7-1-2021

Her Majesty's Treasury Annual Report and Accounts 2020-2021

United Kingdom: Her Majesty's Treasury

HM Treasury

Annual Report and Accounts
2020-21

HC 436

July 2021

HM Treasury

Annual Report and Accounts

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Presented to the house of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000.

Ordered by the House of Commons to be printed on 20 July 2021

HC 436 July 2021

This is part of a series of departmental publications which, along with the Main Estimates 2020-21 and the document Public Expenditure: Statistical Analysis 2020, present the government's outturn for 2020-21 and planned expenditure for 2021-22.

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

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ISBN: 978-1-5286-2754-2 PU: 3131

Preface

About this Annual Report and Accounts

This document integrates performance and financial data with analysis to help readers gain a better understanding of the work of the Treasury and how it spends taxpayers' money to deliver the government's economic and fiscal policies. It covers the activities of the Treasury from April 2020 to March 2021 (inclusive), and is split into 4 main sections:

- the **Performance report** includes a summary of progress and key milestones achieved during 2020-2021 (the Performance overview), followed by a deeper dive into the department's achievements over the year against each of the 3 policy objectives and the Treasury's own corporate objective (the Performance analysis)

- the **Accountability report** is further split into 3 sub sections and includes: a Corporate governance report where the Treasury reports on the operating structure of the department and important transparency matters such as conflicts of interest and whistle blowing. It also includes a statement of the Accounting Officer's responsibilities, and a Governance Statement on how the Treasury manages risk; a Remuneration and staff report setting out an open account of the pay and benefits received by ministers, executive and non-executive members of the Board, disclosures on Treasury's pay and pensions policies, and details of staff numbers and costs; and a Parliamentary accountability and audit report allowing readers to understand the department's expenditure against the money provided to it by Parliament by examining the Statement of Outturn against Parliamentary Supply. A copy of the audit certificate and report made to Parliament by the head of the National Audit Office setting out his opinion on the financial statements is also included in this section

- the **Financial statements** show the Treasury Group's income and expenditure for the financial year, the financial position of the department as at 31 March 2021, and additional information designed to enable readers to understand these results

- the **Trust Statement** provides a record of fine and levy income collected by Treasury on behalf of government during the financial year

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Foreword by the Exchequer Secretary to the Treasury

Over the past few months, the easing of COVID-19 restrictions, facilitated by the UK's world-leading vaccination programme, has brought about the initial phase of our nation's recovery from the devasting hold of the pandemic.

While the lifting of restrictions is encouraging, we must not forget the significant impact that the pandemic has wrought on lives and livelihoods across our country. I am proud of the central role that HM Treasury took – and continues to take – in the government's COVID-19 response.

Over the course of the pandemic, HM Treasury has provided one of the world's most comprehensive economic support packages to people and businesses. From the Plan for Jobs, including our flagship Coronavirus Job Retention Scheme and Self Employment Income Support Scheme; to ensuring access to finance for businesses of all sizes; to providing extra financial support for our vital public services, the package of support announced by the government since the start of the pandemic totals £352 billion.

The past year has also forged the path to building back better from COVID-19. At the 2020 Spending Review, the Chancellor confirmed £100 billion of capital expenditure, a £27 billion real terms increase on 2019-20. At Budget 2021, together with the Prime Minister, he cemented his plan to invest in the economy of the future via the plan for growth, with significant investment in infrastructure, skills and innovation. Through this plan, the government will pursue growth that benefits the whole of the United Kingdom, creates quality jobs, enables the transition to net zero, and supports our vision for Global Britain. At the same time, the government took steps at the Budget to return the public finances to a more sustainable path over the medium-term.

HM Treasury has also achieved a number of important milestones outside of the response to the pandemic. In October 2020, HM Treasury introduced the Financial Services Act 2021, which will ensure the UK's world-leading financial services sector continues to thrive. In December 2020, HM Treasury was closely involved in the delivery of the UK-EU Trade and Co-operation Agreement. In February 2021, the Review into the Economics of Biodiversity, led by Professor Sir Partha Dasgupta, was published.

I am proud of what HM Treasury has achieved over the past year. HM Treasury has proven itself once more to be a professional, dynamic department. I have confidence that it will continue to rise creatively and rigorously to the challenges ahead.

Kemi Badenoch MP
Exchequer Secretary to the Treasury
16 July 2021

Chapter 1

Performance report

Performance overview

This performance overview sets out how HM Treasury has worked to deliver its policy and corporate objectives, highlighting its key achievements.

HM Treasury is the government's economics and finance ministry, maintaining control over public spending, setting the direction of the UK's economic policy, and working to achieve strong and sustainable economic growth.

HM treasury has a very broad remit, and its work touches every UK citizen, as it covers public spending policy (including departmental spending, public sector pay and pensions, annually managed expenditure and welfare policy, and capital investment); financial services policy (including banking and financial services regulation, financial stability, and ensuring competitiveness); strategic oversight of the UK tax system (including direct, indirect, business, property, personal tax and Corporation Tax); and ensuring the economy is growing sustainably, including through decarbonisation of the economy. And over the last year, in response to the COVID-19 pandemic, the Treasury has been at the heart of the government's economic response to the crisis, developing and implementing unprecedented packages of support to help millions of people, families and businesses.

Led by The Rt Hon Rishi Sunak MP, Chancellor of the Exchequer, HM Treasury is committed to: taking a balanced approach to supporting the economy, maintaining financial and macroeconomic stability while investing in Britain's future; spending taxpayers' money responsibly while maintaining long-term fiscal sustainability; and, creating stronger and safer banks while improving regulation of the financial sector and making it easier for people to access and use financial services.

The Chancellor of the Exchequer is supported by his ministerial team: The Rt Hon Stephen Barclay MP (Chief Secretary), The Rt Hon Jesse Norman MP (Financial Secretary to the Treasury), Kemi Badenoch MP (Exchequer Secretary to the Treasury), John Glen MP (Economic Secretary to the Treasury), and The Rt Hon The Lord Agnew of Oulton (Minister of State, jointly with the Cabinet Office).

HM Treasury had three policy objectives for 2020-21:

1. placing the public finances on a sustainable footing, ensuring value for money and improved outcomes in public services;
2. ensuring the stability of the macro economic environment and financial system, enabling strong, sustainable and balanced growth as we leave the EU; and

3 increasing employment and productivity and ensuring strong growth and competitiveness across all regions of the UK through a comprehensive package of structural reforms, taking advantage of the opportunities provided by leaving the EU.

At Spending Review 2020, HM Treasury set out its three priority outcomes for 2021-22, published in its 2021-22 Outcome Delivery Plan:

1 place the public finances on a sustainable footing by controlling public spending and designing sustainable taxes;

2 level up the economy, by ensuring strong employment and increasing productivity across the regions and nations of the UK; and

3 ensure the stability of the macro economic environment and financial system.

A highly engaged workforce enables the Treasury to operate as a high-performing organisation. As part of their commitment to continued corporate progress, the Executive Management Board sustained the 'Building a Great Treasury' change management programme for delivering our corporate objective: creating a more open, inclusive and diverse department, underpinned by professionalism, skills and management excellence. The department has subsequently updated its change programme, in line with the Government's ambitions for a Modern Civil Service that is skilled, innovative and ambitious.

Key issues and risks

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

Mitigating COVID-19 impacts on the economy

The impact of COVID-19 meant the UK economy saw its largest fall in annual output in over 300 years, with GDP falling by 9.9% in 2020. Activity slowed again at the start of 2021, as restrictions were tightened to protect public health. This saw GDP fall by 1.6% through Q1 2021.

HM Treasury officials supported the government to safeguard the economy on a scale unmatched in recent history, implementing a range of support for workers, businesses and public services, to protect against the current economic emergency, and mitigate the threat to macroeconomic stability. The department has worked closely with the government's counter fraud function and delivery partners to mitigate fraud risks where possible against COVID-19 schemes.

As of its March 2021 forecast, the OBR now expects the economy to reach its pre-COVID-19 size six months earlier (2022 Q2), and for unemployment to peak at 1ppt lower (6.5%), than in its November 2020 forecast.

Managing the transition for HM Treasury staff to work from home, in accordance with government COVID-19 restrictions

When the pandemic emerged, HM Treasury's business continuity plans were implemented, and the majority of staff transitioned to working from home.

To respond effectively, the department provided staff with clear guidance to support new ways of working, reflecting official guidance; encouraged management excellence and staff wellbeing; and the roll-out of new technology. Further, the department completed work to ensure staff could access HM Treasury buildings safely, in accordance with national restrictions.

The effectiveness of this response enabled the department to increase its outputs to address the policy challenges of the pandemic, with the delivery of 12 additional fiscal policy announcements since March 2020, as well as the 2020 Spending Review and the 2021 Spring Budget.

Preparing for the end of the Transition Period

HM Treasury worked closely with other government departments, the Bank of England, and the FCA, to feed into UK negotiations with the EU, supporting the government in negotiations over the UK-EU Trade and Co-operation Agreement.

As part of this, in the period to December 2020 HM Treasury developed plans ensuring it would be ready for the end of the Transition Period, including appropriate and proportionate planning for a non-negotiated outcome. This included working with a variety of stakeholders across government and industry.

Ensuring Ministerial priorities on public expenditure were met in light of the economic and fiscal context

HM Treasury continued to manage public expenditure and drive value for money through the 2020 Spending Review and in-year spending controls. Officials supported ministers in developing policy for funding government priorities, including capital expenditure and supporting our public services to combat COVID-19.

The Treasury's finances

Figure 1A: Treasury Group Financial Position as at 31 March 2021 (restated 31 March 2020)[1]

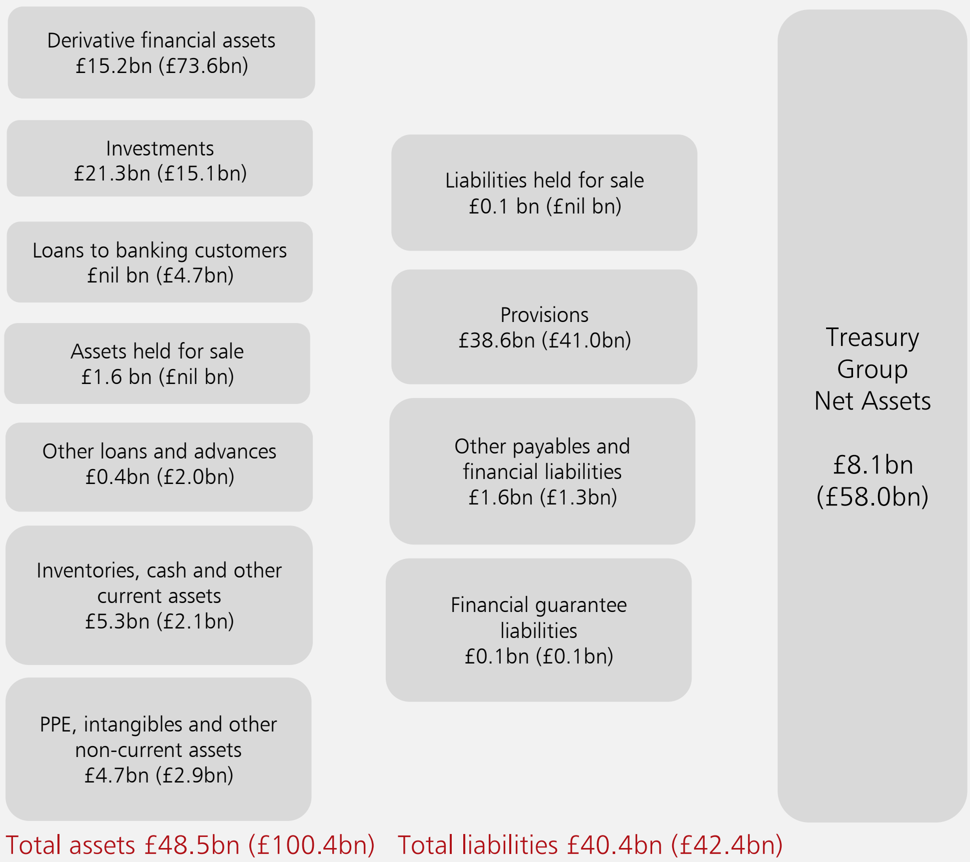

Figure 1A shows the total assets, liabilities and net asset position for 31 March 2021 and the prior year.

Detail of the entities which are consolidated into the Treasury Group can be found in Chapter 7.

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

Public corporations include: Bank of England (and its subsidiaries); Financial Conduct Authority; NatWest Group plc (and its subsidiaries); the Crown Estate; Royal Mint Trading Fund (and its subsidiary) and Local partnerships LLP.

Non-ministerial departments include: Government Actuary's Department; National Savings and Investments and Her Majesty's Revenue and Customs (and its ALBs).

[1] Further information on the Treasury Group's Consolidated Statement of Financial Position can be found in the Financial Statements in Chapter 3. Prior year (2019-20) comparatives are shown in brackets.

Where we spent money in 2020-21

The Treasury Group's income and expenditure is reported in the Statement of Comprehensive Income net Expenditure (SoCNE) (page 148), and the Statement of Outturn against Parliamentary Supply (SOPS) (page 106).

For the year ended 31 March 2021, the Treasury Group incurred the total net expenditure after tax of £37.8bn. Of this £37.2bn related to the Treasury Core and Agencies, and £0.6bn related to our arm's length bodies (ALBs).

The overview of expenditure by DEL and AME is set out below. Detail on how each estimate line is linked to HM Treasury's objectives can be found on page 107-108 and explanations of the variance of outturn against estimate can be found on page 110.

In £m	2020-21 Estimate	2020-21 Outturn
Resource DEL	347	320
Resource AME	60,272	42,513
Capital DEL	18	8
Capital AME	(1,635)	(7,470)

The most significant expenditure for the Treasury Group during 2020-21 is the fair value movement of the Bank of England Asset Purchasing Facility Fund (BEAPPF) derivative financial asset of £44.8bn (RAME). The Treasury provided the indemnity for BEAPPF, which was created to implement the quantitative easing programme, as a part of our objective to ensure the stability of the macroeconomic environment and financial system, enabling strong, sustainable growth. Other main spend areas include £430m of provision charge for the Help to Buy ISA scheme (RAME), and £251m staff costs (RDEL).

The main areas of income and gains for the Treasury Group are:

- £7.7bn of capital income (CDEL) from asset sales and loan repayment (UK Asset Resolution's loan sales and repayments of £5.0bn; final repayment of Ireland loan of £1.6bn; sale of NatWest shares of £1.1bn)
- £2.4bn of resource income (RAME) related EU Financial Settlement:
    - EU Financial Settlement provision release of £3.1bn due to changes in estimates, offset by £0.7bn from the effect of discounting;
    - Receivables and payables movements of £0.3bn, due to changes in estimates and recognition of EU Financial Settlement contingent assets and liabilities from the prior year.
- £1.5bn of gifts to the Nation relating to the repayment of retail business rates relief by businesses, which did not have budget impacts as it was transferred to Consolidated Fund upon receipt.

The total capital grant in kind income of £3.6bn is offset by the capital expenditure from the asset additions resulting in net nil budget impacts. They include:

- £2.3bn for the transfer of the shareholding in European Investment Bank from Consolidated Fund; and
- £1.3bn for the transfer of the shareholding in European Bank for Reconstruction and Development from Foreign, Commonwealth and Development Office.

Figure 1B: Treasury Group average number of persons employed (FTE) 2020-21

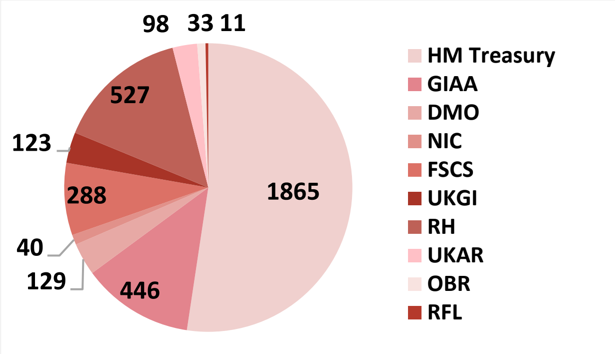

Figure 1B shows the average number of employees across the numerous Treasury Group entities

Figure 1C: Core Treasury grade split at 31 March 2021

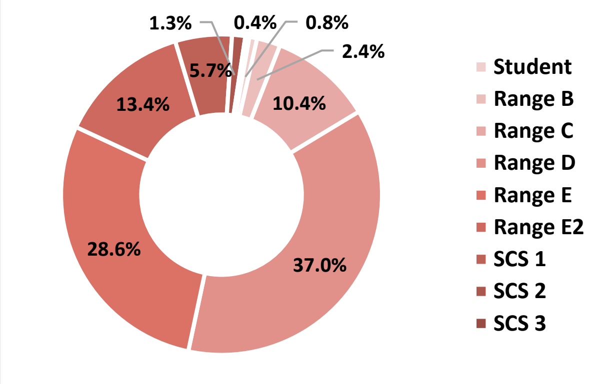

Figure 1C shows the grade split from student to SCS 3 across the Treasury Group

Five-year net expenditure analysis

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

Figure 1D: Five-year trend analysis – DEL net expenditure (£000)

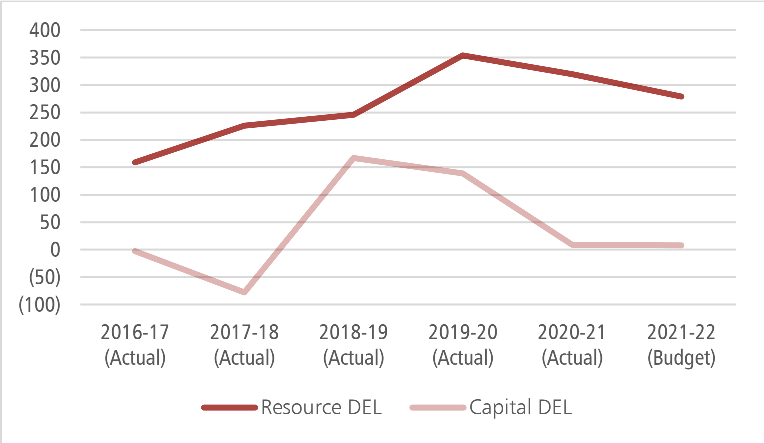

Figure 1D shows the five-year trend analysis of DEL expenditure with negative figures being net income

Figure 1E: Five-year trend analysis – AME net expenditure (£000)

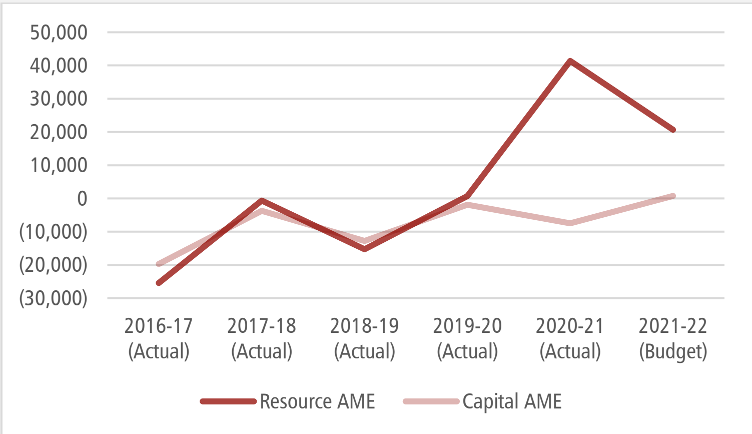

Figure 1E shows the five-year trend analysis of AME expenditure with negative figures being net income

RDEL is more consistent, showing less significant volatility year on year compared with other expenditure. The peak in 2019-20 was predominately due to an extra-contractual legal settlement. CDEL expenditure peaked at 2018-19 due to the capital subscription to the Asian Infrastructure Investment Bank and the acceleration of loans provision as part of the Digital Infrastructure Investment Fund.

RAME expenditure fluctuations were primarily driven by the movement in the BEAPFF derivative asset. In 2019-20, the movement in the BEAPFF derivative asset was offset by the recognition of the EU Financial Settlement liability. CAME fluctuations were mainly driven by NatWest share sales and UK Asset Resolution’s loan sales. See Treasury Core tables on page 126-128 for more information.

Analysis of departmental group's COVID-19 expenditure

The table below sets out how the departmental group's funds were spent on COVID-19. Detail on the Treasury Group's performance against each objective can be found from page 107-108 and information on COVID-19 can be found on page 26. None of entities within the Treasury Group has made use of the COVID-19 support schemes.

Analysis of departmental group's COVID-19 - DEL expenditure

How funds were spent	Budget Category	Objective	2020-21 £000	2019-20 £000
Additional pay costs of staff recruited throughout the year to bolster the policy response to the pandemic.	Staff Costs	2	25,943	-
Additional costs for public financing-related activities.	Staff Costs	2	2,558	-
Use of external consultants to provide economic modelling of strategically important sectors which were potentially at risk during the pandemic. Support also provided for assessments of companies requiring bespoke or complex financial assistance.	Consultancy	2	6,348	-
Use of financial services firms to provide due diligence accountancy analysis and advice on companies requesting bespoke financial assistance where support through already established policies were unavailable. Other services provided include polling and focus groups in order to gauge the public response to policies implemented through the pandemic and external support in order to embed hybrid working policies.	Professional Services	2	8,121	-
Additional hardware such as laptops and equipment to enable staff to work from home. Specialist security equipment to enable data security for staff required to work from home on classified material.	ICT Outsourcing & Maintenance / Support	4	1,597	246
Provision of legal advice on the implementation of a number of policy interventions designed in response to the pandemic.	Legal Expenses	2	1,058	-
Adjustments to office buildings and increased cleaning costs as well as a number of other contract variations in relation to maintaining standards in response of the pandemic.	Other Accommodation Costs	4	481	-
Total			**46,106**	**246**

Unused funding - All funding received by the department in relation to COVID-19 was used.

Use of estimates - The figures in the table above are actuals. As a policy department, a proportion of standing teams were reprioritised from their usual policy remit for periods of time to support the response to the pandemic. An estimation of the reprioritised resources to support the pandemic has not been made.

Analysis of departmental group's COVID-19 – AME expenditure/(income)				
How funds were spent	Budget Category	Objective	2020-21 £000	2019-20 £000
In-year movement of the Covid Corporate Financing Facility (CCFF) derivative asset, which is an indemnity between HM Treasury and CCFF, an entity set up by the Bank of England, for any losses arising out of or in connection with the funding facility created to purchase high quality Commercial Paper from non-financial institutions that made a material contribution to the UK economy. More information can be found under the "Contingent liabilities not required to be disclosed under IAS 37" section on page 116 and note 7 Revaluation of financial assets and liabilities in the SoCNE.	Assistance to financial institutions, businesses and individuals	2	(20,996)	(4)
Additional legal and actuarial advice, and travel and subsistence costs.	Arm's length bodies with AME budget	2	75	-
Use of external consultants and contractors to update processes to handle increased claims volumes due to COVID-19 and enhancements to make our internal processes/system infrastructure capable of being fully digital.	Arm's length bodies with AME budget	2	2,603	-
Additional hardware such as laptops and equipment to enable staff to work from home. Specialist security equipment to enable data security for staff required to work from home on classified material.	Arm's length bodies with AME budget	4	371	19
Adjustments to buildings and increased cleaning costs as well as a number of other contract variations in relation to maintaining standards in response of the pandemic. Also includes costs incurred to prepare Buckingham Palace Road (BPR) site for safe working conditions and extended material hire.	Arm's length bodies with AME budget	4	1,132	-
Increased costs relating to the resurfacing work on BPR, including COVID-19 related inefficiencies (changes in working methodology due to social distancing) and supporting at risk suppliers.	Arm's length bodies with AME budget	2	755	-
Implementation of additional measures to support B&B and NRAM mortgage customers impacted by the pandemic, including offering payment deferrals of up to six months in line with FCA direction.	Arm's length bodies with AME budget	2	563	-
Total			(15,497)	15

Unused funding – Budget cover for £574m was sought for CCFF during the supplementary estimate 2020-21, to support the operation of the scheme and cover any potential demands that might materialise, less expected income. No demands arose in the year, and CCFF generated a gain of £21m. All other funding received by the department in relation to COVID-19 was used.

Use of estimates – The fair value of the derivative was measured by the net asset of the CCFF. More detail on CCFF can be found on note 24. Financial risk: management objectives and policies and sensitivity analysis. The other figures in the table above are actuals. As a policy department, a proportion of standing teams were reprioritised from their usual policy remit for periods of time to support the response to the pandemic. An estimation of the reprioritised resources to support the pandemic has not been made.

Note – AME expenditure is not shown by Budget Category for HM Treasury's internal reporting. Estimate lines are used where applicable.

Analysis of departmental group's EU Exit expenditure

The table below sets out how the departmental group's funds were spent on EU Exit. Detail on the Treasury Group's performance against each objective can be found from page 107-108.

Analysis of EU Exit - DEL expenditure				
How funds were spent	Budget Category	Objective	2020-21 £000	2019-20 £000
Funding provided at the 2019 Spending Review to support core functions across the department for use in any EU Exit scenario, in order to manage the outcomes of the United Kingdom leaving the European Union at the end of January 2020.	Staff cost	2	35,164	32,529
Accounting and actuarial services relating to the Financial Settlement for EU Exit.	Professional Services	2	1,156	631
Use of legal advisory services relating to Equivalence and related issues. The Equivalence project relates to the EU's assessment of whether the UK legislative regime is equivalent to the EU's regime in certain key areas of financial services.	Consultancy	2	586	2
Consultancy spend relating to the fiscal impact analysis of various EU Exit scenarios.	Consultancy	2	306	-
Total			**37,212**	**33,162**

Unused funding – In 2020-21, HM Treasury did not spend £1.60m of ring-fenced reserve funding received for EU Exit Audit work.

Use of estimates – The figures in the table above are actuals.

Analysis of EU Exit - AME expenditure/(income)				
How funds were spent	Budget Category	Objective	2020-21 £000	2019-20 £000
Net movements of liabilities and assets arising from the EU Withdrawal Agreement. More detail can be found on page 35 of the Performance Report.	EU Withdrawal Agreement Financial Settlement	2	(2,384,750)	37,190,954
Total			**(2,384,750)**	**37,190,954**

Unused funding – Due to unpredictable exchange rate movements and uncertainty over movements in the underlying assets and liabilities at the time that budgetary cover was sought, a decision was made to cover a £4.2bn net increase in the liability, thereby generating the variance of £8bn for 2020-21. By electing to budget for the potential downside, this ensured that a breach in control totals was less likely to occur. The variance of £9.8bn for 2019-20 was due to the same reason.

Use of estimates - Detail of the estimates is set out in note 1.4 Significant judgments and estimates.

Financial risks

In carrying out its activities, the Treasury is exposed to a number of risks, including financial risks that have arisen due to the UK's exit from the European Union and the department's response to the COVID-19 disruption and the 2008 banking crisis.

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

The table below outlines a summary of the key financial risks for the Treasury for the reporting year. Further details on the Treasury's risk management is in the Governance Statement in Chapter 2 and Note 24 to the financial statements.

Summary of key financial risks

Type of risk	Relates to	Carrying amount (£ billion)	Note to the Accounts
Credit risk	Loans and investment securities	0.4	12
Credit risk	Financial guarantees	0.1	18
Price risk	NatWest shareholding	13.6	11
Market risk	BEAPFF	15.2	14
Market and currency risk	EU financial settlement assets	4.1	9

In addition, the department holds a provision of £36.3bn for the amount payable to the EU under the financial settlement following the UK's withdrawal. The amount that will ultimately be paid is sensitive to a number of factors which are discussed in Note 17.

Going concern

In common with other government departments, the financing of the department's future service provision and liabilities are to be met by future grants of Supply and the application of future income, approved annually by Parliament. Parliament has authorised spending for 2020-21 in the Central Government Main Supply Estimates and there is no reason to believe that future approvals will not be made. It has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Treasury key performance indicators April 2020 – March 2021

Objective 1: Place the public finances on a sustainable footing, ensuring value for money and improved outcomes in public services

At Spring Budget 2020, the Chancellor announced a review of the fiscal framework, and the government intends to set out new fiscal rules later in the year, provided economic uncertainty recedes further. Therefore, the key performance indicators provided under Objective 1 reflect fiscal metrics that have been commonly included in previous UK fiscal frameworks, including the 2016 Charter for Budget Responsibility. This differs from the key performance indicators used in 2019-20, which included additional metrics specific to the rules that Spring Budget 2020 was delivered to meet.

Public sector net debt (PSND) as a percentage of GDP	
This is a stock measure of the public sector's net liability position, i.e. its liabilities minus its liquid assets. PSND is broadly the stock equivalent of public sector net borrowing but is measured on a cash rather than an accrued basis.	PSND rose from 84.4% of GDP in 2019-20 to 97.4% of GDP in 2020-21. The economic impact of COVID-19 and the policy support announced by the government have led to a significant increase in borrowing and debt. While necessary and affordable in the short term, this would be unsustainable over the longer term. Budget 2021 set out measures to return the public finances to a more sustainable path over the medium term. In the accompanying Office for Budget Responsibility (OBR) Economic and Fiscal Outlook (EFO), PSND was forecast to peak at 109.7% in 2023-24 before falling to 106.2% of GDP in 2024-25 and to 103.8% of GDP in 2025-26. *Source*: Office for National Statistics and Office for Budget Responsibility

Public sector net borrowing (PSNB) as a percentage of GDP	
The difference between total public sector receipts and expenditure on an accrued basis each year. As the widest measure of borrowing it is a key indicator of the fiscal position. PSNB is the	PSNB reached 14.3% of GDP in 2020-21, the highest peacetime level of borrowing on record, as a result of the economic impacts of COVID-19 and the government support measures. Supported by the measures set out in Budget 2021, the OBR forecast that PSNB would fall to 2.8% of GDP by 2025-26.

headline measure of 'the deficit'.	*Source*: Office for National Statistics and Office for Budget Responsibility

Current budget deficit as a percentage of GDP	
The current budget deficit is the difference between government's day-to-day spending and its revenue. It is measured on an accrued basis.	The current budget deficit increased from 0.6% in 2019-20 to 11.7% of GDP in 2020-21. The OBR's March EFO forecast that the current budget deficit would fall in each year of the forecast. The current budget almost reaches balance by 2025-26, at £0.9 billion or 0.0% of GDP, supported by policy decisions taken at Budget 2021. *Source*: Office for National Statistics and Office for Budget Responsibility

Objective 2: Ensure the stability of the macroeconomic environment and financial system, enabling strong, sustainable growth as we leave the EU

Gross Domestic Product (GDP)	
GDP shows the total value of all goods and services an economy produces. GDP growth is the main indicator of economic activity.	GDP fell by 9.8% in 2020 as a result of the COVID-19 pandemic and the measures taken to contain it. At the 2021 Budget, the OBR forecast the UK's economy to grow by 4.0% in 2021 and 7.3% in 2022, with GDP reaching its pre-COVID-19 level two quarters earlier than initially expected, by the middle of 2022. *Source:* Office for National Statistics and Office for Budget Responsibility.

CPI inflation	
The rate of inflation shows the average change in the prices of goods and services bought by households.	CPI inflation was 0.9% in 2020, down from 1.8% in 2019. At Budget 2021, the OBR forecast that CPI inflation would climb to target over the forecast period, hitting 1.5% in 2021, 1.8% in 2022 and then gradually moving to the 2% target by 2025.

	Source: Office for National Statistics and Office for Budget Responsibility

Objective 3: Increase employment and productivity, and ensure strong growth and competitiveness across all regions of the UK through a comprehensive package of structural reforms, taking advantage of the opportunities provided by leaving the EU

UK employment rate	
This shows the headline measure of progress on employment.	Before the COVID-19 pandemic, the employment rate was at a record high of 76.6% in the 3 months to February 2020. In common with many countries around the world, COVID-19 has created a challenging situation for the labour market. HMRC PAYE data shows the number of employees on payroll fell by 772,000 between February 2020 and March 2021. In their March forecast, the OBR expected the unemployment rate to rise to 5.6% in 2021, up from 4.5% in 2020, with unemployment peaking at 5.9% in 2022 before declining thereafter. Source: Office for National Statistics, HMRC PAYE Real Time Information Data, and Office for Budget Responsibility

Business investment as a share of GDP	
Business investment as a share of GDP affects the UK's productivity and the long-term sustainable growth rate.	Business investment totalled 9.2% of GDP (or £195 billion) in 2020. In 2020, business investment fell by 10% in real terms. In their March 2021 forecast, the OBR assumed business investment will fall by 2.2% in 2021, before recovering to its pre-COVID-19 level by Q2 2022. *Source:* Office for National Statistics and Office for Budget Responsibility

Growth in output per hour	
Growth in output per hour is the main indicator of productivity growth.	Output per hour grew by 0.4% in 2020, however productivity has been particularly volatile over the year. The OBR assumes that the COVID-19 crisis will have a negative effect on productivity in the medium and long run, with output per hour in 2025 around 2% below the level projected in their March 2020 forecast. *Source:* Office for National Statistics and Office for Budget Responsibility

Snapshot of Treasury activity in 2020-21

Month	Milestones
April	**1 April** High street benefits package worth £22 billion came into effect. **3 April** Coronavirus Business Interruption Loan Scheme extended to all viable small businesses affected by COVID-19; Coronavirus Large Business Interruption Loan Scheme introduced. **8 April** £750 million package of support for charities announced. **13 April** £14 billion from the Coronavirus emergency response fund announced for the NHS and local authorities. **15 April** HM Treasury agreed economic action plan with global counterparts to tackle the world-wide outbreak of COVID-19. **20 April** Coronavirus Job Retention Scheme (furlough scheme) launched.
May	**4 May** Bounce Bank Loans scheme launched. **12 May** Furlough scheme extended until October. **13 May** Opening of Self-Employment Income Support Scheme. **20 May** £500 million Future Fund opened.
June	**22 June** Nikhil Rathi announced as the new Chief Executive of the Financial Conduct Authority.
July	**1 July** Flexible furlough scheme launched. **8 July** The Chancellor announced the Plan for Jobs, introducing the Kickstart Scheme, the Eat Out to Help Out discount scheme, the VAT cut on tourism and hospitality-related activities, and more.
August	**3 August** Eat Out to Help Out scheme launched.
September	**2 September** Kickstart scheme opened. **24 September** The Chancellor unveiled the Winter Economy Plan, which included a new Job Support Scheme, extension of the Self-Employment Income Support Scheme, and extension of the VAT cut.
October	**4 October** Richard Hughes commenced role as Chair of the Office for Budget Responsibility. **7 October** New plans for Freeports outlined. **16 October** Film and TV production Restart Scheme opened. **21 October** One-year Spending Review announced for 25 November. **21 October** Financial Services Bill introduced.

	22 October Plan for Jobs financial support schemes increased.
November	**5 November** Furlough scheme extended to March 2021. **16 November** Freeports bidding process opened. **19 November** Sport Winter Survival Package announced. **25 November** Spending Review 2020 concluded. **26 November** Increase in the National Minimum Wage and National Living Wage.
December	**8 December** Taxation (Post-Transition Period) Bill introduced. **17 December** Independent investigation into the FCA's regulation and supervision of London Capital & Finance published. **17 December** Furlough scheme extended until April 2021. **17 December** Net Zero Review published initial analysis of the green transition. **31 December** End of the EU transition period.
January	**1 January** Zero rate of VAT applying to women's sanitary products comes into effect.
February	**2 February** Professor Sir Partha Dasgupta's Review into the economics of biodiversity published. **16 February** John Penrose MP published proposals to strengthen the UK's competition regime. **26 February** Government completed final sale of Bradford & Bingley plc and NRAM Limited. **26 February** Independent review on the UK's Fintech strategy, led by Ron Kalifa OBE, published.
March	**3 March** Budget 2021. **3 March** Publication of the UK Listing Review. **11 March** Finance Bill 2021 published. **17 March** Amanda Blanc appointed Women in Finance Champion. **19 March** Government completed a £1.1 billion sale of part of its holding in NatWest Group plc. **24 March** All principal financial regulators now required to consider climate change in their remits from HM Treasury. **26 March** Final repayment of the bilateral loan to Ireland.

Performance analysis

Objective 1: Place the public finances on a sustainable footing, ensuring value for money and improved outcomes in public services

Lead minister:	**The Rt Hon Rishi Sunak MP**, Chancellor of the Exchequer
Lead officials:	**Cat Little,** Director General, Public Spending **Clare Lombardelli**, Director General, Chief Economic Adviser **Beth Russell**, Director General, Tax and Welfare
KPIs:	PSND as a percentage of GDP PSNB as a percentage of GDP Current budget deficit as a percentage of GDP
Arm's length bodies that support Objective 1:	
UK Government Investments (UKGI) UKGI began operating on 1 April 2016 as a government company and is wholly owned by HM Treasury. UKGI is responsible for managing the government's financial interest in a range of state-owned businesses. This includes the government's shareholding in NatWest Group (NWG, formerly the Royal Bank of Scotland) and UK Asset Resolution (UKAR).	Government Internal Audit Agency (GIAA) GIAA was officially launched on 1 April 2015 and provides assurance to Accounting Officers that financial management practices meet required standards.
Office for Budget Responsibility (OBR) Created in 2010 to provide independent and authoritative analysis of the UK's public finances, the OBR is an Executive Non-	UK Asset Resolution (UKAR) UKAR is the holding company established in October 2010 to bring together the businesses of Bradford & Bingley plc (B&B) and NRAM Limited (formerly part of Northern Rock).

Departmental Public Body (NDPB) sponsored by the Treasury.	
Debt Management Office (DMO) Established as an Executive Agency of the Treasury in 1998, the DMO's responsibilities include debt and cash management for the UK government, lending to local authorities and managing certain public sector funds.	

Managing public expenditure

The damage done by COVID-19, combined with a level of government financial and economic support unimaginable at the very start of 2020, has created huge challenges for the public finances.

In 2020-21, the primary lever for driving effective public expenditure was the 2020 Spending Review, delivered in November. The Spending Review set departmental budgets and devolved administrations' block grants for 2021-22, confirming that core day-to-day spending – that is, before taking into account COVID-19 spending – will grow at an average of 3.8% a year in real terms over the period 2019-20 to 2021-22. This is the fastest rate in 15 years.

In addition, the Spending Review confirmed a further £38 billion for public services to continue to fight the pandemic in 2020-21, and £55 billion in 2021-22. This funding was targeted towards controlling and suppressing the virus and supporting jobs and businesses.

The Spending Review also announced £100 billion of capital expenditure to kickstart growth and support jobs in 2021-22. This represented a £27 billion real terms increase on 2019-20 capital spending, part of the government's objective of over £600 billion of gross public investment over the next 5 years.

The 2020 Spending Review furthered the government's reform agenda by further strengthening the focus on the outcomes of spending; and by strengthening financial oversight. It also changed how the government invests in places to put levelling up at the heart of policy making, including by updating the Green Book and its application.

HM Treasury also delivered ongoing in-year spending management and maintenance of the expenditure framework via spending relationships with other government departments, and through the Main Supply Estimates and Supplementary Estimates processes.

In March, HM Treasury delivered the 2021 Budget, in which the Chancellor set out a £65 billion three-point plan to provide support for jobs and businesses as the UK emerges from the pandemic and forges a path to recovery. This included extensions to furlough, self-employed support, business grants, loans and VAT cuts. Together with the Prime Minister, he also set out the government's plan for growth: to drive jobs, growth and investment to help the economy rebound.

Finally, the Budget set out the scale of the challenge to return the public finances to a sustainable path, and a number of steps to do so – including by maintaining the Income Tax personal allowance and higher rate threshold at a steady rate to April 2026, once they rise as planned in 2021-22; and increasing the rate of Corporation Tax to 25% in 2023.

The significant support for individuals, businesses and public services set out at the Spending Review 2020 and the Budget totals £352 billion across this year and next year. Taking into account the measures announced at Budget 2020, which included significant capital investment, total support for the economy amounts to £407 billion this year and next.

Delivering the government's fiscal mandate

The economic effects of the COVID-19 pandemic and the government's response have resulted in significant increases in borrowing and debt, which are necessary and affordable in the short term, but which would be unsustainable over the longer term. Public sector net borrowing is 14.3% of GDP in 2020-21, the highest on record during peacetime. Public sector net debt is 97.4% of GDP in 2020-21.

The government's fiscal policy at Spring Budget 2021 prioritised support for the economy in the short term, while reducing borrowing to sustainable levels once the economy recovers. The OBR forecast confirms that the current budget deficit as a share of GDP is expected to fall over the forecast period, and that the current budget almost reaches balance in the final year of the forecast.

The Treasury will continue to review the fiscal framework, to ensure it remains appropriate for the macroeconomic context, while ensuring the sustainability of the public finances. The government intends to set out new fiscal rules later this year, provided economic uncertainty recedes further.

Fiscal transparency and risk management

The Treasury remains committed to supporting the UK's high levels of fiscal transparency.

The Office for Budget Responsibility (OBR) has now been producing independent economic and fiscal forecasts for ten years, while also producing a number of reports that fulfil its duty to examine and report on the sustainability of the public finances.

The OBR also produces biennial Fiscal Risks Reports, providing a comprehensive survey of potential near-term risks and longer-term pressures on the public finances. This puts the UK at the forefront of international practice in fiscal risk disclosure and management. The OBR published its most recent Fiscal Risks Report on 6 July 2021.

Tax policy

HM Treasury worked closely across the Policy Partnership with HMRC to deliver the 'Tax Administration Strategy', setting out plans for developing the tax administration system. HM Treasury and HMRC also published a command paper 'Tax policies and consultations (Spring 2021)', alongside which they published around 30 updates for a number of different areas of policy.

HM Treasury introduced two pieces of primary tax legislation in 2020-21. In December 2020, the Taxation (Post-transition Period) Act (2020) prepared for the end of the Transition Period, ensuring the smooth continuation of business across the UK. For example, it provided the necessary statutory underpinning for VAT, customs and excise duties and processes to support the practical implementation of the Northern Ireland Protocol.

In March 2021, the Finance Bill was published to legislate for tax policy announced at Budget 2021 and previous fiscal events. These changes included the extension of the stamp duty holiday; increasing the rate of Corporation Tax to 25% on profits over £250,000 from April 2023; maintaining the Income Tax personal allowance and higher rate threshold at 2021 levels; and allowing the government to designate 'tax sites' in Freeports in Great Britain, where businesses will be able to benefit from a number of tax reliefs.

Government Finance Function

HM Treasury is responsible for managing public money effectively through its leadership of the Government Finance Function. In order to develop robust solutions which are appropriate across government, HM Treasury takes a collaborative approach with the wider finance community to set priorities and develop learning products, standards, guidance and tools. The Finance Strategy Board sets the strategy for the Government Finance Function. The Board is made up of Finance Directors General from across central government and is chaired by Cat Little, DG for Public Spending and Head of the Government Finance Function.

In July 2019, the Board set out its 2019-2023 strategy: To put '**finance at the heart of decision-making; driving the agenda, not just keeping score**', through the delivery of 6 objectives:

1. **Getting the basics right:** Sound forecasting and reporting, with robust data, efficient transaction processing, and effective management of risk, supported by standards, policies, guidance and strong functional leadership.
2. **People, diversity and capability:** A high performing and diverse function, with great people in the right roles with the right skills
3. **How we operate:** A modern digital finance function that delivers quality services more effectively and efficiently through processes, data standards, and IT systems that work together
4. **Insight:** A function informed by analysis, underpinned by good quality data and supported by analytics and visualisation tools

5 **Trusted Partner:** The 'go-to' partner for colleagues to provide expert advice and informed decision-making

6 **Planning, risk and performance:** Driving a strong culture of planning, risk and performance with integrated financial and business planning, aligned with robust risk assurance.

In 2020-21, towards these objectives, the Function has continued its digitisation work through the development of the Online System for Central Accounting and Reporting (OSCAR II) system, and OneFinance. This will improve financial management and data provision across government. The Function also led a number of initiatives to support financial capability and decision-making across government, including: the delivery of high-quality, specialised training through the Government Finance Academy; the Green Book Review; establishment of the Risk Centre of Excellence; and piloting the first £200 million round of the Shared Outcomes Fund to encourage collaboration between departments on cross-cutting issues, with an emphasis of thorough evaluation of expenditure.

The Government Finance Functions publishes annual updates on progress against its strategy on gov.uk.[2]

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[2] https://www.gov.uk/government/publications/government-finance-function-strategy-2019-2023

Objective 2: Ensure the stability of the macroeconomic environment and financial system, enabling strong, sustainable and balanced growth as we leave the EU

Lead minister:	**The Rt Hon Rishi Sunak MP**, Chancellor of the Exchequer
Lead officials:	**Mark Bowman**, Director General International and EU **Katharine Braddick,** Director General Financial Services **Clare Lombardelli**, Director General and Chief Economic Adviser
KPIs:	GDP CPI inflation
Arm's length bodies that support Objective 2:	
The Bank of England The Bank of England has specific statutory responsibilities for setting monetary policy, protecting and enhancing financial stability, and subject to those, to support the economic policy of the government, including its objectives for growth and employment. It is operationally independent from the Treasury.	Financial Services Compensation Scheme (FSCS)[3] The FSCS is a single scheme to provide compensation in the event of an authorised financial services firm being unable, or likely to be unable, to meet claims against it. It is operationally independent from the Treasury.

Macroeconomic stability

The impact of COVID-19 meant the UK economy saw its largest fall in annual output in over 300 years, with GDP falling by 9.8% in 2020. Activity slowed again at the start of this year as restrictions were tightened to protect public health. This saw GDP fall by 1.6% through Q1 2021.

[3] The FSCS was reclassified during 2020-21. A result it will be removed from the HM treasury group boundary from 2021-22 and no longer be consolidated into the Annual Report and Accounts.

Before the COVID-19 pandemic, the employment rate was at a record of high of 76.6% in the 3 months to February 2020. However, following this HMRC PAYE data shows the number of employees on payroll subsequently fell by 772,000 between February 2020 and March 2021.

The government has acted to support the economy on a scale unmatched in recent history, implementing a range of support for workers, businesses and public services, to support near-term growth, and mitigate against longer-term risks of scarring. A summary of these interventions is set out below. In their March forecast, the OBR now expect the economy to reach its pre-COVID-19 size six months earlier (2022 Q2), and for unemployment to peak at 1ppt lower (6.5%), than in their November 2020 forecast.

During the 2020-21 financial year, the Bank of England's independent Monetary Policy Committee implemented measures to respond to the economic shock from COVID-19 and meet the objectives set out in its remit. These included a £100bn expansion of the maximum size of the Asset Purchase Facility in June and a further £150bn expansion in November, taking the total maximum stock of gilt and corporate bond purchases to £895bn. Consistent with the objectives of the scheme, the Bank announced that participants of the Term Funding Scheme with additional incentives for SMEs would be able to extend the term of some of their funding to align with the term of loans made through the Bounce Back Loan Scheme.

Summary of COVID-19 interventions

Throughout its response to COVID-19, the government has sought to protect people's jobs and livelihoods while also supporting businesses and public services across the UK. The cumulative total of this government support announced since the start of the pandemic is £352 billion[4].

Support for individuals

The Coronavirus Job Retention Scheme (CJRS) was introduced to help employers whose operations have been severely affected by COVID-19 to retain their employees and protect the UK economy. All businesses across the UK can access the scheme, with employees receiving 80% of their usual salary for hours not worked, up to a maximum of £2,500 per month. At Budget 2021, the Chancellor extended the CJRS until the end of September 2021. As at 14 June 2021, there have been 11.6 million unique jobs supported by the CJRS since its inception. A total of 1.3 million employers have made a claim through the CJRS since it started in March 2020, totalling £65.9 billion in claims.

In line with the extension to the CJRS, at Budget 2021, the government announced an extension to the Self-Employment Income Support Scheme (SEISS) until September 2021. The fifth and final SEISS grant, covering May to September, will include a turnover test which will determine whether individuals

[4] The figure published by the NAO was £372bn (https://www.nao.org.uk/covid-19/cost-tracker/). The difference is due timing differences of producing the cost estimates, and the different ways of measuring the cost of COVID-19 support. HM Treasury's number measures the total fiscal support provided to the economy, including public services, individuals and businesses. The NAO cost tracker provides an estimate of the gross costs of COVID-19 policy interventions, which include measures funded from department's own resources.

can continue to receive a grant worth 80% of 3 months' average trading profits, capped at £7,500, or a 30% grant, capped at £2,850. To date, 2.9 million individuals have claimed at least one of the four Self-Employment Income Support Scheme grants. In total, £25.2 billion has been claimed across 9.1 million total claims. The claims window for the fourth Self-Employment Income Support Scheme grant closed on 1 June.

To continue to support people on low incomes during the COVID-19 crisis, the government put in place a temporary £20 per week uplift to the Universal Credit (UC) standard allowance. HM Treasury also provided £3.6 billion additional funding in 2021-22 for the Department for Work and Pensions (DWP) to deliver employment support to those who need it most. HM Treasury also ensured support for people facing hardship while self-isolating by providing the Department of Health and Social Care (DHSC) with funding for the Test and Trace Support Payment.

The government and Financial Conduct Authority put in place UK-wide mortgage and consumer credit payment holidays for borrowers, and over 2.7 million mortgage and 1.7 million consumer credit payment holidays have so far been granted to borrowers impacted by the pandemic. To further stimulate market activity, and support businesses and jobs in England and Northern Ireland that rely on the property market, the government put in place a temporary Stamp Duty Land Tax relief.

Support for businesses

The government has provided comprehensive economic support to protect businesses from the impacts of the pandemic, helping them to plan for subsequent months. Over the course of the pandemic, the government has made up to £25 billion available for business grants in England. Between April and September 2020, the government provided over £11.6 billion worth of grants to businesses in England through the Small Business Grant Fund, the Retail, Hospitality and Leisure Grant Fund, and the Local Authority Discretionary Grant Fund. We have provided nearly £3.4 billion for new Restart Grants, £2.1 billion for the Additional Restrictions Grant (ARG); and £8 billion for the previous Local Restrictions Support Grants (LRSG), and Closed Business Lockdown Payment. These schemes provided support to businesses in some of the sectors hit hardest by COVID-19.

Businesses across the devolved administrations have benefitted from UK-wide support schemes such as the CJRS, SEISS, business loans and tax deferrals. The devolved administrations also received an additional £4.7 billion Barnett funding at Spending Review 2020, and Budget 2021 announced a further £2.4 billion of funding. In addition to this, the government confirmed a further £2.1 billion in February 2021 that the devolved administrations can spend in 2020-21 or 2021-22.

Businesses have also been able to use the access to finance schemes, as of 21 March, the Coronavirus Business Interruption Loan Scheme (CBILS), the Coronavirus Large Business Interruption Loan Scheme (CLBILS) and the Bounce Back Loan Scheme (BBLS) have collectively approved more than £75 billion worth of finance through more than 1.5 million facilities to support businesses of all sizes to get through the pandemic. Additionally, the Future Fund and Covid Corporate Financing Facility (CCFF) have provided a total of £1.1 billion and £38 billion in support to businesses respectively. The CBILS, CLBILS, BBLS, Future Fund and CCFF are now closed for applications. Following the closure of these emergency COVID-19 loan schemes, the new Recovery Loan Scheme opened to new applications on 6 April 2021 and will run until 31 December 2021.

Support for public services

In addition to the substantial support offered to individuals and businesses, the government took extensive action to ensure public services are supported and resilient to the pressures of this pandemic. In 2020-21, the government provided over £100 billion of support across the UK, and at SR20 the government announced a further £55 billion to support the public services response to COVID-19 in 2021-22, including £2.6 billion for the devolved administrations.

This includes £63 billion for frontline health services across the UK, including around £5 billion for the procurement and deployment of vaccines; over £8 billion of support for local authorities; and £14 billion to keep the country's transport networks moving.

The UK vaccination programme

The world-leading UK vaccination programme allowed the government to ease restrictions across England and support the economic recovery from COVID-19. Over the course of 2020-21, the government entered into agreements to secure COVID-19 vaccines for the UK population. Given the uncertainty over which vaccines would prove successful, the government made multiple agreements with vaccine developers, to maximise the chance of access to a safe and effective vaccine. Including recent agreements, the government has now secured early access to 397 million vaccine doses with six separate vaccine developers, and reservation agreements with two vaccine developers for a further 110 million doses.

Multiple vaccines have now received regulatory approval, and following the start of the vaccine rollout in December 2020, the programme has made rapid progress. Everybody in cohorts 1-9 – those aged 50 and over, the clinically vulnerable and health and social care workers – were offered a vaccine ahead of the government's 15 April 2021 target. The government is on track to hit its target of offering a vaccine to all adults by the end of July 2021.

International cooperation

Throughout the year, HM Treasury worked closely with all its international partners on the international economic response to COVID-19. The UK made significant contributions to the Access to COVID Tools Accelerator (ACT-A), having committed £548m to the COVAX Advanced Market Commitment to subsidise low- and middle-income country access. This is part of a package of over £1bn in UK Overseas Development Assistance (ODA) support for the global health response, including £250m to the Coalition for Epidemic Preparedness Innovation (CEPI).

At the UN General Assembly in September 2020, the Prime Minister announced support for the World Health Organisation (WHO) in its role coordinating the global response to COVID-19 and strengthening developing country health systems, with a core contribution of £340 million over the next 4 years. This represents a 30% increase to existing funding.

In 2020 the UK provided a new £2.2 billion loan in April to the IMF's Poverty Reduction and Growth Trust, maintaining the UK's position as one of the largest lenders, and in March 2020 became the first country to commit new financing of £150 million to the IMF's Catastrophe Containment and Relief Trust. This has helped to provide the Fund with the resources it needs to provide support to low income countries to tackle the impacts of the virus.

The department worked with G20 partners to take forward delivery of the G20 Action Plan for response to COVID-19 and agree further commitments at a joint meeting of G20 Finance and Health Ministers in September 2020. As part of the UK's G7 presidency, the Treasury has also leveraged the G7 finance track to coordinate on COVID-19 response and recovery and make progress on a package of support for vulnerable countries.

COVID-19 costings

Responsibility for the CCFF scheme sits with HM Treasury; responsibility for other COVID-19 schemes sit with other government departments. The latest costings of the response to COVID-19 were completed at the 2021 Budget and can be found in the Budget document on gov.uk.[5]

Macroeconomic framework management

The UK's macroeconomic framework is designed to deliver the government's economic policy objective of achieving strong, sustainable and balanced growth. Credible fiscal policy, alongside price and financial stability are essential pre-requisites to achieve this objective in all parts of the UK and sectors of the economy.

The fiscal framework and the Charter for Budget Responsibility ("the Charter") form a significant part of the macroeconomic framework. The purpose of the Charter is to improve the transparency of the government's fiscal policy framework. As outlined above, the Treasury will continue to review the fiscal framework to ensure it remains appropriate for the macroeconomic context, while ensuring the sustainability of the public finances.

In line with the Bank of England Act 1998 (as amended by the Financial Services Act 2012), the Chancellor published the Financial Policy Committee (FPC) remit and recommendations, and the Monetary Policy Committee (MPC) remit at Budget 2021.

The Chancellor re-confirmed the inflation target within the MPC remit as 2%, as measured by the 12-month increase in the Consumer Prices Index. He also set out the priorities for the FPC, whose primary objective is to monitor and remove systemic risks to protect and enhance financial stability, working with the Prudential Regulation Authority and Financial Conduct Authority (FCA) where needed.

Subject to achieving their primary objectives, the MPC and FPC continue to have secondary objectives to support the economic policy of the government. The Chancellor stated at the Budget, within the MPC's remit and FPC's remit and recommendations, that the government's economic objective continues to be strong, sustainable and balanced growth. The description of the government's economic strategy was updated in the remits to reflect the importance of

5 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/966868/BUDGET_2021_-_web.pdf

environmental sustainability and the transition to net zero. The Chancellor asked that the FPC have regard to the impact of their policies on the government’s economic strategy and seek to support the relevant elements of these where appropriate.

Letters of recommendations to the FCA and to the Prudential Regulation Committee (PRC) were issued on 23 March 2021. These letters made recommendations about matters of government economic policy which the regulators should have regard to in advancing their objectives and discharging their relevant duties. These letters included a new recommendation that the FCA and PRC have regard to the government’s commitment to achieve a net zero economy by 2050 under the Climate Change Act 2008.

Financial stability

HM Treasury worked closely with the Bank of England and the Financial Conduct Authority to monitor the implications of COVID-19 on the UK financial system, through existing contingency planning co-ordination arrangements.

To support the broader financial stability agenda, between December 2020 and February 2021, the Treasury appointed an independent panel, chaired by Keith Skeoch, to conduct two separate statutory reviews. The first review will consider the operation of the legislation related to ring-fencing, which requires large UK banks to separate retail banking from the rest of their business, to protect retail customers from risks elsewhere in the bank and in the wider financial system. The second review will consider banks’ proprietary trading activities, and whether any risks relating to these activities are appropriately mitigated. The panel is expected to submit reports on both reviews in the next performance year.

In 2020-21, the government also continued its sale of assets acquired during the 2008-09 financial crisis. On 19 March 2021, HM Treasury and UKGI sold approximately £1.1 billion worth of government-owned NatWest Group (formerly RBS Group) shares, equivalent to 4.86% of the company, via a directed buyback transaction (an off-market sale of shares directly to NatWest). This reduced the government's shareholding in the bank from 61.7% to 59.8% after share cancellation by NatWest.

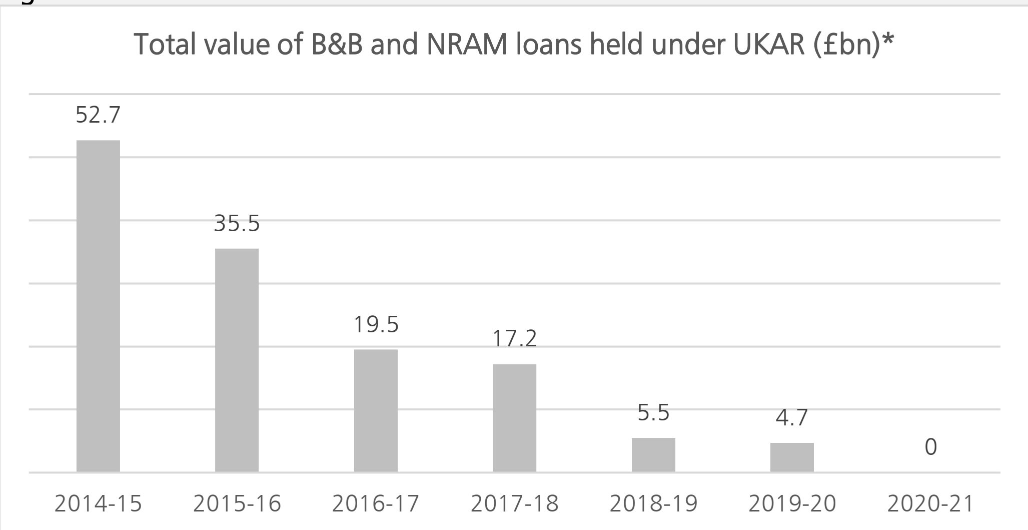
Following a Prudential Regulation Authority (PRA) letter to the largest deposit-takers in response to COVID-19 (published March 2020), NatWest agreed to suspend dividends for the remainder of 2020. The PRA announced in December 2020 that it would not extend these capital restrictions on banks, although any capital return to shareholders in relation to Financial Year 2020 would be subject to temporary earnings and capital-based ‘guardrails’. In February 2021, at its Full Year 2020 results, NatWest announced a 3 pence per share final dividend, which equates to £208 million for HM Treasury. This was paid on 4 May 2021, based on the government’s 59.8% shareholding at the ex-dividend date of 25 March 2021.

At Budget 2021, the government set out its intention to undertake a full disposal of its NatWest shareholding by 2025-26, subject to market conditions and achieving value for money for taxpayers.[6]

Sale of financial sector assets from the government's interventions in the 2008-09 financial crisis

During 2020-21, HM Treasury made further progress in returning the financial sector assets acquired as a result of the 2008-09 financial crisis to the private sector. On 26 February, HM Treasury, UK Asset Resolution (UKAR) and UK Government Investments (UKGI) announced that a deal had been agreed to sell Bradford & Bingley plc (B&B), NRAM Limited and their remaining loan assets to a consortium of Davidson Kempner Capital Management LP and Citibank, with financing provided by funds managed by Pacific Investment Management Company LLC (PIMCO). This sale will complete in summer 2021, subject to FCA approval, and has generated proceeds of circa £5 billion. Like previous UKAR asset sales, all bidders were required to agree to robust, non-negotiable customer protections before their bids were considered on the basis of other factors.

Figure 1F:



*Includes assets held for sale

Figure 1F: shows the decreasing value of mortgage and loan portfolios held under UKAR from 2014-15 to 2020-21.

Financial services

In October 2020, HM Treasury introduced the Financial Services Act 2021 to ensure the UK's world-leading financial services sector continues to thrive and grasp new opportunities on the global stage. The Bill was designed to:

- enhance the UK's world-leading prudential standards and promote financial stability;

[6] On 22 July 2020 RBS Group plc changed the name of its parent company to NatWest Group plc

- maintain an effective financial services regulatory framework and sound capital markets; and
- promote openness between the UK and international markets by simplifying the process to market overseas investment funds in the UK and delivering a Ministerial commitment to provide long-term access between the UK and Gibraltar for financial services firms.

HM Treasury also undertook a series of activities to unlock private investment in the UK. This included commissioning the UK Listings Review, led by Lord Hill; consulting on reforming the UK's regime for investment funds; and committing to establishing the UK's first Long-Term Asset Fund to unlock pension fund capital.

This work was complemented by a series of reviews to support innovation and competition in the UK financial services industry. This includes supporting the Kalifa Review of UK FinTech; the Payments Landscape Review; and a consultation and call for evidence on cryptoassets and stablecoins.

Finally, HM Treasury led the government's work on financial services trade. HM Treasury granted the EU and EEA member states a package of equivalence decisions, delivering on its commitment to be open, predictable and transparent, and providing certainty for firms in both the UK and the EU. The department also led the negotiation with the EU of a Memorandum of Understanding (MoU) on financial services, where technical agreement was announced on 26 March 2021. The MoU will establish the Joint UK-EU Financial Regulatory Forum, which will serve as a platform to facilitate dialogue on financial services issues between the UK and EU. HM Treasury also continued to enhance our financial services relationships with key partner economies, including through the UK-US Financial Regulatory Working Group; and through an agreement with Switzerland to negotiate a comprehensive financial services deal.

Global Britain

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

Throughout the year, the department worked to ensure the health of international financial and economic architecture. On the multilateral stage, HM Treasury's contribution to the work of the G20 and international financial institutions, and the early months of leading the finance track of the UK G7 Presidency, focussed on COVID-19 policy.

Work with the G20 Presidency included delivering a set of shared G20 commitments to address the health and economic impacts of the crisis, including through the UK's role as co-chair of the G20 Framework Working Group, which provides the G20 membership with analysis and policy recommendations to support the commitments. HM Treasury also played a key role in shaping a meeting of G20 Finance and Health Ministers in September 2020, which reached agreements on G20 support to COVID-19 Vaccines Global Access (COVAX) to increase countries' access to vaccines, and strengthening information sharing between members to enhance decision making. In addition, through its G20 membership, HM Treasury delivered agreements to extend the Debt Service Suspension Initiative and agree a 'Common Framework' on future debt treatments in light of COVID-19.

Through its IMF shareholding, the UK approved an unprecedented volume of emergency financing requests to support emerging markets and developing economies through the COVID-19 crisis. The UK provided a new £2.2 billion loan in April to the IMF's Poverty Reduction and Growth Trust, maintaining the UK's position as one of the largest lenders, and in March becoming the first country to commit new financing of £150 million to the IMF's Catastrophe Containment and Relief Trust.

The UK also assumed the Presidency of the G7 Group of advanced economies in early 2021, with the Chancellor becoming Chair of meetings between G7 Finance Ministers and Central Bank Governors. The department is leading the government's work on the G7 "finance track"; by, working to co-ordinate the G7's COVID-19 response and recovery, the UK and its G7 partners have made progress on a package of support for vulnerable countries, including securing G7 support for a new International Monetary Fund (IMF) Special Drawing Rights allocation.

Aside from COVID-19 priorities, the Chancellor also used his first meeting as Chair of G7 Finance Ministers and Central Bank Governors in February 2021 to emphasise the need for policy focus on climate change ahead of the COP26 conference in November 2021. Preparation for COP26 continued throughout 2020-21 and included collaboration on the finance track with Multilateral Development Banks, partner economies, businesses, and stakeholders across the public sector.

Throughout the year, HM Treasury officials supported the Chancellor and his Ministerial team to enhance bilateral relationships with international economic and trading partners. HM Treasury held Economic and Financial Dialogues with India and Brazil; and used our relationships with partners to exchange information on approaches to issues including the response to COVID-19. The department also worked closely with the department for International Trade, HM Revenue & Customs and other government departments to develop and implement the UK Global Tariff (UKGT): the UK's first tariff schedule in almost 50 years.

Throughout 2020-21, HM Treasury worked with other departments across government, to support the government's negotiations with the EU and prepare for the end of the Transition Period, including with respect to the Northern Ireland Protocol. The department led on the Rules of Origin, National Treatment and Market Access for Goods, and Tax chapters of the Trade and Cooperation Agreement agreed in December 2020. HM Treasury also led on Customs and Trade Facilitation, Financial Services, and customs aspects of the Northern Ireland Protocol implementation; and co-led on negotiations on the terms of UK participation in EU programmes.

HM Treasury officials also focussed on ensuring the government was prepared for the end of the Transition Period, continuing to lay and make SIs to ensure UK laws were fully prepared, and supporting delivery of the Europe (Future Relationship) Bill. The department progressed plans to be ready for a variety of outcomes, including appropriate and proportionate planning for a non-negotiated outcome, and worked with a variety of stakeholders across government and industry to ensure businesses and citizens could prepare for EU Exit.

Since the Trade and Co-operation Agreement was reached in December 2020, HM Treasury officials have supported its successful implementation, and assisted businesses as they transition to the new trading arrangements under the agreement. Following the implementation of the Northern Ireland Protocol on 1 January 2021, HM Treasury has collaborated closely with HMRC on the implementation of the agreed terms, including new customs processes in Northern Ireland. In addition, HM Treasury worked with Foreign, Commonwealth and Development Office in early 2021 to prepare for the upcoming negotiations on Gibraltar's future relationship with the EU.

With regard to tackling illicit finance, the department created a Technical Assistance Unit to support developing countries in meeting Financial Action Taskforce (FATF) standards; legislated for the UK's first autonomous list of high-risk third countries for money laundering and counter terrorist financing; and continued to drive forward the UK's Economic Crime Plan. HM Treasury also worked with the FCDO to implement an extensive programme of secondary legislation transferring existing UN and former EU sanctions regimes into UK domestic law and helped to design and launch the Global Human Rights Sanctions Regime.

EU withdrawal: the financial settlement

HM Treasury continued with implementation of the financial settlement, as set out in the financial provisions of the Withdrawal Agreement. This represents a settlement of the UK's financial commitments to the EU and the EU's financial commitments to the UK, which result from the UK's participation in the EU budget, and other commitments relating to our former EU membership.

The European Union (Withdrawal Agreement) Act 2020 implements the Withdrawal Agreement. Under the main financial provision of the Act, obligations under the financial provisions of the Agreement that fall due after 31 March 2021[7], will be funded from Supply rather through a Consolidated Fund Standing Service. HM Treasury will account for the financial settlement obligations and payments falling due after 31 March 2021. Obligations which fell due before 31 March 2021, such as Budget contributions during the transition period, and payment of customs duties on imports from outside the EU before the end of the transition period are met by the Consolidated Fund, which held the shareholding in the European Investment Bank (EIB) before transferring it to HM Treasury from 31 March 2021. The first payment of the UK's uncalled subscribed capital in the EIB was returned to the UK on 15 October 2020.

HM Treasury officials co-chair the Specialised Committee on Financial Provisions (SCFP) with officials from the European Commission. The SCFP is tasked with technical work related to implementing the financial provisions in Part V of the Withdrawal Agreement. It meets regularly to oversee delivery of the reporting on the Withdrawal Agreement which underpin assurance arrangements relating to the financial settlement. The European Commission delivered detailed reports on implementation of the financial settlement at the end of March 2021, and the first request for payment of net liabilities on 16 April. The first payment under the financial settlement fell due on 30 June 2021.

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[7] with the exception of customs duties relating to the period up to the end of 2020

Further information on the financial impact of EU withdrawal, and the treatment of the financial settlement in government accounts, is included in Annex E of the "European Union Finances" publication series. The Whole of Government Accounts[8] sets out the financial reporting impacts of the UK's withdrawal from the EU across the public sector.

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

Nature of balance	Note	Value (£m)	Consists of
Provisions	17	36,300	Reste a Liquider (RAL), pensions, legal cases
Trade and other receivables	9	(4,109)	Cash returns relating to the EU's guarantee funds, share of investment in European Coal and Steel Community and European Investment Fund, budget adjustment, infringement, fine income for final, and European Investment Bank
Trade and other payables	16	362	Cash payments relating to the EU's guarantee funds and budget adjustments
Total amount recognised 31 March 2021		**32,553**	
Contingent assets	22	1,492	Fines imposed on companies found in breach of EU antitrust rules
Contingent liabilities	23	271	Legal cases
Non-IAS 37 contingent liabilities	Page 117	30,674	European Investment Bank callable and returned paid in capital

Additional disclosures are included in Note 1.4 – Significant judgements and estimates and Note 24.3 – Financial risk, Core Treasury and Agencies – EU Financial Settlement.

8 https://www.gov.uk/government/publications/whole-of-government-accounts-2018-2019

Objective 3: Increase employment and productivity, and ensure strong growth and competitiveness across all regions of the UK through a comprehensive package of structural reforms, taking advantage of the opportunities provided by leaving the EU

Lead minister:	**The Rt Hon Rishi Sunak MP**, Chancellor of the Exchequer
Lead officials:	**Phil Duffy,** Director General Growth and Productivity **Clare Lombardelli**, Director General and Chief Economic Adviser **Beth Russell,** Director General Tax and Welfare
KPIs:	UK employment rate Business investment as a share of GDP Growth in output per hour
Arm's length bodies that support Objective 3:	
National Infrastructure Commission (NIC) The NIC provides the government with impartial, expert advice on major long-term infrastructure challenges. It was established as part of the Treasury in 2015 and became an Executive Agency of the Treasury on 24 January 2017.	Office for Tax Simplification (OTS) Created in 2010 to provide the government with independent advice on simplifying the UK tax system, the OTS is an independent office of the Treasury.

Levelling up

At the 2021 Budget, the government confirmed the next stage of the levelling up agenda, including continued support for local communities and local priorities across the UK. This includes the first eight Freeports that will be national hubs for trade, innovation and commerce, regenerating communities across the country, and the launch of the first round of the £4.8bn Levelling Up Fund, to invest in local infrastructure that has a visible impact on people and their communities and support economic recovery. The government also announced a further 45 towns across England that will benefit £1 billion funding from the Towns Fund to support their long-term economic and social regeneration as well as their immediate recovery from the impacts of COVID-19.

Throughout the year, HM Treasury also began preparing for the new economic decision-making campus in Darlington as part of the Places for Growth programme - which aims relocate 22,000 civil service roles out of London and the South East by 2030.

Encouraging long-term investment and sustainable economic growth

The government's long-term programme of policymaking to foster economic growth was set out at Budget 2021 in *Build Back Better: our plan for growth*. This plan set out the government's commitments to support growth through significant investment in infrastructure, skills and innovation, and to pursue growth that levels up every part of the UK. The plan also enables the transition to net zero and supports the vision for a Global Britain.

The plan followed on from the 2020 Spending Review's provision of £100 billion of capital expenditure in 2021-22, with a focus on increased infrastructure investment via the National Infrastructure Strategy. This strategy's objectives will be supported by the creation of the new UK infrastructure bank to catalyse private investment in projects across the UK; as well as through a comprehensive set of reforms to the way infrastructure is delivered. The strategy also reaffirmed the government's commitment to maintaining and building on the UK's high-quality system of independent economic regulation as a stable foundation for supporting private investment. To complement the strategy, HM Treasury officials have led the delivery of the Project Speed infrastructure delivery taskforce, implementing the government's public investment projects more strategically and efficiently.

At Budget 2021, the Chancellor announced a number of measures to stimulate private sector investment, alongside that of the government. This included supporting business investment through an unprecedented 'super deduction on taxable profits'; two Help to Grow programmes to support SME growth and productivity; and the launch of the Future Fund: Breakthrough, a new £375 million direct co-investment fund that will increase the availability of scale-up capital for R&D-intensive UK businesses seeking funding at later round.

In addition, the Budget announced reforms to the immigration system to help UK businesses attract and retain the most highly skilled talent from around the world. To support trade and private investment, the Budget also set out the eight locations that were successful in the Freeports bidding process for England. Freeports will allow the government to designate 'tax sites' in Great Britain, where businesses will be able to benefit from a number of tax reliefs. Freeports will be a UK-wide policy, and the government will work constructively with the Scottish, Welsh, and Northern Irish administrations on this.

Green growth

HM Treasury supported the development of the Prime Minister's Ten Point Plan for a green industrial revolution, which will mobilise £12 billion of government investment to create and support up to 250,000 highly skilled green jobs in the UK, and spur over three times as much private sector investment by 2030.

The 2021 Budget built on the Ten Point Plan as well as the support announced at the Spending Review. For example, it announced further details on the timings and size of the UK's inaugural green gilts, as well as plans for a linked green retail product to be offered by NS&I, which will play an important role in financing critical expenditure to tackle climate change.

The year also saw important progress on two reviews. In February 2021, the Review into the Economics of Biodiversity, led by Professor Sir Partha Dasgupta, was published. The Treasury will examine the review's findings and respond in due course. In December 2020, HM Treasury published the interim findings of its Net Zero Review, considering how the transition to a net zero economy could be funded, and where the costs and opportunities could fall. The final report will be published later in 2021.

Further information covering how HM Treasury has integrated sustainability into its policymaking is contained in the Chapter 6 – Sustainability Report.

Supporting the union

Over the reporting year, HM Treasury, working with others, has continued to deliver on the government's objectives to support economic growth in all parts of the UK, including Scotland, Wales and Northern Ireland. The government has committed to support all nations of the UK in the response to COVID-19 through a range of UK-wide support schemes, additional funding for the devolved administrations and a world-leading vaccination programme.

Scotland

From the start of the COVID-19 pandemic to the end of March 2021, the Scottish Government has benefitted from £13.4 billion of additional funding through the Barnett formula, with the initial tranche of additional funding confirmed through an unprecedented upfront funding guarantee announced in July 2020. Using a newly agreed flexibility to transfer £1.2 billion between financial years, the Scottish Government is spending £8.6 billion of the additional funding in 2020-21 and £4.8 billion in 2021-22. This funding has enabled the Scottish Government to provide support to individuals, businesses and public services across Scotland in response to COVID-19 and will continue to support the recovery through 2021-22.

Alongside this Barnett-based funding, Spending Review 2020 confirmed further funding for the Scottish Government in 2021-22. The government confirmed £570 million in targeted support to farmers in Scotland and £14 million in support to the Scottish fisheries sector in 2021-22. In addition, Scotland will benefit from investment of £27 million in the Aberdeen Energy Transition Zone and £5 million in the Global Underwater Hub, the first stage in delivering the North Sea Transition Deal.

The government has also continued to support City and Growth Deals in Scotland. Spending Review 2020 accelerated investment to four deals by reprofiling the Tay Cities, Borderlands, Moray and the Scottish Islands deals from 15 to 10 years. At

Budget 2021, a further four deals – Ayrshire, Falkirk and Argyll and Bute – were also re-profiled from 15 years to 10 years to accelerate investment.

Wales

From the start of the COVID-19 pandemic to the end of March 2021, the Welsh Government has benefitted from £7.9 billion of additional funding through the Barnett formula, with the initial tranche of additional funding confirmed through an unprecedented upfront funding guarantee announced in July 2020. Using a newly agreed flexibility to transfer £660 million between financial years, the Welsh Government is spending £5.2 billion of the additional funding in 2020-21 and £2.7 billion in 2021-22. This funding has enabled the Welsh Government to provide support to individuals, businesses and public services across Wales in response to COVID-19 and will continue to support the recovery through 2021-22.

Alongside this Barnett-based funding, Spending Review 2020 confirmed further funding for the Welsh Government in 2021-22. The government confirmed £240 million in targeted support to farmers in Wales and £2.1 million in support to the Welsh fisheries sector in 2021-22. Budget 2021 also committed to investment of £4.8 million in the Holyhead Hydrogen Hub, and up to £30 million in the Global Centre for Rail Excellence, subject to business case.

The government has also continued to support City and Growth Deals in Wales. Budget 2021 accelerated investment to three deals by reprofiling the Swansea Bay, North Wales and Mid Wales Deals over the remaining years of each Deal.

Northern Ireland

From the start of the COVID-19 pandemic to the end of March 2021, the Northern Ireland Executive has benefitted from £4.7 billion of additional funding through the Barnett formula, with the initial tranche of additional funding confirmed through an unprecedented upfront funding guarantee announced in July 2020. Using a newly agreed flexibility to transfer £330 million between financial years, the Northern Ireland Executive is spending £3.0 billion of the additional funding in 2020-21 and £1.7 billion in 2021-22. This funding has enabled the Northern Ireland Executive to provide support to individuals, businesses and public services across Northern Ireland in response to COVID-19 and will continue to support the recovery through 2021-22.

Alongside this Barnett-based funding, Spending Review 2020 confirmed further funding for the and Northern Ireland Executive in 2021-22. The government confirmed £315 million in targeted support to farmers in Northern Ireland and £3.1 million in support to the Northern Irish fisheries sector in 2021-22. The government announced at Budget 2021 a further £5 million for the Tackling Paramilitary Programme and the Northern Ireland Housing Executive will benefit from a Corporation Tax exemption.

In December 2020, the government announced the £400 million New Deal for Northern Ireland. This financial package is aimed at supporting businesses to operate after the Transition Period, whilst also ensuring that Northern Ireland is ready to seize the trade and investment opportunities ahead. By Budget 2021, almost half of the package had been allocated to: new systems for supermarkets and small traders to manage new trading arrangements; building greater resilience in medicine supply chains; promoting Northern Ireland's goods and services overseas; and supporting skills development, subject to business case.

The UK Government has agreed in principle to fund the costs required to meet the UK's obligations under the Northern Ireland Protocol. The Northern Ireland Executive received £29.9 million for the costs of implementing the Protocol in 2020-21.

The government has also continued to support City and Growth deals in Northern Ireland. These will invest over £618 million across four deals covering: Belfast City Region, Derry/Londonderry and Strabane, Causeway Coast and Glens and Mid/South/West Northern Ireland.

COVID-19

Through the government's response to COVID-19, over 1.45 million jobs in Scotland, Wales and Northern Ireland have been supported by the CJRS. This is in addition to 936,000 total claims through the SEISS and over £7 billion being lent through BBLS and CBILS to over 186,000 businesses in Scotland, Wales and Northern Ireland.

Objective 4: Building a Great Treasury, by creating a more open, inclusive and diverse department, underpinned by professionalism, skills and management excellence.

Lead minister:	**The Rt Hon Rishi Sunak MP,** Chancellor of the Exchequer
Lead official:	**Tom Scholar,** Permanent Secretary

The Treasury's corporate agenda

Building a great Treasury has been the department's change programme since 2014. It sought to implement continuous improvement across the department. Informed by staff feedback, the Executive Management Board refresh the priorities and strategic direction of the programme on an annual basis.

Over the course of 2020-21, the department's corporate priorities focussed on managing our organisational response to COVID-19 in light of national restrictions. When the pandemic emerged, HM Treasury's business continuity plans were implemented. This work was supplemented by the department's internal response to COVID-19, which ensured HR guidance was in place to support the new COVID-19 context, reflecting official guidance; supported management excellence and staff wellbeing; and roll-out of new technology. HM Treasury offices were made COVID-secure, with measures in place to reinforce compliance with national guidance.

At the 2021 Budget, the Chancellor announced that the government's new economic campus, which will be home to the new HM Treasury office in the north of England, will be in Darlington.

The announcement at the 2021 Budget allowed the department to start the process of securing accommodation, supporting those staff who want to relocate, as well as delivering on our commitment to recruiting talented people outside of London and the South East.

This development of the new campus supports the wider Places for Growth target to move 22,000 civil servants out of London and the South East by 2030. The economic campus will include at least 750 roles from HM Treasury, the Department for International Trade, the Department for Business, Energy & Industrial Strategy, the Ministry of Housing, Communities and Local Government, and the Office for National Statistics.

Health, safety and wellbeing

The department actively promotes the health, safety and wellbeing of its staff. Less than five work related accidents, near misses or ill health reports were received in the reporting period. Staff have been reminded that any incidents occurring at home during working hours must also be reported.

Throughout the COVID-19 pandemic and in response to government guidelines, the majority of HM Treasury employees have predominantly worked from home. We provided IT equipment for home working and allowed staff to claim the cost of appropriate chairs or work surfaces along with appropriate guidance.

Mental wellbeing guidance and details of support available were provided to all HM Treasury employees. Support included trained Mental Health First Aiders, Treasury Supporters, and Group Wellbeing Champions. The Employee Assistance Programme provided awareness and counselling sessions as appropriate.

Reward and recognition

The Treasury continued its reward practice of making pay more competitive with other government departments. In 2020-21, the focus was to use the pay award to increase median pay across all delegated grades, targeting money where it was most needed to build a more rewarding pay system overall, within the public sector pay policy.

In November 2020, the Chancellor announced as part of the Spending Review 2020 that there will be a temporary pause on pay rises for most public sector workforces in 2021-22, including the civil service. Therefore, the Treasury will not be awarding pay rises in 2021-22 – except to lower paid staff or to those where there is a contractual obligation.

The department has a policy of recognising those staff who have performed exceptionally in their roles through the payment of awards, paid in three circumstances:

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

This is in line with practice across the civil service and the private sector. Due to the nature of the performance appraisal system, annual performance awards are paid in the year following the one in which the individual's performance was assessed as exceptional. Performance awards were made in 2020-21 and will continue in 2021-22, in line with other government departments.

HM Treasury is also committed to minimising the gender pay gap within the organisation. In accordance with the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, HM Treasury publishes the department's gender pay gap data annually. The most recent report was published in December 2020,[9] and

[9] The percentages disclosed are for the core Treasury. Information for the Executive Agencies can be found in the full report linked: https://www.gov.uk/government/publications/hm-treasury-gender-pay-gap-report-2020-2021

includes mean and median gender pay gaps (4.4% and 15.1% respectively); the mean and median gender bonus gaps (3.9% and 2.0% respectively); the proportion of women and men who received bonuses (68% and 67% respectively); and the proportions of female employees in each pay quartile (lower quartile: 52%, lower middle quartile: 46%, upper middle quartile: 41%, top quartile 45%).

Diversity and inclusion

The Treasury is committed to building a Department that reflects those it serves, drawing on true diversity of background and expertise, to enable it to offer the best possible advice to ministers, strengthen policymaking, and maintain strong corporate functions. Activity includes:

- Implementing changes to recruitment processes following the 2020 review
- Continuing the Treasury's talent offers to support staff to develop and thrive, particularly focusing on internal progression for underrepresented groups in the SCS
- Ensuring that the Treasury is an inclusive place to work, where talented people are able to thrive and perform to the best of their ability, regardless of their background
- Creating opportunities to expand our socioeconomic diversity, including continuing to build apprenticeship routes and participating in the civil service wide Diversity Internship Programme
- Developing ambitious plans to ensure the department is supporting staff to thrive and perform to the best of their ability, including building management capability through a refreshed management development offer, and improving workplace adjustments processes.

Diversity is critical for the Treasury to be able to represent and reflect the interests of the people it serves. Information about the diversity of the department is available in the charts below.

Figure 1E: Core Treasury diversity as at 31 March 2021[10]

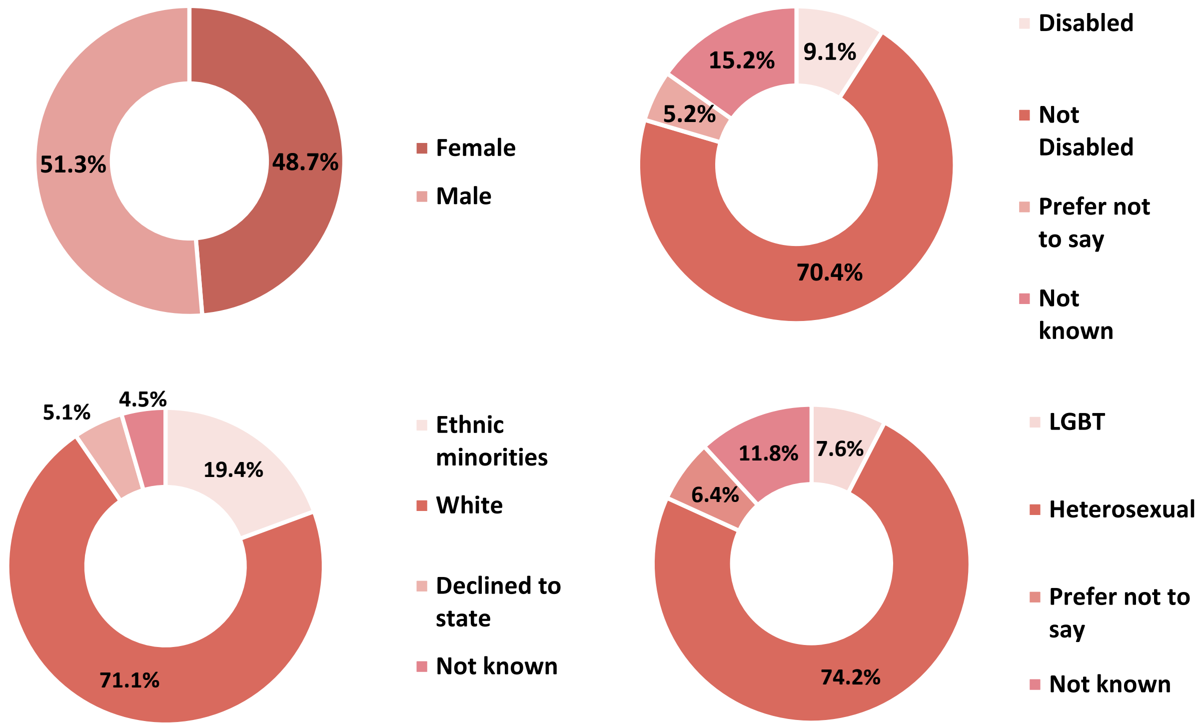


Figure 1E shows diversity of sex, ethnically diverse background, disability and sexual orientation of staff

Our key actions include:

Focus	Progress
Recruitment	The Treasury participates in the civil service wide Summer Diversity Internship Programme and is preparing to host 23 interns over summer 2021. The department also participates in the Civil Service Autism Exchange internship programme, coordinated by the Cabinet Office, and in the Care Leavers Internship scheme coordinated by the Department for Education. The Treasury continues its involvement in a mentoring scheme with a local school and participates in the Access Project where Treasury volunteers coach young people from disadvantaged backgrounds. In 2020 the Treasury was ranked 49th out of 119 in the Social Mobility Employer Index, which ranks employers according to the actions they are taking to be open to accessing and progressing talent from all backgrounds. In 2020, the department completed a recruitment review and developed an implementation plan to improve recruitment

10 Diversity percentages are calculated based on paid headcount using ONS definitions.

Focus	Progress
	processes, which will include focusing on expanding the Treasury's socioeconomic diversity and supporting social mobility. This includes developing an outreach strategy and continuing to focus on building apprenticeship routes into the department, as set out in the recruitment section.
Talent	The Treasury has two key talent programmes to support internal progression for underrepresented groups in the SCS. Accelerate, now in its third year, is for staff at ranges E and E2 (Grades 7 and 6) who are from an ethnically diverse background, have a disability or identify as LGBT. The Treasury is currently expanding the programme to include staff from lower socioeconomic backgrounds and older staff. A similar programme for staff at Range D (HEO/SEO) has continued for a seventh year. There has been increased participation across both schemes with around 150 staff taking part in total, and the department is planning to expand the programmes further. The Treasury also continued to run the Prospects development programme for staff at grades B/C, doubling the number of places available on the scheme.
Inclusion and wellbeing	The department reviewed its management development offer and has focused on embedding inclusion across all learning. The Treasury has improved workplace adjustments for colleagues with disabilities or specific needs, including reviewing and relaunching the workplace adjustments process, with particular focus on how staff with disabilities or health conditions are supported to work remotely. The department has also continued to address bullying, harassment and discrimination, raising awareness through blogs and open surgeries.
Expanding and diversifying our data and evidence	The department is committed to ensuring that diversity of background and expertise results in better policymaking for those it serves. The Treasury is focused on building its capability to ensure policy makers are equipped to consider the impacts of policies on different regions and groups within the UK, including encouraging greater openness and innovation in our policymaking, engaging with a wider range of stakeholders, and bringing in data and evidence from different sources. The department is developing its data science capability to ensure better use of analytical techniques and real-time indicators, which will in turn provide a better understanding of the broader implications of policymaking.

Recruitment

Key recruitment campaigns in the last year included:

- A further two intakes of external graduate recruits, in April and September 2020, with a total of 119 policy advisers at Range D.
- A centralised campaign to appoint 36 new Deputy Directors at SCS1.
- Five new permanent Director appointments at SCS2.
- An internal Director General appointment at SCS3.
- Apprentice recruitment campaigns which brought in 16 policy apprentices and six finance apprentices; as well as the Government Economics Service recruitment campaign to recruit seven economics apprentices.
- Participation in cross-government recruitment campaigns for the policy profession to recruit 15 Range D Policy Advisers and 15 Range E Senior Policy Advisers.

The department delivered an entirely virtual outreach and assessment process for those applying to the 2021 Graduate Development Programme (GDP). The GDP recruitment campaign and website was rebranded and attracted over 8,000 applications for 2021 start dates, with applications increasing from female candidates, and from people with lower socio-economic and ethnically diverse backgrounds.

In 2020-21, HM Treasury had its highest ever number of apprenticeship starts. The core department (excluding arm's length bodies) will meet the public sector apprenticeships target of new apprentice starts making up 2.3% of our workforce in 2020-21.

The Treasury commissioned an external Recruitment Review in 2020. The review made 7 recommendations to improve the recruitment outcomes for under-represented groups. A plan has been developed to implement the recommendations, which will include a new Outreach Strategy for recruitment.

The new HM Treasury office in Darlington will present new opportunities to test new ways of recruiting in 2021-22, including larger, bulk recruitment campaigns to ensure a wide a reach of candidates as possible. This will include testing opportunities for outreach with local colleges and universities, piloting some of the initiatives in our outreach strategy and joining up with other government departments based in the area.

Staff survey

The Treasury uses its annual staff survey results as an indicator of progress. In October 2020, the department took part in the annual Civil Service People Survey. The departmental results show that staff engagement has increased and the Employee Engagement Index – the key indicator of staff opinion – sits at 76%, two points higher than the 2019 Staff Survey. This sets the Treasury well above the civil service average of 66%.

Learning, development and skills

HM Treasury is committed to developing a strong learning and development function. The department is improving the established suite of development programmes for the policy profession at key transition points (the Graduate Development Programme and Policy Leadership Programme) and rolling out a new and clear management development programme. All learning is based on the following three delivery principles:

1. **Learning is accessible:** A clear and integrated learning and development offer is being designed and promoted via a new online portal. This is to allow easy navigation of well curated learning
2. **Learning is inclusive and collaborative**: A delivery model aiming to unlock and use internal knowledge, working with a group of learning and development co-creators. This will allow the department to leverage corporate knowledge and promote learning from each other
3. **Learning is of high quality and relevant**: High quality content that is performance focused and aligned to organisational strategy. Taking a performance consulting approach to link to those areas most relevant to and needed by the business

Other corporate reporting

Transparency and scrutiny of performance

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

Scrutiny by internal audit – the Government Internal Audit Agency

The 2020-21 annual internal audit plan for the department was developed through consultation with the Treasury's senior management team and discussed by Directors and Executive Management Board, prior to formal agreement by the Treasury's Audit and Risk Committee in May 2020.

The Audit and Risk Committee agreed minor changes to the plan throughout the year, reflecting changes in HM Treasury's assurance needs, priorities and key risks. By 31 March 2021, Internal Audit had issued 18 reports and 14 pieces of advisory work for the department.

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

Scrutiny by Parliament

Treasury ministers and officials are committed to providing timely and accurate responses to Parliamentary Questions and the government has agreed to provide regular statistics to the House of Commons Procedure Committee.

From 1 April 2020 to 28 February 2021 Treasury ministers responded on or before the parliamentary deadlines in relation to 99% of the 2,378 ordinary written questions received; 99% of the 1,963 named day questions received; and 93% of the 534 Lords written questions tabled to the department.

In addition to questions from individual Members of Parliament during the period from 1 April 2020 to 31 March 2021, ministers and officials appeared at various Committee sessions, including:

House of Commons Treasury Committee hearings	
Economic impact of coronavirus	29 April 2020
Economic impact of coronavirus	15 July 2020
UK Customs Policy	13 October 2020
Work of HM Treasury	11 November 2020
Decarbonisation and Green Finance	16 November 2020
Tax after coronavirus	18 January 2021
Budget 2021	11 March 2021

Source: House of Commons Treasury Committee

House of Commons Petitions Committee hearings	
Support for households during COVID-19 Support for households during COVID-19	17 September 2020
Stamp Duty Land Tax relief during the COVID-19 outbreak	2 January 2021

Source: House of Commons Petitions Committee

House of Commons International Trade Committee hearings	
Freeports	24 February 2021

Source: House of Commons International Trade Committee

House of Commons Environment Audit Committee hearings	
Energy Efficiency of Existing Homes	2 December 2020
Biodiversity and Ecosystem	4 March 2021

Source: House of Commons Environment Audit Committee

House of Commons Public Accounts Committee hearings	
Local authority commercial investment	15 May 2020
Management of tax reliefs	10 June 2020

Government response to COVID-19	15 June 2020
Tackling the tax gap	7 September 2020
Whitehall preparations for EU Exit	8 October 2020
The production and distribution of cash	19 October 2020
Specialist skills in the civil service	2 November 2020
COVID-19 Bounce Back loan scheme	5 November 2020
COVID-19 Support for jobs	12 November 2020
Whole of Government Accounts 2018-19	19 November 2020
Ministry for Housing, Communities and Local Government recall	7 December 2020
Achieving Net Zero	28 January 2021
Managing the expiry of PFI contracts	8 February 2021
Environmental tax measures	8 March 2021
COVID-19 Local Government finances	18 March 2021

Source: House of Commons Public Accounts Committee

House of Lords Economic Affairs hearings	
Work of the Chancellor of the Exchequer	29 April 2020
Employment and COVID-19	17 November 2020

Source: House of Lords Economic Affairs Committee

House of Lords EU Services Sub-Committee hearings	
Financial services after Brexit	2 July 2020
Financial services after Brexit	30 November 2020

Source: House of Lords EU Services Sub-Committee

House of Lords Finance Bill Committees hearings	
Draft Finance Bill 2020-21	2 November 2020

Source: House of Lords Finance Bill Committee

House of Lords Liaison Committee hearings	
Financial Exclusion	16 March 2021

Source: House of Lords Liaison Committee

Scrutiny by the public – correspondence and information requests

In the calendar year of 2020 the Treasury replied to 26,218 enquiries from MPs; over six times more than 2019. The significant increase in correspondence resulted in a backlog and only 38% of replies to MPs 2020 were within the Treasury's 20 working day deadline (down from 90% in 2019). The steps taken during the year to reduce the outstanding volume of correspondence meant that as of March 2021 timeliness performance has improved to 70%.

The volume of correspondence from members of the public and Treasury's response timeliness was not recorded in the usual way for 2020, as most enquiries from members of the public were re-directed to information published on GOV.UK. The Treasury received 917 requests for information that were handled under either the Freedom of Information Act or the Environmental Information Regulations and in 91% of cases the statutory response deadline was met.

Data Subject Access Requests (DSAR)

In 2020-21, the department received 23 Data Subject Access Requests, of which 14 cases were processed within the statutory response deadline, one case required one additional day to complete, one case was delayed due to COVID-19 restrictions, and seven cases were not processed as the identification of the requester could not be validated. All cases were handled under the General Data Protection Regulations (GDPR).

Parliamentary and Health Service Ombudsman

The Parliamentary and Health Service Ombudsman (PHSO) can investigate complaints about the administrative actions of a wide range of government departments and other public bodies, or the actions of organisations acting on their behalf. Ten complaints were made to the PHSO regarding the Treasury during 2020-2021, but none of these were taken forward for investigation.

The National Audit Office

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

- Government response to the COVID-19 pandemic
- Managing PFI assets and services as contracts end
- Tackling the tax gap
- Learning for government from EU exit preparations
- COVID-19 cost tracker

- Production and distribution of cash
- Bounce Back Loan Scheme (BBLS)
- Implementing employment support schemes in response to the COVID-19 pandemic
- Achieving net zero
- Environmental tax measures
- Public service pensions
- Investigation into the government funding to charities during the COVID-19 pandemic

The 'Better Regulation' agenda

As the UK's economics and finance ministry, the Treasury has strongly supported regulating only where necessary within the financial services and insurance sectors and minimising burdens to businesses where possible.

A full report on the Treasury's actions in relation to the Better Regulation Agenda can be found in Chapter 5 – Better Regulation section from page 234.

Sustainability

Information covering how the department has met its Greening Government Commitments and integrated sustainability into both policymaking and delivery can be found in Chapter 6 – Sustainability report from page 236.

Non-financial information

During the 2020-21 financial year, HM Treasury had no reportable incidents relating to anti-corruption and anti-bribery matters. Issues of social matters and respect for human rights are addressed through this report's separate disclosures on diversity and disability.

Tom Scholar
Permanent Secretary

16 July 2021

Chapter 2
Accountability report

Corporate governance report
Report from the Lead Non-Executive Board Member

In leading the government's economic response to the COVID-19 pandemic, HM Treasury has had to rise to significant challenges over the past year, with further support measures being announced in the Spring Budget. To perform that role, HM Treasury has worked closely with government departments and other organisations and businesses to deliver vital support packages and ensure macroeconomic stability.

In the Budget, the Chancellor announced that the government would be opening a new economic campus in Darlington: work is already underway on identifying a suitable site and on recruiting a more geographically diverse workforce. Like other employers, the department has had to adapt to the changes in the workplace unleashed by COVID-19 and has undertaken staff consultations this year on future hybrid working options. Throughout this year of change and challenge, it is worth highlighting that HM Treasury has succeeded in increasing levels of staff engagement. At 76% in 2020 this was well above average for the civil service.

In order to respond to the increased workload caused by its work in leading the response to COVID-19, HM Treasury staffing has grown to 1,992 FTE this year. This is the biggest the department has ever been. I would like to commend Treasury staff for the commitment and professionalism they have shown in delivering to a high standard in such challenging circumstances.

HM Treasury is committed to bringing in different skills, perspectives and backgrounds to our governance boards. Rena Lalgie joined the Executive Management Board (EMB) from 27 July 2020 until she left the department in October 2020. She was succeeded by Veda Poon on 23 November 2020. Phil Duffy also joined EMB having been promoted to Director General: Productivity and Growth.

Non-Executive Directors (NEDs) are responsible for providing independent advice to the Treasury and chairing the Treasury Board Sub-Committee (TB(SC)) and the Audit and Risk Committee. We have provided external challenge including on finance and staffing, the COVID-19 response, and the Quarterly Performance and Risk Reports. We also have oversight of HM Treasury's arm's length bodies (and met the Office for Budget Responsibility, Debt Management Office and the UK Government Investments during the year).

The team of NEDs has remained the same this year. We have extended the contracts for Richard Meddings (Chair of the Audit and Risk Committee) and Tim Score (member of the Audit and Risk Committee). This enables us to ensure that the Audit and Risk Committee remains quorate and to ensure continuity in the sign off the accounts and publications to revised timescales this year.

The Executive Management Board and NEDs have worked well together this year and I am grateful for the contribution they have made to the successful running of the Treasury.

Rt Hon Lord Hill of Oareford CBE
Lead Non-Executive Board Member
16 July 2021

Governance statement

The governance statement sets out HM Treasury's governance, risk management and internal control arrangements. It applies to the financial year 1 April 2020 to 31 March 2021 and up to the date of approval of the Annual Report and Accounts.

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

The roles of additional accounting officers and the assurances received in preparing this report are also declared.

About HM Treasury

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

- placing the public finances on a sustainable footing ensuring value for money and improved outcomes in public services
- ensuring the stability of the macroeconomic environment and financial system, enabling strong, sustainable growth as we leave the European Union (EU)
- increasing employment and productivity, and ensuring strong growth and competitiveness across all regions of the UK through a comprehensive package of structural reforms, taking advantage of the opportunities provided by leaving the EU

Every member of HM Treasury staff should be able to play a full, productive and valued role in helping deliver the department's objectives, while working to ensure the department operates as a high performing organisation. To achieve this, the department has a corporate objective to:

- build a great Treasury, by creating a more open, inclusive and diverse department, underpinned by professionalism, skills and management excellence

How we are structured

The Treasury's Ministers

The department has 6 ministers.[1]

The Chancellor of the Exchequer, The Rt Hon Rishi Sunak MP has overall responsibility for the Treasury. He is accountable to Parliament for all the policies, decisions and actions of the department and its arm's length bodies. While Treasury civil servants may exercise the power of the Chancellor, the Chancellor remains responsible to Parliament for decisions made under his powers.

The Chancellor's responsibilities cover:

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

Within the department the Chancellor has devolved responsibility for a defined range of departmental work to supporting ministers, who at 31 March 2021 were:

The Chief Secretary to the Treasury: Rt Hon Stephen Barclay MP

The Chief Secretary is responsible for public expenditure.

The Financial Secretary to the Treasury: Rt Hon Jesse Norman MP

The Financial Secretary is responsible for tax policy and customs – including border readiness.

The Economic Secretary to the Treasury and City Minister: John Glen MP

The Economic Secretary is responsible for financial services.

The Exchequer Secretary to the Treasury: Kemi Badenoch MP[2]

The Exchequer Secretary is responsible for UK growth and productivity. She is also the departmental minister for HM Treasury Group.

[1] A list of current ministers and their individual responsibilities can be found on https://www.gov.uk/government/organisations/hm-treasury

[2] Also, the Parliamentary Under Secretary of State, Minister for Equalities, in the Government Equalities Office from 14 February 2020

Minister of State[3]: Lord Agnew of Oulton DL

The minister supports the Chancellor of the Duchy of Lancaster and the Chief Secretary to the Treasury to deliver cross-government efficiency and public sector transformation improvements.

First and Second Permanent Secretaries

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

The Permanent Secretary is supported by the department's Second Permanent Secretary, Charles Roxburgh, who has oversight of the department's economics ministry functions including financial services, growth and infrastructure. He is the Accounting Officer for Infrastructure Finance Ltd and IUK Investment Holdings Ltd as set out on page 248-249. Charles also chairs the Executive Management Board's Operating Committee.

3 Joint with Cabinet Office https://www.gov.uk/government/news/latest-updates-on-ministerial-appointments-13-february-2020

Non-Executive Board Members (Non-Executive Directors)

The Treasury's Non-Executive Directors provide challenge to help shape the thinking of ministers and officials. They are **experts from outside government with significant experience of working with the public sector and/or third sectors and have strong financial and commercial expertise**. Through formal meetings and informal advice, individual members have shared their commercial and professional expertise across the Treasury.

Rt Hon Lord Hill of Oareford CBE

Appointed 1 March 2019 (first term) Lead Non-Executive Director.

Lord Hill brings wide financial regulation experience having been European Commissioner for Financial Stability, Financial Services and Capital Markets Union between 2014-16. He has extensive government and political knowledge having worked in 5 government Departments as well as in the European Commission. He was Chancellor of the Duchy of Lancaster and Leader of the House of Lords 2013-14 and Parliamentary Under Secretary of State for Education between 2010-2013.

Other roles: Chairman, Council of Management, Ditchley Foundation (from 1 November 2017); Independent National Director, Times Newspapers; Senior Adviser, Freshfields Bruckhaus Deringer; Senior Adviser, Deloitte (professional services network); Senior Adviser, UBS; Senior Adviser, Intercontinental Exchange Inc; Adviser, Banco Santander SA; Member of International Advisory Panel to Iberdrola; Trustee, Teach First; Board Member, Centre for Policy Studies and Co-Founder of Prosperity UK. Member of the House of Lords Commission

Richard Meddings

Appointed 1 July 2014 (2nd term)

Richard was appointed as Audit and Risk Committee (ARC) Chair on his arrival in 2014. Richard has chaired Audit and Risk Committees for a number of FTSE 100 companies within the Financial Services sector. Richard has served as a NED on the Boards of 3i plc, Legal & General plc, Deutsche Bank AG and Jardine Lloyd Thompson. He brings risk and banking experience to the role having been at Standard Chartered plc from 2002 until 2014 as Group Executive Director responsible for Risk and as Group Finance Director for 8 years.

Other roles: Richard serves on a number of Boards including as a NED on the Board of Credit Suisse Group AG, as Chair of TSB Bank, as Deputy Chair of the charity Teach First and as Chair on the Hastings Opportunity Area.

Tim Score

Appointed 1 July 2015 (2nd term)

Tim's experience covers financial management and an in-depth knowledge of the technology sector.

He was Chief Financial Officer of ARM Holdings plc from 2002 to 2015, Senior independent director, Chair of Audit and Interim Chairman at National Express Group (2005-2014), CFO of Rebus Group and William Baird PLC, and Group Financial Controller at BTR Plc and LucasVarity PLC.

Other roles: Chair of The British Land Company plc. Member of the Board of Trustees of Royal National Theatre; Chair of the Audit Committee of the Football Association; NED and Chair of Audit Committee at Pearson plc and Senior Independent Director at Pearson.

Gay Huey Evans CBE

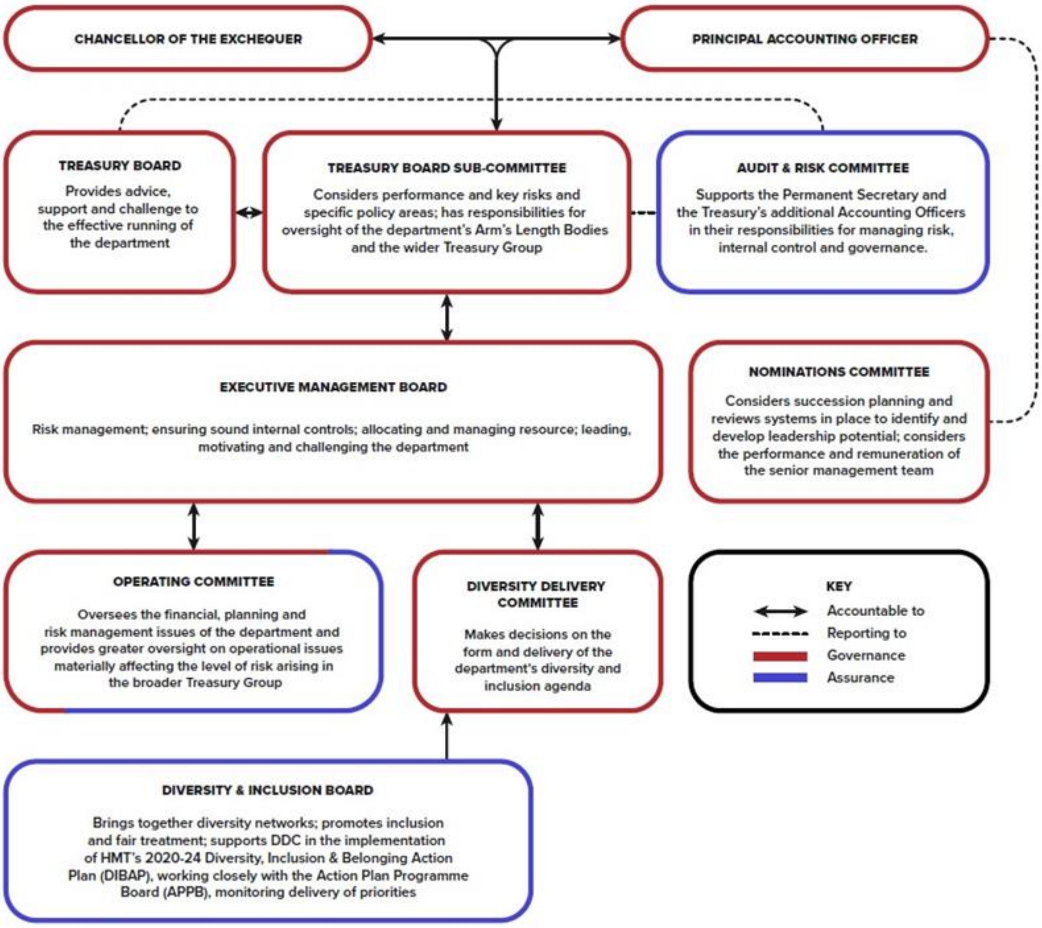
Appointed 1 January 2019 (1st term)

Gay's experience covers financial and regulatory services, banking, capital markets and commercial. She was Vice Chair Investment Banking and Investment Management at Barclays Capital from 2008-2010. She was Head of Governance of Citi Alternative Investments (EMEA) from 2007-2008 and President of Tribeca Global Management (Europe) Ltd from 2005-2007, both part of Citigroup. She was Director of markets division and Head of capital markets sector at UK Financial Services Authority from 1998-2005 and has held various senior management positions with Bankers Trust Company in New York and London. She has previously served on the boards of London Stock Exchange Group plc and Aviva plc.

Other roles: Chair of the London Metal Exchange and NED at Standard Chartered plc; IHS Markit and Conoco Philips. A member of the Chatham House Panel of Senior Advisers; a trustee of Benjamin Franklin House and a member of the US Council on Foreign Relations.

Our governance structure

Figure 2A: The Treasury Board and its committees



Treasury Board

The Treasury Board is the most senior of the department's oversight committees. It draws together ministerial and civil service leaders with experts from outside government. The board is chaired by the Chancellor and met once during 2020-21.

On 15 September 2020 Cat Little was announced as the Head of the Government Finance Function, succeeding Mike Driver who stepped down in August 2020. In this role she is invited to attend Treasury Board meetings

Committee members as at 31 March 2021	Areas of discussion
• Treasury ministers • Non-Executive Directors • Permanent Secretary • Second Permanent Secretary • Chief Economic Adviser • Finance Director • Head of Government Finance Function	• Departmental priorities • Departmental challenges • Performance and risk • Staff Survey results

Treasury Board Sub-Committee TB(SC)

TB(SC) is the second most senior board and has delegated authority of the Treasury Board. TB(SC) is chaired by the Lead Non-Executive Director and met 5 times during 2020-21.

Committee members as at 31 March 2021	Areas of discussion
• Non-Executive Directors • Executive Management Board members • Head of Government Finance Function	• Quarterly Performance and Risk • Departmental oversight • COVID-19 pandemic • Board Effectiveness • Arm's length body oversight

Board effectiveness evaluation

Undertaking an annual review of a Board's processes and practices is standard good corporate practice. The evaluation is coordinated by the Cabinet Office and the process is set out in the Corporate governance in central government departments: code of good practice.[1]

In line with the 2019-20 recommendations the TB(SC) continued oversight of the department's arm's length bodies. During the year TB(SC) met with senior colleagues from the Office for Budget Responsibility, UK Government Investments Ltd and the Debt Management Office.

TB(SC) held additional meetings this year on COVID-19 response and departmental resilience, in line with the recommendation last year to remain agile, which has enabled the Committee to support the department appropriately throughout the year.

This 2020-21 year's evaluation was, in line with guidance, undertaken with external input. Mervyn Walker, the lead Non-Executive Director of HMRC observed a TB(SC) meeting and provided feedback to Lord Hill, the chair of the TB(SC).

The evaluation found that the meeting was well-prepared and well-run with active engagement, debate and challenge and that the papers were of a good quality. It recognised the positive relationship between TB(SC) members and noted the Non-Executive Directors were fully engaged and asked relevant questions which the executives responded to in a balanced and informative way.

The recommendations, which centred around considering meeting frequency; agenda structure; clarity of purpose; provision of written updates and identification of actions and any changes will be implemented in the coming year.

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

The Executive Management Board (EMB)

EMB has met much more frequently this year to lead the department's response to COVID-19 and other departmental priorities. EMB is chaired by the Permanent Secretary.

An annual business planning process, overseen by EMB, sets the department's priorities and resourcing plans for the year ahead. This focuses on the Treasury's core functions, ministerial priorities and identified risks. The response to COVID-19 has meant that the department had to be agile in leading the government's response to the heightened economic risks. It was a priority to ensure the department had the right resources to be able to support the UK in its response.

EMB considered the strategic direction of specific Treasury policy areas and also ensured delivery against the department's work programme, and the efficient and effective allocation of resources.

Committee members as at 31 March 2021	Areas of discussion
• Permanent Secretary - Tom Scholar • Second Permanent Secretary - Charles Roxburgh • Director General Financial Services - Katharine Braddick • Chief Economic Adviser - Clare Lombardelli • Director General International and EU - Mark Bowman • Director General Tax and Welfare - Beth Russell • Director General Public Spending - Cat Little • Director General Productivity and Growth – Philip Duffy[1] • Finance Director - Anna Caffyn • Operations Director - Catherine Webb[2] • Director Strategy, Planning and Budget - Dan York-Smith • Director International - Veda Poon[3]	• Quarterly Performance and Risk Reports • Business Planning • Health and Safety • Security and Fraud • Resourcing, Pay and Performance • Diversity and Inclusion • EU Exit • COVID-19 pandemic response • Wellbeing • Budget • G7 • Departmental Staff Survey results

Sub-committees to the Executive Management Board

The 2 sub-committees of EMB are the Operating Committee and the Diversity Delivery Committee.

Operating Committee (OpCo)

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

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[1] Philip Duffy was appointed as Director General Productivity and Growth and joined EMB on 1 June 2020.

[2] Siobhan Jones (as noted in last year's report) provided extra resilience for a short time, following Catherine Webb's return to work. Siobhan stepped down from EMB in May 2020.

[3] The department has a commitment to ensure diversity on our governance boards, as part of our ambition to bring in different skills and perspectives and consider a broad evidence base in our decision-making. Rena Lalgie joined EMB from 27 July 2020 until she left the department in October 2020. She was succeeded by Veda Poon on 23 November 2020.

It also acts in an advisory capacity in relation to finance and staffing and assures and provides approval for business cases. OpCo is chaired by the Second Permanent Secretary and any member of EMB is welcome to attend any of the meetings.

Committee members as at 31 March 2021	Areas of discussion
• Second Permanent Secretary • Finance Director • Operations Director • Director Strategy, Planning and Budget • 2-3 Directors from the policy areas of the Treasury on a 1-2 year rotation • 3-5 Deputy Directors on a 1-2 year rotation	• Spending Review • Business Planning • Operational Risk • Departmental Operational Readiness for EU Exit • New economic campus in Darlington • Flexible Safer Working Project • Recruitment including Apprenticeships and Graduates • Talent • Wellbeing

Diversity Delivery Committee (DDC)

Diversity and Inclusion remains a key focus for the department. DDC meets monthly. DDC is chaired by the Director General Tax and Welfare.

Committee members as at 31 March 2021	Areas of discussion
• Director General Tax and Welfare • Chair of Diversity and Inclusion Board • Operations Director • 3-5 additional members of SCS on a 1-2 year rotation	• Recruitment including Graduate Development Programme and apprenticeships • Sponsoring and mentoring • Departmental diversity networks

The Diversity and Inclusion Board (DIB) is a sub-committee of DDC. It has been established to support the senior management team, to bring together representatives from networks across the department for consultation and engagement on diversity policy and promotes inclusion and fair treatment for all.

DIB is chaired by Lowri Khan (Director Financial Stability) who is supported by deputy co-chairs Sarah Pemberton and Kavalneer Walia. They are joined by representatives of staff networks across the department. EMB members are welcome to attend any of the meetings.

Other committees

In addition, EMB has 3 committees focussed on risk, the Economic Risk Group, the Fiscal Risk Group and the Projects Risk Group. The Risk Groups contribute to the Treasury's risk management framework by identifying and tracking indicators, horizon-scanning, and assessing the likelihood, probable impact and potential mitigation of risks, enabling EMB and senior managers to act where appropriate.[4]

The Economic Risk Group meets at least quarterly and is co-chaired by the Director of Economics and the Director of Financial Stability. The Fiscal Risk Group is chaired

[4] Further information on how the department manages risk can be found on pages 68 to 69.

by the Director of Fiscal and meets at least quarterly and as needed. The Project Risk Group is chaired by the Europe Director and meets quarterly.

Audit and Risk Committee (ARC)

ARC supports the Permanent Secretary and the Treasury's additional accounting officers in their responsibilities for managing risk, internal control and governance in relation to the:

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

Pre-meetings with the National Audit Office (NAO) and the Government Internal Audit Agency (GIAA) were held before each meeting of the ARC.

In accordance with the Audit and Risk Committee Handbook[5], the Committee provides independent challenge on the robustness of the mechanisms in place, and the evidence provided, to deliver the assurance needed by the Board and Departmental Accounting Officers.

Members of ARC are appointed by the Permanent Secretary. The membership of the committee on 31 March 2021 was:

- Richard Meddings – see biography on page 57.
- Tim Score – see biography on page 57.
- Zarin Patel[6]
- Sir Peter Estlin[7]

The committee is chaired by Richard Meddings, a Non-Executive Director of the Treasury Board, and it met 8 times during 2020-21.

Committee members as at 31 March 2021	Areas of discussion
• Richard Meddings • Tim Score • Zarin Patel • Sir Peter Estlin	• Financial controls • Risk including cyber • COVID-19 pandemic • GIAA and NAO audits and recommendations • Assurance mapping of HM Treasury Financial processes

5 https://www.gov.uk/government/publications/audit-committee-handbook

6 Zarin Patel's interests include: Non-Executive Director of Anglian Water Services Limited and Chair of its Audit and Risk Committee, Trustee of National Trust and Chair of its Audit and Risk Committee. Appointed to the board of Post Office Limited in November 2019 and sits on its Audit and Risk Committee. Until June 2021, Independent member of the Audit and Risk Committee at John Lewis Partnership Plc. Formerly the Chief Financial Officer at the BBC and a member of its Executive Board.

7 Sir Peter Estlin's interests include: Alderman, City of London. Independent Director, Rothschild & Co; Chair, Association of Apprentices, (previously Group Financial Controller and acting Group CFO, Barclays).

- Business Appointment Rules
- HM Treasury stewardship of Arm's Length Bodies and comparison with good practice
- Whole of Government Accounts

Audit and Risk Committee Chair's Report

The Audit and Risk Committee met 8 times in the year with all meetings held virtually. In addition to the review and sign off, including any significant accounting judgments, of the various Treasury accounts (Treasury Group Resource Account, HM Treasury Trust Statement and Whole of Government Accounts, Contingencies Fund, National Loans Fund, Consolidated Fund and Exchange Equalisation Account), the committee also reviewed and received reports on a number of other areas. These included the EU Financial Settlement and assurance process; the strategies and governance around the Exchange Equalisation Account; assurance mapping of HM Treasury finance processes; governance arrangements around the Ways and Means facility; a review of Capital Annually Managed Expenditure (C-AME) controls; updates on NAO value for money audits; cyber risk and IT security risk; the Department's stewardship of and the forecasting disciplines of ALB's; and an update on Counter Fraud strategy.

In every meeting the committee received a report from the Permanent Secretary on the work of the department and on issues most relevant to the committee's work and also from the second Permanent secretary on, inter alia, operational risk. Additionally, regular reports were received from the Finance Director on finance management, financial controls and on resourcing. The GIAA and NAO also provided reports to each committee as a standing agenda item and private meetings were also held with them. GIAA's annual audit plan for the department was presented, approved and monitored throughout the year, with particular attention focused on any material findings. The department has responded very actively to GIAA audit recommendations.

The committee also oversees the preparation, review and sign off of the Whole of Government Accounts giving purposeful consideration, in addition to the accounting judgments, to the clarity of the performance narrative.

In a year of almost inconceivable challenges, and where the department has energetically combatted the pandemic, responding with a variety of quickly delivered and economically very meaningful schemes and interventions, all of the committee pays tribute to the professionalism of the officials and their continued responsiveness to the committee's work. I would also like to thank my colleagues, Sir Peter Estlin, Zarin Patel and Tim Score for their diligence, enthusiasm and engagement throughout the year."

Richard Meddings
Chair, Treasury Group Audit and Risk Committee
16 July 2021

Nominations committee

The committee is chaired by the Permanent Secretary and met once during 2020-21.

Committee members as at 31 March 2021	Areas of focus
• Permanent Secretary • Second Permanent Secretary • Lead Non-Executive Director • 3 Non-Executive Directors	• Succession planning • Identify and develop leadership potential • Performance and remuneration

Attendance of members at board and committee meetings

Attendance	Treasury Board	TB(SC)	ARC	Nominations Committee
Ministers				
Chancellor	1/1	-	-	-
Chief Secretary	1/1	-	-	-
Financial Secretary	1/1	-	-	-
Economic Secretary	1/1	-	-	-
Exchequer Secretary	1/1	-	-	-
Minister of State	1/1	-	-	-
Non-Executives and ARC members				
Lord Jonathan Hill	1/1	5/5	-	1/1
Richard Meddings	1/1	5/5	8/8	1/1
Tim Score	1/1	4/5	8/8	1/1
Gay Huey Evans CBE	1/1	5/5	-	1/1
Mike Driver[8]	0/0	3/3	-	-
Sir Peter Estlin	-	-	8/8	-
Zarin Patel	-	-	7/8	-
Executives				
Tom Scholar	1/1	5/5	-	1/1
Charles Roxburgh	1/1	3/5	-	1/1
Mark Bowman	-	4/5	-	-
Cat Little	1/1	3/5	-	-
Katharine Braddick	-	3/5	-	-
Clare Lombardelli	1/1	3/5	-	-
Beth Russell	-	3/5	-	-
Dan York-Smith	-	4/5	-	-
Anna Caffyn	1/1	5/5	-	-
Catherine Webb	-	5/5	-	-
Rena Lalgie	-	0/1	-	-
Veda Poon	-	1/1	-	-
Siobhan Jones[9]	-	0/1	-	-

8 Mike Driver stepped down as Head of Government Finance Function in August 2020

9 Siobhan Jones (as noted in last year's report) provided extra resilience for a short time, following Catherine Webb's return to work. Siobhan stepped down from EMB in May 2020.

HM Treasury's internal group structure and functions

The department is structured into 13 Director led groups, with each group working to achieve the department's core objectives.

Each Director has responsibility delegated to them from the management board for the delivery of policy and management of risk within their group. They are also responsible for ensuring any policy or operational risks in their groups are understood across the department to help actively manage the cross-cutting risks facing the Treasury.

The groups and their responsibilities

The aim of the Business and International Tax Group is to provide strategic oversight of business, environmental, transport and property taxes, VAT, excise taxes and customs duties that together raise revenue of over £350 billion a year, to deliver policy change in consultation with key stakeholders, to handle the UK's relationship with other countries and international institutions on tax and customs issues and to manage and mitigate risks to the UK's tax base including through tackling avoidance and evasion.

The Corporate Centre Group provides corporate systems, services, solutions and facilities to enable HM Treasury Group (Treasury and its agencies and public bodies) to deliver effectively and efficiently. It is formed of 7 teams: Human Resources, Finance, Commercial, Correspondence and Information Rights, Information Workplace Solutions (IT, Security and Knowledge Management), Darlington economic campus programme team, Flexible Safer Working project team and Treasury Group Shared Services.

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

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

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

The Financial Stability Group contributes to the Treasury's objectives through ensuring the stability of the financial system, in a way that supports sustainable growth and public finances. The group's overarching aim is to secure the stability and operational resilience of the UK financial system for the benefit of the economy as we leave the EU.

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

The International Group's objective is to support UK and global economic prosperity in a rapidly evolving and challenging global context, with an emphasis on responding swiftly to COVID-19 and paving the way for a strong, sustainable and inclusive recovery. It will achieve this through promoting and delivering UK interests in international economic and financial policy, by working closely with and through major international fora (including as the current G7 and COP26 Presidencies), international financial institutions, and bilateral relationships; improving the UK's response to economic crime and sanctions implementation to advance our national security and economic prosperity objectives; and developing and strengthening the UK's new trading relationships with important partners including with the EU.

The Ministerial and Communications Group supports ministers and the Executive Management Board in discharging effectively their respective responsibilities. It also provides a professional communication function for ministers and the whole department and is responsible for coordinating parliamentary business.

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

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

The Public Spending Group is at the heart of government: controlling and reporting on public spending, improving value for money, productivity and efficiency, and working across Whitehall to improve finance and management information capability.

The work of the Strategy, Planning and Budget Group is at the heart of the Treasury and core to its strategy. SPB supports the Executive Management Board in setting the strategic direction for the Treasury. It works with and alongside Groups across the department to bring together the Treasury's departmental objectives into a coherent strategy. SPB co-ordinates fiscal events and this year has co-ordinated the department's work on COVID-19 response. SPB works as a single Group at the centre setting this direction – allocating people and resources and setting policy to achieve it.

Quality of information

The department uses a template for its board and committee papers to ensure they receive sound advice and information. The template was updated during the year to include equalities impacts to ensure that protected characteristics under the Public Sector Equality Duty were at the forefront of policy and decision making.

The template is also structured to ensure risks and resource implications are highlighted and to ensure sufficient engagement and challenge during discussions. The board secretariat works with teams to ensure the information provided is of good quality and the Board Effectiveness Evaluation findings noted that meeting papers were of a good quality.

In 2020-21 the department strengthened its control and oversight over AME spending, improving guidance and scrutiny on submissions.

Register of interests

As part of ensuring effective management of conflicts of interest, the department maintains a register to ensure that any perceived or real conflicts of interest can be identified. Treasury colleagues review their conflicts whenever there is a change in personal circumstances, as well as annually.

Assurance of all Senior Civil Servants (SCS) was undertaken in April 2021 to ensure that any outside employment held did not present a conflict of interest. Relevant information is held by the department in a central register alongside mitigation measures taken following an assessment by the Conflicts Officer.

Following review and assessment of SCS interests, it is confirmed that no member of the SCS held company directorships or other interests which may have conflicted with their responsibilities.

The register of ministers' interests is held by Parliament. Non-Executive Directors' interests are set out in this document on pages 57.

The following mitigations have been put in place in relation to potential perceived conflicts of interest for the department's Non-Executive Directors.

- Recognising the perceived conflict relating to Richard Meddings role as Chairman of the TSB and the department's arm's length body NS&I and the work of UKAR, mitigation has been put in place to avoid any conflict/potential conflict with TSB business.
- Mitigation has also been put in place for Gay Huey Evans CBE to avoid any perceived conflict with her IHS Markit Non-Executive Director role.

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

In line with the current Declaration of Interests policy for Special Advisers, all Special Advisers have declared any relevant matters or confirmed they do not consider they have any relevant interests. The Permanent Secretary has considered these returns and there are no relevant interests to declare.

Business Appointment Rules

All officials must obtain written permission before undertaking any outside work (paid or unpaid). In addition, they must make an application under the Business Appointment Rules if they intend to move on from the civil service so that any risk of conflict can be identified and managed and any necessary mitigants imposed.

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

Approval (and any conditions or mitigations) are shared with line managers and applicants by the Permanent Secretary's office. OpCo regularly review the Business Appointment Rules and ARC provides assurance following their annual scrutiny of the process.

The department is transparent in its determinations under the Business Appointment Rules and publishes these[10] for SCS and Special Advisers. For reasons of data protection, decisions are not published for applications made by junior officials.

Managing risks to our objectives

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

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

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

In addition, the business planning process enables the department to consider and identify risk in the context of its core economics and finance ministry priorities. While COVID-19 presented significant operational risks during 2020-21, the department responded flexibly to ensure enough resource was allocated to deliver key priorities. This included greater use of flexible resourcing to move people with crisis and project experience into key roles; reprioritisation within the department including the establishment of new central teams to provide strategy, oversight and delivery of key interventions; a redeployment exercise to move officials, from standing roles to the highest priority work across the department; and an increase in recruitment. Further detail on our COVID-19 response can be found on page 74 of this report.

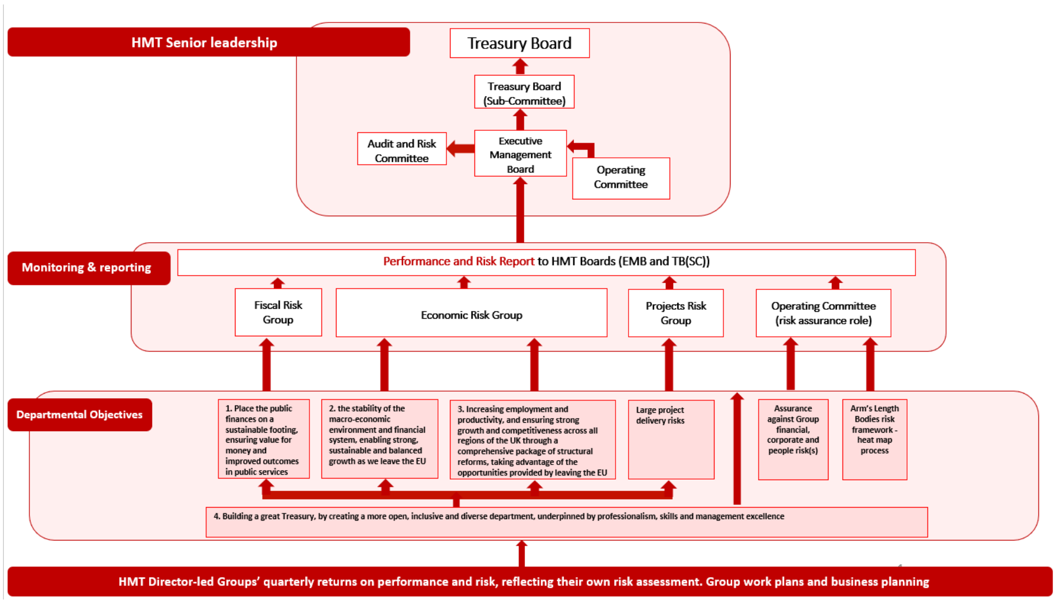
HM Treasury's approach to risk management is informed by principles set out in The Orange Book.[11] In line with the guidance, risk management forms an integral part of the department's governance, leadership and activities. HM Treasury's ARC supports the accounting officer in overseeing our Risk Management Framework. The Committee provides independent, objective and constructive challenge on HM Treasury's internal control and evidence of assurance. This includes oversight of key

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

11 Last updated October 2020 (Published 29 May 2013). https://www.gov.uk/government/publications/orange-book

publications such as the Treasury Annual Report and Accounts, Central Funds and Whole of Government Accounts.

Figure 2B: Risk management framework



Our risk management framework

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

The Strategy, Planning and Budget Group synthesises the key updates on performance and risk for the Executive Management Board and the Treasury Board (Sub-Committee) on a quarterly basis via the Quarterly Performance and Risk Report, escalating critical issues and enabling senior managers to take action as appropriate.

For example, throughout 2020-21, the Executive Management Board has taken a hands-on approach to mitigating and managing specific issues through regular risk deep-dive meetings. These discussions ranged from managing the ongoing organisational leadership risks identified through the department's 2020 Staff Survey Results, to a series of discussions on top-line policy risks arising from the COVID-19 pandemic, including fraud and fiscal risks.

Principal Accounting Officer's report

Delegation

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

Assurances

During the year there were several independent assurances through the work of the Non-Executive Board Members, internal and external audit, the Head of the Treasury Legal Advisers (Government Legal Department) and other bodies such as the Office of the Civil Service Commissioners.

The Group Chief Internal Auditor has provided assurance to me (as outlined in his report on page 72) and to the Audit and Risk Committee throughout the period. In turn the Audit and Risk Committee has challenged and endorsed the Government Internal Audit Agency's work programme throughout the year, which included following up on key internal audit actions with management to ensure they were complied with.

The Group Annual Accounts are audited by the Comptroller and Auditor General under the requirements of the Government Resources and Accounts Act 2000. His Certificate and Report is set out from page 130. The cost of the external audit is disclosed in Note 28 of the financial statements.

Other internal HM Treasury Group assurances have been provided by:

- UK Debt Management Office, Government Internal Audit Agency, UK Asset Resolution Ltd, the Financial Services Compensation Scheme, the Royal Household, Reclaim Fund Ltd and the UK Government Investment Ltd;
- the Treasury's Executive Management Board;
- the Group Finance Director; and
- the Fiscal Director, who has confirmed that an appropriate quality assurance framework is in place and is used for all business-critical models.

Additional Accounting Officers

To assist in the stewardship of public funds, and to maintain the system of internal control, additional accounting officers have been appointed across HM Treasury Group and details can be found from page 247 of this report.

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

Account Name and Accounting Officer	Notes
Consolidated Fund (CF) Tom Scholar	The CF was set up in 1787 and is akin to the government's current account. It receives the proceeds of taxation and other government receipts to fund public expenditure.
National Loans Fund Tom Scholar	The NLF was established in 1968 and is akin to the government's main borrowing and lending account. Most of the NLF's borrowing needs are met indirectly through borrowing on its behalf by the Debt Management Office and National Savings and Investments.
Contingencies Fund Cat Little	The Contingencies Fund is used to finance payments for urgent services in anticipation of parliamentary agreement and to provide funds temporarily to departments for working balances or meet other temporary cash deficiencies. All advances from the Fund must be repaid and where legislation allows are recovered in the same financial year.
Exchange Equalisation Account (EEA) Clare Lombardelli	The EEA was established in 1932 to provide a fund that could be used, when necessary, to regulate the exchange value of sterling. It holds, amongst other assets, the UK's reserves of gold and foreign currency assets and comprises the UK's official holdings of international reserves.
Whole of Government Accounts (WGA) Cat Little	The WGA consolidates the audited accounts of over 9,000 public sector organisations to produce a comprehensive, accounts-based picture of the financial position of the UK public sector.

Internal audit arrangements

Nathan Paget, Group Chief Internal Auditor (GCIA) at the Government Internal Audit Agency, provided his Annual Report and Opinion on the adequacy and effectiveness of the Treasury's framework of governance, risk management and control to the Principal Accounting Officer and the Audit and Risk Committee. Nathan took post following a change in GCIA in October 2020.

A moderate opinion was provided for the period 2020-21. This assessment is based on the work that the GIAA have conducted during the year in the department and HM Treasury's arm's length bodies (ALBs) and Executive Agencies (EA's) where GIAA undertake their internal auditing. It provides assurance on the adequacy and effectiveness of the risk management, control and governance framework relevant to the annual report and accounts. There were no matters arising from the work of Internal Audit in the period that would give rise to separate comment in the Governance Statement.

Group Chief Internal Auditor's Report

A moderate assurance rating has been provided for 2020-21. This is the same level of assurance on the adequacy and effectiveness of governance, risk management and internal control that was issued to the Accounting Officer in 2019-20.

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

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

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

The planned internal audit programme, including revisions to the programme during the year, was reviewed and endorsed by the department's Audit and Risk Committee and Principal Accounting Officer. GIAA has delivered a wide programme of challenging internal audit engagements throughout 2020-21 from policy delivery to core systems and included coverage of a range of Treasury work including OSCAR II, Remedy Project, PWLB, Risk Management, Help to Buy ISA, Business Critical Models, corporate functions and detection and prevention of fraud analytics.

GIAA also attended Project Board meetings of key projects (Flexible Return to Work, Green Bond, Breathing Space, Treasury Office in North East and TRIS 2022) in order to observe and advise on risk and project management.

Nathan Paget
Group Chief Internal Auditor, Centre of Government
Government Internal Audit Agency

Whistleblowing

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

The department's staff survey results in 2020 showed 57% of staff were aware of how to raise a concern under the Civil Service Code and 82% were confident that if a concern was raised it would be investigated properly.

The department has had 5 nominated officers over the financial year responsible for investigating staff concerns that are raised confidentially. In 2020-21 they were:

- Gwyneth Nurse, Director Financial Services
- Tim Score, Non-Executive Director
- Stephanie Donaldson, former Group Chief Internal Auditor until 4 June 2020

- Ross Tudor, Interim Chief Internal Auditor, 5 June 2020 to 25 November 2020
- Nathan Paget, Group Chief Internal Auditor, from 26 November 2020 to present

There have been no issues raised by staff in 2020-21.

Transparency and scrutiny

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

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

Detail on the scrutiny of the department by internal audit, the public and Parliament can be found from page 47 of the Performance Report.

The NAO undertakes independent scrutiny of the department's performance. In addition to the financial audit services, the value for money studies of relevance to HM Treasury can be found on page 50.

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

For example, the Public Accounts Committee's 111th Report of Session 2017-19 on funding for Scotland, Wales and Northern Ireland[12] was published on 26 July 2019, to which the government formally responded in a Treasury Minute[13] published in October 2019. Progress on the implementation of the PAC's recommendations was provided in the Treasury Minutes Progress Report[14] published in November 2020 and a further update on progress will be published in the Treasury Minutes Progress Report due to be published in May 2021.

Workforce reporting

The Treasury's workforce is critical to its ability to operate effectively, it relies on the expertise of its staff, their hard work and dedication. Information on sickness absence, off payroll engagements and staff pension costs is within the Staff Report on pages 94 to 103.

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12 https://publications.parliament.uk/pa/cm201719/cmselect/cmpubacc/1751/1751.pdf

13 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/844591/CCS001_CCS0919078904-001_Response_to_Public_Accounts_on_the_95_and_99th_WEB_Accessible.pdf

14 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/933536/CCS1020400954-001_TM_Progress_Report_Nov_2020_Web_Accessible.pdf

Personal data

During 2020-21 there were no personal data incidents that the department was required to report to the Information Commissioner's Office. The department takes its data protection responsibilities very seriously, and this is reflected in the very low number of cases reported.

Number of personal incidents reported to the Information Commissioner's Office

Year	Number of incidents
2020-21	0
2019-20	0
2018-19	2

Ministerial directions

Should the Permanent Secretary ever be directed by the Chancellor to take responsibility for the delivery of an aim, priority or action that he believes is contrary to the principles of Managing Public Money (the main guidance for Accounting Officers), he may seek a written direction to continue. No written directions have been sought in the department during 2020-21.

Operational issues facing the department in 2020-21

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

COVID-19 response

As set out in the Performance Report, the department had a major role in the response to the COVID-19 pandemic, introducing several policies and interventions both to support the general public and businesses during the pandemic.

To ensure the department was able to support the policy response several internal actions were taken including both short term and longer-term resourcing solutions, as outlined below.

Two new Director roles were created in Strategy, Planning and Budget and Personal Tax, Welfare and Pensions to ensure the effective response to COVID-19 and delivery of schemes; an additional Director role on Companies and Economic Security in EGU was established to focus on sector and company level support, and a new temporary Director role was created in the Corporate Centre Group to lead the operational work supporting the department's transition to working from home due to the COVID-19 pandemic.

The Corporate Centre Group provided additional support to the department including rolling out new technology to support online meetings and working from home kits whilst colleagues worked remotely.

EMB met daily to discuss and support both the policy and the department's operational response, as well as examine the risks to delivery. These discussions were informed by the COVID Response Board, which was set up to drive HM Treasury strategy, analysis and policy development in response to COVID-19 pandemic and oversee effective collaboration across HM Treasury. The Board met three times a week during the initial crisis phase before moving to a weekly rhythm and was chaired by Kate Joseph (COVID Director). The work brought to this board also informed HM Treasury's contribution to the wider cross-Whitehall COVID-19 pandemic governance. From 2021 onwards, a Directors' Group on COVID-19 response replaced the board and met on a regular basis to provide oversight and co-ordination in the department.

Recognising the increase in correspondence volumes and the need to ensure the department replied in a timely fashion, it approached HMRC's Surge and Rapid Response Team (SRRT) for support. The SRRT improve operational resilience across the civil service by providing assistance at short notice to deal with an unexpected increase in demand.

The department used the spending control framework more flexibly than it otherwise would have done during the pandemic, to respond as quickly as possible. In doing so, the department made a calculated judgement that the costs of expediting normal processes were outweighed by the benefits to front line workers in the NHS and other public services, as well as the health of citizens. The department sought to mitigate the risks associated with this increased risk appetite by setting spending conditions, creating bespoke processes to increase assurance processes where possible, and ensuring Accounting Officers were satisfied that all decisions met the standards set out in Managing Public Money. HMRC has also significantly scaled up its compliance response. The Chancellor announced at the Spring Budget that the Government is investing over £100m in a Taxpayer Protection Taskforce. This will increase current deployment on COVID Compliance work to 1,265 FTE, to combat fraud across the schemes, one of the largest and quickest responses to a fraud risk by HMRC.

The department has nevertheless accepted the higher risks of fraud loss inherent in the rapid policy development and rollout of stimulus packages. Whilst delivery partners have primary responsibility for identifying and managing fraud risks, HM Treasury has a statutory role and responsibility for the control of public resources.

A full overview of COVID-19 policy response, activity and delivery can be found in Chapter 1 of this report.

How to make HM Treasury a great place to work

Resources and workplace

The department continued to grow throughout 2020-21, as work on planning the transition from our exit from the EU continued and the department responded to the COVID-19 crisis. Recruitment activity increased throughout the year to continue to meet the demands of the department, including a large Deputy Director recruitment campaign, which saw the appointment of 36 new SCS1 staff. We are implementing several changes to our recruitment processes in response to an external recruitment review in 2020, with a view to ensuring that these are as fair and inclusive as possible, bringing about better diversity outcomes from our recruitment. We start work on a new outreach strategy, which will allow us to reach as wide a pool of candidates as possible and this will be particularly helpful as we move towards planning our new economic campus in Darlington.

Diversity and inclusion

The department is committed to building a department that reflects those we serve, drawing on true diversity of background and expertise, to enable us to offer the best possible advice to our ministers, strengthen our policy making, and maintain our strong corporate functions. We want to ensure that we are an employer of choice; attracting, retaining and supporting a richly diverse mix of talented individuals to thrive and perform to the best of their ability. Our ambitious plans include:

- Implementing changes to recruitment processes following the 2020 external review
- Strengthening our internal development offer, including supporting internal progression for underrepresented groups in the SCS
- Building management capability through a refreshed management development offer and supporting managers through both structured and social learning
- Continuing to build apprenticeship routes into the department, and participating in the civil service wide Diversity Internship Programme
- Establishing a new economic campus in Darlington, which will significantly expand our geographic diversity, and help us develop a better understanding of the communities we serve

We are committed to understanding the richness of individual backgrounds and ensuring that each staff member is supported to thrive as an individual. To this end, the department will be working with the Cabinet Office to think about how we define and measure cognitive and intellectual diversity. We also aspire to put data and evidence at the heart of our inclusion approach, including ensuring that we are drawing upon the widest possible evidence to better understand and solve both policy and corporate problems.

Flexible Safer Working

Providing an effective corporate response to the COVID-19 pandemic has been a priority for the department in 2020-21. We have made our offices COVID-secure in line with government guidance by introducing a variety of measures including increasing cleaning, introducing desk booking (to enable track and trace), and reconfiguring space to ensure staff who need to use the office to meet business and wellbeing needs are able to do so safely.

Ensuring the wellbeing of our staff working remotely has also been an important focus and has included the provision of homeworking ICT kits, acceleration of the rollout of software to enhance our ICT provision and funding office furniture for use at home to meet physical wellbeing needs.

To tackle the challenge to mental health, that the pandemic has raised, the department has provided a range of mental health resources (including Employee Assistance Programme, Treasury Supporters, Mental Health First Aiders, and an online hub) and worked closely with Line Managers to support them in providing tailored support for staff, recognising the differing impacts of the pandemic.

As the pandemic has progressed, the department has continued to monitor wellbeing through regular surveys, outreach and communication across the department, enabling all staff to share their thoughts, shaping the department's response and helping to define how the department will working in the future, as we look to establish our new economic campus in Darlington.

Values

The Treasury's values were reviewed in 2018, following a consultation exercise with staff, and updated to reflect the shape of the department today. The importance of the Treasury's values grew in 2020 with the onset of the global pandemic. In response to this, the department carried out a further touchpoint with staff to test how the values had held up since 2018, to consider how changes in the working environment might best be managed and what colleagues could do to live the values in the new hybrid working model. Work continues to ensure the values remain relevant in 2021 and the virtual team is working on further communications on the values in 2021.

Economic campus in Darlington

At Budget 2021, the Chancellor announced that the new economic campus will be in Darlington, home to the new HM Treasury office in the north of England. The announcement now allows the department to move forward with securing accommodation, supporting those staff who want to relocate and delivering on our commitment to recruiting talented people outside of London and the South East. This supports the wider Places for Growth target to move 22,000 civil servants out of London and the South East by 2030.

The economic campus will include at least 750 roles from HM Treasury, the Department for International Trade, the Department for Business, Energy & Industrial Strategy, the Ministry of Housing, Communities and Local Government, and the Office for National Statistics.

Activities in 2020-21 to support establishing a new economic campus included:

- Establishing a team and the appropriate governance to deliver the programme

- Policy advice and analysis to support a ministerial location decision at Budget 2021
- Agreeing the Treasury's organisational design principles for the new campus
- Work to support the future multi-site operating model
- A regular series of staff engagement and communications events.

Through this programme the department will expand its geographic diversity and will diversify the range of talent and perspectives that the Treasury is able to draw on in our policy making.

Security

Security remains a priority for the department in being able to deliver its objectives, with all facets of the security discipline having been adapted this year to respond to the COVID-19 pandemic. Two annual security briefings were delivered to EMB by our Security Adviser.

Security communications to staff have increased substantially this year whilst the department has worked remotely. Regular, topical communications have been sent to staff with a focus on how to be conscious of your surroundings and reinforcing information security policy whilst working outside the office. In addition, we have increased communications on cyber security, phishing awareness and social engineering, with a bespoke briefing delivered to senior line management on how to spot potential social engineering behaviours in their employees.

Business continuity in the department has been reviewed, updated, exercised and challenged throughout the year. This has included tools such as split team working and cross-skilling to ensure the resilience of teams during the year, with a tailored briefing for Private Offices.

The security team has continued to provide support and guidance to HM Treasury teams, and our arm's length bodies, either working on sensitive policy and business matters or embarking on procurements likely to involve the processing and handling of sensitive data or information.

The security team has undertaken investigations and worked with pan-government colleagues where necessary. The security team has also worked closely with its suppliers to mitigate against unauthorised disclosure risks associated with insider threats and third-party actors.

Policy – Leaving the EU

A significant focus was to ensure that the government was prepared for the end of the Transition Period on 31 December 2020, and to monitor the most likely impacts of remaining transition events thereafter.

In the lead up to 31 December 2020, several HM Treasury delivery workstreams continued to be tracked though various internal governance structures, such as the Europe Steering Board (ESB) and Domestic Readiness

Portfolio Board (DRPB), to monitor delivery readiness and risks. The department also fed into regular cross-Whitehall delivery reporting, coordinated by the Transition Taskforce in Cabinet Office, to track departments' preparedness, and met all its critical milestones in advance of 1 January 2021.

HM Treasury approached end of transition contingency planning (D20) by standing up a dedicated coordination team to manage the department's response to emerging issues and feed into the wider Whitehall process. Preparations for this work included updating EMB on no deal economic response planning and project management for D20.

The Treasury Group

The Treasury Group wider organisations work to support the government's economic and fiscal strategy. The Permanent Secretary to the Treasury is the Principal Accounting Officer for the Treasury Group.[15]

The department continued with its programme of Tailored Reviews of its arm's length bodies. These reviews consider:

- whether their functions are still necessary
- how effective and efficient they are
- their corporate governance

The GIAA Tailored Review was published in October 2020[16]. Following suspension in April 2020 to the final stages of the DMO Tailored Review due to COVID-19, the DMO Tailored Review was published in June 2021[17]. The reviews are overseen centrally by the Cabinet Office who announced in August 2020 that no new reviews should commence at this time.

The Corporate Governance Code

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

15 Further information on the Treasury Group can be found in Chapter 7.

16 https://www.gov.uk/government/publications/tailored-review-government-internal-audit-agency-giaa

17 https://www.gov.uk/government/publications/tailored-review-uk-debt-management-office

Conclusion

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

Tom Scholar

Permanent Secretary

16 July 2021

Statement of Accounting Officer responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the department to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the department (inclusive of its executive agencies) and its sponsored non-departmental and other arm's length public bodies designated by order made under the GRAA by Statutory Instrument 2020 number 251 and 1530 (together known as the 'departmental group', consisting of the department and sponsored bodies listed at Note 1.2 to the accounts).

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

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

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

HM Treasury appointed the Permanent Secretary of the department as Principal Accounting Officer of the department.

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

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

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

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

Statement regarding the disclosure of information to the auditors

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

I also confirm that this annual report and accounts is fair, balanced and understandable, and I take personal responsibility for judgements made to ensure that it is fair, balanced and understandable.

Remuneration and staff report

Remuneration report[18]

Treasury ministers – single total figure of remuneration (audited)

£[19]	2020-21 Salary[20] (FYE)	2020-21 Benefits in kind	2020-21 Pension benefits	2020-21 Total	2019-20 Salary (FYE)	2019-20 Benefits in kind	2019-20 Pension benefits	2019-20 Total
Rishi Sunak Chancellor of the Exchequer (from 14/02/20), Chief Secretary to the Treasury (from 24/07/19 to 13/02/20)[21]	67,505	6,800	N/A	**74,000**	13,660 (67,505)	900	2,000	**17,000**
Stephen Barclay Chief Secretary to the Treasury (from 14/02/20)	31,680	-	8,000	**39,000**	4,097 (31,680)	-	1,000	**5,000**
Kemi Badenoch Exchequer Secretary to the Treasury (from 14/02/20)	22,375	-	5,000	**28,000**	1,865 (22,375)	-	1,000	**3,000**
Jesse Norman Financial Secretary to the Treasury (from 23/05/19)	31,680	-	8,000	**39,000**	26,400 (31,680)	-	7,000	**33,000**
John Glen Economic Secretary to the Treasury	22,375	-	5,000	**28,000**	22,375	-	6,000	**28,000**
Sajid Javid Chancellor of the Exchequer (from 24/07/19 to 13/02/20)	-	-	-	-	36,274 (67,505)	3,600	8,000	**48,000**
Philip Hammond Chancellor of the Exchequer (to 24/07/19)	-	-	-	-	21,231 (67,505)	2,100	6,000	**29,000**
Simon Clarke Exchequer Secretary to the Treasury (from 27/07/19 to 13/02/20)	-	-	-	-	13,353 (22,375)	-	3,000	**16,000**
Elizabeth Truss Chief Secretary to the Treasury (to 24/07/19)	-	-	-	-	10,560 (31,680)	-	3,000	**14,000**
Mel Stride Financial Secretary to the Treasury (to 22/05/19)	-	-	-	-	5,280 (31,680)	-	1,000	**6,000**
Robert Jenrick Exchequer Secretary to the Treasury (to 24/07/19)	-	-	-	-	7,458 (22,375)	-	2,000	**9,000**

18 Certain disclosures within the remuneration report have been audited as per the FReM 6.2.1.

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

20 Lord Agnew began his role as Minister of State for HM Treasury and Cabinet office on 14/02/20 and is unpaid in both roles.

21 Rishi Sunak did not receive a salary until 19/12/19 and the 2019-20 benefit in kind relates only to his role as Chancellor of the Exchequer. The FYE disclosed relates only to his role as Chancellor of the Exchequer. He did not participate in the ministerial pension scheme in 2020-21.

Treasury ministers – severance payments[22] (audited)

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

£[23]	2020-21 Actual Severance	2020-21 Receivable Severance	2019-20 Actual Severance	2019-20 Receivable Severance
Philip Hammond Chancellor of the Exchequer (to 24/07/19)	-	-	16,876	16,876
Sajid Javid Chancellor of the Exchequer (from 24/07/19 to 13/02/20)	-	-	16,876	16,876

Treasury ministers – pension benefits (audited)

£000	Accrued pension at pension age as at 31/3/21	Real increase in pension at pension age	CETV[24] at 31/3/21	CETV at 31/3/20[25]	Real increase in CETV
Rishi Sunak Chancellor of the Exchequer[21]	N/A	N/A	N/A	2	N/A
Stephen Barclay Chief Secretary to the Treasury	0-5	0-2.5	45	37	3
Kemi Badenoch Exchequer Secretary to the Treasury	0-5	0-2.5	7	3	2
Jesse Norman Financial Secretary to the Treasury	0-5	0-2.5	36	27	5
John Glen Economic Secretary to the Treasury	0-5	0-2.5	19	14	2
Sajid Javid Chancellor of the Exchequer	-	-	-	128	-
Philip Hammond Chancellor of the Exchequer	-	-	-	287	-
Simon Clarke Exchequer Secretary to the Treasury	-	-	-	2	-
Elizabeth Truss Chief Secretary to the Treasury	-	-	-	6	-
Mel Stride Financial Secretary to the Treasury	-	-	-	81	-
Robert Jenrick Exchequer Secretary to the Treasury	-	-	-	33	-

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

23 Severance payments are presented to the nearest £1.

24 Cash Equivalent Transfer Value

25 Figures have been restated where the administrator has made retrospective updates to the data.

Additional ministerial remuneration borne by HM Treasury (audited)

£000	2020-21	2019-20
Boris Johnson Prime Minister (from 24/07/19)[26]	75-80	50-55
Theresa May Prime Minister (to 24/07/19)	-	20-25
Mark Spencer Chief Whip, Commons (from 24/07/19)	30-35	20-25
Julian Smith Chief Whip, Commons (to 24/07/19)	-	10-15
Stuart Andrew Deputy Chief Whip, Commons (from 14/02/20)	30-35	0-5
Amanda Milling Deputy Chief Whip, Commons (from 28/07/19 to 13/02/20)	-	15-20
Christopher Pincher Deputy Chief Whip, Commons (to 24/07/19)	-	10-15
Lord Ashton of Hyde Chief Whip, Lords (from 26/07/19)	120-125	80-85
Lord Taylor of Holbeach Chief Whip, Lords (to 24/07/19)	-	40-45
The Earl of Courtown Deputy Chief Whip, Lords	105-110	105-110
Baronesses and Lords-in-Waiting[27] (5 posts)[28] (2019-20: 17 posts, 6 unpaid)	450-455	360-365
Government and Assistant Government Whips[27] (17 posts, 1 unpaid)[29] (2019-20: 32 posts, 4 unpaid)	250-255	255-260

Additional ministers – severance payments[30] (audited)

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

£[31]	2020-21 Actual Severance	2020-21 Receivable Severance	2019-20 Actual Severance	2019-20 Receivable Severance
Theresa May Prime Minister (to 24/07/19)	-	-	18,860	18,860
Craig Whittaker Government Whip, Commons (to 28/07/19)	-	-	4,479	4,479

26 Boris Johnson received a benefit in kind of £7,500 in 2020-21 (2019-20: £5,200) in respect of the use of the official Downing Street residence. The 2019-20 benefit in kind relates only to his role as Prime Minister.

27 This disclosure shows all those in post during the year and not only in post at 31 March.

28 Baronesses and Lords-in-Waiting comprise: Baroness Scott of Bybrook, Lord Parkinson of Whitley Bay, Baroness Penn, Baroness Bloomfield of Hinton Waldrist, Viscount Younger of Leckie.

29 Government and Assistant Government Whips comprise: Michael Tomlinson MP, Alex Chalk MP, Eddie Hughes MP, Mike Freer MP, Rebecca Harris MP, David Rutley MP, Iain Stewart MP, Maggie Throup MP, Leo Docherty MP, Nigel Huddleston MP, Maria Caulfield MP, James Morris MP, Marcus Jones MP, Tom Pursglove MP, David TC Davies MP, David Duguid MP, Scott Mann MP.

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

31 Severance payments are presented to the nearest £1.

Senior management – single total figure of remuneration (audited)

£000[32]	2020-21 Salary (FYE)	2020-21 Bonuses	2020-21 Pension benefits[33]	2020-21 Total	2019-20 Salary (FYE)	2019-20 Bonuses	2019-20 Pension benefits[33]	2019-20 Total
Tom Scholar Permanent Secretary	200-205	15-20	100	**315-320**	195-200	-	94	**290-295**
Charles Roxburgh Second Permanent Secretary[34]	160-165	15-20	N/A	**175-180**	160-165	15-20	N/A	**175-180**
Mark Bowman Director General, International and EU	140-145	-	102	**245-250**	135-140	15-20	77	**230-235**
Clare Lombardelli Chief Economic Advisor	150-155	-	69	**215-220**	115-120	-	46	**160-165**
Cat Little Director General, Public Spending (from 12/03/20)	140-145	-	55	**200-205**	5-10 (135-140)	-	3	**10-15**
Beth Russell Director General, Tax and Welfare	140-145	15-20	98	**250-255**	130-135	15-20	64	**210-215**
Philip Duffy Director General, Productivity and Growth (from 01/06/20)	115-120 (130-135)	10-15	119	**245-250**	-	-	-	-
Dan York-Smith Director Strategy, Planning and Budgeting	95-100	10-15	51	**160-165**	90-95	5-10	38	**130-135**
Catherine Webb Director, Operations	95-100	10-15	48	**160-165**	95-100	10-15	47	**155-160**
Anna Caffyn Director, Finance	90-95	-	40	**130-135**	90-95	-	85	**175-180**
Siobhan Jones Acting Director, Operations (from 09/03/20 to 31/05/20)[35]	15-20 (90-95)	5-10	47	**65-70**	5-10 (90-95)	-	5	**10-15**
Veda Poon Director, International (from 23/11/20)	40-45 (95-100)	-	22	**65-70**	-	-	-	-
Rena Lalgie Director, OFSI (from 27/07/20 to 23/10/20)	30-35 (90-95)	-	12	**45-50**	-	-	-	-
James Bowler Director General, Public Spending (to 11/03/20)	-	-	-	-	125-130 (140-145)	5-10	67	**200-205**
Richard Hughes Director, Fiscal (to 30/04/19)[36]	-	-	-	-	20-25 (125-130)	-	-	**20-25**

[32] Salary, full year equivalent (FYE), bonuses and totals are presented in £5,000 bands. FYE is shown in brackets. Benefits in kind are presented to the nearest £100 and pension benefits to the nearest £1,000. There were no benefits in kind for 2020-21 or 2019-20.

[33] The value of pension benefits accrued during the year 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). The real increase excludes increases due to inflation or any increase or decreases due to a transfer of pension rights. Figures are restated for retrospective updates and are reported before tax.

[34] Charles Roxburgh did not participate in the Civil Service pension scheme.

[35] Siobhan Jones was Acting Operations Director from 09/03/20, covering a period of sickness absence. The salary disclosed relates to the Acting Operations Director role only.

[36] Richard Hughes attended EMB meetings once he stepped down as Acting Chief Economic Advisor until 30/04/19.

Katharine Braddick joined the Treasury Board on 20 October 2016 as Director General, Financial Services on funded secondment from the Bank of England. Of these secondment costs, gross earnings during the accounting period 1 April 2020 to 31 March 2021 (including bonuses of £15k-£20k) were £200k-£205k (2019-20: £200k-205k).

Pay multiples (audited)

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

The banded remuneration[37] of the highest paid director employed by HM Treasury in the financial year 2020-21 was £215k-£220k (2019-20: £190k-195k). This was 4.3 times (2019-20 Restated: 4.0 times) the median remuneration of the workforce, which was £50,197 (2019-20 Restated: £48,718).

The increase in the remuneration ratio is primarily driven by a non-consolidated bonus paid to the highest paid director in 2020-21.

In 2020-21, no employees received remuneration in excess of the highest paid director. Remuneration ranged from £20.5k to £220k (2019-20: £17.5k to £195k).

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

[37] The banded remuneration under the Pay multiples section includes contractual salary amount only, while the banded remuneration in the table above includes salary adjustments.

Senior management – pension benefits[38] (audited)

£000	Accrued pension at pension age as at 31/3/21 and related lump sum	Real increase in pension at pension age	CETV at 31/3/21	CETV at 31/3/20[39]	Real increase in CETV
Tom Scholar Permanent Secretary	75-80 plus a lump sum of 155-160	5-7.5 plus a lump of 2.5-5	1,411	1,291	63
Mark Bowman Director General, International and EU	50-55 plus a lump sum of 105-110	5-7.5 plus a lump sum of 5-7.5	921	818	68
Clare Lombardelli Chief Economic Advisor	35-40	2.5-5	444	391	32
Cat Little Director General, Public Spending	20-25	2.5-5	221	184	20
Beth Russell Director General, Tax and Welfare	45-50 plus a lump sum of 95-100	5-7.5 plus a lump sum of 5-7.5	768	678	59
Philip Duffy Director General, Productivity and Growth	35-40 plus a lump sum of 60-65	5-7.5 plus a lump sum of 7.5-10	463	385	68
Dan York Smith Director, Strategy, Planning and Budget	30-35	2.5-5	370	329	23
Catherine Webb Director, Operations	30-35 plus a lump sum of 50-55	2.5-5 plus a lump sum of 0-2.5	401	362	21
Anna Caffyn Director, Finance	25-30	0-2.5	343	312	16
Siobhan Jones Acting Director, Operations	25-30	2.5-5	316	287	23
Veda Poon Director, International	25-30	0-2.5	290	270	9
Rena Lalgie Director, Office for Sanctions and Implementation	20-25	0-2.5	302	296	4

38 This table relates to pension benefits in the Civil Service pension scheme and represents the period as a member of EMB only.

39 Figures have been restated where the Civil Service Pension Scheme have made retrospective updates to the data.

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

£000[40]	2020-21 Fees	2020-21 Benefits in kind	2019-20 Fees	2019-20 Benefits in kind
Rt Hon Lord Hill of Oareford CBE Lead Non-Executive for HM Treasury	20-25	-	20-25	-
Richard Meddings Non-Executive Board member and Chair of the Audit and Risk Committee (from 01/05/19)	20-25	-	20-25	-
Tim Score Non-Executive Board member and Interim Chair of the Audit and Risk Committee (to 01/05/19)	20-25	-	20-25	-
Gay Huey Evans CBE Non-Executive Board member	15-20	-	15-20	-
Peter Estlin Member of the Audit and Risk Committee (from 01/01/20)	5-10	-	0-5	-
Zarin Patel Member of the Audit and Risk Committee	5-10	-	5-10	-

During the year, Richard Meddings and Rt Hon Lord Hill of Oareford CBE donated their fees to charity.

Remuneration policy

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

In making its recommendations, the Review Body considers:

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

For the Permanent Secretary and Second Permanent Secretary, remuneration is set by the Prime Minister on the recommendation of the Permanent Secretaries'

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

Remuneration Committee. For the remaining executive members of the Treasury Board and the Chief Executives of DMO, GIAA and NIC, remuneration is determined by the Treasury's Pay Committee in line with this central guidance.

Service contracts

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

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

Pay committees

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

Salary and bonuses

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

In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration. The salary for their services as an MP (£81,932 from 1 April 2020) and various allowances to which they are entitled are borne centrally.

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

Bonuses are based on performance levels achieved in 2019-20 and comparative bonuses on those achieved in 2018-19. Annual bonuses are paid following the appraisal process.

Benefits in kind

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

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

Ministerial pensions

Pension benefits for ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute and the rules are set out within the Ministerial Pension Scheme 2015.[41]

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

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

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

Civil service pensions

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

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

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41 http://qna.files.parliament.uk/ws-attachments/170890/original/PCPF%20MINISTERIAL%20SCHEME%20FINAL%20RULES.doc as amended in July 2019.

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

Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those members who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch to alpha between 1 June 2015 and 1 February 2022. All members who switch to alpha have their existing PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

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

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

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

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

Cash Equivalent Transfer Value (CETV)

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

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

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

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

Real increase in CETV

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

Staff report[42]

Workforce dynamics

Core Treasury - Workforce breakdown (headcount)

		31 March 2021	31 March 2020
Workforce Dynamics (%)	Annual Turnover rate (%)	13.9	16.8
Workforce Diversity (%)[43]	Ethnically Diverse Background	19.4	17.6
	Women	48.7	47.6
	Disabled	9.1	8.8
	Part time	6.9	8.2
	LGBT	7.6	7.4
Diversity of Senior Civil Servants only (%)[43]	Ethnically Diverse Background	12.9	9.6
	Women	48.4	50.7
	Disabled	5.2	5.1
	Part time	18.1	18.4

Core Treasury – Staff composition (FTE) at 31 March 2021 (31 March 2020)

	Female	Male	Total
All employees	956 (747)	1,036 (852)	1,992 (1,599)
Of which:			
Senior Civil Service	68.4 (63.2)	79.7 (66.7)	148.1 (129.9)
Directors (SCS2)	13.5 (14.9)	13.0 (12.0)	26.5 (26.9)

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

Range[44]	31 March 2021	31 March 2020
SCS1	114	96
SCS2	26	27
SCS3	8	7
Total	**148**	**130**

42 This part of the Remuneration and Staffing Report provides details of staff numbers and costs, including pension costs and exit packages for the Treasury Group in 2020-21. With the exception of the table which details average staff numbers, all numbers are presented on an actual basis as at the reporting date. Information is reported in headcount unless indicated as FTE in the heading. For information on staff matters, such as welfare, recruitment policy and diversity see Objective 4 from page 41.

43 Diversity percentages are calculated based on paid headcount using ONS definitions.

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

Core Treasury - Gender diversity (headcount) as at 31 March 2021 (31 March 2020)

	Female	Male
Executive Management Board members and Group Directors (%)	51.4 (57.1)	48.6 (42.9)
Senior Managers (SCS, not including EMB) (%)	47.9 (50.0)	52.1 (50.0)
All staff (%)	48.7 (47.6)	51.3 (52.4)

Core Treasury - Grade diversity (headcount) as at 31 March 2021 (31 March 2020)

Range	Women	People from Ethnically Diverse Background	People with disabilities	LGBT
B (%)	55.4 (53.7)	29.2 (25.9)	6.2 (7.4)	7.7 (9.3)
C (%)	63.2 (62.3)	29.2 (31.8)	8.0 (10.4)	5.7 (3.2)
D (%)	49.6 (47.1)	20.9 (17.3)	10.4 (8.8)	7.0 (7.8)
E (%)	43.0 (42.3)	16.0 (16.7)	8.7 (10.0)	10.6 (9.0)
E2 (%)	45.7 (46.7)	15.9 (13.3)	10.5 (7.6)	4.7 (5.8)
SCS 1,2,3 (%)	48.4 (50.7)	12.9 (9.6)	5.2 (5.1)	7.1 (6.6)

Recruitment[45]

Core Treasury – Recruitment (headcount) 2020-21 (2019-20)

Range	Permanent Appointments	Fixed term appointments	Loans from other Government Departments	Secondments	Total
B[46]	11 (20)	24 (63)	- (-)	- (-)	35 (83)
C	68 (42)	17 (2)	2 (3)	- (1)	87 (48)
D	307 (181)	19 (4)	8 (16)	5 (3)	339 (204)
E	113 (87)	8 (2)	15 (7)	5 (5)	141 (101)
E2	25 (23)	1 (1)	4 (4)	7 (-)	37 (28)
SCS 1,2,3	10 (9)	1 (-)	3 (4)	3 (1)	17 (14)
Total	**534 (362)**	**70 (72)**	**32 (34)**	**20 (10)**	**656 (478)**

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

46 Including students.

Staff redeployments (headcount) – Core Treasury

Loaned In

	Loaned in total	Loaned in short-term (6 months or less)[47]	Loaned in long-term (more than 6 months)	Average loan in (years)
Range B	5	-	5	0.7
Range C	4	-	4	1.3
Range D	22	-	22	1.3
Range E	19	1	18	1.8
Range E2	6	2	4	1.6
SCS1	7	-	7	3.1
SCS2	-	-	-	-
Total	**63**	**3**	**60**	**1.6**

Loaned Out

	Loaned out total	Loaned out short-term (6 months or less)[48]	Loaned out long-term (more than 6 months)	Average loan out (years)
Range B	-	-	-	-
Range C	5	-	5	1.9
Range D	42	-	42	2.1
Range E	59	1	58	2.1
Range E2	25	1	24	2.2
SCS1	17	-	17	2.8
SCS2	4	-	4	2.6
Total	**152**	**2**	**150**	**2.2**

Health, safety and wellbeing

Sickness absence

	Jan – Dec 2020 (AWDL)	Jan – Dec 2019 (AWDL)
Government departments[49]	6.6	7.3
Treasury and its agencies	3.0	3.4
Core Treasury	2.4	2.9

Staff with no sickness absence

	Jan – Dec 2020	Jan – Dec 2019
Treasury and its agencies	74%	64%
Core Treasury	77%	68%

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

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

[49] Figures provided by Cabinet Office. Latest cross-government data for December 2020 has not yet been produced and this represents the period January 2020 to September 2020.

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

	Jan – Dec 2020	Jan – Dec 2019
Total days lost	1,458.0	962.5
Long term absences days lost	924.5	500.0
Short term absences days lost	533.5	462.5

Trade Union Facilities Time[50]

Relevant union officials

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

Percentage of pay bill spent on facility time

The percentage of total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period was less than 1%. The total cost of facility time was £1,849 of a total pay bill of £123.7m.[51]

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

50 There is nothing to disclose for HM Treasury's agencies – DMO, GIAA and NIC.

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

Analysis of staff costs (audited)

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

Staff costs

In £m	2020-21 Ministers	2020-21 Permanent staff	2020-21 Others[52]	2020-21 Total	2019-20 Total (Restated)
Salaries and wages	1	172	23	196	163
Social Security costs	-	20	-	20	17
Staff pension costs	-	25	-	25	19
Total continuing operations	**1**	**217**	**23**	**241**	**199**
Less recoveries for outward secondments	-	-	-	-	(2)
Net continuing operations	**1**	**217**	**23**	**241**	**197**
Core Treasury and Agencies	1	169	13	183	152
ALBs and other bodies	-	48	10	58	47
Total Continuing operations	**1**	**217**	**23**	**241**	**199**
Salaries and wages	-	8	1	**9**	11
Social Security costs	-	1	-	**1**	1
Staff pension costs	-	-	-	-	1
Total Discontinued Operations	**-**	**9**	**1**	**10**	**13**
ALBs and other bodies	-	9	1	**10**	13
Total Discontinued Operations	**-**	**9**	**1**	**10**	**13**
Total staff costs	**1**	**226**	**24**	**251**	**212**

Average number of full-time equivalent persons employed[53]

	Ministers	Special Advisors[54]	Permanent staff	Others	2020-21 number Total	2019-20 number Total (Restated)
Core Treasury and agencies	5	9	2,419	47	2,480	2,168
ALBs and other bodies	-	-	964	116	1,080	977
Total persons employed	5	9	3,383	163	3,560	3,145

52 'Others' relates to non-permanent staff such as short-term contract, agency and temporary staff, as well as staff seconded in from other bodies.

53 Total staff in ALBs and other bodies includes, 527 Royal Household, 288 FSCS and 265 in other bodies.

54 Following the guidance issued by Cabinet Office, Special Advisors represent those in the position as at 31 March 2021 and not an average across the year to ensure consistency and alignment to the Annual Report on Special Advisors published by the Cabinet Office.

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

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

Staff pension costs

Staff pension costs for permanent staff of £25m (2019-20: £20m) are primarily employer contributions, including £32m (2019-20: £27m) payable to the Civil Service Pension schemes[55], £5m (2019-20: £4m) payable to defined contribution schemes and £12m net credit (2019-20: £12m net credit) for United Kingdom Asset Resolution (UKAR) pension schemes and post-retirement healthcare benefits. The UKAR schemes are in surplus at the reporting date and the credit reflects the net interest income on the schemes.

The Civil Servants and Others Pension Scheme (alpha) was launched as a new pension scheme for civil servants from 1 April 2015. Details on the transition arrangements between alpha and Principal Civil Service Pension Scheme (PCSPS) are outlined on pages 91 to 93. The PCSPS scheme actuary valued the scheme as at 31 March 2016. Details can be found in the valuation report by the Government Actuary Department.[56]

For 2020-21, employer's contributions of £32m (2019-20: £27m) were payable to the PCSPS at one of four rates in the range of 26.6% to 30.3% of pensionable earnings, based on salary bands. The scheme actuary reviews employer contributions usually every 4 years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accrued during 2019-20 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £0.3m (2019-20: £0.3m) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and have ranged from 8.0% to 14.75% of pensionable pay since 1 October 2015. In addition, employer contributions of 0.5% of pensionable pay of £10k (2019-20: £10k) were payable to the Civil Service Pension schemes to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Further details of the Treasury Group's pension schemes are provided in Note 10 – Net pension asset.

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

56 https://www.civilservicepensionscheme.org.uk/media/490508/csps-2016-valuation-report-final.pdf

Exit packages (audited)

Core Treasury and Agencies

Exit package cost band	2020-21 Compulsory redundancies	2020-21 Other departures	2020-21 Total	2019-20 Compulsory redundancies	2019-20 Other departures	2019-20 Total
<£10,000	-	-	-	-	-	-
£10,000 – £25,000	-	-	-	1	3	4
£25,001 – £50,000	-	1	1	1	2	3
£50,001 – £100,000	-	3	3	-	-	-
£100,001 – £150,000	-	-	-	-	-	-
£150,001 – £200,000	-	-	-	-	-	-
>£200,001	-	-	-	-	-	-
Total exit packages	-	4	4	2	5	7
Total Resource Cost (£'000)	-	232	232	70	136	206

Group[57]

Exit package cost band	2020-21 Compulsory redundancies	2020-21 Other departures	2020-21 Total	2019-20 Compulsory redundancies	2019-20 Other departures	2019-20 Total
<£10,000	1	2	3	2	2	4
£10,000 – £25,000	9	-	9	7	7	14
£25,001 – £50,000	8	3	11	14	4	18
£50,001 – £100,000	12	4	16	5	3	8
£100,001 – £150,000	1	1	2	-	1	1
£150,001 – £200,000	1	1	2	-	-	-
>£200,001	3	-	3	1	-	1
Total exit packages	35	11	46	29	17	46
Total Resource Cost (£'000)	2,250	672	2,922	1,377	576	1,953

57 Exit packages are paid, where applicable, in accordance with the terms of the Civil Service Compensation Scheme. Some group entities, such as UKAR and FSCS, do not make payments under the above scheme but under other schemes as disclosed in their respective annual accounts.

In line with the Constitutional Reform and Governance Act 2010 and the Model Contract for Special Advisers, a special adviser's appointment automatically ends when their appointing minister leaves office. Special advisers are not entitled to a notice period but receive contractual termination benefits to compensate for this.

Termination benefits are based on length of service and capped at six months' salary. If a special adviser returns to work for HM Government following the receipt of a severance payment, the payment is required to be repaid, less a deduction in lieu of wages for the period until their return. Termination costs for special advisers are reported in the Cabinet Office Annual Report and Accounts.

Consultancy

Consultancy and contingent labour

In £m	2020-21		2019-20	
	Core Treasury and Agencies	Group	Core Treasury and Agencies	Group
Consultancy	17	67	18	134
Contingent labour	11	23	8	15
Total	28	90	26	149

HM Treasury, its agencies and arm's length bodies use professional service providers to support specialist work. This includes consultancy, contingent labour (temporary workers), legal advice and IT expertise.

The reduction in consultancy spend is primarily due to a decrease in UKAR's consultancy activities following the wind-down of UKAR's operations.

Non–payroll staff

There were 29.2 non-payroll FTEs across the department and Agencies during 2020-21, a decrease from 37.1 in 2019-20. These include people who are contingent staff, including agency workers, interim managers, specialist contractors and consultants.

Off-payroll transactions

Off-payroll arrangements are those where individuals, either self-employed or acting through a personal service company (PSC) are paid gross by the employer.

The tables below show off-payroll engagements for all bodies which are consolidated into the Treasury Group. Entities with nil return for all tables are not included for disclosure.

There have been no board members and/or senior officials with significant financial responsibility between 1 April 2020 and 1 April 2021 who have been engaged off-payroll.

Off-payroll engagements as of 31 March 2021, earning at least £245[58] per day or greater

	Core Treasury	DMO	GIAA	FSCS	UKAR	RFL
The total number of engagements	13	22	1	53	5	1
Of which:						
No. that have existed for less than 1 year at time of reporting	11	10	-	48	-	-
No. that have existed for between 1 and 2 years at time of reporting	2	4	-	4	1	-
No. that have existed for between 2 and 3 years at time of reporting	-	5	-	-	-	-
No. that have existed for between 3 and 4 years at time of reporting	-	1	-	1	-	-
No. that have existed for 4 or more years at time of reporting	-	2	1	-	4	1

All off-payroll appointments engaged at any point during the year ended 31 March 2021 and earning at least £245 per day

	Core Treasury	DMO	GIAA	FSCS	UKAR	RFL
The total number of engagements	19	13	1	53	5	-
Of which:						
Not subject to off-payroll legislation[59]	-	-	-	3	-	-
Subject to off-payroll legislation and determined in-scope of IR35	16	11	1	47	-	-
Subject to off-payroll legislation and determined as out-of-scope of IR35	3	2	-	3	5	-
No. of engagements reassessed for compliance or assurance purposes during the year	-	2	-	-	-	-
Of which:						
No of engagements that saw a change to the IR35 status following review	-	-	-	-	-	-

58 The £245 threshold is set to approximate the minimum point of the pay scale for a Senior Civil Servant.

59 A worker that provides their services through their own limited company or another type of intermediary to the client will be subject to off-payroll legislation and the department must undertake an assessment to determine whether that worker is in-scope of intermediaries legislation (IR35) or out-of-scope for tax purposes.

None of these engagements were direct (via PSC, contracted to the department) and are not on the payroll. Two engagements were reassessed for consistency or assurance purposes during the year and none saw a change in IR35 status.

Tom Scholar
Permanent Secretary

16 July 2021

Parliamentary Accountability and Audit Report

Statement of Outturn against Parliamentary Supply and related notes (audited)

For the period ended 31 March 2021

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires HM Treasury to prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes.

The SOPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SOPS is a key accountability statement that shows how an entity has spent against their Supply Estimate in detail. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

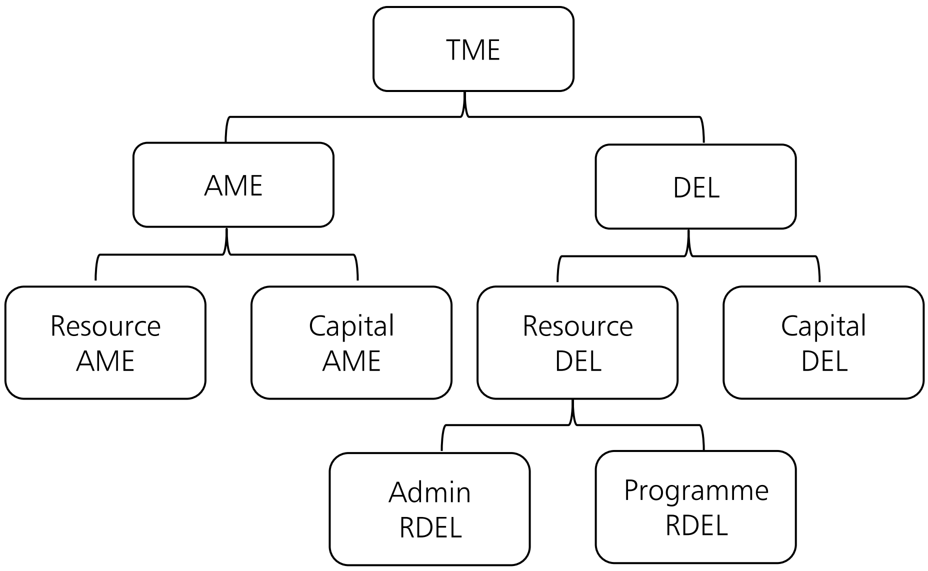
Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SOPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn.

The SOPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn won't exactly tie to cash spent) and administration.

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (note 1); a reconciliation of outturn to net operating expenditure in the Statement of Comprehensive Net Expenditure (SOCNE), to tie the SOPS to the financial statements (note 2); a reconciliation of outturn to net cash requirement (note 3); and, an analysis of income payable to the Consolidated Fund (note 4).

The SOPS and Estimates are compiled against the budgeting framework, which is similar but different to IFRS. HM Treasury sets the budgetary framework for government spending.



The total amount a department spends is referred to as the Total Managed Expenditure (TME); which is split into:

- Annually Managed Expenditure (AME)
- Departmental Expenditure Limit (DEL)

HM Treasury do not set firm AME budgets. They are volatile or demand-led in a way the department cannot control. The department monitors AME forecasts closely and updates them annually.

HM Treasury set firm limits for DEL budgets, as DEL budgets are understood and controllable. The limit is set at spending reviews which occur every 3 to 5 years.

Budgets are classified into resource and capital.

Resource DEL includes a further split into:

- 'programme' budgets for frontline service provision
- 'admin' budgets such as back-office functions, rent and IT

Further information on the Public Spending Framework and the reasons why budgeting rules are different to IFRS can also be found in chapter 1 of the Consolidated Budgeting Guidance, available on gov.uk[60].

60 https://www.gov.uk/government/collections/consolidated-budgeting-guidance

In £000	Note	2020-21							2019-20
		Estimate			Outturn			Voted Outturn compared with Voted Estimate	Outturn
		Voted	Non-Voted	Total	Voted	Non-Voted	Total	Saving/ (Excess)	Total
Departmental Expenditure Limit									
Resource	SOPS 1.1	344,891	1,703	**346,594**	318,038	2,209	**320,247**	26,853	**353,887**
Capital	SOPS 1.2	18,311	-	**18,311**	8,490	-	**8,490**	9,821	**139,429**
Annually Managed Expenditure									
Resource	SOPS 1.1	60,267,356	4,259	**60,271,615**	42,508,037	4,672	**42,512,709**	17,759,319	**708,520**
Capital	SOPS 1.2	(1,635,462)	-	**(1,635,462)**	(7,469,838)	-	**(7,469,838)**	5,834,376	**(2,064,398)**
Total Budget		58,995,096	5,962	**59,001,058**	35,364,727	6,881	**35,371,608**	23,630,369	**(862,562)**
Total Resource		60,612,247	5,962	**60,618,209**	42,826,075	6,881	**42,832,956**	17,786,172	1,062,407
Total Capital		(1,617,151)	-	**(1,617,151)**	(7,461,348)	-	**(7,461,348)**	5,844,197	(1,924,969)
Total		**58,995,096**	**5,962**	**59,001,058**	**35,364,727**	**6,881**	**35,371,608**	**23,630,369**	**(862,562)**
Net Cash Requirement	SOPS3			**(405,244)**			**(2,771,864)**	**2,366,620**	**(7,511,312)**
Administration costs				**279,225**			**256,973**	**22,252**	**203,396**

Figures in the areas outlined in thick line cover the voted control limits, voted by Parliament. Refer to the Supply Estimates guidance manual, available on gov.uk, for detail on the control limits voted by Parliament.

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

SOPS1.1 Analysis of net resource outturn by section

In £000		HMT Obj[1]	2020-21 Administration Gross expenditure	Administration Income	Administration Net expenditure	Programme Gross expenditure	Programme Income	Programme Net expenditure	Outturn net total	Estimate net total	Outturn compared to Estimate	Outturn compared to Estimate, adjusted for virements	2019-20 Outturn net total
Spending in Department Expenditure Limit (DEL)													
Voted													
A	Core Treasury	All	238,891	(27,383)	211,508	49,926	(6,400)	43,526	255,034	270,577	15,543	15,543	295,965
B	Debt Management Office	1	22,873	(1,884)	20,989	6,416	(934)	5,482	26,471	27,080	609	609	18,868
C	Government Internal Audit Agency	1	37,303	(37,860)	(557)	-	-	-	(557)	2,856	3,413	3,413	(204)
D	Office of Tax Simplification	1	927	-	927	-	-	-	927	1,012	85	85	951
E	Office for Budget Responsibility (net)	1,2	3,784	-	3,784	-	-	-	3,784	3,825	41	41	3,316
F	Infrastructure Finance Unit Limited (net)	3	-	-	-	3,414	-	3,414	3,414	-	(3,414)	(3,414)	-
G	IUK Investments Ltd (net)	3	-	-	-	(706)	-	(706)	(706)	-	706	706	(705)
I	HM Treasury UK Sovereign Sukuk Plc (net)	3	-	-	-	-	-	-	-	1	1	1	(1)
J	Royal Mint Advisory Committee (net)	1	-	-	-	-	-	-	-	1	1	1	-
K	Asian Infrastructure Investment Bank	3	-	-	-	9,349	-	9,349	9,349	9,349	-	-	9,549
L	National Infrastructure Commission	3	4,321	(49)	4,272	-	-	-	4,272	5,000	728	728	4,626
M	UK Government Investments Limited (net)	1	16,050	-	16,050	-	-	-	16,050	25,190	9,140	9,140	13,865
Total Voted spending in DEL			**324,149**	**(67,176)**	**256,973**	**68,399**	**(7,334)**	**61,065**	**318,038**	**344,891**	**26,853**	**26,853**	**346,230**
Non-voted													
O	Banking and gilts registration services	2	-	-	-	8,556	(6,347)	2,209	2,209	1,703	(506)	(506)	7,657
Total spending in DEL			**324,149**	**(67,176)**	**256,973**	**76,955**	**(13,681)**	**63,274**	**320,247**	**346,594**	**26,347**	**26,347**	**353,887**

[1] HMT Corporate Objectives located in the Performance Report section of the report.

In £000		HMT Obj[2]	2020-21 Administration Gross expenditure	Administration Income	Administration Net expenditure	Programme Gross expenditure	Programme Income	Programme Net expenditure	Outturn net total	Estimate net total	Outturn compared to Estimate	Outturn compared to Estimate, adjusted for virements	2019-20 Outturn net total
Spending in Annually Managed Expenditure (AME)													
Voted													
P	Core Treasury (AME)	All	-	-	-	204	-	204	204	250	46	46	(12,647)
Q	Provisions	All	-	-	-	233,999	-	233,999	233,999	325,000	91,001	91,001	191,685
R	UK coinage manufacturing costs	1	-	-	-	6,217	-	6,217	6,217	10,000	3,783	3,783	15,897
S	UK coinage metal costs	1	-	-	-	3,926	(890)	3,036	3,036	8,000	4,964	4,964	15,234
T	Royal Mint dividend	1	-	-	-	-	2,000	2,000	2,000	(2,000)	(4,000)	(4,000)	(4,000)
U	Loans to Ireland	2	-	-	-	-	(21,794)	(21,794)	(21,794)	(21,850)	(56)	(56)	(57,301)
V	Assistance to financial institutions, businesses and individuals	2	-	-	-	44,767,657	(226,637)	44,541,020	44,541,020	55,564,555	11,023,535	11,023,535	(36,712,718)
W	Sovereign Grant funding of the Royal Household (net)	1	-	-	-	87,492	-	87,492	87,492	95,900	8,408	8,408	70,100
X	Financial Services Compensation Scheme (net)	2	-	-	-	146	-	146	146	117,000	116,854	116,854	(552)
Y	UK Asset Resolution Ltd (net)	2	-	-	-	33,524	-	33,524	33,524	(74,500)	(108,024)	(108,024)	40,342
Z	Help to Buy (net)	3	-	-	-	465	-	465	465	1	(464)	(464)	-
AA	Help to Buy ISA	3	-	-	-	6,295	-	6,295	6,295	10,000	3,705	3,705	11,797
AB	UK Government Investments Limited (net)	1	-	-	-	200	-	200	200	1,000	800	800	575
AD	EU Withdrawal Agreement Financial Settlement	2	-	-	-	(2,384,750)	-	(2,384,750)	(2,384,750)	4,234,000	6,618,750	6,618,750	37,190,954
AE	Reclaim Fund Ltd (net)	1	-	-	-	(17)	-	(17)	(17)	-	17	17	-
-	Investment in Bank of England	2	-	-	-	-	-	-	-	-	-	-	(45,376)
-	Administration of the Equitable Life payment scheme	2	-	-	-	-	-	-	-	-	-	-	203
Total Voted spending in AME			**-**	**-**	**-**	**42,755,358**	**(247,321)**	**42,508,037**	**42,508,037**	**60,267,356**	**17,759,319**	**17,759,319**	**704,193**
Non-voted													
AF	Royal Household Pensions	1	-	-	-	4,731	(456)	4,275	4,275	3,900	(375)	(375)	3,968
AG	Civil List	1	-	-	-	397	-	397	397	359	(38)	(38)	359
Total spending in AME			**-**	**-**	**-**	**42,760,486**	**(247,777)**	**42,512,709**	**42,512,709**	**60,271,615**	**17,758,906**	**17,758,906**	**708,520**
Total resource outturn			**324,149**	**(67,176)**	**256,973**	**42,837,441**	**(261,458)**	**42,575,983**	**42,832,956**	**60,618,209**	**17,785,253**	**17,785,253**	**1,062,407**

[2] HMT Corporate Objectives located in the Performance Report section of the report.

SOPS1.2 Analysis of net capital outturn by section

In £000		HMT Obj	2020-21 Gross	Income	Outturn net total	Estimate net total	Outturn net total compared to Estimate	Outturn net total compared to Estimate, adj. for virements	2019-20 Outturn net total
Spending in Department Expenditure Limit (DEL)									
Voted									
A	Core Treasury	All	2,255,138	(2,253,830)	1,308	5,608	4,300	4,300	593
B	Debt Management Office	1	2,140	-	2,140	3,400	1,260	839	622
F	Infrastructure Finance Unit Limited (net)	3	4,289	-	4,289	8,600	4,311	4,311	43,825
G	IUK Investments Limited (net)	3	(368)	-	(368)	1	369	369	461
H	IUK Investments Holdings Limited (net)	3	-	-	-	1	1	1	-
K	Asian Infrastructure Investment Bank	3	-	-	-	-	-	-	93,303
L	National Infrastructure Commission	3	811	-	811	700	(111)	(111)	625
M	UK Government Investments Limited (net)	1	310	-	310	-	(310)	(310)	-
N	European Bank for Reconstruction & Development	3	1,309,946	(1,309,946)	-	1	1	1	-
Capital spending in DEL			**3,572,266**	**(3,563,776)**	**8,490**	**18,311**	**9,821**	**9,821**	**139,429**
Annually Managed Expenditure (AME)									
Voted									
U	Loans to Ireland	2	-	(1,613,480)	(1,613,480)	(1,613,480)	-	-	(1,613,480)
V	Assistance to financial institutions, businesses and individuals	2	-	(2,594)	(2,594)	(2,593)	1	1	(4,745)
W	Sovereign Grant funding of the Royal Household (net)	1	4,596	-	4,596	3,000	(1,596)	(1,596)	12,180
X	Financial Services Compensation Scheme (net)	2	(82)	-	(82)	500	582	582	778
Y	UK Asset Resolution (net)	2	(4,950,925)	-	(4,950,925)	(303,000)	4,647,925	4,647,925	(600,137)
AA	Help to Buy ISA	3	151,184	-	151,184	175,000	23,816	23,816	141,006
AC	Infrastructure Finance Unit Limited (net)	3	27,080	-	27,080	105,000	77,920	77,920	-
AE	Reclaim Fund Ltd	1	39,724	-	39,724	111	(39,613)	(39.613)	-
-	Sale of shares	2	-	(1,125,341)	(1,125,341)	-	1,125,341	1,125,341	-
Capital spending in AME			**(4,728,423)**	**(2,741,415)**	**(7,469,838)**	**(1,635,462)**	**5,834,376**	**5,834,376**	**(2,064,398)**
Total Capital Outturn			**(1,156,157)**	**(6,305,191)**	**(7,461,348)**	**(1,617,151)**	**5,844,197**	**5,844,197**	**(1,924,969)**

Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury). Further information on virements are provided in the Supply Estimates Manual, available on gov.uk. The outturn net total compared to estimate, adj. for virements column is based on the total including virements. The estimate total before virements have been made is included so that users can tie the estimate back to the Estimates laid before Parliament.

Explanation of key variances between Estimate and net resource outturn as at 31 March 2021

SOPS 1.1 Analysis of net resource outturn by section

Spending in Department Expenditure Limit (DEL)

A Core Treasury:

Underspends are driven mainly by ringfenced funding of £7.5m for UK Infrastructure Bank not being utilised. This is due to the focus on responding to COVID-19 in the department; along with ringfenced underspend of £7.0m on budgets earmarked for the OSCAR II programme, EU Exit audit costs and support for companies in distress.

B Debt Management Office:

Variance is due to lower costs incurred as a result of lower gilt issuance sales than previously estimated, for the last quarter of the year.

C Government Internal Audit Agency:

Underspend has arisen due to GIAA's reduced variable costs, due to the pandemic.

M UK Government Investments Limited:

Underspend from the ringfenced Covid Intervention Resolution Group funding of £7.5m for administration costs not being utilised due to fewer companies falling into distress than previously estimated.

Spending in Annually Managed Expenditure (AME)

V Assistance to Financial Institutions:

The variance mainly relates to the £11.0bn variance for fair value movements in the Bank of England Asset Purchase Facility Fund (BEAPFF) derivative, which had a loss of £44.8bn during the year (for more information see Note 14 – Derivative Financial Assets).

Due to the volatile and unpredictable nature of the derivative estimate, a decision was made to cover a potential £55bn loss (calculated by reference to historic movements since inception), thereby generating the variance disclosed. By electing to budget for the potential downside this ensured that a breach in control totals was less likely to occur.

AD EU Withdrawal Agreement Financial Settlement:

The variance relates to the changes in provisions and receivables for the Financial Settlement following the UK's exit from the European Union (see Note 9 – Trade and other receivables and Note 17 – Provisions.)

Due to unpredictable exchange rate movements and uncertainty over movements in the underlying assets and liabilities at the time that budgetary cover was sought, a decision was made to cover a £4.2bn net increase in the liability, thereby generating the variance disclosed. By electing to budget for the potential downside, this ensured that a breach in control totals was less likely to occur.

SOPS 1.2 Analysis of net capital outturn by section

Spending in Department Expenditure Limit (DEL)

A Core Treasury:

Underspend is mainly driven by £5m ringfenced funding for the new Darlington economic campus not being used as the costs are now expected to fall in future years, following the announcement in the Spring Budget.

F Infrastructure Finance Unit Limited (net):

Variance is because a loan of £8.6m was made available to a project company in the UK Guarantees Scheme, of which only £4.3m had been drawn down. The remaining undrawn amount of £4.3m is expected to be fully used in 2021-22.

Spending in Annually Managed Expenditure (AME)

F Infrastructure Finance Unit Limited (net):

Underspend relates to lower than anticipated drawdown of the Digital Infrastructure Investment Fund, with the remaining undrawn amount, after decommitments in the year, available in the future years of the funds' operation. See also Note 20 Commitments.

Due to the unpredictability of the timing of projects, the re-classification from C-DEL to AME was approved from the 2020-21 financial year.

Y UK Asset Resolution:

Variance is due to the completion of the UKAR sale of residual asset portfolio during 2020-21, which was not included in the Estimate due to the uncertainty around the timing of the sale.

AA Help to Buy ISA:

Underspend is due to the reduction in the housing market activities early in the financial year as a result of COVID-19.

AE Reclaim Fund Ltd

Variance represents the net purchases of investment securities.

Sale of shares

Variance is due to £1,125m income related to the sale of NatWest shares not being included in the Estimate due to the uncertainty around the timing of the sale.

SOPS2 Reconciliation of outturn to net income

In £000	Note	2020-21	2019-20
Total resource outturn in SOPS	SOPS1.1	42,832,956	1,062,407
Add: Capital provisions		150,674	141,007
Add: Capital research		811	657
Less: Capital grant in kind received		(3,563,776)	-
Less: Capital distributions		(6,028)	-
Less: Income payable to the Consolidated Fund		(1,657,772)	(272,629)
Net income in the SoCNE		**37,756,865**	**931,442**

As noted in the introduction to the SOPS above, outturn and the Estimates are compiled against the budgeting framework, which is similar but different to IFRS. Therefore, this reconciliation bridges the resource outturn to net operating expenditure, linking the SOPS to the financial statements.

Capital grants are budgeted for as C-DEL but accounted for as spend on the face of the SoCNE, and therefore function as a reconciling item between Resource and Net Operating Expenditure. The capital grants made relate to Help to Buy ISA bonus payments which are charged against Capital AME within the SOPS capital outturn.

Income payable to the consolidated fund do not appear within the budgetary framework but are accounted for as spend on the face of the SoCNE, and therefore function as a reconciling item between Resource and Net Operating Expenditure. The income payable to the Consolidated Fund primarily relates to £1.5bn gifts to the nation in respect of repayments of business rates received during the year and £171m Pool Re fees, which have been accrued for and will be paid over to the Consolidated Fund when they have been received by the Treasury.

Capital grants in kind are budgeted for as C-DEL but accounted for as spend on the face of the SoCNE, and therefore function as a reconciling item between Resource and Net Operating Expenditure. The capital grants in kind in 2020-21 relate to the transfer from the Department of International Development of the UK's shareholding in the European Bank for Reconstruction and Development, and the transfer from the Consolidated Fund of the long term receivable arising from the return of paid in capital from the UK's former shareholding in the European Investment Bank.

Research meeting the ESA10[1] definitions of research, but not the IFRS criteria for capitalisation are budgeted for as C-DEL but accounted for as spend on the face of the SoCNE, and therefore function as a reconciling item between Resource and Net Operating Expenditure. The research costs relate to research undertaken by the National Infrastructure Commission.

[1] European System of Accounts 2010

SOPS3 Reconciliation of net resource outturn to net cash requirement

		2020-21		
In £000	**Note**	**Estimate**	**Outturn**	**Outturn Net total compared with Estimate: saving/(excess)**
Resource Outturn	SOPS1.1	**60,618,209**	**42,832,956**	**17,785,253**
Capital Outturn	SOPS1.2	**(1,617,151)**	**(7,461,348)**	**5,844,197**
Accruals to cash adjustments:		**(59,400,340)**	**(38,136,591)**	**(21,263,749)**
Of which:				
Adjustments to remove non-cash items:				
Depreciation		(5,924)	(5,545)	(379)
Derivative fair value movements		(55,000,000)	(44,762,460)	(10,237,540)
New provisions and adjustments to previous provisions		(4,559,000)	1,961,696	(6,520,696)
Other non-cash items		(200)	(23,903)	23,703
Adjustments for ALBs and other bodies:				
Remove voted resource and capital		17,369	4,195,407	(4,178,038)
Add cash grant-in-aid		114,915	105,450	9,465
Adjustments to reflect movements in working balances:				
Increase in inventory		-	7,392	(7,392)
Increase in receivables		-	144,187	(144,187)
Increase in payables		-	1,498	(1,498)
Use of provisions		32,500	239,687	(207,187)
Subtotal		**(399,282)**	**(2,764,983)**	**2,365,701**
Removal of non-voted budget items:				
Banking and gilts registration service		(1,703)	(2,209)	506
Royal Household Pension Scheme		(3,900)	(4,275)	375
Civil List		(359)	(397)	38
Net cash requirement		**(405,244)**	**(2,771,864)**	**2,366,620**

As noted in the introduction to the SOPS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

SOPS4.1 Income payable to the Consolidated Fund

In addition to income and capital receipts retained by HM Treasury, the following amounts are payable to the Consolidated Fund.

	2020-21		2019-20	
In £000	Outturn Income	Outturn Cash receipts	Outturn Income	Outturn Cash receipts
Operating income outside the scope of the Estimate	1,657,772	1,672,913	272,629	223,852
Capital receipts outside the scope of the Estimate	-	13,662,544	-	7,136,860
Excess cash surrendered to the Consolidated Fund	2,832,031	2,832,031	7,507,138	7,507,138
Excess cash surrenderable to the Consolidated Fund	(60,166)	(60,166)	4,607	4,607
Total amounts paid and payable to the Consolidated Fund	**4,429,637**	**18,107,322**	**7,784,374**	**14,872,457**

Operating income outside the scope of the Estimate includes the income received to the government as a gift to the nation. See also Note 2 – Other operating income.

Capital receipts outside the scope of the estimate consists entirely of cash transfers from the BEAPFF derivative. See also Note 14 – Derivative Financial Assets and Note 24 – Financial Risk.

Excess cash surrendered to the Consolidated Fund – relates to cash held in HM Treasury which is not required to fund the department's continuing operations and is therefore passed to the Consolidated Fund. See also Statement of Cash Flows for further information.

SOPS4.2 Consolidated Fund income

Consolidated Fund income shown in the table above does not include any amounts collected by the department where it was acting as agent of the Consolidated Fund rather than as principal. Full details of income collected as agent for the Consolidated Fund are in the department's Trust Statement in Chapter 4 of this Annual Report and Accounts.

Parliamentary accountability disclosures

Losses and special payments (audited)

During the financial year 2020-21 the Treasury Group, excluding UKAR and FSCS, had one special payment totalling £0.9m (2019-20: one, £80.6m) and no reportable losses (2019-20: nil) totalling over £300,000. The special payment is related to the settlement of £0.9m for a contractual dispute.

UKAR Losses and special payments (audited)

A loan to a customer is written off and any associated impairment allowance released when and only when the property is sold or the account is redeemed, or in respect of unsecured loans where the collections process indicates a loan is not recoverable. Any subsequent proceeds are recognised on a cash basis and offset against previous impairments in the Statement of Comprehensive Income.

During 2020-21, loan to customer balances written off was £11.5m (2019-20: £20.1m). At 31 March 2021 £nil (2019-20: £19.9m) of these balances were still subject to enforcement action. During the year to 31 March 2021 recoveries net of costs on previously written off loans totalled £8.6m (2019-20: £16.4m).

FSCS Losses and special payments (audited)

Total losses and special payments were £0.4m (2019-20: £0.5m) during the year. There were no individual losses or special payments exceeding £300,000.

Fees and charges (audited)

The Treasury Group receives the below fees, levies and charges for services

Fees, levies and charges (core Treasury)	Income (£m)
Pool Re loan commitment[2]	171
UK Guarantee Scheme	11
Mortgage Guarantees	11

Fees, levies and charges (Group)	Income (£m)
FSCS Levies	600
GIAA Audit fees	38
UKAR Fees and charges	3
DMO Fees and charges	2

Fees for guarantees and loan commitments provided by core Treasury are set based on the risk of a call on the underlying guarantees and commitments and are entered into to ensure the stability of the economy rather than to achieve a financial objective of recovering the annual costs of a service being provided. There is no material administration cost incurred in providing these services.

All other details regarding income from fees, levies and charges received by arm's length bodies can be found in the relevant bodies' annual reports and accounts.

Income in the above tables is included within the income from sale of goods and services, Other operating income (Note 2) and Finance income (Note 6) lines in the SOCNE.

[2] Including interest due on receivable

Payment of suppliers

In May 2010, the government introduced a 5-day target for all suppliers to receive payment. During 2020-21, the Treasury Group made 83% (2019-20: 78%) of all supplier payments within 5 days, against a cross-government target of 90%.

Auditor

The Comptroller and Auditor General carries out the audit of the consolidated accounts of the Treasury Group under the Government Resources and Accounts Act 2000.

Central Funds

As detailed in the Governance Statement above, HM Treasury has oversight and administrative responsibility for the government's Central Funds, namely the Consolidated Fund, National Loans Fund, Contingencies Fund and Exchange Equalisation Account. These funds are accounted for outside of the Treasury departmental group, and disclosures within the Annual Report and Accounts of each of these funds should be viewed alongside those of the departmental group.

Contingent liabilities not required to be disclosed under IAS 37 (audited)

In addition to contingent liabilities reported under IAS 37 in Note 23, HM Treasury is required to disclose liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of a contingent liability or a contingent liability otherwise outside the scope of IAS 37, such as financial guarantees.

These disclosures are required by Managing Public Money and are related to Parliamentary accountability. All contingent liabilities must be reported to Parliament by a departmental minute so that Parliament has the opportunity to debate the merits of the item and to bind the government to honour the obligation. To meet the relevant disclosure requirements HM Treasury is required to provide a brief description of the nature of each contingent liability and where practical, an estimate of its financial effect.

In many cases, entering into arrangements that create a contingent liability has a distinct policy advantage; as they allow the government to intervene where it deems necessary, whilst not requiring an injection of government funding. While the risk of settlement may be remote, if they did crystallise there is a possibility that the government may have to distribute funds. The contingent liabilities disclosed by HM Treasury are linked to the role of being the UK's finance and economics ministry, or because there is no other practical place to disclose these within the public sector.

A remote contingent liability represents the maximum potential exposure assuming trigger events occur, and the maximum exposure crystallises. If any of the contingent liabilities detailed below were to crystallise and HM Treasury was required to settle an obligation this would be achieved through the normal Supply Estimates[3] process.

HM Treasury's contingent liabilities include indemnities, financial guarantees and letters of support. These are explained in more detail below.

EU Withdrawal Agreement

The background of the EU Withdrawal Agreement is set out in the Performance Report.

HM Treasury's financial statements and related disclosures set out the accounting implications of the financial settlement for HM Treasury. See Note 1.4 – Significant judgements and estimates, Note 9 – Trade and other receivables, Note 17 – Provisions and Note 22 – Contingent assets for detail.

HM Treasury also has a remote contingent liability, which does not meet the threshold for disclosure in the financial statements, in respect of the UK's contingent liability to the European Investment Bank (EIB). The terms of this are set out in Article 150 of the EU Withdrawal Agreement and is limited to the callable and returned paid in capital the UK held as a member state. The remote contingent liability is valued at £30.7bn as at 31 March 2021.

HM Treasury, in addition, discloses here an unquantifiable remote contingent liability for any other liabilities that may ultimately fall to HM Treasury as result of the implementation of the Withdrawal Agreement.

Further information on the financial impact of EU Withdrawal Agreement is included in Annex E of the "European Union Finances" publication series.[4]

Bank of England Asset Purchase Facility Fund Limited (BEAPFF)

On 19 January 2009, to effect what is known as quantitative easing, HM Treasury authorised the Bank of England to purchase high quality private sector assets and UK Government debt purchased on the secondary market. The government has indemnified the Bank and BEAPFF, the fund specially created to implement the facility, from any losses arising out of or in connection with the facility.

BEAPFF is financed by a loan from the Bank of England, which totalled £794bn at 31 March 2021, (2019-20: £454bn). On 19 March 2020 the MPC announced a £200bn expansion in the APF, which increased the total size of the BEAPFF loan facility from the Bank to £645bn. On 18 June 2020 the MPC announced an additional £100bn expansion of the APF, followed by another MPC announcement on 5 November 2020 that expanded the APF by an additional £150bn. Once completed these expansions will increase the total size of BEAPFF's loan from the Bank of England to £895bn. The indemnity provided to the Bank of England represents a remote contingent liability for HM Treasury, which would crystallise if BEAPFF incurred losses when ultimately wound up and HM Treasury were required to fund a shortfall of cash needed to repay the Bank of England loan. Payments of

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[3] The Supply Estimates Guide can be found at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220744/estimates_manual_july2011.pdf

[4] The "European Union Finances Statement" can be found at https://www.gov.uk/government/collections/eu-annual-statement

interest may also need supporting by HM Treasury if there were a significant increase in the Bank of England's base rate (Bank Rate).

The portfolio of gilts and corporate bonds held by BEAPPF is valued at market rates and is sensitive to fluctuations in interest rates. Moves in market rates, over and above those caused by the operations of BEAPFF itself, are driven by multiple factors, including actual or expected monetary and fiscal policy changes, changes in market's risk premia assessments and movements in related international markets.

HM Treasury's current exposure under the indemnity is represented on the Statement of Financial Position (SoFP) as a derivative. The derivative is valued on the basis of the difference between the fair value of BEAPFF's assets and liabilities.

It is difficult to predict the movement in the BEAPFF related derivative as the fair value of its financial assets is re-priced in response to market changes. At 31 March 2021 BEAPFF's assets exceeded its liabilities by £15.2bn (31 March 2020: £73.6 bn), driven by market-value gains within its portfolio and interest income received. When there is an excess of assets over liabilities, the derivative value is represented by a liability on BEAPFF's SoFP and by a corresponding asset on HM Treasury's SoFP (see Note 14 of the Accounts). Quarterly transfers of surplus cash between BEAPFF and HM Treasury under the indemnity agreement impact the value of BEAPFF's net assets and so also the value of the derivative. However, the derivative does not mature and become payable until the scheme is unwound, at which time the outstanding value of the derivative would be settled.

If the fair value of BEAPFF's assets fell below that of its liabilities, the indemnity would conversely entail BEAPFF recognising a derivative asset and HM Treasury a derivative liability. That liability would similarly not be payable until the scheme is unwound. However, in such market conditions and prior to wind-up, it may be unlikely that there would be a surplus of cash available in BEAPFF if the interest payable at Bank Rate on the Bank of England Loan increased significantly above coupon income receivable on the BEAPFF's assets. If there were a shortfall of cash HM Treasury would fund this by way of the quarterly cash transfers, as set out in the deed of indemnity and in line with the current quarterly arrangement with BEAPFF.

Therefore, although HM Treasury benefitted from the operations of BEAPFF as at 31 March 2021 to the extent that gains in fair value were reflected in a derivative asset, the indemnity may generate a liability and require payments of cash to BEAPFF in future periods. These would be accounted for via HM Treasury's Supply Estimate: quarterly cash payments would be classified as non-budget, but any residual settlement of the derivative on wind-up would be AME.

Accordingly, a remote contingent liability is disclosed to reflect the remote possibility that, despite risk management undertaken by the Bank of England on BEAPFF and HM Treasury's behalf (see Note 24 of the Accounts), there is a net loss to the public sector over the life of BEAPFF. Although the indemnity supports authorised total asset acquisitions and lending of £895bn, the crystallisation of a potential loss on realising these assets is currently unquantifiable, as the quantum of any potential loss is driven by both the Bank of England's future policy decisions regarding when to wind up the scheme and by market prices at that time.

The risk management undertaken by the Bank of England on the BEAPFF and HM Treasury's behalf is detailed in Note 24.4 – Financial Risk, Core Treasury and Agencies – Other.

Covid Corporate Financing Facility Limited

On 17 March 2020 HM Treasury authorised the Bank of England to purchase high quality commercial paper from non-financial institutions that made a material contribution to the UK economy. This authorisation allowed the Bank of England to purchase commercial paper both on the primary and secondary market. The government has indemnified the Bank of England and Covid Corporate Financing Facility Limited (CCFF), which is the fund specifically created to implement the facility, from any losses arising out of or in connection with the facility.

CCFF is financed by central bank reserves. The indemnity represents a contingent liability for HM Treasury which would crystallise if losses arise in the CCFF, following the default of an institution which issued Commercial Paper through the facility.

Since CCFF launched, HM Treasury and the Bank of England introduced measures to minimise the probability a default crystallising. In May 2020, they introduced restrictions on senior pay and dividend payments for those issuing Commercial Paper maturing on or after 19 May 2021. On 9 October 2020, they introduced a Risk Management Framework tightening access to the scheme, requiring participants to be able to evidence a recent investment grade rating or pass through a credit committee process assessing their ability to repay to retain access to the scheme.

CCFF closed to new issuance with effect from 23 March 2021. As of 31 March, the net balance of the scheme was £7.9bn, while the total issued into the scheme over the twelve months it was open was £37.95bn (from a total approved borrowing limit of over £85bn). As at 1 June 2021, a further £3.4bn has been repaid.

Bank of England capital framework

In June 2018 HM Treasury and the Bank of England announced reforms to the Bank of England's financial framework to boost transparency, reinforce the Bank of England's resilience and independence and strengthen the financial system.

The formal agreement that HM Treasury recapitalise the Bank of England in the event of a major capital loss results in a remote contingent liability for HM Treasury. This is currently unquantifiable as the occurrence of the conditions required for the contingent liability to crystallise cannot be accurately calculated, given the unprecedented nature of the economic conditions required, and as the framework is not for a finite term.

The Bank of England has a strong capital base, and the risk of a major capital loss to the Bank of England requiring further injection by HM Treasury is considered remote due to the unprecedented nature of the economic conditions that would cause it to crystallise.

Decommissioning Relief Deeds – oil and gas industry

The government has entered into Deeds with oil and gas companies to guarantee the basis on which tax relief for decommissioning is available.

As part of the terms of becoming a participator in a licence in the UK or UK Continental Shelf, companies have a statutory obligation to decommission their operations properly once oil and gas production has ceased.

The Deeds have been signed by the government and eligible companies. Any company that has carried on a ring-fenced trade, and the associates of those companies, are eligible to be party to a Deed. The Deed provides companies with greater certainty in respect of decommissioning tax relief and allows them to adopt post-tax securitisation arrangements for the future costs of decommissioning.

The Deeds support the government's objective of maximising economic production of oil and gas reserves in the UK Continental Shelf. The Deeds are designed to free up capital that otherwise would have been held in reserve against possible changes in tax rules. In March 2021 Oil and Gas UK estimated that £8.1bn of capital had been unlocked for reinvestment as a result of the Deeds.

As at 31 March 2021, 98 Deeds had been signed and were in force (2019-20: 96). These Deeds indemnify the companies for changes in tax legislation or the default of joint-venture partners in respect of their decommissioning activities, allowing them to claim relief potentially otherwise available to the field's operators from HMRC through the tax system.

The crystallisation of any liability is dependent on the financial health of the companies (and their joint-venture partners) that are party to the Deeds.

Since inception, one claim has been made. The remaining amount of the claim has been reflected as a provision for £258m; see Note 17 – Provisions.

HM Treasury has not disclosed the potential financial value of the Decommissioning Relief Deeds because it is unquantifiable, given the absence of comparable data to use in any calculation.

Director indemnities

HM Treasury employees and others can be called upon to act as a director of one of the incorporated companies within the HM Treasury Group or other wholly owned companies. HM Treasury has granted directors an indemnity against any losses or liabilities incurred in the course of their duties whilst the incorporated companies remain in public ownership. The crystallisation of any liability is dependent on the actions of the directors.

HM Treasury has not disclosed the financial effect of director indemnities because it is not practicable to do so, as there is no evidence to evaluate.

Service provider indemnities

UK Government Investments (UKGI) provided an uncapped indemnity to an investment bank providing corporate finance advice on a specific UKGI mandate to cover the risk that they could become liable to market participants for any misrepresentation, misleading statements or omissions (based on information from HM Government) made in the context of their engagement.

HM Treasury provided an investment management company with a capped £3m indemnity for support on the design of the Bounce Back Loan Scheme, which was created to support small businesses during the COVID-19 pandemic. The limited indemnity covers the risk that the company could become liable to third parties for claims made in the context of their engagement.

UK Guarantees

The UK Guarantee scheme was announced on 18 July 2012. The scheme aims to support infrastructure projects that may have stalled because of adverse credit conditions. The Scheme enables the Treasury to issue a guarantee to infrastructure project lenders ensuring that principal and interest payments will be paid in full and on time. Up to £40bn of guarantees could be offered under the scheme.

As at 31 March 2021 ten projects were guaranteed including 5 existing debt guarantees and 5 new guarantees issued during the year. Note 24.4 – Financial Risk, Core Treasury and Agencies – Other, gives more detail on each infrastructure project.

With respect to the debt guarantees, if a borrower is in a default position and not able to meet the principal and interest obligations, the guarantee will be called, and HM Treasury will assume responsibility for these payments.

However, default would not necessarily mean a full pay out of the borrower's obligations. The Treasury would seek to recover as much as possible from the borrower, and to refinance within 12 months.

The crystallisation of any liability is dependent on individual borrowers being unable to make their repayments. To date, no call has been made under the scheme and as a result no amounts have been required to be paid.

As at 31 March 2021 the maximum potential liabilities under this scheme were estimated to be £1.1bn. A breakdown of the exposure by each infrastructure project can be seen in Note 24.4 – Financial Risk, Core Treasury and Agencies – Other.

Mortgage guarantee schemes

The Help to Buy: mortgage guarantee scheme was launched on the 8 October 2013 to address the shortage of high loan-to-value mortgages by offering lenders the option to purchase a guarantee on mortgages where the borrower has a deposit of between 5% and 20%. The scheme closed to new loan applications on 31 December 2016.

A portion of the liability would crystallise if the following events occurred: 1) a borrower defaults on their mortgage 2) the sale proceeds from property are less than the outstanding principal and interest repayments owing; and 3) the lender makes a claim to HM Treasury for the difference. During the life of the scheme there have been 28 successful claims totalling £327k. Since inception, bank rates have been at historic lows on average property values have increased and most recently incomes have largely been preserved through government support schemes during the pandemic. This has contributed to a low number of claims.

Under the scheme rules, the maximum contingent liability limit was set at £12bn. As at 31 March 2021 the maximum potential liabilities under this scheme were estimated to be £281m.

For information on the related financial guarantee see Note 18 of the Accounts. See also Note 31.3 Events after the reporting period

Asian Infrastructure Investment Bank

The Asian Infrastructure Investment Bank (AIIB) was set up in December 2015 with the UK as a shareholder, along with a large number of other countries, to support financing for infrastructure projects across Asia. The UK's investment, like that of all other shareholders in the bank, is in the form of 20% paid-in capital and 80% callable capital. The paid-in capital was made in 5 annual instalments of US$122m, totalling US$611m, with the last payment in December 2019.

A remote contingent liability arises in relation to the US$2.4bn (approximately £1.7bn) of callable capital. This is not paid over, but the AIIB would be able to call on it in the event that the bank were not able to meet its obligations.

Although the AIIB has the right to call for payment of this callable capital if there is a crisis affecting the bank's assets or loans, the equity base of the bank is currently more than sufficient to meets its financial objectives by absorbing risk from its own resources, thus protecting member countries from a possible call on callable capital. Three major credit ratings agencies re-affirmed the bank with AAA ratings in 2020, and no such instance whereby payment has been called has occurred in any major multilateral development bank in the past. If the liability were to be called, provision for any payment would be sought through the normal Supply Estimates procedure.

European Bank for Reconstruction and Development

The European Bank for Reconstruction and Development (EBRD) was set up in March 1991 with the UK as a shareholder, along with a large number of other countries, to help build a new, post-Cold War era in Central and Eastern Europe. The UK's investment is in the form of 20.9% paid-in capital and 79.1% callable capital. The shareholding of the ERBD was transferred from FCDO to HM Treasury in 2021.

A remote contingent liability arises in relation to the €2.0bn (approximately £1.7bn) of callable capital. This is not paid over, but the ERBD would be able to call on it in the event that the bank were not able to meet its obligations.

Although the ERBD has the right to call for payment of this callable capital if there is a crisis affecting the bank's assets or loans, the equity base of the bank is currently more than sufficient to meets its financial objectives by absorbing risk from its own resources, thus protecting member countries from a possible call on callable capital. Three major credit ratings agencies re-affirmed the bank with AAA ratings in 2020 and 2021, and no such instance whereby payment has been called has occurred in any major multilateral development bank in the past. If the liability were to be called, provision for any payment would be sought through the normal Supply Estimates procedure.

UKAR: Bradford & Bingley plc and NRAM Ltd mortgage assets

To facilitate each sale of UKAR's B&B and NRAM assets, HM Treasury has offered certain fundamental market-standard warranties which have created remote contingent liabilities. The crystallisation of any liability is dependent on the occurrence and identification of any defects covered by the warranties. Given their nature, such occurrence is considered remote.

Each of these sales and the associated remote contingent liability are listed below:

- On the 31 March 2017, the Chancellor announced the sale of a portfolio of UKAR's B&B loan book assets to Prudential plc and funds managed by Blackstone. The proceeds of the sale were £11.4bn.
  Maximum value of remote contingent liabilities arising from:

Fundamental warranties	£11.4bn

- On the 26 April 2018, the Chancellor announced the sale of a portfolio of UKAR's B&B loan book assets to an investor group led by Barclays. The proceeds from the sale were £5.3bn.

Fundamental warranties	£5.3bn

- On the 27 September 2018, the Chancellor announced the sale of a portfolio of UKAR's B&B and NRAM loan book assets to Rothesay Life. The proceeds from the sale were £983m.
  Maximum value of remaining remote contingent liabilities arising from:

Fundamental warranties	£195m

- On 2 April 2019 the Economic Secretary to the Treasury announced the sale in March 2019 of a portfolio of UKAR's NRAM 'together' loans to Citi with majority funding from PIMCO. The proceeds from the sale were £4.9bn.
  Maximum value of remote contingent liabilities arising from:

Fundamental warranties	£4.9bn

- On 26 February 2021 the Economic Secretary to the Treasury announced the sale of Bradford & Bingley plc (B&B), NRAM Limited and their remaining assets to a consortium of Citibank and Davidson Kempner, with financing provided by PIMCO. The proceeds from the sale were £5.0bn.

  Maximum value of remote contingent liabilities arising from:

Fundamental warranties	£5.1bn
Intermediate warranties	£1.0bn
Other warranties	£5.1bn
Capped indemnities	£0.3bn
Tax covenant	£0.3bn

During the year ended 31 March 2021 items reported in the 2019-20 Accounts have now closed as a result of the final sale of assets. These consist of Fundamental warranties £5.3bn and other warranties £1.1bn.

For information on the related contingent liabilities arising from these transactions see Note 23.

Pool Re and Pool Re (Nuclear) Limited

Pool Re and Pool Re (Nuclear) are mutual reinsurance companies providing terrorism cover for damage to industrial and commercial property or nuclear facilities and consequential business interruption in Great Britain. They pay a portion of their income to HM Treasury which is held to their credit (currently C.£1bn for Pool Re) in the event of losses exceeding their available resources. Pool Re has C.£9bn funding (including its own reinsurance) before it would seek recourse to HM Treasury. For further losses HM Treasury would extend them a repayable loan.

The total reserves of Pool Re and of Pool Re (Nuclear) as at the date of their latest management accounts are £6.9 billion December 2020 (2019-20: £7 billion) and £31.5m December 2020 (2019-20: £30.6m) respectively. Maximum potential liabilities under this arrangement are considered unquantifiable as there is no past experience to use in forming an estimate, and the size and scale of a potential terrorist incident cannot be predicted. It is also considered remote that circumstances would arise requiring HM Treasury to provide such financial assistance. These arrangements are given statutory authority under the Reinsurance (Acts of Terrorism) Act 1993.

Royal Mint

The Royal Mint Trading Fund has a Memorandum of Understanding arrangement with the National Loans Fund by which it can draw down against a financing facility, with an upper limit of £36m. Parliamentary authority limits the overall amount of public money available to the Royal Mint at £50m.

If the Royal Mint Trading Fund was unable to repay any drawdowns against this commitment the National Loans Fund funding conditions dictate that the amount outstanding would have to be met by HM Treasury.

HM Treasury has provided an indemnity to the Cabinet Office in respect of employer contributions payable to the Civil Service Pensions Scheme when the Royal Mint's pensions transferred under 'new fair deal'.[5] This liability would only materialise in the unlikely event that the Royal Mint failed to make payments to the pension scheme. It is unquantifiable since the scheme is expected to run for the foreseeable future, and the timing and scale of any possible failure by the Royal Mint cannot be predicted.

UK Government Investments

UK Government Investments (UKGI) maintains framework contracts with 24 financial-services firms to manage the disposal of the government's shareholdings. These services would typically include drafting prospectuses and other market-facing documents on the basis of information provided by the government. As is market-standard, these firms require an indemnity to cover the risk that they could become liable to market participants for any misrepresentation, misleading statements or omissions (based on the information from the government) made in the context of their engagement. Only the issuer/seller - not the bank - is responsible for the information contained in prospectuses and other documents. Therefore, any claims brought against the bank on these grounds would be meritless, meaning the likelihood of their success (and therefore of the liability crystallising) is seen to be exceptionally low. The number and breadth of participants involved, and value of any transaction is such that it is not possible to assert with any confidence what a suitable estimate might be.

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5 https://www.civilservicepensionscheme.org.uk/employers/applying-to-join-civil-service-pensions/new-fair-deal/

It was necessary to procure specialist capital-markets advice as part of due-diligence work for companies in distress as a result of COVID-19 at the start of the pandemic in early 2020. One advising bank, working on one company's case, required an indemnity to cover the risk that they could become liable to market participants for any misrepresentation, misleading statements or omissions (based on information from the government) made in the context of their engagement. Any such claims would almost certainly be without merit – the contract provides no duty of care or contractual obligations to third parties – meaning the likelihood of their success is seen to be exceptionally low. Because of the breadth of this indemnity and the extreme unlikelihood of its crystallising, it is impossible to estimate a value.

Reclaim Fund Limited – Dormant Assets

In accordance with the terms of the Act, Reclaim Fund Limited (RFL) has inherited the liability for all dormant balances transferred from participants. The total remaining exposure that RFL may be required to settle above and beyond the amounts already set aside is currently estimated at £869m as at 31 March 2021 (£814m at 31 March 2020).

Treasury core tables

Total resource and capital spending for the Treasury Group

The tables on the following pages provide a summary of HM Treasury's net expenditure outturn for 2020-21 and the 4 prior years, along with the planned expenditure for 2021-22. The outturn and planned expenditure is recorded on the same basis as the information on financial performance in the Statement of Outturn against Parliamentary Supply beginning on page 104. They represent the spending incurred collectively across the departmental group in meeting its objectives detailed in the Performance Report in Chapter 1.

Resource

In £m		Outturn				Budget
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Resource DEL						
Core Treasury	118	170	189	296	255	202
Debt Management Office	18	18	17	19	27	23
Government Internal Audit Agency	2	4	1	-	(1)	3
Office of Tax Simplification	1	1	1	1	1	1
UK Financial Investments	2	2	-	-	-	-
Office for Budget Responsibility	3	2	3	3	4	4
Infrastructure Finance Unit Ltd	(4)	(4)	-	-	4	18
IUK Investments Limited	-	-	-	(1)	(1)	-
UK Government Investments Ltd	11	12	13	14	16	21
National Infrastructure Commission	1	5	5	5	4	5
Asian Infrastructure Investment Bank	-	9	10	9	9	-
Non-voted: Banking & gilts registration	7	7	7	8	2	2
Total Resource DEL	**159**	**226**	**246**	**354**	**320**	279
Resource AME						
Core Treasury	-	-	-	(13)	-	2
Provisions	244	141	135	192	234	53
Coinage manufacturing	31	43	23	16	6	9
Coinage metal costs	21	25	4	15	3	7
Investment in the Royal Mint	(4)	(4)	(4)	(4)	2	(2)
Investment in the Bank of England	(103)	(62)	(54)	(45)	-	-
Equitable Life administration	3	1	-	-	-	-
Financial stability	(24,832)	(217)	(15,114)	(36,770)	44,520	20,573
Credit easing	(61)	(3)	-	-	-	-
Sovereign Grant	42	47	66	70	88	114
MAS	(6)	9	-	-	-	-
FSCS	(301)	(75)	(11)	(1)	-	-
Reclaim Fund Ltd (net)	-	-	-	-	-	
UKAR	(497)	(592)	(328)	40	34	18
Help to Buy	-	-	-	-	-	(141)
Help to Buy ISA	-	-	-	12	7	8
IUK Investments	-	3	-	-	-	-
UK Financial Investments	1	1	-	-	-	-
UK Government Investments	-	-	1	1	-	-
Infrastructure Finance Unit Limited	-	-	-	-	-	(6)
EU Withdrawal Agreement Financial Settlement	-	-	-	37,191	(2,385)	-
Non-voted: Royal Household pension	4	4	4	4	4	4
Total Resource AME	**(25,458)**	**(679)**	**(15,278)**	**708**	**42,513**	**20,639**
Total Resource DEL and AME (net)	**(25,299)**	**(453)**	**(15,032)**	**1,062**	**42,833**	**20,918**
of which:						
DEL Depreciation	8	8	5	4	4	-

Note: data for years beyond 2020-21 is not held, so only 5 historic years and one future year is included.

Resource DEL

Resource DEL in Core Treasury has decreased in 2020-21 predominately due to an extra-contractual legal settlement of £80.6m in the prior year. See losses and special payments on page 114-115 for more detail.

Resource AME

Financial stability comprises fair value movements in derivatives, changes to financial stability provisions, fees and interest arising from financial stability interventions, impairments of financial instruments and proceeds from the sale of NatWest shares.

EU Withdrawal Agreement Financial Settlement includes the movements in provisions and receivables recognised for the UK's share of EU's assets and liabilities following the UK's exit from the European Union.

Provisions relate primarily to bonus payments under the Help to Buy ISA scheme, and the Equitable Life Payment Scheme.

Capital

In £m			Outturn			Budget
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Capital DEL						
Core Treasury	-	1	1	1	2	6
Debt Management Office	-	3	5	1	2	1
Infrastructure Finance Unit Ltd	(5)	(88)	63	43	4	-
IUK Investments Limited	2	6	1	-	-	-
National Infrastructure Commission	-	-	-	1	1	1
Eurostar	-	-	-	-	-	-
Asian Infrastructure Investment Bank	-	-	97	93	-	-
Total Capital DEL	**(3)**	**(78)**	**167**	**139**	**9**	8
Capital AME						
Investment in Bank of England	-	-	1,180	-	-	-
Assistance to Financial Institutions	(3,515)	(942)	(2,509)	(1,618)	(2,742)	-
Sovereign Grant	2	5	9	12	5	8
Reclaim Fund Ltd	-	-	-	-	40	-
FSCS	(2)	(24)	1	1	-	-
UKAR	(16,270)	(2,840)	(11,807)	(600)	(4,951)	-
Help to Buy ISA	53	104	128	141	151	204
Infrastructure Finance Unit Ltd	-	-	-	-	27	807
EU Withdrawal Agreement Financial Settlement	-	-	-	-	-	(265)
Total Capital AME	**(19,732)**	**(3,697)**	**(12,998)**	**(2,064)**	**(7,470)**	754
Total Capital DEL and AME (Net)	**(19,735)**	**(3,775)**	**(12,831)**	**(1,925)**	**(7,461)**	762
Total Departmental Spending	**(45,034)**	**(4,228)**	**(27,863)**	**(863)**	**35,372**	21,680

Capital DEL

The 2016-17 and 2017-18 capital subscription to the Asian Infrastructure Investment Bank was made by the Department for International Development (DfID), so does not appear in HM Treasury's expenditure in these years and the corresponding amount provided for in HM Treasury's budget was transferred to DfID accordingly. From 2018-19, the capital subscriptions are again made by HM Treasury. The final subscription was made in 2019-20.

Infrastructure Finance Unit Limited's Manchester Waste loans were paid off in 2017-18 and in 2018-19, loans provided as part of the Digital Infrastructure Investment Fund (DIIF) were accelerated.

From 2020-21 spending by Infrastructure Finance Unit Ltd on the Digital Infrastructure Investment Fund and Charging Infrastructure Investment Fund were transferred from DEL to AME.

Capital AME

Assistance to financial institutions can fluctuate considerably due to the nature of the activity being driven by market conditions providing value for money.

UKAR capital receipts fluctuate between years, largely due to sales of former Bradford and Bingley and Northern Rock mortgage books, which are driven by market conditions providing value for money. There have been no mortgage book sales during 2019-20 and 2020-21 saw the sale of all remaining mortgages held within UKAR.

The budget for EU Withdrawal Agreement Financial Settlement from 2021-22 is for the repayment of the UK's paid in capital by the European Investment Bank. The transfer of this asset from the Consolidated Fund, where the capital expenditure from the asset addition offsets the equivalent income from the capital grant-in-kind was included in DEL in 2020-21, and transferred to AME from 2021-22.

Analysis of administration costs

An analysis of administration income and expenditure is provided below.

IN £M	OUTTURN					BUDGET
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Core Treasury	125	123	150	165	212	196
Debt Management Office	15	15	13	15	21	18
Government Internal Audit Agency	2	4	1	-	(1)	3
Office of Tax Simplification	1	1	1	1	1	1
UK Financial Investments	2	2	-	-	-	-
Office for Budget Responsibility	3	3	3	3	4	4
UK Government Investments	11	12	13	14	16	21
Infrastructure Finance Unit Limited	-	-	-	-	-	18
National Infrastructure Commission	1	5	5	5	4	5
Total Net Administration Costs	**160**	**165**	**186**	**203**	**257**	266
of which:						
Staff Costs	129	140	151	168	200	
Other Expenditure	85	85	94	97	124	
Income	(54)	(60)	(59)	(62)	(67)	

Staff costs and other expenditure

Both staff costs and other expenditure have increased as result of HM Treasury's continued need to meet the demands of the pandemic crisis.

Income

Income remained consistent with 2019-20.

Disaggregated information on arm's length bodies

The following table provides a breakdown of total operating income, total operating expenditure, net expenditure for the year, staff numbers and staff costs in respect to arm's length bodies.[6]

In £m	Total operating income	Total operating expenditure	Net expenditure for the year (including financing)	Permanently employed staff		Other staff	
				Number of employees	Staff costs	Number of employees	Staff costs
Debt Management Office	(3)	29	27	100	10	29	4
National Infrastructure Commission	-	5	5	40	3	-	-
Government Internal Audit Agency	(38)	37	(1)	436	31	29	5
UK Asset Resolution Ltd	(5)	41	26	98	(4)	11	1
Financial Services Compensation Scheme	(664)	664	-	225	20	63	6
UK Government Investments Ltd	(1)	17	17	108	12	27	2
Infrastructure Finance Unit Ltd	-	-	(3)	-	-	-	-
IUK Investments Ltd	-	-	(1)	-	-	-	-
Office for Budget Responsibility	-	4	4	33	3	-	-
Royal Household Sovereign Grant	(8)	98	90	500	25	19	2
Reclaim Fund Ltd	(90)	93	-	11	1	-	1
Total	**(809)**	**988**	**164**	**1,551**	**101**	**178**	**21**

Figures may not agree directly to the published ALB accounts, due to FReM alignment, intergroup eliminations, timing differences and other consolidation adjustments.

Tom Scholar
Permanent Secretary

16 July 2021

6 Financial Reporting Advisory Board, IUK Investments Holdings Ltd, Help to Buy (HMT) Ltd, Royal Mint Advisory Committee and HM Treasury UK Sovereign Sukuk plc are excluded from the table as nil for all columns.

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of HM Treasury and of its Departmental Group for the year ended 31 March 2021 under the Government Resources and Accounts Act 2000. HM Treasury comprises the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) (No. 2) Order 2020. The financial statements comprise: HM Treasury's and the Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

I have also audited the Statement of Outturn against Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion, the financial statements:

- give a true and fair view of the state of HM Treasury's and the Departmental Group's affairs as at 31 March 2021 and of HM Treasury's and the Departmental Group's net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2021 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

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

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

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

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of authorities	
Authorising legislation	Government Resources and Accounts Act 2000
Parliamentary authorities	Supply and Appropriation Acts
HM Treasury and related authorities	Managing Public Money

Conclusions relating to going concern

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

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on HM Treasury's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for HM Treasury is adopted in consideration of the requirements set out in HM Treasury's Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in the my professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

I consider the following areas of particular audit focus to be those areas that had the greatest effect on my overall audit strategy, the allocation of resources in my audit and directing the efforts of the audit team in the current year. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around management override of controls, an area where my work has not identified any matters to report.

The areas of focus were discussed with the Audit and Risk Committee; their report on matters that they considered to be significant to the financial statements is set out in the governance statement.

In this year's report the following changes to the risks identified have been made compared to my prior year report:

- The UK Asset Resolution (UKAR) loans to banking customers were sold during the year, with cash received in March. The loans to banking customers are therefore no longer on the Group Statement of Financial Position at year end and I have removed this risk as a result.
- There is no significant risk of a breach of Capital Annually Managed Expenditure (C-AME) as HM Treasury are within their C-AME limit following the sale of UKAR loans.
- I have separated out the risk in respect of HM Treasury's indemnity to the Bank of England and the Covid Corporate Financing Facility from the significant risk in relation to the potential impact of the COVID-19 pandemic on amounts recognised within the financial statements. Both are included as key audit matters below.

Key audit matter 1 - EU Financial Settlement

Description of risk

The UK left the European Union (EU) on 31 January 2020 under terms defined by the Withdrawal Agreement. The Agreement includes a Financial Settlement and sets out the various rights and obligations of the UK and EU during the transition period and beyond. These include financial rights and obligations that fall to HM Treasury. The transition period ended on 31 December 2020. I have identified a significant risk of material misstatement in the HM Treasury accounts because of the underlying complexity and sensitivity of judgements surrounding interpretation of the withdrawal agreement. I consider this area to be a key audit matter.

The specific areas of risk identified by my audit are:

- Completeness and classification: the end of the transition period means that the classification of assets and liabilities may need to change, including where those previously considered to be contingent, have now crystallised. There is also a risk of misstatement if liabilities due to, or from the UK are not identified for inclusion within the financial statements; or if information received after the reporting date, such as the publication of the European Commission's annual accounts, provides additional evidence in relation to events or conditions in existence at 31 March.
- Valuation: the valuation of items arising from the Withdrawal Agreement requires the use of different estimation techniques, with varying degrees of complexity, that utilise a range of inputs and assumptions with varying degrees of sensitivity. For some of these estimates, there is a high level of estimation uncertainty. Reports received from the European Commission, in accordance with the requirements of the Withdrawal Agreement, may also provide additional information that HM Treasury will need to consider when preparing these estimates.

How the scope of my audit responded to the risk	My response to addressing the risk of material misstatement in this area included: • reviewing governance processes and the design of controls in place over the models used to prepare the estimates, and the process in place to ensure appropriate balances and disclosures derived from these models are appropriately included in the financial statements; • undertaking review of previous judgements on recognition to ensure these remain valid and to identify any changes required due to the end of the Transition Period on the 31 December 2020. I have also considered whether the financial reporting impact of these is appropriately recognised and disclosed within the financial statements;

- reviewing the models used in preparing the estimates, to confirm the estimates drawn from these models are reasonable, based on relevant information, and follow an appropriate measurement methodology;
- identifying where management have used experts and evaluating the competence, capabilities and experience of those experts. This has included confirming that the scope of their work is appropriate and sufficient for the purposes relied upon by management;
- engaging my own experts in Modelling, Economics and Statistics, Corporate Finance and Actuaries to support my work evaluating the methodology, logical integrity and assumptions applied in the estimates performed by management;
- reviewing management's assessment of the level of uncertainty present within these estimates and the processes in place to address this uncertainty;
- evaluating and challenging management's assessment of information received after the reporting date, including additional reporting under the withdrawal agreement as well as information published within the European Commission's own accounts. This included requesting and reviewing management's comparison of the balances reported in the European Commission's 2020 accounts with their own assessment; and
- reviewing the proposed disclosures required under the Government Financial Reporting Manual and Managing Public Money to ensure that these are adequate and sufficient for readers to be able to gauge the level of estimation uncertainty within the amounts recognised and disclosed.

Key observations

Based upon the evidence reviewed and the audit work completed, I am satisfied that the amounts recognised within the financial statements are appropriate.

I have found that HM Treasury's recognition and measurement of assets and liabilities within the Departmental and Group accounts identified in the Withdrawal Agreement to be complete and accurate.

	I have found that the models prepared by management use appropriate input data and apply reasonable and appropriate measurement techniques based on the data available. Key judgements and sensitivities are disclosed in notes 1.4 and 17.2 respectively. The Department has used the discount rates mandated by the Government Financial Reporting Manual, the basis for which is explained in note 17 and 24. Future cash flows are denominated in Euros, and therefore valuations are particularly sensitive to future change in exchange rate also explained in note 17 and 24. I note that the nature of the data available to the Department in estimating the value of assets and liabilities has limitations that require management to make significant judgements. This, together with the long term and forward-looking nature of the estimates involved, heightens the level of uncertainty in the valuation.

Key audit matter 2 - BEAPFF valuation

Description of risk

HM Treasury provides an indemnity to the Bank of England over its loan to the Bank of England Asset Purchase Facility Fund (BEAPFF). The indemnity is recognised as a derivative financial instrument in HM Treasury's accounts - a derivative asset of £15.2 billion as at 31 March 2021.

BEAPFF prepares its 2020-21 financial statements to 28 February, one month before HM Treasury's reporting date. HM Treasury uses BEAPFF's management accounts to establish the value of the derivative at year end. Due to the non-coterminous year ends, the magnitude of the debt security holdings and volatility to market prices, I identified the valuation of the indemnity as a significant risk and key audit matter.

How the scope of my audit responded to the risk	My response to addressing the risk of material misstatement in this area included: • assessing the design and implementation of controls, carried out by HM Treasury, to ensure that the figures reported in the BEAPFF management accounts for March 2021 are sufficiently accurate to use for the valuation of the BEAPFF derivative asset in HM Treasury's accounts; • using the work of my team auditing the BEAPFF financial statements to obtain assurance over the derivative value at 28 February 2021;

- verifying the movements in assets and liabilities between 28 February and 31 March;
- confirming the asset holdings at year end to independent sources to ensure these are complete and accurate;
- independently confirming that the quoted market prices used by HM Treasury are within a reasonable variance using an independent market source;
- confirming that management have performed the calculations and processes underpinning the valuation appropriately and applied these accurately; and
- considering movements in the valuation of the derivative after the reporting date, to confirm whether additional disclosure in respect of events after the reporting date are required.

Key observations

Based upon the evidence reviewed and the audit work completed, I am satisfied that the amounts recognised within the financial statements are appropriate. I did not identify any misstatements as a result of the work I have performed.

As explained in note 24, quoted market prices may vary reasonably between reputable sources. I am content that management have accurately used appropriate pricing data but note that, as indicated by management's sensitivity analysis, small variations from using alternative data sources would have a material impact on the accounts.

Key audit matter 3 - CCFF derivative

Description of risk

HM Treasury launched the COVID Corporate Financing Facility (CCFF) in March 2020. The company is funded by a loan from the Bank of England which is in turn indemnified by HM Treasury. At year end, the fair value of commercial paper held by the scheme was £7.9bn. The indemnity is recognised as a derivative financial instrument in HM Treasury's accounts - a derivative asset of £21m as at 31 March 2021.

Similar to BEAPFF, the CCFF prepares its financial statements to 28 February, one month before HM Treasury's reporting date. HM Treasury needs to ensure that an appropriate asset valuation methodology is applied, consistent with the requirements of the Government Financial Reporting Manual, which takes account of the credit risk of the underlying borrowers to the scheme. The calculation of credit risk is an area of management judgement. HM Treasury will also need to ensure that sufficient disclosure is included within the financial statements, to comply with financial reporting requirements.

Due to the non-coterminous year ends, the magnitude of the holdings, and potential changes to credit risk of underlying borrowers, the valuation could change materially between 28 February and 31 March. I have identified a significant risk per ISA (UK) 315 and a key audit matter as a result.

How the scope of my audit responded to the risk

My response to addressing the risk of material misstatement in this area included:

- evaluating the design and implementation of the controls that HM Treasury has in place to ensure the derivative asset is not materially misstated;
- reviewing HM Treasury's accounting treatment for the indemnity provided to the Bank of England in respect of losses incurred over the life of the scheme;
- reviewing and relying on the work performed by my team auditing the CCFF accounts, which utilised Corporate Finance expertise, on the appropriateness of the asset valuation methodology applied. This included consideration of the credit spreads used;
- re-calculating the CCFF portfolio valuation independently and performing sensitivity testing on the inputs;
- reconciling the trade log and bank statement to the March year-end position as well as the Bank of England loan balance; and
- confirming that sufficient disclosures in line with financial reporting requirements, have been adequately included within the financial statements.

Key observations

Based upon the evidence, I am satisfied that the amounts recognised within the financial statements are appropriate. I did not identify any misstatements as a result of the work I have performed.

I am content that all required disclosures are included within the financial statements.

Key audit matter 4 - Impact of COVID-19

Description of risk

The COVID-19 pandemic has resulted in widespread economic and financial disruption within the UK and global economy. In response, the Chancellor of the Exchequer announced a range of initiatives intended to support businesses and jobs.

The changed economic and fiscal outlook caused by the COVID-19 pandemic has a number of potential impacts on HM Treasury's financial statements:

- Changes in the economic climate for the short and medium term has a pervasive impact on HM Treasury's financial statements. As a result, a number of account balances face potentially material measurement issues. These include items measured at fair value, assessment of forward-looking expected credit losses, appropriateness of actuarial assumptions, and the assessment of provisions. There is a risk that these will not be updated to sufficiently reflect changing economic conditions and forecasts at the reporting date or have been applied inconsistently or inappropriately.
- The Chancellor of the Exchequer, and HM Government more broadly, have introduced a wide array of initiatives aimed at supporting individuals and companies during the challenges posed by the pandemic. There is therefore a risk that the reporting of financial impacts within HM Treasury's financial statements is not complete.

I have identified a significant risk of material misstatement under ISA (UK) 315 and a key audit matter as a result.

How the scope of my audit responded to the risk	My response to addressing the risk of material misstatement in this area included: • reviewing the design and implementation of controls in place at HM Treasury to ensure that the financial reporting implications of the impact of the pandemic are identified, considered and appropriately included in the financial statements; • performing my own assessment of management's consideration to confirm that it is adequate and complete; • reviewing all account balances potentially affected by the pandemic, for example those relying on forward looking estimates of economic conditions, to ensure that relevant assumptions, measurements and assessments remain valid and that HM Treasury's accounts are materially correct; • performing a completeness assessment of government initiatives made in response to the COVID-19 pandemic to ensure that, where

appropriate, all relevant financial statements impacts are captured in HM Treasury's accounts; and

- considering management's assessment of events after the reporting period to ensure that it is complete and that the requirements of IAS 10 *Events after the reporting period* have been applied appropriately.

Key observations

Based upon the evidence I am satisfied that the amounts recognised within the financial statements are appropriate. I did not identify any misstatements as a result of the work I have performed.

Key audit matter 5 - UKAR Defined Benefit Pension Liability

Description of risk

The HM Treasury Group financial statements recognise a net pension asset in relation to the closed defined benefit pension schemes recognised by UKAR. These consists of a gross defined benefit pension liability and the offsetting scheme assets.

The gross defined benefit pension liability is highly material to the financial statements and subject to a high level of estimation uncertainty and, to a lesser extent, management judgement. As such the valuation of the defined benefit pension scheme liabilities has been recognised as a significant risk per ISA (UK) 315 and a key audit matter in respect to the audit of the Departmental Group.

The scheme assets include a buy-in policy that is intrinsically linked to the scheme liabilities, and so this asset was scoped into the significant risk. All other pension assets continue to be recognised as an area of limited management judgement, due to the balance being primarily made up of assets with externally quoted prices. The estimation uncertainty for the asset balance is lower than for the liabilities and as such is not considered to represent a material risk of misstatement.

How the scope of my audit responded to the risk

My audit approach was based upon review and assessment of the work performed by the UKAR component audit team in respect to UKAR's defined benefit pension schemes. The UKAR team's approach to the risk included:

- evaluating the design and implementation of the controls that UKAR has in place to ensure the liability is not materially misstated. This has included consideration of management's review of assumptions used, and final IAS 19 report issued to support the valuation of the liability;

- evaluating the design and implementation of controls over membership data in place as the pension scheme administrator;
- reviewing the actuary's report and agreement to the accounts;
- performing procedures to earn the right to rely on the work of the scheme actuary as a management expert in accordance with ISA 500 Audit Evidence;
- engaging with our own actuarial experts to obtain assurance over the reasonableness of key assumptions used by the actuary in calculating the liability;
- review of policy documentation for the NRAM pension scheme buy-in policy; and
- performing procedures to obtain assurance over membership data and other inputs used to calculate the liability.

Key observations

I have obtained sufficient assurance over this risk through my substantive testing. I did not identify any misstatements as a result of the work I have performed.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for the Department's financial statements as a whole as follows:

	Departmental group	Department
Overall Account Materiality	£153m	£152m
Basis for determining overall account materiality	1% of the BEAPFF Derivative Financial Asset of £15.2bn (1% of BEAPFF asset value of £73.6bn in 2019-20)	1% of the BEAPFF Derivative Financial Asset of £15.2bn (1% of BEAPFF asset value of £73.6bn in 2019-20)
Rationale for the benchmark applied (overall account materiality)	The role of HM Treasury that is principally shown within the financial statements is its role acting as a custodian of assets. The BEAPFF derivative financial asset is the most significant asset within the financial statements and the item we consider of most interest to users, being taxpayers' exposure to the gains and losses of the BEAPFF.	The role of HM Treasury that is principally shown within the financial statements is its role acting as a custodian of assets. The BEAPFF derivative financial asset is the most significant asset within the financial statements and the item we consider of most interest to users, being taxpayers' exposure to the gains and losses of the BEAPFF.
Residual Account Materiality (for balances excluding BEAPFF and the EU Financial Settlement)	£146m	£140m
Basis for determining residual account materiality	0.5% of the residual asset base of £29.2bn (0.5% of residual asset base of £23.8bn in 2019-20)	0.5% of the residual asset base of £28bn (0.5% of residual asset base of £23.8bn in 2019-20)
Rationale for the benchmark applied (residual account materiality)	Despite the dominance of the BEAPFF derivative within HMT's balance sheet, I consider that the readers of the accounts would also have a significant level of interest in other balances that reflect HMT's delivery of wider policies. I do not consider that this interest is diminished by the presence of the BEAPFF derivative. Therefore it is appropriate to adopt lower materiality for other balances in the accounts.	Despite the dominance of the BEAPFF derivative within HMT's balance sheet, I consider that the readers of the accounts would also have a significant level of interest in other balances that reflect HMT's delivery of wider policies. I do not consider that this interest is diminished by the presence of the BEAPFF derivative. Therefore it is appropriate to adopt lower materiality for other balances in the accounts.

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 85% of Group materiality for the 2020-21 audit (2019-20: 85%).

Other Materiality Considerations

There were significant revisions to materiality threshold as the audit progressed. The value of the BEAPFF indemnity fell significantly during the year, and this was reflected in the overall materiality level. Initially I also included a separate materiality for items relating to the EU financial settlement (as in 2019-20). This is because I considered that users of the financial statements are particularly interested in this item. At the planning stage of my audit, I selected the net EU financial settlement as a separate materiality benchmark, calculating the separate materiality as 0.5% of that balance. However, when I recalculated my materiality benchmarks using draft financial statement figures this materiality level aligned to the updated overall materiality level and was therefore not required as a separate materiality level.

As well as quantitative materiality there are certain matters that, by their very nature, would if not corrected influence the decisions of users, for example, any errors reported in the Accountability Report. Assessment of such matters would need to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing audit work in support of my opinion on regularity and evaluating the impact of any irregular transactions, I took into account both quantitative and qualitative aspects that I consider would reasonably influence the decisions of users of the financial statements.

Error Reporting Threshold

I agreed with the Audit and Risk Committee that I would report to it all individual uncorrected misstatements identified through my audit in excess of £1 million, as well as all uncorrected misstatements in aggregate whose individual values are between £300,000 and £1 million. I undertook to report differences below this threshold that in my view warranted reporting on qualitative grounds.

I also report to the Audit and Risk Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

Total unadjusted audit differences reported to the Audit and Risk Committee have increased net expenditure and decreased net assets by £9m.

Audit scope

The scope of my Departmental Group audit was determined by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

I identified three significant components for my audit of the Departmental Group: HM Treasury, UKAR and Reclaim Fund Limited (RFL); with FSCS being classed as a material non-significant component. Together these represent 99% of the group's gross assets.

I carried out a full audit of HM Treasury as part of the audit of the Departmental Group and had regular involvement in my statutory audit of UKAR, particularly in respect of the significant risk that I have identified in relation to the UKAR Defined Benefit Pension Liabilities. I also worked closely with the component audit team carrying out the work on the RFL component to ensure that the required assurances could be obtained from the work which they were conducting on my behalf. This work covered substantially all of the group's assets and net income, and together with the procedures performed at the group level, gave me the evidence I needed for my opinion on the group financial statements as a whole.

Other Information

The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate 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. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

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

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Responsibilities of the Accounting Officer for the financial statements

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

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing HM Treasury's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by HM Treasury will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

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

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

My procedures included the following:

- inquiring of management, the internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to HM Treasury's policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including HM Treasury's controls relating to the Government Resources and Accounts Act 2000 and Supply and Appropriation (Anticipation and Adjustments) Act 2021.
- discussing among the engagement team, including the significant component audit team and relevant internal and external specialists in Modelling, Economics and Statistics, Corporate Finance and Actuaries, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals, bias in management estimates;
- obtaining an understanding of HM Treasury's framework of authority as well as other legal and regulatory frameworks that HM Treasury and the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of HM Treasury. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000 and Supply and Appropriation (Anticipation and Adjustments) Act 2021, Managing Public Money, European Union (Withdrawal Agreement) Act 2020, Bank of England Act 1998, employment law, tax legislation and pensions legislation;

- review internal audit reports; and
- reviewing board minutes.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, internal audit and the Audit and Risk Committee, concerning actual and potential litigation and claims, as well as any investigations or enforcement action being undertaken by a relevant authority;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- confirming compliance with Managing Public Money where this is relevant to my audit of the financial statements and of the parts of the Accountability report that are described in that report as having been audited. I performed this by confirming that relevant approvals required under Managing Public Money have been obtained by management and that disclosures required by Managing Public Money have been appropriately included within the financial statements and are complete; and
- confirming that the department has complied with the parliamentary control totals set out in the Supply and Appropriations (Anticipation and Adjustments) Act 2021 by confirming that outturn is within the limits approved by Parliament, that the allocation of amounts to those parliamentary control categories is appropriate and that management have not vired amounts inappropriately between control totals approved by Parliament. I also performed work to confirm that journals which move amounts in favourable directions, from a parliamentary control total perspective, were appropriate and did not indicate fraud through management override of controls.

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

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

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

19 July 2021

Chapter 3

Financial statements

Consolidated Statement of Comprehensive Net Expenditure (SoCNE)

for the period ended 31 March 2021

In £m	Note	Core Treasury and Agencies 2020-21	Core Treasury and Agencies 2019-20	Group 2020-21	Group 2019-20 (Restated)[1]
Continuing operations					
Income from sale of goods and services		(40)	(39)	(40)	(39)
Other operating income	2	(1,706)	(334)	(2,469)	(1,093)
Total operating income		(1,746)	(373)	(2,509)	(1,132)
Staff costs	3	183	152	241	199
Purchase of goods and services	4	121	120	246	238
Other operating expenditure	5	(1,826)	39,301	(1,246)	39,899
Total operating expenditure		(1,522)	39,573	(759)	40,336
Net operating expenditure before financing		**(3,268)**	**39,200**	**(3,268)**	**39,204**
Capital grant in kind	9,11	(3,564)	-	(3,564)	-
Finance income	6	(817)	(3,891)	(252)	(1,183)
Finance expense		18	7	18	8
Revaluation of financial assets and liabilities	7	44,782	(37,136)	44,782	(37,136)
Net (income)/expenditure before tax		**37,151**	**(1,820)**	**37,716**	**893**
Taxation		-	-	4	-
Net (income)/expenditure after tax from continuing operations		**37,151**	**(1,820)**	**37,720**	**893**
Net (income)/expenditure after tax from discontinued operations	29	-	-	37	38
Total net (income)/expenditure after tax		**37,151**	**(1,820)**	**37,757**	**931**

[1] Prior periods have been restated due to the first-time consolidation of Reclaim Fund Ltd and the classification of NRAM and Bradford and Bingley (B&B) as a disposal group. See also Note 30 – Prior period restatements.

In £m	Note	Core Treasury and Agencies 2020-21	Core Treasury and Agencies 2019-20	Group 2020-21	Group 2019-20 (Restated)
Other comprehensive net (income)/ expenditure from continuing operations					
Items that will not be reclassified to net operating expenditure					
Revaluation of property plant and equipment		-	(3)	-	(3)
Net loss on assets recognised in reserves	11	(5,404)	12,425	(6,039)	9,631
Actuarial (gain) on pension scheme liabilities		-	-	198	(154)
Total other comprehensive net (income)/ expenditure from continuing operations		**(5,404)**	**12,422**	**(5,841)**	**9,474**
Other comprehensive net (income)/ expenditure from discontinued operations					
Items that may be reclassified to net operating expenditure when specific conditions are met					
Net loss on assets recognised in reserves		-	-	(101)	186
Net transfer from reserves and recognised as income in year		-	-	-	-
Total other comprehensive net (income)/ expenditure from discontinued operations		**-**	**-**	**(101)**	**186**
Net comprehensive (income)/expenditure for the year		**31,747**	**10,602**	**31,815**	**10,591**

The notes on pages 154 to 222 form part of these accounts.

Consolidated Statement of Financial Position (SoFP)

as at 31 March 2021

In £m	Note	Core Treasury and Agencies 2020-21	Core Treasury and Agencies 2019-20	Group 2020-21	Group 2019-20 (Restated)[2]	Group 2018-19 (Restated)[2]
Non-current assets						
Property, plant and equipment	8	170	172	201	203	161
Intangible assets		9	9	9	9	9
Trade and other receivables	9	3,971	2,030	3,894	1,909	506
Net pension asset	10	-	-	595	821	651
Equity Investments	11	26,766	21,145	21,316	15,060	24,553
Loans and investment	12	6	7	223	187	1,876
Loans to banking customers	13	-	-	-	4,144	4,747
Total non-current assets		**30,922**	**23,363**	**26,238**	**22,333**	**32,503**
Current assets						
Inventory		31	23	31	23	28
Trade and other receivables	9	1,080	304	1,166	446	5,751
Loans and investment	12	-	1,613	186	1,798	1,664
Loans to banking customers	13	-	-	-	564	778
Derivative financial assets	14	15,184	73,609	15,184	73,609	45,124
Cash and cash equivalents	15	5	66	4,096	1,609	1,422
Assets held for sale	29	-	-	1,656	-	-
Total current assets		**16,300**	**75,615**	**22,319**	**78,049**	**54,767**
Total assets		**47,222**	**98,978**	**48,557**	**100,382**	**87,270**
Current liabilities						
Trade and other payables	16	(622)	(295)	(1,070)	(691)	(891)
Provisions	17	(9,835)	(1,080)	(10,400)	(1,793)	(1,372)
Debt securities in issue		-	-	-	-	(204)
Financial guarantees	18	(19)	(18)	(19)	(18)	(23)
Liabilities held for sale	29	-	-	(55)	-	-
Total current liabilities		**(10,476)**	**(1,393)**	**(11,544)**	**(2,502)**	**(2,490)**
Non-current liabilities						
Trade and other payables	16	(386)	(428)	(557)	(558)	(476)
Provisions	17	(28,229)	(39,185)	(28,229)	(39,187)	(647)
Financial guarantees	18	(85)	(95)	(85)	(95)	(110)
Total non-current liabilities		**(28,700)**	**(39,708)**	**(28,871)**	**(39,840)**	**(1,233)**
Total assets less liabilities		**8,046**	**57,877**	**8,142**	**58,040**	**83,547**
Equity						
General fund	SoCTE	17,067	75,046	21,585	80,266	95,958
Fair value reserve	SoCTE	(9,071)	(17,219)	(14,521)	(23,405)	(13,588)
Revaluation reserve	SoCTE	50	50	50	50	47
Merger reserve	SoCTE	-	-	1,028	1,129	1,130
Total equity		**8,046**	**57,877**	**8,142**	**58,040**	**83,547**

The notes on pages 154 to 222 form part of these accounts.

Tom Scholar, Permanent Secretary
16 July 2021

[2] Prior periods have been restated due to the first-time consolidation of Reclaim Fund Ltd and the merger of the Pension reserve into the General fund. See also Note 30 – Prior period restatements.

Consolidated Statement of Changes in Taxpayers' Equity[3] (SoCTE)
for the period ended 31 March 2021

Group

In £m	Note	General fund	Fair value reserve	Re-valuation reserve	Merger reserve	Total reserves
Balance at 1 April 2019 (Restated)[2]		**95,958**	**(13,588)**	**47**	**1,130**	**83,547**
Net income/(expenditure) after tax		(931)	-	-	-	(931)
Change in CFERs payable to the Consolidated Fund	16	(49)	-	-	-	(49)
CFERs paid to the Consolidated Fund	SOPS 4.1	(7,361)	-	-	-	(7,361)
Change in excess cash payable to the Consolidated Fund	SOPS 4.1	(5)	-	-	-	(5)
Excess cash paid to the Consolidated Fund	SOPS 4.1	(7,507)	-	-	-	(7,507)
Consolidated Fund standing services		4	-	-	-	4
Actuarial gains and losses on pension schemes		154	-	-	-	154
Revaluation gains and losses		-	(9,817)	3	-	(9,814)
Transfers		1	-	-	(1)	-
Other movements		2	-	-	-	2
Balance at 31 March 2020 (Restated)[2]		**80,266**	**(23,405)**	**50**	**1,129**	**58,040**
Net income/(expenditure) after tax		(37,757)	-	-	-	(37,757)
Change in CFERs payable to the Consolidated Fund	16	15	-	-	-	15
CFERs paid to the Consolidated Fund	SOPS 4.1	(15,335)	-	-	-	(15,335)
Change in excess cash payable to the Consolidated Fund	SOPS 4.1	60	-	-	-	60
Excess cash paid to the Consolidated Fund	SOPS 4.1	(2,832)	-	-	-	(2,832)
Consolidated Fund standing services		5	-	-	-	5
Actuarial gains and losses on pension schemes		(198)	-	-	-	(198)
Revaluation gains and losses		-	6,140	-	-	6,140
Transfers		(2,643)	2,744	-	(101)	-
Other movements		4	-	-	-	4
Balance at 31 March 2021		**21,585**	**(14,521)**	**50**	**1,028**	**8,142**

The notes on pages 154 to 222 form part of these accounts.

3 This statement shows the movement in the year on the different reserves held by HM Treasury Group, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The Fair Value Reserve reflects the change in financial instrument asset values that have not been recognised as income or expenditure. The Revaluation Reserve reflects the change in other asset values that have not been recognised as income or expenditure. The General Fund represents the total assets less liabilities of a department, to the extent that the total is not represented by other reserves and financing items. The merger reserve was generated on 1 October 2010 when the UKAR acquired all the issued shares of B&B and NRAM plc from the Treasury Solicitor via a share-for-share exchange. The merger reserve represents the difference between the value attributed to the UKAR's investment in each company and the nominal value of the share capital issued by the Company in exchange.

Consolidated Statement of Changes in Taxpayers' Equity
for the period ended 31 March 2021

Core Treasury and Agencies

In £m	Note	General fund	Fair value reserve	Re-valuation reserve	Merger reserve	Total reserves
Balance at 1 April 2019		**88,142**	**(4,794)**	**47**	**-**	**83,395**
Net income/(expenditure) after tax		1,820	-	-	-	1,820
Change in CFERs payable to the Consolidated Fund	16	(49)	-	-	-	(49)
CFERs paid to the Consolidated Fund	SOPS 4.1	(7,361)	-	-	-	(7,361)
Change in excess cash payable to the Consolidated Fund	SOPS 4.1	(5)	-	-	-	(5)
Excess cash paid to the Consolidated Fund	SOPS 4.1	(7,507)	-	-	-	(7,507)
Consolidated Fund standing services		4	-	-	-	4
Revaluation gains and losses		-	(12,425)	3	-	(12,422)
Other movements		2	-	-	-	2
Balance at 31 March 2020		**75,046**	**(17,219)**	**50**	**-**	**57,877**
Net income/(expenditure) after tax		(37,151)	-	-	-	(37,151)
Change in CFERs payable to the Consolidated Fund	16	15	-	-	-	15
CFERs paid to the Consolidated Fund	SOPS 4.1	(15,335)	-	-	-	(15,335)
Change in excess cash payable to the Consolidated Fund	SOPS 4.1	60	-	-	-	60
Excess cash paid to the Consolidated Fund	SOPS 4.1	(2,832)	-	-	-	(2,832)
Consolidated Fund standing services		5	-	-	-	5
Revaluation gains and losses		-	5,404	-	-	5,404
Transfers		(2,744)	2,744	-	-	-
Other movements		3	-	-	-	3
Balance at 31 March 2021		**17,067**	**(9,071)**	**50**	**-**	**8,046**

The notes on pages 154 to 222 form part of these accounts.

Consolidated Statement of Cash Flows (SoCF)

for the period ended 31 March 2021

		Core Treasury and Agencies		Group	
In £m	**Note**	**2020-21**	**2019-20**	**2020-21**	**2019-20 (Restated)[1]**
Cash flows from operating activities					
Net operating income/(expenditure) before financing from continuing operations	SoCNE	3,268	(39,200)	3,268	(39,204)
Net operating income/(expenditure) before financing from discontinued operations		-	-	(30)	(225)
Other non-cash transactions	19	(1,959)	39,074	(1,901)	39,436
Changes in working capital		13	(71)	152	(34)
Corporation Tax paid		-	-	(15)	(46)
Use of provisions	17	(239)	(236)	(442)	(473)
Net cash flows from operating activities		**1,083**	**(433)**	**1,032**	**(546)**
Cash flows from investing activities					
Proceeds: derivative financial assets	14	13,663	7,137	13,663	7,137
Proceeds: sale of shares UK listed entities		1,125	-	1,125	-
Proceeds: sale of investment securities and other assets		-	-	211	95
Net cash outflows from debt securities in issue		-	-	-	(204)
Proceeds: interest, dividend and other finance income		668	4,726	198	2,202
Purchases: financial assets		(37)	(137)	(283)	(318)
Proceeds: repayment of financial assets		1,616	3,591	1,616	1,618
Advances and repayments of loans to banking customers		-	-	373	661
Proceeds: sale of loans to banking customers		-	-	4,459	4,474
Other investing activities		(14)	(12)	(15)	(65)
Net cash flow from investing activities		**17,021**	**15,305**	**21,347**	**15,600**
Cash flows from financing activities					
Cash from the Consolidated Fund (non-supply)		5	4	5	4
Advances from the Contingencies Fund		-	84	-	84
Repayments to the Contingencies Fund		-	(84)	-	(84)
Capital element of the PFI contract		(3)	(3)	(3)	(3)
Net cash flows from financing activities		**2**	**1**	**2**	**1**
Net increase in cash and cash equivalents before Adjustments		**18,106**	**14,873**	**22,381**	**15,055**
Payments of amounts due to the Consolidated Fund	SoCTE	(15,335)	(7,361)	(15,335)	(7,361)
Excess cash paid to the Consolidated Fund – current year	SoCTE	(2,766)	(7,446)	(2,766)	(7,446)
Excess cash paid to the Consolidated Fund – prior year balance	SoCTE	(66)	(61)	(66)	(61)
Net increase/(decrease) in cash and cash equivalents after adjustments	15	**(61)**	**5**	**4,214**	**187**
Cash and cash equivalents at the beginning of the period	15	66	61	1,609	1,422
Cash and cash equivalents at the end of the period[4]	15, 29	**5**	**66**	**5,823**	**1,609**

The notes on pages 154 to 222 form part of these accounts.

4 Cash and cash equivalents are a total of the balances for the continued and discontinued operations.

Notes to the Resource Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the Government Financial Reporting Manual 2020-21 (FReM) and the Government Resources and Accounts Act 2000. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted and interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of HM Treasury for the purpose of giving a true and fair view has been selected.

The particular policies adopted by HM Treasury are described below. In addition to the primary statements prepared under IFRS, the FReM requires HM Treasury to prepare a Statement of Outturn against Parliamentary Supply and supporting notes analysing the net resource outturn and capital outturn against control totals voted by Parliament through the Estimate. These are included within the Parliamentary Accountability section of this document.

HM Treasury is domiciled in the United Kingdom and is located at 1 Horse Guards Road, London. The presentational and functional currency is pound sterling.

In common with other government departments, the financing of HM Treasury's future service provision and liabilities are to be met by future grants of Supply and the application of future income, approved annually by Parliament. Parliament has authorised spending for 2021-22 in the Central Government Main Supply Estimates and there is no reason to believe that future approvals will not be made. It has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.1 Accounting convention

These accounts have been prepared on an accruals basis under the historical cost convention, modified to account for the revaluation of land and buildings and certain financial instruments to fair value, as determined by the relevant accounting standards and the bespoke accounts direction issued by HM Treasury.[5]

1.2 Basis of consolidation

These accounts consolidate Core Treasury and Agencies and those entities which fall within the Departmental Boundary as defined in the FReM and listed in the Designation Order 2020-21 issued by HM Treasury. Core Treasury and Agencies include HM Treasury plus Office of Financial Sanctions Implementation and Office of Tax Simplification along with the UK Debt Management Office, National Infrastructure Commission and the Government Internal Audit Agency who are recognised as executive agencies. Transactions between entities included in the reporting boundary are eliminated on consolidation. All entities other than Reclaim

[5] The bespoke accounts direction directs HMT to account for income received from the financial settlement of the EU Withdrawal Agreement within the consolidated group accounts, rather than in a trust statement.

Fund Ltd[6] have a 31 March reporting date. The Treasury Group includes, in addition to Core Treasury and Agencies:

Entity Name	Principal Activity
UK Asset Resolution Ltd (UKAR)	Financial institution
Financial Reporting Advisory Board	Advisory
Financial Services Compensation Scheme	Deposit guarantee scheme
UK Government Investments Ltd	Manage government shareholdings
Infrastructure Finance Unit Ltd	Provides infrastructure loans
IUK Investments Holdings Ltd	Investment in IUK Investments Ltd
IUK Investments Ltd	Investment in PF2 projects
Help to Buy (HMT) Ltd	Delivers the mortgage guarantee schemes
Office for Budget Responsibility	Independent fiscal watchdog
Royal Household Sovereign Grant	Public funding for the Royal Household
Royal Mint Advisory Committee	Advisory
HM Treasury UK Sovereign Sukuk plc	Issue of Sukuk
Reclaim Fund Ltd	Distribution of Dormant Assets

UKAR includes the consolidation of a number of arm's length bodies relating to NRAM Ltd and B&B plc.[7]

For details on HM Treasury's ownership interests in other entities which are not consolidated, refer to Note 11 – Equity Investments.

1.3 Standards issued but not yet effective

The Treasury Group has not early-adopted any new or amended standards in preparing these consolidated financial statements.

IFRS 16 Leases

IFRS 16 is being applied by HM Treasury in the FReM from 1 April 2022 with a limited option for early adoption from 1 April 2019. Four of the Treasury Group's entities with operating leases, UKAR, FSCS, UKGI and RFL have adopted IFRS 16 with effect from 1 April 2019 in line with their obligations under the Companies Act 2006. The Treasury Group has not early adopted IFRS 16, and therefore, the consolidated group numbers exclude the effect of early adoption unless trivial.

IFRS 16 specifies how an entity will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Treasury Group's expectation is that the adoption of IFRS 16 will result in an increase in reported assets (in the form of right-of-use assets) and reported liabilities (representing the obligation to make future lease payments). For leases where the

[6] Reclaim Fund Ltd has a 31 December reporting date.

[7] http://www.ukar.co.uk/about-us/financial-reports/2021

underlying asset has a low value, or where the lease term expires within 12 months from the date of transition, the Treasury Group will apply the recognition exemptions mandated by the FReM and lease costs will be expensed as incurred on a straight-line basis over the remaining term of the lease.

Ahead of the initial IFRS 16 transition date of 1 April 2020, the Treasury Group carried out an assessment of the impact of this standard on the financial statements. This assessment showed no material impact from transition at 1 April 2020. The Financial Reporting Advisory Board subsequently deferred the implementation of IFRS 16 in Central Government until 1 April 2022. The revised assessment at 31 March 2021 shows immaterial impacts. This assessment exercise will be reperformed again ahead of this deferred implementation date.

IFRS 17 Insurance Contracts

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2023 (subject to endorsement by the UK). The Treasury Group does not intend to early adopt IFRS 17.

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts. The Treasury Group impact assessment exercise will be performed ahead of the implementation date.

There are no other IFRS or IFRIC interpretations not yet effective that would be expected to have a material impact on the Treasury Group.

1.4 Significant judgements and estimates

Expected credit losses and impairments on loans and investment securities

The allowance for expected credit losses on loans and investment securities held at amortised cost is management’s estimate of losses expected at the reporting date, on the basis of a probability-weighted evaluation of a range of possible outcomes, based on historic, current and forward-looking information.

For those loans where recovery is being sought from an administrator, the expected credit losses are dependent on a similar evaluation of the possible timing and amount of repayment. A sensitivity analysis of capital recoveries for these loans is included in the credit risk section of Note 24.2 – Financial risk. In addition to assessing the amount of repayment, timing is also considered for interest free loans.

Impairments are recognised to reflect the cost of all interest free loans. The impairment loss equals the difference between the carrying value of the loan and the present value of the estimated future cash flows discounted at the Treasury discount rate applicable at inception of the loan. The actual amount of the future cash flows and their timing may differ significantly from the assumptions made for the purposes of determining the impairment allowances and consequently these allowances can be subject to variation as time progresses. These assumptions are reviewed at each reporting date.

Fair value of investment securities

Under IFRS 9 the Treasury Group's investment securities held by Reclaim Fund Ltd are held at amortised cost. Management intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. As these securities were entered into at commercial arm's length terms and are managed purely to generate financial returns, rather than to further a policy objective, discount rates specific to the loans were used, rather than the public sector financial instrument rates set out in the FReM[8] where those differed, as approved by HM Treasury.

Expected credit losses on loans to banking customers

UKAR Group did not categorise any loans to banking customers as 'stage 1' (see Note 1.12 – Accounting Policies, Assets Held for Sale). This is because ascertaining which loans had experienced a significant increase in credit risk since inception would be onerous and in some cases the information concerning credit quality at inception (which would have been in 2008 or earlier) may be incomplete. IFRS 9 permits the categorisation to omit stage 1 if the assessment of change in credit risk would involve 'undue cost and effort'.

Collective expected credit losses on loans were calculated using a statistical model. Forward-looking assessments are made which are dependent on economic assumptions including interest rates, unemployment and house price inflation, as well as other factors such as net mortgage advances and mortgage arrears. Economic assumptions were sourced from specialist economic analysts based on an initial management view provided by UKAR and approved by UKAR's Board.

These key assumptions were based on historic and current observed data trends and forward-looking information and were updated on a regular basis within agreed methodology to ensure the impairment allowance is entirely representative of the current portfolio. The accuracy of the impairment calculation would therefore be affected by unanticipated changes to the economic situation and assumptions which differed from actual outcomes.

A case was considered to be in default when it was 3 months in arrears or there were other indicators of credit impairment e.g. bankruptcy, forbearance, possession or for sale with a Law of Property Act receiver. In addition, all cases that were past their term end were treated as credit impaired. Payment holidays approved under COVID-19 forbearance were not considered as a trigger of default. Generally, a loan remained in stage 3 until it had been up to date for 3 consecutive months.

Fair value of loans to banking customers

Under IFRS 9 the Treasury Group's loans to customers were carried at fair value. Consistent with IFRS 13 'Fair Value Measurement' an 'income approach' had been adopted to valuations. Fair value was calculated using models which discounted expected future cash flows to present value using market interest rates, the inputs to which require judgements. A meeting of subject matter experts reviewed the fair

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[8] The FReM states, "Where future cash flows are discounted to measure fair value, entities should use the higher of the rate intrinsic to the financial instrument and the real financial instrument discount rate set by HM Treasury promulgated in PES (Public Expenditure System) papers, as applied to the flows expressed in current prices."

value modelling assumptions on a quarterly basis. Expected future cash flows took account of estimated future losses and assumed redemptions and were consistent with the cash flows used in the base scenario for impairment. Discount rates represented the blended rate between the cost of debt and the cost of equity and were determined by management incorporating the experience gained of market structures and pricing from recent sales transactions. As these loans were entered into at commercial arm's length terms prior to their acquisition by the public sector, discount rates specific to the loans were used, rather than the public sector financial instrument rates set out in the FReM[8] where those differed, as approved by HM Treasury.

The valuation was regarded as Level 3 (see note 25 – Fair Value Hierarchy) as certain significant inputs to the valuation were defined as 'unobservable', i.e. inputs for which market data are not available; the most significant unobservable inputs were the expected future cash flows.

Equity investments

Under IFRS 9, equity instruments have been classified as held at fair value through other comprehensive income (FVOCI) and all changes in fair value are taken to reserves.

Valuation of unlisted equity investments

Net asset value has been used as a proxy for fair value in the valuation of HM Treasury's unlisted equity investments. Net assets are considered to be a good proxy for fair value for unlisted entities because the underlying assets of each entity are held at fair value with reference to either the market value or, when this is not available, discounted cashflows. Management has assessed the impact of COVID-19 on assets held at net asset value and determined that this continues to provide a good proxy for fair value.

Provisions

Recognition and valuation of provisions rely on the application of professional judgment, historical experience, and other factors expected to influence future events. A provision is recognised where the likelihood of a liability crystallising is probable and where such provision can be measured with reasonable certainty. Provision balances which contain regular, similar transactions are often derived from financial models. Estimates and assumptions applied in these models are routinely evaluated and reviewed.

Provisions related to EU financial settlement

The provisions compose principally obligations in respect of EU pensions, the Joint Sickness Insurance Scheme (JSIS) and outstanding EU Budgetary commitments (the so-called RAL[9]) at the end of 2020. The UK obligation in respect of EU pensions is estimated on the basis of information in the EU's 2020 audited consolidated accounts, and apply the estimated UK post 2020 financing share to end 2020 EU pension obligations, adjusting for the difference in discount rates used in EU accounts and those required under the HM Treasury Financial Reporting Manual.

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[9] The Reste à Liquider (RAL or outstanding commitments) is the sum of commitments agreed but that have not yet turned into payments.

The UK's post 2020 financing share (the average proportion of the EU Budget over 2014-20 financed by the UK) is estimated based on historical outturn contributions as set out in article 139 of the Withdrawal Agreement, this remains provisional until February 2022.

The obligation in respect of JSIS is estimated on the basis of the UK's post 2020 financing share of the employer contributions to JSIS made on payment of the pension, to the extent the pension was accrued prior to 31 December 2020. This obligation therefore follows the same profile as estimated for the EU pensions. The contribution rate applied to the pre-tax pension payments at 31 March 2021 was 3.4% as set out by the legislation.

The Withdrawal Agreement provides the UK with an option of early settlement on a different valuation basis, as explained in Note 17 - Provisions. HMT has valued the provision using the default calculation basis set out at the beginning of paragraph 6 of Article 142 of the Withdrawal Agreement, i.e. assuming that HMT will not invoke the early settlement option, as this is considered to be HM Treasury's best estimate of how this obligation will be settled.

The obligation in respect of the RAL is estimated based on information in EU Budgets adopted on or before 31 March 2021 and associated budgetary implementation data provided to Member States and the UK. The estimated post 2020 financing share is applied to commitments in EU Budgets up to 2020 and adjusted for forecast implementation. The estimated level of decommitments (i.e. commitments that do not lead to payments) is based upon historical decommitment rates for the relevant programmes at the end of a Multiannual Financial Framework period.

The obligations of the financial settlement are principally denominated in Euros and therefore the sterling valuations are sensitive to changes in the Sterling/Euro exchange rate.

The accounting valuations for the pension related liabilities are sensitive to actuarial assumptions (e.g. life expectancy, inflation) for defined benefit pension obligations. The key assumptions are drawn from the EU's 2020 accounts, which provide the most recent audited estimate of the EU's pension obligations.

The value of the RAL is sensitive to the level of implementation of EU Budget commitments as not all commitments necessarily translate into payments.

See page 35 for further details on the financial settlement.

Receivables and payables related to EU financial operations in the financial settlement with the EU (Article 143 and 144)

UK financial rights and obligations in respect of certain EU financial operations cover by Articles 143 and 144 of the EU Withdrawal Agreement include rights and obligations to future cash flows and are accounted for as financial instruments under IFRS 9 Financial Instruments and measured at fair value. These articles cover a range of financial instruments. Those under Article 144 can only give rise to future cash inflows for HM Treasury. These instruments have been funded by the EU budget, and HM Treasury will receive a share of amounts recovered by the EU.

Instruments within the scope of Article 143 include two broad categories: those with associated guarantee funds to meet potential calls, and those without. Where the associated guarantee funds exceed calls HM Treasury will receive net cash inflows. The UK is entitled to a share of net revenue received by the EU arising from these operations, and certain EU guarantees generate fee income. To the extent the calls exceed the revenues generated and the associated guarantee funds, HM Treasury will have net cash outflows. For instruments without associated guarantee funds HM Treasury can only make cash outflows.

To measure the fair value of these instruments HM Treasury has made assumptions about the financial performance of the underlying instruments in order to forecast future cashflows, which are then discounted by applying the financial instrument rate set by HM Treasury, in accordance with the Financial Reporting Manual. The level of granular data available on the underlying operations (such as the ultimate counterparty, terms of the investments and credit risk) is minimal, and therefore HM Treasury make simplifying assumptions. This includes key assumptions in respect of the repayment profiles, risk of default, rate of recovery given default, as well as the revenue generated by the EU in relation to these underlying operations. In respect of the European Fund for Strategic Investments (under Article 143), the European Investment Bank collects revenue from the underlying operations which are assigned back to the Guarantee Fund via the EUs budget, the model assumes that there will be sufficient revenues to cover expected losses as per note 2.11.3 of the EU accounts 2020.

All the cash inflows and outflows are denominated in Euros. The sterling value of future net cashflows are sensitive to the Sterling/Euro exchange rate and the UK's post 2020 financing share (see above). The final counterparties for these operations include both sovereign's and corporate entities. For sovereign ratings, assumptions are based on Rating Agency information. For corporates (in the absence of specific data) credit quality is either assumed to be relative to the sovereign risks of the location country or type of finance, depending on the EU programme being modelled. Assumptions about the composition of the portfolios of corporates is based on the policy documentation produced by the EU for the associated programmes and information in the EU's accounts. These sources represent the most detailed, and in the case of the EU accounts third party assured, information on these instruments that is available to Member States of the EU. The provisioning rates used in the model are based on those communicated under the withdrawal agreement to HM Treasury in March 2021. The financial modelling has been cross checked against information reported to the UK under the terms of the Withdrawal Agreement.

Valuation of Covid Corporate Financing Facility Limited (CCFF) derivative

The CCFF related derivative is valued on the basis of the difference between the fair value of CCFF's assets and liabilities. Of these, the element which represents a significant management judgement is the fair valuation of the commercial paper held by CCFF.

As observable market prices are not available for the commercial paper held, the fair value is calculated using a discounted cash-flow model. The model uses market-based spreads so that valuations are reflective of actual market conditions. The market-based credit spreads are derived from indices which act as a proxy for the credit spreads of the commercial papers held in CCFF. Credit spreads are assigned to the commercial paper in accordance with its credit rating. Credit ratings are assigned either on the basis of public ratings from external rating agencies whenever they are available, or otherwise using confidential credit rating information. The discount factor in the model is calculated by using the Libor curve, as well as the indices' credit spread. The model assumes no early repayment. Management judgement has been applied in determining that the selected indices are appropriate for the purpose of the model. The model was subject to internal review and challenge under the Bank's own governance for such methodologies and was also reviewed in CCFF board meetings.

See also Note 24.4 – Financial Risk, Core Treasury and Agencies – Other.

Disposal Group

On 26 February 2021 UKAR entered into a contract which is expected to result in the sale of its 100% shareholdings in B&B and NRAM to Davidson Kempner (DK) in the summer of 2021. As at the Balance Sheet date it was considered that the sale of these shareholdings was highly probable, as defined in IFRS 5, and consequently a disposal group has been classified as held for sale. Judgement was applied as to which assets and liabilities should form part of the disposal group, as detailed in Note 29. The sale of the disposal group will be accounted for at the point that the shares in B&B and NRAM are transferred to the purchaser as this is the point at which the Treasury will cease to have any power or control over the subsidiaries.

The carrying value of the disposal group has been impaired, with the disposal group assets which are within the scope of the measurement principles of IFRS 5 being impaired to nil. IFRS 5 is unclear as to whether the amount of impairment of a disposal group should be restricted to the carrying amount of the assets against which the Treasury Group is permitted to apply the impairment. The Treasury Group has therefore chosen a policy of recognition of the full impairment charge and the creation of a separate balance described as 'excess impairment of the disposal group' to reduce the total carrying amount of the net assets in the disposal group to their fair value less costs to sell. It is considered appropriate to reflect the full impairment of the carrying value of the disposal group at 31 March 2021 as otherwise a loss on sale would be expected to be recognised in 2021-22. The carrying value of the disposal group has been impaired to fair value less costs to sell, in accordance with IFRS 5. The fair value was derived by reference to the agreed sale price.

1.5 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Treasury Group recognises revenue when it transfers control over a product or service to a customer.

Performance obligations and timing of revenue recognition

The Treasury Group's revenue is primarily derived from providing services, with revenue recognised at a point in time when the service has transferred to the customer. The significant income streams of the Treasury Group include levies received by FSCS and loan commitment fees from Pool Re. The levies received by

FSCS are not accounted for in accordance with IFRS 15 and hence the accounting policy is detailed separately below.

For loan commitment fees, the service being provided is the commitment to provide a loan. The performance obligation is that of standing ready to provide the loan and is satisfied over time as the commitment is available.

Voluntary gifts to the nation are recognised when cash is received.

Levies and dormant account monies

IFRS 15 is not applicable to FSCS' levies and RFL's amounts received in respect of dormant accounts represent receipts. In the absence of a standard or an interpretation that specifically applies to a transaction, other event or condition, management has used its judgement in developing and applying an accounting policy that results in information that is relevant and reliable in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

RFL's amounts received in respect of dormant accounts represent receipts, from participants, of dormant account monies and are recognised where it is virtually certain that future economic benefits will flow to the Company and these benefits can be measured reliably.

FSCS recognises levies receivable in respect of compensation costs on an accruals basis to match compensation costs net of recoveries recognised as income during the period. Any excess funds are ultimately repayable to the levy payer (with shortfalls similarly recoverable from the levy payer), by way of a return or a reduction in next year's levy, in accordance with the funding rules set by the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA).

1.6 Property, plant and equipment

Property, plant and equipment assets are initially recognised at cost. The threshold for capitalising non-current assets is £5,000 except for antiques where no threshold is set. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Treasury Group and the cost of the item can be measured reliably.

When an asset is disposed of, any gain or loss on disposal is calculated as the difference between the disposal proceeds and the carrying value of the asset and is recognised as profit or loss in the SoCNE.

The charge for depreciation or amortisation is calculated to write down the cost or valuation of property, plant and equipment and intangible assets to their estimated residual values by equal instalments over their estimated useful lives which are as follows:

Freehold and long leasehold buildings	40 to 50 years
Property improvements	7 to 50 years
Plant and machinery	3 to 12 years
Furniture, fixtures and fittings	5 to 20 years
IT equipment and other non-IT equipment	3 to 10 years

Subsequent to initial recognition, land and buildings are recorded at fair value, as interpreted by the FReM, on the basis of professional valuations, which are conducted at least once every 5 years with an interim desktop review being done once in-between.

1.7 Heritage Assets

The Sovereign Grant is used to maintain the land and buildings that are held by The Queen in trust for the nation and cannot be sold without the authority of the Department for Digital, Culture, Media and Sport. Owing to the incomparable nature of these properties, it is considered that conventional valuation techniques lack sufficient reliability and that, even if valuations could be obtained, the costs would be onerous compared with the additional benefits derived by the users of the accounts. As a result, no value is reported for these assets in the Statement of Financial Position.

1.8 Tax

Value Added Tax (VAT)

Many activities of HM Treasury are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

Corporation Tax

The charge for taxation is driven by UKAR’s results for the year but includes HM Treasury UK Sovereign Sukuk plc and other subsidiary companies that fall within the charge to Corporation Tax.

1.9 Operating segment reporting

In accordance with the relevant reporting requirements, including IFRS 8, the SOPS and supporting notes reflect net resource and capital outturn in line with the control totals voted by Parliament. The figures within SOPS 1.1 provide the income and expenditure totals associated with key business activities within the Treasury Group and reflect the HM Treasury business plan and the management information reported to the Board during the period.

1.10 Pensions

The Treasury Group operates several retirement benefit plans for its employees, including defined benefit plans, defined contribution plans and post-retirement healthcare benefits.

Defined benefit schemes

Pension benefits are provided through Civil Service pension arrangements as detailed in the Remuneration Report.

HM Treasury recognises the expected cost of future pension liabilities in a systematic and rational basis over the period during which it benefits from employees' service by payment to Civil Service pension schemes of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the scheme.

The FSCS, UKAR, and the Royal Household also operate defined benefit schemes that are separate from the Civil Service pension schemes and accounted for under IAS 19.

Defined contribution schemes

A defined contribution plan is a pension arrangement where the employer pays fixed contributions into a separate fund. The costs for the defined contribution schemes are recognised as an expense in the SoCNE as incurred. For defined contribution plans, the employer has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

FSCS, UKAR, RFL and the Royal Household operate defined contribution pension schemes.

One of the Royal Household's pension schemes, managed by the government, is not a funded scheme. The Royal Household is unable to identify the share of the underlying assets and liabilities of the scheme attributable to employees funded by the Sovereign Grant (or its equivalent in previous years) on a consistent and reasonable basis and therefore this scheme is treated as a defined contribution scheme.

1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held with financial institutions net of bank overdrafts. Highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value are also included. Such investments are normally those with less than 3 months' maturity from the date of acquisition.

1.12 Assets held for sale

In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', assets and liabilities are classified as 'held for sale' if they are available for immediate sale in their present condition, they are being actively marketed for sale at a reasonable price and sale is considered to be 'highly probable'. Financial assets within the scope of IFRS 9 are excluded from the measurement principles under IFRS 5 and continue to be measured at their IFRS 9 value. Assets held for sale are carried at the lower of their previous carrying amount and their fair value less costs to sell, other than assets for which the IFRS 5 measurement principles do not apply.

1.13 Financial instruments: financial assets

Initial recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, which is the date on which HM Treasury commits to purchase or sell the asset. Financial assets are recognised initially at their fair value plus, in the case of a financial asset not at fair value through profit & loss (FVP&L), transaction costs that are directly attributable to the acquisition or issue of the instrument. Financial assets carried at FVP&L are initially recognised at fair value and transaction costs are expensed in the SoCNE. Where the transaction price differs from fair value, the value at initial recognition is adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Subsequent measurement

After initial recognition, financial assets are measured at their fair values except for those assets which are designated as measured at amortised cost using the effective interest rate (EIR) method. The basis for designation as fair value or FVOCI is based on criteria set out in IFRS 9.

Fair value measurement

The Treasury Group measures certain financial instruments at fair value at each balance sheet date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value are summarised in the following notes:

Disclosures for valuation methods, significant judgements and estimates	Note 1.4
Disclosures of fair value measurement hierarchy	Note 25
Financial Instruments	Note 26

Movements in fair value are recognised in the SoCNE, except in the case of instruments categorised as FVOCI, in which the fair value movements are taken to the Fair Value Reserve, until realised when they are reclassified to the General Fund.

Derivative financial assets – Derivatives are initially recognised at fair value and subsequently re-measured to reflect changes in fair value. Fair values are obtained from quoted market prices in active markets and, where these are not available, from other valuation techniques including discounted cash flow models. See also Note 1.4 – Significant judgements and estimates

Classification

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Classification of financial assets is determined by the objectives of the business model under which the assets are managed and the contractual cash flow characteristics of those assets.

The business model may be considered to be one of holding the asset to collect the cash flows arising; holding the asset to collect the cash flows arising or to sell it, or; holding the asset to sell it. Assessment of the applicable business model was carried out at the date of first application of IFRS 9, i.e. 1 April 2018.

The contractual cash flow characteristics of an asset may be considered to be 'solely payments of principal and interest' (SPPI) or not to be SPPI.

Financial assets may be measured at amortised cost, FVP&L, or FVOCI.

The measurement classifications of financial assets are as follows:

	SPPI	Not SPPI
Held to collect	Amortised cost	FVP&L
Held to collect and sell	FVOCI	FVP&L
Held to sell	FVP&L	FVP&L

IFRS 9 permits an entity to make an irrevocable election to classify certain equity instruments at FVOCI rather than through profit and loss. This election is considered to be more appropriate for a group of strategic investments for which the election has been made.

Impairment

Further disclosures relating to impairment of financial assets are also provided in the following notes:

Loans and investment securities	Note 12
Loans to banking customers	Note 13
Equity Investments	Note 11

Impairment identification

IFRS 9 requires that expected credit losses (ECL) are calculated using a range of forward-looking economic scenarios, weighted by the estimated probability of each scenario.

The Treasury Group recognises either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI.

Each financial asset is categorised as 'stage 1', 'stage 2' or 'stage 3':

- stage 1 assets are those for which there has been no significant increase in credit risk since the asset's origination
- stage 2 assets are those for which there has been a significant increase in credit risk since the asset's origination
- stage 3 assets are those which are in default

In respect of stage 1 assets, the impairment provision reflects the next 12 months' expected losses. In respect of stage 2 and 3 assets, the impairment provision reflects full lifetime expected losses. In respect of stage 3 assets, interest income is recognised only in respect of the balance net of impairment.

For trade receivables, contract receivables and lease receivables, the Treasury Group recognises impairment losses using the simplified approach required by FReM. Under this approach, a lifetime ECL is recognised for all assets.

Assets carried at amortised cost – For financial assets carried at amortised cost, the Treasury Group first considers whether an impairment is required for those assets considered significant in their own right. For those assets which are not considered individually significant, these are assessed for evidence of impairment on a collective basis.

Loans and investment securities – Evidence considered when assessing an impairment loss includes the probability of future delinquency in contractual payments of principal, interest or cash flow difficulties experienced by the borrower, the likelihood of breach of loan covenants or conditions or any future deterioration in the value of collateral.

Loans to banking customers – For loans to banking customers, an assessment is made as to whether an impairment provision should be made on an individual or collective basis. Loans where an individual assessment is made include all loans in possession or held for sale with a Law of Property Act ('LPA') receiver and any others which management consider to be individually impaired.

All loans that have been assessed as having no individual impairment are then grouped together with those of similar characteristics and assessed collectively. For each loan category an assessment is made of forecast cash flows against contractual cash flows over the life of the loan. Both cash flows are discounted, using the loan's effective interest rate (EIR). Where there is a shortfall on the discounted forecast cash flow compared to the discounted contractual cash flow, a provision is made.

Equity Investments – In the case of equity investments held at FVOCI, a decline in the fair value of the asset is reflective of a reduction in the expected returns on the investment. This reduction in fair value is shown within other comprehensive income through the fair value reserve.

Impairment measurement

Assets carried at amortised cost – The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate applicable at the inception of the loan. The carrying amount of the asset is reduced in the SoFP by the amount of this expected credit loss and the loss is recognised in the SoCNE. The present value of estimated future cashflows is based on a probability-weighted evaluation of a range of possible outcomes, based on historic, current and forward-looking information.

FVOCI assets – For loans to banking customers (debt instruments held at FVOCI), any impairment is measured as the difference between discounted contractual cash flows and discounted forecast cash flows, assessed in accordance with the ECL model outlined above. The amount of this expected credit loss is recognised in the

SoCNE and does not reduce the carrying amount of the loan in the SoFP. Impairments are not recognised for equity investments held at FVOCI as a reduction in expected returns will be reflected in a decline in fair value, shown within other comprehensive income through the fair value reserve.

De-recognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Treasury Group has transferred substantially all the risks and rewards of ownership. The investments in FVOCI assets have been recognised on a tranche-by-tranche basis where different lots of the same security have been purchased at a different price level. The gain or loss on these securities will be accounted for on a first-in-first-out basis when they are eventually disposed.

1.14 Financial Instruments: financial liabilities

Recognition

Financial liabilities are initially recognised on the date on which they originate.

Measurement

Financial liabilities are measured at amortised cost using the effective interest rate (EIR) method or at FVP&L. The only financial liabilities at FVP&L that the Treasury Group holds are in respect of derivatives.

Classification

Financial liabilities are classified on initial recognition as either at FVP&L, or financial liabilities measured at amortised cost:

Financial liabilities at fair value through profit or loss	Financial liabilities at FVP&L are liabilities held for trading or designated as at FVP&L.
Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. Trade and other payables, borrowings and bank overdrafts are classified as financial liabilities measured at amortised cost.

Derivative financial liabilities

Derivatives are measured initially at fair value and subsequently re-measured to reflect changes in fair value. Fair values are obtained from quoted market prices in active markets and, where these are not available, from other valuation techniques including discounted cash flow models.

Derecognition

Financial liabilities are derecognised if the Treasury Group's obligations specified in the contract expire, are discharged or cancelled.

1.15 Provisions, contingent liabilities and contingent assets

Provisions are carried in respect of certain known or forecast future expenditure. Under IAS 37, provisions are recognised when there is a present obligation arising from past events, it is probable that a transfer of economic benefits will be required, and a reliable estimate can be made. Where the future payment amount is unknown provisions are set at a level which covers the estimated number of future payments and the estimated average payment amount. In calculating provisions, future payments may be subject to discount rates depending on the expected timing of cash flows. Provisions are calculated using the best available information, but the actual outcomes of items provided for, may differ from expectations.

Contingent liabilities and contingent assets are not recognised as liabilities or assets in the SoFP but are disclosed in the notes to the Accounts. A contingent liability is either: a possible obligation arising from past events, the existence of which will be confirmed by the occurrence or non-occurrence of one or more uncertain future events, or; it is a present obligation arising from past events but is not recognised because either an outflow of economic benefits is not probable to settle the obligation or the amount of the obligation cannot be reliably estimated. A contingent asset is a possible asset whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of HM Treasury. Where the time value of money is material, the contingent liabilities and assets are stated at discounted amounts.

In addition to contingent liabilities disclosed in the accounts in accordance with IAS 37, HM Treasury discloses within its accountability report, for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities outside the scope of IAS 37 which have been reported to Parliament in accordance with the requirements of Managing Public Money.

1.16 Debt and equity securities in issue

Issued securities, including capital instruments, are classified as liabilities where the contractual arrangements result in the issuer having an obligation to deliver either cash or another financial asset to the security holder, or to exchange financial instruments under conditions that are potentially unfavourable to the issuer. Issued securities include ordinary and preference share capital. Preference shares are classified as equity instruments where dividend payments and redemptions are discretionary.

On initial recognition, debt issued is measured at its fair value of directly attributable issue and transaction costs. Subsequent measurements are at amortised cost using the EIR method to amortise attributable issue and transaction costs, premium and discounts over the life of the instrument. These costs are charged along with interest on the debt to interest expense and similar charges. Unamortised amounts are added to or deducted from the carrying value of the instrument.

Equity instruments (including share capital) are initially recognised at net proceeds, after deducting transaction costs and any related Income Tax.

1.17 Financial guarantees

Financial guarantee liabilities and associated receivables are initially recognised in the financial statements at fair value on the date the guarantee was given. The period over which the receivables and the associated liabilities have been recognised is over the length of these guarantees. Guarantee arrangements are re-assessed at every subsequent reporting date and estimates for the assets and liabilities relating to the guarantees are adjusted if necessary.

The fair value of financial guarantee liabilities at initial recognition is estimated as the fair value of the guarantee fee income.

Subsequent measurement of liabilities under financial guarantees is measured at the higher of the initial measurement, less amortised fee income recognised in the SoCNE as the service is provided; and the amount of the loss allowance for expected credit losses at the reporting date. Any increase in the liability relating to guarantees is taken to the SoCNE.

1.18 Off-balance sheet loan commitments

Off-balance sheet loan commitments are disclosed in Note 20 – Commitments. They comprise commitments to advance cash sums and to allow drawdown of monies previously overpaid (where the terms of the loan specifically allow). In respect of monthly drawdown products, the commitment reflects an estimate of the future drawdowns to redemption.

Under IFRS 9 an impairment provision for expected credit losses is required to be held against undrawn loan commitments. The impairment provision for each loan considers the expected drawdown on the loan commitment.

1.19 Foreign currencies

Transactions which are not denominated in pounds sterling are translated at the spot rate of exchange on the date of the transaction. Monetary assets and liabilities which are not denominated in pounds sterling are translated at the closing rate of exchange at the reporting year-end date. Foreign exchange gains and losses resulting from the restatement and settlement of such transactions are recognised in the SoCNE.

2. Other operating income

	Core Treasury and Agencies		Group	
In £m	**2020-21**	**2019-20**	**2020-21**	**2019-20 (Restated)**
Fees and charges	(181)	(306)	(181)	(297)
Levies	-	-	(600)	(576)
Dormant accounts	-	-	(90)	(147)
Gifts to the Nation	(1,487)	-	(1,487)	-
Recoveries and recharges	(11)	(7)	(78)	(47)
Other operating income	(27)	(21)	(33)	(26)
Continuing operations	**(1,706)**	**(334)**	**(2,469)**	**(1,093)**
Fees and charges	-	-	(3)	(5)
Other operating income	-	-	(2)	(11)
Discontinued operations	**-**	**-**	**(5)**	**(16)**
Total	**(1,706)**	**(334)**	**(2,474)**	**(1,109)**

Fees and charges decreased by £116m, largely due to a reduced level of loan commitment fee income from Pool Re, driven by a lower level of Pool Re's insurance premiums and reduced income from the performance of Pool Re's investments.

In response to the COVID-19 pandemic the government introduced a relief of retail business rates for 2020-21. Some businesses have subsequently voluntarily repaid the relief they received to the government as a gift to the nation, and only those that have been repaid to the Treasury rather than directly to a devolved administration are included here. See also note 22 – Contingent Assets.

3. Staff costs and numbers

Total staff costs for continuing operations for the Treasury Group at 31 March 2021 were £241m (2019-20 Restated: £199m), comprising £196m salaries and wages (2019-20 Restated: £163m), £20m social security (2019-20: £17m) and £25m staff pension costs (2019-20: £19m). The staff pension costs include a reduction due to UKAR receiving a net credit of £12m (2019-20: £12m) from their defined benefit pension scheme, which is in surplus.[10] For more information and for staff numbers refer to the Remuneration and Staff Report.

For discontinued operations, the total staff costs for the Treasury Group at 31 March 2021 were £10m (2019-20: £13m) comprising £9m salaries and wages (2019-20: £11m), £1m social security (2019-20: £1m) and £0m staff pension costs (2019-20: £1m).

4. Purchase of goods and services

	Core Treasury and Agencies		Group	
In £m	**2020-21**	**2019-20**	**2020-21**	**2019-20 (Restated)**
UK coinage: metal and manufacturing costs	10	33	10	33
Professional and office services	78	58	122	103
Other purchase of goods and services	33	29	114	102
Continuing operations	**121**	**120**	**246**	**238**
Professional and office services	-	-	40	107
Other purchase of goods and services	-	-	1	1
Discontinued operations	**-**	**-**	**41**	**108**
Total	**121**	**120**	**287**	**346**

10 See UKAR's 2020-21 accounts for further information.

5. Other operating expenditure

In £m	Core Treasury and Agencies 2020-21	Core Treasury and Agencies 2019-20	Group 2020-21	Group 2019-20 (Restated)
FSCS compensation costs	-	-	588	464
Movement in provisions	(1,962)	39,102	(1,876)	39,315
Other operating expenditure	136	199	42	120
Continuing operations	**(1,826)**	**39,301**	**(1,246)**	**39,899**
Movement in provisions	-	-	(19)	118
Other operating expenditure	-	-	3	2
Discontinued operations	**-**	**-**	**(16)**	**120**
Total	**(1,826)**	**39,301**	**(1,262)**	**40,019**

Movement in provisions is detailed in Note 17.

Of the provision movement, £1.5bn relates to exchange rate movements on the EU Financial Settlement.

6. Finance income

In £m	Core Treasury and Agencies 2020-21	Core Treasury and Agencies 2019-20	Group 2020-21	Group 2019-20 (Restated)
Interest and fee income from loans	(36)	(78)	(40)	(82)
Dividend income	(781)	(3,797)	(212)	(1,101)
Amortisation of loans	-	(16)	-	-
Continuing operations	**(817)**	**(3,891)**	**(252)**	**(1,183)**
Interest and fee income from loans	-	-	(118)	(183)
Discontinued operations	**-**	**-**	**(118)**	**(183)**
Total	**(817)**	**(3,891)**	**(370)**	**(1,366)**

During 2019-20, NatWest declared dividends of 14p per share, while during 2020-21, dividends of 3p per share were declared, resulting in a reduction in dividend income of £0.8bn.

Following the UKAR's cash receipt from the sale of a tranche of mortgages in May 2019, UKAR was able to make a large dividend to HM Treasury in 2019-20. Further to its usual dividend payments, following the mortgage sale in February 2021, no further dividends have been received in respect of this sale receipt prior to 31 March 2021 from UKAR, resulting in a reduction in dividend income of £2.2bn.

7. Revaluation of financial assets and liabilities in the SoCNE

	Core Treasury and Agencies		Group	
In £m	**2020-21**	**2019-20**	**2020-21**	**2019-20**
Fair value (gain) on derivatives	44,762	(35,622)	44,762	(35,622)
Fair value (gain)/loss on financial assets and liabilities	20	(1,514)	20	(1,514)
Total	**44,782**	**(37,136)**	**44,782**	**(37,136)**

For an explanation of the change in the fair value on derivatives refer to Note 14 – Derivative financial assets.

The fair value gain in financial assets relates to elements of the EU Financial Settlement, see also Note 9 – Trade and other receivables and Note 16 – Trade and other payables.

8. Property, plant and equipment

8.1 Group

Current year

In £m	**Land**	**Buildings**	**Other**	**Total**
Cost/Valuation				
Balance at 1 April	62	121	59	242
Additions/transfers	-	2	5	7
Impairments	-	-	(1)	(1)
Disposal	-	-	(1)	(1)
Balance at 31 March	**62**	**123**	**62**	**247**
Accumulated Depreciation				
Balance at 1 April	-	(11)	(28)	(39)
Charge in year	-	(5)	(4)	(9)
Released on disposal	-	-	2	2
Balance at 31 March	**-**	**(16)**	**(30)**	**(46)**
Net book value at 31 March	**62**	**107**	**32**	**201**

The property at 1 Horse Guards Road is leased under a private finance initiative (PFI) and has a net book value of £90m (2019-20: £94m). More details regarding this PFI contract are provided in Note 21. All other assets are owned by the Treasury Group.

Full valuations of 1 Horse Guards Road are conducted at least once every 5 years with an interim desktop review being done once in-between. The latest valuation was performed as at 31 March 2020 by the Valuation Office Agency, an executive agency of HM Revenue and Customs, whose services include providing valuation and estate surveying services to government departments.

Prior year

In £m	Land	Buildings	Other	Total
Cost/Valuation				
Balance at 1 April	45	111	49	205
Additions	-	1	11	12
Impairments	-	(1)	(1)	(2)
Disposal	17	10	-	27
Balance at 31 March	**62**	**121**	**59**	**242**
Accumulated Depreciation				
Balance at 1 April	-	(19)	(25)	(44)
Charge in year	-	(3)	(4)	(7)
Released on disposal	-	1	1	2
Revaluation	-	10	-	10
Balance at 31 March	**-**	**(11)**	**(28)**	**(39)**
Net book value at 31 March	**62**	**110**	**31**	**203**

8.2 Core Treasury and Agencies

Current year

In £m	Land	Buildings	Other	Total
Cost/Valuation				
Balance at 1 April	62	94	32	188
Additions/transfers	-	-	3	3
Disposal	-	-	(1)	(1)
Balance at 31 March	**62**	**94**	**34**	**190**
Accumulated Depreciation				
Balance at 1 April	-	-	(16)	(16)
Charge in year	-	(4)	(1)	(5)
Released on disposal	-	-	1	1
Balance at 31 March	**-**	**(4)**	**(16)**	**(20)**
Net book value at 31 March	**62**	**90**	**18**	**170**

Prior year

In £m	Land	Buildings	Other	Total
Cost/Valuation				
Balance at 1 April	45	84	31	160
Additions/transfers	-	-	3	3
Disposal	-	-	(1)	(1)
Revaluation	17	10	-	27
Balance at 31 March	**62**	**94**	**33**	**189**
Accumulated Depreciation				
Balance at 1 April	-	(8)	(16)	(24)
Charge in year	-	(2)	(2)	(4)
Released on disposal	-	-	1	1
Revaluation	-	10	-	10
Balance at 31 March	**-**	**-**	**(17)**	**(17)**
Net book value at 31 March	**62**	**94**	**16**	**172**

9. Trade and other receivables

In £m	Core Treasury and Agencies 2020-21	Core Treasury and Agencies 2019-20	Group 2020-21	Group 2019-20 (Restated)
Current receivables				
Trade receivables	23	17	35	39
Accrued interest and dividend income	210	62	210	65
Pool Re accrued income (note 16)	252	183	252	184
Levies receivable	-	-	40	60
Guarantee fees receivable	13	9	13	9
EU financial settlement	557	-	557	-
Other	25	33	59	89
Total current	**1,080**	**304**	**1,166**	**446**
Non-current receivables				
Pool Re accrued income	221	304	221	304
Guarantee fees receivable	72	78	72	78
EU financial settlement	3,552	1,522	3,552	1,522
Other	126	126	49	5
Total non-current	**3,971**	**2,030**	**3,894**	**1,909**
Total receivables	**5,051**	**2,334**	**5,060**	**2,355**

EU financial settlement receivables

The EU financial settlement receivables are related to Article 136, 140, 141, 143, 144, 145, 146 and 150 of the EU Withdrawal Agreement. Receivables related to Article 136, 140, and 141 are the new assets, which were disclosed as contingent assets in 2019-20 and are now recognised as assets following the end of the transition period in December 2020. The receivable related to Article 150 is also a new asset that was transferred from the Consolidated Fund to HM Treasury on 31 March 2021. This transfer was made at no cost and was treated as a capital grant in kind from the Consolidated Fund to HM Treasury.

Article 136 - Post 2020 Flows	Under Article 136 of the Withdrawal Agreement "Provisions applicable after 31 December 2020 in relation to own resources", the UK remains party to corrections or adjustments to contributions over the 2014-20 Multi-Annual Financial Framework (MFF) that are made after the end of 2020 (i.e. the UK's final year of participation in the EU Budget). These amounts cover a number of adjustments including those arising from statistical revisions and the return of any surplus arising from the implement of the 2020 EU Budget. The fair value of the Article 136 instrument is estimated to be £180m.
Article 140 – Infringements	Under Article 140 of the Withdrawal Agreement "Outstanding commitments", the UK's liability under Article 140 will be reduced by a number of items, including the amount of net financial corrections; the proceeds of any Member State Making Available Resources infringements; and Traditional Own Resources adjustments. The fair value of the Article 140 instrument is estimated to be £103m.
Article 141 – Fine income	Under Article 141 of the Withdrawal Agreement "Fines decided upon before or on 31 December 2020", the UK is entitled to a share of EU fine income that relates to activity up to the end of 2020 (and in some cases after this period) including where collection of the fine income arises post UK exit. The fair value of the fine income is estimated to be £43m.
Article 143 – Receivables	Under Article 143 of the Withdrawal Agreement "Contingent financial liabilities related to loans for financial assistance, European Fund for Strategic Investments

arising from the financial liabilities related to loans for financial assistance, EFSI, EFSD	(EFSI), European Fund for Sustainable Development (EFSD) and the external lending mandate", the UK is entitled to receive a return of cash provided to guarantee loans and investments, where the guarantee is not called because the underlying loan/investment is repaid. Included in Article 143 are four separate elements across two distinct categories: • Non-prefunded instruments specifically loans to member states. As these are not prefunded, any under recovery results in a loss. • Prefunded instruments specifically: - European Fund for Strategic Investments - European Fund for Sustainable Development - Other Lending As these are prefunded with associated guarantee funds, they only result in net cash outflows where defaults in the underlying instruments exceed the prefunded provisioning for the instrument and associated revenue inflows. Where instruments are expected to result in net cash inflows, we have recognised a receivable; and where net cash outflows are expected, we recognise a payable. HM Treasury's best estimate of the forecast future cash flows arising from these instruments is based on financial modelling developed with the Government Actuary Department. This modelling considers a number of forecast activities in arriving at an overall value for each financial instrument. HM Treasury estimate the fair value of Article 143 instrument is £967m (2019-20: £957m).
Article 144 – Financial instruments	Under Article 144 of the Withdrawal Agreement "Financial Instruments under direct or indirect implementation financed by the programmes of the 2014-20 MFF", the UK is entitled to receive a return of cash provided to guarantee loans and investments, where the guarantee is not called because the underlying loan/investment is repaid. HM Treasury's estimate of the fair value of potential receipts under Article 144 is £393m (2019-20: £413m).
Article 145 – ECSC & Article 146 – EIF	Under Article 145 "European Coal and Steel Community (ECSC)", the UK will receive its share of the net assets of the ECSC upon liquidation at 31 December 2020. This will be received from the EU in 5 equal instalments commencing 30 June 2021. The valuation is based on amounts notified by the EU of the UK's share of the ECSC net assets. Under Article 146 "Union Investment in the European Investment Fund (EIF)", the UK will receive its share of the investment in paid-in capital of the EIF as at 31 December 2020. This will be received from the EU in 5 equal instalments commencing 30 June 2021. The valuation is based on amounts notified by the EU of the UK's share of the EIF paid in capital. HM Treasury's estimate of the fair value of the receipts under Article 145 and 146 is £169m (2019-20: £153m).
Article 150 - EIB	Under Article 150 "Continued liability of the United Kingdom and reimbursement of the paid-in capital", the UK is entitled to receive an amount equal to the UK's share of the paid-in subscribed capital of the European Investment Bank (EIB). The asset was transferred from the Consolidated Fund to HM Treasury in 2020-21 with the effective date of 31 March 2021. The first instalment was received in October 2020 and accounted for in the Consolidated Fund. The remaining 11 instalments will be received by HM Treasury. HM Treasury's estimate of the fair value of the receipts under Article 150 is £2,254m.

All receivables are measured at fair value through profit or loss. See note 7 for the fair value movement recognised in the SoCNE, note 1.4 – Significant judgements and estimates for discussion on key judgements and estimates, note 24.3 for the risk disclosure, and also note 16 Trade and other payables for the recognition of the payables arising from Article 143.

Other receivables

The increase in accrued interest and dividends receivable is largely due to a final dividend declared by NatWest of £208m. There was no year-end dividend issued for their 2019 financial year following a formal request by the PRA to UK banks in response the COVID-19 pandemic.

Pool Re income is receivable 3 years in arrears every March. The receivable from Pool Re includes all income accrued since January 2019.

10. Net pension asset

Defined contribution schemes

The Financial Services Compensation Scheme (FSCS), UK Government Investments Ltd (UKGI), Reclaim Fund Ltd and the Royal Household (RH) operate defined contribution schemes. The RH also operates an unfunded defined benefit scheme which is accounted for as a defined contribution scheme as the RH is unable to identify the share of the underlying assets and liabilities of the scheme attributable to employees funded by the Sovereign Grant (or its equivalent in previous years) on a consistent and reasonable basis.

Defined benefit schemes

The FSCS and RH additionally operate defined benefit schemes, which are accounted for as such. The amount recognised in the Statement of Financial Position is a net asset of £9.9m (2019-20: net liability of £7.8m). UKAR operates several retirement benefit plans for its current and former employees, including defined benefit pension plans, defined contribution pension plans and post-retirement healthcare benefits. The current service cost of the Treasury Group's defined benefit schemes is £0.2m, as the UKAR and FSCS schemes are now closed to future service accrual.

The amount recognised in the Statement of Financial Position relating to UKAR for the former Bradford & Bingley (B&B) defined benefit scheme is a net asset of £425m and a net liability for post-retirement medical benefits of £7m (2019-20: net asset of £581m and a net liability for post-retirement medical benefits of £7m) and the amount recognised relating to UKAR for the former Northern Rock defined benefit scheme is a net asset of £181m and a net liability for unfunded defined benefit obligations of £14m. (2019-20: net asset of £255m and a net liability for unfunded defined benefit obligations of £14m).

In 2020-21 UKAR contributed £3m to address the deficit in B&B's defined benefit scheme (2019-20: nil). The latest formal triennial valuation of the B&B scheme, prepared by the scheme actuaries as at 30 June 2018 and agreed in May 2019, showed a deficit of £22.3m on a Trustee's valuation basis. The latest formal triennial valuation of the NRAM scheme, prepared by the scheme actuaries at 5 April 2018 and agreed in May 2019, showed a surplus of £37.2m on a Trustee's valuation basis.

On 20 November 2020 the High Court ruled that the trustee of a defined benefit pension scheme is under a duty to adjust the values in respect of scheme members who had transferred out of defined benefit pension schemes prior to 26 October

2018. The Directors considered that the ruling resulted in a past service cost adjustment, which the Treasury Group's actuaries estimated at £3.4m in respect of the B&B scheme and £0.4m in respect of the NRAM scheme, totalling £3.8m for the UKAR Group, which was charged to the Income Statement in the year ended 31 March 2021.

A reconciliation of the net pension asset for the UKAR, FSCS and RH pension schemes is shown in the table below. Further details of these schemes, including valuation assumptions for the defined benefit schemes, are included in their respective annual report and accounts.

	Group	
In £m	**2020-21**	**2019-20**
Reconciliation of fair value of employer asset		
Balance at 1 April	2,247	2,160
Interest income	47	52
Contributions paid by employer	8	(18)
Remeasurements:		
- return on plan assets excluding interest income	(53)	118
Administrative expenses	(3)	(2)
Benefits paid from plan	(63)	(63)
Balance at 31 March	**2,183**	**2,247**
Reconciliation of defined benefit obligations		
Balance at 1 April	(1,426)	(1,509)
Interest cost	(31)	(36)
Remeasurements:		
- effect of GMP equalisation	(3)	-
- effect of changes in demographic assumptions	(3)	(1)
- effect of changes in financial assumptions	(190)	60
- effect of experience adjustments	7	(5)
Transfer payments	64	63
Benefits paid from plan	(6)	2
Balance at 31 March	**(1,588)**	(1,426)
Closing net pension asset/(liability)	**595**	821

11. Equity Investments

Current year

In £m	At 1 April 2020	Additions, disposals & transfers	Fair value adjustment	At 31 March 2021[11]
Listed entities				
NatWest ordinary shares	8,478	(1,125)	6,225	13,578
Unlisted investments				
Bank of England share capital	5,952	-	(124)	5,828
Asian Infrastructure Investment Bank	508	-	(57)	451
European Bank for Reconstruction & Development	-	1,310	(4)	1,306
Other shareholdings	10	-	2	12
Group entities				
UK Asset Resolution Ltd	6,084	-	(710)	5,374
Infrastructure Finance Unit Ltd	113	32	(3)	142
Reclaim Fund Ltd	-	-	74	74
IUK Investments Holdings Ltd	-	-	1	1
Total Core Treasury and Agencies	**21,145**	**217**	**5,404**	**26,766**
Intra-group eliminations	(6,197)	(32)	638	(5,591)
Other group shareholdings	112	32	(3)	141
Total Group	**15,060**	**217**	**6,039**	**21,316**

Equity Investments, where measured at FVOCI, represent the Treasury Group's strategic equity investments, which are not held for trading.

On 19 March 2021 HM Treasury sold back 590m of its ordinary shares to NatWest Group plc for 190.50 pence per share in accordance with the with the Directed Buyback Contract between HM Treasury and the NatWest Group. The price per share was the price at close of trading on 18 March 2021 on the main market for listed securities of London Stock Exchange plc, and the price paid represents the fair value of the holding of £1.1bn.

As a result of this sale, the shareholding of HM Treasury has reduced from 7,509m shares, representing approximately 61.7% of the ordinary share capital of NatWest Group, to 6,919m shares, representing approximately 59.8% of the ordinary share capital.

The cumulative lifetime loss on disposal of this tranche of shares of £2.7bn has been released from the fair value reserve to the General Fund (see Statement of Changes in Taxpayers' Equity).

[11] Other shareholdings includes £6m of Public Dividend Capital in the Royal Mint held at historical cost. All other equity investments are held at FVOCI.

The increase in fair value in the NatWest shareholding is due to favourable market moves, which saw the share price increase from 112.90p on 31 March 2020 to 196.25p on 31 March 2021. See also Note 31.5 – Events after the reporting period.

On 31 March 2021, the government's capital shareholding of 8.52% in the European Bank of Reconstruction and Development (EBRD), a multilateral development bank was transferred from the Foreign, Commonwealth and Development Office (FCDO) to HM Treasury. This transfer was made at no cost and was treated as a capital grant in kind from FCDO to HM Treasury.

At the end of financial year 2020-21 this capital shareholding was valued at €1,534m which translated to £1,306m at the exchange rate on 31 March 2021.

The reduction in valuation of UKAR is primarily due to the payment of dividends to HM Treasury. See Note 6 – Finance Income for more detail.

For more information see Note 24 – Financial Risk, Note 25 – Financial Instruments Fair Value Hierarchy, Note 30 – Prior period restatements and Note 31 – Events After the Reporting Period.

Prior year

In £m	At 1 April 2019	Additions, disposals & transfers	Fair value adjustment	At 31 March 2020
Listed entities				
NatWest ordinary shares	18,548	-	(10,070)	8,478
Unlisted investments				
Bank of England share capital	5,544	-	408	5,952
Asian Infrastructure Investment Bank	384	94	30	508
Other shareholdings	10	-	-	10
Group entities				
UK Asset Resolution Ltd	8,877	-	(2,793)	6,084
Infrastructure Finance Unit Ltd	69	44	-	113
Total Core Treasury and Agencies	**33,432**	**138**	**(12,425)**	**21,145**
Intra-group eliminations	(8,946)	(44)	2,793	(6,197)
Other group shareholdings	67	44	1	112
Total Group	**24,553**	**138**	**(9,631)**	**15,060**

Group shareholdings

In accordance with the Government Financial Reporting Manual (FReM) additional details of significant shareholdings are shown below:

In £m	2020-21 Stake %	2020-21 Total net assets	2020-21 Entity's reported profit/(loss)	2019-20 Stake %	2019-20 Total net assets	2019-20 Entity's reported profit/(loss)
Bank of England	100	5,828	57	100	5,849	117
NatWest ordinary shares	59.8	43,824	(434)	62	43,556	3,800

The reported profit/(loss) and net assets of the above entities is disclosed for the reporting period to the end of February for the Bank of England and end of December for NatWest.

12. Loans and investment securities

12.1 Group

Current year

In £m	At 1 April 2020 (Restated)	Advances & purchases	Redemptions, repayments & transfers	Impairments, reversals, amortisation & FX adjustments	At 31 March 2021
Loans	1,618	4	(1,614)	(4)	4
Investment securities	365	250	(210)	-	405
Statutory debt	2	-	(3)	1	-
Total	**1,985**	**254**	**(1,827)**	**(3)**	**409**
Current	1,798				186
Non-current	187				223

The loan disposal of £1.6bn relates to the loan issued to Ireland during the financial crisis of which the remainder was fully repaid in the year.

The prior year balances are restated to include investment securities of £365m at 31 March 2020 and £279m at 1 April 2019 from Reclaim Fund Ltd following ONS classification of the entity as a central government body to be consolidated into the HM Treasury Group.

Prior year (Restated)

In £m	At 1 April 2019	Advances & purchases	Redemptions, repayments & transfers	Impairments, reversals, amortisation & FX adjustments	At 31 March 2020
Loans	3,259	1	(1,642)	-	1,618
Investment securities	279	181	(95)	-	365
Statutory debt	2	-	(5)	5	2
Total	**3,540**	**182**	**(1,742)**	**5**	**1,985**
Current	1,664				1,798
Non-current	1,876				187

12.2 Core Treasury and Agencies

Current year

In £m	At 1 April 2020	Advances	Redemptions, repayments & transfers	Impairments, reversals, amortisation & FX adjustments	At 31 March 2021
Loans	1,618	4	(1,613)	(3)	6
Statutory debt	2	-	(3)	1	-
Total	**1,620**	**4**	**(1,616)**	**(2)**	**6**
Current	1,613				-
Non-current	7				6

Prior year

In £m	At 1 April 2019	Advances	Redemptions, repayments & transfers	Impairments, reversals, amortisation & FX adjustments	At 31 March 2020
Loans	4,743	1	(3,126)	-	1,618
Statutory debt	448	-	(466)	20	2
Total	**5,191**	**1**	**(3,592)**	**20**	**1,620**
Current	3,571				1,613
Non-current	1,620				7

13. Loans to banking customers

13.1 Group

Current year

In £m	At 1 April 2020	Advances	Redemptions & repayments	Fair value movements (incl. impairments)	At 31 March 2021
Residential mortgages	4,706	-	(4,949)	243	-
Commercial loans	2	-	(3)	1	-
Total	**4,708**	**-**	**(4,952)**	**244**	**-**
Current	564				-
Non-current	4,144				-

During 2020-21 there was a final sale of B&B and NRAM's mortgage assets and commercial loans as part of the programme aimed at returning UKAR's B&B and NRAM mortgage books to the private sector. The movement in the current year consists of mortgage redemptions and repayments.

Prior year

In £m	At 1 April 2019	Advances	Redemptions & repayments	Fair value movements (incl. impairments)	At 31 March 2020
Residential mortgages	5,523	-	(600)	(217)	4,706
Commercial loans	2	-	-	-	2
Total	**5,525**	**-**	**(600)**	**(217)**	**4,708**
Current	778				564
Non-current	4,747				4,144

13.2 Allowance for impairment - Group

Current year

At 31 March 2021 no mortgage assets and commercial loans remained within the Treasury Group.

Prior year

	Residential mortgages	Commercial loans	Unsecured loans	Total
	£m	£m	£m	£m
At 1 April 2019				
Stage 2	121	-	-	**121**
Stage 3	41	-	-	**41**
	162	**-**	**-**	**162**
Impairments				
Stage 2	(26)	-	-	**(26)**
Stage 3	15	-	-	**15**
	(11)	-	-	**(11)**
Write-offs				
Stage 2	-	-	-	**-**
Stage 3	(20)	-	-	**(20)**
	(20)	-	-	**(20)**
At 31 March 2020				
Stage 2	95	-	-	**95**
Stage 3	36	-	-	**36**
	131	**-**	**-**	**131**

Of the write-offs in the above table, a total of £20m was still subject to enforcement action at 31 March 2020.

14. Derivative financial assets

	Core Treasury and Agencies		Group	
In £m	**2020-21**	**2019-20**	**2020-21**	**2019-20**
Balance at 1 April	73,609	45,124	73,609	45,124
Cash movements	(13,663)	(7,137)	(13,663)	(7,137)
Fair value gain/(loss) (note 7)	(44,762)	35,622	(44,762)	35,622
Balance at 31 March/December	**15,184**	**73,609**	**15,184**	**73,609**

All derivative financial assets are current. Of the balance at 31 March 2021, £15.2bn is attributable to BEAPFF's derivative asset (2019-20: £73.6bn) and £21m is attributable to CCFF's derivative asset (2019-20: £0m). The decrease in the balance of £58.4bn comprises the fair value adjustment of £44.8bn and cash transfers of £13.6bn which were surrendered to the Consolidated Fund.

The fair value adjustment is mainly driven by the decrease in the market value of the gilt and corporate bond holdings held within BEAPFF. This loss arose due to a significant rise in advanced economy longer-term government bond yields in January and February, which appeared to be driven by positive news on global economic growth, including on some vaccination programmes and vaccine effectiveness, as well as the size of the US fiscal support package, and followed a period of record low government bond yields during the earlier stages of the pandemic.[12] This was matched by a decrease in the amount due to HM Treasury under the indemnity. For more information refer to Note 24 – Financial Risk.

[12] For further detail please see www.bankofengland.co.uk/-/media/boe/files/monetary-policy-summary-and-minutes/2021/march-2021.pdf

15. Cash and cash equivalents

In £m	Core Treasury and Agencies 2020-21	Core Treasury and Agencies 2019-20	Group 2020-21	Group 2019-20 (Restated)
Balance at 1 April	66	61	1,609	1,422
Net change in cash balances	(61)	5	2,487	187
Total	**5**	66	**4,096**	1,609
The following balances were held at 31 March/December				
Government Banking Service	5	66	3,495	909
Bank of England	-	-	502	566
Commercial banks, cash in hand and cash equivalents	-	-	99	134
Total	**5**	66	**4,096**	1,609

Detail on the cash movements can be found in the SoCF.

16. Trade and other payables

In £m	Core Treasury and Agencies 2020-21	Core Treasury and Agencies 2019-20	Group 2020-21	Group 2019-20 (Restated)
Current payables				
Trade payables	4	2	9	9
Accrued expenditure	38	34	72	102
Pool Re payable to Consolidated Fund (note 9)	252	184	252	184
Amounts due to levy payers	-	-	262	232
Dormant account distributions	-	-	90	68
PFI contract	4	3	4	3
EU Financial Settlement	310	-	310	-
Other	14	72	71	93
Total current	**622**	295	**1,070**	691
Non-current payables				
Pool Re payable to Consolidated Fund	221	304	221	304
Amounts due to levy payers	-	-	45	2
PFI contract	103	107	103	107
Deferred tax	-	-	115	120
EU Financial Settlement	52	8	52	8
Other	10	9	21	17
Total non-current	**386**	428	**557**	558
Total payables	**1,008**	723	**1,627**	1,249

Pool Re payable to the Consolidated Fund reflects payments yet to be received from the reinsurance companies (see other accrued income in Note 9 – Trade and other receivables).

The EU financial settlement payables are related to Article 136 and 143 of the EU Withdrawal Agreement. Payables related to Article 136 are new liabilities, which were disclosed as contingent liabilities in 2019-20.

£354m of EU financial settlement payables relate to Article 136 of the Withdrawal Agreement "Provisions applicable after 31 December 2020 in relation to own resources" for corrections and adjustments to VAT and gross national income contributions which were historically included in the calculation of future years' EU budget contributions and are now met through the withdrawal agreement and which the EU has now notified the UK of the amounts payable.

£8m of EU financial settlement payables relates to Article 143 of the Withdrawal Agreement "Contingent financial liabilities related to loans for financial assistance, European Fund for Strategic Investments (EFSI), European Fund for Sustainable Development (EFSD) and the external lending mandate". Under Article 143, the UK remains responsible for its share of the contingent financial liabilities that were made during the UK's membership of the EU. HM Treasury's best estimate of the forecast future cash flows arising from these instruments is based on financial modelling developed with the Government Actuary Department. This modelling considers a number of forecast activities in arriving at an overall value for each financial instrument. All payables under Article 143 are measured at fair value through profit or loss. Please see note 7 for the fair value movement recognised in the SoCNE, note 1.4 – Significant judgements and estimates for discussion on key judgements and estimates, and note 24.3 for the risk disclosure. In addition, the UK is entitled to a share of receipts in relation to these instruments, see detail in note 9 – Trade and other receivables.

17. Provisions

17.1 Group

Current year

In £m	EU Financial Settlement	Equitable Life	Oil & gas	Customer redress	HTB ISA	Reclaim Fund Ltd	Other	Total
Balance at 1 April (restated)	38,705	369	285	88	893	537	103	**40,980**
Provided during the year	-	-	26	4	430	90	1	**551**
Provisions not required	(3,076)	(7)	-	(22)	-	-	(6)	**(3,111)**
Unwinding of discount and changes in the discount rate	671	(1)	(4)	-	-	-	-	**666**
Provisions utilised in year	-	(30)	(49)	(56)	(151)	(102)	(54)	**(442)**
Reclassified to liabilities held for sale	-	-	-	(14)	-	-	(1)	**(15)**
Balance at 31 March	**36,300**	**331**	**258**	**-**	**1,172**	**525**	**43**	**38,629**
Within 1 year	8,425	38	198	-	1,172	525	42	**10,400**
Between 1 and 5 years	19,336	106	60	-	-	-	-	**19,502**
Later than 5 years	8,539	187	-	-	-	-	1	**8,727**

The prior year balances are restated to include the provisions of Reclaim Fund Ltd following ONS classification of the entity as a central government body to be consolidated into the HM Treasury Group.

17.2 Core Treasury and Agencies

Current year

In £m	EU Financial Settlement	Equitable Life	Oil & gas	HTB ISA	Other	Total
Balance at 1 April	38,705	369	285	893	13	**40,265**
Provided during the year	-	-	26	430	-	**456**
Provisions not required	(3,076)	(7)	-	-	(1)	**(3,084)**
Unwinding of discount and changes in the discount rate	671	(1)	(4)	-	-	**666**
Provisions utilised in year	-	(30)	(49)	(151)	(9)	**(239)**
Balance at 31 March	**36,300**	**331**	**258**	**1,172**	**3**	**38,064**
Within 1 year	8,425	38	198	1,172	2	**9,835**
Between 1 and 5 years	19,336	106	60	-	-	**19,502**
Later than 5 years	8,539	187	-	-	1	**8,727**

Movement in provisions in Note 5 – Other operating expenditure, is made up of: Provided during the year, Provisions not required, and Unwinding of discount and changes in the discount rate above. Further detail on provisions can be found below:

EU Financial Settlement: Article 140 – Reste a Liquider (RAL)	Under Article 140 of the Withdrawal Agreement "Outstanding Commitments", the UK remains responsible for its share of the EU Budget commitments made during the UK's participation in the EU Budget over the 2014-20 MFF (ending December 2020). The RAL represents EU budgetary commitments that have been made and are expected to result in payments by the EU in the future. Budgetary commitments that are subsequently decommitted, for example where the underlying programme does not go ahead, are removed from the RAL. The UK is only liable to pay a share of RAL at the end of 2020 to the extent it crystallises as payments by the EU. The UK's liability under Article 140 will be reduced by a number of items, including: the amount of net financial corrections; the proceeds of any Member State Making Available Resources infringements; and Traditional Own Resources adjustments. See related asset disclosure in respect of Article 140 in Note 9 – Trade and other receivables and Note 1.4 – Significant judgements and estimates.
EU Financial Settlement: Article 142 – Union Liabilities at End 2020	Under Article 142 of the Withdrawal Agreement "Union Liabilities at End 2020", the UK will pay a share of the EU's payments for the employment and other related benefits accrued by EU employees up to the end of 2020. Specifically, these benefits are materially comprised of pensions schemes and the Joint Sickness Insurance Scheme (JSIS). The EU has always been due to pay these benefits. Expenditure to settle in-year benefits is incurred by the EU and accordingly by all Member States as part of their budget contributions. As the UK has left the EU, the Withdrawal Agreement in effect created a liability for the UK and HM Treasury is required to make provisions for the future cash outflow. See also Note 1.4 – Significant judgements and estimates.
EU Financial Settlement: Article 147 – Liabilities relating to legal cases	Under Article 147 of the Withdrawal Agreement "Contingent liabilities related to legal cases", the UK will pay a share of costs incurred by the EU in relation to certain legal cases around the EU Budget and financial interests where the facts forming the subject matter of those cases occurred before 31 December 2020. See related contingent liability disclosure in Note 23.
Equitable Life	The Equitable Life Payments Scheme is for eligible policy holders who purchased an Equitable Life pension policy between 1 September 1992 and 31 December 2000. In 2010 the government committed to pay in the region of £1.5bn to policy holders in

	the scheme; as at the reporting date £1.3bn has been paid. The scheme was closed to new entrants from 31 December 2015 but continues to make payments to 'with annuities' policyholders.
Oil and gas	This provision relates to claims on Decommissioning Relief Deeds (the deeds). The deeds were signed between members of the oil and gas industry and HM Treasury. The deeds indemnify the industry for changes in tax codes or the default of their partners in decommissioning North Sea oil fields, allowing them to claim relief from HM Treasury potentially otherwise available to the field from HMRC through the tax system. HM Treasury recognises a provision when a claim is notified, and the amount can be measured reliably. The value of the provision of £258m represents the best estimate of the outstanding costs to settle. During the year, HM Treasury was required to make a further payment of £49m on an existing claim which was paid directly to the claimant. For more information on the scheme and other potential claims, refer to Contingent liabilities not required to be disclosed under IAS 37 from page 116.
Customer redress	Recognised by UKAR as an estimate of expected customer compensation claims, primarily relating to Payment Protection Insurance and Consumer Credit Act non-compliance. Further details are available in UKAR's Annual Report and Accounts.
Help to Buy (HTB) ISA	The Help to Buy ISA scheme commenced on 1 December 2015 and offers first time buyers government bonuses to be claimed on completion of a successful property purchase. The government will award a 25% bonus based on an individual's monthly savings in an HTB ISA account. There is a minimum £400 bonus and a maximum £3,000 bonus. The scheme closed to new entrants in November 2019, and all bonuses must be claimed by December 2030. The amount provided in year was £430m. At March 2021, there were 1,039k scheme participants with savings levels making them eligible for a bonus payment, compared to 923k in the prior year. The average value of eligible deposits held has increased from £4.3k to £5.2k per person. The increase in the amount provided is due to the increase in the number of scheme participants and savings levels. There is significant variability over the timing of when the provided funds would be drawn on by homebuyers, dependant on factors including the housing market and the level of savings accrued prior to joining the scheme, so although homebuyers have the ability to draw on the bonus at any point, this is likely to be spread over the lifetime of the scheme.
Reclaim Fund Ltd	Upon transfer of dormant account monies from UK financial institutions to the Reclaim Fund Ltd, the obligation to repay dormant account holders who subsequently reclaim their money is also transferred to the Fund. The element of the provision relating to dormant account holders is £470m. Although accountholders have the ability to reclaim their dormant balances at any point, in practice this is likely to be spread over a number of years. The Dormant Bank and Building Society Accounts Act 2008 dictates that the Reclaim Fund Ltd is obliged to pay over the excess of dormant account monies received, after deduction of running costs, to the National Lottery Community Fund (TNLCF) for ongoing distribution to the benefit of the community. The element of the provision relating to future distributions to TNLCF is £54m. Further details on the estimates can be found in the RFL's Annual Report and Accounts, within the accounting policies note.[13]

13 https://www.reclaimfund.co.uk/annual-report-accounts/

Other	Includes provisions for funding of the Asian Infrastructure Investment Bank's Special Fund, UKAR restructuring, and FSCS compensation.

Sensitivity analysis: EU Financial Settlement

Sensitivity analysis for the key assumptions of the EU Financial Settlement provisions are set out below:

Assumption	Change	Degree of uncertainty	Sensitivity of output to changes in input	Financial impacts In £m
Financing share – the average proportion of the EU budget over 2014-20 financed by the UK	An increase of 1%	Low	Moderate	An increase of 363
Exchange rate – Sterling/Euro exchange rate	Sterling appreciation of 1%	High	Moderate	A decrease of 363
Decommitments – the proportion of EU Budgetary commitments in the RAL that are not implemented	An increase of 1 percentage point	Moderate	Moderate	A decrease of 310
Discount rate – the discount rate applied to future cash flows to take account of the time value of money	A decrease of 0.1 percentage point	Moderate	Moderate	An increase of 192
Salary changes – the assumption about salary changes used when calculating the provision in respect of the Pension Scheme for European Officials	Expected "salary increases" higher by 0.1 percentage point	Moderate	Low	An increase of 127
Retirement age – the assumption about the retirement age used when calculating the provision in respect of the Pension Scheme for European Officials	1 year lower	Low	Low	An increase of 114

The UK's post-2020 financing share is an average of its own resources share as a contributor to the EU budget for the years 2014-20. At the time of reporting, the financing share is still open for adjustment for revision VAT and GNI outturn for 2014-2020. The share will be determined definitively by February 2022. However, as the majority of the financing share inputs are known and the remaining uncertainty around this assumption is limited. The UK's post-2020 financing share used in the estimate of the provision is 12.36%.

An appreciation of Sterling against the Euro results in the value of the RAL and Pension provisions decreasing. A depreciation of Sterling has the opposite effect. This models a depreciation of 1% from the 31 March 2021 exchange rate (GBP 1: EUR 1.17). The exchange rate exposure is unhedged and payment obligations will be met through funds provided by Parliament through the Supply process.

Decommitments are the portion of the EU budget that is planned but ultimately never spent. As the UK is only liable for EU obligations that actually materialise, an increase in the estimate of decommitted spend reflects a reduction in the actual amount spent by the EU and therefore a decrease in the RAL liability. The decommitment assumptions used in the calculation above vary by EU programme, however the estimated average over all commitments is c. 8.8%.

Provisions are discounted in accordance with the requirements of the Financial Reporting Manual and the rates set centrally by HM Treasury based on the yields of gilts issued by the government; cash flows within 5 years (-0.02%), between 6-10 years (0.18%), and more than 10 years (1.99%). The 0.1% decrease is applied to each of the spot rates set for different time horizons. Changes to this discount rate do not affect what the UK pays under the financial settlement, only the valuation of the liability for financial reporting purposes.

An increase in assumed salary increases results in individuals receiving larger pensions at the point of retirement for final salary schemes. The salary increase assumption used is that used in the EU 2020 accounts (1.8%).

A decrease in retirement age results in individuals receiving pensions for a longer period of time, resulting in an increase to the liability. The retirement age assumptions used are those used in the EU 2020 accounts (63/64/65 for the respective cohorts).

The timing of the liabilities is set out in the table below:

Component of the provisions	Gross discounted payments (£m)	Time period	Note
RAL	27,866	2021-27	The RAL liability represents the vast majority of the provisioned settlement. Current forecasting estimates that this liability will be fulfilled within seven years of the first payment. The payment obligations will crystallise with the greatest amounts in the earliest years of the time period with payments reducing sharply as time goes on.
Pensions	8,395	2021-65	The pensions liability inherently has a long term cashflow profile as the liability is underpinned by the EU's cash requirements for EU staff pensions. We currently estimate that payments will last till 2065, with the vast majority being paid later than 5 years from the reporting date. The payment obligations will rise gradually year on year over the short and medium term as more scheme members retire but then begin to fall gradually over the remaining decades as they are linked to payments made to final beneficiaries. Article 142 of the Withdrawal Agreement provides a mechanism for early settlement of the principal obligations based upon actuarial estimates of the outstanding amount. The provision is based on the payment of the obligations as they fall due.
Legal Cases	39	2021-22	The liability for legal cases is expected to have been paid by May 2022.
Total	**36,300**	-	-

18. Financial guarantees

In £m	Core Treasury and Agencies 2020-21	2019-20	Group 2020-21	2019-20
UK guarantees	94	91	94	91
Help to Buy guarantees	10	22	10	22
Total	**104**	113	**104**	113
Current	19	18	19	18
Non-current	85	95	85	95

The financial risks and management policies associated with financial guarantees are detailed in Note 24 – Financial Risk which sets out the maximum exposure to HM Treasury as a result of issuing these guarantees.

UK guarantees	The UK Guarantees scheme was announced on 18 July 2012. The scheme aims to support infrastructure projects that may have stalled because of adverse credit conditions. As at 31 March 2021, ten projects were guaranteed with 5 new guarantees issued during the reporting period.
Mortgage guarantee scheme	The Help to Buy: mortgage guarantee scheme was launched on 8 October 2013. The scheme is designed to address the shortage of high loan-to-value mortgages, by offering lenders the option to purchase a guarantee on mortgages where a borrower has a deposit of between 5% and 20%. The Scheme closed to new loan applications on 31 December 2016. See also Note 31.3 Events after the reporting period

For more information see the Contingent liabilities not required to be disclosed under IAS 37 section from page 116.

19. Non-cash transactions

In £m	Core Treasury and Agencies 2020-21	2019-20	Group 2020-21	2019-20 (Restated)
Adjustment for non-cash transactions				
Net provisions provided in year	(1,962)	39,102	(1,894)	39,433
(Impairments)/impairment reversals of non-financial assets	(6)	(34)	(6)	(34)
Depreciation and amortisation	5	4	9	7
Profit/(loss) on sale of unsecured loans to banking customers	-	-	18	(2)
Non-voted – banking and gilts registration services	2	8	2	8
Other non-cash adjustments	2	(6)	(30)	24
Total	**(1,959)**	39,074	**(1,901)**	39,436

20. Commitments

In £m	Core Treasury and Agencies 2020-21	Core Treasury and Agencies 2019-20	Group 2020-21	Group 2019-20
Capital commitments				
Capital commitments	204	388	211	390
Total	**204**	**388**	**211**	**390**
Financial commitments				
Loan commitments	14,384	14,384	754	817
Other financial commitments	-	-	134	157
Total	**14,384**	**14,384**	**888**	**974**

HM Treasury has entered into the following commitments.

DIIF	Capital commitments of £40m (2019-20: £201m) relate to The Digital Infrastructure Investment Fund (DIIF). The DIIF originally made legal commitments to provide a total of £300m worth of investment to the relevant fund managers over a 4 year period to July 2021, of which £150m was decommitted during 2020-21. A total of £110m had been drawn down by the end of this financial year. As at 31 March 2021, the undrawn commitment of £40m remains available to the fund managers. The drawn amounts as at 31 March are recognised as Equity Investments in Note 11.
CIIF	Capital commitments of £164m (2019-20: £186m) relate to The Charging Infrastructure Investment Fund (CIIF). The CIIF is legally committed to provide a total of £200m worth of investment to the relevant fund managers from 2019-20 to 2023-24. As at 31 March 2021, £164m is undrawn. The drawn amounts as at 31 March are recognised as Equity Investments in Note 11.
GLA	HM Treasury has provided a £0.8bn (2019-20: £0.8bn) standby refinancing facility to Transport for London – Greater London Authority for the Northern Line extension as part of the UK Guarantees scheme.
Pool Re	HM Treasury has a commitment to provide a loan to Pool Re and Pool Re nuclear in the event of losses following a terrorist event exceeding their available resources. The maximum potential loan is unquantifiable and therefore not included in the above table. See also contingent liabilities outside the scope of IAS 37 from page 116.
Other financial commitments	Other financial commitments include £109m (2019-20: £124m) of public or contracted commitments for the reservicing of Buckingham Palace.
Other loan commitments	Loan commitments at group level includes the contractual amounts of £nil (2019-20: £67m) to which UKAR is committed for extension of credit to its banking customers, and the loan commitment of £4m (2019-20: £nil) to a project company covered by the UK Guarantees scheme.
Intra-group	HM Treasury also provides a working capital facility to B&B and facility commitment to NRAM. As at 31 March 2021, the total facility available for B&B was £11.5bn (2019-20: £11.5bn (restated)) and for NRAM £2.1bn (2019-20: £2.1bn). The amount currently drawn on these facilities are £nil (2019-20: £nil) and £nil (2019-20: £nil) respectively. As these are intra-group, they are eliminated at group level.

21. PFI contract

In May 2000, HM Treasury entered into a 35-year PFI contract with Exchequer Partnership for HM Treasury's building at 1 Horse Guards Road. The substance of the contract is that HM Treasury has a finance lease and that payments comprise two elements: imputed finance lease charges and service charges.

Finance lease obligations

	Core Treasury and Agencies	
In £m	**2020-21**	**2019-20**
Within 1 year	11	11
Between 1 and 5 years	45	45
Later than 5 years	128	139
Gross present value of future obligations	184	195
Finance charges allocated to future periods	(77)	(85)
Total	**107**	110

Minimum service charges

	Core Treasury and Agencies	
In £m	**2020-21**	**2019-20**
Within 1 year	18	17
Between 1 and 5 years	80	75
Later than 5 years	323	336
Total	**421**	428

HM Treasury is committed to paying minimum service charges in future years as shown above. The total amount charged in the SoCNE for the service element (including contingent rent) was £17m (2019-20: £16m).

22. Contingent assets

IAS 37 – Provisions, contingent liabilities and contingent assets – requires the disclosure of contingent assets, defined as:

- A possible asset that arises from past events, and
- Whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within control of the entity.

Contingent assets are not recognised but are disclosed where an inflow of economic benefit is probable – once the realisation of income is certain, the asset is no longer a contingent asset and is recognised at this time.

As a result of the UK's withdrawal from the European Union, a number of items within the Withdrawal agreement were considered by HM Treasury to meet the definition of a contingent asset for the core Treasury as follows:

Article 141 – Fine Income	Under Article 141 of the Withdrawal Agreement the UK is entitled to a share of EU fine income that relates to activity up to the end of 2020 (and in some cases after this period) including where collection of the fine income arises post UK exit. A contingent asset is disclosed in relation to the fine income where the likelihood of cash inflow is dependent on the EU successfully wining the case and this likelihood is assessed to be probable. Following the end of the transition period the contingent assets under this article that are not the subject of ongoing litigation are no longer contingent and appear in note 9 – Trade and other receivables. HM Treasury's current best estimate of the contingent asset related to fine income is c.£1.5bn (2019-20 £1.6bn).

In 2019-20 HM Treasury held contingent assets under Article 136 (£0.1bn) and Article 140 (£0.2bn). Following the end of the transition period these are no longer contingent and appear in Note 9 – Trade and other receivables.

Some businesses have voluntarily repaid the business rates relief they received during the COVID-19 pandemic to the government as a gift to the nation (See also Note 2 – Other Operating Income). At 31 March 2021 further companies had notified HM Treasury of their intention to make a repayment as a gift to the nation and made arrangements for those payments to happen after the end of the reporting period totalling £261m (2019-20: nil).

23. Contingent liabilities

HM Treasury has entered into the following guarantees and indemnities. All meet the definition of contingent liabilities under IAS 37 and are disclosed below accordingly. Remote contingent liabilities and those within the scope of other standards such as IFRS 9 do not require disclosure under IAS 37, however they are required to be disclosed in accordance with Managing Public Money and the FReM. They have been separately disclosed from page 116.

The core Treasury and its Agencies have the following contingent liabilities:

EU Financial Settlement: Article 147 – Contingent liabilities relating to legal cases	Under Article 147 of the Withdrawal Agreement "Contingent liabilities related to legal cases", the UK will pay a share of costs incurred by the EU in relation to certain legal cases around the EU Budget and financial interests where the facts forming the subject matter of those cases occurred before 31 December 2020. Note 17 sets out provisions recognised by HM Treasury in respect of this article. The EU disclose a number of contingent liabilities related to legal cases in their 2020 accounts, including cases where a reliable estimate of the cost cannot be made and instead the damages being sought are disclosed. If these contingent liabilities crystallised as obligations for the EU, which depends on future events, and were they to fall within the scope of this article they could give rise to a liability for HM Treasury in the future. The UK share of these disclosed items is estimated at £271m (2019-20: £293m).
LCF	On 17 December 2020 the government announced that it would establish a compensation scheme for London Capital & Finance (LCF) bondholders. The details of the scheme were announced on 19 April 2021 and the cost is

	expected to be £118m. At 31 March 2021, the LCF compensation scheme had yet to be formally announced and is disclosed as a contingent liability.
Legal action	HM Treasury is currently engaged in litigation activity as the defendant. This may result in costs or damages being ordered against HM Treasury. HM Treasury has not disclosed all of the information that is ordinarily required under IAS 37 on the grounds that it may be prejudicial to legal privilege and the outcome of the litigation. This election is made in accordance with IAS 37.92.

In 2019-20 HM Treasury held a contingent liability under Article 136 of the EU Financial settlement (at nil value) with a corresponding contingent asset. Following the end of the transition period this is no longer contingent and appears in Note 9 – Trade and other receivables.

In addition to the items above, HM Treasury Group also has the following contingent liabilities:

UKAR	The Treasury Group's lending and other consumer credit business is governed by consumer credit law and other regulations. Claims upheld in favour of customers in relation to potential breaches of requirements could result in costs to the Treasury Group. It is not possible to provide any meaningful estimate or range of the possible cost.
NRAM Ltd	NRAM Limited provided certain warranties and indemnities to Cerberus in respect of the sale to Cerberus of certain loans and the shares in NRAM plc. The sale agreement set various time limits for bringing claims under the warranties. For most of the warranties this time limit was on or before 5 May 2019 and the contingent liabilities have since expired, but for certain tax-related warranties the time limit is 5 May 2023. The buyer has not made any claims under the warranties.
Bradford & Bingley plc	The Treasury Group holds a number of contingent liabilities in relation to B&B's operations: HM Treasury has confirmed to the FCA its intention to take appropriate steps to ensure that B&B will continue to operate above the minimum regulatory capital requirements. Maximum potential liabilities under this intervention are the minimum regulatory capital requirements as defined by the FCA which may vary as circumstances demand. If this contingent liability crystallised, it would result in a transaction between HM Treasury and B&B, which would be eliminated at group level. In addition, the B&B plc Transfer of Securities and Property etc Order 2008 requires HM Treasury to give a guarantee or to make other arrangements for the purposes of securing that the assets of the remaining section of the B&B Pension Scheme are sufficient to meet its liabilities. As such, HM Treasury guarantees to pay or procure the payment of any benefit amount which falls due from the remaining section at a time when there are insufficient assets to pay that amount. As at 31 March 2021, there is no contingent liability to report (2019-20: £nil). The B&B Pension Scheme is showing an accounting surplus but a funding deficit when measured on the Trustees' actuarial basis; however, this deficit is currently covered by UKAR's operational surpluses.
NRAM Ltd and Bradford & Bingley plc	HM Treasury provided certain market standard time and value capped warranties confirming regulatory, legislative and contractual compliance to purchasers of UKAR's NRAM and B&B assets. Each of the following sales gave rise to a contingent liability with the following maximum values:

	• B&B loan book assets in April 2018: £0.1bn • B&B and NRAM loan book assets in September 2018: £61m • NRAM together loans in March 2019: £1bn For information on the remote contingent liabilities related to these transactions, see Contingent liabilities outside the scope of IAS 37 from page 116.
FSCS	Compensation payments may become due as a result of claims made to the FSCS by customers of authorised financial services firms which have failed. To qualify for compensation customers must be eligible under FSCS rules. These rules are outlined in the FCA Handbook and in the PRA Rulebook on Depositor Protection and Policyholder Protection. FSCS can only pay compensation for financial loss and there are limits to the amounts of compensation FSCS pays. There is significant uncertainty around the number of claims FSCS will receive from customers, the likelihood of eligible claims, the type or product of those claims, the amount of compensation FSCS will pay, and the timing of those payments. Therefore, it is not practicable to provide an estimate of the costs of potential claims FSCS may receive or claims FSCS have received but not yet decided. FSCS has a statutory duty to pursue recoveries that are reasonably possible and cost effective to pursue which will offset some of the compensation it will pay out.

24. Financial risk: management objectives and policies and sensitivity analysis

24.1 Introduction

HM Treasury is responsible for responding to economic risk on behalf of the government. Economic risk can include changes in regional, national and international economies and can be triggered by external events such as macroeconomic events, conflict, natural disasters or by changes in government policy and legislation. Depending on the nature of the change an economic risk can have positive or negative impacts.

In the recent past, HM Treasury has reacted to uncertainty in the global and national economies by creating policy solutions that contribute to the UK's fiscal and economic recovery. These policy solutions include the financial stability interventions, which are designed to:

- stabilise and restore confidence in the financial system
- protect depositors' money
- protect taxpayers' interests
- ensure continued lending to creditworthy borrowers

HM Treasury's Accounts include a number of financial assets and liabilities. These financial assets and liabilities expose the Treasury to financial risks, which are: market risk, liquidity risk and credit risk. These risks are discussed below.

The HM Treasury Board is ultimately responsible for the establishment and oversight of the Treasury Group's risk management programme. Risk management forms a core part of day-to-day operations for HM Treasury's policy teams, sub-committees and UK Government Investments Limited (UKGI) - which manages the government's investments in NatWest Group and UK Asset Resolution Limited (UKAR).

UKGI, under the UKGI Framework Agreement, is responsible to HM Treasury for providing oversight. For NatWest, UKGI aims to:

- engage with the board and management team of the bank to build shareholder value
- ensure that analytical frameworks used to assess value for money and wider policy, operational and legal implications remain robust
- maintain an ongoing dialogue and communication with existing and prospective investors in NatWest.

For UKAR, UKGI aims to actively engage with UKAR in the ongoing orderly run-down of its closed mortgage books with focus on maximising value for the taxpayer. The UKAR Board has responsibility for the design and management of the risk framework for UKAR financial instruments.

On 26 February 2021, UKAR completed the final sale of these mortgage books. Before the sale on 26 February 2021, the largest concentration of financial risk outside Core Treasury was in UKAR. UKAR is a wholly owned subsidiary of HM Treasury which was set up to manage the government-owned assets of NRAM Ltd and B&B plc. These assets represented loans to banking customers in the form of residential, commercial and wholesale mortgages. As at 31 March 2021, these assets were successfully sold, and are no longer held by UKAR. Further information on the financial risks of UKAR can be found in the UKAR annual report.[14]

The remainder of this note covers the following:

- Group
    - UKAR: market risk, liquidity risk, credit risk
    - Group – credit risk
- Core Treasury and Agencies
    - Market risk
    - Liquidity risk
    - Credit risk

24.2 Group

This section focuses on the risks that are associated with UKAR and then credit risk for the remainder of the Treasury Group.

Market risk- UKAR

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk existed in loans to banking customers and comprised two types of risk: interest rate risk and other price risk. Following the sale of B&B and NRAM's mortgage assets and

[14] http://www.ukar.co.uk/about-us/financial-reports/2020

commercial loans on 26 February 2021, UKAR no longer faces any market risk. Where relevant this is discussed below for the prior year comparatives.

Loans to banking customers represented residential, commercial and wholesale mortgages attributable to the government owned businesses of NRAM and B&B. UKAR is the holding company for both businesses.

Liquidity risk - UKAR

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

UKAR closely monitors its liquidity position against its liquidity policy. Minimum and target liquidity levels are established through stress testing and cash flow forecasting, taking into consideration an assessment of any emerging and potentially extreme funding conditions.

The table below looks at UKAR's liquidity position as used by management to monitor its liquidity risk, evaluated by comparing its financial assets and liabilities on a stand-alone basis, including balances with HM Treasury, into relevant maturity groupings.

Current year

In £m	On demand	Up to 3 months	3-12 months	Over 1 year	At 31 March 2021
Total financial assets	5,094	2	-	-	5,096
Total financial liabilities	-	(90)	-	-	(90)
Net liquidity gap	5,094	(88)	-	-	5,006

Prior year

In £m	On demand	Up to 3 months	3-12 months	Over 1 year	At 31 March 2020
Total financial assets	889	31	95	4,637	5,652
Total financial liabilities	-	(46)	(2)	(15)	(63)
Net liquidity gap	889	(15)	93	4,622	5,589

Credit risk- UKAR

Following the sale of B&B and NRAM's mortgage assets and commercial loans on 26 February 2021, UKAR no longer faces any credit risk. Before the final sale, credit risk was the largest risk UKAR faced. The most significant credit risk for UKAR was the exposure to retail, commercial and wholesale counterparties failing to meet their obligations. The below assessment considers credit risk solely for the prior year comparatives.

As no new lending was being undertaken, UKAR's ability to influence the structure of their credit risk profiles, in the absence of asset sales, was largely restricted to the degree of control which they had over risk strategy, loan redemptions and credit collections activity. Credit risk profiles were determined by the credit quality of the existing portfolio. Changes in credit quality will arise from: changes in the underlying economic environment; assumptions about the future trends in the economy; changes in the specific characteristics of individual loans; and the credit risk strategies developed to add value to the book whilst mitigating credit risk.

A credit risk framework had been established as part of the overall governance framework to measure, mitigate and manage credit risk within risk appetite. UKAR closely monitors its credit risk against its credit policies and employs credit behaviour scoring and fraud detection techniques to support loss minimising strategies.

The UKAR board had approved a framework for maximum wholesale credit counterparty limits against which total wholesale credit exposures were continually monitored and controlled. The credit limit structure adopts a risk-based matrix whereby lower rated counterparties are afforded lower overall levels of limit.

Although publicly available ratings produced by rating agencies provide a useful guide to the creditworthiness of counterparties, an internal evaluation is also used in the limit assignment process. Counterparties were assigned maximum limits in accordance with the ratings matrix, based on the lowest rating afforded to any part of the counterparty group.

UKAR operates primarily in the UK and adverse changes to the UK economy could impact all areas of the UKAR Group's business. Residential loans to customers are all secured on property in the UK. In 2019-20, 56% of residential loans to customers were concentrated in the buy-to-let market; most of the remaining balances were secured on residential owner-occupied properties.

In 2019-20, the residential loan book of £5.0bn was geographically spread across the UK broadly in line with the country's housing stock. Consequently, there was a geographic concentration of mortgages secured on properties in London and the South-East representing 40% of the book.

Total loans to customers	At 31 March 2020		
In £m	Stage 2: Lifetime ECL	Stage 3: Lifetime ECL	Total
Up to date	4,325	147	4,472
1-3 months in arrears	166	118	284
Greater than 3 months in arrears	-	199	199
Total	**4,491**	**464**	**4,955**

Residential mortgages: collateral held and loan to value

For residential mortgages, UKAR held collateral in the form of mortgages over residential properties. The fair value of this collateral, estimated by taking the most recent valuation of the property and adjusting for house price inflation or deflation up to the reporting date were as follows:

	At 31 March 2020		
In £m	Stage 2: Lifetime ECL	Stage 3: Lifetime ECL	Total
Up to date	7,708	259	7,967
1-3 months in arrears	277	199	476
Greater than 3 months in arrears	-	305	305
Total	**7,985**	**763**	**8,748**

If the collateral amount on each individual loan were capped at the amount of the balance outstanding, and any surplus of collateral values over balances outstanding ignored, the fair value of collateral held would be as follows:

	At 31 March 2020		
In £m	Stage 2: Lifetime ECL	Stage 3: Lifetime ECL	Total
Up to date	4,288	144	4,432
1-3 months in arrears	166	117	283
Greater than 3 months in arrears	-	195	195
Total	**4,454**	**456**	**4,910**

The indexed loan to value (LTV) of residential mortgage balances, weighted by loan balance, falls into the following ranges:

%	At 31 March 2020
To 50% LTV	17
50% to 75% LTV	56
75% to 100% LTV	23
Over 100% LTV	4
Total	**100**

Residential mortgage loans: arrears and possessions

Arrears and possessions were monitored for residential loans as follows:

		At 31 March 2020
Arrears 3 months and over		
- Number of cases (proportion of total cases)	No.	1,192 (3.14%)
- Asset value (proportion of book value)	£m	181 (3.66%)
- Total value of payments overdue (portion of book)	£m	6 (0.12%)
Possessions		
- Number of cases (proportion of total cases)	No.	183 (0.48%)
- Asset value (proportion of book value)	£m	27 (0.55%)
- Total value of payments overdue (portion of book)	£m	1 (0.02%)
Arrears 3 months and over and possessions		
- Number of cases (proportion of total cases)	No.	1,375 (3.62%)
- Asset value (proportion of book value)	£m	208 (4.21%)
- Total value of payments overdue (portion of book)	£m	7 (0.14%)
Payments overdue in respect of all arrears and possessions (portion of book)	£m	9 (0.18%)
Loan impairment provision: as % of total balances	%.	2.6
Loan impairment provision: new possessions	No.	422

Credit risk- Group

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

HM Treasury Group is exposed to credit risk through loans and investment securities provided by the government to external counterparties. Adverse changes in the credit quality of borrowers or a general deterioration in economic conditions could affect the recoverability or value of loans, and therefore the financial performance of the Treasury Group. If a borrower is not able to meet its principal and interest obligations, the loan is in default. A loan will be written off if the borrower is in a default position and there is no restructuring or other plan that would give a reasonable expectation of recovery.

These loans include loans to external counterparties which were made at a time when they could not obtain financing from the financial markets and loans provided to make payments to deposit holders in failed institutions. For example, the bilateral loan to Ireland formed part of an international financial package to support the Irish economy and banking system.

Where level 1 fair values cannot be obtained because they are not quoted in active markets, fair value is estimated by discounting future cash flows receivable at relevant market rates of a comparable maturity (Discounted Value), as shown in the table below.

	2020-21		2019-20	
In £m by counterparty	Carrying Value	Discounted Value[15]	Carrying Value	Discounted Value
Loans to Ireland	-	-	1,613	1,653
Other loans	4	7	5	6
Loans sub-total	**4**	**7**	**1,618**	**1,659**
Statutory debt	**-**	**-**	**2**	**2**
Investment securities	**405**	**405**	**365**	**365**
Total	**409**	**412**	**1,985**	**2,026**

Bilateral loan to Ireland	Under the terms of the Loans to Ireland Act 2010 this loan forms part of the international finance package to support the Irish economy and banking system. The outstanding amount advanced under this loan was repaid in 2020-21
Statutory debt	Statutory debt loans are Dunfermline and Heritable. Statutory debt is managed by specialist external administrators. The administration for both companies concluded and final repayments were made during 2020-21.
Investment securities	Investment securities are held by Reclaim Fund Ltd and managed by RFL’s investment manager as part of the ongoing investment strategy.

[15] There are no current market prices available.

24.3 Core Treasury and Agencies – EU financial settlement

The fair value of financial instruments recognised in HM Treasury accounts in respect the EU Withdrawal Agreement are sensitive to certain key assumptions which include performance of the underlying financial operations (market risk), the sterling/euro exchange (currency risk), the UK's post 2020 financing share (see note 17) and the discount rate applied to future cash flows. The table below sets out the sensitivity of the fair value to changes in these key assumptions. The provisioning rates used in the Articles 143 and 144 model are not included in the list of the key assumptions below as they are based on those communicated under the withdrawal agreement to HM Treasury in March 2021.

Assumption[16]	Change	Financial impact on receivables	Financial impact on payables
Market risk – the valuation of these instruments is sensitive to the credit risk of the underlying operations which affects their hypothetical market price	A significant and permanent increase in the probability of default (50% increase) and fall in the rate of recoveries (15% fall), representing a long-term deterioration in economic conditions	A decrease of £436m	An increase of £11m
Market risk – probability of default	A significant and permanent increase in the probability of default of 50%	A decrease of £150m	An increase of £3m
Market risk – rate of recoveries	A 15% fall in the rate of recoveries	A decrease of £210m	An increase of £5m
Exchange rate – the Sterling/Euro exchange rate	Sterling appreciation of 1%	A decrease of £41m	A decrease of £4m
Financing share – the average proportion of the EU budget 2014-20 financed by the UK[17]	An increase of 1%	An increase of £6m	An increase of less than £1m
Discount rate – the discount rate applied to future cash flows to take account of the time value of money	An increase of 0.1 percentage point	An increase of £8m	An increase of less than £1m
EU Budgetary risk - the valuation Article 143 is sensitive to the revenue collected by the European Investment Bank (EIB) to fund the European Fund for Strategic Investments.	EIB collected revenue is halved	A decrease of £197m	No impact

The future cash flows arising from the Article 143 and 144 instruments are sensitive to the likelihood of default in the underlying operations (probability of default) and the extent to which defaulted payments can be subsequently recovered (the rate of recovery). The table above applies significant changes in both assumptions. The 50% increase in the probability of default is based on analysis of economic growth and insolvencies, where changes in insolvencies is taken as a broad proxy for changes in the probability of default. A 50% increase was taken as illustrative of a permanent 1% reduction in long term trend economic growth. The 15% reduction in recovery rates is based on historical corporate recovery data and represents the upper end in the distribution of historic movements.

The future cash flows for HM Treasury of the Withdrawal Agreement will be denominated in Euros, and therefore the changes in the Sterling/Euro exchange rate

[16] Revenue collected by the EIB is held static in all sensitivities, except EU Budgetary Risk.

[17] This sensitivity does not include any change to the initial provision and thereby default provisioning rates applied to the UK's liability calculation.

will affect the Sterling value of those cash flows. The table below gives an indication of the timing of the cash flows under these instruments.

The UK's post-2020 financing share is an average of its own resources share as a contributor to the EU budget for the years 2014-20. At the time of reporting, the financing share is still open for adjustment for revision of VAT and gross national income outturn for 2014-2020. The share will be determined definitively by February 2022. However, as the majority of the financing share inputs are known and the remaining uncertainty around this assumption is limited. The UK's post-2020 financing share used in the estimate of the fair value of these instruments is 12.36 %.

The discount rate applied to future cash flows to determine fair value is the financial instrument rate set by the Treasury in accordance with the Financial Reporting Manual. The interest rate intrinsic to these instruments is judged to be zero and therefore the Treasury financial instrument rate of 3.7% is applied to future cash flows. A change in the Treasury financial instrument discount rate does not affect the future cash flows that will be received or paid by HM Treasury.

The timing of the assets and liabilities is set out in the table below:

Receivables/ Payables	Gross discounted payments (£m)	Time period	Note
Article 136 - Receivables	180	2021-2028	Article 136 covers corrections or adjustments to contributions over the 2014-20 Multi-Annual Financial Framework (MFF). The receivables are UK's share of the EU budgetary surplus in 2020 and expected to be due from 2021.
Article 136 - Payables	(354)	2021-2028	Article 136 covers corrections or adjustments to contributions over the 2014-20 Multi-Annual Financial Framework (MFF). The amounts payable are corrections or adjustments to Value Added Tax or Gross National Income-based contributions paid or received after 31 March 2021 and expected to be due from 2021.
Article 140 - Receivables	103	2021-2040	The financial instruments in Article 140 cover infringements that the EU will receive from the member states and distribute back to UK its share. Receipts under this article are expected as they are recovered from member states up to 2040.
Article 141 - Receivables	43	2021	Article 141 covers the UK's share of fines issued by the EU. This income is expected to be received in 2021. See also Note 22 for fines dependant on the EU successfully winning cases.
Article 143 - Receivables	967	2021-2047	Article 143 includes loans and financial instruments guaranteed by the EU budget which have corresponding guarantee funds, and over time we expect to receive our shares of those guarantee funds back, less the funds necessary to cover defaults. Those loans covered by the European Fund for Strategic Investments (EFSI) (the largest of the relevant funds) and European Fund for Sustainable Development (EFSD) guarantee funds are expected to have fully

			matured by 2035, with only those loans covered by the Guarantee Fund for External Actions (GFEA) (proportionally smaller than EFSI) expected to continue until 2047.
Article 143 - Payables	(8)	2021-2041	Article 143 also includes some loans guaranteed by the EU budget which have no corresponding guarantee fund, and so can only represent a potential net cost to the UK in future cases of default. Most of these are scheduled to fully mature by 2041.
Article 144 - Receivables	393	2021-2035	Article 144 covers various financial instruments wholly provisioned for under the EU budget through successive Multiannual Financial Frameworks. We expect our provisioning to be returned to us on a steady profile, with the last of the relevant instruments expected to fully mature in 2035.
Article 145 & 146 – Receivables	169	2021-2025	Articles 145 and 146 cover the payment of the UK's share of the assets of the ECSC and the investment in the EIF. These are paid in 5 equal instalments from 2021 to 2025
Article 150 – Receivables	2,254	2021-2031[18]	Article 150 covers the repayment of the paid in capital of the European Investment Bank. This will be made in equal instalments until 2030 with the remainder paid in 2031
Total	**3,747**	-	-

Market risk

The fair value of financial instruments recognised in respect of Articles 143 and 144 of the EU Withdrawal Agreement is sensitive to changes in the probability of default and the rate of recoveries of the underlying operations within the scope of the relevant EU financial instruments. Such sensitivities would affect the price a hypothetical market participant would pay for such instruments. The EU is responsible for managing the financial risks associated with their exposures arising from the underlying instruments, which determine the UK's exposure under the Withdrawal Agreement to financial operations approved before the UK's withdrawal. The EU is required to manage such risks in accordance with the requirements of the "EU's Financial Regulation applicable to the general budget of the Union (2018)".

Currency risk

Future cash flows arising from all financial instruments recognised in respect of the EU Withdrawal Agreement are denominated in Euros. The sterling value of these instruments is sensitive to changes in the Sterling/Euro exchange rate. Cash flows arising from these instruments are expected over a period of more than 10 years. Cash outflows will be funded through Parliamentary Supply and inflows will be returned to the Exchequer. Foreign exchange needs will be managed in aggregate

[18] The first repayment of EIB paid in capital to the UK was made in in 2020 to the Consolidated Fund. These receipts become payable to HMT from 2021.

with the expected Euro requirements of other obligations under the financial settlement.

In addition to currency risk on financial instruments the provision created by the EU Financial settlement is also sensitive to currency fluctuations. Further detail is provided in Note 17 – Provisions.

Liquidity risk and credit risk

The EU is the UK's (HM Treasury's) counterparty to the cash flows arising from all financial instruments recognised in respect of the EU withdrawal agreement, and is AAA rated. Liquidity and credit risks are immaterial.

24.4 Core Treasury and Agencies – Other

Market risk

Market risk is the risk that the fair value of cash flows of a financial instrument will fluctuate due to changes in market price. Other price risk, liquidity risk and currency risk are sub-sets of market risk and are discussed below.

Market risk at the Core Treasury level primarily relates to the impact of moves in market interest rates on the Bank of England Asset Purchase Facility Fund (BEAPFF). The BEAPFF is a wholly owned subsidiary of the Bank of England that was set up in 2009 to implement quantitative easing in the UK. The BEAPFF purchased gilts financed by the creation of central bank reserves, initially to the sum of £200bn, and subsequently expanded on various occasions by MPC decision to its current maximum authorised size of £895bn.

The table below summarises the maximum authorised size of the BEAPFF. The size of the Bank of England loan to the BEAPFF will increase gradually as asset purchases are conducted.

In £ billion	31 March 2021	31 March 2020
Government bond purchases	875	625
Corporate bond purchases	At least 20	At least 20
Total quantitative easing package	**895**	**645**

Further information can be found in BEAPFF Ltd's Annual Report and Accounts and the 'Contingent liabilities not required to be disclosed under IAS 37' disclosure from page 116.

The portfolio of gilts and corporate bonds held by the BEAPFF is valued at market rates and is sensitive to fluctuations in gilt yields and credit spreads. Moves in market rates, over and above those caused by the operations of the BEAPFF itself, are driven by multiple factors including actual or expected monetary and fiscal policy changes, changes in the market's risk premia assessments, and movements in related international markets. The total gilts and corporate bonds portfolio held by BEAPFF at 31 March was £800bn, using the quoted prices from Tradeweb and composite quote providers, either Bloomberg or Refinitiv depending on availability in the market. The quoted gilt and bond prices can vary depending on the data source.

A 0.1 percentage increase in the quoted prices leads to a 0.1 percentage (£0.8bn) increase in the fair value of the portfolio.

HM Treasury provides an indemnity to the Bank of England for any losses or profits from operating the BEAPFF. The derivative is valued on the basis of the difference between the fair value of BEAPFF Ltd’s assets and liabilities. The assets mainly comprise the portfolio of financial assets but include some cash holdings. Cash generated from coupon income and redemptions is primarily used to finance the Bank of England loan and reinvested in portfolio assets. Surplus cash is transferred to HM Treasury on a quarterly basis. The company’s liabilities are represented by the Bank of England loan and accrued interest on the loan.

It is difficult to predict the movement in the BEAPFF derivative as the fair value of its financial assets is re-priced in response to market changes. At 31 March 2021, the BEAPFF’s assets exceeded its liabilities by £15.2bn, driven by market-value gains within its portfolio and interest income received. When there is an excess of assets over liabilities, the derivative value is represented by a liability on BEAPFF’s SoFP and by a corresponding asset on HM Treasury’s SoFP (see Note 14 – Derivative Financial Assets). Quarterly transfers of surplus cash between the BEAPFF and HM Treasury under the indemnity agreement impact the value of the BEAPFF’s net assets and so also the value of the derivative. However, the derivative does not mature and become payable until the scheme is unwound, at which time the outstanding value of the derivative would be settled.

Should the fair value of the BEAPFF’s assets fall below that of its liabilities, the indemnity would conversely entail BEAPFF Ltd recognising a derivative asset and HM Treasury a derivative liability. That liability would not be payable until the scheme is unwound. If there were a shortfall of cash in this scenario, HM Treasury would fund this by way of quarterly cash transfers, as set out in the deed of indemnity and in line with the current quarterly arrangement with BEAPFF.

Therefore, although HM Treasury benefitted from the operations of the BEAPFF as at 31 March 2021 to the extent that gains in fair value were reflected in a derivative asset, the indemnity may generate a liability and require payments of cash to the BEAPFF in future periods. These would be accounted for via HM Treasury’s Supply Estimate: quarterly cash payments would be classified as non-budget, but any residual settlement of the derivative on wind-up would be Annually Managed Expenditure (AME).

The Bank of England manages risk associated with BEAPFF on HM Treasury’s behalf. Subject to the policy objectives, the aim is to minimise overall risk through the appropriate choice of portfolio and risk management practices. A set of high-level financial risk parameters is in place for the Company’s operations, agreed to by HM Treasury and the Bank of England, relating to eligible asset classes, investment limits, credit risk and counterparties. Whilst the Monetary Policy Committee (MPC) retains independence for setting monetary policy, the Treasury can provide views to the MPC on the design of the schemes within the BEAPFF as they may affect the government’s broader objectives.

Market risk associated with the BEAPFF derivative arises as a natural consequence of its policy objectives, principally through the re-pricing of its assets due to market changes. Interest rate risk is monitored in the form of a delta, which is the decline in the valuation of BEAPFF Ltd's underlying assets from a 1 basis point increase in market interest rates. The delta at 31 March 2021 was £0.9bn (2019-20: £0.6bn).

Credit risk for the BEAPFF is smaller in comparison to market risk, as most BEAPFF assets are high quality gilts with a low default risk. Risk is also monitored through value at risk. Value at risk estimates the potential loss that might arise if existing positions were unchanged for 10 business days under normal market conditions, given the historic volatility of the returns on different types of assets, and the correlation between their returns. The value at risk at 31 March 2021 was £25.6bn (2019-20: £48.2bn).

The amount due to or from HM Treasury under the indemnity does not indicate whether the public sector as a whole made a profit or loss from the operations of the BEAPFF. The bulk of assets held by BEAPFF Ltd are gilts and are liabilities of the broader public sector.

Other Price Risk

Price risk is the risk of a decline in the value of a security or a portfolio. Price risk relates to HM Treasury's shareholding in listed entities, currently only NatWest.

HM Treasury purchased shares in NatWest as part of the financial stability interventions. The shares in NatWest were not purchased for commercial reasons. The purchase of the shares and the resulting injection of capital were necessary to ensure the financial survival of the entity and to avoid a collapse of the UK banking sector.

The fair value of the UK listed shares fluctuates due to changes in market prices. Market prices for a particular share may fluctuate due to factors specific to the individual share or its issuer, or factors affecting all shares traded in the market.

UKGI, under the UKGI Framework Agreement, is responsible for the development and execution of an investment strategy for disposing of the investment in NatWest in an orderly and active way, within the context of protecting and creating value for the taxpayer.

The analysis below shows the impact on reserves based on a 10% and a 25% increase/decrease in the market price of the share investment in NatWest. There is no impact on net operating income arising from a change in market prices of the investment.

	Reserves	
In £m	2020-21	2019-20
Increase +10%	1,358	848
Increase +25%	3,395	2,120
Decrease -10%	(1,358)	(848)
Decrease -25%	(3,395)	(2,120)
Investment in NatWest Group	13,578	8,478

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

HM Treasury's liquidity management controls include monitoring cash flows to ensure that daily cash requirements are met and re-assessing the net cash requirement on a regular basis and reporting this to Parliament through Estimates. HM Treasury is not exposed to significant liquidity risk because it can apply for Parliamentary approval for additional cover to pay for any liquidity gap.

Due to the magnitude of the financial stability interventions, liquidity requirements can fluctuate significantly.

HM Treasury's liquidity risk principally relates to BEAPFF. Monthly cash inflows are generated from gilt coupon interest and maturity proceeds which are offset by further gilt purchases, monthly loan interest payments to the Bank of England and HM Treasury cash payments. The Treasury will be required to make payments to the BEAPFF if the Bank Rate rises and exceeds the coupon rate for the gilt holdings (as the interest paid on the APF loan would exceed the interest earned from the coupon payments) or if the losses from gilt sales exceed the cash reserves held by the BEAPFF in an active unwind scenario.

Currency risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The only material financial instruments that are exposed to currency risk are EU financial settlement receivables, which are discussed in note 24.3 (see also Note 9 - Trade and Other Receivables).

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

HM Treasury is also exposed to credit risk for guarantees provided to group entities and external counterparties.

HM Treasury offers guarantees to support the government's policy objective to support significant infrastructure and lending to small and medium businesses projects which have been affected by a shortage of financing or other risk issues. Guarantee fees are paid to compensate Treasury for its expected losses under the schemes. The schemes are not entered into for commercial gain however fees are set at commercial rates where required by state aids rules. The guarantees do not involve direct cash support, but they do expose HM Treasury to potential liabilities if the guarantees are called.

The Infrastructure and Projects Authority (IPA) which reports to both the Cabinet Office and HM Treasury, monitors infrastructure guarantees granted under the UK Guarantees Scheme and assesses the likelihood of a pay out by the Treasury. Infrastructure projects monitored by IPA are shown in the table below and exclude Mortgage Guarantees which are monitored by HM Treasury. The IPA's Head of Portfolio Management undertakes day to day oversight of guarantees, including early warning monitoring and planning mitigating action. If a pay-out is required, HM Treasury is legally entitled to recover as much as possible from the borrower.

Maximum exposure for financial guarantees is disclosed under contingent liabilities not required to be disclosed under IAS 37 from page 116.

Project	Description	Maximum exposure in £m[19] March 2021	March 2020	Projected end date
Speyside	Speyside is a guarantee for bonds issued by the Speyside Biomass Combined Heat and Power project in Moray Scotland. The guarantee for the bonds was issued in August 2014.	40	43	Jun-2028
Countesswells	Countesswells is a guarantee for up to £86m borrowing supporting a major property development in Aberdeen that will deliver new housing, schools, healthcare and parks over the next 11 years. The guarantee was issued in March 2016.	88	82	Mar-2031
Mersey Gateway	Mersey Gateway is a £257m guarantee that underpins the issuance of bonds to fund the construction of a 1km long cable-stayed, dual-three lane bridge over the River Mersey between Widnes and Runcorn plus associated changes to approach road. The guarantee was issued in April 2014	267	267	Mar-2043
Uliving@ Gloucestershire	Uliving@Gloucestershire is a guarantee for debt issued to finance the construction of a new student village at the University of Gloucestershire's Pittville Campus and the refurbishment of existing student facilities at the site. The guarantee was issued in January 2016	39	41	Sep-2051
University of Northampton	University of Northampton is a guarantee for public bonds and Local Authority loans raised to finance the construction of the University's new campus at the Waterside site near Northampton town centre. The guarantee was issued in November 2014	283	284	Mar-2056
East Anglia/ West Midlands 1 and 2/ South Western Railway 1 and 2	There are 5 projects under the contract with Alstom (previously Bombardier), which is to provide £398m of guarantees that support the manufacture and supply of new electric carriages for use on 3 rail franchises. The guarantee were issued in May and June 2020.	398	-	Jun-2022
	Total for infrastructure projects monitored by IPA	**1,115**	**717**	
Mortgage guarantees	The Help to Buy: mortgage guarantee scheme was launched on the 8 October 2013 to address the shortage of high loan-to-value mortgages by offering lenders the option to purchase a guarantee on mortgages where the borrower has a deposit of between 5% and 20%. The scheme closed to new loan applications on 31 December 2016. Loans with an application date on or before 31 December 2016 continued to be accepted into the scheme until 30 June 2017.	281	430	Dec-2023

HM Treasury also holds a derivative with Covid Corporate Financing Facility Ltd (CCFF) to indemnify it against losses under the scheme and entitles HM Treasury to any gains generated. As CCFF is wholly owned by the Bank of England and the value

19 Maximum exposure is calculated at the principal amount of the borrowing guaranteed, plus one year's interest.

of the indemnity on wind up will be equal to the cash held in the company, there is minimal credit risk arising on the indemnity itself. However, the risk of change in the value of the derivative that is legally due which would have the largest potential impact is the credit risk to CCFF from the purchase of commercial paper of up to one-year maturity issued by eligible firms.

The Bank regularly monitors the credit risk profile of eligible firms in collaboration with HM Treasury. It reviews all applications to determine whether applicants meet the initial eligibility criteria and assigns limits based on individual issuer credit ratings. To be eligible for the scheme, firms were initially required to demonstrate that they made a material contribution to the UK economy and that they were in sound financial health prior to the COVID-19 economic shock, evidenced by being investment grade as at 1 March 2020. The criteria were updated by HM Treasury and the Bank on 9 October 2020. An eligible firm from 9 October 2020 onwards was required to provide evidence that its investment grade credit rating is current. Where an issuer's credit quality fell below investment grade after 1 March 2020, issuers after 9 October 2020 had the option to request a credit review by HM Treasury, based on which HM Treasury decided whether the firm remained eligible.

Since 9 October 2020, the Bank also reviews utilisation requests to determine whether there is sufficient evidence of a current investment grade rating. Eligibility, limit and utilisation assessments against HM Treasury's guidelines are shared by the Bank with HM Treasury who, as the ultimate risk owner of the company's assets, takes the final decision.

The Company closed to new applications with effect from 31 December 2020 and to new purchases with effect from 23 March 2021.

The model uses market-based spreads so that valuations are reflective of actual market conditions. The market-based spreads are derived from indices which act as a proxy for the commercial paper held in CCFF. Management judgement has been applied in determining that the selected indices are appropriate for the purpose of the model. A one basis point increase in the market-based spreads would lead to a £0.5m reduction (2019-20: £0.1m) in the valuation of the overall commercial paper portfolio. A one basis point increase in the LIBOR curve, with credit spreads remaining static, would also have the same impact.

Credit spreads are assigned to the commercial paper in accordance with its credit rating. The table below represents an analysis of commercial paper by credit risk groupings, based on public external rating agency designations at 31 March:

	2020-21		2019-20	
Credit risk rating	**£bn**	**%**	**£bn**	**%**
A	2.1	27%	1.1	58%
BBB	3.5	44%	0.8	42%
BB	0.3	4%	0.0	0%
B	0.0	0%	0.0	0%
Non-public	2.0	25%	0.0	0%
Total	**7.9**	**100**	**1.9**	**100**

Firms could issue to the CCFF if they met certain qualifying criteria which included being able to demonstrate they were of investment grade credit quality (i.e. that they were rated BBB-/Baa3 or better) as at 1 March 2020 and, for issuance after 9 October 2020, that they remained investment grade at that later date. Firms were able to evidence their investment grade status in a variety of ways, most commonly through public credit ratings from external rating agencies (whose values as at 31 March 2021 are reported in the 'A' to 'B' rows above). For ca. 25% of names (reported above as 'non-public'), firms evidenced their credit status by means of private ratings derived from confidential third-party sources such as credit rating agencies and banks. No privately or publicly rated issuer was rated lower than 'B' band at 31 March 2021 and lower than 'BBB' band at 31 March 2020.

The table below shows the sector concentration of these assets and the maximum exposure at 31 March:

	2020-21		2019-20	
In £m by counterparty	£m	%	£m	%
Consumer, cyclical	1.2	15%	0.7	37%
Consumer, non-cyclical	0.9	11%	0.6	31%
Electricity	0.1	1%	0.2	11%
Energy	1.0	13%	0.4	21%
Industrial and transport	3.0	38%	0.0	0%
Property and finance	1.7	22%	0.0	0%
Total	7.9	100	1.9	100

All the commercial paper have maturities of less than one year. The weighted average maturity of the commercial paper as at 31 March is 211 days. As at 1 June 2021, a further £3.4bn has been repaid. The fair value movement attributed to changes in credit rating during the year was immaterial.

See also Note 1.4 – Significant judgements and estimates.

25. Group financial instruments - fair value hierarchy

	2020-21			2019-20 (Restated)		
In £m	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets: fair value through OCI						
Investments – listed entities	13,578	-	-	8,478	-	-
Investments – unlisted entities	-	7,732	-	-	6,576	-
Loans to banking customers	-	-	-	-	-	4,708
Derivative financial assets and liabilities						
Derivative financial assets	-	15,184	-	-	73,609	-
Financial assets: amortised cost						
Loans and investment securities	-	412	-	-	2,026	-
Financial assets: Disposal group						
Assets held for sale	1,656	-	-	-	-	-
Financial assets: fair value through P&L						
Trade and other receivables	-	-	4,109	-	-	1,522
Financial liabilities: fair value through P&L						
Trade and other payables	-	-	362	-	-	8
Financial liabilities: Disposal group						
Liabilities held for sale	55	-	-	-	-	-

Introduction	All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole. There were no reclassifications between the hierarchies.
Level 1	The value is determined using quoted prices (unadjusted) in active markets for identical assets and liabilities the entity can access at the measurement date. The Disposal Group held for sale is carried at its fair value less costs to sell. The fair value was derived by reference to the agreed sale price.
Level 2	The value is determined using inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly or indirectly. Unlisted entities use net assets as a proxy for their fair value. Derivatives are calculated by reference to underlying net asset value. Loans and investment securities are estimated by discounting expected future cash flows using market interest rates. Investment securities are based on prices providers cannot guarantee are based on actual trades in the market. Net assets are considered to be a good proxy for fair value for unlisted entities because the underlying assets of each entity are held at fair value with reference either to market value or, when this is not available, discounted cashflows. The fair value of the BEAPFF and CCFF derivatives are calculated by reference to the underlying net assets which are all in

	turn measured at fair value with reference to market information or discounted cashflows.
Level 3	Values are not based on observable market data or have significant unobservable inputs. For loans to banking customers, fair value is estimated by discounting expected future cash flows using market interest rates. The fair value has been calculated using models which incorporate the experience gained of market structures and pricing from recent sales transactions. Receivables and payables held at fair value through profit and loss are recognised in respect of Article 136 "Provisions applicable after 31 December 2020 in relation to own resources", Article 140 "Outstanding Commitments", Article 141 "Fines decided upon before or on 31 December 2020", Article 143 "Contingent financial liabilities related to loans for financial assistance, European Fund for Strategic Investments (EFSI), European Fund for Sustainable Development (EFSD) and the external lending mandate", Article 144 "Financial Instruments under direct or indirect implementation financed by the programmes of the 2014-20 MFF", Article 145 "European Coal and Steel Community in liquidation" Article 146 "Union investment in the European Investment Fund", and Article 150 "Continued liability of the United Kingdom and reimbursement of the paid-in capital" (of the European Investment Bank)" of the EU Withdrawal Agreement. The fair value of the financials assets and liabilities have been estimated on the basis of the value of the instruments as reported in the EU's annual accounts, reporting received under the Withdrawal Agreement in March 2021 and other relevant available information from associated EU policy documentation for the instruments. Forecast future cash flows are discounted at the financial instrument rate set by HM Treasury under the Financial Reporting Manual to account for the timing of the cash flows as specified under the articles.
Other	These assets cannot be classified within the fair value hierarchy because the FReM requires them to be held at historic cost. These amounts are not shown in the table above on the basis of materiality, 2020-21: £6m (2019-20: £6m).

26. Financial instruments – assets and liabilities

The accounting policies for financial instruments have been applied to the line items below. The carrying amount below represents fair value unless stated otherwise.

26.1 Group

In £m	2020-21 Fair Value	2020-21 Carrying Value	2019-20 Fair Value (Restated)	2019-20 Carrying Value (Restated)
Financial assets: at amortised cost				
Cash and cash equivalents	-	4,096	-	1,609
Trade and other receivables[20]	-	925	-	803
Loans and investment securities	412	409	2,026	1,985
Financial assets: fair value through OCI				
Equity Investments	-	21,310	-	15,054
Loans to banking customers	-	-	-	4,708
Financial assets: fair value through SoCNE				
Trade and other receivables[20]	-	4,109	-	1,522
Derivative financial assets	-	15,184	-	73,609
Financial assets: Disposal group				
Assets held for sale	-	1,656	-	-
Financial liabilities and guarantees: amortised cost				
Trade and other payables[21]	-	(1,200)	-	(1,109)
Financial guarantees	-	(104)	-	(113)
Financial liabilities: fair value through SoCNE				
Trade and other payables[21]	-	(362)	-	(8)
Financial liabilities: Disposal group				
Liabilities held for sale	-	(55)	-	-

Fair value is estimated by discounting expected future cash flows using market interest rates. Expected future cash flows take account of estimated future losses.

[20] Trade and other receivables are shown net of non-financial assets.

[21] Trade and other payables are shown net of non-financial liabilities.

26.2 Core Treasury and Agencies

In £m	2020-21 Fair Value	2020-21 Carrying Value	2019-20 Fair Value	2019-20 Carrying Value
Financial assets: at amortised cost				
Cash and cash equivalents	-	5	-	66
Trade and other receivables[22]	-	924	-	790
Loans and investment securities	7	6	1,661	1,620
Financial assets: fair value through OCI				
Equity Investments	-	26,760	-	21,139
Financial assets: fair value through SoCNE				
Trade and other receivables[22]	-	4,109	-	1,522
Derivative financial assets	-	15,184	-	73,609
Financial liabilities and guarantees: amortised cost				
Trade and other payables[23]	-	(645)	-	(714)
Financial guarantees	-	(104)	-	(113)
Financial liabilities: fair value through SoCNE				
Trade and other payables[23]	-	(362)	-	(8)

27. Related party transactions

The entities listed in Note 1.2 – Basis of Consolidation, are regarded as related parties to HM Treasury. The Treasury has had material transactions with UKAR during the year, including material dividends (Note 6 – Finance Income).

Although the Bank of England, the Royal Mint, Local Partnerships and NatWest fall outside the accounting boundary, their share capital is either wholly owned or partially owned by HM Treasury. Dividends and other income received from these bodies are material and are recorded in the SoCNE.

NatWest participates in the Help to Buy: mortgage guarantee scheme and Help to Buy: ISA scheme and pays guarantee fees which are recognised as income in HM Treasury's Accounts.

NatWest also participates in the Unclaimed Assets Scheme and transfers dormant account funds to the Reclaim Fund Ltd which are recognised as income in HM Treasury's Accounts.

In addition, HM Treasury and its Group entities have transactions with other government departments and central government bodies.

No Minister, Board member, key manager or other related party has undertaken any material transaction with HM Treasury during the year. Details of compensation for key management personnel can be found in the Remuneration Report section of the Accountability Report.

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[22] Trade and other receivables are shown net of non-financial assets.

[23] Trade and other payables are shown net of non-financial liabilities.

28. Auditor's remuneration

Remuneration for the audit of the Treasury Group accounts was a notional cost of £470k (2019-20: £410k). In addition, £1,057k (2019-20: £1,066k) was charged by the NAO for other audit services, of which £136k (2019-20: £134k) was notional. £51k (2019-20: £325k) was paid to the NAO in respect of non-audit services relating to secondments and audits of UKAR special purpose accounts (the latter in 2019-20 only).

29. Disposal group held for sale and discontinued operations

On 26 February 2021 UKAR entered into a contract which is expected to result in the sale of its 100% shareholdings in B&B and NRAM, along with their subsidiaries, to Davidson Kempner. The Directors of UKAR expect that the sale will complete later in the year. At 31 March 2021 DK had paid a deposit of £50m in respect of this transaction. Should the sale not complete, the deposit is to be returned to the purchaser, unless the purchaser has breached the relevant terms of the sale contract. Under the sale contract, UKAR will provide certain warranties to Davidson Kempner and also indemnities against certain remediation and other payments which B&B and NRAM may make after the date of the sale.

Completion of the sale is subject to the FCA granting regularity approval, which the Directors of UKAR consider to be highly probable. This approval is the only condition remaining to be satisfied, following which UKAR will be legally committed to completion of the sale.

The assets and liabilities which are to be disposed of have been classified as a disposal group held for sale as their carrying amount will be recovered principally through a sale transaction rather than through continuing use. At 31 March 2021 the disposal group comprises the assets and liabilities of B&B and NRAM other than the B&B post-retirement healthcare scheme and the NRAM unfunded pension scheme, which will be transferred to UKAR prior to the sale of B&B and NRAM, cash balances which B&B and NRAM will use to pay UKAR to take on those obligations, and associated deferred tax balances. The analysis of the assets and liabilities of the disposal group and the impairments applied is as follows:

Disposal group

In £m	Gross of impairment 2020-21	Impairment 2020-21	Net of impairment 2020-21
Assets			
Cash and cash equivalents	1,727	-	1,727
Trade and other receivables	10	(7)	3
Excess impairment of the disposal group	-	(74)	(74)
Assets held for sale	1,737	(81)	1,656
Liabilities			
Trade and other payables	(40)	-	(40)
Provisions	(15)	-	(15)
Liabilities held for sale	(55)	-	(55)
Net Assets held for sale			1,601

In accordance with IFRS 5, as it is held for sale the carrying value of the disposal group has been impaired to its fair value less costs to sell. The fair value was derived by reference to the agreed sale price. The impairment charge was £88m. After applying £7m to prepaid costs net of cost accruals, £7m has been applied to the assets of the disposal group which are within the scope of the measurement principles of IFRS 5. The £74m excess of the total impairment over the pre-impairment carrying value of these assets has been carried as a separate 'excess impairment of the disposal group' to reduce the total carrying amount of the assets in the disposal group.

The analysis of the discontinued operations is as follows:

Discontinued operations

In £m	Note	2020-21	2019-20
Other operating income	2	(5)	(16)
Total operating income		(5)	(16)
Staff costs	3	10	13
Purchase of goods and services	4	41	108
Other operating expenditure	5	(16)	120
Total operating expenditure		35	241
Net operating expenditure before financing		**30**	**225**
Finance income	6	(118)	(183)
Finance expense		85	(18)
Net gain on disposal of assets		18	(2)
Net (income)/expenditure before tax		**15**	**22**
Taxation		22	16
Net (income)/expenditure for the year from discontinued operations		**37**	**38**

Cash flows from discontinued operations

In £m	2020-21	2019-20
Net cash used in operating activities	355	478
Net cash generated from investing activities	4,459	4,474
Net cash generated from financing activities	-	(2,174)
Net increase/(decrease) in cash and cash equivalents from discontinued operations	**4,814**	**2,778**

30. Prior period restatements

The prior year restatements comprise of the following items:

Consolidation of a new arm's length body

Reclaim Fund Ltd (RFL) is consolidated into HM Treasury Group for the year ended 31 March 2021 onward following ONS classification to Central Government. RFL is responsible for the collection and management of money that has been dormant for 15 years or more in a bank or building society account. The banks or building societies voluntarily transfer this money to RFL to invest, while RFL also transfers a surplus proportion of this amount to the National Lottery Community Fund. The

ONS classification applies from the date of incorporation, 13 August 2010, which means prior period restatements are required.

Discontinued operations

UKAR is expecting to sell 100% of its shareholdings in B&B and NRAM post year end. In accordance with IFRS 5, those related activities are to be considered as discontinued operations, and prior year operations have been restated distinguishing between discontinued and continuing operations. More information on discontinued operations can be found on note 29 – Disposal group held for sale and discontinued operations.

The total impacts of restatements on prior period balances for HM Treasury Group are set out in the table below.

Disclosure adjustment

The Pension reserve has been merged with the General fund to ensure consistency with arm's length bodies' reporting.

Consolidated Statement of Comprehensive Net Expenditure

In £m	HMT Group 2019-20	RFL 2019-20	Discontinued operation adjustments 2019-20	HMT Group 2019-20 (Restated)
Income from sale of goods and services	(39)	-	-	(39)
Other operating income	(962)	(147)	16	(1,093)
Total operating income	(1,001)	(147)	16	(1,132)
Staff costs	211	1	(13)	199
Purchase of goods and services	344	2	(108)	238
Other operating expenditure	39,869	150	(120)	39,899
Total operating expenditure	40,424	153	(241)	40,336
Net operating expenditure before financing	**39,423**	**6**	**(225)**	**39,204**
Capital grant in kind	-	-	-	-
Finance income	(1,360)	(6)	183	(1,183)
Finance expense	(10)	-	18	8
Revaluation of financial assets and liabilities	(37,136)	-	-	(37,136)
Net gain on disposal of assets	(2)	-	2	-
Net (income)/expenditure before tax	**915**	**-**	**(22)**	**893**
Taxation	16	-	(16)	-
Net (income)/expenditure after tax from continuing operations	**931**	**-**	**(38)**	**893**
Net (income)/expenditure after tax from discontinued operations	**-**	**-**	**38**	**38**
Total net (income)/expenditure after tax	**931**	**-**	**-**	**931**

Other comprehensive net (income)/ expenditure from continuing operations				
Items that will not be reclassified to net operating expenditure				
Revaluation of property plant and equipment	(3)	-	-	(3)
Net loss on assets recognised in reserves	9,631	-	-	9,631
Actuarial (gain) on pension scheme liabilities	(154)	-	-	(154)
Items that may be reclassified to net operating expenditure when specific conditions are met				
Net loss on assets recognised in reserves	186	-	(186)	-
Net transfer from reserves and recognised as income in year	-	-		-
Total other comprehensive net (income)/expenditure from continuing operations	**9,660**	**-**	**(186)**	**9,474**
Other comprehensive net (income)/ expenditure from continuing operations				
Items that may be reclassified to net operating expenditure when specific conditions are met				
Net loss on assets recognised in reserves	-	-	186	186
Total other comprehensive net (income)/expenditure from discontinued operations	**-**	**-**	**186**	**186**
Total net comprehensive (income)/expenditure for the year	**10,591**	**-**	**-**	**10,591**

Consolidated Statement of Financial Position

In £m	HMT Group 2019-20	RFL 2019-20	Disclosure adjustment 2019-20	HMT Group 2019-20 (Restated)
Non-current assets				
Property, plant and equipment	203	-	-	203
Intangible assets	9	-	-	9
Trade and other receivables	1,909	-	-	1,909
Net pension asset	821	-	-	821
Equity Investments	15,060	-	-	15,060
Loans and investment securities	7	180	-	187
Loans to banking customers	4,144	-	-	4,144
Total non-current assets	**22,153**	**180**	**-**	**22,333**
Current assets				
Inventory	23	-	-	23
Trade and other receivables	442	4	-	446
Loans and investment securities	1,613	185	-	1,798
Loans to banking customers	564	-	-	564
Derivative financial assets	73,609	-	-	73,609
Cash and cash equivalents	1,298	311	-	1,609
Total current assets	**77,549**	**500**	**-**	**78,049**
Total assets	**99,702**	**680**	**-**	**100,382**
Current liabilities				
Trade and other payables	(622)	(69)	-	(691)
Provisions	(1,256)	(537)	-	(1,793)
Financial guarantees	(18)	-	-	(18)
Total current liabilities	**(1,896)**	**(606)**	**-**	**(2,502)**

Non-current liabilities			-	
Trade and other payables	(558)	-	-	(558)
Provisions	(39,187)	-	-	(39,187)
Financial guarantees	(95)	-	-	(95)
Total non-current liabilities	**(39,840)**	**-**	**-**	**(39,840)**
Total assets less liabilities	**57,966**	**74**	**-**	**58,040**
Equity				
General fund	80,034	74	158	80,266
Fair value reserve	(23,405)	-	-	(23,405)
Revaluation reserve	50	-	-	50
Pension reserve	158	-	(158)	-
Merger reserve	1,129	-	-	1,129
Total equity	**57,966**	**74**	**-**	**58,040**

Consolidated Statement of Changes in Taxpayers' Equity

In £m	HMT Group 2019-20	RFL 2019-20	HMT Group 2019-20 (Restated)
Total Reserves			
Balance at 1 April 2019	**83,473**	**74**	**83,547**
Net income after tax	(931)	-	(931)
Change in CFERs payable to the Consolidated Fund	(49)	-	(49)
CFERs paid to the Consolidated Fund	(7,361)	-	(7,361)
Change in excess cash payable to the Consolidated Fund	(5)	-	(5)
Excess cash paid to the Consolidated Fund	(7,507)	-	(7,507)
Consolidated Fund standing services	4	-	4
Other movements	2	-	2
Revaluation gains and losses	(9,660)	-	(9,660)
Transfers	-	-	-
Balance at 31 March 2020	**57,966**	**74**	**58,040**

Consolidated Statement of Cash Flow

In £m	HMT Group 2019-20	RLF 2019-20	Discontinued operation adjustments 2019-20	HMT Group 2019-20 (Restated)
Cash flows from operating activities				
Net operating income/(expenditure) before financing from continuing operations	(39,423)	(6)	225	(39,204)
Net operating income/(expenditure) before financing from discontinued operations	-	-	(225)	(225)
Other non-cash transactions	39,286	150	-	39,436
Changes in working capital	(31)	(3)	-	(34)
Corporation Tax paid	(46)	-	-	(46)
Use of provisions	(390)	(83)	-	(473)
Net cash flows from operating activities	**(604)**	**58**	**-**	**(546)**

Cash flows from investing activities				
Proceeds: derivative financial assets	7,137	-	-	7,137
Proceeds: sale of shares UK listed entities	-	-	-	-
Proceeds: sale of investment securities and other assets	-	95	-	95
Net cash outflows from debt securities in issue	(204)	-	-	(204)
Proceeds: interest, dividend and other finance income	2,196	6	-	2,202
Purchases: financial assets	(137)	(181)	-	(318)
Proceeds: repayment of financial assets	1,618	-	-	1,618
Advances and repayments of loans to banking customers	661	-	-	661
Proceeds: sale of loans to banking customers	4,474	-	-	4,474
Other investing activities	(65)	-	-	(65)
Net cash flow from investing activities	15,680	(80)	-	15,600
Cash flows from financing activities				
Cash from the Consolidated Fund (non-supply)	4	-	-	4
Advances from the Contingencies Fund	84	-	-	84
Repayments to the Contingencies Fund	(84)	-	-	(84)
Capital element of the PFI contract	(3)	-	-	(3)
Net cash flows from financing activities	1	-	-	1
Net increase in cash and cash equivalents before adjustments	15,077	(22)	-	15,055
Payments of amounts due to the Consolidated Fund	(7,361)	-	-	(7,361)
Excess cash paid to the Consolidated Fund – current year	(7,446)	-	-	(7,446)
Excess cash paid to the Consolidated Fund – prior year balance	(61)	-	-	(61)
Net increase/(decrease) in cash and cash equivalents after adjustments	209	(22)	-	187
Cash and cash equivalents at the beginning of the period	1,089	333	-	1,422
Cash and cash equivalents at the end of the period	1,298	311	-	1,609

31. Events after the reporting period

31.1 UK Infrastructure Bank

On 21 May 2021, Infrastructure Finance Unit Limited changed its name to UK Infrastructure Bank Limited. On 17 June 2021, the bank was officially launched to catalyse private investment in projects across the UK. In total, the Bank will have £22 billion of financial capacity to deliver on its objectives, consisting of £12 billion of equity and debt capital and the ability to issue £10 billion of guarantees. The Bank will be able to recycle capital and reinvest returns. This will enable the Bank to scale up its balance sheet over time.

31.2 London Capital and Finance Compensation Scheme

On 19 April 2021, the details of the London Capital & Finance (LCF) compensation scheme was announced. The scheme compensates LCF bondholders who suffered losses following LCF entering administration in January 2019. The scheme compensates 80% of the bondholders' initial investment up to a maximum of £68k. The government expects to pay out around £120m in compensation in total and the scheme to have paid all bondholders within 6 months of securing Royal Asset for the Compensation (London Capital & Finance plc and Fraud Compensation Fund) Bill.

31.3 Mortgage Guarantee Scheme

The COVID-19 pandemic has led to a reduction in the availability of high loan-to-value mortgage products, particularly for prospective homebuyers with only a 5% deposit. On 3 March 2021 the Chancellor announced the launch of a new government-backed mortgage guarantee scheme. The scheme follows on from the successful 2013 Help to Buy: Mortgage Guarantee Scheme, which helped restore the low deposit mortgage market after the financial crisis, giving those who could afford mortgage repayments but not the larger deposits the chance to buy or move home. The scheme opened on the 19 April 2021 to participating lender for new mortgage applications and is due to close on 31 December 2022. Under the scheme rules, the maximum contingent liability is set at £3.9bn. The level of future calls of the scheme is currently unknown, hence the expected financial impact cannot be quantified at this time.

31.4 HM Treasury Sovereign SUKUK plc

On 1 April 2021, the government issued a second sovereign Sukuk, the Islamic equivalent of a bond. £500 million of Sukuk, maturing in July 2026, was sold to investors based in the UK and in major hubs for Islamic finance around the world.

31.5 NatWest Group

On 11 May 2021, the government announced a sale of 580 million shares in NatWest at 190p per share raising a total of £1.1 billion, bringing its level of ownership down from 59.8% to 54.8%.

32. Date authorised for issue

The financial statements were authorised for issue on the date of the Comptroller and Auditor General’s signature.

Chapter 4

Trust Statement

Foreword to the Trust Statement

Introduction

The Trust Statement reports the revenue, expenditure, assets and liabilities related to the fines collected by HM Treasury from the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) and issued by the Office of Financial Sanctions Implementation (OFSI), and levies on the banking industry collected by the FCA to fund financial guidance to the public for the financial year 2020-21. The costs of running HM Treasury are reported in the Core Treasury and Agencies' balances in the financial statements.

Section 109 of the Financial Services Act 2012 requires the FCA to pay its penalty receipts to HM Treasury after deducting its enforcement costs and requires HM Treasury to pay these receipts to the Consolidated Fund. Further information on penalties applied by the FCA is available on the FCA website.[1]

Similarly, the PRA is required to pay any enforcement fines it levies in excess of enforcement costs to HM Treasury, which is required to pay those receipts to the Consolidated Fund. Further information on penalties applied by the PRA is available on the PRA website.[2]

The Policing and Crime Act 2017 empowered the Treasury to impose penalties for serious sanctions breaches on individuals and bodies. The penalty powers apply to offences committed after 1 April 2017. This process is led and managed by OFSI, which is part of HM Treasury. Further information on penalties applied by OFSI is available on gov.uk.[3]

The Financial Guidance and Claims Act 2018 requires the FCA to pay the Financial Guidance levies to the government after deducting its enforcement costs. The Money and Pensions Advice Service Levy and Devolved Administrations Debt Advice Levy were created, starting from 2019-20 following the transfer of the of the Money Advice Service's functions to DWP and the devolved administrations. HM Treasury pays these receipts to the Consolidated Fund so that they can be issued via supply to DWP and devolved administrations to fund the provision of financial guidance to

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1 https://www.fca.org.uk/news/news-stories/2021-fines

2 https://www.bankofengland.co.uk/prudential-regulation/pra-statutory-powers

3 https://www.gov.uk/government/collections/enforcement-of-financial-sanctions

the public. Further information on levies applied by the FCA is available on the FCA website.[4]

Basis for the preparation of the Trust Statement

A Trust Statement provides an account of the collection of revenues which by statute or convention are due to the Consolidated Fund where the entity undertaking the collection acts as agent rather than principal. The legislative requirement for this Trust Statement is set out in section 2 of the Exchequer and Audit Departments Act 1921. The HM Treasury accounts direction requires the Trust Statement to give a true and fair view of the state of affairs relating to the collection and allocations of taxes and duties and the revenue income and expenditure and cash flows for the financial year. Regard shall be given to all relevant accounting and disclosure requirements given in the Government Financial Reporting Manual (FReM), Managing Public Money and other guidance issued by HM Treasury.

HM Treasury conducts an annual reconciliation of budgeted enforcement costs against actual by reference to the published accounts of the FCA and PRA (now part of the Bank of England and so included within its accounts) to gain assurance that the penalty receipts and enforcement costs are accurate and accounted for correctly.

The governance statement and statement of Accounting Officer responsibilities applicable to both the Trust Statement and the Treasury's financial statements is included within the main body of the report from page 54.

Auditors

The Trust Statement is audited by the Comptroller and Auditor General under the Exchequer and Audit Departments Act 1921. The auditor's remuneration for this is included in HM Treasury's Annual Accounts. No non-audit work was carried out by the auditors for HM Treasury on the Trust Statement. Non-audit work carried out by the auditors for the HM Treasury Group is included in HM Treasury's Annual Accounts.

Financial review

HM Treasury has received £140m in fine income (2019-20: £206m) and £141m in Levy income (2019-20: £114m) from the FCA, £46m from the PRA (2019-20: £42m) and nil from OFSI fine income (2019-20: £21m) in the period ended 31 March 2021.

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4 https://www.fca.org.uk/firms/fees

HM Treasury Trust Statement

THE AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

Opinion on financial statements

I have audited the financial statements of HM Treasury Trust Statement for the year ended 31 March 2021 under the Exchequer and Audit Departments Act 1921. The financial statements comprise the Statement of Revenue and Expenditure, the Statement of Financial Position and the Statement of Cash Flows and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

In my opinion:

- the HM Treasury Trust Statement gives a true and fair view of the state of affairs of the collection of fines and penalties net of enforcement costs paid to HM Treasury by the Financial Conduct Authority and the Prudential Regulatory Authority, the collection of fines and penalties without deduction for enforcement costs by the Office of Financial Sanctions Implementation, and levies net of collection costs paid to HM Treasury by the Financial Conduct Authority as at 31 March 2021 and of the net revenue for the year then ended; and
- the financial statements have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis for opinions

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

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

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

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the HM Treasury Trust Statement's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

The going concern basis of accounting for the HM Treasury Trust Statement is adopted in consideration of the requirements set out in HM Treasury's Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Performance Report, Accountability Report, and Foreword to the Trust Statement, but does not include the financial statements and my auditor's report thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

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

- the information given in the Performance Report, Accountability Report, and the Foreword to the Trust Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Responsibilities of the Accounting Officer for the financial statements

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

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the HM Treasury Trust Statement's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by HM Treasury Trust Statement will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the Exchequer and Audit Departments Act 1921.

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

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

My procedures included the following:

- Inquiring of management, the HM Treasury's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the HM Treasury Trust Statement's policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the HM Treasury Trust Statement's controls relating to the: Financial Services Act 2012, Policing and Crime Act 2017, Financial Guidance and Claims Act 2018 and the Exchequer and Audit Departments Act 1921.
- discussing among the engagement team and, including regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the posting of unusual journals.
- obtaining an understanding of HM Treasury Trust Statement's framework of authority as well as other legal and regulatory frameworks that the HM Treasury Trust Statement operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the HM Treasury Trust Statement. The key laws and regulations I considered in this context included the Financial Services Act 2012, Policing and Crime Act 2017, Financial Guidance and Claims Act 2018 and the Exchequer and Audit Departments Act 1921.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- reading minutes of meetings of those charged with governance and the Board;

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- Reviewing the accounts and underlying evidence to ensure the operation of the trust statement within the legal framework under which it was established.

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

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

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies 19 July 2021

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Statement of Revenue and Expenditure
for the period ended 31 March 2021

In £m	Note	2020-21	2019-20
Net fine income	2	186	269
Net levy income	3	141	114
Net revenue for the Consolidated Fund	4	**327**	**383**

The notes on pages 231-233 form part of this statement.

Statement of Financial Position
as at 31 March 2021

In £m	Note	2020-21	2019-20
Current assets			
Receivable from the FCA/PRA		10	44
Cash and cash equivalents		-	-
Total assets		**10**	**44**
Balance on Consolidated Fund account	4	**10**	**44**

The notes on pages 231-233 form part of this statement.

Tom Scholar
Permanent Secretary

16 July 2021

Statement of Cash Flows
for the period ended 31 March 2021

In £m	Note	2020-21	2019-20
Net cash flow from operating activities	A	361	397
Cash paid to the Consolidated Fund		(361)	(397)
Increase in cash in this period		-	-

A: Reconciliation of net cash flow to movement in net funds

In £m	2020-21	2019-20
Net revenue for the Consolidated Fund	327	383
(Increase)/Decrease in non-cash assets	34	14
Net cash flow from operating activities	**361**	**397**

Notes to the Trust Statement

1. Statement of accounting policies

Notes to the financial statements provide additional information required by statute and accounting standards to explain a particular feature of the financial statements.

1.1 Basis of accounting

The Trust Statement is prepared in accordance with:

- the accounts direction issued by HM Treasury under the Exchequer and Audit Departments Act 1921
- the 2020-21 FReM issued by HM Treasury
- reference to International Financial Reporting Standards as adapted or interpreted for the public sector context
- the accounting policies detailed in subsequent notes

The financial information presented is rounded to the nearest £m.

1.2 Standards issued but not yet effective

There have been no new standards issued since 1 April 2020. A number of new standards are effective for annual periods beginning after 1 April 2021.

Their application is not expected to have any impact on the Trust Statement financial statements in the period of their initial application. The Trust Statement does not intend to early-adopt any of the following standards.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and applies to the public sector for annual reporting periods beginning on, or after, 1 April 2022.

IFRS 17 Insurance contracts

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on, or after, 1 January 2023 (subject to endorsement by the UK).

There are no other IFRS or IFRIC interpretations not yet effective that would be expected to have a material impact on the Trust Statement.

1.3 Accounting convention

The Trust Statement has been prepared on an accrual basis under the historical cost convention.

1.4 Revenue recognition

Fine income is accounted for in accordance with the FReM adaptation of IFRS 15 Revenue from Contracts with Customers, net of enforcement costs where these are deductible by legislation. It is recognised when the revenue can be measured reliably, and it is probable that the economic benefits from the taxable event will flow to HM Treasury. Levy income is accounted for in accordance with the FReM adaptation of IFRS 15 Revenue from Contracts with Customers, net of enforcement costs. It is recognised when all, or substantially all, of the consideration promised by the levy payer has been received by the FCA and is non-refundable.

1.5 Receivables

Receivables are accounted for in accordance with the requirements of IFRS 9 Financial Instruments. Accrued revenue receivable represents the amount due from the FCA and PRA, where penalties and levies have been received by the regulators, but the cash has not been transferred to HM Treasury as at the reporting date.

2. Net fine income

In £m	2020-21	2019-20
Fine income from Financial Conduct Authority	140	206
Fine income from Prudential Regulation Authority	46	42
Fine income from sanctions penalties	-	21
Net fine income	**186**	**269**

Detailed information on fines collected can be found in the audited accounts of the FCA and the Bank of England (of which the PRA is part).

There was nil income (2019-20: £21m) in relation to penalties from sanctions breaches issued by OFSI.

3. Net levy income

In £m	2020-21	2019-20
Levy income from FCA for financial guidance	141	114
Net levy income	**141**	**114**

The increase in levy income is attributable to increased levies in respect of one-off additional funding for the delivery of debt advice as a result of COVID-19 partially funded by increased levies. Detailed information on levies collected can be found in the audited accounts of the FCA.

4. Balance on the Consolidated Fund Account

In £m	2020-21	2019-20
Balance on Consolidated Fund Account as at 1 April	44	58
Net revenue for the Consolidated Fund	327	383
Less amount paid to the Consolidated Fund	(361)	(397)
Balance on Consolidated Fund Account as at 31 March	**10**	**44**

5. Events after the reporting period

There were no events after the reporting date.

6. Date authorised for issue

The financial statements were authorised for issue on the date of the Comptroller and Auditor General's signature.

Chapter 5

Better regulation

The Treasury is committed to delivering better regulation, and the principles of Better Regulation guide policymaking across HM Treasury. As is set out in this chapter, the Treasury seeks to minimise unnecessary costs to business arising from regulation. HM Treasury is adapting the UK's financial services regulations via the Future Regulatory Framework to reflect the UK's position outside of the EU. More detail on the Treasury's financial services work can be found on pages 31 to 32. Treasury also works with other departments to determine the government's overall approach to regulation and how it supports policy outcomes.

Deregulatory measures from the previous financial year

The Treasury strives for efficient regulation that minimises costs to businesses and consumers whilst maintaining vital protections. During the previous financial period (April 2020 to March 2021), the Treasury has delivered the following deregulatory measure to improve the efficiency of its regulations:

- Introduced amendments to the Friendly Societies Act 1992, under the instrument called 'The Friendly Societies Act 1992 (Accounts) (Amendment) Order 2020'. The amendments give friendly societies a greater degree of flexibility to change from preparing annual individual and group accounts in accordance with International Financial Reporting Standards to preparing individual and group accounts in accordance with UK Generally Accepted Accounting Practice accounting standards, where certain conditions are met. This mirrors the corresponding duty of companies governed by the Companies Act 2006. These amendments deliver £1.84m of annual savings to businesses.
- The Small Business, Enterprise and Employment (SBEE) Act 2015 requires transparency on all regulatory provisions introduced during the Parliament and for the government of the day to publish a Business Impact Target in respect of qualifying regulatory provisions that come into force or cease to be in force during the Parliament. The Treasury duly sets out the department's recent regulatory provisions – both regulatory and deregulatory – in the periodic government statements on the Business Impact Target.

Financial services Future Regulatory Framework Review

In October 2020, the Government published a consultation on the Future Regulatory Framework Review. Given our new position outside the EU the government is considering how the regulatory framework for financial services needs to adapt to be fit for the future. The Government's proposal is to build on the strengths of the UK's existing framework as set out in FSMA, and consider: whether changes are required to the regulators' statutory objectives and principles; how we ensure that accountability and scrutiny arrangements with the Treasury, Parliament and stakeholders are appropriate given the regulators' new responsibilities; and how we transfer responsibility for designing and implementing the specific requirements that apply to firms in certain areas of retained EU law to the regulators. We are considering responses to the consultation ahead of a second consultation later this year.

Working with other departments on government's approach to regulation

The Chancellor, as chair of the Better Regulation Committee, is leading efforts across government to deliver better regulation. The Treasury works closely with the Better Regulation Executive within the Department for Business, Energy and Industrial Strategy (BEIS), ensuring that the government's approach to regulation supports the delivery of its objectives.

Chapter 6
Sustainability report

The Treasury is committed to promoting and embedding sustainability through its policy development, its work with other Whitehall Departments and also its own operations.

The Treasury's objectives include:

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

Sustainable economic growth

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

As part of its role as the UK's economics and finance ministry, the Treasury is central to ensuring these aims are accounted for in policy appraisal across HMG and pursued through policies that deliver value for money and are affordable.

The UK has faced substantial challenges over the past 12 months – including the significant economic effects of the COVID-19 pandemic. However, these challenges would have been more severe without the unprecedented steps the government has taken throughout the pandemic to protect jobs and livelihoods, support businesses and boost public services across the UK. The Budget also built on the government's existing support, to help lay the foundations for a strong recovery and greener economy.

HM Treasury has substantially increased its focus and resourcing in support of climate, environmental and biodiversity goals.

For example, the Economics of Biodiversity: The Dasgupta Review – an independent, global review – was published in February. The Dasgupta Review provides a framework for economic and finance ministries to act on an important environmental issue with clear – but often overlooked – economic consequences, and the Treasury will examine the review's findings and respond in due course.

The Net Zero Review was established to consider how the transition to a net zero economy could be funded, and where the costs and opportunities could fall.

And HM Treasury is supporting biodiversity and climate goals through the government's international agenda. In particular, at COP26 the Treasury will ensure the natural world stays right at the top of the global agenda, engaging with Finance Ministers and financial institutions internationally to mainstream climate and nature into economic and financial decision-making.

In the last year, HM Treasury created a new role for a Director for Climate, Environment and Energy, in recognition of the scope and importance of these areas.

The Treasury also requires all departments to adhere to the Green Book[1] guidance when providing a business case for a policy, programme or project – not only those departments or proposals whose primary focus is climate and environmental policy. The supplementary guidance to the Green Book covers the practical application of techniques for valuing both positive and negative environmental impacts in policy appraisal, including greenhouse gas emissions or abatement.

The Green Book also directs users to the Climate Change Risk Assessment (CCRA) to consider current and potential future climate risks and vulnerability to risks of an intervention. This is of particular relevance when a policy has long term implications, for example, new infrastructure investment. The CCRA provides a framework that quantifies interactions with climate risk and enables consideration of the role of climate in altering the scale and distribution of costs and benefits over the lifetime of the proposal. Supplementary guidance, Accounting for the effects of Climate Change, provides steps to determine whether climate risks are relevant in relation to the appraisal of an intervention.

In addition, in the 25 Year Environment Plan, the government committed to ensure that all policies, programmes and investment decisions consider the possible extent of climate change this century. As part of ensuring this approach is embedded in policy and programme decisions, the government has revised the Green Book Supplementary Guidance on Accounting for the Effects of Climate Change to include updated information on climate evidence and assessments.

The Treasury continues to refine and update the Green Book in line with emerging evidence and best practice. For example, the Government has launched a review into the application of the discount rate for environmental impacts.

At fiscal events, all measures are assessed for consistency with the government's legally binding environmental targets including carbon budgets, air quality, and fuel poverty. HM Treasury fulfils its responsibilities under equalities legislation to consider the impacts of all measures on protected characteristics, including with regards to gender, race, age and disability. HM Treasury has an important role to play in driving the government's levelling-up agenda, and actively considers the regional impacts of policies and spending decisions, including rural proofing. This includes ensuring that public spending is focused on priority outcomes to enable everyone to benefit from levelling up. Changes to the Green Book will also better link projects and programmes to policy priorities - including levelling up. Furthermore, the establishment of an economic campus in Darlington will be the next stage in our plans to ensure civil servants reflect the communities they serve.

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[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/685903/The_Green_Book.pdf

The Treasury has identified where its commitments, policies and programmes contribute to the delivery of the UN Sustainable Development Goals (SDGs). As an economics and finance ministry HM Treasury has particular responsibility for SDG 8 (decent work and economic growth). However, its work directly and indirectly influences and supports the UK's approach across government to all 17 of the SDGs. The examples below are, by necessity, not exhaustive, but illustrate the depth and breadth of HM Treasury's contribution.

Commitment	Principal Sustainable Development Goal
Budget 2021 continues to lay the foundation for the transition to Net Zero. This includes: • Announcing further details on the new UK Infrastructure Bank, which will provide financing support to local authority and private sector infrastructure projects, to help meet Government objectives on climate change and regional and local economic growth. • Announcing further details on the timings and size of the UK's inaugural green gilts, as well as plans for a linked green retail product to be offered by NS&I. These will play an important role in financing critical expenditure to tackle climate change and help generate green jobs. • Announcing the launch of floating offshore wind, energy storage and biomass programmes, as part of the £1 billion+ Net Zero Innovation Portfolio. • Ensuring the remits of the Bank of England's Monetary Policy Committee and the Financial Policy Committee (as well as the Financial Conduct Authority and Prudential Regulation Committee, independently of Budget) reflect the Government's economic strategy for delivering an environmentally sustainable Net Zero economy.	Contributes to SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all; SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation; SDG 12: Ensure sustainable consumption and production patterns; SDG 13: Take urgent action to combat climate change and its impacts
The Net Zero Review was established to consider how the transition to a net zero economy could be funded, and where the costs and opportunities could fall.	Contributes to SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent

	work for all; and SDG 13: Take urgent action to combat climate change and its impacts
The Economics of Biodiversity: The Dasgupta Review – an independent, global review – was published in February. The Dasgupta Review provides a framework for economic and finance ministries to act on an important environmental issue with clear – but often overlooked – economic consequences, and the Treasury will examine the review's findings and respond in due course.	Contributes to SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; SDG 12: Ensure sustainable consumption and production patterns; SDG 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development; and SDG 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation, and halt biodiversity loss
Support industry-led efforts to improve the gender balance in financial services through the Women in Finance Charter, which has over 400 signatories across the sector	Contributes to SDG 5: Achieve gender equality and empower all women and girls
Deliver the Prime Minister's ambitious Ten Point Plan for a Green Industrial Revolution for 250,000 jobs, which is supported by £12 billion committed at the recent Spending Review and boosts the UK's global leadership on green infrastructure and technologies.	Contributes to SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all; SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation; SDG 13: Take urgent action to combat climate change and its impacts
Ensure protecting the environment is at the top of the global agenda this year, through our COP26 and G7 Presidencies.	Contributes to SDG 12: Ensure sustainable consumption and production patterns; SDG 13: Take urgent action to combat climate change and its impacts; SDG 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development; and SDG 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse

	land degradation, and halt biodiversity loss
The Budget announced an additional £65 billion of further measures to support the economy from unparalleled economic shock created by COVID-19 this year and next year. The support since the start of the pandemic, with a cumulative cost of £352 billion, has helped to limit lasting damage while strengthening the economy in the longer term.	Contributes to SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
The pandemic and the government's policy response have led to an unprecedented increase in government borrowing and debt. The Budget takes action to ensure the public finances are put on a sustainable path once a durable recovery has taken hold.	Contributes to SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
The National Infrastructure Strategy was published in November 2020 and sets out the government's plans to transform UK infrastructure based around three central objectives: economic recovery from COVID-19; levelling up and unleashing the power of the Union; meeting the UK's Net Zero Emissions target by 2050. The Budget announced further details on the new UK Infrastructure Bank which will provide financing support to private sector and local authority infrastructure projects across the UK, to help meet government objectives on climate change and regional economic growth. The Bank will be able to deploy £12 billion of equity and debt capital and be able to issue up to £10 billion of guarantees.	Contributes to SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation; and SDG 13: Take urgent action to combat climate change and its impacts.
Develop and deliver on the Government's Green Finance Strategy and its ambition to align private sector financial flows with clean, environmentally sustainable and resilient growth, and strengthen the competitiveness of the UK financial sector.	Contributes to SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Treasury Green Champions Network

The Treasury Green Champions Network brings together staff from across HM Treasury to identify ways of making the HM Treasury estate more environmentally sustainable, and to support wider staff understanding and engagement with issues relating to environmental sustainability.

A particular interest of the Network in the past year has been how HM Treasury can embed environmental sustainability as we look to the months and years ahead.

Biodiversity and the Treasury estate

During 2020-21 the Treasury continued with its planting scheme in the courtyards of the Horse Guards Road building, designed to improve local biodiversity and attract more pollinators to the environment. The plants have a low carbon footprint as they are obtained from British growers. Biological pest controls have also been introduced, which has reduced the need for chemical controls.

Department Sustainability Plan

The Treasury has developed a Sustainability Plan to improve how HM Treasury reports against the Greening Government Commitments 2021-25 covering our offices in Horse Guards Road, Rosebery Court and the new office in Darlington.

Sustainable procurement

We are committed to sustainability in the way we procure goods and services and working with existing and prospective suppliers to improve their performance. Examples include:

- using Crown Commercial Service (CCS) commercial agreements which offer sustainable solutions that comply with all relevant and appropriate standards and include sustainability factors as a key criterion for award
- working with CCS to ensure our procurement policies and operations are fully aligned with the cross-government Greening Government Commitment targets
- evaluation criteria include social and economic factors in addition to environmental factors
- highlighting contract opportunities suitable for SMEs on Contracts Finder

Sustainable construction

We have had no new builds in the last year. We work with the Government Property Agency to ensure any construction work prioritises sustainability and reaches the government's buying standard.

Performance against the Greening Government Commitments[2]

The table below shows how the Treasury performed against the 2009-15 Greening Government commitments and includes the updated GGC targets for the period 2016-2020.

Target	2009-10 Baseline	2015 Target (% reduction)	Performance in 2015 (% reduction)	2020 Target (% reduction)
Greenhouse Gas Emissions	4,216	25%	62%	69%
Domestic Flights	411	20%	5%	30%
Waste	485	25%	74%	Reduce amount of waste going to landfill[3]
Paper usage	27,030	10%	42%	50%

Across all our Greening Government targets, the performance data for 2020-21 is not a true comparison against previous years due to restrictions and changes to ways of working because of COVID-19. However, in 2019-20 we were already ahead of the 2020 deadlines which showed we had reduced greenhouse gas emissions by 76% and paper consumption by 64%. Throughout 2021-22, where possible, we will aim to embed and sustain beneficial changes and work towards delivery of our new targets.

2 Data is included for the Treasury which is defined for sustainability reporting purposes as core Treasury in 1HGR and travel data for Debt Management Office (DMO) and Treasury in Rosebery Court. Space in 1HGR is leased by Cabinet Office, Northern Ireland Office and UK Export Finance, for reporting purposes this space is excluded from the Treasury data. For 2020-21, any shared costs for 1HGR are apportioned between the Treasury and other government departments, with Treasury having a 47% share over both the current and prior years..

3 Reduce amount of waste going to landfill to less than 10%; reduce the overall amount of waste generated and increase the proportion recycled

Summary of performance against GGC targets in 2020-21

Target 1: Reduce greenhouse gas emissions by 69%[4]

Cut carbon emissions from central government offices

The Treasury has reduced greenhouse gas emissions by 82% from its 2009-10 baseline figure of 4,216 tCO_2e, exceeding the updated target of reducing greenhouse gas emissions by 69% by 2020. Due to COVID-19 restrictions there have been fewer staff present in the buildings and less travel occurred during 2020-21.

Energy and CO_2 emissions (restated)[5]

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21[6]
Electricity (mWh)	2,642	2,988	2,544	2,736	2,765	2,214
Gas (mWh)	31	29	25	27	27	12
Whitehall District Heating System (mWh)	710	768	742	689	625	763
Total CO_2 emissions (tCO_2e)[7]	**1,517**	**1,245**	**1,180**	**1,028**	**945**	**765**

Energy costs (£000s) (restated)[8]

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21[9]
Electricity	322	358	327	381	425	376
Gas	2	1	1	1	2	1
Whitehall District Heating System	166	153	144	167	130	126
Total	**490**	**512**	**472**	**549**	**557**	**502**

Cut domestic business travel flights by 30%

Domestic flight figures are down 98% in 2020-21 (2019-20: 65%) from the 2009-10 baseline continuing to exceed the updated target of reducing domestic flights by 30%. Reductions in travel in 2020-21 were largely as a result of COVID-19 restrictions. Any travel that took place during 2020-21 was limited and was made within the government guidelines.

4 Our reported greenhouse gas emissions only include emissions from our estate operations (gas, electricity and heating) and domestic travel as required by GGC. Costs shown relate to the Treasury's 1HGR building with the exception of travel costs which include both core Treasury and DMO

5 The figures reported in the 2018-19 Annual Report and Accounts for 2018-19 were incorrect and have been updated following an internal review.

6 The 2020-21 emission figures relate to 1Horse Guards and Rosebery Court buildings except for WDHS which is only for 1HGR.

7 In line with DEFRA guidelines the Treasury has not weather-corrected its building data and has applied the recommended conversion factors which were revised for 2015-16.

8 The figures have been restated to consistently include the Treasury's share of the 1HGR building only rather than incorrectly include the whole building.

9 The 2020-21 utility costs (electricity, gas and water) are for 1HGR building only as the Rosebery Court figures are not available

Travel and CO_2 emissions (restated)[10]

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Fleet[11] (km)	34,813	43,428	29,014	35,994	27,001	15,932
Domestic rail (km)	636,084	601,652	619,842	874,664	805,241	45,491
Domestic flights (km)	255,425	142,095	147,935	197,302	122,035	4,973
Standard taxis[12] (km)	19,745	10,441	11,558	10,913	6,733	1,047
Hybrid taxis (km)	12,401	12,261	14,411	12,076	10,161	2,515
Electric (km)	-	-	-	-	-	10
No. of domestic flights	389	229	175	260	143	8
Total CO_2 emissions (tCO_2e)	**79**	**50**	**57**	**76**	**53**	**5**

Travel Costs £000

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Fleet (including Government Car Service)	309	252	221	229	187	100
Rail	339	310	324	401	282	11
Domestic flights	63	63	30	47	24	2
Taxis	74	57	75	55	41	13
Total	**785**	**682**	**650**	**732**	**534**	**125**

Target 2: Reduce the amount of waste going to landfill to less than 10%

By continuing to recycle all waste where facilities exist and otherwise sending waste for energy-recovered incineration, over the period the Treasury has reduced its waste significantly from its 2009-10 baseline figure of 485 tonnes to 15 tonnes in 2020-21[13]. This has been achieved with no waste being sent to landfill. The particular decrease in 2020-21 is due to COVID-19 restrictions where fewer staff were present in the buildings.

10 The figure reported in the 2019-20 Annual Report for hybrid taxis and electric (km) was incorrect and has been updated following an internal review.

11 Fleet emissions relate to private individuals' cars used for business purposes. Emissions do not include the government car service. In 2016-17 the CO_2 conversion factor changed and there was increased travel to Norwich due to a one-off project.

12 Standard taxis include private hire, petrol or diesel and include people carriers or saloon cars. This does not include black cabs.

13 The costs for waste disposal are not available and are part of a monthly unitary payment.

Waste (tonnes) (restated)[8]

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Waste incinerated with energy recovery	72	78	56	53	49	6
Waste recycled	51	75	73	67	62	8
Waste sent for anaerobic digestion	5	6	11	9	10	1
ICT waste recycled	-	-	-	-	-	-
ICT waste reused	-	-	-	-	-	-
Total	**128**	**159**	**140**	**129**	**121**	**15**

Ensure that redundant ICT equipment is re-used or responsibly recycled

Treasury ICT waste is re-used or disposed of responsibly in line with government standards. The Treasury uses an ICT contract take back scheme and when required, a 'call-off' disposal contract which meets the ISO 14001:2004 environmental management standard.

Reduce paper use by 50%

HM Treasury has made a commitment to try to reduce print volumes by 33% by 2021. As well as this, HM Treasury moved to a closed loop paper contract in June 2012. Under this contract, used printer paper is recycled and returned to the department for reuse. Furthermore, in 2018-19, a behavioural change programme was launched to encourage staff to reduce paper consumption, and this continued throughout 2019-20 including with the implementation of paperless governance boards. No paper was ordered during 2020-21, due to COVID-19 restrictions fewer staff were present in the buildings.

Paper consumption (reams) (restated)[5]

Reams	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
A4	15,358	15,794	12,696	13,044	9,591	0
A3	218	560	110	273	83	0
Total (A4 Equivalent)	**15,794**	**16,914**	**12,916**	**13,590**	**9,757**	**0**

Target 3: Reduce water consumption

In 2020-21 the Treasury's water consumption in 1HGR and Rosebery Court, calculated per FTE equivalent, was 3m³/FTE. The installation of further water meters across the estate in 2017-18 as part of a review of water consumption allowed the introduction of focused improvement measures, including the installation of push button (timed flow) showers in 2018-19 and the installation of push button taps in 2019-20. The spike in costs in 2017-18 was due to being undercharged in the previous year.

Water consumption (m^3) (restated)[5]

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Total consumption	9,498	11,577	11,541	13,030	12,222	4,682
Per FTE	8	10	9	9	8	3

Water cost (£000s) (restated)[7]

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Total cost	19	27	33	31	32	12

Chapter 7

The Treasury Group

Treasury Group Executive Agencies

Name	Function	Accounting Officer
UK Debt Management Office (DMO)	Established as an Executive Agency of the Treasury in 1998, the DMO's responsibilities include debt and cash management for the UK Government, lending to local authorities and managing certain public sector funds.	Sir Robert Stheeman is the Accounting Officer and Chief Executive.
Government Internal Audit Agency (GIAA)	Established as an Executive Agency of the Treasury on 1 April 2015, this body provides internal audit services to government departments.	Elizabeth Honer is the Accounting Officer and Chief Executive.
National Infrastructure Commission (NIC)	The Commissioners provide expert, impartial advice to the government on infrastructure, develop the national infrastructure assessment as well as specific studies and engage with the public and private sectors to consult on future infrastructure needs and solutions.	James Heath is the Accounting Officer and Chief Executive.

Treasury Group Non-Departmental Public Bodies

Name	Function	Accounting Officer
Office for Budget Responsibility (OBR)	Created in 2010, the OBR provides independent and authoritative analysis of the UK's public finances.	Richard Hughes is the Accounting Officer and Chairman.

Treasury Group Levy Funded Bodies

Name	Function	Accounting Officer
Financial Services Compensation Scheme (FSCS)	A single scheme to provide compensation in the event of authorised financial services firms being unable or likely to be unable to meet claims against it. The FSCS is operationally independent from the Treasury.	Caroline Rainbird is the Accounting Officer and Chief Executive.

Treasury Group companies

Name	Function	Accounting Officer
UK Government Investments Limited (UKGI)	UKGI began operating on 1 April 2016 as a government company and is wholly owned by HM Treasury. UKGI is responsible for managing the government's financial interest in a range of state-owned businesses.	Charles Donald is the Accounting Officer and Chief Executive.
UK Asset Resolution Ltd (UKAR)	UKAR is the holding company established in October 2010 to bring together the business of Bradford & Bingley and NRAM. Following the sale of the NRAM and Bradford & Bingley companies, UKAR will service the residual pension schemes and contingent liabilities related to the sales.	Ian Hares is the Accounting Officer and Chief Executive.
Reclaim Fund Ltd	Established in 2011 following the enactment of the Dormant Bank and Building Society Accounts Act 2008 and the completion of the regulatory regime, Reclaim Fund Ltd makes it possible for money in dormant bank and building society accounts to be used to help good causes.	Adrian Smith is the Accounting Officer and Chief Executive.
Infrastructure Finance Unit Ltd	Incorporated in February 2009, the principal activity of the company was to provide loan finance to PFI projects. In 2017-18 outstanding PFI loans were repaid and it has since been used as the vehicle for operating the Digital Infrastructure Investment Fund and Charging Infrastructure Investment Fund. In May 2021 IFUL changed its name to UK Infrastructure Bank Ltd, and in this form, will partner with the private sector and local government to increase infrastructure investment to help tackle	Charles Roxburgh is the Accounting Officer. The company's directors are directors of the Infrastructure Project Authority (IPA).

	climate change and promote economic growth across the regions and nations of the United Kingdom.	
IUK Investments Holdings Ltd	The IUK Investments group, comprising IUK Investments Holdings Ltd and its subsidiary IUK Investments Ltd, was established in March 2013 to hold PF2 investments in major infrastructure projects.	Charles Roxburgh is the Accounting Officer. The company's directors are directors of the IPA.
Help to Buy (HMT) Ltd	Incorporated in September 2013, the company's sole activity is to operate the Mortgage Guarantee Schemes.	Anna Caffyn is the Accounting Officer and a director.
HM Treasury UK Sovereign Sukuk plc	Incorporated in May 2014, the company's sole activity has been to issue and service Sukuk certificates.	Mario Pisani is the Accounting Officer and a director.

Treasury Group additional bodies

Name	Function	Accounting Officer
Sovereign Grant	The Treasury is responsible for the upkeep of the Sovereign Grant payments which support HM The Queen in her official duties. Introduced in 2012 this funding replaced the Civil List and the three grants in aid for travel, communications and the maintenance of the Royal Palaces.	The keeper of the Privy Purse and the Treasurer's Office has overall responsibility for the Sovereign's financial affairs. This post is currently held by Sir Michael Stevens KCVO who is also the accounting officer for the Sovereign Grant.
The Royal Mint Advisory Committee on the Design of Coins, Medals, Seals and Decorations. (RMAC)	RMAC was established in 1922 by King George V to raise the standard of numismatic art and this remains its primary concern, it is responsible for recommendations on all new designs for UK coins and official medals.	As Chief Executive of the Royal Mint, Anne Jessop is also the Accounting Officer for the RMAC.
Office of Tax Simplification (OTS)	As an independent office of the Treasury, the OTS provides the government with independent advice on simplifying the tax system.	As Director General Tax and Welfare in the Treasury, Beth Russell is Accounting Officer for the OTS.

Office of Financial Sanctions Implementation (OFSI)	The Office of Financial Sanctions Implementation helps to ensure that financial sanctions are properly understood, implemented and enforced in the United Kingdom.	As Accounting Officer for the Treasury, Tom Scholar is also Accounting Officer for OFSI.
Financial Reporting Advisory Board (FRAB)	Originally set up in 1996 following the publication of the July 1995 White Paper 'Better Accounting for Taxpayer's Money', the role of the Financial Reporting Advisory Board, or FRAB, is to ensure that government financial reporting meets the best possible standards of financial reporting. In 2000 the Government Resources and Accounts Act set out that the Treasury shall consult a group of appropriate people to advise on financial reporting and standards. This role is fulfilled by FRAB as an independent body and put the existence of the board on to a more formal footing.	Vicky Rock represents HM Treasury on the Board as a Relevant Authority.

HM Treasury contacts

This document can be downloaded from www.gov.uk

If you require this information in an alternative format or have general enquiries about HM Treasury and its work, contact:

Correspondence Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 5000

Email: public.enquiries@hmtreasury.gov.uk