learned activities. Site strategy.
There is a risk we fail to stabilise our existing digital services, due to lack of timely maintenance/investment in our technology and people, resulting in loss of confidence from our customers, potentially leading to financial and reputational damage.	Get the basics right	Capability, Reputational and Financial	Resourced Stabilisation Plan to lay foundations for future transformation and to underpin our technology estate. Tech stabilisation of critical services (e.g., AVCS). Migrate services to the cloud and simplify the technology estate.
There is a risk customers/data suppliers' expectations with regard to the currency and accuracy of our products are not met, causing them to have unanticipated risk with regard to compliance, undermining the brand and reputation of the UKHO resulting in a loss of confidence and potentially damaging our reputation causing financial damage.	Get the basics right	Capability, Reputational and Financial	Open lines of communications and bilateral relationships and relationship management. Production change management governance processes. Quality Cycle review of lessons learned.
There is a risk that we are unable to produce accurate management information in relation to resource utilisation due to poor levels of time recording, resulting in a lack of available reliable data and potentially significant financial damage to the UKHO.	Get the basics right	Capability, Reputational and Financial	Publish statistics on time recording within the performance report to raise awareness to ELT. Share the presentation on why it is important to time record and discuss further with the ELT and Senior Management Forum. Regular internal communications announcement to remind staff to time record and explain the importance.

Supplier payment performance

Where invoices are undisputed, the government aims to observe the Prompt Payment Code and pay 80% of suppliers within five days. We achieved 86.4% in 2023/24 (2022/23: 86.6%).

Going concern basis

We have prepared a five-year projection covering the years from 2024/25 to 2028/29 on a prudent basis.

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

UKHO Directors' report

Executive Directors



**Rear Admiral (retired)
Peter Sparkes**
Chief Executive
(up to 12 May 2024)



Vanessa Blake
Interim Chief Executive
(from 13 May 2024)
Chief Customer Officer
(from 10 July 2023)



Amy Carrillo
Chief People Officer



**Rear Admiral Angus
Essenhigh OBE**
Director of Data Acquisition,
UK National Hydrographer
(from 1 July 2023)



Sally Meecham
Interim Director of Transformation
(from 15 January 2024) and
Interim Chief Technology Officer
(from 1 May 2024)



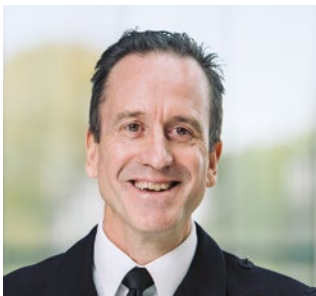
Stephen Potts
Director of Finance
and Corporate Services



Lisa Denson
Interim Chief Customer Officer
(up to 9 July 2023)



David Tomaney
Chief Data Officer



Rear Admiral Rhett Hatcher
Director of Data Acquisition,
UK National Hydrographer and
Deputy Chief Executive
(up to 30 June 2023)



Terry Makewell
Chief Technology Officer
(up to 27 December 2023)



Mark Sautereau
Interim Chief Technology Officer
(from 15 January 2024 up to 30 April 2024)
Interim Director of Transformation
(up to 14 January 2024)

Conflicts of interest

Members of the Board, the Executive Committee and their direct reports must declare conflicts of interest with current or potential customers and suppliers. No conflicts of interest were reported during the year. Board members' register of interests is available at <https://www.gov.uk/government/publications/uk-hydrographic-office-board-members-register-of-interests>.

The interests of the Executive Committee and other senior managers are maintained in a register available for inspection at our Taunton office.

Pensions

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

Auditor

Our financial statements are audited by the Comptroller and Auditor General of the National Audit Office (NAO) in accordance with section 4(6) of the government Trading Funds Act 1973. The cost of performing the statutory audit was £127.5k, (2022/23: £117k).

The Comptroller and Auditor General provided no other services to the UKHO in 2023/24.

Non-Executive Directors



Marion Leslie

Non-Executive Chair



Paul Boyle

Non-Executive Director
Audit and Risk Assurance
Committee Chair



Tom Loosemore

Non-Executive Director



Captain Pat Mowatt

Non-Executive Director
– Defence Customer and
Safety of Navigation Advisory
Committee Chair



Natasha Toothill

Non-Executive Director
Remuneration and Nomination
Committee Chair



Tara Usher

Non-Executive Director –
MOD Sponsor



Alison Henwood

Non-Executive Director
(up to 26 July 2023)



Full biographies:
gov.uk/ukho

Financial instruments

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

Report of protected personal data-related incidents

HM government is committed to Parliament and the public to safeguard personal information. As part of this commitment, all government departments and agencies publish details of unauthorised disclosure of personal data. The UKHO had no reported incidents of such in 2023/24.

Post-reporting period events

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

Vanessa Blake

Interim Chief Executive
11 July 2024

Statement of Responsibilities of the Chief Executive as Accounting Officer

Under section 4(6) (a) of the Government Trading Funds Act 1973, the UK Hydrographic Office is required to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction issued by HMT (HMT) on 14 December 2023. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Trading Fund and of its income and expenditure, Statement of Financial Position, changes in taxpayers' equity and cash flows for the financial year.

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

- › Observe the Accounts Direction issued by HMT, including the relevant accounting and disclosure requirements to apply suitable accounting policies on a consistent basis.
- › Make judgements and estimates on a reasonable basis.
- › State whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the financial statements.
- › Prepare the accounts on a going concern basis.
- › Confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Reports and Accounts and the judgements required for determining that it is fair, balanced and understandable.

HMT has appointed the Chief Executive as Accounting Officer for the UK Hydrographic Office.

The responsibilities of an Accounting Officer, including responsibility of the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the UKHO's assets, are set out in Managing Public Money and published by HMT.

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

Governance Statement

The Governance Statement covers the period from 1 April 2023 to the date the accounts are signed.

Scope of responsibility

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

To form an opinion on our system of internal control for the period 1 April 2023 to the date the accounts are signed, I have relied on and received advice and assurances from various sources including:

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

Details of this advice are covered further within this report.

Ownership and financial structure

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

Minister responsible for the UKHO

The minister responsible for the UKHO is the Minister of State for Defence ('the Minister'). During the financial year the Ministers were the Rt Hon. Baroness Goldie (1 April – 13 November 2023) and The Earl of Minto (14 November 2023 – 31 March 2024).

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

Our financial statements, drawn up to 31 March each year, are prepared in accordance with the HMT Accounts Direction of 14 December 2023 as per section 4(6) (a) of the Government Trading Funds Act 1973.

Status and governance framework

Our governance structure is defined in our Framework Document which was last updated in February 2022. This, together with our Public Task Statement, can be found at: www.gov.uk/government/organisations/uk-hydrographic-office/about#our-framework-document.

UKHO Board

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

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

The Board has completed all the actions arising from the external Board Effectiveness Review (BER) which was carried out in December 2022. The next external BER is due in 2025/26.

The Board Charter and Terms of Reference for the Board and sub-committees were reviewed during the year.

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

	Board	ARAC	REMNCO
Peter Sparkes*	6/6	5/5	4/4
Marion Leslie*	6/6	1/5	1/4
Alison Henwood	1/2	2/2	0/1
Tom Loosemore	5/6		
Pat Mowatt	6/6	5/5	3/4
Natasha Toothill	5/6	4/5	4/4
Tara Usher	6/6	5/5	3/4
Rhett Hatcher	1/1		
Stephen Potts*	6/6	5/5	
Paul Boyle	6/6	5/5	4/4
Angus Essenhigh	5/5		
Average attendance	95%	86%	76%

* Attend ARAC or REMNCO but are not members and their attendance is not included in the average attendance

Compliance with the corporate governance code

The Board assessed itself against the NAO corporate governance code of good practice checklist in July 2023 and considers that it complies with the corporate governance code as far as is deemed relevant and practical.

Audit and Risk Assurance Committee (ARAC)

The ARAC is a sub-committee of the Board. The role of the ARAC is to support the UKHO Board and Chief Executive, as the Accounting Officer, in monitoring the organisation's corporate governance, control systems and risk management. The ARAC typically meets four times a year. Its membership consists of four Non-Executive Directors, one of whom chairs the committee. Invited members of the Executive Committee, the National Audit Office (NAO) and our appointed internal auditors, Government Internal Audit Agency (GIAA), attend its quarterly meetings as required. The Chair of the ARAC reports to the Board.

A new chair took over in July 2023 after last year's Annual Report and Accounts were signed off.

Governance Statement continued

An ARAC Effectiveness Review was carried out in Summer 2023 on a self-assessment basis by the ARAC members using the NAO Audit and Risk Assurance Committee effectiveness tool. Overall, the responses from members were positive indicating the 'essentials' are largely in place, but a couple of areas have been highlighted as areas for improvement to achieve 'good practice' across all areas, these include:

- › ARAC to review insight reports from NAO/GIAA and consider any implications for the UKHO.
- › Document ARAC member skills to identify strengths/gaps and training/development needs.

Following on from the action above, an ARAC members skills and experience review has been conducted, enabling the members to self-assess into three levels: Basic, Proficient, Expert across 21 areas of expertise relevant to ARAC. Results of the skills assessment were discussed via one-to-one meetings and actions decided as follows:

- › Agreed where improvement was required, requiring deep technical expertise, to obtain expert advice if/when needed rather than raise the skills of members.
- › Arrange additional training in relation to the Risk Control Framework launched by HMT and Business Cases.

The Terms of Reference were reviewed and updated in Summer 2023.

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

Remuneration and Nomination Committee (REMNCO)

The REMNCO is a sub-committee of the Board. The role of the REMNCO is to advise the UKHO Board on matters including the UKHO pay and reward strategy, executive leadership performance, and succession planning and talent management, diversity and inclusion which has been a key focus for the committee this year. The committee comprises four Non-Executive Directors who meet as required. The Chair of the committee reports on its proceedings to the UKHO Board.

Executive Leadership Team (ELT)

The purpose of the ELT is to support the Chief Executive in managing the UKHO. The formal status of ELT is as an advisory body to the Chief Executive, although it is expected to function in the spirit of a Companies Act Executive Board. It currently comprises Executive Directors who are the persons in senior positions that have authority or responsibility for directing or controlling the major activities of the UKHO.

The ELT has established an **Investment Committee** to review and advise the Chief Executive as Accounting Officer on investment decisions where the total spend is in excess of £1m. The process follows MOD best practice whereby the Director of Finance and Corporate Services scrutinises business cases and advises the Chief Executive on the HMT 5-case business case dimensions.

In addition, a Transformation Committee has been established which focuses on managing transformation and change-related activity including programme and project performance.

Both the Investment and Transformation Committees were established late in 2023/24 and will be fully operational next year. Both committees, are presented by all of the ELT members and, as such, their purpose is to support the Chief Executive in managing the UKHO.

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

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

Safety of Navigation Advisory Committee (SONAC)

The SONAC is an advisory committee that advises and makes recommendations to the UKHO on the delivery and development of navigation products and services to meet maritime users' current and future needs for safe, efficient and effective navigation. It is chaired by a serving Captain in the Royal Navy who is the Defence Customer Non-Executive Director and provides formal feedback to the Safety Board (SB) and the Board. It includes a range of independent maritime experts and customers of UKHO navigational products and services.

Admiralty Holdings Limited (AHL)

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

Risk management

Risks and opportunities affect the ability of the UKHO to fulfil its public task at no net cost to the taxpayer. Our approach supports the delivery of our strategic objectives. The relevant governance structures, which include the ELT, Board and ARAC, are all in place and operating effectively as evidenced by the Board Effectiveness Review, ARAC Effectiveness Review and Internal Audit of Corporate Governance.

Our risk management policy and process continue to align to the MOD risk management framework which generally follows the guidance as set out in ISO 31000:2018 (Risk Management Guidelines).

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

We continue to work on maturing our risk appetite across all areas of the business via the Assurance Heatmap. We have risk focal points embedded in each area of the business to promote the risk management agenda and provide local advice and support; this benefits all areas but provides focus in the risk management of critical projects and programmes. We are continuing to develop our corporate risk portal e.g. development to provide the ability to capture risks directly within it. We have more recently developed a risk dashboard to improve live reporting of risk management information to aid the day-to-day active management of risks.

The UKHO is also working to implement the new HMT Risk Control Framework (Part 2 of the Orange Book) which aims to aid assessment of how the risk management principles are applied to support the efficient and effective operation of the risk management framework. Implementation continued throughout the year with regular progress updates being provided to both ELT and ARAC.

As part of the corporate/business planning process, a full review of all the UKHO's strategic (existential) and corporate (delivery) risks is undertaken during Q4 of the financial year in readiness for the new financial year. Part of this review includes refreshing strategic and corporate risks in line with latest strategic thinking and current market insight regarding our operational environment and commercial markets, together with considering any possible emerging risks via horizon scanning and PESTLE Analysis. Strategic risks are owned by members of the UKHO ELT and remain subject to review and challenge by the wider Executive Leadership, the Board and the ARAC. Trends for all strategic and corporate risks with relevant narrative are also included in the monthly performance report to the ELT and the Board and quarterly ARAC reporting.

To ensure strategic risks are being regularly discussed and managed, ARAC reviews them on rotation via 'deep dives' across the year and via regular Business Assurance overview reporting. The deep dives provide an opportunity for the Non-Executive Directors to challenge management on the effectiveness of mitigation activities. Corporate risks are reviewed every three months by the ELT on rotation across the year and, where/if appropriate, will be escalated to the ARAC for further discussion. Strategic and corporate risks are also escalated, if required, for discussion at the MOD Head Office.

The 2023/24 Strategic and Corporate risks managed throughout this period can be found on page 26.

UKHO internal control

The UKHO operate an Assurance Framework based on the HMT three Lines of Defence model which provides an independent assessment on governance, risk management, and control processes across the whole organisation:

- › the first line is the front-line business
- › the second line is oversight and expert review, separate from the front-line delivery management chain
- › the third line is a number of reviews undertaken by parties which are independent of management.

Each year we seek to improve this system of internal control by refining our system of controls using continuous improvement. In 2024/25 we will further enhance our approach as we embed the Risk Control Framework.

We continue to regularly review, update, and map all assurance sources across the three Lines of Defence; this provides a greater understanding of the different contributions the various sources of assurance provide and together provides a comprehensive picture of the level of control and highlights any weaknesses. This insight allows us to identify problem/priority areas, improve the breadth of reporting to the ELT, the ARAC and the Board, and inform the development of the quality, compliance, and internal audit programmes.

All staff must complete training on security and data protection, business continuity, personal data handling, countering fraud, bribery and corruption, equality, diversity and inclusion, conscious and subconscious bias, health and safety, and civil service expectations.

Specific aspects of risk management and internal control

In the following sections we provide information on certain aspects of risk management and internal control which are of particular importance to the UKHO.

Functional Standards

HMT and Cabinet Office mandated functional standards for use in departments and their ALBs through Managing Public Money from September 2021.

Functional Standards bring together and clarify what needs to be done, and why, for different types of functional work, tailoring how we meet the standard in practice, depending on business need with compliance being proportionate and appropriate to the functional work being carried out and the level of risk.

As agreed with Directorate Sponsorship and Organisational Policy (DSOP) and ARAC we have taken a proportionate approach to completing our self-assessments. Those completed have been reviewed by the appropriate MOD functional area as a 'critical friend' to provide support, but not part of the formal review process.

We have completed self-assessments for all the standards relevant to the UKHO: Project Delivery, Human Resources, Property, Digital Data and Technology, Finance, Security, Commercial, Internal Audit, Analysis, Communication, Counter Fraud, and Debt. We are fully compliant with the principles and themes of the majority of standards, however, there are a few areas where further development is ongoing.

Governance Statement continued

Financial and commercial controls

We have a mature system of financial control. Financial authority is delegated from the Chief Executive to senior managers.

During the year GIAA carried out an audit of our Financial Controls which returned a 'Moderate' opinion (the GIAA's equivalent of the former Defence Internal Audit's 'Substantial'). There was also an audit of personal expenses following an incidence of fraud uncovered in 2022/23. The opinion was 'Limited' but all improvement actions resulting from this audit have since been actioned.

Financial audits by the GIAA during 2023/24 have been:

Audit area	Year	Opinion
Financial controls	2023/24	Moderate
Management of personal expenses	2023/24	Limited

In addition, the UKHO Business Assurance team carries out an annual compliance audit of payroll and expenses. This year's audit of payroll returned a full assurance opinion. The expenses audit returned a limited assurance opinion and all improvement actions resulting from this audit have since been actioned.

We operate our commercial function in accordance with relevant government procurement and regulatory requirements. Our Head of Procurement receives her commercial delegation directly from the MOD's Director Commercial and is responsible to the MOD for the UKHO's commercial decisions.

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

Exchange rate risk

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

Improving quality

The UKHO continues to be certified to ISO 9001:2015 (Quality Management) and ISO 27001:2013 (IT Security Management) standards. During 2023/24 we successfully passed all ISO surveillance audits for ISO 9001 and ISO 27001. Our certification body reported no nonconformities during these visits. During the year we transferred our certification over from Lloyd's Register to British Standards Institution.

Fraud and whistleblowing

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

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

Information security and assurance

In the evolving landscape of cyber security, the 2023/24 period has seen significant challenges and advancements. Global geopolitical dynamics, notably tensions in key regions, have continued to shape the threat environment, compelling the UKHO to adapt and respond with increased vigilance and sophistication. The proliferation of advanced persistent threats, alongside a surge in cyber espionage and ransomware attacks, underscores the critical importance of robust cyber defence mechanisms. The UKHO, in alignment with the National Cyber Security Centre (NCSC) guidance, MOD security policies, and industry best practices, has continued to refine and enhance its cyber resilience framework.

Throughout this period, the UKHO has successfully maintained its ISO 27001 certification, demonstrating our commitment to a rigorous Information Security Management System (ISMS). This achievement is complemented by our proactive engagement in multiple audits and assurance activities designed to validate and improve our cyber defence capabilities. Notably, the MOD Cyber Compliance Framework (CCF) audits and the MOD Organisational Cyber Capability Assessment (OCCA) have been instrumental in assessing our alignment with the highest standards of cyber security within the defence sector. These audits, alongside targeted Red Team Exercises, have played a pivotal role in identifying vulnerabilities and testing the effectiveness of our cyber defence measures. The insights gained from these exercises have informed our strategies for continuous improvement and risk management.

In addition to our focused efforts on strengthening our cyber security posture, the UKHO places paramount importance on meeting our obligations under UK data protection laws and other relevant regulations. Our commitment to safeguarding personal and sensitive information is reflected in our comprehensive data governance and privacy framework, which is designed to ensure the utmost integrity, confidentiality, and availability of data in alignment with the UK's Data Protection Act 2018 and the General Data Protection Regulation (GDPR).

The UKHO's adherence to data protection and privacy standards is underpinned by continuous training and awareness programmes for all staff. These initiatives are crucial in fostering a culture of data responsibility and ensuring that all employees understand their roles in maintaining data protection compliance.

As we look to the future, the UKHO is committed to continuous improvement and innovation in our cyber defence strategies. By leveraging cutting-edge technologies, fostering a culture of cyber awareness, and collaborating closely with our partners across government and industry, we aim to stay ahead of the curve in safeguarding our information assets against the myriad threats that define the contemporary cyber landscape.

Business continuity

In FY23/24 a full review of UKHO Business Continuity Management System has been completed. This includes an update of the Business Continuity Policy and Process, as well as completion of an organisation-wide Activity Business Impact Analysis. A full exercise schedule has been delivered covering Strategic, Tactical and Operational responses to test UKHO's resilience. Exercises have included office lockdown/evacuation, relocation of priority services and scenario discussions covering National Power Outage, Cyber Response and Drone Activity. The UKHO still aspires to seek ISO 22301:2019 certification in the next 18 months.

Mandatory training remains high with over 90% of staff compliant with their business continuity training. An initial draft of Crisis Management Training has been produced by our Learning and Development team which is in the final stages of being refined and then delivered.

Focus will turn to embedding resilience within our new buildings, underpinning a transformation agenda with sound resilience and mitigating emerging risks and threats to the UKHO estate, operations, infrastructure, supply chain and people.

First line of defence

Activities at the first line include the day-to-day execution of policy and process, active management of risks, compliance with government functional standards and of monitoring performance; together this information provides assurance on how well objectives are being met and risks managed. Across the 24 categories in our Assurance Heatmap three were assessed at 'Limited'; all are areas of investment and development which are expected to improve during the next 1 to 5 years.

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

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

Second line of defence

Activities at the second line include maintaining a robust governance structure that provides management oversight of activities at the first line and management information which provides assurance that controls are operating effectively, risks are being actively managed, and we are on track to achieve our objectives.

The Business Assurance team maintains oversight over all three lines of defence. It provides internal independent assurance to the Chief Executive, Senior Management and the ARAC that we are in control of the business. The Head of the Business Assurance team reports to the Director of Finance and Corporate Services and has the ability to engage directly with the Chief Executive and Chair of ARAC as required. The team comprises risk professionals and quality/compliance professionals. The risk team provides the expert advice on effective management of the risks. The Quality team conducts a second line quality audit (against ISO 9001 principles) and compliance programme which takes a risk-based approach to planning the audit activities and focuses on known areas of weakness to drive improvements at both first and second line. In addition to this, a contractor safety engineer conducts a number of Safety Case Assurance Reviews in support of the safety Key Performance Measure.

This year the team conducted 11 Quality/Compliance audits, the results of which were: 2 Unsatisfactory, 5 Limited, 4 Moderate. All four Safety Case Assurance Reviews provided Limited Assurance. However, these audits were directed at areas of known weakness and the findings highlighted a number of procedure deficiencies which are being addressed, many of which are already actioned.

Annually, the team conducts a review of assurance across all three lines with senior managers across the whole organisation. Mapping all the sources of assurance provides a greater understanding of the different contributions the various sources of assurance and together provides a comprehensive picture of the level of control and highlights any weaknesses. The second line assurance has improved in five areas since last year's assessment. Four areas of limited assurance remain, and there are reasons why the management oversight is not as robust in these areas which do not represent a significant risk to the UKHO overall control framework.

The overall opinion from the assurance mapping exercise across the whole organisation and all three lines is that of '**Moderate Assurance**'.

Third line of defence

At the third line, the UKHO utilises a range of independent sources to provide more objective assurance. More than 50% of this resource is focused on financial assurance which provides a Moderate Opinion, 25% is conducted by Internal Audit, the remainder includes assurance providers such as Defence Safety Authority, MOD and RINA as well as other consultants and certification bodies such as IIP and BSI. As much of the work at the third line targets areas where we know, or suspect, improvements can be made, it is not surprising that some areas are assessed as Limited. A significant amount of effort is directed to addressing the shortcomings through the completion of management actions (which are routinely reported to and reviewed by both ELT and ARAC).

Governance Statement continued

The role of internal audit

In accordance with the corporate governance code, I, as Accounting Officer, the Board and ARAC are supported by an internal audit service which provides independent, objective assurance on corporate governance, risk management and control activities.

During 2023/24, the Government Internal Audit Agency (GIAA) provided this service to the UKHO and carried out a programme of audits to Public Sector Internal Audit Standards. The ARAC approved the plan of work for the year, ensuring that it was risk-based and struck a balance between providing assurance over core business processes and areas of strategic risk. Note: The assurance ratings use by GIAA are different to those previously used by DIA. See comparison table below:

The findings from individual audits were reported to the ARAC which also maintains oversight of the management actions which need to be implemented to address any shortcomings. The ELT also monitors outstanding actions via the monthly performance report to ensure timely completion.

The GIAA's opinion on the work completed during 2023/24 provided a 'Limited Assurance' opinion based on the results of the work undertaken, taking into consideration the significance of each assignment and links to UKHO Strategic risks. They also took into consideration the timely and effective implementation of Agreed Management Actions (AMAs) as well as other relevant internal controls, risk management and governance developments identified during the year.

The GIAA's audit programme this year provided coverage of the UKHO strategic risk areas including the Management of Personal Expenses, Financial Controls, Data Governance, and the effectiveness of the Transformation Portfolio Management. The programme also covered core business processes including the management of Information Technology Business Continuity and Recovery, and Environment Management.

	GIAA		MOD	
Level	Description	Rating	Description	Rating
Highest	The framework of governance, risk management and control is adequate and effective.	Substantial	System of internal control established and operating effectively.	Full
Second	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.	Moderate	System of internal control established and operating effectively with some minor weaknesses.	Substantial
Third	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.	Limited	System of internal control operating effectively except for some areas where significant weaknesses have been identified.	Limited
Lowest	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.	Unsatisfactory	System of internal control poorly developed or non-existent or major levels of non-compliance identified.	No

GIAA noted that my predecessor had specifically requested that the audit programme focused on areas of known weaknesses and they identified instances of significant weaknesses in the governance, risk management and control framework in some of the areas audited.

GIAA found that while financial control policies were operating, there were areas of improvement that were identified in the audits of Management of Personal Expenses and Financial Controls, many of which have already been addressed. Capability continues to mature in the management of the Transformation Portfolio and the weak governance arrangements have been rectified by the introduction of the Transformation Committee. Across the programme they identified a number of management information weaknesses which did not adequately support business outputs; these are in the process of being addressed.

The Environment Management audit found that the depth and breadth of plans are comprehensive, have a global dimension to support sustainability within the wider shipping sector and coastal communities and seek to capitalise on new technology and build capacity across the organisation. They also found that we have an established set of IT Business Continuity and Disaster Recovery policies with appropriate levels of oversight and governance.

During 2023/24, GIAA recommended 17 high priority actions – all of which have either been completed or are in progress and due to be completed by the deadline.

A robust process remains in place to monitor completion of agreed management actions, although there remain opportunities to improve timeliness of delivery.

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

The UKHO management understands the true value of external objective scrutiny. We actively encourage the GIAA to look at areas of the business where we know, or suspect, improvements can be made. We believe this is an important element of embedding our core values which include building a culture of taking responsibility while striving to achieve excellence.

Overall assurance assessment

The Business Assurance team has undertaken an assurance mapping exercise which summarises the findings from all three lines of defence. The overall opinion from the assurance mapping exercise is that of 'Moderate Assurance' which reflects the fact that most risk and control areas were found to be satisfactory or requiring only limited improvement but that a relatively small number of areas were found to require significant improvement.

Areas identified for significant improvement are:

- › Data Quality
- › Safety Management
- › Sustainability

GIAA's overall opinion of 'Limited Assurance' is based on a small number of assignments which were targeted at specific areas of known weaknesses, and as such their view is not considered representative of the control environment as a whole.

In the opinion of the ARAC, a sound system of governance, risk management and internal control has been in operation throughout the year ended 31 March 2024 and up to the date of approval of this Annual Report and Accounts. Whilst there remain areas for improvements, there is no evidence of systematic issues. In reaching their conclusion, ARAC considered all the sources of assurance that have been presented to and reviewed by ARAC during the course of the year including, the annual reports submitted by the internal and external auditors, the UKHO Assurance Heatmap, regular updates on risk management, information assurance, cyber security and fraud and the individual assurance statements.

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

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

Conclusion

We continue to make progress in developing and improving our governance, risk management and control framework. Having reviewed the outcome of the assurance mapping, the assessment of our strategic risks and issues arising from our internal and external annual audit opinions, I recognise that further work is required to ensure that the control framework remains strong during what will be a period of rapid organisational change and senior management change. We will therefore seek to focus our efforts on developing our culture and leadership, whilst investing in and transforming our data handling capability.

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



Vanessa Blake
Interim Chief Executive
11 July 2024

Remuneration and staff report

Directors' remuneration policy

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

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

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

Service contracts

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

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

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

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

Executive Directors' remuneration

Salary entitlements

The table on page 39 provides details of the remuneration and pension interests of the executive members of the UKHO Board and other Executive Directors. Full year equivalent (FYE) amounts are shown in brackets within the table.

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

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the UKHO and treated by HM Revenue and Customs as taxable. No benefits in kind were provided during the year (2022/23: £nil).

Performance awards

Performance awards are based on performance assessed in the appraisal process. Performance awards relate to the year in which they become payable to the individual. The performance awards reported in 2023/24 relate to performance in 2022/23 and the comparative performance awards reported for 2022/23 relate to 2021/22.

Pensions

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

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

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

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2024.

HMT published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023/24 CETV figures.

Real increase in CETV

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

Remuneration details

(This section has been subject to audit.)

2023/24	Contract Terms	Notes	Salary Band £k	Performance Awards £k	Termination Payment £k	Total £k	Pension Benefit (Note 4) £k
Peter Sparkes – Chief Executive	SCS		140 – 145	–	–	140 – 145	55
David Tomaney – Chief Data Officer	SCS		90 – 95	5 – 10	–	95 – 100	35
Vanessa Blake – Chief Customer Officer (from 10 July 2023)	SCS		75 – 80 (110 – 115)	–	–	75 – 80 (110 – 115)	31
Sally Meecham – Director of Transformation (from 15 January 2024)	Off Payroll	2	45 – 50 (275 – 280)	–	–	45 – 50 (275 – 280)	
Stephen Potts – Director of Finance and Corporate Services	SCS		95 – 100	5 – 10	–	105 – 110	39
Amy Carrillo – Chief People Officer	SCS		80 – 85	5 – 10	–	85 – 90	32
Mark Sautereau – Chief Technology Officer (from 15 January 2024) Director of Transformation (until 14 January 2024)	Off Payroll	2	330 – 335	–	–	330 – 335	
Rear Admiral Angus Essenhigh – Director of Data Acquisition, UK National Hydrographer (from 1 July 2023)	Royal Navy	1	130 – 135	–	–	130 – 135	
Rear Admiral Rhett Hatcher – National Hydrographer – Director of Data Acquisition, UK National Hydrographer and Deputy Chief Executive (until 30 June 2023)	Royal Navy	3	30 – 35 (135 – 140)	–	–	30 – 35 (135 – 140)	
Terry Makewell – Chief Technology Officer (until 27 December 2023)	SCS		85 – 90 (115 – 120)	–	–	85 – 90 (115 – 120)	33
Lisa Denson – Interim Chief Customer Officer (until 9 July 2023)	SCS		25 – 30 (70 – 75)	–	–	25 – 30 (70 – 75)	8

Remuneration and staff report continued

2022/23	Contract Terms	Notes	Salary Band £k	Performance Awards £k	Termination Payment £k	Total £k	Pension Benefit (Note 4) £k
Peter Sparkes – Chief Executive	SCS		130 – 135	–	–	130 – 135	52
David Tomaney – Chief Data Officer	SCS		80 – 85	5 – 10	–	90 – 95	33
Terry Makewell – Chief Technology Officer	SCS		110 – 115	–	–	110 – 115	43
Cathrine Armour – Chief Customer Officer (up to 1 July 2022, last day of employment was 22 July)	SCS		30 – 35 (100 – 105)	–	–	30 – 35 (100 – 105)	19
Lisa Denson – Interim Chief Customer Officer (from 1 July 2022)	SCS		75 – 80			75 – 80	22
Stephen Potts – Director of Finance and Corporate Services	SCS		90 – 95	0 – 5	–	95 – 100	36
Amy Carrillo – Chief People Officer	SCS		75 – 80	0 – 5	–	80 – 85	30
Mark Sautereau – Director of Transformation (from 23 October)	Off Payroll	2	125 – 130 (275 – 280)	–	–	125 – 130 (275 – 280)	
Lucy Shirodkar – Director of Transformation (up to 13 October)	Off Payroll	1	110 – 115 (230 – 235)	–	–	110 – 115 (230 – 235)	
Rear Admiral Rhett Hatcher – Director of Data Acquisition, UK National Hydrographer and Deputy Chief Executive	Royal Navy	3	135 – 140	–	–	135 – 140	

Notes

- Numbers in brackets in the tables above denote annual full-time equivalent.
- Sally Meecham and Mark Sautereau are contractors not civil servant.
- Rear Admiral Rhett Hatcher's salary band is £125k – £130k. In addition, he received allowances that took his total salary to the band £135k to £140k.
- The value of Pension Benefit disclosed is calculated as the real increase in pension multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual during the year. The real increases exclude increases due to inflation or any increases or decreases due to a transfer of pension rights. This is an estimate of the assumed value of the increase in pension that will be payable on retirement to the individual and has not been paid in the year. For serving naval staff on loan to the UKHO, pension and CETV figures are not disclosed. The pension benefits of any members affected by the public service pensions remedy which were reported in 22/23 on the basis of alpha membership for the period between 1 April 2015 and 13 March 2022 are reported in 23/24 on the basis of PCSPS membership for the same period.

Pension benefits

(This section has been subject to audit.)

	Accrued benefits *		Real increase in benefits		CETV	CETV	CETV
	Pension (Note a) £k	Lump sum £k	Pension (Note a) £k	Lump sum £k	31/03/2024 £k	31/03/2023 £k	Real increase £
Peter Sparkes	5 – 10	Note b	2.5 – 5	Note b	137	78	40
David Tomaney	25 – 30	Note b	0 – 2.5	Note b	530	441	28
Vanessa Blake	0 – 5	Note b	0 – 2.5	Note b	27	0	21
Stephen Potts	10 – 15	Note b	0 – 2.5	Note b	152	108	24
Amy Carrillo	15 – 20	Note b	0 – 2.5	Note b	238	190	20
Terry Makewell	25 – 30	Note b	0 – 2.5	Note b	418	351	21
Lisa Denson	25 – 30	Note b	0 – 2.5	Note b	435	384	6

* As at 31 March 2024.

Notes

- Pension is as at pension age.
- No automatic lump sum payable as member is in the premium/nuvos/alpha scheme.
- The pension benefits of any members affected by the public service pensions remedy which were reported in 22/23 on the basis of alpha membership for the period between 1 April 2015 and 13 March 2022 are reported in 23/24 on the basis of PCSPS membership for the same period.
- Taking account of inflation, the CETV funded by the employer has decreased in real terms.

Fees paid to Non-Executive Directors (NEDs)

(This section has been subject to audit.)

NEDs are appointed for an initial term of around three years, which can be extended by mutual agreement and subject to satisfactory performance, normally for a further three years. NED contracts are not pensionable and there is no compensation for early termination.

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

NEDs and their fees as at 31 March 2024 were:

	Appointed	Current term end date	Notes	2023/24 £k	2022/23 £k
Marion Leslie	1 January 2015	30 April 2025		25 – 30	25 – 30
Tom Loosemore	1 September 2017	31 July 2024		15 – 20	15 – 20
Natasha Toothill	23 May 2022	22 May 2025		15 – 20	15 – 20
Paul Boyle	1 March 2023	31 August 2026		15 – 20	0 – 5 (15 – 20)
Alison Henwood	26 January 2017	26 July 2023		5 – 10 (15 – 20)	15 – 20
Tara Usher	1 December 2019		1	–	–
Captain Pat Mowatt	6 July 2021	5 July 2024	2	–	–

Notes:

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

1. Tara Usher is an MOD SCS representing our Owner and does not have a contracted end date.
2. Captain Pat Mowatt leaves the Royal Navy on 5 July 2024 and will be replaced by another serving Royal Navy Officer as Defence Customer NED.

Fair Pay Report

(This section has been subject to audit.)

Reporting bodies are required to disclose:

1. the relationship between the remuneration of the highest-paid Director (HPD) in their organisation and the median remuneration of the organisation's workforce and,
2. the year-on-year percentage movement in the remuneration of the HPD and the average year-on-year percentage movement of all UKHO employees, excluding the HPD, and,
3. for the members of staff who are in the 25th percentile, the median and the 75th percentile, the total pay and benefits and the salary element of this and the ratio of the total pay to that of the total pay of the HPD.

The Director of Transformation position was held by Mark Sautereau until 14 January 2024 and then by Sally Meecham from 15 January 2024. Mark then took over as Interim Chief Technology Officer, both are contractors on interim contracts. Their pay exceeded that of the highest-paid permanent Director. However, this is not a comparable figure as their pay includes a premium to reflect not receiving the same benefits, including pension provisions, and rights as an employee.

We have, therefore, used the remuneration of the highest-paid permanent Director, Peter Sparkes, as this provides a better basis of comparison. However, we have also shown the ratios of total pay to that of Mark Sautereau, which fell in the band £330k to £335k (2022/23: £275k to £280k), in the table on page 42.

For our pay remit year 1 August 2023 – 31 July 2024, the civil service Pay Remit Guidance stated: "Departments are able to make average pay awards up to 4.5%. Departments also have additional flexibility to pay up to a further 0.5% to be targeted at lower pay bands".

The average salaries of our staff have increased by 5.3%, slightly ahead of the pay award. Our transformation into a digital business continues to drive a change in our roles and skills mix. Digital, Data and Technology skills (DDaT) are therefore, having an impact on average salary costs.

During 2023/24, Civil Servants were awarded a one-off cost of living payment of £1,500 per full-time person. The total cost of this, included related NI payments, was £1.4m.

Performance pay and bonuses are a combination of the Team Performance Award which is linked to our delivery of our Key Performance Measures and individual bonus payments awarded to staff for specific evidence of performance excellence.

The Team Performance Award makes up most of these bonuses and the year-on-year movement in this payment was -5.9% (2022/23: 11.1%).

Remuneration and staff report continued

	2023/24	2022/23
Highest paid Director (HPD) – % change in:		
Salary and allowances ¹	3.6%	7.8%
Performance pay and bonuses payable ¹	0%	0%
ALL UKHO employees excluding HPD		
Salary and allowances ²	5.3%	7.0%
Performance pay and bonuses payable ²	-5.9%	11.1%
Band of highest paid Director's remuneration (£'000) ³	140–145	135–140

	25th percentile		Median pay		75th percentile	
	2023/24 £000	2022/23 £000	2023/24 £000	2022/23 £000	2023/24 £000	2022/23 £000
Total pay and benefits	32.1	29.0	38.5	35.3	48.5	44.8
Salary element of above	29.7	27.8	35.9	34.4	45.9	43.9
Ratio to HPD	4.4:1	4.7:1	3.7:1	3.9:1	2.9:1	3.1:1
Ratio to Director of Transformation	10.4:1	9.6:1	8.6:1	7.9:1	6.9:1	6.2:1

Notes

- HPD % change is calculated based on the mid-point of the salary band this year and last year. The HPD did not receive any performance pay or bonuses.
- The average year-on-year percentage movement of all UKHO employees is calculated as the total for all employees as at 31 March on an annualised basis, excluding the highest-paid Director, divided by the FTE number of employees.
- The HPD in 2023/24 was Peter Sparkes, in 2022/23 the HPD was Rear Admiral Rhett Hatcher.

Our staff

Staff numbers (averages over the year) (This section has been subject to audit.)

	2023/24	2022/23
Civil servants	934	881
Agency staff	87	60
Service personnel	4	3
Total staff numbers	1,025	944

Staff turnover

Staff turnover in 2023/24 was 6.2% (2022/23: 10.7%).

Staff turnover is calculated as number of leavers divided by average staff numbers in the year.

Staff costs

(This section has been subject to audit.)

	2023/24 £k	2022/23 £k
Salaries, wages, etc.	40,246	34,865
Social security costs	4,206	3,771
Pension costs	9,928	8,778
Apprentice levy	183	144
Agency staff costs	13,440	7,919
Service personnel costs	777	713
Staff costs capitalised within intangible assets	(1,472)	(1,762)
Total staff costs	67,308	54,428

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

Agency staff

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

Cost of living

In recognition of public service and the ongoing cost of living challenges, UKHO was able to award all civil servants below the Senior Civil Service level a one-off non-consolidated and non-pensionable payment of £1,500 (pro-rated for part-time staff). This payment was made to all eligible staff in post on both 31 March 2023 and the payment date of 30 June 2023. Members of the Prospect Trade Union in UKHO went on strike on 15 March and 10 May, and started an overtime ban from 16 March. This aligned with the Prospect national pay action, i.e. it was not UKHO-specific. Strike numbers were 219 on 15 March and 135 on 10 May. Any time taken to undertake strike action was deducted from pay and did not reckon for pension purposes. Prospect formally ceased industrial action on 7 July 2023 in response to the cost of living payments of £1,500 in June 2023.

Consultancy

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

During the year, the UKHO spent £1,355k on consultancy (2022/23: £2,599k). The main areas of expenditure in the year relate to supporting the development of our technical transformation plans and support for our people-focused initiatives to build on our culture, behaviours and leadership skills.

Staff composition

(Number of staff at 31 March)

2023/24	Male	Female
Number of persons of each sex who were Executive Directors at year end	3	2
Number of persons of each sex who were senior managers at year end*	88	36
Total number of persons who were employed at the year end	618	386
2022/23	Male	Female
Number of persons of each sex who were Executive Directors at year end	6	2
Number of persons of each sex who were senior managers at year end*	80	32
Total number of persons who were employed at the year end	595	349

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

Diversity and inclusion

We are passionate about making the UKHO a place where everyone has a voice and feels included. We continue to strive towards embedding diversity and inclusion principles into UKHO business practices, culture, and employee behaviours. A recent diversity, inclusion and belonging assessment provided insight into how people feel at the UKHO, and we have embraced the opportunity to make improvements in the areas identified. We are focusing on developing a robust Diversity and Inclusion strategy, refreshing and simplifying policies and processes, establishing an effective oversight mechanism, and investing in inclusive leadership training for our senior leaders to strengthen awareness and be effective role models. A new management information data dashboard is capturing meaningful HR data and trends to support evidence-based decision-making. We are making headway through recruitment activity, to positively increase the percentage of female colleagues which now stands at 37%, and our diversity declaration rates for each protected characteristic are around 73%. A newly formed Neuro Inclusion Affinity Group has flourished and has over 100 members promoting awareness, inclusion and recognising neurodiversity in the workplace. All our diversity and inclusion affinity groups champion initiatives aligning awareness activity to our values and strategic plan, supporting our aim to be a truly diverse organisation.

Sickness absence

The average number of days lost through sickness in 2023/24, was 5.29, 6.57% of this was due to coronavirus, and when taken away the average sick days lost would be 4.95 (2022/23: 4.53).

Psychological disorders remain the main reason for absence (29.62% of all absences (2022/23: 29%)). Our strategy to tackle this is covered below.

Communication and engagement

The civil service People Survey is our key benchmark for assessing staff engagement levels. The results help us to gather feedback from our people and benchmark our performance. It helps us recognise what we do well and areas for improvement.

It also helps us to evaluate the impact of the changes we are continually making to ultimately make the UKHO a better place in which to work.

The 2023 overall Engagement Index was 67%, up 1 percentage point (pp) compared to 2022; up 5pp difference from the MOD engagement index score; and up 3pp difference from the civil service engagement index score. Seven of the nine thematic areas increase year on year. Leadership and Managing Change continues to be a key area for focus at corporate level. At team level we have encouraged senior managers to work with their teams to study and understand their results, and incorporate a priority action to focus on improving together, into their Team Charter.

This year's People Survey demonstrated a notable increase in engagement scores across the board in the People Survey for our senior managers. How we support and engage senior managers has been an area of focus. Building on existing approaches, we have continued to evolve our monthly Senior Manager Forum and introduced a new Leadership Conference, alongside other interventions including leadership coaching. We are now considering how we can roll some of these interventions on to the remainder of our people managers.

Understanding and developing employee experience continues to be a priority as part of our culture development programme. Work is getting underway for 2024/25 to articulate our existing employee value proposition, as a baseline to help identify areas on which to focus improvement activity.

Health, safety and welfare

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

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

	2023/24	2022/23
RIDDOR reportable (incidents reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations)	—	—
Incidents (health and safety incidents, from minor injuries not requiring first aid, up to incidents just below the RIDDOR threshold)	6	8
Near misses (health and safety incidents not resulting in any injury)	10	16

Of the incidents reported in 2023/24, 0 required hospital treatment (2022/23: 0).

Wellbeing

We are committed to ensure we are inclusive and supportive of those who face mental health challenges, so that all colleagues feel able to thrive in an open and positive working environment. The UKHO Wellbeing Group continues to offer support and helps steer the business in improving our support offering, which includes our Peer Support Group.

Key interventions include:

- › We are continuing to promote the use of our Employee Assistance Programme (EAP) and counselling services. We have an active dashboard which we review on a regular basis to view usage and analyse trends

Remuneration and staff report continued

- › Occupational Health (OH) referrals are engaged to support staff in work
- › We support the annual flu vaccination programme to mitigate staff absenteeism attributed to influenza-type illnesses
- › We are continuing collaboration with our Mental Health Awareness Group to promote mental health awareness and the availability of our mental health first aider trained 'Peer Supporters'
- › We also coach line managers in having regular wellbeing conversations through structured and regular one-to-one meetings
- › In addition, everyone has access to the Headspace app which is a science-backed mental health programme. It allows you to learn the essentials of meditation and mindfulness at anytime, anywhere via your mobile phone. Support includes guided meditations, animations, articles, and videos. If you are short on time, you can access bite-sized minis, exercises to add extra mindfulness to your day and hundreds of meditations on everything from stress to sleep.

Psychological safety and speaking-up.

We continue to focus on having a psychologically safe environment, where everyone can feel able to contribute their best every day. The Introduction to Psychological Safety Workshop has been updated to reflect the additional focus on the four stages of psychological safety – inclusion safety, learner safety, contributor safety and challenger safety. These sessions continue to be run monthly and are attended by new starters and longer serving members of staff; a total of 175 people have completed this workshop since March 2023. The psychological safety retrospectives sessions were also updated and have been completed by a number of teams as well as bespoke sessions on psychological safety for some teams to improve their ways of working. The speak-up intranet page has been updated this year to reflect the work we have done on supporting people to speak up about bullying, harassment, and discrimination in line with our updated policy. We also launched the active bystander training for all staff which currently has a completion rate of just over 89%. This year, while continuing to update and improve all our resources on psychological safety, we have also been integrating these messages into many of our other training products including understanding Smarter Working principles, creating Team Charters, increasing team cohesion and collaboration and quality conversations.

Senior Leadership Team (SLT) development

Central to the success of our transformation and achieving our vision, we continue to work with our leaders to grow capability and set the right environment for our people to feel capable, valued, and motivated to demonstrate our values in all that they do. Our 2023 civil service People Engagement Survey results indicated a +3 improvement on the overall engagement scores of our senior leaders. Our investment in our senior managers included establishing a core SLT that meets weekly to discuss and progress work on our delivery and transformation, continuing the focus on collaborative working and systems thinking as 'One UKHO'; extending the time they spend together at Senior Manager Forums; introducing six-monthly leadership conferences; developing clarity on the expectations of our leaders; and an increased focus on succession and personal development planning.

We are continually building our collective understanding of our senior leadership talent through having structured conversations using the 9-box grid talent tool, and are applying this knowledge, and understanding to create individualised development plans to best meet the needs of each of our senior leaders, enabling us to grow our internal talent and create succession plans for our future Executive Leadership Team.

Pensions

Employer pension contribution rates are as follows:

Scheme and annual salary bands to which rates apply	2023/24 %	2022/23 %
PCSPS – Band 1 – £23,000 and under	26.6	26.6
PCSPS – Band 2 – £23,001 to £45,500	27.1	27.1
PCSPS – Band 3 – £45,501 to £77,000	27.9	27.9
PCSPS – Band 4 – £77,001 and over	30.3	30.3

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. Before 1 April 2015, the only scheme was the Principal Civil Service Pension Scheme (PCSPS), which is divided into a few different sections – classic, premium, and classic plus provide benefits on a final salary basis, whilst nuvos provides benefits on a career average basis. 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. All newly appointed civil servants, and the majority of those already in service, joined the new scheme.

The PCSPS and alpha are unfunded statutory schemes. Employees and employers make contributions (employee contributions range between 4.6% and 8.05%, depending on salary). The balance of the cost of benefits in payment is met by monies voted by Parliament each year. Pensions in payment are increased annually in line with the Pensions Increase legislation. Instead of the defined benefit arrangements, employees may opt for a defined contribution pension with an employer contribution, the partnership pension account.

In alpha, pension builds up at a rate of 2.32% of pensionable earnings each year, and the total amount accrued is adjusted annually in line with a rate set by HM Treasury. Members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004. All members who switched to alpha from the PCSPS had 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 accrued pensions shown in this report are the pension the member is entitled to receive when they reach normal pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over normal pension age. Normal 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 in this report show pension earned in PCSPS or alpha – as appropriate. Where a member has benefits in both the PCSPS and alpha, the figures show the combined value of their benefits in the two schemes but note that the constituent parts of that pension may be payable from different ages.

When the Government introduced new public service pension schemes in 2015, there were transitional arrangements which treated existing scheme members differently based on their age. Older members of the PCSPS remained in that scheme, rather than moving to alpha. In 2018, the Court of Appeal found that the transitional arrangements in the public service pension schemes unlawfully discriminated against younger members.

As a result, steps are being taken to remedy those 2015 reforms, making the pension scheme provisions fair to all members. The public service pensions remedy is made up of two parts. The first part closed the PCSPS on 31 March 2022, with all active members becoming members of alpha from 1 April 2022. The second part removes the age discrimination for the remedy period, between 1 April 2015 and 31 March 2022, by moving the membership of eligible members during this period back into the PCSPS on 1 October 2023. This is known as “rollback”.

For members who are in scope of the public service pension remedy, the calculation of their benefits for the purpose of calculating their Cash Equivalent Transfer Value and their single total figure of remuneration, as of 31 March 2023 and 31 March 2024, reflects the fact that membership between 1 April 2015 and 31 March 2022 has been rolled back into the PCSPS. Although members will in due course get an option to decide whether that period should count towards PCSPS or alpha benefits, the figures show the rolled back position i.e., PCSPS benefits for that period.

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).

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

Off-payroll engagements

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

No. of existing engagements as at 31 March	2023/24	2022/23
96	96	75
Of which ...		
No. that have existed for less than one year	41	50
No. that have existed for between one and two years	38	20
No. that have existed for between two and three years	12	4
No. that have existed for between three and four years	4	—
No. that have existed for four or more years	1	1

No. of new engagements, or those that reached six months in duration, during the year	2023/24	2022/23
62	62	65
Of which ...		
No. assessed as within scope of IR35	62	63
No. assessed as not within scope of IR35	—	2
No. engaged directly and/or on the UKHO's payroll	—	—
No. of engagements reassessed for consistency/assurance purposes during the year	—	—
No. of engagements that saw a change to IR35 status following the consistency review	—	—

Board members and/or senior officials with significant financial responsibility, during the year	2023/24	2022/23
No. of off-payroll engagements or Board members, and/or senior officials with significant financial responsibility during the financial year	—	—
No. of individuals that have been deemed 'Board members, and/or senior officials with significant financial responsibility' during the financial year	16	15

Civil Service Exit Packages

(This section has been subject to audit.)

Exit package cost band	Total number of exit packages by cost band	
	2023/24	2022/23
< £10,000	—	—
£10,000 – £25,000	—	7
£25,000 – £50,000	—	5
£50,000 – £100,000	—	1
Total number of exit packages	—	13
Total cost (£k)	—	338

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

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

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

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

There were no compulsory redundancies in either 2023/24 or 2022/23. No ex-gratia costs were paid.



Vanessa Blake

Interim Chief Executive

11 July 2024

Parliamentary accountability and audit report

The Chief Executive is personally responsible for the performance and management of the Trading Fund. Our Annual Report and Accounts are subject to audit by the Comptroller and Auditor General, who heads the National Audit Office and is responsible for scrutinising public spending and safeguarding the interests of taxpayers on behalf of Parliament. The audit certificate is presented on page 47.

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

Statement of Parliamentary Supply

(This section has been subject to audit.)

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

Public spending and administration budgets

As a trading fund agency, we receive neither a departmental net expenditure limit nor an administrative control total. All our operating expenditures are funded by receipts from trading operations.

Pricing and charges

(This section has been subject to audit.)

Our products are priced with reference to their cost, and to our assessment of their market value in relation to other similar products and the value our end-users derive from these products. Our revenue, analysed by our operating segments, can be found in Note 2 page 60.

Losses and special payments

(This section has been subject to audit.)

	2023/24 £k	2022/23 £k
Constructive Losses	4,369	—
Special Payments	22	7
Realised foreign exchange loss/ (gain)	960	(2,062)

Constructive Losses relate to intangible assets under construction that were procured which will now not be needed, £758k due to being superseded by another solution and £3,611k now not expected to be used due to a change of approach to how the capability will be delivered.

Remote contingent liabilities

(This section has been subject to audit.)

Error in our products and services

The government ultimately carries the risk in the event that an error in our products and services contributes to an incident at sea. All of our safety and quality systems are focused on mitigating this risk. We carry professional indemnity insurance to cover the first £50m of any claim. Any liability beyond this is considered to be underwritten by our owner, the MOD, and ultimately HMT, which has noted this risk in its register of remote contingent liabilities.



Vanessa Blake

Interim Chief Executive

11 July 2024

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

Opinion on financial statements

I certify that I have audited the financial statements of the UK Hydrographic Office for the year ended 31 March 2024 under the Government Trading Funds Act 1973.

The financial statements comprise the UK Hydrographic Office's

- › Statement of Financial Position as at 31 March 2024;
- › Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- › the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- › give a true and fair view of the state of the UK Hydrographic Office's affairs as at 31 March 2024 and its retained profit for the year then ended; and
- › have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

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

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

I have nothing to report in this regard.

Opinion on other matters

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

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

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

Matters on which I report by exception

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

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

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

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

Responsibilities of the Accounting Officer for the financial statements

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

- › maintaining proper accounting records;
- › 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 the UK Hydrographic Office from whom the auditor determines it necessary to obtain audit evidence;
- › ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- › preparing financial statements which give a true and fair view and are in accordance with HM Treasury directions issued under the Government Trading Funds Act 1973;
- › preparing the annual report, which includes the Remuneration and Staff Report, in accordance with HM Treasury directions issued under the Government Trading Funds Act 1973; and
- › assessing the UK Hydrographic Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973.

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

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

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

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

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

- › considered the nature of the sector, control environment and operational performance including the design of the UK Hydrographic Office's accounting policies, key performance indicators and performance incentives.
- › inquired of management, UK Hydrographic Office's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the UK Hydrographic Office's policies and procedures on:
 - › identifying, evaluating and complying with laws and regulations;
 - › detecting and responding to the risks of fraud; and
 - › the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the UK Hydrographic Office's controls relating to the UK Hydrographic Office's compliance with the Government Trading Funds Act 1973, Managing Public Money The Hydrographic Office Trading Fund Order 1996, Public Records Act, Data Protection Act, the Privacy and Electronic Information Regulations and the Infrastructure for Spatial Information in the European Community Regulations 2009 (INSPIRE);
- › inquired of management, UK Hydrographic Office's head of internal audit and those charged with governance whether:
 - › they were aware of any instances of non-compliance with laws and regulations;
 - › they had knowledge of any actual, suspected, or alleged fraud,
- › discussed with the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the UK Hydrographic Office for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the UK Hydrographic Office's framework of authority and other legal and regulatory frameworks in which the UK Hydrographic Office operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the UK Hydrographic Office. The key laws and regulations I considered in this context included Government Trading Funds Act 1973, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2023, The Hydrographic Office Trading Fund Order 1996, Public Records Act, Data Protection Act, the Privacy and Electronic Information Regulations and the Infrastructure for Spatial Information in the European Community Regulations 2009 (INSPIRE), employment law, pensions legislation and tax legislation.

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

Audit response to identified risk

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 Assurance Committee and legal counsel concerning actual and potential litigation and claims;
- › I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;
- › I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and

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: <https://www.frc.org.uk/library/standards-codes-policy/audit-assurance-and-ethics/auditors-responsibilities-for-the-audit/>. This description forms part of my certificate.

Other auditor's responsibilities

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General
19 July 2024

National Audit Office

157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Statement of comprehensive income

For the year ended 31 March 2024

	Note	2023/24 £k	2022/23 £k
Income	2	202,333	189,127
Cost of sales		(94,038)	(84,840)
Gross margin		108,295	104,287
Operating expenses		(99,501)	(84,082)
Operating profit		8,794	20,205
Exceptional items		—	(338)
Profit on ordinary activities before interest and after exceptionals		8,794	19,867
Interest receivable and similar income	4	6,172	2,164
Profit before taxation		14,966	22,031
Taxation	5		
Dividend	6	(12,500)	(12,500)
Retained profit for the financial year		2,466	9,531
Other comprehensive income			
Revaluation of non-current assets	7 and 8	8,332	3,041
Total comprehensive income		10,798	12,572

The notes on pages 54–69 form part of these accounts.

Statement of financial position

As at 31 March 2024

	Note	2023/24 £k	Represented 2022/23 £k
Non-current assets:			
Property, plant and equipment	7	54,692	46,816
Intangible assets	8	23,505	19,991
Total non-current assets		78,197	66,807
Current assets:			
Inventories	9	1,162	1,179
Trade and other receivables	10	56,579	52,751
Short-term investments	12	70,000	35,000
Cash and cash equivalents	11	49,131	88,322
Total current assets		176,872	177,252
Total assets		255,069	244,059
Current liabilities:			
Trade and other payables	13	(106,995)	(107,230)
Provisions	14	(882)	(865)
Total current liabilities		(107,877)	(108,095)
Total assets less current liabilities		147,192	135,964
Non-current liabilities:			
Trade and other payables	13	(7,900)	(7,470)
Total non-current liabilities		(7,900)	(7,470)
Assets less liabilities		139,292	128,494
Taxpayers' equity:			
Public dividend capital		13,267	13,267
Revaluation reserve		21,409	13,789
Retained earnings		104,616	101,438
Total taxpayers' equity		139,292	128,494

The notes on pages 54–69 form part of these accounts.



Vanessa Blake

Interim Chief Executive
11 July 2024

Statement of cash flows

For the year ended 31 March 2024

	Note	2023/24 £k	Represented 2022/23 £k
Net cash flow from operating activities	20	6,865	36,734
Cash flows from investing activities			
Interest received	4	6,172	2,164
Purchase of property, plant and equipment	7	(1,542)	(657)
Purchase of intangible assets	8	(3,186)	(5,160)
(Increase) in short term investments	12	(35,000)	(16,193)
Net cash inflow/(outflow) from investing activities		(33,556)	(19,846)
Cash flows from financing activities			
Dividend paid	6	(12,500)	(12,500)
Net cash outflow from financing activities		(12,500)	(12,500)
Net financing			
Net increase in cash and cash equivalents in the period		(39,191)	4,388
Cash and cash equivalents at beginning of year		88,322	83,934
Cash and cash equivalents at end of year	11	49,131	88,322

The notes on pages 54–69 form part of these accounts.

Statement of changes in taxpayers' equity

For the year ended 31 March 2024

	Note	Profit and Loss Reserve £k	Revaluation Reserve £k	Public Dividend Capital £k	Total Reserves £k
Balance at 1 April 2023		101,438	13,789	13,267	128,494
Other comprehensive income					
Revaluation of property, plant and equipment (PPE)	7		7,226		7,226
Revaluation of intangible assets	8		1,106		1,106
Disposal of intangible assets					—
Transfer between reserves profit/loss		712	(712)		—
Total other comprehensive income		712	7,620	—	8,332
Adjustment to retained earnings					
Net Income for the period		14,966			14,966
Total Recognised income and expense for the period		15,678	7,620		23,298
Dividend	6	(12,500)			(12,500)
Balance at 31 March 2024		104,616	21,409	13,267	139,292
Balance at 1 April 2022		91,385	11,270	13,267	115,922
Other comprehensive income					—
Revaluation of property, plant and equipment (PPE)	7		1,569		1,569
Revaluation of intangible assets	8		1,472		1,472
Restated transfer between reserves profit/loss	16	522	(522)		—
Total other comprehensive income		522	2,519	—	3,041
Net Income for the period		22,031			22,031
Total Recognised income and expense for the period		22,553	2,519	—	25,072
Dividend	6	(12,500)			(12,500)
Balance at 31 March 2023		101,438	13,789	13,267	128,494

The notes on pages 54–69 form part of these accounts.

Notes to the accounts

I. Accounting policies

A. Basis of accounting

We operate as a Trading Fund within the MOD in accordance with Statutory Instrument SI 1996/773. The accounts have been prepared in accordance with the direction given by HMT on 14 December 2023 in pursuance of section 4(6) (a) of the Government Trading Funds Act 1973 and the government Financial Reporting Manual (FReM) issued by HMT. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context in the UK.

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

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

B. Accounting convention

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

C. Going concern

We have prepared a five-year projection covering the years from 2024/25 to 2028/29 on a prudent basis.

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

D. Basis of consolidation

Admiralty Holdings Limited is 100% owned by the Secretary of State for Defence. She/he has delegated its management to the UKHO. Admiralty Holdings Limited, in turn, has nine wholly owned subsidiary companies. Admiralty Holdings Limited last traded in 2014/15 and the subsidiary companies have never traded. The assets and liabilities of these companies are immaterial to these financial statements. On this basis, none of the companies have been consolidated. The UKHO also operates the International Centre for Electronic Navigational Charts (IC-ENC). IC-ENC has 50 member nations that collaborate on the quality control and distribution of ENCs. The substance of these arrangements is such that the UKHO does not have control over the activities of IC-ENC members and their activities are therefore not consolidated. These financial statements therefore only cover the UKHO.

E. Changes in accounting policies and disclosures

There were no changes to our accounting policies during 2023/24.

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

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors requires disclosures in respect of new IFRS, amendments and interpretations that are, or will be applicable after the reporting period. There is one IFRS that has been issued by the International Accounting Standards Board (IASB) that will become effective for financial statements after this reporting period.

The following have not been adopted early:

IFRS 17: Insurance Contracts

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

HMT is consulting on the public sector interpretation of this standard and it expects public sector implementation to be from 2025/26. The UKHO will consider whether, through contractual arrangements or custom and practice, our activities insure other bodies against specific risks.

New transaction streams or arrangements will be monitored against the criteria of IFRS 17 to ensure all liabilities are appropriately recognised if applicable. From initial consideration of the criteria of IFRS 17 we do not expect there to be any additional liabilities to be recognised.

G. Property, plant and equipment non-current assets

Recognition

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

Valuation

After initial recognition, land, building and plant and machinery assets are expressed at their fair value through professional valuation which is carried out every 5 years. In the intervening years the application of indices are used to revalue the asset to Depreciated Replacement Cost (DRC).

The quinquennial revaluation of land and buildings is carried out by a professional external valuer in accordance with IAS 16 as interpreted by the FReM and in line with RICS guidance and is performed net of VAT. The quinquennial valuation took place in 2024. The indices, used in the intervening year, are provided by Defence Economics.

Furniture and fittings and information technology assets are retained at historical cost owing to their short-term economic life. Assets under construction are not subject to indexation.

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

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

Depreciation, impairment and review of estimated useful life

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

- › Buildings 50 years.
- › Plant and equipment between 3 and 20 years.
- › Furniture and fittings over 10 years.
- › Information technology assets between 2 and 5 years.

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

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

H. Intangible non-current assets

Recognition

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

Software licences

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

Developed Software

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

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

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

Valuation

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

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

Subsequently, developed software is revalued using the ONS index of Information and Communications average weekly earnings index to revalue the intangible asset to DRC or, if the asset is income generating, to value in use if lower than DRC. Intangible assets under construction are not subject to indexation where the costs capitalised during the period of construction are deemed to reflect fair value.

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

Amortisation, impairment and review of estimated useful life

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

Software licences are amortised over the useful economic lives of between 2 and 10 years. Developed software assets are amortised over the useful economic lives of between 5 and 25 years.

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

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

I. Leases

In addition to assets that are clearly leased, in accordance with IFRS 16, the UKHO will recognise leased assets specified, explicitly or implicitly, within contracts as long as:

- › The asset is physically distinct, or we have the right to receive substantially all the capacity of the asset.
- › The supplier does not have substantive substitution rights.
- › The contract is for more than 12 months.
- › The value of the asset is greater than £5,000 for PPE assets or greater than £1,000 for all other asset classes.

We have elected to not apply IFRS 16 to intangible assets.

We currently do not have any assets that are clearly leased.

We have completed a review of contracts that UKHO holds and have concluded there is no material impact for 2023/24.

Notes to the accounts continued

J. Hydrographic data

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

K. Inventories and work in progress

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

L. Financial instruments

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

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

M. Cash and cash equivalents

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

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

N. Short-term investments

Surplus cash is held in interest-bearing accounts and invested for specific periods between 3 and 12 months to ensure cash availability meets the demands of the business.

O. Provisions

Provisions for liabilities and charges have been established under the criteria of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets and are based on realistic estimates of the expenditure required to settle legal or constructive obligations that exist at 31 March 2024.

P. Capital and reserves

Public dividend capital

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

Retained earnings

The retained earnings represents the cumulative retained net income (after dividends) since the UKHO became a Trading Fund.

Revaluation reserve

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

Q. Foreign currencies

Assets and liabilities denominated in a foreign currency are translated into sterling at the rate of exchange ruling as at 31 March 2024. Transactions are recorded at the rate ruling at the time of the transaction. Exchange differences are taken to the Statement of Comprehensive Income.

R. Revenue

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

Performance obligations

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

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

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

A provision is made against current sales in respect of future credits for superseded inventories held by ADMIRALTY Chart Agents. The provision represents a 4% credit allowance for returns of inventory following the release of new editions (2022/23: 5%) and a 2% credit allowance in relation to inventory cleanses (2022/23: 1%).

Notes to the accounts continued

Contract balances

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

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

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

S. Operating segments

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

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

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

T. Royalties and data costs

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

U. Salaries, wages and employment-related payments

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

V. Retirement benefit costs

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

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

Details of rates and amounts of contributions during the year are given in the Remuneration and staff report (pages 38-45). Our staff may have benefits accrued in one of five statutory based defined benefit schemes: alpha, classic, premium, classic plus, and nuvos. From 1 April 2022 all staff were transferred to the alpha scheme, a career average defined benefits scheme. Pensions for future retirees will be paid from both their accrued benefits in their previous schemes and the alpha scheme. Classic, premium, classic plus and nuvos are now closed to both new and existing members.

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

W. Taxation

Corporation Tax

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

VAT

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

X. Critical accounting judgements and key sources of estimation uncertainty

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

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

Valuation of non-current intangible and property, plant and equipment assets

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

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

In addition to considering the valuation of non-current intangible and property, plant and equipment assets, the UKHO considers more broadly whether there are any indications of impairments to the carrying amounts of the UKHO's assets. Where such an indication exists, the UKHO makes a judgement as to the impairment required to bring the asset to the value it considers it should be held at.

It was reported in the 2018/19 report that, following the completion and occupation of our new office building in January 2019, most of our older existing buildings would be demolished and the surplus land sold. Since then, plans have been approved to rebuild another of our facilities utilising about half of the available land. Further discussions have concluded that we will now not be selling the remaining land and this has been revalued, as part of the quinquennial valuation early in 2024, on a value-in-use basis for potential office development. The outcome of this valuation is reported in Note 1G.

Estimation of deferred revenue

Per note 1R, our paper charts have two performance obligations: the delivery of the product to the customer and our obligation to provide an update service for those products until the next new edition is published. Revenue relating to the first obligation is recognised on delivery of the product to the customer. Revenue relating to the second obligation is deferred over the average time between the original and new editions. As there is no market value for the update service we provide, we have used the percentage of the total cost of paper chart production that relates to the cost of providing the update service as a proxy to estimate the percentage of revenue that should be deferred in relation to the second obligation. This revenue is deferred over the average new edition frequency, currently seven years. The timing of new editions is highly variable and unpredictable and therefore the average period over which revenue could be deferred is also subject to variation.

While we are committed to maintaining paper charts for the foreseeable future, there will come a time when it is right for our market to withdraw them. This decision will ultimately impact on our current revenue deferral policy. At the balance sheet date and the date of approval of these accounts the timing of this withdrawal is uncertain. In order to help readers understand the potential impact, the variance from the seven-year deferral used in the accounts is:

Years	Deferral	Impact on revenue and profits
9	£11.6m	-£2.8m
8	£10.4m	-£1.6m
7	£8.8m	-
6	£7.1m	+£1.7m
5	£5.6m	+£3.2m
4	£4.3m	+£4.6m
3	£3.0m	+£5.8m
2	£1.9m	+£6.9m

Notes to the accounts continued

2. Operating segments

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

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

	Commercial 2023/24 £k	Defence 2023/24 £k	Other government 2023/24 £k	Total 2023/24 £k	Commercial 2022/23 £k	Defence 2022/23 £k	Other government 2022/23 £k	Total 2022/23 £k
Income	185,532	16,478	323	202,333	174,396	13,820	911	189,127
Cost of sales	(89,134)	(4,593)	(311)	(94,038)	(81,251)	(2,643)	(946)	(84,840)
Gross margin	96,398	11,885	12	108,295	93,145	11,177	(35)	104,287
Operating expense				(99,501)				(84,082)
Exceptional items				–				(338)
Interest receivable and similar income				6,172				2,164
Total per financial statements				14,966				22,031

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

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

Information about major customers

Revenues from three customers exceeded 10% of the UKHO's total revenues in 2023/24:

	Commercial 2023/24 £k	Defence 2023/24 £k	Other government 2023/24 £k	Total 2023/24 £k	Commercial 2022/23 £k	Defence 2022/23 £k	Other government 2022/23 £k	Total 2022/23 £k
Customer 1	29,538			29,538	26,064			26,064
Customer 2	29,029			29,029	25,570			25,570
Customer 3	25,607			25,607	24,804			24,804

Revenue by geographical market

	2023/24 £k	2022/23 £k
Europe, Middle East and Africa	148,142	134,786
Asia Pacific	52,184	51,945
North America	1,878	2,219
Central and Latin America	129	177
Total revenue	202,333	189,127

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

Timing of revenue recognition

	2023/24 £k	2022/23 £k
Products transferred at a point in time	33,053	32,245
Products and services transferred over time	169,280	156,882
Total revenue	202,333	189,127

3. Profit on ordinary activities before interest

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

	2023/24 £k	2022/23 £k
Salaries, wages, etc.	40,246	34,865
Social security costs	4,206	3,771
Apprentice levy	183	144
Pension costs	9,928	8,778
Agency staff costs	13,440	7,919
Service personnel costs	777	713
Staff costs capitalised within intangible assets	(1,472)	(1,762)
Total staff costs	67,308	54,428
Voluntary early release	–	338
Depreciation	868	1,434
Amortisation software	–	72
Amortisation development software	783	2,499
Loss/(gain) on disposal of fixed assets	20	103
Realised foreign exchange loss/(gain)	960	(2,062)
Unrealised foreign exchange (gain)/loss	500	1,158
Auditors' remuneration	127.5	117
Development and transformational activities	12,572	8,771

4. Interest receivable and similar income

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

	2023/24 £k	2022/23 £k
Interest receivable and similar income	6,172	2,164

5. Taxation

The UKHO, as a Trading Fund, is exempt from Corporation Tax and consequently no current or deferred tax is accounted for.

6. Dividends

	2023/24 £k	2022/23 £k
Ordinary dividend	12,500	12,500
Total dividends	12,500	12,500

Notes to the accounts continued

7. Property, plant and equipment

	Freehold land £k	Buildings £k	Plant and machinery £k	Furniture and fittings £k	Information technology £k	Assets under construction £k	Total £k
Cost or valuation:							
At 1 April 2023	8,869	39,782	644	784	4,704	650	55,433
Additions					197	1,345	1,542
Reclassification					660	(660)	–
Disposals			(163)		(236)		(399)
Revaluation	2,613	5,175	14				7,802
At 31 March 2024	11,482	44,957	495	784	5,325	1,335	64,378

Depreciation:

At 1 April 2023	–	3,832	386	330	4,069	–	8,617
Charged		935	21	76	377		1,409
Re-estimation of assets useful lives					(543)		(543)
Disposals			(163)		(211)		(374)
Revaluation		568	9				577
At 31 March 2024	–	5,335	253	406	3,692	–	9,686

Net book value:

At 31 March 2024	11,482	39,622	242	378	1,633	1,335	54,692
-------------------------	---------------	---------------	------------	------------	--------------	--------------	---------------

Cost or valuation:

At 1 April 2022	9,696	37,234	1,799	784	4,697	–	54,210
Additions					7	650	657
Disposals			(1,229)				(1,229)
Revaluation	(827)	2,548	74				1,795
At 31 March 2023	8,869	39,782	644	784	4,704	650	55,433

Depreciation:

At 1 April 2022	–	2,691	1,483	253	3,761	–	8,188
Charged	–	957	92	77	308	–	1,434
Reclassification	–	–	–	–	–	–	–
Disposals	–	–	(1,231)	–	–	–	(1,231)
Revaluation	–	184	42	–	–	–	226
At 31 March 2023	–	3,832	386	330	4,069	–	8,617

Net book value:

At 31 March 2023	8,869	35,950	258	454	635	650	46,816
------------------	-------	--------	-----	-----	-----	-----	--------

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

A professional valuation was carried out as at 31 March 2024 by Avison Young, who are a Regulated Member of the Royal Institute of Chartered Surveyors (RICS).

The next valuation of land and buildings will be in 2029.

8. Intangible assets

	Software licences £k	Development Software £k	Assets under construction £k	Total £k
Cost or valuation:				
At 1 April 2023	—	38,918	8,519	47,437
Additions		248	2,938	3,186
Disposals		(135)		(135)
Revaluation		3,145		3,145
At 31 March 2024	—	42,176	11,457	53,633
Amortisation:				
At 1 April 2023	—	27,446	—	27,446
Charged		783		783
Disposals		(140)		(140)
Revaluation		2,039		2,039
At 31 March 2024	—	30,128	—	30,128
Net book value:				
At 31 March 2024	—	12,048	11,457	23,505
Cost or valuation:				
At 1 April 2022	536	33,469	4,661	38,666
Additions		267	4,893	5,160
Reclassification		1,035	(1,035)	—
Disposals	(536)	(15)		(551)
Revaluation		4,162		4,162
At 31 March 2023	—	38,918	8,519	47,437
Amortisation:				
At 1 April 2022	363	22,271	—	22,634
Charged	72	2,499	—	2,571
Disposals	(435)	(14)		(449)
Revaluation	—	2,690	—	2,690
At 31 March 2023	—	27,446	—	27,446
Net book value:				
At 31 March 2023	—	11,472	8,519	19,991

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

Notes to the accounts continued

Analysis of intangible non-current assets

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

Project	Description	Carrying value 31/03/2024 £k	Remaining amortisation period (months)
Hydrographic Database (HDB) and Chart Production Tools	Production system for holding data and compiling charts	4,030	72
Fleet Manager	Fleet Manager is our integrated digital catalogue, product viewer and passage planning aid for organising, updating and consolidating all paper and digital information needed for planning safe voyages while simplifying essential tasks	3,383	36
Various delivery capabilities	Systems for the support of efficient data delivery to our customers	4,634	12-120

9. Inventories

	2023/24 £k	2022/23 £k
Finished inventories	751	761
Materials	411	418
Total inventories	1,162	1,179

10. Trade and other current receivables

	2023/24 £k	2022/23 £k
Trade receivables	30,464	30,834
Prepayments	24,016	19,290
Contract assets - accrued income	2,082	2,590
Net investments and finance leases	8	20
Other receivables	9	17
Total receivables	56,579	52,751

11. Cash and cash equivalents

	2023/24 £k	2022/23 £k
Balance 1 April	88,322	83,934
Net change in cash and cash equivalent balances	(19,191)	(30,612)
Net change in short-term investment with maturity dates within 3 months of the 31 March	(20,000)	35,000
Balance 31 March	49,131	88,322

The following balances at 31 March were held at:

	2023/24 £k	2022/23 £k
Commercial banks - short-term investments with maturity dates within 3 months of the 31 March	20,000	40,000
Commercial banks - instant access accounts	29,131	48,322
Cash and cash equivalents	49,131	88,322

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

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

The UKHO holds £27,556k (£17,092k 2022/23) in cash on behalf of the members of IC-ENC. This cash represents income due to IC-ENC members. It is not an asset of the UKHO and is not included in the numbers above.

Net cash and cash equivalents held in currencies other than sterling have been converted into sterling at 31 March 2024.

12. Short-term investments

2023/24 Investment date	Term Months	Amount invested £k	Interest receivable on maturity £k	Maturity date
03/10/2023	12	10,000	596	03/10/2024
05/07/2023	12	20,000	1,330	05/07/2024
20/10/2023	12	20,000	1,040	21/10/2024
05/01/2024	12	20,000	1,044	06/01/2025
Total short-term investments		70,000		

2022/23 Investment date	Term Months	Amount invested £k	Interest receivable on maturity £k	Maturity date
20/10/2022	12	20,000	1,034	20/10/2023
03/01/2023	9	10,000	355	03/10/2023
03/01/2023	6	5,000	109	03/07/2023
Total short-term investments		35,000		

If funds are required before the maturity date, there will be a loss of predicted interest.

The UHKO has noted that in the prior year short term cash investments, with a greater than 3-month maturity date were incorrectly classified as cash and cash equivalents, when the more appropriate classification would have been as short term investments. As a result, management have reclassified amounts totalling £70,000k (£35,000k 2022/23), with no impact upon reported Total assets, Total assets less liabilities or Total Comprehensive Income.

13. Trade and other payables

	2023/24 £k	2022/23 £k
Accruals	14,218	12,200
Contract liabilities – deferred income	50,295	46,655
Proposed dividend	12,500	12,500
Trade payables	28,241	35,014
Other taxation and social security	1,742	861
Total payables	106,995	107,230
Non-current liabilities		
Contract liabilities – deferred income	7,900	7,470
Total non-current liabilities	7,900	7,470

Notes to the accounts continued

14. Provisions

	2023/24 £k	2022/23 £k
Opening balance at 1 April	865	1,129
Charged to operating cost	882	865
Applied	(865)	(1,129)
Total current liabilities	882	865
Total liabilities at 31 March	882	865

Analysis of expected timing of cash flows at 31 March 2024

	2024/25 £k	Balance March 2024 £k
Sales credits	882	882

Analysis of expected timing of cash flows at 31 March 2023

	2023/24 £k	Balance March 2023 £k
Sales credits	882	1,129

15. Public dividend capital

	2023/24 £k	2022/23 £k
Public dividend capital	13,267	13,267

Public dividend capital represents capital invested by the MOD in the UKHO becoming a Trading Fund.

16. Revaluation reserve

	Land £k	Buildings £k	Plant and machinery £k	Developed software £k	Total £k
Balance at 1 April 2023	5,864	5,824	180	1,921	13,789
Revaluation	2,613	4,607	6	1,106	8,332
Transfer to Retained Earnings				(712)	(712)
Balance at 31 March 2024	8,477	10,431	186	2,315	21,409
Balance at 1 April 2022	6,691	3,460	148	971	11,270
Revaluation	(827)	2,364	32	1,472	3,041
Transfer to Retained Earnings				(522)	(522)
Balance at 31 March 2023	5,864	5,824	180	1,921	13,789

17. Financial instruments

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

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

Foreign exchange risk

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

Credit risk

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

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

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

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

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

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

Trade receivables beyond the due date

	Not overdue £k	Overdue 31 – 60 days £k	Overdue 61 – 90 days £k	Overdue 91 – 120 days £k	Overdue Over 121 days £k	Total £k
2023/24						
Receivables – not impaired	30,935	(597)	46	8	71	30,464
Bad debt provision		—	—	—	—	—
Net total receivables	30,935	(597)	46	8	71	30,464

	Not overdue £k	Overdue 0 – 3 months £k	Overdue 3 – 6 months £k	Overdue 6 – 12 months £k	Overdue Over 12 months £k	Total £k
2022/23						
Receivables – not impaired	30,787	2	—	—	45	30,834
Bad debt provision		—	—	—	—	—
Net total receivables	30,787	2	—	—	45	30,834

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

Notes to the accounts continued

Liquidity risk

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

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

	2023/24 £k	2022/23 £k
Financial liabilities		
Trade and other payables	£114,895	114,700

Fair values

We are subject to some credit risk. The carrying amount of receivables, net of impairment losses (doubtful debt provision), represents the current value of all our financial instruments and is considered to equate to fair value at 31 March 2024.

Significant accounting policies

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

18. Capital commitments

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

	2023/24 £k	2022/23 £k
Property, plant and equipment	245	868
Intangible assets	3,462	1,011
Total capital commitments	3,707	1,879

19. Other financial commitments

Non-cancellable contracts not already on the balance sheet which are not leases, PFI contracts, or other service concession arrangements.

	2023/24 £k	2022/23 £k
Due within one year	7,587	6,051
Due after one year but within five years	6,937	5,795
Total	14,524	11,846

Material contracts included above largely relate to software maintenance and support contracts, with the largest contracted commitment being £3.3m (2022/23: £2.8m).

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

	2023/24 £k	2022/23 £k
Profit on ordinary activities before interest and after exceptionals	8,794	19,867
Depreciation and amortisation	1,649	4,005
Loss on sale and disposal of non-current assets	25	100
Decrease in inventories	19	27
(Increase)/Decrease in receivables	(3,826)	(8,188)
(Decrease)/Increase in payables	187	21,187
(Decrease)/Increase in provisions	17	(264)
Net cash inflow from operating activities	6,865	36,734

21. Contingent liabilities

The government ultimately carries the risk in the event that an error in our products and services causes an incident at sea. All of our safety and quality systems are focused on mitigating this risk. We carry professional indemnity insurance for the first £50m of any claim and any liabilities beyond this are considered to be underwritten by our owner, the MOD.

22. Related party transactions

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

Other related parties

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

23. Events after the reporting period

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

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




UK Hydrographic Office

Admiralty Way, Taunton, Somerset
TA1 2DN, United Kingdom
Telephone +44 (0)1823 484444
customerservices@ukho.gov.uk

gov.uk/ukho

Discover more about our market-leading
ADMIRALTY products and services:

admiralty.co.uk    

ADMIRALTY and  are trademarks of the Secretary of State for Defence

E03105354 07/24
ISBN 978-1-5286-4796-0