



UK Shared Business Services Ltd
ANNUAL REPORT AND FINANCIAL STATEMENTS 2021/22

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Registered Number: 06330639 (England and Wales)

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CHAIRMAN'S STATEMENT

2021/22 has been a challenging yet successful year for the Company. We have continued to work very effectively through the impact of the global COVID-19 pandemic and are pleased to once again be able to make use of our offices as part of what is now an enduring approach to hybrid working. Delays in the realisation of the Government Shared Services Strategy has made long-term planning more complex, however, it has also highlighted to the Board and owners the value and role that UK SBS has as a Teckal organisation, and specifically in delivering not-for-profit services in a trusted and collaborative manner. I am proud of how the Company has adapted to new ways of working, continuing to deliver professional business services to all clients, whilst increasing their quality and resilience and implementing an internal transformation programme to ensure that UK SBS is fit for the future.

Whilst the development of the 2022-2025 UK SBS Business Plan has been delayed in anticipation of further decisions on the future direction of shared services for the Policy Cluster of Government Departments, work has continued internally to deliver projects and programmes and align KPIs to the strategic themes that were launched in 2020/21. The Strategic Report highlights the key activities completed in-year to support the delivery of the five key themes for change and the longer-term outputs expected.

The pause and reset of the Future Shared Services (FSS) Programme in March 2020 saw our two owners' approaches diverge, with UK Research and Innovation (UKRI) launching its own shared service investment programme (SHARP) with UK SBS. The SHARP programme's Full Business Case received approval in March 2022, with Oracle and IBM announced as the software platform provider and service integrator respectively. This is an exciting time for the Company, and we continue to work in partnership with the UKRI programme team to ensure successful implementation, realisation of business benefits and identifying other areas of business value in collaboration with UKRI leadership.

The Matrix Programme is the equivalent for the Policy Cluster, with our other owner, the Department Business, Energy and Industrial Strategy (BEIS). It is at the scoping and blueprinting stage, including an analysis of the future role of UK SBS as its shared service centre. We continue work closely with the Matrix Programme to help inform the analysis, explore alternative options, and understand its future direction.

UK SBS is transforming so that it is ready, skilled and structured to embrace and exploit modern ways of working and technology to meet our vision of becoming the leading UK public sector business services provider, actively sought by government bodies. The Company is working hard to evolve our culture and behaviours to support significant business change for both UK SBS and clients. We have continued to focus on our transformational journey over the last few years; it is clear that much of this work is coming into fruition with the increased resilience and enhanced services. We continue to invest in our transformational journey, with the outputs highlighting the true value of UK SBS to its owners.

There were no changes to the Company's governance arrangements in 2021/22. Risk management controls continue to be embedded across the organisation and UK SBS continues to align with Government Functional Standards.

As I look back over my inaugural year as Chairman, I am confident that UK SBS is doing all that it can to deliver high-quality services and prepare itself for the future. The resilient business services delivered to customers are a true credit to all those who work for the Company. Our partnered approach with clients

and owners continues to demonstrate the value of maintaining a captive shared service centre inside the public sector.

A handwritten signature in black ink that reads "John F. Clarke". The signature is written in a cursive style with a prominent initial 'J'.

John Clarke
Chairman
UK Shared Business Services Ltd

STRATEGIC REPORT

Strategic Context

The strategic landscape within which UK SBS operates has continued to evolve in-year, with some of the key changes outlined within the report's sections below. The report examines performance and outputs against the strategic themes, alongside key performance indicators and metrics. It also 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.

Government Shared Services Strategy and UK SBS Transformation

In March 2021, the Cabinet Office published their refreshed Government Shared Services (GSS) Strategy, the objectives of which are to provide:

1. Better experience for all users with systems that are intuitive, easy to use and mobile-enabled.
2. Efficiency and value for money through better systems and services which support productivity and reduce costs.
3. Standardised processes and data to support interoperability, making it easier to understand and compare corporate data.

One element of the Strategy confirmed the creation of five clusters of government departments each drawing their back-office business services from a single provider, with BEIS and DIT forming part of the Policy Cluster. A new programme, the Matrix Portfolio, was established to implement a shared service centre for all eight government departments within this cluster. Whilst UK SBS had been identified as the Shared Service Centre for the policy cluster, the Matrix Programme has since commissioned further exploratory work into alternative outsourcing options with the intent of recommending a decision by spring 2023. This perpetuates a high level of uncertainty over the future strategic direction for UK SBS and its employees. Whatever decision is made, the Company will respond to and work with our owners to pursue the best possible future for UK SBS.

In parallel, it is necessary to ensure that the current BEIS Oracle Estate (BOE) remains resilient and supported until it is replaced by a new Matrix platform. A separate project has therefore been initiated to upgrade the BOE platform to the latest version of Oracle's E Business Suite (from version 12.1.3 to 12.2.10).

In contrast, the UKRI's SHARP programme has commenced implementation. It aims to drive end-to-end business change enabled by the replacement of UK SBS's existing Research Oracle Estate (ROE) with a modern cloud solution. UK SBS is working in partnership with UKRI, with services enabled by the new SaaS (Software as a Service) platform expected to commence by December 2023.

Internally, UK SBS has commenced a transformation programme to ensure that it is ready, skilled and structured to meet these future demands, including three major work-strands. Progress in 2021/22 against each of the strands is outlined below:

Organisational Design

- The Company has embraced a revised, best practice, operating model. A new organisational structure has delayered management levels and embedded revised spans of control. This will allow the Company to scale and exploit the opportunities arising from the Matrix and SHARP programmes more effectively.
- A new Executive, Strategic Leadership Group and Leadership Group structure was established in November 2021, with some teams and individuals moving into different areas of the business to balance the focus of the CEO and Executives across the enabling functions and service delivery leadership.

Workforce Planning

- Work has begun to further refine and develop the skills framework. However, progress has been slower than anticipated due to capacity and capability limitations.
- A new performance management process and updated documents were launched in March 2022 ahead of the annual appraisal cycle to ensure that behaviours and values were embedded.
- Progress has been made to resource requirements for the change journey, including the Matrix and SHARP programmes and the BOE upgrade.

Behaviours and Culture

- A set of three critical behaviours (Be Curious, Take Action and Add Value) have been developed and launched to guide employee actions. These have been communicated effectively to the organisation.
- Ten culture ambassadors were appointed at the beginning of 2022, with representation from most pillars. Work to identify representation from the remaining pillars is underway.

A Transformation Board, established in May 2022, will accelerate the transformation programme to help achieve the overall business goals, and equip employees to benefit from continuous change, managing the priorities, dependencies and inter-connections between major strategic enablers and a number of workstreams, to embed new ways of working without creating undue pressure on the organisation. This will also bring together several projects including the Securing Our Data and Reputation (SoDaR) programme, Equality, Diversity and Inclusion Strategy, Corporate Social Responsibility and Health and Wellbeing initiatives and ways of working across the organisation.

ISO 27001

UK SBS's Information Security Management System has been ISO 27001 certified by the British Standards Institution, the UK Accreditation Service's certification body for international standards.

This key piece of work has been delivered as part of the ongoing SoDaR resilience building programme. It is a key UK SBS Business Plan deliverable, giving forensic focus to how we manage data and the culmination of nearly two years of work by employees across the business, working collaboratively with our Risk, Information and Security Compliance (RISC) team.

ISO 27001 is the only certifiable International standard for the protection of confidentiality, integrity and availability of information by applying risk management process and giving interested parties confidence that risks are adequately managed.

Internal audits were conducted and were followed by the British Standards Institution (BSI) auditing all three of our sites in Billingham, Newport, and Swindon. This was successfully completed in December 2021. No non-conformities, observations or opportunities for improvement were identified, and the UK SBS Information Security Management System was recommended by the Auditor for certification.

COVID-19 Pandemic

UK SBS has successfully adapted to work effectively with COVID-19; hybrid working across all three sites is now in place and practices and procedures adapted accordingly. The safety and wellbeing of our employees continues to be our overriding priority, with Health and Safety Executive and government guidance followed where appropriate and risk registers updated to reflect current arrangements. The flexibility available enables us to support the wellbeing of our employees, whilst focussing on outputs, increasing productivity and providing opportunities for collaboration and effective leadership. The flexible hybrid working arrangements we now have (with no set days from home/office) also form part of our Employee Value Proposition, giving us something unique in the market.

The vast majority of key service indicators remained 'green' throughout the year whilst we adapted to hybrid working. Further information on performance can be found in later sections of this report.

Ukraine Conflict

UK SBS has not been directly affected by the Ukraine conflict. In response to a request from BEIS and UKRI, data was provided to owners on potential suppliers based in Russia.

UK Exit from the European Union

UK SBS continues to work with and support BEIS and UKRI where required on any remaining impacts of the UK's exit from the European Union.

Service Target Operating Models and Business Planning

Customer numbers have increased steadily in 2021/22 by 5%, with total users at 22,162 at the end of March 2022 (up from 21,094 at the start of the financial year), putting further pressure on Business-as-Usual (BAU) resource and budgets. Service Requests (SRs), Change Requests (CRs) and implementation of client change programmes also remained steady.

As part of the Transformation Programme, the Company underwent an internal restructure to align to the new service delivery target operating model and ensure the right role and function is in the right team and pillar. The five pillars of the organisation are Finance & Corporate Services, Operations, Digital & Information (D&I), Partnerships & Change and Strategy & Transformation.

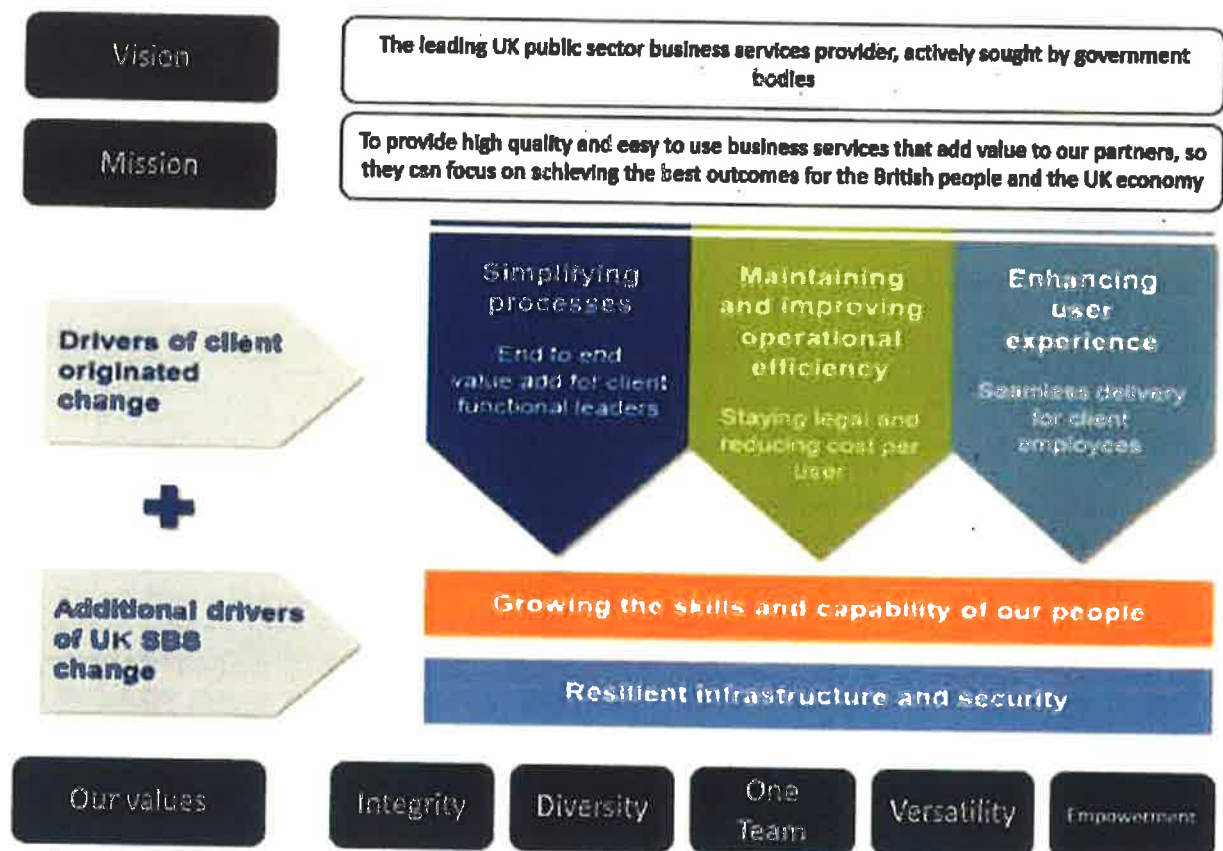
The BEIS elements of the Procurement Target Operating Model (PTOM) were implemented in-year, resulting in the full model now in place with all clients.

As part of a review of end-to-end processes in light of the new applicant tracking system, Taleo, and a Resourcing Improvement Project, Immigration and Recruitment services were transferred over to UKRI, from April 2022. This removed duplication of efforts across both UK SBS and UKRI and will deliver increased effectiveness for UKRI becoming directly accountable to their recruitment delivery. The onboarding and screening activity remains with UK SBS. The Immigration Team's activity was solely driven by UKRI, so agreement was sought and received to transfer the service back to UKRI to manage.

The UK SBS Business Plan was last refreshed and agreed by owners in June 2021. The plan built upon the five key strategic themes; the first three themes focussed directly on client and user-based change, with the other two being internal change themes within UK SBS. Each theme outlines a set of priorities for both operational service improvements and change, with agreed key strategic performance measures linked to the delivery of the themes. The UK SBS Roadmap, featuring both UK SBS and client programmes and projects for delivery is continually reviewed and aligned to the Business Plan to ensure an accurate reflection of the ongoing and future schedule of programmes that align with our strategic direction.

Agreement to the 2022-2025 Business Plan has been postponed until the direction of the Matrix Programme is known due to the potential longer-term implications on the Company depending on the option chosen. Instead, as the next 12 months are largely unaffected by the Matrix programme decision, an internal one-year operational plan has been developed to ensure a continued focus to deliver against the organisational aims.

The diagram below provides a visual representation of UK SBS' vision, mission, strategic themes and underpinning values of the organisation, all of which align with the GSS Strategy.



UK SBS Organisational Aims and Objectives

The following sections summarise what we set out to achieve in 2021/22, our progress against each of the strategic themes, the supporting performance measures in place and priorities for the forthcoming year. In the 2020-2021 Business Plan, the opportunity was taken to refresh the Key Performance Indicators (KPIs), moving away from a focus on UK SBS process steps to a more end-to-end focus that reflects the overall service plus a focus on UK SBS corporate performance.

Simplifying Processes – end-to-end value add for client functional leads

This strategic theme aimed to support interoperability, making it easier to understand and compare corporate data for both UK SBS and our clients. Several activities brought significant benefits and value-add to our clients, customers and internally across a range of service areas in 2021/22, including:

- The further development of the Change Portal, used by both UK SBS and clients, providing up to date information on current Change Requests (CRs). The improvements include a redesign of the data structure to improve quality and remove storage limitations by moving to cloud hosting.
- The design, implementation and management of a data warehouse, to control and centrally manage data services to allow effective 'single version of the truth' analytics across multiple information sources.
- Okta Single Sign-On was implemented on the BOE platform to provide a simpler and more secure way to access UK SBS Connect and Oracle. Two-factor authentication security enhancements also provides stability and protects user data.

The key performance indicators that support the delivery of the **simplifying process** strategic theme are outlined below:

		2021/22 KPI Target	2020/21 KPI Score	2021/22 KPI Score
KPI-SP-1	Payroll Error Rate (all errors)	0.5%	0.54%	0.50%
KPI-SP-2	Customer Service Calls Abandoned	5%	3.5%	5.0%
KPI-SP-3	Customer Service Calls Fixed First Time	tbc	91%	95%
KPI-SP-5	MyCSP Error Rate	0.5%	0.27%	0.42%
KPI-SP-7	Digital AP Invoice Processing (ROE only)	tbc	40.3%	41.6%

Maintaining and Improving Operational Efficiency – better systems and services which support productivity and reduce costs

The two client major change programmes, SHARP and the Matrix Portfolio, will provide the majority of the expected outcomes, efficiencies and anticipated cost reductions associated with this strategic theme. Activities completed in-year to support the theme include those below.

- A technical improvement saw a reduction in manual invoice processing for BOE clients through automation, supporting operational efficiency.
- The introduction of a new digital Leaver form for BEIS, DIT and Insolvency Service line managers and UK Space Agency HR, to notify UK SBS of leavers more efficiently.
- Windows 10 upgrades were deployed to all D&I Desktop users in UKRI and UK SBS, with support provided following installation. The upgrades have enhanced system performance and security.

The key performance indicators that support the delivery of the **maintaining and improving operational efficiency** strategic theme are outlined below.

		2021/22 KPI Target	2020/21 KPI Score	2021/22 KPI Score
KPI-MIE-1	Contacts Resolved by Target Date	85%	91.7%	90.5%
KPI-MIE-3	Payroll Transactions Processed	100%	100.0%	100.0%
KPI-MIE-4	Supplier Prompt Payment	80%	70.5%	75.4%
KPI-MIE-5	Purchase Requisitions Processed in 3WDe	95%	95.8%	96.4%

The supplier prompt payment performance is based on the full end-to-end process of the invoice lifecycle reflecting combined UK SBS and client performance which have slightly improved this year. UK SBS and clients remain committed to improving this measure as clients respond to the changing mix of activities in very challenging financial times.

Enhancing User Experience – seamless delivery for client employees

A significant number of projects, programmes and activities were delivered in-year to enhance the user experience via intuitive systems that are easy to use and mobile-enabled.

- UK SBS Connect functionality was increased to include annual leave recording, enabling users to manage annual leave digitally. Additional information on annual leave entitlement improves clarity on how it is calculated for individuals in BEIS, DIT, UK Space Agency and Insolvency Service. Enhancing digital capability will improve self-service capability and support workforce planning.
- UK SBS also implemented expenses submission via the Connect platform. The functionality provides a much-improved user experience to BEIS, DIT, UKSA and TRA employees for their submission of expenses.

- The BEIS Procurement Target Operating Model (PTOM) went live on 7 February with BEIS managing complex, strategic procurements in-house, and UK SBS to manage common goods and services requirements following triage by BEIS Commercial.
- In preparation for the go-live of the new BEIS Banner portal, process mapping was completed and Barclaycard for travel use was embedded. This provides a new streamlined ordering process for stationery and office supplies. The portal was a successful collaboration between BEIS, UK SBS, and Banner (BEIS's stationery and office supplies supplier).
- Updating the BOE client communication channels, including the introduction of a new customer portal to significantly enhance user experience, security and accessibility compliance, and foster greater client self-service.
- UK SBS has developed the enablers that will allow greater automation to be delivered in 2022-23 and beyond.
- UK SBS has continued to work with UKRI to build greater process efficiencies into the TALEO recruitment platform throughout 2021-22.

The key performance indicators that support the delivery of the **enhancing user experience** strategic theme are outlined below:

		2021/22 KPI Target	2020/21 KPI Score	2021/22 KPI Score
KPI-EUE-1	Client Satisfaction (quarterly)	6.0	7.5	7.3
KPI-EUE-2	User Satisfaction	6.0	7.0	7.7
KPI-EUE-5a	Oracle Availability (Inc. OBIEE)	98%	99.7%	99.9%
KPI-EUE-5b	Siebel & Je-S Availability	98%	99.5%	100.0%
KPI-EUE-5c	Email Availability	98%	100.0%	99.9%
KPI-EUE-5d	Network Availability	98%	99.7%	99.6%

Growing the Skills and Capability of our People

As outlined earlier in this report on pages 5 to 8, UK SBS has embarked on its own internal transformation programme to ensure our employees are ready, skilled and structured to meet the future challenges and opportunities for the Company. There are three main strands:

- **Organisational design** – including the adoption of a standard service delivery model to exploit the greater opportunities of self service and automation whilst seeking to limit the number of layers within the organisation to be flexible, and implementing a more standard approach to team structures and job titles
- **Workforce plan** – assessing today's skills and understanding the gap to what we need for the future, to put in place the necessary learning and development whilst planning for future recruitment needs and adapting our approach to performance management, career development and reward
- **Behaviours and culture** – a set of three critical behaviours have been developed and launched to guide our actions: Be Curious, Take Action and Add Value.

Work on the transformation programme continues in 2022.

To support this activity, UK SBS launched a new training platform, providing employees with access to more than 40 bite-size training modules covering a wide range of topics.

The key performance indicators that support the delivery of the **growing the skills and capability of our people** strategic theme are outlined below:

		2021/22 KPI Target	2020/21 KPI Score	2021/22 KPI Score
KPI-GSC-1	Employee Turnover	20%	7.6%	12.5%
KPI-GSC-2	Employee Short Term Sick Absence	3%	3.2%	1.9%
KPI-GSC-3	Employees on Long Term Sick Absence (avg. per mth)	tbc	8	12
KPI-GSC-5	Employee Engagement Score	50%	64%	85%

Resilient Infrastructure and Security

A wide range of projects, programmes and initiatives were completed in-year to support the fifth strategic theme to provide resilient infrastructure and security, including:

- A ROE database upgrade, following months of preparation including extensive testing and the development of fixes, was successfully completed ensuring that the Oracle capability is up-to-date, and remains secure, resilient, and supported.
- The shutdown, inspection, resilience testing and restoration of the electrical systems underpinning all UK SBS, UKRI and BEIS services hosted within the Polaris House Data Centre was successfully completed in partnership with UKRI, ensuring safety and compliance with legislation
- An upgrade of UK SBS data-masking software and a review of data-masking rules were completed to ensure data anonymity in BOE and ROE non-production (for example, development) environments, as part of GDPR compliance.
- The Disaster Recovery Phase 2 project had been implemented successfully in-year, with a three-day recovery period now in place for BOE and ROE.
- Following assessment through the Cabinet Office-managed GBEST scheme, UK SBS deployed the Keeper password management tool. This provides all UK SBS users with efficient and secure password management and storage across accounts and applications, strengthening security and privacy.

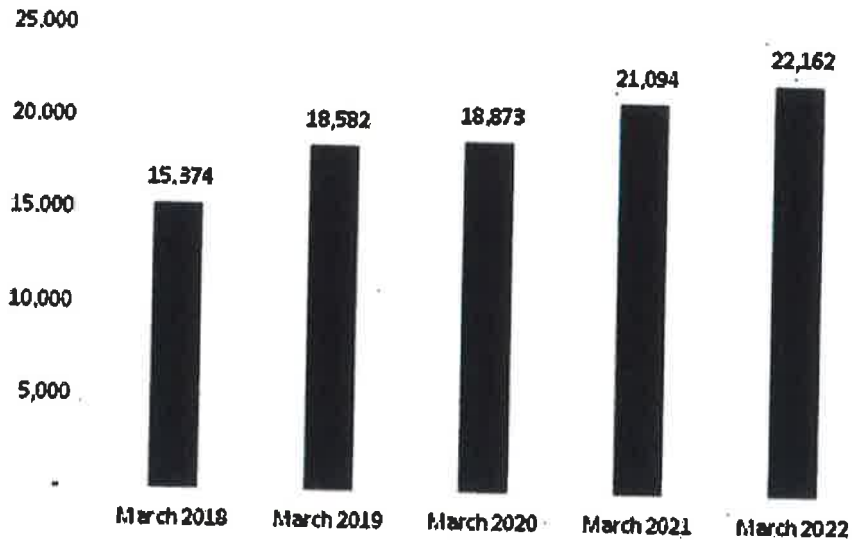
The key performance indicators that support the delivery of the **resilient infrastructure and security** strategic theme are outlined below:

		2021/22 KPI Target	2020/21 KPI Score	2021/22 KPI Score
KPI-RIS-1	Major Security Breaches	0	1	0
KPI-RIS-3	Audit Actions Overdue (avg. per mth)	0	3.0	4.0

Overall Service Performance

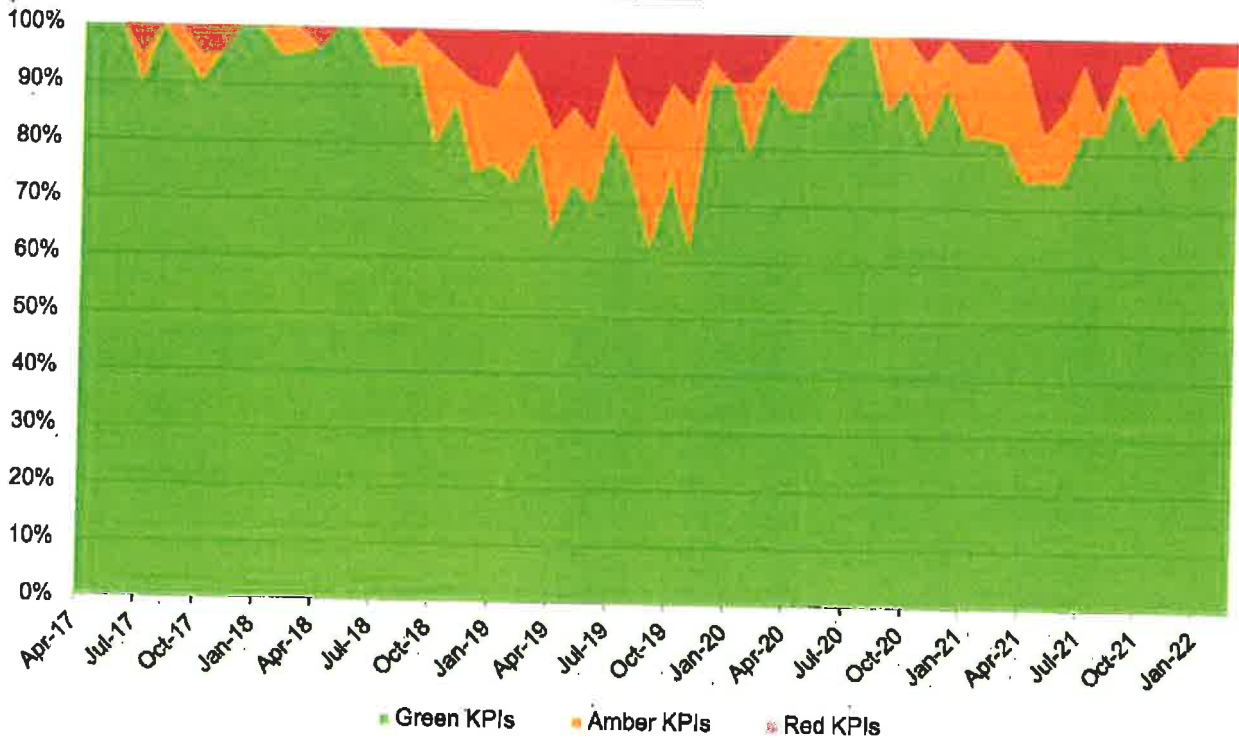
User numbers continue to rise, with total users at 22,162 on 31 March 2022, up from 21,094 at the start of the financial year.

Chart 1: User numbers – March 2018 – March 2022



Service focused Key Service Indicators (KSIs) – previously termed the UK SBS KPIs – continue to be monitored, alongside the new Strategic Key Performance Indicators (KPIs) linked to the five strategic themes. 85% of KSIs were achieved for the whole of 2021/22. The chart below indicates the five-year trend of KSI performance.

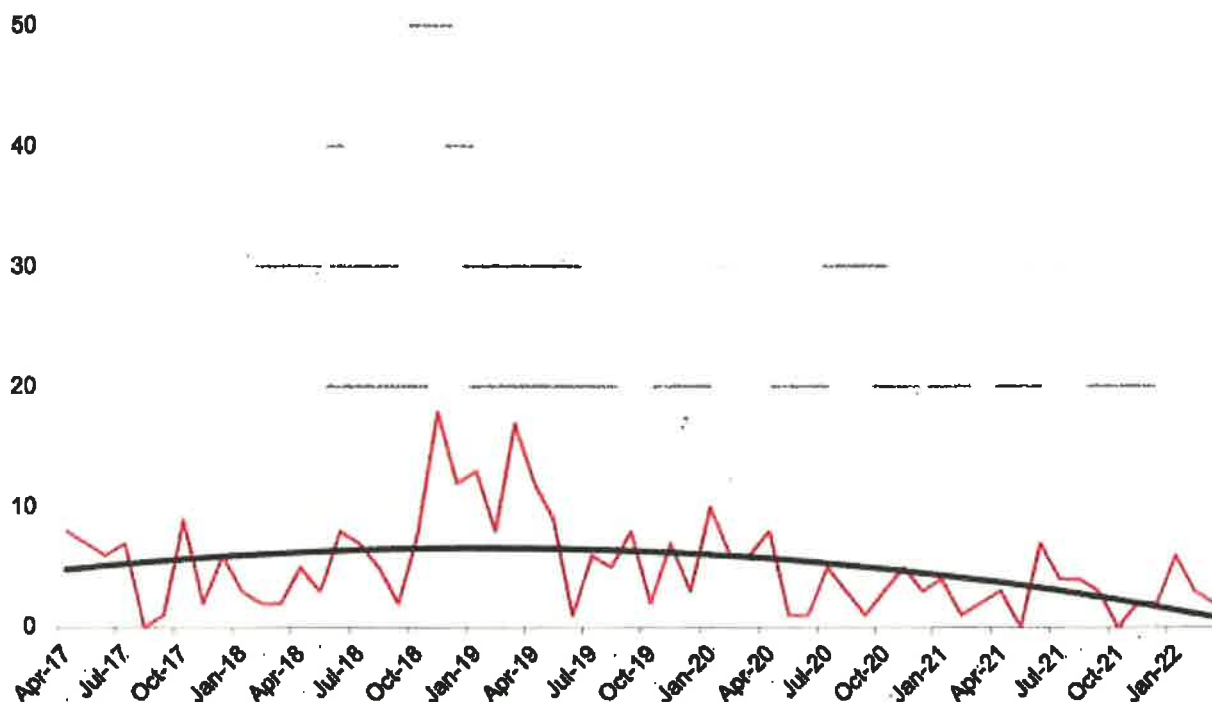
Chart 2: Service Performance KSIs – Red, Amber, Green



Customer Complaints Received

Customer complaints continued to remain very low in 2021/22, averaging one complaint for every 10,500 contacts handled.

Chart 3: Customer complaints 2017 – 2022



Financial Performance

The Company's financial results for the year are set out in the financial statements (page 42 onwards). The reported result for 2021/22 is a £49,000 profit (2020/21: £364,000 loss), including £1.8 million cost of depreciation and amortisation (2020/21: £1.6 million). The Company does not operate with the intention of making a profit.

The net asset value at 31 March 2022 was £2.4 million (31 March 2021: £2.3 million). Further details are set out on page 43 of the financial statements. Details of the non-current assets are set out in note 6 to the financial statements.

Delivery of Change Programmes

The UK SBS Partnership & Change Pillar successfully drove, or assisted with, the delivery of 125 change requests in 2021/22 (2020/21: 94) despite the impact of working from home. The team drives the delivery of a portfolio of change projects providing clear prioritisation, management, reporting and resource allocation. As indicated earlier in this report, the projects within the portfolio are many and varied including client-requested change, business development projects, technology portfolio improvement and service transfers.

During 2021/22 improvements were made to the internal change governance, which included the dissolution of the Investment, Appraisal and Change Committee and the formation of the Portfolio Progress Group (PDG) and Portfolio Direction Group (PDG). These groups, working alongside our Client Partnership Change Board (PCB) and respective Client Change Boards, continue to strengthen the

oversight of the change portfolio and ensure alignment with clients' roadmaps. PDG also agreed the formation of sub portfolios in support of the delivery of UK SBS business plan. These sub portfolios will, in 2022/23, directly align to the strategic themes within the business plan.

To help make the change process simpler for clients, the categories used for levels of change were replaced with two change types in 2021/22 – standard and complex. This, combined with the introduction of impact assessments for client change requests, allowed for early, comprehensive communication to clients on the provision of cost and delivery estimates and scheduling activities.

The number of CRs from owners and from within UK SBS remained high in both numbers and complexity.

Chart 4: Number of CRs raised v CRs delivered 2021 – 2022



Change Portal

During 2021/22 a new version of the change portal was released which allows members of the PCB, the respective client Change Boards and UK SBS employees to track the current status of change requests. Additional Power BI reports were also developed to provide live dashboard information on the performance, status and detail of the change request portfolio.

Client and Service Exits

There were no client or service exits in 2021/22. Immigration and Recruitment Services moved back to UKRI in April 2022.

Data Protection Act 2018 and Data Security

Following the implementation of the new GDPR and Data Protection legislation in May 2018, we have continued on our journey to strengthen data protection and develop further our information management as a whole.

The establishment of an internal programme, Securing our Data and Reputation (SoDaR), brings together the key work strands to provide a more holistic view of data management across the Company. Several critical change requests are underway that support the SoDaR programme, including a migration from SharePoint On Prem to SharePoint Online, agreeing and implementing a CRM retention policy,

purging historical data, activities to support the encryption of data at rest and implementation of role-based access controls. The SoDaR programme has also established an engagement plan to better link policy and process to culture and behaviour and has publishing a monthly SoDaR employee newsletter since May 2021.

UK SBS achieved ISO 27001 certification in December 2021.

Activity continues to complete Data Protection Impact Assessments (DPIAs) for both new and existing projects and programmes, as well as legacy DPIAs for established systems and platforms.

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 591 employees and has grown to 624 (excluding contractors).

UK SBS has continued to embed our Values in all that we do.

- Integrity
- Diversity
- One Team
- Versatility

- Empowerment

Together we have shaped a set of behaviours that will work alongside our Values:

- **Be curious:** Bringing curiosity and constructive challenge to what you do and how you do it.
- **Take action:** Following curiosity through actionable steps, thinking about how to do things differently.
- **Add value:** Thinking about the value, purpose, quality and impact of what you do.

The work of the People team is focused on the three main challenges, aligned with the internal transformational journey:

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

We have continued to develop our leadership capability with the introduction of coaching for senior leaders and have realigned our leadership teams to encourage accountability as we continue on our transformation journey. The bronze leadership programme continues for junior leaders across the business.

Effectiveness – the right resources, right flexibility, right skills

We continue to review and refresh the recruitment process to meet the increasing challenge of recruiting in a candidate's market by promoting the benefits of working for UK SBS. Working across our three sites of Swindon, Newport, and Billingham helps us to fill roles and give development opportunities. We have refreshed our performance appraisal system to encourage effective objective setting and review taking into account our values and behaviours.

Engagement – right attitudes, right perceptions, right results

Our employee survey, completed annually, continues to act as a regular temperature check, the insights of which assists our senior leaders to steer actions at corporate, pillar and team level. We are also

carrying out pulse surveys three times a year. These are short surveys which help to gauge various relevant topics such as hybrid working and transformation. The trends remain positive.

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. We have introduced bite-sized learning available to all employees with a range of subjects and we continue to support apprenticeships in IT and operations.

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.

Diversity

At 31 March 2022, 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)	255	362

The proportion of employees who have elected to be identified as being from an ethnic minority is currently 11% (2020/21: 11%).

UK SBS published its gender pay gap report. The gender pay gap is the difference in the average pay between men and women in an organisation over a period of time no matter what the role is. In March 2021, when comparing mean (average) hourly pay, women's mean hourly pay is 22.3% lower than men's (22.4% in 2020/21). 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 Equality, Diversity and Inclusion (EDI) strategy going forward. The UK SBS EDI Group continues to form part of the commitment to achieving and advancing equality.

Employee Health

During 2021/22 the average number of working days lost through recorded sickness absence was 3.6% (2020/21: 2.4%). The figure has been recorded as a percentage to more accurately reflect part-time employee data.

Internal Governance

The internal governance structure was strengthened in 2021/22 with the decommissioning of the Investment, Appraisal and Change Committee (IACC) and establishment of the Portfolio Direction Group (PDG) and subordinate Portfolio Progress Group (PPG). The PDG sits alongside the Risk, Assurance and Security Committee (RASC), Operations Committee (OC) and the People and Engagement Committee (PEC).

Meetings of the newly formed Senior Leadership Group and Leadership Group were held in 2022 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 pages 26-33.

Managing Risks and Controls

The Government Internal Audit Agency (GIAA) continues to provide the Company's internal audit function and in 2021/22 undertook nine audits and two reviews. An overall assurance opinion of 'Moderate' was issued by the GIAA 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 GIAA 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 controls around core processes were found to be improving.

The Company's Corporate Risk Register is reviewed at every Board and Audit Committee meeting. Each pillar maintains its own risk register, 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 departmental to the corporate risk register as and when necessary.

A number of key risks have been successfully mitigated throughout the year, including those relating to our response to COVID-19 and the hybrid working pattern. However, despite mitigating activity, some corporate risks remain out of tolerance on the Corporate Risk Register in the early months of 2022/23; Cyber-attack (information security) and those risks relating to Transformation and Matrix. 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. COVID restrictions led to a marked decrease in travel costs in 20/21 and 21/22.

Travel Costs

2017/18		2018/19		2019/20		2020/21		2021/22	
Cost (£000)	FTE*	Cost (£000)	FTE*	Cost (£000)	FTE*	Cost (£000)	FTE*	Cost (£000)	FTE*
399	482.1	286	485	260	561	5	584	33	582

* Full Time-Equivalent (FTE) numbers include contractors

In 2021/22, our people travelled approximately 58,000km (7,000km in 2020/21) on Company business and 66% of this was undertaken using public transport.

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 or the Government Property Agency. The Company complies with energy, water and waste management measures in operation at each site.

The breakdown of energy consumption and waste generated at each site, based on % footprint occupied by UK SBS within the respective buildings is outlined in the tables below, by site.

Polaris House, Swindon

	Polaris House Total	UK SBS Share	Units per employee per year
Electricity (kWh)	2,251,828	336,197.92	701.87 kWh / per year
Gas (kWh)	1,539,150	229,795.10	479.74 kWh / per year
Water (M ³)	4,649	694.10	1.45 M ³ / per year
Recycled waste (tonnes)	35.10	5.24	0.011 tonnes / per year
Incinerated waste (tonnes)	20.39	3.04	0.0063 tonnes / per year
Anaerobic Digestion (tonnes)	13.91	2.08	0.0043 tonnes / per year

Concept House, Newport

	Concept House Total	UK SBS Share	Units per employee per year
Electricity (kWh)	1,700,877	72,967	1027.7 kWh / per year
Gas (kWh)	98,147	4,210	59.3 kWh / per year
Water (M ³)	6,129	263	3.70 M ³ / per year
Recycled waste (tonnes)	104	4	0.56 tonnes / per year
Incinerated waste (tonnes)	0	0	0
Anaerobic Digestion (tonnes)	30	1	0.017 tonnes / per year

Queensway House, Billingham

	Queensway House Total	UK SBS Share	Units per employee per year
Electricity (kWh)	67,003	15,410	285.4 kWh / per year
Gas (kWh)	298,058	68,553	1269.5 kWh / per year
Water (M ³)	1,505	346	6.4 M ³ / per year
Recycled waste (tonnes)	5.2	1.2	0.022 tonnes / per year
Incinerated waste (tonnes)	26.0	5.98	0.11 tonnes / per year
Anaerobic Digestion (tonnes)	Information not available	N/A	N/A

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 UKRI's 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 April 2021 with no non-conformities. JBOS is responsible for the EMS and environmental aspects of the campus.

In 2019/20, videoconferencing facilities at all three sites were greatly enhanced. This 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. UK SBS has embraced hybrid working since April 2022 and videoconferencing has played a key role in enabling this, becoming a new low-carbon standard way of working across UK SBS.

Polaris House has seen a gradual increase in employees returning the building during the 2020/2021 financial year. As such our energy and water usage has increased but we have made efforts to reduce this by replacing our outside lighting with LED bulbs, and investigating the expansion of renewable generation.

All waste produced at Polaris House is reused, recycled or incinerated with energy recovery. 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 the appointment of new Board directors. Whilst UK SBS is not required to report under the UK Corporate Governance Code 2018, it is considered to be 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 of any decisions taken are considered and underpinned by the culture, values, behaviours 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 17 and within the Annual Governance Statement.

Each year, the Board undertakes a 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, behaviours 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 refreshed in 2019 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 once a year, supported by three 'pulse' surveys, to continuously gain employees' views on subjects such as how changes are landing, visibility and understanding of immediate business focus, job-related roles, communication and relationships, and the overall work environment. The results 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. The documentation and performance framework were re-launched in April 2022, incorporating the updated values and behaviours. Recognising the upcoming opportunities and challenges for the Company as a result of the SHARP and Policy cluster programmes, the workforce plan will be key to ensuring 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 15-16 and within the Directors' Report.

Relationships with Customers and Clients

Ultimately, our biggest 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 refreshed Partnership Services Agreement agreed by the Board and clients in September 2020 clarified and strengthened this approach. This is supported by the Partnership Change Board and the Partnership Service Management Board.

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 and an internal audit report, the service measures were refreshed with full client involvement to reflect the end-to-end service. These strategic Key Performance Indicators (KPIs) provide the information required to make accurate deductions of service performance from both an internal and client perspective. Key Service Indicators (KSIs), that are focussed on key UK SBS process steps only, continue to be monitored. 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

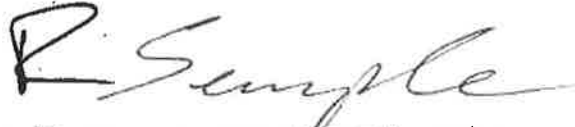
The Board approves the Corporate Social Responsibility policy as part of its annual governance review. Given the priority placed by our owners and clients on achieving net zero and the wider sustainability agenda, UK SBS is further developing its approach to this important issue by way of a Corporate Social Responsibility (CSR) Strategy. CSR is also embedded as a strategic enabler as part of the internal Transformation Programme, being integrated into all that we do.

Details on further environmental considerations can be found on pages 17-19.

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

A handwritten signature in black ink, appearing to read 'R Semple', written in a cursive style.

Richard Semple, Chief Executive Officer

UK Shared Business Services Ltd

Date: 30 September 2022

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. Whilst changes to our owners' strategies 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

The majority of Board members are appointed from owner organisations 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.

Chair	Date Appointed	In post/date resigned
Timothy Knighton ¹	31 October 2015	31 July 2021
John Clarke ²	16 June 2021	In post
Executive Directors		
Richard Semple	1 May 2018	In post
Non-Executive Directors		
Neil Phimister ³	17 October 2017	2 August 2021
Ruth Elliot ⁴	1 April 2018	In post
Graham McAllister	1 April 2018	In post
Alice Hurrell	27 September 2018	In post
Victoria McMyn ⁵	3 August 2021	31 May 2022
Nick Sammons ⁶	30 March 2021	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. He resigned from the Board on 31 July 2021.
2. John Clarke was appointed as an Independent Board member on 16 June 2021 and UK SBS Chairman from 1 August 2021.
3. Neil Phimister resigned from the Board on 2 August 2021.
4. Ruth Elliot was re-appointed to the Board in March 2022 for a two-year term.
5. Victoria McMyn was appointed as a Board member for a three-year term but resigned from the Board and Audit Committee on 31 May 2022.
6. Nick Sammons was appointed to the Board on 1 April 2021 for a one-year term. Nick was re-appointed by the Board in 2022 for a two-year term.

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 on pages 26-33, which forms part of this Directors' Report.

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

Audit Committee

The Audit Committee meets five times a year. In 2021/22, the Committee was attended by Neil Phimister (Chairman) until August 2021, Graham McAllister (Chairman, from 3 August 2021), Kim Humberstone (co-opted member, re-appointed September 2020) and Victoria McMyn (co-opted member, appointed June 2020). 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, 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 three times as the Remuneration Committee in 2021/22.

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 2021 – 31 March 2022, those Non-Executive Directors considered by the Board to be independent were Timothy Knighton until 31 July 2021, John Clarke from 16 June 2021 and Graham McAllister.

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 are noted within the Annual Governance Statement on page 26. 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 re-accreditation in April 2022.

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.

UK SBS launched Take 5 during 2020, an all-employee email sent once a week to round up the weeks' news and important messages. Team Brief, a tool / document used by managers has continued to be produced to ensure consistent messaging is being relayed to all employees.

The Trade Unions (TUs) are consulted when considering any policy changes or decisions that may affect 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 UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006. 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

A handwritten signature in black ink, appearing to read 'R Semple', written in a cursive style.

**Richard Semple, Chief Executive Officer
UK Shared Business Services Ltd
Date: 30 September 2022**

UK Shared Business Services Ltd

ANNUAL GOVERNANCE STATEMENT 2021/22

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 the Department for Business, Energy and Industrial Strategy (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, the Partnership Services Agreement (PSA) and the sponsorship framework with BEIS.

The sponsorship framework agreement with BEIS was updated substantially in February 2022 to reflect the current relationships and working practices, and to move the framework to the new Cabinet Office template. Minor adjustments were also made to the PSA in-year to reflect relevant updates.

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.

Following the agreement in March 2020 for BEIS and UKRI to progress separate approaches to new platform solutions for the provision of HR and Finance services, two programmes of work were established. The Full Business Case for the UKRI Services for HR, Accounting, Reporting and Procurement (SHARP) programme was approved at the end of March 2022, with Oracle and IBM later announced as the provider and service integrator respectively.

The refreshed Government Shared Services (GSS) Strategy, relaunched in 2020, grouped government departments into five clusters, each drawing their back-office business services from a single service provider, working on common business processes, data standards and performance metrics. UK SBS was identified as the service provider for the Policy cluster of government departments and the Matrix programme was launched. The Comprehensive Spending Review in 2021 then presented further challenge and delay to the Matrix, with significant work underway by all parties, supported by an external consultant, to plan, develop and refine the future provision of services to the Matrix cluster.

An upgrade project has been planned to ensure continued support to the BEIS Oracle Estate (BOE) until the BOE platform is replaced by the Matrix Programme.

UK SBS will continue to provide stable and secure services to our existing clients and have a clear focus on maintaining high quality BAU services, whilst working closely with UKRI and BEIS to input, support and progress vital preparation work for both the SHARP and Matrix programmes.

Alongside the two major client change programmes, UK SBS embarked on an internal transformation programme to enable the successful delivery of SHARP and Matrix and lay the firm foundations for our future successful operation. The programme will see the move to a new target operating model, including the establishment of a four-tiered service delivery model and the adoption of an agile improvement approach. It covers three areas: Culture and Behaviours; Workforce Plan (including skills and development); and Organisational Design.

Several other major projects and programmes were completed in 2021/22 that also required significant UK SBS resource and technical input to implement, including:

- Implementation of a ROE on-premises upgrade to provide additional security features;
- Successful digitalisation of the UK SBS change portal used both internally and by clients; and
- Extended functionality of the UK SBS Connect App for BEIS, DIT, INSS and UKSA users.

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 affecting service delivery.

Internal Governance

The internal governance structure was strengthened in 2021/22 with the decommissioning of the Investment, Appraisal and Change Committee (IACC) and establishment of the Portfolio Direction Group (PDG) and subordinate Portfolio Progress Group (PPG). The PDG sits alongside the Risk, Assurance and Security Committee (RASC), Operations Committee (OC) and the People and Engagement Committee (PEC).

The Securing our Data and Reputation (SoDaR) programme underwent a refresh in 2020 to provide the necessary senior oversight needed to drive the initiatives forward throughout the business, supported by a newly-appointed programme manager. The programme encompasses all data and security related projects including ISO 27001 certification, Data Protection legislation (including the Data Protection Act 2018 and UK GDPR) and HMG Knowledge and Information Management principles.

UK SBS's Information Security Management System has been ISO 27001 certified by the British Standards Institution, the UK Accreditation Service's certification body for international standards. The ISO 27001 stage 2 certification audit concluded in December 2021, with no non-conformities, observations or opportunities for improvements identified.

The UK SBS Board Structure and Operation

The UK SBS corporate governance structure consists of a Board and an Audit Committee. To ensure compliance with Regulation 12 of the Public Contracts Regulations 2015, which provides the framework through which UK SBS delivers services to its owners, the majority of the Board is comprised of owner-nominated Non-Executive Directors (NEDs).

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 2021.

Following a successful recruitment campaign, John Clarke was appointed as UK SBS Chairman in the summer of 2021 for a three-year term.

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.

In September 2021, as part of its Annual Governance Review (AGR), the Board reviewed corporate policies, committee structure, membership and terms of reference to ensure alignment with the constitution.

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. The key outcomes from the 2021/22 performance evaluation include:

- Recognition that the Board was working better together and more collaboratively with shareholders and key stakeholders to help align strategies although further understanding was needed on the financial strategy
- Specific time to be allocated for deep dives into the client change programmes, with relevant external speakers to attend
- The Audit Committee and Board Chairs to give further consideration as to how to maximise the value of the Audit Committee

While not obliged to comply with the UK Corporate Governance Code, the Board has agreed that they will consider and apply the guidance where possible and practicable within the context of the Company's operating environment and will not report on how it has been applied.

Set out below is a record of Board membership and Board and Audit Committee attendance from 1 April 2021 to 31 March 2022.

2021/22 Name of Board Member	Attendance/Meetings eligible to attend	
	Board*	Audit Committee
Tim Knighton (Chairman until 31 July 2021)	2/2	
John Clarke (Chairman from 1 August 2021) ¹	5/5	
Ruth Elliot	6/6	
Neil Phimister (resigned from the Board and Audit Committee on 2 August 2021)	2/2	2/2
Graham McAlister	6/6	5/5
Alice Hurrell	5/6	
Nick Sammons ²	6/6	
Victoria McMyn ³	4/4	4/5
Richard Semple (Chief Executive)	6/6	
Kim Humberstone (co-opted member of the Audit Committee)		5/5

* the March UK SBS Board meeting was postponed to early April but has been included within the data for consistency purposes.

¹ John Clarke was appointed as a Non-Executive Director on 16 June 2021 and was appointed as UK SBS Chairman from 1 August 2021

² Nick Sammons was appointed as a Non-Executive Director on 30 March 2021

³ Victoria McMyn was appointed as a Non-Executive Director and a member of the Audit Committee on 3 August 2021 and resigned from both on 31 May 2022. Victoria had previously been appointed as a co-opted member of the Audit Committee.

The shareholder representatives and the Chair met two times in 2021/22 to discuss the strategic priorities and performance of UK SBS and ensure alignment of the organisations' strategies.

The Board met three times as the Remuneration and Nominations Committee in 2021/22 to agree the annual pay award and strategy and oversee the appointment of the Chairman.

The Audit Committee is independent of management and comprises two NEDs, one of whom is appointed as the Chairman, and 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 are invited to attend and report to the Audit Committee. The Committee met five times in 2021/22, at each meeting considering inter alia, completed audit reports and 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 February 2022.

Customer Governance

Two partner-led Boards were established in 2019/20. Both are chaired by an alternating owner representative. The Partnership Change Board (PCB) (replacing the Business Design Authority) meets bi-monthly and 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 Partnership Service Management Board (PSMB) also meets bi-monthly and provides performance assessment of current end-to-end services specified in the Partnership Services Agreement (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 review meetings with client organisations 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 performance indicators was agreed to allow the UK SBS Board the opportunity to review strategic progress alongside operational delivery measures. This also provides the PSMB with the flexibility to review and adapt performance indicators to address immediate challenges and ensure their relevance. A new performance management report pack has been designed and built using PowerBI, enabling users to drill down into specific areas of concern or interest and allowing for more dynamic visualisation of performance measures.

Customer feedback mechanisms exist requesting individual customers 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), John Arnott (Chief Strategy Officer), Jacqui White (Chief Change Officer), Andrew Lewis (Chief Operating Officer), Crispin Dawe (Chief Finance Officer), David Walder (Chief Digital and Information Officer, from 1 January 2022) and Caroline Jenkins (Company Secretary). Mike Rendall (Chief Technology Officer) retired in December 2021.

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

Leadership Groups

As part of the UK SBS transformation programme, the organisational design structure was arranged in to four levels. These levels provided a new approach to leadership engagement, creating three groups instead of two previously (Senior Leadership Group (SLG) and Middle Leadership Group (MLG)):

- All 'Heads' at Level 2 form the 'Strategic Leadership Group' (SLG) with the Executive
- Our 'Leadership Group' (LG) includes all managers at Level 3
- Our 'Management Group' (MG) includes all Performance Leads at Level 4.

The new Strategic Leadership Group met for the first time (virtually) in January 2022 and held an offsite meeting in March 2022.

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 in June 2020, 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 Risk, Assurance and Security Committee 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, performance indicators and client feedback on key issues identified within the relevant time period.

Risks

As part of the overall 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 for those risks with a current risk score that is over-appetite. Risks are actively managed and monitored by the Executive, RASC, the Audit Committee and the Board.

During 2021/22 the Company identified and successfully managed a number of corporate risks including those relating to COVID-19, sustainment of some systems beyond May 2023 and GDPR implementation.

At the end of the financial year and looking ahead to 2022/23, the two key high risks are as below.

- Cyber Security – Due to the continuing evolution / advancement of cyber-crime, this risk continues as we seek to ensure we maintain robust defences.
- Strategic Misalignment of Ends, Ways and Means – UK SBS continues to engage with owners on 2022/23 budget allocations and user numbers against service delivery expectations.

Data Security

The Company has not been made aware of any significant information security breaches in the 2021/22 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.

Government Functional Standards

Government functional standards are a system-wide reference documents designed to:

- support coherent, efficient and mutually understood ways of working across government
- provide a stable basis for continuous improvement and professional development
- provide a stable basis for proportionate and tailored assurance activities to monitor adherence; allow risk-based control and compare performance
- clarify accountabilities, by defining the roles needed, what people in those roles are accountable for, and who to.

UK SBS reviewed itself against the standards, considering the evidence and robustness of procedure supporting them. The following table outlines the results of that review, with the numbers indicating the number of principles being scored as part of each functional standard.

No.	Functional Standards	Developing	Good	Better	Best
1	Government Functions	-	1	5	-
2	Project Delivery	-	8	2	-
3	Human Resources	-	9	-	-
5	Digital, Data & Technology	-	10	-	-
6	Finance	-	3	7	-
7	Security	-	-	9	-
8	Commercial	-	9	-	-
9	Internal Audit	-	2	3	-
11	Communication	-	6	-	-
13	Counter Fraud	-	6	-	-

UK SBS is working to ensure we integrate these disciplines appropriately into our control frameworks to be able to monitor these in the future without our business-as-usual work.

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 2021. 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 2021/22.

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 to secure assurance from contractors that appropriate tax arrangements are in place.

In 2021/22 the Company identified eight contractors who were within scope of the Alexander Review criteria. Assurance that the appropriate tax arrangements are in place for all eight contractors was sought and confirmation received.

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 twice-yearly 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.

GIAA was re-appointed as the Company's Internal Auditors for the financial year 2021/22. In his Annual Report and Opinion dated 19 May 2022, 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 acknowledged the improved capability and capacity within UK SBS to deliver projects and programmes although significant challenge was noted in delivering transformation. Continuing uncertainty around the Matrix and funding constraints had left to significant difficulty in mobilising for transformational change and developing workforce capability and capacity to respond accordingly. Continued dialogue is needed with customers to establish service baselines within the current funding envelope, and to embed new processes and clarify respective responsibilities of UK SBS, its customers and third parties.

The results of audits in-year have continued to demonstrate continued effective operation of the Company's governance and risk management processes, with the revised controls put in place in response to remote working becoming business-as-usual. There has also been good progress in refreshing the IT governance arrangements and action to strengthen cyber security and disaster recovery during the year, and this will continue through as a theme for the 2022-23 audit plan.

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 on their respective new solution programmes, whilst implementing our own internal transformation to be able to successfully deliver against them, managing the resultant risks and seizing the opportunities the GSS cluster approach brings.

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
UK SBS Chief Executive
On behalf of the Board
Date: 30 September 2022

REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2022

The Remuneration Report is prepared using the Government Financial Reporting Manual (FRoM).

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 once as the Nominations Committee in 2021/22 to agree the Chairman's appointment process and the Shareholder's Resolution and twice as the Remuneration Committee to agree the annual pay award for Executives and employees and to consider a HR reward framework proposal.

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 2022, these Directors were Ruth Elliot, Alice Hurrell, Victoria McMyn and Nick Sammons. The two Independent Non-Executive Directors on the Board are both remunerated. There are also two external non-remunerated members co-opted to the Audit Committee.

Tim Knighton resigned as Chairman on 31 July 2021. John Clarke was appointed as an independent Board member on 16 June 2021 and as Chairman of the Company from 1 August, until 31 July 2024.

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	2021/22	2020/21
Timothy Knighton (Chairman) ¹	26 March 2015	31 July 2021	5-10	15-20
John Clarke (Chairman) ²	16 June 2021	31 July 2024	15-20	N/A
Graham McAlister	01 April 2018	31 March 2023	0-5	0-5
Neil Phlmister ³	17 October 2017	2 August 2021	N/A	N/A
Alice Hurrell	27 September 2018	30 September 2022	N/A	N/A
Ruth Elliot ⁴	1 April 2018	31 March 2024	N/A	N/A
Nick Sammons ⁵	30 March 2021	31 March 2024	N/A	N/A
Victoria McMyn ⁶	3 August 2021	31 July 2024	N/A	N/A
Kim Humberstone (co-opted member of the Audit Committee)	27 September 2018	30 September 2022	N/A	N/A
Victoria McMyn (co-opted member of the Audit Committee) ⁶	15 June 2020	31 May 2022	N/A	N/A

1. Tim Knighton resigned from the Board on 31 July 2021.
2. John Clarke was appointed as an Independent Board member on 18 June 2021 and UK SBS Chairman from 1 August 2021.
3. Neil Philpister resigned from the Board on 2 August 2021.
4. Ruth Elliot was re-appointed by the Board in March 2022 for a two-year term.
5. Nick Sammons was appointed to the Board on 30 March 2021 for a one-year term. Nick was re-appointed by the Board in February 2022 for a two-year term.
6. Victoria McMyn was appointed as a Board member for a three-year term but resigned from the Board and Audit Committee on 31 May 2022.

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	31 December 2021	3 months
David Walder	1 January 2022	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 2021/22 and none were paid (2020/21: 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 director in UK SBS in the financial year 2021/22 was £145,000-£150,000 (2020/21: £145,000-£150,000). This was 6.4 times (2020/21: 6.6) the lower quartile of the workforce, which was £23,205 (2020/21: £22,658)

The banded remuneration of the highest-paid director in UK SBS in the financial year 2021/22 was £145,000-£150,000 (2020/21: £145,000-£150,000). This was 5 times (2020/21: 5) the median remuneration of the workforce, which was £29,330 (2020/21: £29,614).

The banded remuneration of the highest-paid director in UK SBS in the financial year 2021/22 was £145,000-£150,000 (2020/21: £145,000-£150,000). This was 3.9 times (2020/21: 3.9) the upper quartile of the workforce, which was £38,235 (2020/21: £38,366).

The highest paid director of UK SBS percentage change from the previous financial year of salary and allowances is 0% on salary and allowances.

The employees of UK SBS taken as a whole (excluding the highest paid director), the average percentage changes from the previous financial year of salary and allowances is 0% on an average salary of £32,256 (20/21 £32,256).

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.
Remuneration of Senior Employees (subject to audit)

Employee Name	Single total figure of remuneration							
	Salary (£'000)		Bonus Payments (£'000)		Pension Benefits (£'000)		Total (£'000)	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Arnott J	100-105	95-100	0	0	0	0	100-105	95-100
Semple R	145-150	145-150	0	0	0	0	145-150	145-150
Lewis A	120-125	120-125	0	0	-5	34	115-120	155-160
Rendall M	70-75	90-95	0	0	38	31	105-110	120-125
White J	95-100	90-95	0	0	44	30	135-140	120-125
Dawe C	85-90	85-90	0	0	37	30	120-125	115-120
Walder D	25-30	-	0	-	128	-	155-160	-

David Walder became a member of the Executive Team on 1st Jan 2022; the table above reflects remuneration from that date. The full year equivalent remuneration he received in 2021/22 was £105-110k.

Michael Rendall left the Company on 31st Dec 2021 and his full year equivalent salary was £90-95k.

No Executive bonuses were awarded in the years 2021/22 or 2020/21.

Pension Benefits of Senior Employees (subject to audit)

Employee Name	Accrued pension and lump sum at pension age as at 31/03/2022 (£5,000 bands)	Real increase in pension and lump sum at pension age as at 31/03/2022 (£2,500 bands)	Cash equivalent transfer value as at 31/03/2022 (£'000)	Cash equivalent transfer value as at 31/03/2021 (£'000)	Real increase in cash equivalent transfer value as at 31/03/2022 (£'000)
Lewis A	55 - 60 Lump sum 165-170	0 - 2.5 Plus a lump sum of 0 - 2.5	1,235	1,159	(5)
Rendall M	25 - 30	0 - 2.5	431	388	29
White J	15 - 20	2.5 - 5	245	201	33
Dawe C	20 - 25	2.5 - 5	378	323	31
Walder D	5 - 10	5 - 7.5	78	-	75

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 UK SBS. 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 who have given permission for RCPS to continue 'as is' for the time being.

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

Annual Pensionable Earnings (full-time equivalent basis)	Classic 2021/22 contributions	Premium, Classic Plus & Nuvos 2020/21 contributions
£0 - £23,100	4.60	4.60
£23,101 - £56,000	5.45	5.45
£56,001 - £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.

For and on behalf of the Board



Richard Semple, Chief Executive Officer
UK Shared Business Services Ltd.
Date 30 September 2022

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 Limited for the year ended 31 March 2022 which comprise UK Shared Business Services Limited's

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the UK adopted International Accounting Standards.

In my opinion the financial statements:

- give a true and fair view of the state of UK Shared Business Services Limited's affairs as at 31 March 2022 and its profit for the year then ended; and
- have been properly prepared in accordance with UK adopted International accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on regularity

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

Basis for opinions

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

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I have also elected to apply the ethical standards relevant to listed entities. I am independent of UK Shared Business Services Limited in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which I report by exception

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

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

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

Responsibilities of the directors for the financial statements

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

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as directors determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing UK Shared Business Services Limited's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

- the nature of the sector and control environment including the design of UK Shared Business Services Limited's accounting policies and key performance indicators.
- Inquiring of management, UK Shared Business Services Limited's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to UK Shared Business Services Limited's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including UK Shared Business Services Limited's controls relating to UK Shared Business Services Limited's compliance with the Companies Act 2006 and Managing Public Money.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

I also obtained an understanding of UK Shared Business Services Limited's framework of authority as well as other legal and regulatory frameworks in which UK Shared Business Services Limited operates, focusing on those laws

and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of UK Shared Business Services Limited. The key laws and regulations I considered in this context included Companies Act 2006, Managing Public Money, employment law and tax legislation.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management and the Audit and Risk Committee concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- in addressing the risk of fraud through the recognition of the Programmes and Recoverable Income streams, assessing the reasonableness of the timing (cut-off) of recognition of this income through increased substantive sample testing of the Programmes and Recoverable income accrued at the year end.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my report.

Other auditor's responsibilities

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

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

Stephen Young (Senior Statutory Auditor)



5 October 2022

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 2022

	Notes	2022 £000	2021 £000
CONTINUING OPERATIONS			
Revenue	2.1	40,102	40,701
Cost of sales	2.2	(35,545)	(37,146)
GROSS PROFIT		4,557	3,555
Administrative expenses	2.3	(4,507)	(3,917)
OPERATING PROFIT		50	(362)
Lease Interest		(1)	(3)
Finance Income		0	1
PROFIT BEFORE INCOME TAX		49	(364)
Taxation	5	0	0
PROFIT FOR THE YEAR		49	(364)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE PROFIT FOR THE YEAR		49	(364)

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

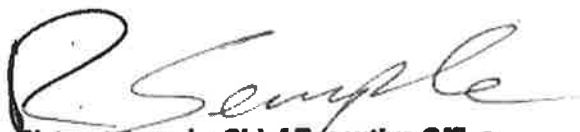
The Company has large retained losses because since the Company's inception it has not included depreciation and amortisation within the cost base used to calculate service charges to clients. Therefore, depreciation on those non-current assets that were initially funded from share capital generated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

Included within Cost of Sales is £1.8m cost of depreciation and amortisation (20/21 £1.7m). 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 2022

	Notes	2022 £000	2021 £000
ASSETS			
NON-CURRENT ASSETS			
Intangible Assets	6	3,839	2,373
Property, plant and equipment	6	2,758	2,381
Right of use assets	10	79	145
		6,676	4,879
CURRENT ASSETS			
Trade and other receivables	7	4,267	5,585
Cash and cash equivalents	8	3,371	1,521
		7,638	7,106
TOTAL ASSETS		14,314	11,985
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	7,911	6,849
Leases	10	14	66
		7,925	6,915
NET CURRENT ASSETS		(287)	191
NON CURRENT LIABILITIES			
Other Payables	9	4,009	2,725
Leases	10	4	18
		11,938	9,658
NET ASSETS		2,376	2,327
SHAREHOLDERS' EQUITY			
Called up share capital	12	62,016	62,016
Retained earnings		(59,640)	(59,689)
TOTAL EQUITY		2,376	2,327

The financial statements were approved by the Board of Directors on 29 September 2022 and were signed on its behalf by:



Richard Semple, Chief Executive Officer
UK Shared Business Services Ltd
Date: 30 September 2022

Statement of Cash Flows for the year ended 31 March 2022

	Notes	2022 £000	2021 £000
Cash flows from/(used in) operating activities			
Operating profit		50	(362)
Depreciation charges tangible assets	6	745	707
Depreciation charge right of use assets	10	66	119
Amortisation charge intangible assets	6	949	820
Decrease/(increase) in prepayments	7	(248)	(382)
Decrease/(increase) in receivables	7	1,586	(170)
(Decrease)/increase in payables	9	2,346	1,086
Net Cash Inflow from Operating Activities		5,474	1,008
Cash flows from/(used in) investing activities			
Purchases of tangible fixed assets	6	(1,142)	(637)
Purchases of intangible fixed assets	6	(2,415)	(1,661)
Taxation	5	0	0
Interest received		0	1
Net cash from/(used in) investing activities		(3,557)	(2,297)
Net cash from/(used in) Financing Activities			
Repayment of capital element of obligations under leases		(66)	(177)
Lease liability interest		(1)	(3)
Net cash from/(used in) Financing activities		(67)	(180)
Increase/(decrease) in cash and cash equivalents		1,850	(569)
Cash and cash equivalents at beginning of year	8	1,521	2,090
Cash and cash equivalents at end of year	8	3,371	1,521

Statement of Changes In Equity

	Called up share capital £000	Retained earnings £000	Total equity £000
Balance as at 1 April 2020	62,016	(59,325)	2,691
Retained profit/(loss) for 2020/21	-	(364)	(364)
Balance at 31 March 2021	62,016	(59,689)	2,327
Retained profit/(loss) for 2021/22	-	49	49
Balance at 31 Mar 2022	62,016	(59,640)	2,376

Notes to the Financial Statements for the year ended 31 March 2022

1. Accounting Policies

1.1 Basis of preparation

These financial statements have been prepared in accordance with UK-adopted International Accounting Standards 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 and do not conflict with the Companies Act.

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 estimation uncertainty that have a significant effect on the amounts recognised in the financial statements other than as disclosed in the financial statements.

1.2 Going concern basis

The Directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future. The financial statements are therefore prepared on the basis of going concern. This opinion is based on commitments made by the Shareholders that they will continue to take service from the Company. The Strategic Report refers to uncertainty relating to decisions to be made by the Matrix cluster, but because of the relatively small proportion of the Company's income that might be at risk, this uncertainty is not considered by the Directors to represent a threat to the continued existence of the Company.

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 and concluded that they are either not relevant to the Company or would not have a significant impact on the Company's financial statements.

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. Funding from clients for capital expenditure is deferred initially and then released as the underlying funded assets are depreciated.

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. The revenue received from each customer is aligned to the estimated cost of providing each service.

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.

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.

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 capitalised development costs have 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 an obligation on RCPS and are consequently not included in these financial statements.

1.11 VAT

Revenue is stated net of VAT where VAT is applicable. Because the Company doesn't apply VAT to income from within the same VAT group, it has to comply with a limited partial recovery formula for input VAT 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	2021/22	2020/21
Rendering of services	£000	£000
Department for Business, Energy and Industrial Strategy	10,098	10,740
UK Research and Innovation	27,091	27,407
Revenue from related parties	37,189	38,147
Other Non-Departmental Public Bodies	13	11
Other Central Government Bodies	2,900	2,536
Other Income	0	7
Total revenue	40,102	40,701

Revenue is recognised 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. Costs are fully 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.

2021/22 Income analysis	Standard service charges	Recoverables	Other service charges	Transition/ Programmes	Deferred Income Release	Total
	£000	£000	£000	£000	£000	£000
BEIS	8,449	0	92	254	1,303	10,098
UKRI	25,044	591	0	1,143	313	27,091
ONDPB	13	0	0	0	0	13
OCGB	2,857	0	0	43	0	2,900
Other Income	0	0	0	0	0	0
Total	36,363	591	92	1,440	1,616	40,102

2020/21 Income analysis	Standard service charges	Recoverables	Other service charges	Transition/ Programmes	Deferred Income Release	Total
	£000	£000	£000	£000	£000	£000
BEIS	7,899	33	0	1,420	1,588	10,740
UKRI	24,499	712	0	2,196	0	27,407
ONDPB	11	0	0	0	0	11
OCGB	2,536	0	0	0	0	2,536
Other income	0	0	0	7	0	7
Total	34,745	745	0	3,623	1,588	40,701

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.

	2021/22 £000	2020/21 £000
Payroll costs	22,128	22,102
IT equipment, maintenance and software	9,234	9,849
Consultancy	1,231	2,158
Depreciation	745	707
Amortisation	949	920
Depreciation of right of use assets	66	119
Cost of Goods Sold	526	765
Telecommunications	448	277
Travel and subsistence	28	73
Other	180	176
Cost of sales of continuing activities	35,545	37,146

2.3 Administrative Expenses

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

	2021/22 £000	2020/21 £000
Payroll costs	2,928	2,914
Administrative costs	1,490	938
External audit	89	65
Total administrative expenses	4,507	3,917

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

The external audit fee was £70k plus VAT.

Included in the audit fee above is an increase in cost of £4k plus VAT from 2020/21.

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

	2021/22 £000	2020/21 £000
Wages and salaries	18,585	18,910
Social security costs	1,833	1,724
Other pension costs	4,638	4,382
	<hr/> 25,056	<hr/> 25,016

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

Included in the employment costs above are amounts in relation to directors of the company as shown in the directors' report. There is no performance related pay in respect of directors and there has been no compensation for loss of office during the period. The remuneration of the directors was £177,861 (2020/21, £169,272) and nil pension contributions are paid.

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

	2021/22	2020/21
Average number of employees	622	600
Average number of employees (full time equivalent)	589	570
Average number of contractors	21	25

Included in the figures above are 8 employees on fixed term contracts with a combined salary of £192k (2020/21, 13 employees on fixed term contracts with a combined salary of £449k).

4. Profit before Income Tax

The profit before income tax is stated after charging:

	2021/22 £000	2020/21 £000
Depreciation – tangible assets	745	707
Amortisation – intangible assets	949	920
Depreciation – right of use assets	66	119
External auditors' remuneration (including VAT)	89	65

5. Income Tax

The income tax charge in the Statement of Comprehensive Income comprises Corporation Tax charged at 19% (2020/21 19%) on bank interest receivable plus any adjustments arising from prior years. Corporation Tax of £0k is recognised for 2021/22 (2020/21 £0k).

There is no deferred tax in these financial statements relating to 2021/22 or 2020/21.

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.

6. Non-current Assets

INTANGIBLE ASSETS		PROPERTY, PLANT AND EQUIPMENT	
	Software & Intangibles £000		Plant & machinery £000
COST		COST	
At 1 April 2021	63,249	At 1 April 2021	4,932
Additions	2,415	Additions	1,142
Disposals	0	Disposals	0
At 31 Mar 2022	65,664	At 31 Mar 2022	6,074
AMORTISATION		DEPRECIATION	
At 1 April 2021	60,876	At 1 April 2021	2,571
Disposals	0	Disposals	0
Charge for year	949	Charge for year	745
At 31 Mar 2022	61,825	At 31 Mar 2022	3,316
NET BOOK VALUE		NET BOOK VALUE	
At 31 Mar 2022	3,839	At 31 Mar 2022	2,758
COST		COST	
At 1 April 2020	61,749	At 1 April 2020	11,055
Additions	1,661	Additions	637
Disposals	(161)	Disposals	(6,760)
At 31 March 2021	63,249	At 31 March 2021	4,932
AMORTISATION		DEPRECIATION	
At 1 April 2020	60,117	At 1 April 2020	8,624
Disposals	(161)	Disposals	(6,760)
Charge for year	920	Charge for year	707
At 31 March 2021	60,876	At 31 March 2021	2,571
NET BOOK VALUE		NET BOOK VALUE	
At 31 March 2021	2,373	At 31 March 2021	2,361

Included within the note above are assets under construction that as at 31 March 2022 have not started to depreciate. Software and intangibles £2,254k (20/21 £1,661k) and property, plant and equipment £1,116k (20/21 £866k).

Depreciation methods, useful lives and residual values of the non-current assets were reviewed by the Company as at 31 March 2022.

7. Trade and Other Receivables

Current:	2021/22	2020/21
	£000	£000
Trade receivables	319	2,847
Other receivables	2	9
Accrued Income	2,243	1,274
Prepayments	1,703	1,455
	4,267	5,585

8. Cash and Cash Equivalents

	2021/22	2020/21
	£000	£000
Current cash and equivalents	3,371	1,521

9. Trade and Other Payables

Current:	2021/22	2020/21
	£000	£000
Trade payables	821	794
Other payables	791	287
Accruals	3,736	3,816
Deferred Income	2,583	1,952
	7,911	6,849
Non-Current:		
Deferred Income received from related parties	4,009	2,725
	4,009	2,725

10. Right-of-Use Assets

	2021/22 £000	2020/21 £000
Capitalised asset balance as at 01 Apr 20	145	264
Depreciation charge for year	(66)	(119)
Net asset balance as at 31 Mar 21	79	145

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

	2021/22 £000	2020/21 £000
Within one year	14	66
Between two and five years	4	18
Over five years	0	0
Total lease liability	18	84

The lease asset is depreciated on a straight-line basis over 5 years at an annual cost of £66k.

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

The discount rate used for the right of use asset is as issued annually in the HM Treasury Public Expenditure System (PES).

11. 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.

12. Called Up Share Capital

Ownership of the Company

As at 31 Mar 2022, 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 (UKRI) 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:	2021/22 £	2020/21 £
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

13. 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's 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 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 2021/22 were £4.6m (2020/21 £4.4m).

Some employees have retained alternative pension arrangements that originated with the organisations from which they transferred. For 2021/22 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 RCPS 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 2018 was completed in February 2021.

14. Related Parties

Revenue from related parties is detailed in note 2.

Expenditure with related parties during the year was as follows

	2021/22 £000	2020/21 £000
Department for Business, Energy and Industrial Strategy	44	155
UK Research and Innovation	1,265	1,242
	<u>1,309</u>	<u>1,397</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

	2021/22 £000	2020/21 £000
Due within 1 year:		
Department for Business, Energy and Industrial Strategy	101	1,414
UK Research and Innovation	2,167	2,527
	<u>2,268</u>	<u>3,941</u>

Trade payables and accruals balances with related parties

	2021/22 £000	2020/21 £000
Due within 1 year:		
Department for Business, Energy and Industrial Strategy	44	0
UK Research and Innovation	673	409
	<u>717</u>	<u>409</u>

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 a cost-recovery 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 2022 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.

The accounts provide disclosure of all material transactions with those who are recognised as key management personnel as per IAS 24 'Related Parties'. This is taken to be those members of staff who are included under Executive Directors' remuneration in the Remuneration Report and all UK SBS Board members. Currently there are no additional disclosures due to related parties.

15. Losses and Special Payments

There were 5 losses during the financial year 2021/22 totalling £9k (2020/21 £0).

16. 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. The financial statements were approved by the Board of Directors on 29 September 2022