



UK Shared Business Services Ltd

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019/20

Registered Office:

UK Shared Business Services Ltd
Polaris House
North Star Avenue
SWINDON
Wiltshire
SN2 1FF

Registered Number: 06330639 (England and Wales)

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CHAIRMAN'S STATEMENT

2019/20 has been a steady year for UK SBS; user numbers have reached a level of stability, incremental improvements to service delivery and processes have been implemented and work continues with clients on the delivery of a future solution.

Working in conjunction with our partners, a number of projects were delivered in year to improve the user experience and accessibility of the Oracle platform. Of particular note was the launch of UK SBS Connect, a new front end to the BEIS Oracle Estate (BOE) platform to improve the usability and enable accessibility via mobile devices. As a result, there has been a significant increase in the number of self-service incidences and therefore the accuracy of the data held. There are plans to roll out UK SBS Connect to the Research Council Oracle Estate (ROE) platform in 2020/21.

Management Information and reporting both internally and to clients has been improved in year, with the development and use of PowerBI, enabling a greater understanding and analysis of data to make better operational decisions.

Although good progress had been made by the Future Shared Services (FSS) Programme, established in 2018 to identify and implement a new solution to be delivered by UK SBS on behalf of its clients, it was paused in late 2019 and subsequently stopped in March 2020. The Company is continuing to work collaboratively with both owners to understand their individual requirements, timescales and options to ensure the desired outcomes are reached, whilst continuing to align with the Cabinet Offices' Shared Service Strategy and global processes that were launched in early 2018.

There were no changes to the Company's governance arrangements in 2019/20. The risk management controls continue to be embedded across the organisation, with the Head of Internal Audit noting that core service line processes and internal controls had stabilised and in most cases are on an upward trajectory again. This is excellent news and a tribute to the hard work undertaken by the teams.

The last part of the financial year signalled the start of the COVID-19 pandemic. UK SBS, composed of a predominantly office based workforce, adapted quickly and efficiently to the new ways of remote working. All of our clients have shown considerable praise and gratitude towards UK SBS and the way in which it successfully managed the transition, with no detrimental impact on any of the services we deliver. I am very proud of the way all employees have responded and continue to deliver in these unprecedented times.

As we move into 2020/21, UK SBS will continue to work in a partnered approach with clients and owners to deliver value through effective, efficient and resilient business services. Despite the challenges faced by the Company in year, the continuation of service provision is a true credit to all those who work for the organisation and, without their resilience, we would not be in the strong position we find ourselves in today.



Tim Knighton
Chairman
UK Shared Business Services Ltd

STRATEGIC REPORT

Strategic Context

2019/20 was a year of strength and stability for the Company. The customer user base remained at roughly the same figure from April 2019 to March 2020 despite the successful off-boarding of the National Oceanography Centre (NOC) and the Centre for Ecology and Hydrology (CEH), two Natural Environment Research Council institutes. Service Requests (SRs), Change Requests (CRs) and implementation of client change programmes also remained steady throughout the year. Whilst there still remains some pockets of reduced capacity and capability within UK SBS, steps have been taken to appropriately resource those areas to ensure the continued delivery of services and change management.

In partnership with the Department for Business, Energy and Industrial Strategy (BEIS), UK SBS embarked on a Service Improvement Programme, successfully delivering a number of projects including the automation of several HR and Finance forms and completion of continuous improvement and data assurance projects. One notable project was the implementation of UK SBS Connect, a new application developed by UK SBS to enhance user access to data and tasks currently managed through Oracle. This new, more accessible front end to the Oracle system enabled BEIS employees to review and update their personal data, providing richer and more accurate records via self-serve using a range of devices. Additional functionalities are currently being trialled within BEIS, including the ability to record and book annual leave.

Throughout the past year, UK SBS worked closely with UK Research and Innovation (UKRI) in their transformational activities of moving 9 organisations into one and to support the implications of exiting the European Union, primarily in relation to EU grants. The two organisations also took the opportunity to jointly review the end-to-end recruitment process, resulting in the agreement to implement a new recruitment platform to improve both the recruiting manager and candidate overall user experience. Work on this new system, Taleo, continues into the new financial year, with an expected go live date of August 2020

The largest programme of work undertaken by the Company during 2019/20 was to support the Future Shared Services (FSS) programme, led by BEIS, to replace the Oracle platforms from which UK SBS services are provided. Activities in relation to data cleansing, process convergence and standardisation and procurement had progressed in-year. However, in late 2019 the Programme Board agreed to halt the procurement approach being taken following market engagement and feedback, and in the interest of achieving long-term best value for taxpayers whilst fully meeting the requirements of the partners.

Further, in March 2020, the Programme Board agreed to pause the programme while the Outline Business Case (OBC) was reset and updated as a result of shared learnings from other government departments working on similar programmes, additional market information and the natural delivery complexities of the programme. The participants of the Programme also took the opportunity to re-assess their position, resulting in UKRI and BEIS agreeing to part ways and the establishment of two separate programmes. Work is still underway to assess the operational and strategic impacts, timescales, risks and implications of this split and will continue into 2020/21.

The final few months of the 2019/20 financial year witnessed the worldwide COVID-19 epidemic and its impact on the economy, health and wellbeing of all those affected. The UK SBS workforce, predominantly office based with a fixed desk and desktop computer, successfully adapted quickly and efficiently to the new ways of remote working. Service delivery processes and the control framework have been altered as appropriate to flex within the changing environment and UK SBS continues to provide effective services to all its clients enabling them to continue to undertake vital research and policy in light of COVID-19. The Company will, in due course, consider how these changes and experiences shape the future ways of working for employees across all three sites.

It was agreed for the Business Services Agreement (BSA) in place between UK SBS, BEIS and UKRI to be reviewed in 2019/20 to ensure it accurately reflected the services provided, performance measures and current operating environment. The BSA was renamed the Partnership Services Agreement (PSA) to underpin the partnered approach taken with clients and is expected to be agreed in summer 2020.

An end-to-end review of the procurement service was undertaken in year, with the development of a new Target Operating Model between UK SBS, UKRI, UK Space Agency and BEIS. Work is underway to finalise the details and people implications.

Business IT services were also reviewed in conjunction with UKRI and a programme of work was established to identify, consolidate and transfer services into UK SBS for delivery. This reduces the duplication of services with UK SBS and UKRI and will provide a more consistent service going forward. The Service Desk migrated to a new cloud platform in ServiceNow which will provide services to users across UK SBS, UKRI and BEIS.

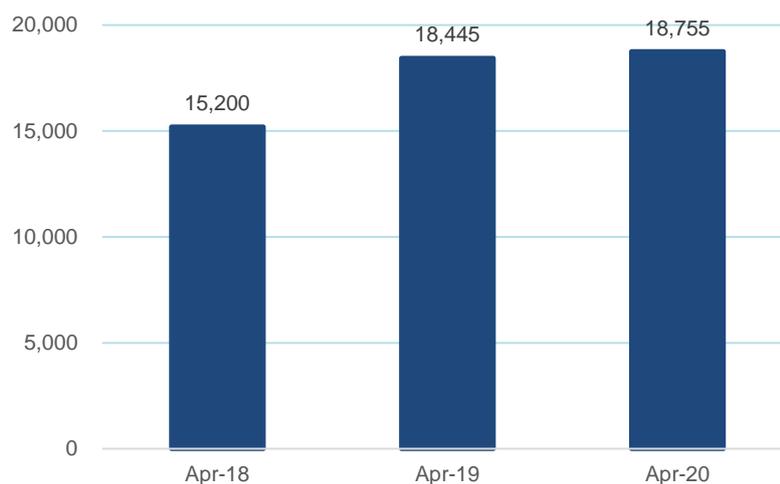
The UK SBS Roadmap, outlining the programmes and projects for delivery and detailed within the Business Plan 2019 – 2022, is continually reviewed to ensure an accurate reflection of the ongoing and future schedule of programmes. The Business Plan 2020 – 2023 is due to be agreed by Shareholders in summer 2020.

Further details on the ongoing change programmes relevant to UK SBS can be found within the main body of this report. This report highlights the Company’s financial and non-financial performance for the year, people developments, our response to change, key risks, mitigating actions and internal audit activity.

Overall Service Performance

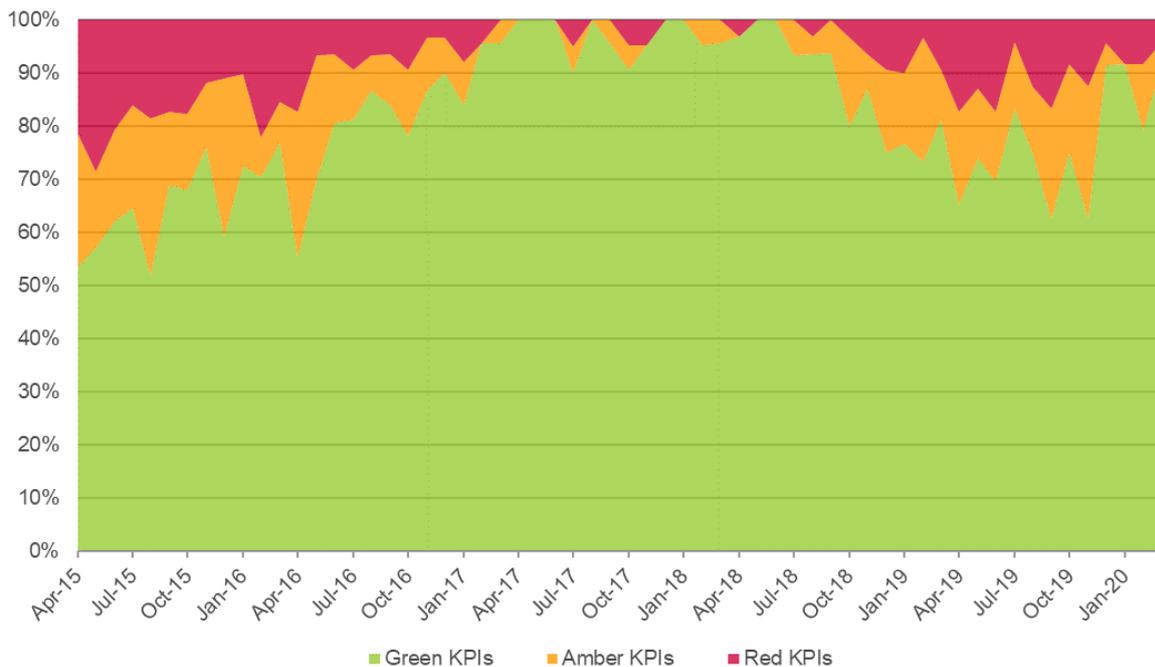
Performance in 2019/20 was steady throughout the year. The off-boarding of NOC and CEH institutes (approx. 1190 users) was balanced against a general increase of 1414 users across BEIS and UKRI.

Chart 1: User numbers – April 2019 – March 2020



Whilst 70% of monthly Service Performance KPIs were achieved for the whole of 2019-20, the lower levels of performance were seen through April to November 2019 – continuing the performance themes seen in the second half of 2018-19 with the increases in user numbers – with December 2019 to March 2020 seeing sizable improvements in performance with 87% of monthly Service Performance KPIs achieved.

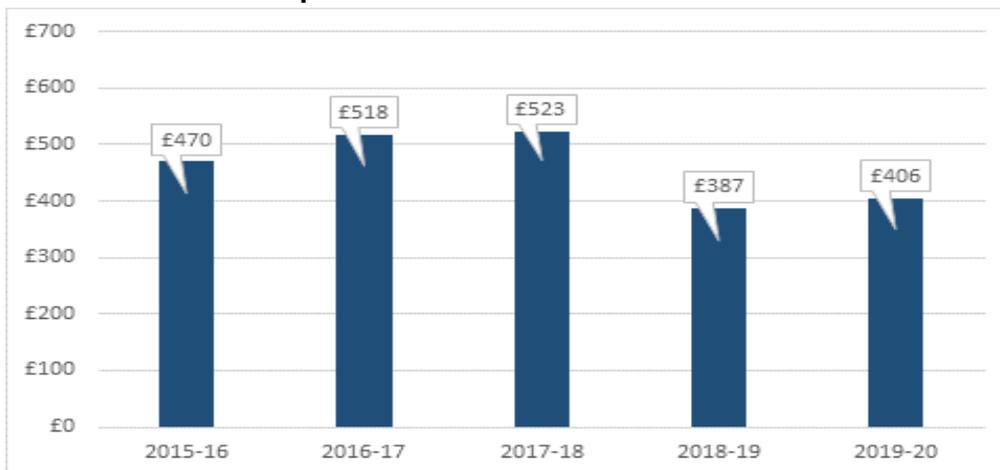
Chart 2: Service Performance KPIs – Red, Amber, Green



Cost of Standard Service Per Customer

The cost of standard service per customer for 2019/20 was £406. Standard service is defined as the transactional service equivalent of a regular commercial shared services provider, and the benchmark comparator that Cabinet Office set of £400 per customer. The cost of standard service per customer is forecast to stay near or below £400 in 2020/21 and beyond.

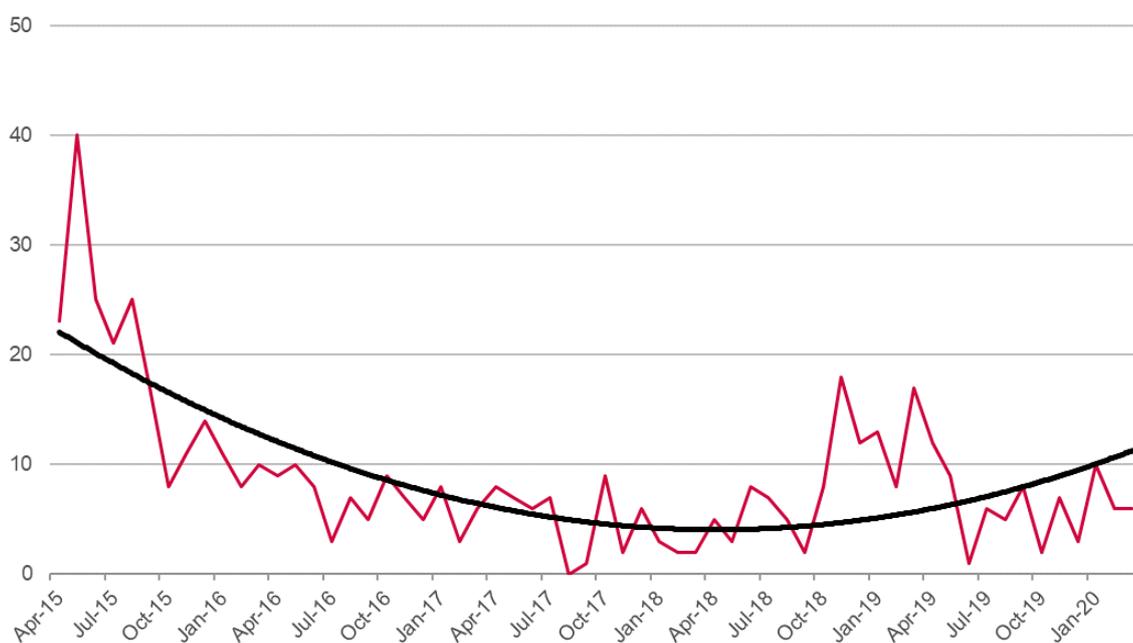
Chart 3: Cost of standard service per customer 2015 – 2020



Customer Complaints Received

Customer complaints continued to remain very low in 2019-20, averaging one complaint for every 10,000 transactions handled.

Chart 4: Customer complaints 2015 – 2020



Service Performance in 2019/20

Our achievement against the client agreed Service Performance KPIs for 2019/20 is set out below for each service area, together with summaries of priorities and successes.

Finance Service Delivery (FSD)

The focus at the start of the year was to develop resilience to support the business. Accounts Payable was particularly busy at the beginning of the year, with a significant increase in purchasing activities related to EU Exit spend, coupled with a number of vacancies which led to a dip in performance against two FSD KPIs in the first quarter. To support recruitment activity, roles were offered across all three sites to support the one team approach and develop all three offices. During the year, Newport and Billingham sites underwent a refurbishment which extended the footprint of service delivery to enable previously Swindon based roles to move into these offices.

Some key activities including the ability to submit expenses with scanned receipts was rolled out to all clients. FSD were actively involved in a project looking at staff debtors which led to the clearance of a number of old balances and a new, more robust process being put in place to manage going forwards. The Finance team have worked with all clients to enhance processes (e.g. invoices on hold) and harmonise processes (e.g. Transparency, GPC mgmt.) whilst staying engaged with our senior stakeholders to manage and monitor service performance.

Seven of the nine KPIs were met. Vacancies and increased volumes, which started at the end of 2018/19, were responsible in the first quarter for low scores against both processing supplier invoices in 2 working days and contacts resolved by target date. A further volume spike in October and November had another impact in performance and both measures ended the year below target.

Service Performance KPI	Target	2019/20 Volume	2019/20	2018/19	2017/18	2016/17
Supplier Invoices Processed in 2 Working Days of Receipt	>= 85%	189,732	80.0%	83.9%	94.7%	91.5%

Value of Total Debt Overdue by 90+ Days	N/A	-	£31.6m	N/A	N/A	N/A
Working Days to Complete Key Reconciliations (Issues Log 1)	<= 15 days	-	15 days	15 days	14.5 days	13 days
Statutory Deadlines Achieved	= 100%	135	100.0%	100.0%	100.0%	100.0%
Purchase Requisitions Processed in 3 WDs (<£10K)	>= 95%	91,675	96.0%	97.6%	98.0%	96.1%
Percentage of Contacts Resolved by Target Date (Finance)	>= 85%	177,788	79.7%	85.1%	92.5%	85.9%
Percentage of Contacts Resolved by Target Date (Generic Purchasing)	>= 85%	36,412	91.8%	97.4%	95.1%	92.2%
Telephone Calls Abandoned	<= 5%	19,015	4.5%	2.6%	N/A	N/A
Avg. User Experience Score (out of 5)	>= 3	196	3.3	N/A	N/A	N/A
Avg. Client Satisfaction Score (out of 5)	>= 3	13	4.2	N/A	N/A	N/A

Human Resources and Payroll Service Delivery (HRSD)

HR performance remained stable with 7 out of 8 KPI's being achieved in year. The one KPI that didn't achieve target was in relation to statutory returns with a target of 100%; UK SBS achieved 99.9%. The reason for failing to achieve this target was due to the late issuing of the HMRC RTI files in the summer of 2019. This was caused by human error and revised processes have been put in place to ensure that it is not repeated in the future.

HR & Payroll performance was achieved despite increased client activity as the UK made plans for a No Deal Brexit. The impact of this increased activity on UK SBS HR teams meant a significant uplift in On-Boarding activity across both the ROE and BOE platforms during the period.

It is also worth highlighting that for the first time, the BOE Pensions (MyCSP) error rate was reported with a target of <1%. The target from 2018/19 was <2.5%. The joint performance (between BOE clients and UK SBS) was 0.8% and this represented a significant improvement on the accuracy of processing pensions data over the previous year.

Service Performance KPI	Target	2019/20 Volume	2019/20	2018/19	2017/18	2016/17
Payroll Transactions Processed by Deadline	= 100%	16,795	100.0%	99.8%	100.0%	100.0%
Payroll Error Rate (UK SBS errors)	<= 0.5%	202,105	0.17%	0.24%	0.16%	0.16%

MyCSP Pension File Error Rate (Joint measure with clients)	<= 1%	112,223	0.8%	N/A	N/A	N/A
Statutory Deadlines Achieved	= 100%	7,200	99.9%	100.0%	100.0%	99.7%
Percentage of Contacts Resolved by Target Date	>= 85%	93,588	85.9%	90.0%	90.9%	91.7%
Telephone Calls Abandoned	<= 5%	31,710	1.4%	1.5%	N/A	N/A
Avg. User Experience Score (out of 5)	>= 3	472	3.3	N/A	N/A	N/A
Avg. Client Satisfaction Score (out of 5)	>= 3	22	3.5	N/A	N/A	N/A

Procurement Service Delivery (PSD)

The focus and objectives for 2019/20 were to build on the achievements of 2018/19 and measure and increase user satisfaction, a new KPI of 2019/20. This new goal was added to the existing KPIs aimed at achieving consistent service, supporting our procurement teams through change and personal development while living within our budget. All KPIs were achieved or exceeded during the year whilst seeing an increase in managed spend for our clients of £900m.

In 2019/20, we received very few complaints from our clients, but we did receive compliments across all the teams in the Procurement function. During 2019, UK SBS Procurement achieved a Green Audit Rating from GIAA for its processes and procedures and their application.

UK SBS Procurement introduced a new sourcing system for managing its tenders, Delta. This will give UK SBS a more dynamic and flexible tendering system with improved user experience for both Procurement staff and client evaluators. On people development we saw seven members of the team attain CIPS professional qualifications.

Overall 2019/20 was an excellent year for performance and achievement both as a function and as individual procurement professionals.

Service Performance KPIs	Target	2019/20 Volume	2019/20	2018/19	2017/18	2016/17
Procurement Benefit v UK SBS Managed Spend Ratio	>= 6%	£900M	8.6%	9.9%	7.9%	8.0%
Return On Investment (Procurement benefit v cost of service)	>= 9.7	-	21.0 : 1	21.4 : 1	18.0 : 1	17.8 : 1
Initial Contact Within 3 W/Days of Receiving Proc. Requirement	>= 90%	1,529	91.8%	N/A	N/A	N/A
Percentage of Contacts Resolved by Target Date	>= 85%	1,210	97.3%	97.7%	90.7%	73.6%
Telephone Calls Abandoned	<= 5%	12,340	4.2%	1.2%	N/A	N/A

Avg. User Experience Score (out of 5)	>= 3	59	3.4	N/A	N/A	N/A
Avg. Client Satisfaction Score (out of 5)	>= 3	12	3.7	N/A	N/A	N/A

Information Systems and Services (ISS)

Service remained stable throughout the year with further work completed to ensure the ERP platforms remain patched and in support. ISS undertook a number of collaborative projects with UKRI including the delivery of the new Multi-Tenant network in Polaris House, providing greater flexibility for users of the building. The Service Desk migrated to a new cloud platform in ServiceNow which will provide services to users across UK SBS, UKRI and BEIS. Work commenced of the consolidation of Business IT and a transfer of services from UKRI to ISS. Telephony targets were missed, largely due to staff turnover within the Service Desk. Improvement plans have been implemented and KPI's for the new financial year are now green.

Critical Performance Indicators	Target	2019/20 Volume	2019/20	2018/19	2017/18	2016/17
Oracle Estate (inc. OBIEE) Availability [BOE & ROE]	>= 98%	-	99.7%	N/A	N/A	N/A
Siebel & Je-S System Availability	>= 98%	-	99.5%	99.1%	99.1%	98.7%
Email System Availability	>= 98%	-	99.0%	100.0%	99.5%	99.6%
Network Availability	>= 98%	-	99.8%	99.9%	99.9%	99.7%
Hosted Systems Availability	>= 98%	-	99.5%	N/A	N/A	N/A
Percentage of Contacts Resolved by Target Date	>= 85%	47,590	84.8%	88.5%	88.0%	90.2%
Telephone Calls Abandoned	<= 5%	27,145	15.7%	4.8%	N/A	N/A
Avg. User Experience Score (out of 5)	>= 3	549	4.4	N/A	N/A	N/A
Avg. Client Satisfaction Score (out of 5)	>= 3	7	2.9	N/A	N/A	N/A

* Oracle Business Intelligence Enterprise Edition (OBIEE) is a business intelligence and analytics platform provided by Oracle. It is designed for data analysis and data warehousing purposes.

Financial Performance

The Company's financial results for the year are set out in the financial statements (page 37 onwards). The reported result for 2019/20 is a £374,000 loss (2018/19: £469,000 loss), including £1.4 million cost of depreciation and amortisation (2018/19: £1.4 million). The Company does not operate with the intention of making a profit. It operates on a full cost recovery basis, setting service charges that aim to allow the Company to break even before depreciation, amortisation, and the release of deferred income

that covers certain elements of depreciation. On that measure, the Company made a small loss of £0.1m in 2019/20 (2018/19: £0.1 million loss).

The net asset value at 31 March 2020 was £2.7million (31 March 2019: £3.1 million). Further details are set out on page 38 of the financial statements. The major investments that were made in developing the Company’s main Oracle systems fully depreciated in year. Details of the non-current assets are set out in note 8 to the financial statements.

Portfolio – Key Programmes

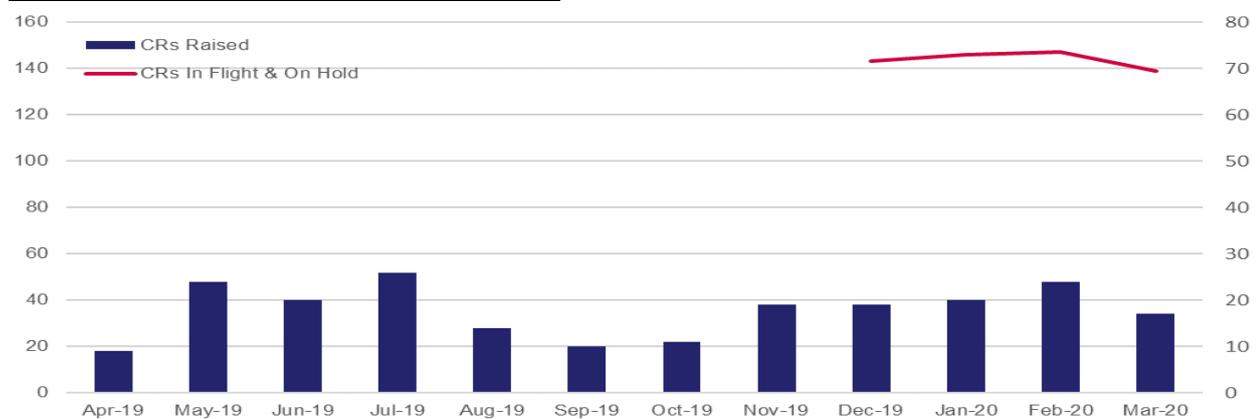
The UK SBS Business Change department (BCD) successfully delivered or assisted with the delivery of 138 projects in 2019/20 (63 in 2018/19). The department delivers a portfolio of change projects providing clear prioritisation, management, reporting and resource allocation. The projects within the portfolio are many and varied including client requested change, business development projects, technology portfolio improvement, exits and restructures and service transfers. The detailed five-year roadmap was developed by UK SBS to provide a framework for project delivery, allowing the Company to deliver changes to expected deadlines.

In 2018/19, a new change management process was introduced supported by the establishment of an internal Investment, Appraisal and Change Committee. During 2019/20 this Committee has continued to strengthen the oversight of the change portfolio, to ensure alignment with UK SBS and clients’ roadmaps.

In light of COVID-19, an exercise was undertaken with clients to understand the status and criticality of all CRs and ensure that those of critical importance were focused on during the initial period of reduced productivity whilst adapting to new ways of working. Project and programme progress had been adversely affected due to 11 BCD staff transferring to service delivery to support the provision of key BAU services. In addition, whilst every effort has been made to continue to run workshops digitally, the limitation of workshops whilst working remotely affected the speed of progressing change. UK SBS is working with landlords to understand access to buildings whilst adhering to government social distancing guidelines to re-start workshops when possible.

The number of CRs from both owners and from within UK SBS increased in-year in both numbers and complexity.

Chart 5: Number of CRs raised in 2019/20



* the way in which CRs were calculated as being ‘open’ or ‘on hold’ was recalculated from December 2019 so there is no data available before that date.

New Solution

A cross-organisational Future Shared Services (FSS) programme, led by BEIS, was established in January 2019 to improve the efficiency and effectiveness of end-to-end services across the UK SBS customer base and ultimately improve the user experience. However, as mentioned in the strategic context section of this report, in March 2020 the Programme Board agreed to pause the programme and subsequently UKRI and BEIS agreed to part ways and establish two separate programmes. Work is still underway to assess the operational and strategic impacts, timescales, risks and implications of this split and will continue into 2020/21.

In addition, the existing Oracle BPS License will need to be extended beyond its termination date of 31 May 2021. Discussions are taking place with clients and Oracle to provide any necessary extension to the contract.

Partnership Change Board

To support the prioritisation of change, a Partnership Change Board (PCB) was established in 2019/20, with representation from BEIS, UKRI and UK SBS. The PCB agrees the prioritisation of CRs across all client organisations and UK SBS, provides delivery oversight, reviews new and current services provided by UK SBS and reviews changes to partner or customer process or policy.

Change Portal

During 2019/20 a change portal was developed which allows members of the PCB, the respective client Change Boards, and UK SBS employees to review the current status of any change request including the latest update on a PC or mobile device. In addition, PowerBi reports provide live dashboard information on the performance, status and detail of the change request portfolio.

Oracle Policy Automation (OPA) Proof of Concept (PoC)

The goal of the Oracle Policy Automation (OPA) tool PoC was to investigate the viability of delivering service delivery improvements enabling self-service, 24hr service and decreasing basic query service tickets. The PoC delivered the required OPA infrastructure to enable OPA delivery on a larger scale, standards and guidelines for tool use, and created forms for BEIS HR and Finance use. The positive conclusion of the PoC will lead to the expansion of OPA across the business for UK SBS and BEIS where value can be delivered.

System Upgrades and Transfer of Applications

A number of ISS related programmes were completed in-year:

- Service Now – The existing IT service Management Tool was reaching end of life. The tool enabled ISS to manage incidents, problems, asset and configuration and change control management processes for internal and external clients. A replacement tool was implemented called Service Now, which provides updated and broader functionality.
- Multi-Tenant Network (MTN) - The MTN project delivered flexible wired and wireless connectivity, to enable a device to connect to any network port in Polaris House, and automatically connect to the appropriate home Council IT network, including Innovate UK, UK SBS and UK Space Agency. It provides greater flexibility in staff location, standardisation of network access and support, and the provision of data and phone services through one network port
- EU Grants Pay Run – the increase in the number of grants could not be processed in the same amount of time and would have caused scheduling issues. The new facility enables the pay run

to be split into three smaller runs with their own full set of reports so that they can be scheduled and run separately to fit the time available.

- Fusion Middle Ware Upgrade - Fusion Middle Ware Service Oriented Architecture is the core messaging facility linking Je-S, Siebel, OBIEE and EBS in the Grants service; the service was out of support. The upgrade to version 12c has brought it in line with the other Grants services and brought it back into support until 2023.
- eVolume Replacement - eVolume was a desktop application that was developed ten years ago in house to extract grant application documentation from Oracle Web Centre library for Peer Review. eVolume was only available on dedicated UK SBS equipment and the application had become difficult to support. The replacement system Electronic Document Distribution (EDD) is browser based so users can access the system remotely. It has been developed using common standards and technologies for easy support.

Service Exits

Two UKRI institutes, NOC and CEH, exited UK SBS services in 2019/20.

General Data Protection Regulations (GDPR)

Following the implementation of the new GDPR and Data Protection legislation in May 2018, we have continued on our journey for data protection, and wider information management, maturity. The establishment of an internal programme, Securing our Data and Reputation (SoDaR) brings together the key work strands for a more holistic view of data management across the Company. UK SBS continues to work towards full implementation of the legislative requirements where possible, whilst remaining cognisant of the technical barriers that exist. The Audit Committee receive regular updates on areas of non-compliance and the mitigating actions in place.

Our People

Our employees are essential to all that we do and work together to deliver our key objectives. This year, in meeting the requirements of our clients, UK SBS has steadily increased its headcount. The year began with 527 employees and has grown to 582 (excluding contractors).

UK SBS has continued to build on three challenges in to further embed our Values in all that we do.

- Integrity
- Diversity
- One Team
- Versatility
- Empowerment

Leadership – the right people, right place, with the right capabilities

We have continued to develop our leadership capability in the introduction of the bronze leadership programme which was successfully rolled out within UK SBS. The programme, over a period of six months has equipped junior leaders with practical skills to be more effective in their roles. The training developed and delivered internally has seen one cohort of managers complete the programme and a further three cohorts are in progress and planned.

Effectiveness – the right resources, right flexibility, right skills

We continue to review and refresh the recruitment process to ensure we are promoting the benefits of working for UK SBS and Working across our three sites of Swindon, Newport, and Billingham helps us to fill roles and give development opportunities. We continue to build on the successful apprenticeship

scheme in Business Administration and Human Resources and this has enabled us to provide additional 'business as usual' support while giving valuable opportunities and mutual benefits to young people. We further have expanded our apprenticeships to include IT and to include all of our sites. UK SBS also raised their profile in Swindon based schools and colleges through attendance at local careers fairs.

Engagement – right attitudes, right perceptions, right results

Our employee survey, completed every six months, continues to act as a regular temperature check; the insights of which assists our senior leaders to steer actions at corporate, directorate and team level. The trends remain positive and, together with the slowing of our turnover, demonstrates a positive outlook. The October 2019 highlights were:

- 89% of respondents agreed they could rely on others in their team
- 84% of respondents agreed they give consideration as to how our services could be improved and share ideas with their managers or senior managers
- 83% of respondents agreed they fully support the five new UKSBS values and they guide their behaviours and actions
- 80% of respondents agreed they speak positively about the services UK SBS provides
- 76% of respondents agree they are satisfied with working for UK SBS

Training and development opportunities continue as a strong feature for employees. We provide a mix of mandatory and bespoke training, ensuring legal compliance, skills and knowledge development and support for individual needs and aspirations. This includes on the job coaching, professional qualification support, in-house and external training, and delivered in a range of ways, including face to face and e-Learning.

There is a strong commitment to open, transparent and timely employee communications, with regular team briefs, varied employee engagement opportunities, including small group discussions with the CEO and weekly news updates.

Strategic Workforce Plan

Corporate HR have commenced work to develop the Strategic Workforce Plan (SWP) with the aim to informing the delivery of the organisation of the future by ensuring it is correctly resourced in both capacity and capability. Work has commenced on the following components.

- Resource Plan
- Performance Management and Training Needs Analysis
- Reward
- Communications

Diversity

At 31 March 2020, the numbers of males and females in the Company were as follows:

	Males	Females
Board (excluding the Chief Executive)	3	3
Executive Team (including the Chief Executive)	5	2
Employees (excluding Executive Team)	221	355

The proportion of employees who have elected to be identified as being from an ethnic minority is currently 14% (2018/19 13%).

UK SBS published its gender pay gap report. The gender pay gap is the differences in the average pay between men and women in an organisation over a period of time no matter what the role is. In March 2019, the mean pay gap for UK SBS was 24.7%. this is a 6% increase in the year on year Male to Female pay gap with males being paid on average 24% an hour more than Females. The Gender Pay Gap report, published on the UK SBS website, outlines the details of the plan to work towards addressing the pay gap and will form part of the HR strategy going forward. The UK SBS Diversity and Inclusion Group continues to form part of the commitment to achieving and advancing equality.

Employee Health

During 2019/20 the average number of working days lost through recorded sickness absence was 3.0% (2018/19: 2.9%). The figure has been recorded as a percentage to more accurately reflect part time employee data.

Internal Governance

A internal Risk, Assurance and Security Committee was established in March 2020 to sit alongside the three existing internal committees (the Investment, Appraisal and Change Committee, People and Engagement Committee and Operations Committee) and provide Executive level oversight of the Company's risk management, audit, internal control, resilience and protective security activities. Work of the committee includes the identification of new corporate risks, reviewing risk appetites and tolerances and considering lessons learned from incidents or events and directing methods for improvement.

Senior Leadership Group and Middle Leadership Group forum meetings were held throughout 2019/20 to enable two-way engagement on priorities and future planning for the organisation.

Further information on the Executive structure and Committees can be found in the Annual Governance Statement on page 22.

Managing Risks and Controls

The Government Internal Audit Agency (GIAA) continues to provide the Company's internal audit function and in 2019/20 undertook 12 audits. An overall assurance opinion of 'Moderate' was issued from the Head of Internal Audit, reflecting the results of audits which have consistently demonstrated continued effective operation of the Company's governance and risk management processes.

The Head of Internal Audit's annual report is summarised in the Annual Governance Statement, noting management had addressed those concerns raised the previous year and that core processes were found to be on an upward trajectory.

The Company's Corporate Risk Register is reviewed at every Board and Audit Committee meeting. Each department maintains their own departmental risk registers, capturing risks to department specific activity and objectives, as well as a procedural driven Risk and Control framework. Processes are in place to escalate risks from the departmental to the corporate risk register as and when necessary.

A number of risks have been successfully mitigated throughout the year, including those relating to capacity and capability of the UK SBS workforce, change readiness and preparation for exit from the European Union. However, despite ongoing mitigating activity, some corporate risks remain on the Corporate Risk Register for 2020/21; Cyber-attack (information security), recruitment and retention of skills, specifically IT, and the wider Future Shared Services Programme. Risk response plans have been developed and actions will continue throughout the year to continue to mitigate these evolving and continuing risks.

Managing Our Footprint

The UK SBS Corporate Social Responsibility Policy sets out the principles for managing our environmental impact.

Travel

The following table shows expenditure on total travel over the last five years. From 2018/19 to 2019/20, there was a 9% decrease in annual travel cost, despite an increase in FTE.

2015/16		2016/17		2017/18		2018/19		2019/20	
Cost (£000)	FTE*	Cost (£000)	FTE*	Cost (£000)	FTE*	Cost (£000)	FTE*	Cost (£000)	FTE*
340	563.9	339	532.6	339	482.1	286	485	260	561

* FTE numbers include contractors

In 2019/20, our people travelled approximately 632 thousand km on Company business and 71% of this was undertaken using public transport. Domestic flights accounted for approximately 8 thousand km travelled.

Paper

The Company uses 75% recycled A4 and A3 paper (made from post-consumer waste using low CO² production methods).

Buildings

UK SBS operates over three sites; Polaris House, Swindon (Head Office accommodating over 80% of our people), Concept House, Newport and Queensway House, Billingham. All sites are owned or managed by other BEIS Partner Organisations who report on energy usage, water consumption and waste generation in their Annual Reports. The Company complies with energy, water and waste management measures in operation at each site.

Polaris House is shared premises occupied by UKRI, UK Space Agency, Government Internal Audit Agency, Government Property Agency and UK SBS and is managed by the Joint Building Operations Services (JBOS). The building has been awarded, and implements, an Environmental Management system (EMS) via ISO 14001 and successfully retained its ISO 14001 accreditation in January 2019. JBOS is responsible for the EMS and environmental aspects of the campus.

Videoconferencing facilities at all three sites were greatly enhanced in year. This has increased capacity for colleagues to join meetings remotely, rather than travelling to between offices or to other locations for meetings, helping to reduce carbon emissions from travel. It has also provided the opportunity for cross-site team meetings, breaking down silos and increasing collaboration. COVID-19 resulted in the vast majority of UK SBS employees working from home since March and videoconferencing has played a key role in enabling this. It has also demonstrated a potential for videoconferencing to become a new low carbon standard way of working across UK SBS in the future.

All waste produced at Polaris House is reused, recycled or incinerated with energy recovery. Reporting on the actual quantities of waste disposal will not be available until after the publication of this document.

A number of environmental initiatives have been implanted at Polaris House in year including:

- The introduction of Vegware in the canteen area to remove a significant amount of plastic from the waste stream by replacing it with compostable items.
- Hybrid pool cars are available for use by all Polaris House tenants who would have otherwise used conventional rentals, thus reducing carbon emissions.

UK SBS is fully committed to a programme of review and reduction in the use of energy, finite resources and waste disposal.

The majority of our carbon emissions emanate from the use of mains supplied electricity within our head office at Polaris House, and it is this resource that when targeted with energy saving technologies will

return the highest level of reductions. The Company looks forward to working with UKRI and other Polaris House tenants in taking forward plans to reduce our individual and collective footprints.

Section 172 Reporting

The Directors are bound by their duties under the Companies Act 2006 (the Act) and the manner in which these have been discharged, particularly their duty to promote the success of the Company for the benefit of its members as a whole. A training workshop on directors' duties was last provided to the Board in 2018 following a number of resignations and newly appointed Board directors. Whilst UK SBS is not required to report under the UK Corporate Governance Code 2018, it is considered a large private company under the Act and this section reflects some of the key themes of the new governance and reporting regulations.

As a Public Contract Regulations (PCR) Regulation 12 Company, there is a unique relationship between the Board and Shareholders, with owner nominated representatives appointed to the Board alongside independent directors. The Board recognises the importance of a continuing effective dialogue with Shareholders and the sharing of relevant information to ensure that the strategy and objectives of the Company are clearly articulated and understood by all. This also allows for the opportunity for feedback and to address any questions or issues raised and for all members to be treated fairly

In a large organisation such as UK SBS, the directors fulfil their duties partly through a governance framework that delegates day-to-day decision making to the CEO, Executive team and other employees of the Company. The wider impacts on any decisions taken are considered and underpinned by the culture, values and standards exhibited within the organisation.

Risk Management, Governance and Decision-Making

UK SBS provides a range of critical services to our clients and customers, in particular the payment of suppliers, people and grants. It is vital that the Company continually identifies, evaluates, manages and mitigates risks. Further information on the risks faced by the Company and how they are managed can be found on page 15 and within the Annual Governance Statement.

Each year, the Board undertakes an in-depth review of the UK SBS Business Plan for the following three years. Once agreed by the Board and Shareholders, this provides the basis for resourcing plans, financial budgets and sets the strategic direction for the Company. In the development of Business Plan, the Board has regard to a variety of matters including the interests of various stakeholders and the long-term reputational effects of decisions taken. The CEO is responsible for delivering the agreed Business Plan and strategy, with authority delegated to the Executive team as appropriate to make relevant decisions subject to the values of the Company.

Our People

The employees of UK SBS are its most valuable asset and are central to the long-term success of the Company. The culture, values and standards underpin the way in which UK SBS delivers service and are the key elements to maintaining a high standard of business conduct and quality services. The Board supports the CEO in embedding the right culture to deliver long-term success. The Board sets the Company values; these were recently refreshed via a bottom up approach, driven by our employees' voices and views through a series of workshops and facilitated sessions. An employee engagement survey is released twice a year, the results of which are considered by the directors and, together with the Executive team, appropriate actions are put in place. The Board reviews and agrees the UK SBS Code of Conduct policy on an annual basis.

All employees participate in an annual performance review, identifying relevant opportunities for developing and retaining talent. Recognising the impending changes to the way in which UK SBS will deliver services as a result of the Future Shared Services programmes, a strategic workforce plan is under development to ensure that the Company is equipped with the right skills and talent to deliver success in the future.

Further information on our people, diversity, values, culture and engagement with the Trade Unions can be found on pages 13-15 and within the Directors' Report.

Relationships with Customers and Clients

Ultimately, our customers and clients are our owners; the fundamental principle for the existence of UK SBS is to provide effective and efficient back office services to its customers. UK SBS does not seek to make a profit and operates on a cost recovery basis. The Company has embedded a partnered approach in its relationships with clients and the refresh of the Partnership Services Agreement to be agreed by the Board and clients in 2020 will clarify and strengthen this approach.

In 2019, customer feedback and satisfaction scores were included as part of the wider performance pack considered by the Board at each meeting, along with key client issues. As part of the 2020-2023 Business Plan review, the service measures will be refreshed with full client involvement to ensure the KPIs are appropriate and provide the information required to make accurate deductions of service performance from both an internal and client perspective. UK SBS also works with clients to understand, prioritise, schedule and implement their key change activities, projects and programmes through the Partnership Change Board (PCB).

Further information on client relationships and interactions can be found within the Annual Governance Statement.

Communities and the Environment

The Board approves the Corporate Social Responsibility policy as part of its annual governance review. UK SBS employees identify and vote for both national and local (areas within which our offices are located) charities to support each year. In 2019/20, the charities chosen by employee votes were Diabetes UK (national), Wiltshire Air Ambulance (Swindon), Ty Hafan (Newport) and Billingham Foodbank (Billingham) with money raised through various events held during the year. As part of its commitment to continue operating across all three sites, taking into account the impact of the Company's operations on the local communities, UK SBS invested in the office environments within which employees operate from, with a transformational refurbishment undertaken at the Billingham office in the north of England.

UK SBS directors have regard to the impact of the Company's operations on the environment. In light of COVID-19 and the ways in which employees altered their working practices to adapt, the Board and Executive team will consider those changes that can be taken forward as part of the new ways of working, including the use of more video-conferencing in lieu of travelling between the three sites or visiting clients. Details on further environmental considerations can be found on pages 15-17.

Focusing on the Future

UK SBS is committed to working in partnership with our owners to provide modern, stable, efficient and effective services. Greater agility and adaptability will ensure responsiveness to clients' changing requirements and transformation programmes whilst modernising and replacing the underlying technology platforms. UK SBS will continue to work with and support both owners in the development of their new solution programmes whilst building upon the strong working relationships already formed with our clients to continue to meet their service delivery expectations now and in the future.

For and on behalf of the Board



Richard Semple, Chief Executive Officer

UK Shared Business Services Ltd

Date: 24 July 2020

DIRECTORS' REPORT

UK Shared Business Services Ltd is a company limited by shares providing a range of services to its Shareholders, all of which are public bodies. While changes to our owners' strategy have potentially significant implications for the Company, our prime objectives remain the same – to deliver efficient, effective and value for money services.

The Board of Directors

UK SBS Board membership was last reviewed in October 2017 to ensure appropriate governance was in place following a number of resignations and to reflect the impending changes in ownership and control brought about by the creation of UKRI. The majority of Board members are appointed from owner organisations in order to comply with Regulation 12 of the Public Contracts Regulations 2015, the framework through which UK SBS provides services to its owners.

The following table identifies all the Company Directors that held office during the accounting period to the date of the report.

	Date Appointed	In post/date resigned
Chair		
Timothy Knighton ¹	31 October 2015	In post
Executive Directors		
Richard Semple	1 May 2018	In post
Non-Executive Directors		
Neil Phimister	17 October 2017	In post
Ruth Elliot	1 April 2018	In post
Graham McAlister	1 April 2018	In post
Alice Hurrell	27 September 2018	In post
Emma Ferguson-Gould	25 March 2019	In post

1. Timothy Knighton was appointed to the Board as a Non-Executive Director from 26 March 2015 and was appointed by the Shareholders as the Board Chair from 31 October 2015.

Meetings of the Board and its Committees

The Company's governance structure and composition and operation of the Board are described within the Annual Governance Statement.

The Board meets formally every other month. Meeting frequency, membership and focus of each of the Board Committees is set out below:

Audit Committee - meets five times a year. In 2019/20, the Committee was attended by Neil Phimister (Chairman), Graham McAlister and Kim Humberstone (co-opted member, appointed September 2018) with one vacant position. The Audit Committee meetings are also attended by external (National Audit Office (NAO)) and internal (GIAA) audit. Throughout the year, the Committee's work included, *inter alia*, approving the internal audit plan and receiving all completed audit reports, endorsing the Risk Management policy, reviewing Corporate and Departmental risk registers, monitoring the implementation of audit recommendations, providing assurance to the Board on the effectiveness of risk managements controls and systems and reviewing reports of fraud and whistleblowing policies.

Remuneration and/or Nominations Committee – the Board meets as the Remuneration and/or Nominations Committee as and when required to consider and advise the Board on remuneration and terms of conditions for Executive and Non-Executive Directors. The Board met twice as the Remuneration Committee in 2019/20.

Independent Directors

In accordance with the Company's constitutional documents that were agreed by Shareholders in August 2018, all independent Non-Executive Directors and Executive Directors are appointed by unanimous decision of the Shareholders. Owner nominated Non-Executive Directors are appointed by unanimous decision of the Board.

For the period 1 April 2019 – 31 March 2020, those Non-Executive Directors considered by the Board to be independent were Timothy Knighton and Graham McAlister.

Performance Evaluation of the Board

A formal annual review was undertaken over the summer. The performance of the Board was evaluated and included feedback from both Board members and the Executive team. The key points of the evaluation results noted the need to strengthen stakeholder and shareholder relationships and for more accurate KPI measures / customer satisfaction feedback to be able to make more informed decisions in relation to services. The Audit Committee also undertook an annual review of its effectiveness and individual Committee members' performance.

Dividends

No dividends were paid on ordinary shares during the period and the Directors do not recommend a payment of a final ordinary dividend.

Political and Charitable Contributions

The Company made no political donations or incurred any political expenditure during the period. The Company made no charitable donations during the period.

Employment of Disabled People

UK SBS aims to create a productive environment, representative of and responsive to different cultures and groups, where the contributions of all employees, agency workers and contractors are recognised and valued and everyone has an equal chance to succeed. As such, UK SBS is committed to an active and inclusive approach to equality, which supports and encourages all under-represented groups, promotes an inclusive culture, and values diversity. The UK SBS Diversity and Inclusion Group continues as an employee group to share views and contribute ideas to shape and drive activities to encourage further inclusiveness.

The Company's Inclusiveness Policy applies to all aspects of employment, including recruitment, terms and conditions of work, training and development, promotion, performance management, grievance, discipline and treatment of workers when their contract of employment ends. Applications for employment by disabled people are welcome and are always fully considered. In the event of an employee becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate support is provided. The Company received Disability Confident Level 2 accreditation in November 2018.

Employee Communications and Engagement

UK SBS has a number of established communication channels in place to ensure that any information on matters of concern to our employees is communicated clearly, effectively and timely. Internal channels focused on employees include face-to-face engagement, Town Halls, emails, instant messaging, videoconferencing, TV screens, the intranet, posters and printed materials. The Communications Team is responsible for maintaining the Communications Policy and guidance and dissemination of information via the appropriate channels.

The Trade Unions (TUs) are consulted when considering any policy changes or decisions that may impact UK SBS employees. Regular meetings take place between Corporate HR, the CEO and the TUs to share updates on the strategic direction of the Company, operational / business as usual information and to ensure the views of the employees are considered when making decisions that may affect their interests.

Slavery and Human Trafficking Statement

In accordance with Section 54 of the Modern Slavery Act 2015, the UK SBS statement on slavery and human trafficking as agreed by the Board has been published on the UK SBS website.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for preventing and detecting fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement as to Disclosure of Information to Auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The Comptroller and Auditor General (National Audit Office) was re-appointed as auditor during the period, under Section 487 of the Companies Act 2006.

For and on behalf of the Board



**Richard Semple, Chief Executive Officer
UK Shared Business Services Ltd**

Date: 24 July 2020

ANNUAL GOVERNANCE STATEMENT 2019/20

The UK Shared Business Services Ltd (UK SBS) Board is accountable to shareholders for ensuring that the Company operates governance and internal controls that are fit for purpose and in accordance with applicable legislation. As well as being a company limited by shares, UK SBS is a public body and is required to comply with applicable Government and Departmental policies, instructions and guidance. Central to this is compliance with *Managing Public Money* to ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

The UK SBS Board has delegated responsibility for the preparation of this Annual Governance Statement to the UK SBS Chief Executive, who is also a Company Director, Board member and the UK SBS Accounting Officer. The Statement has been signed by the Chief Executive on behalf of the Board following Board consideration and agreement.

The Purpose of the Governance Statement

The Governance Statement forms part of the Company's Annual Report and Accounts as a record of the stewardship of the Company by the Board and Executive. It outlines the Company's governance, business and control structures and highlights changes implemented and challenges addressed during the year.

Corporate Governance Framework

UK SBS is a company limited by shares wholly owned by BEIS and UK Research and Innovation (UKRI). It is classified within the public sector and operates as a Public Contract Regulations 2015 (PCR 2015) Regulation 12 entity.

The Shareholders' Agreement and Articles of Association were last reviewed and agreed by the Shareholders in August 2018. Also central to the running of the Company, alongside the constitutional documents, is the corporate governance framework including Board and Committee terms of reference, a corporate scheme of delegation, corporate policies and the sponsorship framework with BEIS.

The opportunity was taken to review and update the Business Services Agreement, now renamed as the Partnership Services Agreement (PSA). Working with clients, substantial changes have been proposed to reflect both developments in the professional operational governance of service delivery and to refocus on an overall partnership approach to the relationship with BEIS and UKRI, with expected sign off due mid-2020.

Change Programmes

Alongside the delivery of business as usual (BAU) services, UK SBS has experienced a significant increase in change activities both internally and across the client base.

The impact of EU Exit related activities across Government saw significant increases in user numbers in year. UK SBS will continue to work with clients through the transition period to address anticipated future increases in user numbers and any other changes to service demand.

The Future Shared Services (FSS) Programme had been established to converge and transform end-to-end HR and Finance services across UK SBS and its client organisations, including the implementation of a new cloud platform. Originally intended to be operational by May 2021, the Programme Board took the decision in early 2020 to reset the procurement strategy. Subsequently, in March 2020, the programme was stopped, with BEIS and UKRI agreeing to progress separate approaches for new platform solutions. The UK SBS project team continues to provide input and support to both new programmes, as well as progressing vital preparation work, including projects developing the approach to business change, organisational transformation and data preparation/cleansing.

A number of other major projects and programmes were completed in 2019/20 that also required significant UK SBS resource and technical input to implement, including:

- Successful migration of Je-S to Amazon Web Services;
- Implementation of the UK SBS Connect App for BEIS users; and
- Off-boarding of National Oceanography Centre and the Centre for Ecology and Hydration, two National Environment Research Council (UKRI) institutes.

A detailed three-year roadmap charts out the Company's change activities, providing a framework for project delivery and is updated on an annual basis to align with the Business Plan. Through its established portfolio approach, UK SBS will continue to monitor the pressure on key resources and teams to safeguard the impact of delivering change and / or impacting on service delivery. In 2019/20, new tools were implemented to help manage resources and indicate resource pinch points.

Internal Governance

The internal governance structure was strengthened in 2018/19 with the establishment of three Committees.

- The Investment, Appraisal and Change Committee (IACC) provides oversight of the change portfolio, considers and prioritises change requests and develops and reviews programme related documentation to ensure alignment with UK SBS and clients' roadmaps.
- The Operations Committee (OC) considers operational performance across all service areas, develops work plans for the implementation of continuous quality improvement initiatives and ensures that the Company has the policies it needs to operate effectively.
- The People and Engagement Committee (PEC) considers and analyses the Employee Survey results, recommending strategies to address any trends, considers and endorses the HR strategy and identifies areas of process improvement in relation to HR related activities.

The Executive Committee agreed to the establishment of a new internal Risk, Assurance and Security Committee in January 2020. The Terms of Reference are under development, but it will primarily focus on oversight of UK SBS's risk assessment and mitigation planning, assurance, audit planning and follow-up, information security and business resilience.

A new Securing our Data and Reputation (SoDaR) programme has been established which includes, but is not limited to, the requirements of data protection legislation, ISO 27001 controls and Knowledge and Information Management (KIM) principles. UK SBS is due to start the ISO 27001 certification process this calendar year, aiming for certification end of March 2021. It will bring greater coherence to working practices and enhance the Company's control framework.

The UK SBS Board Structure and Operation

No significant changes were made to the composition of the UK SBS Board in 2019/20. To ensure compliance with Regulation 12 of the Public Contracts Regulations 2015 which provides the framework through which UK SBS provides services to its owners, the majority of the Board is comprised of owner-nominated Non-Executive Directors (NEDs).

The UK SBS corporate governance structure consists of a Board, primarily comprised of owner representation, and an Audit Committee. The Board meets as a Remuneration and/or Nominations Committee when circumstances require rather than maintaining separate committees.

The roles and responsibilities of the Board and the Audit Committee are defined within the Company's Articles. Their terms of reference were last agreed by the Board on 30 September 2019.

The Board comprises seven members as follows:

- Two independent NEDs, with one having been appointed by the shareholders as the Board Chairman;
- Four NEDs from owner organisations; and
- One Executive Director (the UK SBS Chief Executive).

All of the Company's Directors acknowledge and understand fully their responsibilities.

A twice-yearly assurance report on service and internal controls provided by the Chief Executive on behalf of the Board to all client Accounting Officers, the BEIS PAO and BEIS functional leads.

As part of its Annual Governance Review (AGR), the Board reviewed, not least, corporate policies, committee structure, membership and terms of reference to ensure alignment with the constitution. In September 2019, to support the AGR, the Board completed its annual performance evaluation; individual NED performance reviews were undertaken by the Chair with the Board considering the results of the collective Board performance evaluation as a whole.

While not obliged to comply with the UK Corporate Governance Code, the Board agreed that they will consider and apply the guidance where possible and practical within the context of the Company's operating environment.

Set out below is a record of Board membership and Board and Audit Committee attendance from 1 April 2019 to 31 March 2020.

2019/2020	Attendance/Meetings eligible to attend	
Name of Board Member	Board	Audit Committee
Tim Knighton (Chairman)	6/6	
Ruth Elliot	6/6	
Neil Phimister	5/6	5/5
Graham McAlister	6/6	4/5
Alice Hurrell	5/6	
Emma Ferguson-Gould	5/6	
Richard Semple (Chief Executive)	6/6	
Kim Humberstone (co-opted member of the Audit Committee)		5/5

The Shareholders agreed to extend Tim Knighton's appointment for a further six months, until March 2021.

The Board met twice as the Remuneration and Nominations Committee in 2019/20 to review and agree the annual pay award and Executive pay.

The Audit Committee is independent of management and comprises two NEDs, one of whom is appointed as the Chairman, plus one external member. Representatives from the Company's external auditors (National Audit Office, NAO) and internal auditors (Government Internal Audit Agency, GIAA) are invited to attend meetings. The UK SBS Chief Executive (as SIRO) and the Data Protection Officer is invited to attend and report to the Audit Committee. The Committee met five times in 2019/20, at each meeting considering inter alia, completed audit reports, the Company's Risk Register, monitoring management responses to and progress with implementation of audit recommendations, receiving detailed presentations on risks, monitoring health and safety and the taking of a risk-based approach to the consideration of the Company's budget and financial management.

The Committee provides feedback to Board meetings on all relevant audit, risk and control issues and conducts a formal annual review of its own effectiveness, with the last such review having been completed in September 2019.

Customer Governance

In 2019/20, two partner-led Boards were established. Both are chaired by an alternate owner representative and meet monthly.

- The Partnership Change Board (PCB) (replaced the Business Design Authority) – agrees the prioritisation of Change Requests (CRs) across all client organisations and UK SBS, provides delivery oversight, reviews new and current services provided by UK SBS and reviews changes to partner or customer process or policy.
- The Service Management Board (SMB) – provides performance assessment of current end-to-end services specified in the PSA.

Additionally, service management reviews operate on an individual client basis with the day-to-day, end-to-end service relationship maintained between service delivery teams and the clients' corporate functions.

To support these engagements, UK SBS holds periodic meetings with client organisations at their main customer sites on a mutually agreed frequency – anything between monthly and annually. These meetings provide an opportunity for customers to engage with UK SBS about issues or queries relating to any aspect of service taken by the Client.

The separation of high-level Business Plan success measures and operational service KPIs was agreed to allow the UK SBS Board the opportunity to review strategic progress alongside operational delivery measures. This also provides the SMB with the flexibility to review and adapt KPIs to address immediate challenges and ensure their relevance.

Customer feedback mechanisms were strengthened in 2018/19 with individual customers asked to rate the service that they have received and provide any comments on the completion of each service request. On a monthly basis, UK SBS works with the respective clients to identify key client issues for inclusion within the regular client reporting. Quarterly, UK SBS works with respective senior client contacts through a client feedback survey to collect feedback at a service level

The Executive

The Executive Team comprises of Richard Semple (Chief Executive Officer), Mike Rendall (Chief Technology Officer), John Arnott (Strategy Director), Jacqui White (Business Change Executive), Andrew Lewis (Chief Operating Officer), Crispin Dawe (Finance Director) and Caroline Jenkins (Company Secretary).

The Executive Team meets on a monthly basis, supplemented by weekly operational meetings and two strategy offsite meetings a year.

The Senior Leadership Group

In 2019, the Senior Leadership Group membership was extended to include wider senior management team members with three meetings held through the year. A Middle Leadership Group was also established, recognising that leadership occurs at multiple levels within the Company.

Risk and Internal Control Management

The Company uses the 'three lines of defence' risk management approach and operates in line with Cabinet Office guidelines:

- Operational management

- Central compliance oversight
- Internal Audit programme

Risk and control activities are set out in the Risk Management Strategy, Policy and Guidance, which were reviewed and endorsed by the Board and Audit Committee. The Audit Committee reviews Corporate Risk at each meeting and holds a deep-dive review of each departmental risk register over the course of the year to ensure a consistent approach to risk management in line with the Company's risk appetite. Risk management and internal controls are subject to an annual review by internal audit.

The Board is responsible for identifying the Company's strategic risks and setting the Company's risk appetite, which was last agreed on 6 December 2017, linked to business planning. The Board considers the risk register and mitigating actions at every meeting with scrutiny of Risk Management and Internal Controls carried out by the Audit Committee.

The Chief Executive ensures active management of risk and internal controls through monthly Executive Team meetings, scrutiny of the Risk Register, quarterly self-assessments completed by service areas (first line of defence), dip sampling of controls and risk response plans by the Risk, Information and Security Compliance team (second line of defence) and an annual audit of the internal controls framework completed by GIAA (third line of defence). This model of three lines of defence provides the Chief Executive and Board with the required confidence that business processes are operating effectively as designed and satisfy control objectives, highlighting process steps or controls that require attention and the action to be taken.

The Chief Executive provides an assurance report to client Accounting Officers twice a year based on the internal self-assessments and second line of defence assessment of controls together with the results of internal audit reports, audit actions, Key Performance Indicator (KPI) performance and client feedback on key issues identified within the relevant time period.

Risks

As part of the overarching Risk Management process, key risks facing the Company are captured in the Corporate Risk Register, each owned by a member of the Executive Team for management and detailed risk response plans are put in place. Risks are actively managed and monitored within the Company's risk appetite by the Executive, the Audit Committee and the Board.

During 2019/20 the Company identified and successfully managed a number of corporate risks including those relating to IT service degradation on the BEIS Oracle Platform, GDPR implementation and providing support to clients through their change programmes.

At the end of the financial year and looking ahead to 2020/21, the four key high risks are as below.

- Information Security – Due to the continuing evolution / advancement around cyber-crime, this risk continues. UK SBS is working towards ISO 27001 accreditation throughout 2020/21.
- Capacity and Capability – With the unprecedented increase in change requested by both clients and for internal programmes and projects, there is significant pressure on specific teams, namely specialist IT support and project management.
- FSS Programme – A reset of the procurement route has resulted in significant delays to the Programme; further work is underway to understand alternative mitigating actions.
- COVID-19 Response – In response to the worldwide pandemic, UK SBS is prioritising its core activities and processes accordingly to ensure those considered essential continue to be delivered to clients and customers.

Data Security

The Company has not been made aware of any significant information security breaches in the 2019/20 financial year. However, there have been minor breaches which have been managed and reported in line with established procedures.

The high-volume transactional nature of much of the business and the necessary requirement for human intervention in processes result in these occasional minor breaches. The Company takes practical precautions to minimise breaches and, over the year, common trends have been identified with mitigating measures put in place. Employees undertake Knowledge and Information Management training on joining the Company and annually thereafter. Where human error is identified disciplinary action may result.

Security policies, including incident management and reporting, are subject to regular reviews to ensure they remain fit for purpose.

Whistleblowing Arrangements

The Company maintains a Whistleblowing policy which is reviewed annually by the Audit Committee and Board. The policy was last updated and approved by the Board in September 2019. The policy is accessible to employees via the Company intranet and managers are alerted to this and other core Company policies at induction and through training interventions. No incidents were raised in 2019/20.

Macpherson Review

The review of quality assurance of Government analytical models undertaken by Sir Nicholas Macpherson and published by HM Treasury in March 2013 made a number of recommendations for government departments and their arm's length bodies. UK SBS reviewed its use of analytical modelling and concluded that it does not have any in scope for reporting.

Assurance on Tax Compliance

The Alexander Review published in May 2012 made a number of recommendations to ensure that the highest standards of integrity could be demonstrated in the tax arrangements of senior public appointees. All UK SBS senior employees and those Board members who are remunerated are paid through the payroll. Arrangements are in place to secure assurance from contractors that appropriate tax arrangements are in place.

In 2019/20 the Company identified 29 contractors who were within scope of the Alexander Review criteria. Assurance that the appropriate tax arrangements are in place for all 29 contractors was sought.

Review of Effectiveness

The UK SBS Board is responsible for conducting an annual review of the effectiveness of the organisation's governance, risk management and internal controls. The Governance Statement represents the outcome of this review.

The review is informed by the Board's annual governance review, decisions and actions, the work of the Audit Committee, the outcomes of the quarterly internal assurance process, the oversight and review work of the Executives in relation to corporate and departmental risk mitigation and implementation of audit recommendations and the work of the Company's internal and external auditors.

During 2019/20, a control weakness was identified in respect of the management of IT and telephony assets. External expertise was commissioned to review the controls and make recommendations as to tightening them. A follow up audit took place in February 2020, and the report noted that significant improvements had been made to the control environment. Some additional recommendations were made to enhance further the maturity of the controls.

GIAA was re-appointed as the Company's Internal Auditors for the financial year 2019/20. In his Annual Report and Opinion dated 29 May 2020, the Head of Internal Audit (HIA) has provided two opinions, one

for UK SBS customer facing operations and the other for internal operations. In both cases a Moderate assurance opinion has been given, maintaining the previous years' ratings.

The HIA's opinion noted the activity undertaken by UK SBS to progress the Future Shared Services Programme and the positive steps taken by the Company to strengthen its capacity and capability to provide effective support. The new governance arrangements in relation to change requests (CRs) had been implemented but the volume of CRs continue to exceed UK SBS capacity and funding. The HIA was pleased to note the Company's core service line processes and internal controls have stabilised and in most cases are on an upward trajectory again. Whilst the Cost Model was updated in 2019/20, there continues to be a disconnect between UK SBS and customers' opinion around performance analysis and the link to financial arrangements.

Conclusion

The Board has considered the Annual Governance Statement and the evidence underlying its production.

UK SBS will continue to work in partnership with BEIS and UKRI to undergo service and process standardisation, in order to leverage fully the benefits of sharing services and optimise the move to a standard system solution.

Our people remain resilient and are committed to the delivery of BAU services to clients to agreed standards whilst working towards and implementing change programmes. Work is underway to build and strengthen the capacity and capability across the Company to support and deliver the required programmes and projects. The PCB will also help to facilitate the prioritisation of change between clients and new tools being implemented will identify resource constraints when necessary.

The Board is satisfied that the organisation's overall governance and internal control structures are fit for purpose, are being applied and are subject to appropriate scrutiny by the Executive, Internal Audit, the Audit Committee and the Board.



Richard Semple, Chief Executive Officer
UK Shared Business Services Ltd
Date: 24 July 2020

REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2020

The Board determined in December 2015 that they would meet as a Remuneration and/or Nominations Committee in line with need rather than maintaining a standing committee.

Meeting as the Remuneration and/or Nominations Committee the Board is responsible for:

- Considering and agreeing policy for the remuneration of the Company's Executive, being the Chief Executive Officer (CEO) and any other Executives reporting directly to the CEO.
- The process for the recruitment, selection, remuneration and terms and conditions for the CEO and recommending appointment to the Shareholders for unanimous agreement. This includes ensuring compliance with government policies and processes where they apply.
- The appropriateness of the remuneration policy for all employees and proposals for any annual pay award in accordance with government guidelines are also considered. Remuneration in this context covers salaries, bonus schemes and any other benefits.

The Board met twice as the Remuneration Committee in 2019/20 to agree the annual pay award for Executives and employees.

Service Contracts

Non-Executive Directors and any external members of Committees are appointed for a fixed term of office, renewable by agreement. Independent Director appointments, including the Chairman, and the CEO, require unanimous agreement of the Shareholders. Owner nominated Board members require unanimous agreement of the Board. The Non-Executive Directors are appointed for either a two or three year term of office. The notice period set out in terms of appointment is no less than three months.

The services of the majority of Non-Executive Directors are provided on a pro bono basis by their employing organisations. As at 31 March 2020, these Directors were Neil Phimister, Ruth Elliot, Alice Hurrell and Emma Ferguson-Gould. The two current Independent Non-Executive Directors on the Board are both remunerated. There is also one external non-remunerated member co-opted to the Audit Committee.

Information regarding Directors', External Committee members' and Executives' service contracts is set out below.

Directors and Committee Members (excluding the Chief Executive Officer) (subject to audit)

	Appointment		Remuneration £000	
	From	To	2019/20	2018/19
Timothy Knighton (Chairman) ¹	26 March 2015	31 March 2021	5-10	5-10
Graham McAlister ²	01 April 2018	31 March 2023	0-5	0-5
Neil Phimister ³	17 October 2017	31 October 2021	N/A	N/A
Alice Hurrell	27 September 2018	30 September 2020	N/A	N/A
Ruth Elliot ⁴	1 April 2018	31 March 2022	N/A	N/A
Emma Ferguson-Gould	25 March 2019	31 March 2021	N/A	N/A
Kim Humberstone (co-opted member of the Audit Committee)	27 September 2018	30 September 2020	N/A	N/A

1. Tim Knighton was re-appointed by the Shareholders in March 2020 for a further 6-month term from September 2020.

2. Graham McAlister was re-appointed by the Shareholders in March 2020 for a three-year term.

3. Neil Phimister was re-appointed by the Board in October 2019 for a two-year term and re-appointed as the UK SBS Audit Committee Chairman.

4. Ruth Elliot was re-appointed by the Board in March 2020 for a two-year term.

UK SBS Executive Team (including the Chief Executive Officer)

Name	Appointment Date	Expired Term	Notice Period
Richard Semple	01 May 2018	Open Ended	3 months
John Arnott	01 January 2016	Open Ended	3 months
Jacqueline White	07 August 2017	Open Ended	3 months
Michael Rendall	01 October 2017	Open Ended	3 months
Andrew Lewis	04 January 2018	Open Ended	3 months
Crispin Dawe	01 March 2018	Open Ended	3 months

Salary

Salary covers pensionable and non-pensionable amounts and includes: gross salaries; performance related pay; overtime; allowances and any ex-gratia payments. It does not include any amounts for the reimbursement of expenses directly incurred in the performance of an individual's duties in accordance with the UK SBS travel and subsistence policy.

Benefits In Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HMRC as a taxable emolument. Benefits in kind were not provided to any member of senior management during the financial year.

Bonuses

UK SBS did not budget or plan for bonus payments in 2019/20 and none were paid (2018/19: none).

Pay Multiples (subject to audit)

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

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

The banded remuneration of the highest-paid Executive in UK SBS in the financial year 2019/20 was £145,000-£150,000 (2018/19: £140,000-£145,000). This was 5 times (2018/19: 5) the median remuneration of the workforce, which was £29,040 (2018/19: £28,471).

The Pension Scheme

The main pension scheme used by employees of UK SBS is the Research Councils' Pension Scheme (RCPS), which is a defined benefit government pension scheme. The Company also offers a Partnership stakeholder pension. Further details of these schemes are given in the notes to the financial statements.

The remuneration and pension tables shown below include members of the Executive Team.

For and on behalf of the Board



Richard Semple, Chief Executive Officer
UK Shared Business Services Ltd.
Date 24 July 2020

Remuneration of Senior Employees (Subject to Audit)

Single total figure of remuneration								
Employee Name	Salary (£'000)		Bonus Payments (£'000)		Pension Benefits (£'000)		Total (£'000)	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Arnott J	100-105	5-10	0	0	0	0	100-105	5-10
Semple R	145-150	130-135	0	0	0	0	145-150	130-135
Lewis A	115-120	120-125	0	0	16	47	135-140	165-170
Rendall M	90-95	90-95	0	0	33	34	125-130	120-125
White J	90-95	90-95	0	0	36	34	125-130	125-130
Dawe C	80-85	70-75	0	0	31	27	110-115	95-100

John Arnott was on temporary promotion as part of his secondment to UKRI from 1 May 2018 – 1 July 2019. The full time equivalent remuneration he received in 2018/19 was £105-110k.

Richard Semple was appointed Chief Executive Officer on 1 May 2018. The full time equivalent remuneration he received in 2018/19 was £140-145k.

No Executive bonuses were awarded in the years 2019/20 or 2018/19.

Pension Benefits of Senior Employees (Subject to Audit)

Employee Name	Accrued pension and lump sum at pension age as at 31/03/2020 (£5,000 bands)	Real increase in pension and lump sum at pension age as at 31/03/2020 (£2,500 bands)	Cash equivalent transfer value as at 31/03/2020 (£'000)	Cash equivalent transfer value as at 31/03/2019 (£'000)	Real increase in cash equivalent transfer value as at 31/03/2020 (£'000)
Lewis A	50 - 55 Lump sum 150-155	0 – 2.5 Lump sum 2.5-5	1,083	1011	14
Rendall M	20 - 25	0 - 2.5	342	295	25
White J	10 - 15	0 - 2.5	166	128	25
Dawe C	15 - 20	0 - 2.5	278	237	24

Richard Semple and John Arnott opted out of pension arrangements throughout the periods shown, so no figures are shown.

Details of Pension Scheme

Employees of UK SBS are members of the Research Councils' Pension Schemes (RCPS) which are defined benefit schemes funded from annual grant-in-aid on a pay-as-you-go basis. The benefits are by analogy to the Principal Civil Service Pension Scheme, except that while the schemes provide retirement and related benefits based on final or average emoluments, redundancy and injury benefits are administered and funded by the Council. The scheme is administered by the Research Councils' Joint Superannuation Service.

From 30 July 2007, employees may be in one of four defined schemes; either a 'final salary' scheme (classic, classic plus or premium); or a career average scheme (Nuvos). Pensions payable are increased annually in line with changes in the Consumer Prices Index (CPI). Employees' contributions vary between 4.6% and 8.05% depending on scheme. The employer's contribution is agreed by the

RCPS Board of Management on the recommendation of the Government Actuary's Department (GAD) and is currently set at 26.0% of pensionable pay.

The Research Councils' Pension Scheme (RCPS) is a 'by-analogy' scheme to the Principal Civil Service Pension Scheme (PCSPS) and as a result any changes made to the PCSPS, including member contribution rates, are automatically applied to the RCPS.

On 1 April 2015 PCSPS launched a new pension scheme called Alpha. This scheme is similar to the Nuvos career average scheme but with the retirement age aligned to the state pension age. RCPS cannot at present create a by-analogy Alpha scheme as the legislation does not currently permit this. Reform options are currently being discussed with HM Treasury and BEIS have given permission for RCPS to continue 'as is' for the time being.

A table of the contributions by pay band and scheme is provided below.

Annual Pensionable Earnings (full-time equivalent basis)	Classic	premium, classic plus and nuvos
	2019 contributions	2019 contributions
£0 - £21,636	4.60	4.60
£21,637 - £51,515	5.45	5.45
£51,516 - £150,000	7.35	7.35
£150,001+	8.05	8.05

A Partnership Pension Account was made available to new staff from 1 October 2002, based on the portable Stakeholder Pension introduced by the Government in 2001. This is a defined contribution scheme. The employers pay the RCPS 0.8% of pensionable pay to cover death in service and ill health benefits. The employers pay the balance to the employee's private pension provider.

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 pensionable age. Pensionable age is 60 for members of classic, classic plus and premium and 65 for members of Nuvos.

Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in the former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Research Councils' pension arrangement and for which the RCPS has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost.

Real Increase in the Value of the CETV

The real increase in the value of the CETV reflects the increase effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (excluding the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK SHARED BUSINESS SERVICES LIMITED

Opinion on financial statements

I have audited the financial statements of UK Shared Business Services Ltd (UK SBS) for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Directors' Remuneration Report that is described as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of the loss for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by European Union; and
- have been prepared in accordance with the Companies Act 2006.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) 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 report. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of UK SBS in accordance with the ethical requirements that are relevant to my audit and 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

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- UK SBS's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- UK SBS have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about UK SBS's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for:

- the preparation of the financial statements and for being satisfied that they give a true and fair view.
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- assessing the company's ability to continue as a going concern, disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UK SBS's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- conclude on the appropriateness of UK SBS's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on UK SBS's ability to continue as a going concern. If I

conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause UK SBS to cease to continue as a going concern.

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.

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

Other Information

Directors are responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Remuneration Report described in that report as having been audited, the financial statements and my auditor's report thereon. 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, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion:

- the parts of the Remuneration Report to be audited have been properly prepared in accordance with the Government Financial Reporting Manual;
- in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Strategic Report or the Directors' Report; and
- the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit.



Hilary Lower (Senior Statutory Auditor)

Date: 28 July 2020

**For and on behalf of the
Comptroller and Auditor General (Statutory Auditor)**

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

FINANCIAL STATEMENTS

Statement of Comprehensive Income for the year ended 31 March 2020

	Notes	2020 £000	2019 £000
CONTINUING OPERATIONS			
Revenue	2	38,557	33,867
Cost of sales	2	(35,550)	(31,425)
GROSS PROFIT		3,007	2,442
Administrative expenses	2	(3,391)	(2,918)
Lease Interest		(4)	0
OPERATING LOSS		(388)	(476)
Finance income	5	18	8
LOSS BEFORE INCOME TAX		(370)	(468)
Taxation	7	(4)	(1)
LOSS FOR THE YEAR		(374)	(469)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(374)	(469)

All revenue and costs relate to continuing activities. No gains and losses have been recognised apart from the loss for the year.

The Company has large retained losses because since the Company's inception it has not included depreciation and amortisation within the cost base used to calculate service charges to clients. Therefore, depreciation on those non-current assets that were funded from share capital generated significant losses. Capital expenditure since then has been funded by income which is deferred and then released as the underlying funded asset is depreciated. This has a break-even effect on results. All BAU services and projects undertaken by the Company are charged to clients in such a way as to try to break even.

During the 12 month period the Company recorded a loss of £0.1m before depreciation, amortisation and the release of deferred income (18/19 loss of £0.1m). Included within the Cost of Sales is £1.4m cost of depreciation and amortisation (18/19 £1.4m). Any surplus or deficit recorded in the Company's accounts is consolidated within the sponsor department's accounts.

Statement of Financial Position as at 31 March 2020

	Notes	2020 £000	2019 £000
ASSETS			
NON-CURRENT ASSETS			
Intangible Assets	8	1,632	1,258
Property, plant and equipment	8	2,431	2,288
Leases	13	264	0
Other receivables	9	0	22
		4,327	3,568
CURRENT ASSETS			
Trade and other receivables	9	5,023	4,096
Cash and cash equivalents	10	2,090	2,626
		7,113	6,722
TOTAL ASSETS		11,440	10,290
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	6,131	4,998
Provisions	12	0	0
Leases	13	85	0
		6,216	4,998
NET CURRENT ASSETS		897	1,724
NON CURRENT LIABILITIES			
Other Payables	11	2,357	2,227
Leases	13	176	0
TOTAL LIABILITIES		8,749	7,225
NET ASSETS		2,691	3,065
SHAREHOLDERS' EQUITY			
Called up share capital	15	62,016	62,016
Retained earnings		(59,325)	(58,951)
TOTAL EQUITY		2,691	3,065

The financial statements were approved by the Board of Directors on 21 July 2020 and were signed on its behalf by:

Richard Semple, Chief Executive Officer
UK Shared Business Services Ltd
Date: 24 July 2020

Statement of Cash Flows for the year ended 31 March 2020

	Notes	2020 £000	2019 £000 Represented
Cash flows from/(used in) operating activities			
Operating loss		(388)	(475)
<hr/>			
Depreciation charges tangible assets	8	705	538
Depreciation charge lease	13	81	0
Amortisation charge	8	622	930
Decrease/(Increase) in prepayments	9	(524)	513
Decrease/(Increase) in receivables	9	(381)	(690)
(Decrease)/Increase in payables	11	1,263	1,486
<hr/>			
Net Cash Inflow from Operating Activities		1,378	2,302
<hr/>			
Cash flows from/(used in) investing activities			
Purchases of tangible fixed assets	8	(848)	(1,621)
Purchases of intangible fixed assets	8	(996)	(935)
Taxation	7	0	(1)
Interest received	5	18	8
<hr/>			
Net cash from/(used in) investing activities		(1,826)	(2,549)
<hr/>			
Net cash from/(used in) Financing Activities			
(Decrease)/Increase in right of use asset	13	(84)	(0)
Right of use asset interest		(4)	(0)
<hr/>			
Net cash from/(used in) Financing activities		(88)	(0)
<hr/>			
Increase/(decrease) in cash and cash equivalents		(536)	(247)
Cash and cash equivalents at beginning of year	10	2,626	2,873
<hr/>			
Cash and cash equivalents at end of year	10	2,090	2,626
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Statement of Changes in Equity

	Called up share capital £000	Retained earnings £000	Total equity £000
Balance as at 1 April 2018	62,016	(58,482)	3,534
Retained profit/(loss) for 2018/19	-	(469)	(469)
Balance at 31 March 2019	62,016	(58,951)	3,065
Retained profit/(loss) for 2019/20	-	(374)	(374)
Balance at 31 Mar 2020	62,016	(59,325)	2,691

Notes to the Financial Statements for the year ended 31 March 2020

1. Accounting Policies

1.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and meet the accounting and disclosure requirements of the Companies Act 2006 and the accounting and financial reporting standards issued or adopted by the International Accounting Standards Board as interpreted for public sector use by the Financial Reporting Manual (FRM) in so far as these requirements are appropriate.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts. Estimates are continually evaluated and are based on historical experience and other factors that are believed to be reasonable under the circumstances. There are no judgements or key sources of estimate uncertainty that have a significant effect on the amounts recognised in the financial statements other than as disclosed in note 8 regarding non-current assets.

1.2 Going concern basis

The Directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future and the financial statements are therefore prepared on a going concern basis. This expectation is based on Shareholder commitments to continue to take service from the Company, the Shareholders working with the Company to develop the 2020-2023 business plan and the letters of support recently received from the Shareholders.

1.3 New accounting standards and interpretations

The Company has considered the newly-issued accounting standards, interpretations and amendments to published standards that are not yet effective. For 2019/20, UK SBS has adopted IFRS 16 which requires capitalisation of, and disclosures regarding, certain leased assets. These leased assets have been capitalised and depreciated, and a lease liability has been set up which will unwind over the life of the lease. Currently UK SBS only has right of use assets affected by IFRS 16, being for multi-functional reprographics equipment.

1.4 Revenue recognition

Revenue is recognised in the accounts at the point that it is earned through the delivery of services. Fees for the provision of continuing services are agreed with customers at the start of each financial year and are set at a level to cover the anticipated costs of service provision, excluding depreciation and amortisation. The costs of other sundry activities are charged in arrears on a cost recovery basis when the project or task has been completed or a milestone reached. Further details are given below in Note 2 which identifies the entity's contract assets that are defined as the rights to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the entity's future performance). Whilst the entity does not currently have contract liabilities these are defined as an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of services to customers in a way that reflects the consideration to which the entity expects to be entitled to in exchange for services. There has been no material impact to the recognition points of revenue, as a result of applying this accounting standard.

Revenue is stated net of VAT where VAT is applicable.

1.5 Deferred income

From time-to-time the Company may receive specific amounts of income in advance of making the expenditure that the income is intended to cover. In such cases, the income is deferred and released as income in the period in which the relevant costs, such as depreciation and amortisation, are recognised. If no relevant costs are incurred, the Company refers to the provider of that income to gain permission to release any deferred income that is no longer required. Deferred income is not recognised as part of the requirement for IFRS 15 but as part of IAS 20, accounting for Government Grants.

Deferred income is shown within liabilities in the statement of financial position.

1.6 Non-current assets and depreciation

The value of the Company's non-current assets is stated at cost less accumulated depreciation and impairment losses. Only those assets costing more than £3,000 and having an economic value to the Company beyond the year in which they were bought are capitalised. Where parts of an item have different useful lives, they are accounted for as separate assets.

Depreciation is applied on a straight line basis over the estimated useful economic lives of assets. Assets under construction are not depreciated. Depreciation methods, useful lives and residual values of non-current assets are reviewed at least at each balance sheet date. Donated assets are recorded at nil value.

1.6.1 Intangible non-current assets

Intangible assets relate to purchased software, software licences and certain system development costs.

1.6.2 Tangible non-current assets

Tangible assets include items such as IT hardware and fixtures & fittings.

1.6.3 Estimated useful economic lives of non-current assets

The following estimated useful economic lives are used in the calculation of depreciation.

Tangible assets	
Fixtures and fittings:	5 years
IT hardware:	5 years
Intangible assets	
IT software:	5 years
IT development costs:	5 years

If development costs are part of a system upgrade with an expected useful economic life that is shorter than 5 years, the costs are depreciated over that shorter period.

Capitalised right of use assets are depreciated over the life of the lease.

1.6.4 Impairment review

Depreciation methods, estimated useful economic lives and residual values of non-current assets are reviewed at least at each balance sheet date. Any resultant impairment charges are charged to the Statement of Comprehensive Income and the carrying value of the relevant non-current asset is reduced to the recoverable amount. The recoverable amount of an asset is the amount to be recovered through use or sale.

1.7 Financial instruments

The nature of the Company's activities and the method of its funding mean that the Company is not exposed to the degree of financial risk faced by non-public sector entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IAS 32, IFRS 7 and 9 mainly apply. The Company has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Company in undertaking its activities.

Receivables are initially recognised at fair value and subsequently held at amortised cost after an appropriate provision for expected credit loss. Financial liabilities comprise trade and other payables, and other financial liabilities. They are initially recognised at the fair value of consideration received, less directly attributable transaction costs. They are subsequently measured at amortised cost.

1.8 Taxation

Tax on the profit or loss for the year comprises current and deferred taxation. Current corporation tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to the tax payable in respect of previous years.

1.9 Deferred Tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are recognised to the extent that it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

1.10 Employee benefit costs

The main pension scheme used by employees of the Company is the Research Councils Pension Scheme (RCPS), which is a defined benefit government pension scheme. The Company's contributions to RCPS are defined contributions charged to the Income Statement in accordance with actuarial recommendations. The Company does not face actuarial gains or losses. Liabilities for the payment of future benefits are a charge on RCPS and are consequently not included in these financial statements.

1.11 VAT

Revenue is stated net of VAT where VAT is applicable. The Company has to comply with a limited partial recovery formula for VAT purposes and therefore expenditure and fixed asset purchases are shown inclusive of VAT where applicable. Residual input tax is reclaimable by the application of the partial recovery formula and is taken as negative expenditure.

1.12 Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefit will be required to settle the obligation, and where the amount of the obligation can be reliably estimated.

2. Revenue, Cost of Sales, Administrative Expenses and Auditor's Remuneration

2.1 Revenue

Revenue	2019/20	2018/19
Rendering of services	£000	£000
Department for Business, Energy and Industrial Strategy	33,165	30,047
UK Research and Innovation	2,705	1,728
Revenue from related parties	35,870	31,775
Other Non-Departmental Public Bodies	25	57
Other Central Government Bodies	2,469	1,888
Other Income	193	147
Total revenue	38,557	33,867

Revenue is recognised for UK SBS as follows:

Standard Service Charges – fees for the provision of continuing services agreed with customers at the start of each financial year to cover the anticipated costs of service provision. Revenue is recognised annually and the charges recovered in 12 equal parts on a monthly basis.

Recoverables – charges raised to recover the cost of items purchased for re-sale to clients such as training and immigration charges. Charges are recoverable and revenue is recognised on successful completion of the service.

Other service charges – sources of income for providing other services e.g., recovery of secondment charges for staff on loan to client organisations. Revenue is recognised following provision of the service.

Transition/Programmes – sources of income to recover the cost of specific, large projects UK SBS has been requested to undertake. Charges are made and revenue recognised when a project milestone has been reached.

Deferred Income - income that has been deferred and is released as income in the period in which the relevant costs, such as depreciation and amortisation, are recognised. Deferred income is not recognised as part of the requirement for IFRS 15 but as part of IAS 20, accounting for Government Grants.

	Standard service charges	Recoverables	Other service charges	Transition/ Programmes	Deferred Income Release	Total
BEIS	30,927	0	0	1,140	1,098	33,165
UKRI	0	1,315	34	1,333	23	2,705
ONDPB	25	0	0	0	0	25
OCGB	2,469	0	0	0	0	2,469
Other income	0	67	40	86	0	193
Total	33,421	1,382	74	2,559	1,121	38,557

Key:

BEIS	–	Department for Business, Energy and Industrial Strategy
UKRI	–	UK Research and Innovation
ONDPB	–	Other Non-Departmental Public Bodies
OCGB	–	Other Central Government Bodies

2.2 Cost of sales

The cost of sales is the direct cost of providing service to our customers relating to the above revenue and is as follows.

	2019/20 £000	2018/19 £000
Wages and salaries	20,938	18,203
IT equipment, maintenance and software	8,435	7,783
Consultancy	2,632	2,259
Depreciation	705	538
Amortisation	622	930
Lease Depreciation	81	0
Cost of Goods Sold	1,254	753
Telecommunications	332	440
Travel and subsistence	307	238
Other	244	281
Cost of sales of continuing activities	35,550	31,425

2.3 Administrative Expenses

Administrative expenses, the costs of corporate support as opposed to the costs of delivering service, are as follows.

	2019/20 £000	2018/19 £000
Payroll costs	2,153	1,803
Administrative costs	1,179	1,053
External audit	59	62
Total administrative expenses	3,391	2,918

Payroll costs include social security costs and employer's pension contributions.

The external audit fee was £49.5k plus VAT.

No fees were paid to the Company's auditors other than for the audit of the Company's annual accounts as above.

3. Employees and Directors

	2019/20	2018/19
	£000	£000
Wages and salaries	17,423	14,976
Social security costs	1,619	1,484
Other pension costs	4,049	3,546
Restructuring costs	0	0
	<hr/> 23,091	<hr/> 20,006

The employees' and directors' payroll costs are included with the cost of sales and administrative expenses disclosed in note 2.

Directors' remuneration is stated in the Remuneration Report.

The average monthly number of employees during the year was as follows.

	2019/20	2018/19
Average number of employees	567	501
Average number of employees (full time equivalent)	541	470
Average number of contractors	34	22

Included in the figures above are 14 employees on fixed term contracts with a combined salary of £570k (18/19, 12 employees on fixed term contracts with a combined salary of £393k).

4. Reporting of Civil Service and Other Compensation Schemes – Exit Packages

Exit Packages by cost band	Number of Compulsory Redundancies		Number of Other departures agreed		Total Number of exit packages by cost band	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
	<£10,000	0	0	0	0	0
£10,000 - £25,000	0	0	0	0	0	0
£25,000 - £50,000	0	0	0	0	0	0
£50,000 - £100,000	0	0	0	0	0	0
£100,000 - £150,000	0	0	0	0	0	0
£150,000 - £200,000	0	0	0	0	0	0
Total number of exit packages by type	<hr/> 0	<hr/> 0	<hr/> 0	<hr/> 0	<hr/> 0	<hr/> 0
Total resource cost (£'000)	<hr/> 0	<hr/> 0	<hr/> 0	<hr/> 0	<hr/> 0	<hr/> 0

5. Net Finance Income

	2019/20	2018/19
	£000	£000
Finance income:		
Bank interest receivable	18	8

6. Loss before Income Tax

The loss before income tax is stated after charging:

	2019/20 £000	2018/19 £000
Depreciation – tangible assets	705	538
Amortisation – intangible assets	622	930
Depreciation – lease	81	0
External auditors' remuneration	59	62

7. Income Tax

The income tax charge in the Statement of Comprehensive Income comprises Corporation Tax charged at 19% (2018/19 19%) on bank interest receivable plus any adjustments arising from prior years. Corporation Tax of £4k is recognised for 2019/20 (2018/19 £1k).

There is no deferred tax in these financial statements relating to 2019/20 or 2018/19.

No deferred tax asset has been recognised as the Company is not likely to incur profits in the near future against which such assets may be offset.

8. Non-current Assets

INTANGIBLE ASSETS		PROPERTY, PLANT AND EQUIPMENT	
	Software & licences £000		Plant & machinery £000
COST		COST	
At 1 April 2019	60,753	At 1 April 2019	10,207
Additions	996	Additions	848
Disposals	0	Disposals	0
At 31 Mar 2020	61,749	At 31 Mar 2020	11,055
AMORTISATION		DEPRECIATION	
At 1 April 2019	59,495	At 1 April 2019	7,919
Disposals	0	Disposals	0
Charge for year	622	Charge for year	705
At 31 Mar 2020	60,117	At 31 Mar 2020	8,624
NET BOOK VALUE		NET BOOK VALUE	
At 31 Mar 2020	1,632	At 31 Mar 2020	2,431
COST		COST	
At 1 April 2018	59,818	At 1 April 2018	8,660
Additions	935	Additions	1,621
Disposals	0	Disposals	(74)
At 31 March 2019	60,753	At 31 March 2019	10,207
AMORTISATION		DEPRECIATION	
At 1 April 2018	58,565	At 1 April 2018	7,455
Eliminated on disposals	0	Eliminated on disposals	(74)
Charge for year	930	Charge for year	538
At 31 March 2019	59,495	At 31 March 2019	7,919
NET BOOK VALUE		NET BOOK VALUE	
At 31 March 2019	1,258	At 31 March 2019	2,288

Depreciation methods, useful lives and residual values of the non-current assets were reviewed by the Company as at 31 March 2020.

9. Trade and Other Receivables

	2019/20	2018/19
Current:	£000	£000
Trade receivables and contract assets due from related parties	3,370	2,910
Other Central Government Bodies	506	91
Public Corporations and Trading Funds	0	0
External to Government:		
Other trade receivables	51	16
Prepayments and other accrued income	1,096	1,079
	<hr/> 5,023	<hr/> 4,096
Non-current: trade receivables due from related parties	0	22

10. Cash and Cash Equivalents

	2019/20	2018/19
	£000	£000
Current cash and equivalents	2,090	2,626
	<hr/> 2,090	<hr/> 2,626

Cash comprises cash at bank.

11. Trade and Other Payables

	2019/20	2018/19
Current:	£000	£000
Trade payables and accrued expenditure due to related parties	818	72
Other Central Government Bodies	944	654
Public Corporations and Trading Funds	570	335
Deferred Income received from related parties	1,608	1,082
External to Government:		
Other trade payables	55	32
Non-trade payables and accrued expenses	2,136	2,823
	<hr/> 6,131	<hr/> 4,998
Non-Current:		
Trade payables due to related parties	0	29
Deferred Income received from related parties	2,357	2,198
	<hr/> 2,357	<hr/> 2,227

12. Provisions and Contingent Liabilities

There have been no provisions or contingent liabilities during the financial year 2019/20.

13. Right of Use Assets

	2019/20 £000	2018/19 £000
Initial capitalised asset balance as at 01 Apr 19	345	0
Depreciation charge for year	(81)	0
Net asset balance as at 31 Mar 20	264	0

Minimum lease liabilities under non-cancellable operating leases fall due as follows:

	2019/20 £000	2018/19 £000
Within one year	85	0
Between two and five years	176	0
Over five years	0	0
Total lease liability	261	0

The lease asset is depreciated on a straight-line basis over 5 years at an annual cost of £81k.

UK SBS also pays a variable element with regards to this lease dependent on the number of copies made (click cost), this is partially absorbed by UKRI.

14. Financial Instruments and Capital Risk Management

Risk management is carried out by the Executive Team under the direction of the Board. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide benefits for shareholders and other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure the Company may return capital to shareholders or issue new shares.

Credit risk

The Company has credit risk in the form of receivables from its customer companies. These companies are all in the public sector, have an appropriate credit history and have undertaken to pay on agreed terms.

Liquidity risk

The Company evaluates and follows continuously the amount of liquid funds needed for business operations in order to secure that funding.

Cash flows and fair value interest rate risk

As the Company has no significant interest-bearing assets, the operating income and operating cash flows are substantially independent of changes in market interest rates.

Fair value

Assets and liabilities have been accounted for at historic cost, which due to their nature is not materially different from Fair Value.

15. Called Up Share Capital

Ownership of the Company

As at 31 Mar 2020, the shareholders of the Company were as below.

- The Department for Business, Energy and Industrial Strategy (BEIS) held one Government Department (GD) Share carrying 51% of the votes controlling the company.
- UK Research and Innovation held nine Non-Government Department (NGD) Shares carrying 49% of the votes.
- The Department for Business, Energy and Industrial Strategy (BEIS) held four Deferred Shares.
- The Department for Business, Energy and Industrial Strategy (BEIS) also held 62,016,358 Non-Voting Shares. Holders of Non-Voting Shares are entitled to 100 per cent of the profits of the Company. The holders of GD, NGD and Deferred Shares have no right to dividends or to otherwise participate in the profits of the Company.

Share Capital

Allotted, issued and fully paid:

Number:	Class:	Nominal Value:	2019/20 £	2018/19 £
1	Government Dept	£1	1	1
9	Non-Government Dept	£1	9	9
4	Deferred	£1	4	4
62,016,358	Non-Voting	£1	62,016,358	62,016,358
			62,016,372	62,016,372

Under the Higher Education and Research Act 2017, UK Research and Innovation (UKRI) incorporated the assets, liabilities and functions of the seven Research Councils, Innovate UK and Government's funding of research in higher education as from 1 April 2019. Therefore, on that date the 9 Non-Government Department (NGD) Shares were transferred to UK Research and Innovation.

16. Employee Benefit Obligations

Pension plans

The Research Councils' Pension Scheme (RCPS) is in all respects 'by-analogy' with the Principal Civil Service Pension Scheme, except that the employer's contribution is determined separately on the recommendation of the Government Actuary Department (GAD). It is a notionally funded, contributory, defined benefit scheme, and is administered by the Research Councils' Joint Superannuation Services. The Scheme's accounts are prepared by UK Research and Innovation (UKRI) on behalf of the Chief Executive UKRI as Accounting Officer for RCPS.

The employer's contribution for those Company employees who participate in RCPS is agreed by RCPS Board of Management on the recommendation of the GAD and the employer's pension rate for 2018-19 and future years until further notice will be 26.0%.

The RCPS is a defined benefit scheme, which is a multi-employer defined benefit scheme of which UK SBS is unable to identify its share of the assets and liabilities. The RCPS prepares separate accounts and the Company contributions for 2019/20 were £4.0m (2018/19 £3.5m).

Some employees have retained alternative pension arrangements that originated with the organisations from which they transferred. For 2019/20 the employer's contribution for these employees was 14.9% for the Medical Research Council Pension scheme and 15.8% for the United Kingdom Atomic Energy Authority Scheme. UK SBS also offers a stakeholder pension which attracts age-related employer

contributions between 3% and 12.5%. Additionally, any level of optional employee contributions is matched by a further employer contribution up to maximum of 3% of pensionable salary.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the HM Treasury Financial Reporting Manual requires that “the period between formal actuarial valuations shall be four years, with approximate assessments in intervening years”.

The last formal actuarial valuation undertaken for RCPS as at 31 March 2006 was completed in 2008-09. Consequently, a formal actuarial valuation as at 31 March 2010 was initiated but was not completed as at 31 Mar 2020.

Subsequently however, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds, while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design.

17. Related Parties

Revenue from related parties is detailed in note 2.

Expenditure with related parties during the year was as follows

	2019/20	2018/19
	£000	£000
Department for Business, Energy and Industrial Strategy	1,068	75
UK Research and Innovation	141	1,071
	<u>1,209</u>	<u>1,146</u>

Expenditure with related parties is for various items, the biggest being rent and building services, printing services and staff secondments.

Trade receivables and accrued income balances with related parties

	2019/20	2018/19
	£000	£000
Due within 1 year:		
Department for Business, Energy and Industrial Strategy	968	1,792
UK Research and Innovation	2,380	1,118
Research Councils' Pension Scheme	22	0
	<u>3,370</u>	<u>2,910</u>

Due over 1 year:

Research Councils' Pension Scheme	0	22
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Trade payables and accruals balances with related parties

	2019/20	2018/19
	£000	£000
Due within 1 year:		
Department for Business, Energy and Industrial Strategy	648	43
UK Research and Innovation	141	29
Research Councils' Pension Scheme	29	0
	<u>818</u>	<u>72</u>

Due over 1 year:

Research Councils' Pension Scheme	0	29
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Related Party Disclosures

The Company is a separate legal entity, wholly-owned by customers, providing services to multiple customers. Transactions with related parties take place on an arm's-length basis. The Company seeks to set service charges such that it breaks even.

The Company is deemed to be a state-controlled entity because the only shareholders are publicly-owned entities.

The shareholders at 31 Mar 2020 were the Department for Business, Energy and Industrial Strategy (BEIS) and UK Research and Innovation (UKRI).

The Department for Business, Energy and Industrial Strategy (BEIS) is the ultimate controlling party of the Company.

18. Losses and Special Payments

There were no losses or special payments during the financial year 2019/20.

19. Events after the Reporting Period

There have been no other significant events between the year end and the date of approval of these accounts which would require a change to the information presented.