



UK Research  
and Innovation

# Annual Report and Accounts 2022-23

Transforming tomorrow together







**UK Research  
and Innovation**

# **Annual Report and Accounts 2022-23**

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Presented to Parliament pursuant to Section 14 (5) of Schedule 9  
of the Higher Education and Research Act 2017.

Ordered by the House of Commons to be printed on 13 July 2023.



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Any enquiries regarding this publication should be sent to us at Polaris House, North Star Avenue, Swindon SN2 1ET

ISBN: 978-1-5286-4030-5

E-Number: E02892454

Printed on paper containing 75% recycled fibre content minimum.

Printed in the UK by UKRI Creative Services on behalf of the Controller of His Majesty's Stationery Office.

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# 1

## 1. Introduction

# Introduction by the Chair



**Sir Andrew Mackenzie (Chair)**

I am delighted to introduce the fifth UK Research and Innovation (UKRI) Annual Report and Accounts. 2022–23 has been a year of great challenge, globally and locally.

I am reminded constantly of the power of research and innovation (R&I) to solve immediate and long-term challenges, and of the important role UKRI plays in this. Five years after the creation of UKRI we had another transformative change in the landscape of public R&I with the creation of a new Department for Science, Innovation and Technology (DSIT) and its publication of the 10-point Science and Technology Framework, which builds on the foundations of our Strategy.

The establishment of DSIT as UKRI's new sponsor<sup>1</sup> is an extraordinary thing, which gives R&I a seat at the Cabinet table, and better leverages UKRI as a key national asset with global strengths across all disciplines and sectors for the betterment of our country.

Investment in R&I fuels economic growth, affordable public services, and high-quality job creation throughout the UK. It is an investment in all our futures, which tackles emerging technologies such as Artificial Intelligence (AI) and Quantum Technologies, energy security, environmental sustainability and global health.

The Chancellor reiterated the government's commitment to increasing investment in R&I to £20 billion by 2024–25 in his Autumn Statement, despite the huge pressures on the public finances. This has allowed us to plan and deliver with sight of a longer time horizon than ever before in

UKRI's history. We have worked as a single organisation to take advantage of this. For example, we initiated a new pan-UKRI funding opportunity to support interdisciplinary R&I, launched five cross-UKRI strategic themes to tackle large-scale, complex challenges, and developed new approaches to accelerate commercialisation of breakthroughs and transform sectors key to the future economy.

This year we welcomed the independent review of UKRI led by Sir David Grant, and reviews of Research Bureaucracy led by Professor Adam Tickell and of the Research, Development and Innovation (RDI) organisational landscape by Professor Sir Paul Nurse. The reviews have shown us how to clarify and accelerate our organisational and culture change programmes.

I thank and recognise Professor Dame Ottoline Leyser for her strong and creative leadership of the development and implementation of our strategy and our change programmes, which makes sure we realise our ambitions effectively and efficiently.

I thank Professor Sir Leszek Borysiewicz and Lord John Browne of Madingley (who stepped down from the Board this year) for their invaluable contributions to the success of UKRI, and welcome Professor Nola Hewitt-Dundas who joined our Board in autumn 2022.

UKRI has achieved much in its first five years, and will continue to deliver a healthy, connected R&I system for the UK that allows people and ideas to flourish, and deliver economic and social impacts to the benefit of all.

<sup>1</sup> On 7 February 2023, the prime minister announced a major machinery of government change which redistributed the activities of several existing government departments, including BEIS, and created three new departments, the Department for Business and Trade, the Department for Science, Innovation and Technology (DSIT), and the Department for Energy Security and Net Zero. UKRI has been designated to DSIT with accounting officer responsibilities formally transferred from 1 April 2023.



# Introduction by the CEO



**Professor Dame Ottoline Leyser (Chief Executive)**

April 2023 marked five years since the creation of UKRI. We have achieved a lot in those five years, operating in extraordinary times. Collectively, we are shaping a research and innovation (R&I) system that is driving economic, social, environmental, and cultural benefits across the UK. This Annual Report captures our achievements for the 2022–23 financial year.

This year is the first of our five-year strategy, Transforming Tomorrow Together, which is deeply aligned with DSIT ambitions set out in the Science and Technology Framework. Throughout the year, I have had the privilege of leading a series of events across the UK to discuss the strategy with the communities we serve. It has been truly inspiring to see how UKRI's work enables so many talented people to do so many extraordinary things, and to feel the growing momentum behind the shared endeavour needed to deliver our Strategy for the UK.

We are funding people and teams in over 140 universities, 60 institutes and 3,000 companies across the UK, supporting a diverse range of research and innovation environments. Our investments in R&I deliver benefits across the whole of the UK. This year we announced £100 million of funding through the Innovation Accelerator pilot programme to accelerate the growth of high-potential innovation clusters in Glasgow, Greater Manchester and the West Midlands. In addition to driving the development, adoption and diffusion of new technologies, these clusters will attract private R&D investment, create new jobs and boost economic growth.

To capture the extraordinary potential of research and innovation to improve lives, strengthen our economy, create high-quality jobs and improve public services we must include and value the full range of talented people

and teams and their many different roles. This year we published our equality, diversity and inclusion strategy setting out how we will foster a more diverse and inclusive R&I system in the UK, and we launched our Public Engagement Strategy, outlining how we will involve wider society in R&I, ensuring its benefits are widely shared.

The year has not been without challenges. The wider economic climate, especially inflation, is impacting our investment in R&I, and the lives of many people in the communities we serve and across our organisation. Our Corporate Plan and Council Strategic Delivery Plans, published this year, support the implementation of our Strategy and have been critical in guiding the choices we have made on where to focus our efforts and resources, helping us to champion a diverse and connected system with the resilience and engagement needed to deliver with agility and impact. These principles are fundamental to how we work as an organisation, and to creating the conditions for the UK's R&I system to thrive.

We have worked hard with our partners to manage and mitigate the delays over the UK's association to Horizon Europe, which continues to impact our R&I communities. The UKRI-delivered Horizon Europe Guarantee scheme has now issued over £1 billion of grant offers. This is a major milestone enabling thousands of projects tackling vital issues to get underway. At the same time, we are working to ensure we are ready if the UK's ambition to associate cannot be realised on fair and appropriate terms.

The scale of the challenges we face globally, from addressing and adapting to climate change to pandemic preparedness, requires strong global R&I partnerships. International collaboration is vital to addressing these questions and is also critical to maintaining the UK's position as a world leader in research and innovation. This year we published our International Strategic Framework, describing how we will work in partnership with others to achieve the ambitions set out in our UKRI strategy. On behalf of DSIT, we launched the first 11 programmes of the government's new International Science Partnerships Fund to address global challenges, build knowledge and develop the technologies of tomorrow.

We are committed to ensuring that effective international collaboration takes place within strong ethical frameworks. We continue to update our policies and approaches to reflect best practice relating to Trusted Research and Innovation, ensuring we better protect our intellectual property and sensitive research.

I want to thank UKRI's staff for their commitment and the incredible work done to deliver our strategic objectives,



contributing to strengthening the UK's world-class people and careers, places, ideas, innovation, impacts and, of course, to making ourselves a more efficient and effective organisation. It is down to their extraordinary talent and commitment that we have achieved so much this year.

I also want to thank Sir Andrew Mackenzie for his role in UKRI's success and would like to echo his thanks to our outgoing Board Members for their immense contribution to UKRI. I would like to express my deepest gratitude to Professor David Sweeney and Professor Alison Park for their contributions to UKRI's senior leadership as Executive Chair for Research England (RE) and Interim Executive Chair for the Economic and Social Research Council (ESRC), and to welcome Stian Westlake as incoming Executive Chair for ESRC, and Professor Dame Jessica Corner as Executive Chair for RE.

The year ahead will bring significant opportunities and challenges for UKRI. To deliver for our communities, and for the UK, we need to be as effective and efficient as possible. We welcomed the advice of the

independent review of UKRI and the reviews of [Research Bureaucracy](#) and of the [Research, Development and Innovation Organisational Landscape](#). We are implementing significant changes across the organisation, including replacing our main digital platforms. This includes making the way we deliver our funding simpler, through the Simpler and Better Funding (SBF) programme, and we will implement a new operating model to ensure that we make the most of the impressive diversity of people, skills and expertise we have across the organisation, increasing our agility to respond to new challenges and opportunities.

Our work this year illustrates our commitment to convene, catalyse and invest in the communities we serve to harness the power of research and innovation to transform tomorrow together. In the coming year, we look forward to working with the new Department for Science, Innovation and Technology, uniquely empowered to work across government through the Science and Technology Framework, creating an unprecedented opportunity to realise our vision faster.



# 2

## 2. Performance Report

The **Performance Overview** section provides a summary of our performance, our finances, our response to challenges over the year, and how we manage key risks.

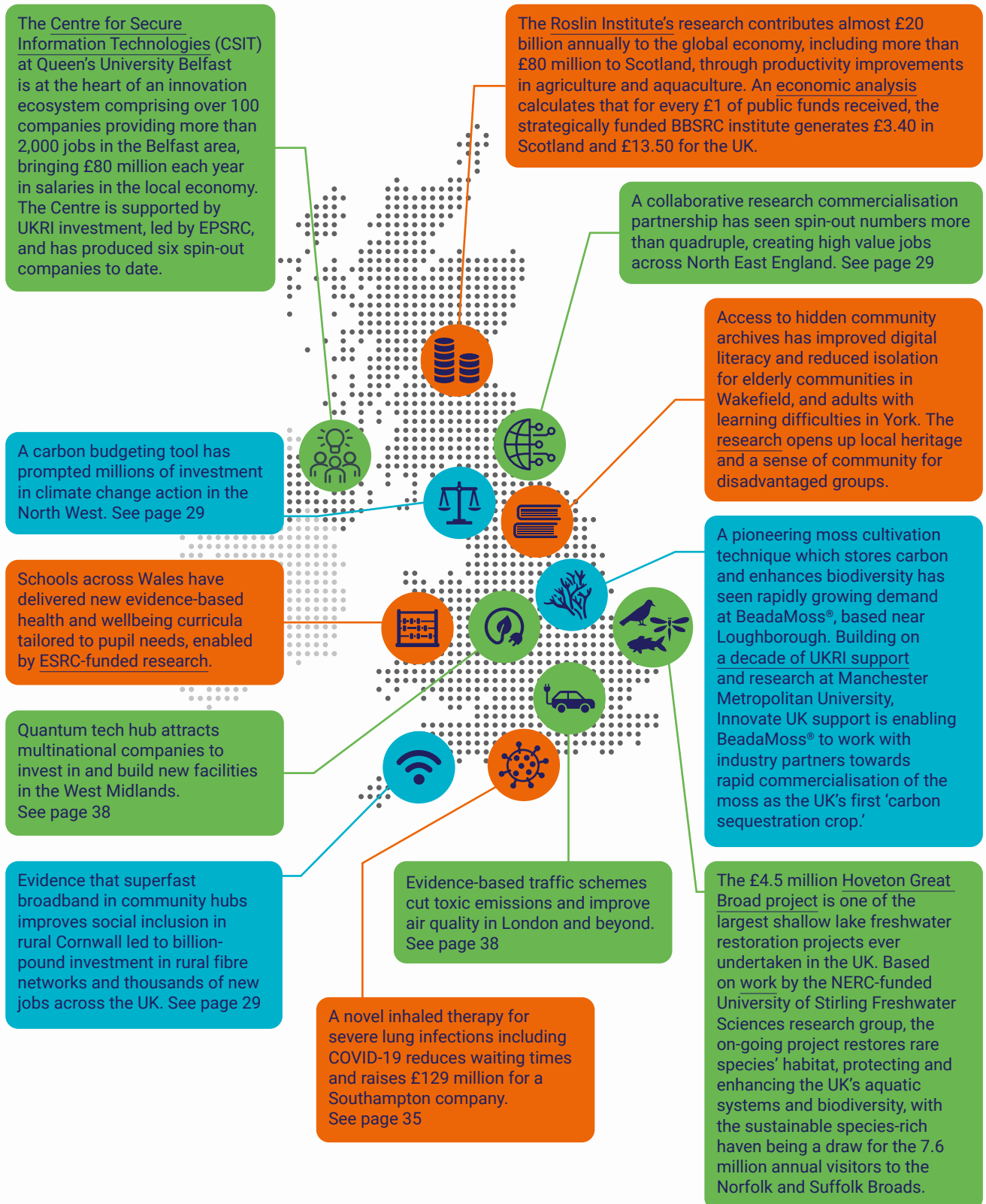
The **Performance Analysis** describes in more detail how we have delivered over the year. Each section includes the relevant ambitions we set out in our Corporate Plan and describes UKRI's progress against them.

# Performance Overview

## About us

UK Research and Innovation (UKRI) is the largest public funder of research and innovation in the UK, spanning all disciplines and all sectors. We invest in people, places, ideas, innovation and impacts, empowering researchers, innovators and entrepreneurs to turn the many challenges we face into opportunities, driving up prosperity and

wellbeing across the UK and globally. We leverage our breadth and depth of knowledge of R&I to harness the full potential of the UK's talent and creativity. We work with partners to transform tomorrow together, and the impacts of our work are felt right across society.



The six strategic objectives in our strategy, *Transforming Tomorrow Together*, will ensure that the UK has the people, institutions, infrastructures and partnerships to support a thriving R&I system, supporting talented teams and

innovative organisations to tackle complex national and global challenges and drive social, environmental, cultural and economic benefits across the UK.

**Our purpose – transforming tomorrow together**

UKRI is the engine for the UK as a research and innovation powerhouse. We invest more than £8 billion each year on behalf of the UK government, leveraging expertise across all disciplines and sectors. We inspire and enable talented people to push the boundaries of discovery, support innovative businesses to grow and scale, and target solutions to national and global priorities.

Our strategy sets out how we will work with our many partners and stakeholders to foster an outstanding research and innovation system in the UK that drives economic, social, environmental and cultural benefits for all citizens, transforming tomorrow together.

**Our principles for change – we will embed these principles across all our work, to drive change and create the conditions for an outstanding research and innovation system**

<b>Diversity</b> of ideas, people, activities, skills, institutions and infrastructures advances knowledge, increases quality and creativity.	<b>Resilience</b> ensures the agility, capability, and flexibility needed to withstand shocks, deliver long-term goals and capture new opportunities.
<b>Connectivity</b> across disciplines, sectors and borders catalyses new ideas and approaches to deliver impact.	<b>Engagement</b> shapes research and innovation to reflect the needs, perspectives and motivations of diverse stakeholders and the public.

**Our strategic objectives provide the framework for how we will achieve our vision and realise our principles, through world-class:**

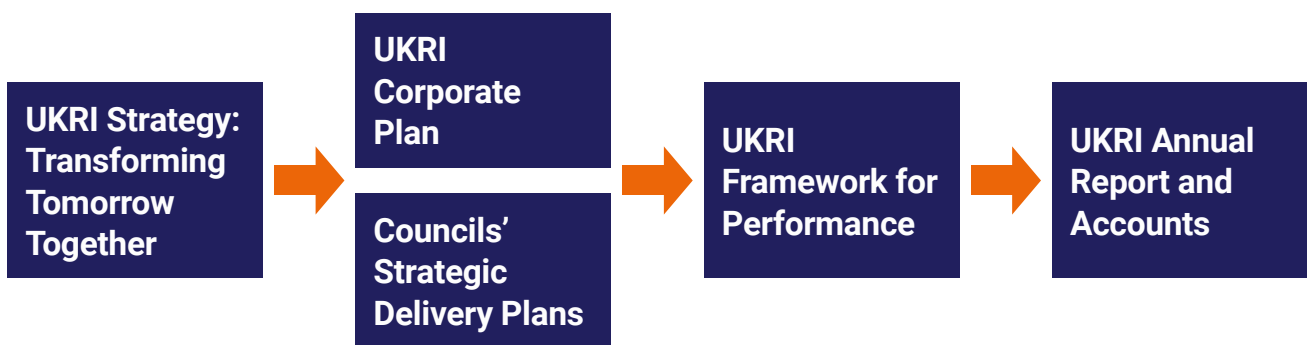
People and careers	Places	Ideas	Innovation	Impacts
Making the UK the most attractive destination for talented people and teams from the UK and around the world.	Securing the UK’s position as a globally leading research and innovation nation with outstanding institutions, infrastructures, sectors and clusters across the breadth of the country.	Advancing the frontiers of human knowledge and innovation by enabling the UK to seize opportunities from emerging research trends, multidisciplinary approaches and new concepts and markets.	Delivering the government’s vision for the UK as an innovation nation, through concerted action of Innovate UK and wider UKRI.	Focusing the UK’s world-class science and innovation to target global and national challenges, create and exploit tomorrow’s technologies, and build the high-growth business sectors of the future.

Supported by a **world-class organisation** – making UKRI the most efficient, effective and agile organisation it can be.

UKRI shapes and supports a diverse and connected research and innovation (R&I) landscape that is resilient and deeply engaged with society. We enrich lives by increasing our understanding of ourselves and the world around us, supporting innovative businesses and public services, and creating high-quality jobs throughout the UK.

We seek to be a responsible organisation in the activities, research and innovation we fund, and in how we inspire, lead and engage our staff, our partners and our communities. Our four principles for change – diversity, connectivity, resilience, and engagement – are fundamental to how we work as an organisation and will help to create the conditions for the UK’s research and innovation system to flourish.

This 2022–23 Annual Report and Accounts sets out the progress we have made against our ambitions and activities as laid out in our 2022–25 Corporate Plan. The Corporate Plan, alongside the nine Strategic Delivery Plans of our councils, describes the ways in which we deliver through the current Spending Review period (2022–25) and how we monitor our progress in delivering against our six strategic objectives, which underpin the analyses presented in this Performance Report.





Our living UKRI Framework for Performance allows us to articulate our performance at distinct stages within the R&I cycle and is underpinned by a high-level logic model that links our inputs and activities to the anticipated outputs, outcomes and impacts that realise our strategic ambitions.

Key reporting products layer throughout the year, enabling regular monitoring of our activities and near-term outputs

identified in our Corporate Plan and Strategic Delivery Plans, through longer-term holistic reporting on how we are enabling the outcomes and impact identified within our Strategy using a Balanced Scorecard approach.

Our refreshed Corporate Plan will set out our activities for 2023–24 as we continue to deliver against our strategic objectives and ambitions.



# How we are organised and governed

In 2022–23 UKRI was a non-departmental public body of the Department for Business, Energy & Industrial Strategy (BEIS). In February 2023, the prime minister announced a major machinery of government change which redistributed the activities of several existing UK government departments, including BEIS, and created three new departments, the Department for Business and Trade, the Department for Science, Innovation and Technology (DSIT), and the Department for Energy Security and Net Zero. UKRI has been designated to DSIT with accounting officer responsibilities formally transferred from 1 April 2023.

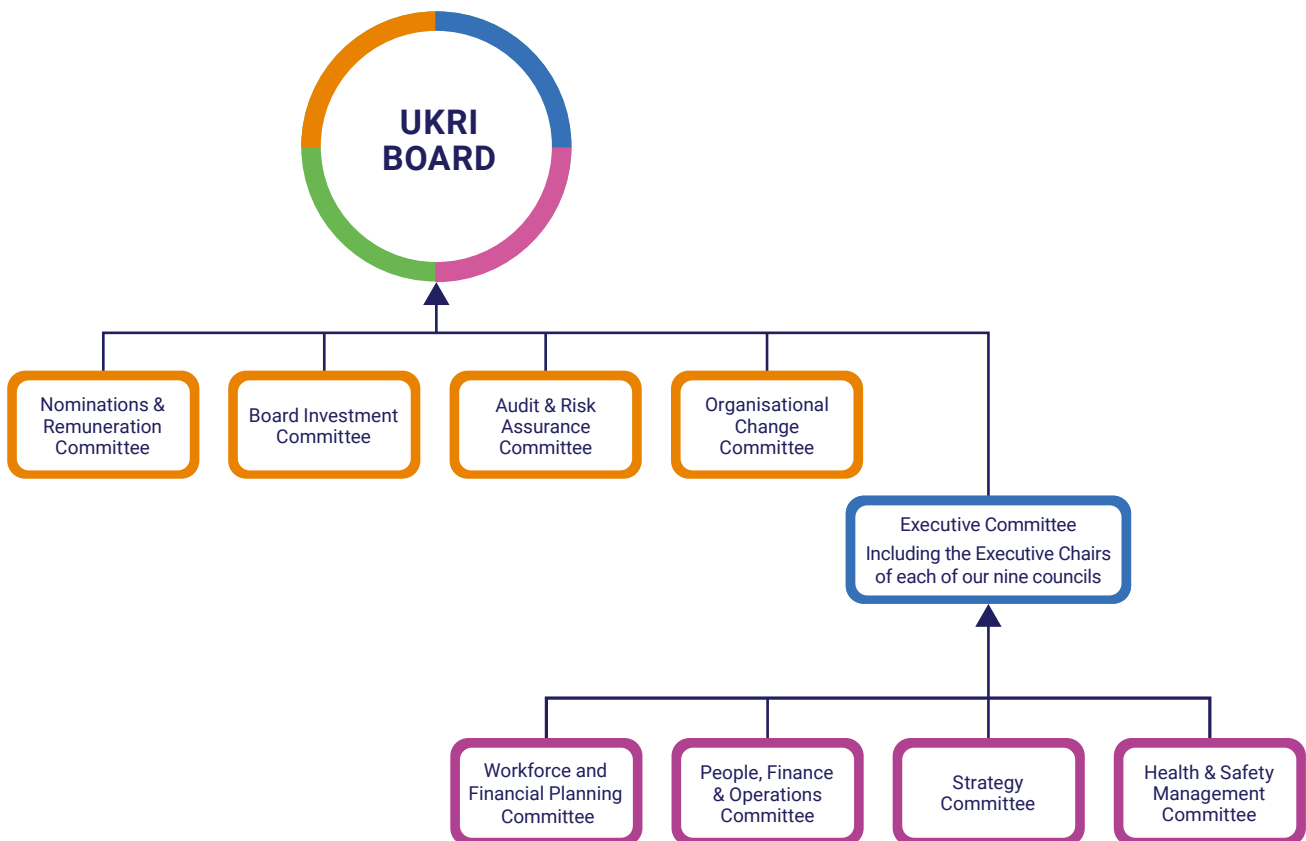
We are nine councils working individually and collectively across all disciplines and sectors. We use our broad reach and deep expertise to support a dynamic investment portfolio with aligned incentives.

The UKRI Board is our primary governing body. It oversees and directs our activities, including delivery of our strategy. The Board provides updates and advice to the DSIT Secretary of State.

Our Executive Committee (ExCo) provides strategic advice to the Board and is responsible for delivering the Board’s vision by overseeing the organisation’s overall performance and delivery.

ExCo is comprised primarily of the Executive Chairs of each of our nine councils, each of whom is advised by a Council of external members.

Further details of our governing bodies can be found in our Governance Statement on page 60.





# Risk summary

Effective risk management is essential to enabling us to deliver against our strategy. Our goal, through early identification and active management of risks, is to ensure that we can anticipate any impacts to the delivery of our identified priorities, plan mitigations, and more effectively manage issues should they arise. We also have a responsibility for identifying and monitoring key risks which impact the health and vitality of the research and innovation system.

We have identified nine principal risks that are overseen by our Board. These risks are recorded on the Principal Risk Register. They have been organised into four key themes to demonstrate links and interdependencies.

Further information on risks of fraud and error can be found in the counter fraud section of our Governance Statement on page 60.



\* The Horizon Europe Risk covers all four key themes

# Performance summary

**In the 2022 to 2023 financial year our investments included:**

**£1,514 million** in research & development grants, including fully open funding opportunities & targeted opportunities focused on specific priorities

**£2,204 million** institutional block funding to higher education providers in England for research and knowledge exchange

**£647 million** in skills and training for the next generation of researchers, innovators and technicians

**£1,120 million** in infrastructure, from laboratory equipment to major international research facilities

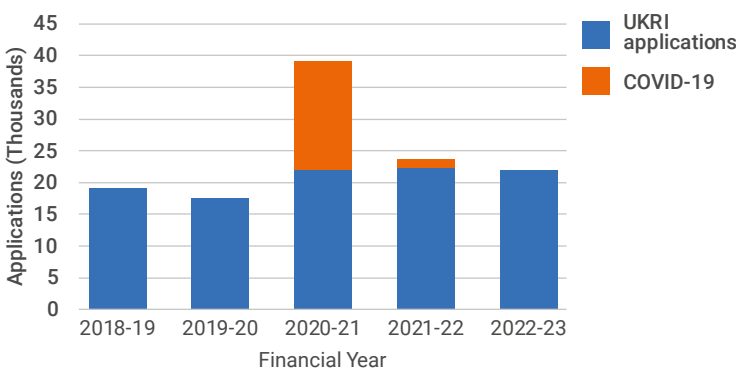
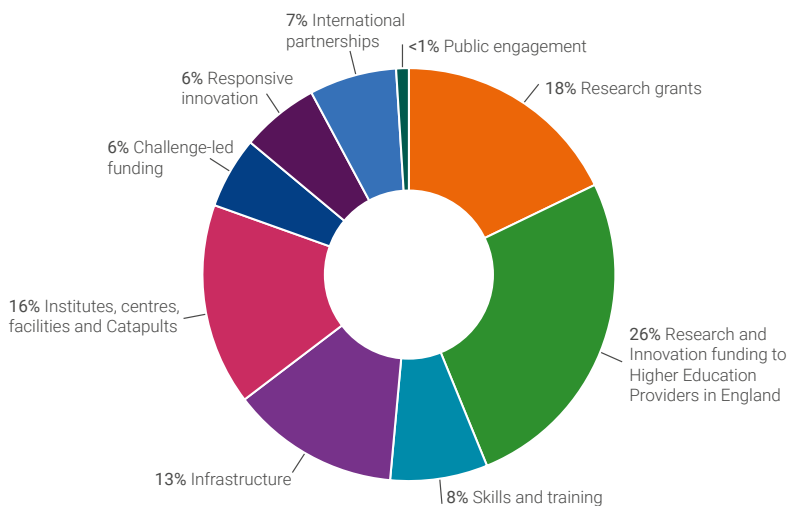
**£1,340 million** towards specialist institutes, centres, facilities and Catapults that provide national capabilities in specific R&I areas, including specialist equipment, expertise and knowledge

**£472 million** in collaborative challenge-led funding to address specific national and global priorities

**£523 million** in innovation project grants that support innovative small and medium-sized enterprises

**£580 million** in international partnerships to collaborate with leaders in their fields worldwide

In addition, we also invested in public engagement activities to involve wider society in R&I, ensure that its benefits are widely shared, and inspire and engage the next generation of researchers and innovators.



Number of applications reviewed by UKRI

**In 2022-23 we:**

assessed over

**22,300**

applications for R&I funding and made 6,118 new awards

supported a further

**1,897**

grants through the Horizon Europe Guarantee

supported

**3,661**

organisations, including 142 universities, 2,750 small and medium-sized enterprises, and our 59 institutes, centres and Catapults

supported over

**57,889**

individuals, including principal investigators, co-investigators, fellows, researcher co-investigators and students

Financial Year	Applications reviewed	
	UKRI applications	COVID-19
2018-19	19,128	
2019-20	17,492	
2020-21	21,852	17,256
2021-22	22,389	1,202
2022-23	22,312	

Our R&I investment award portfolio metrics for 2022-23 are published here: <https://www.ukri.org/what-we-offer/what-we-have-funded/>

# Delivering our strategic objectives

Highlights we have delivered this year include:

## People and careers

- Beginning the transformation in the way we invest in talent, through the creation of the £2 billion collective talent budget
- Setting out our UKRI People and Teams action plan outlining how we will recognise the broad range of contributors needed for a thriving research and innovation system
- Launching our EDI strategy and action plans, refined through our long-term engagement and responses to our consultation
- Announcing our new Public Engagement Strategy, outlining how we will give everyone the opportunity to contribute to and benefit from research and innovation

## Places

- Co-developing pilot Innovation Accelerators with BEIS and city region partnerships stakeholders, to accelerate the growth of three high-potential innovation clusters
- Continuing to develop research capability in established and emerging clusters through investment and connectivity, including investment in infrastructure and research excellence with the potential for expansion
- Publishing our international strategic framework setting out how we will foster international collaboration to deliver our strategy and invest in world-leading ideas

## Ideas

- Announcing the UKRI interdisciplinary responsive mode pilot to unlock exciting new research, innovative approaches and new methods that would not emerge from established disciplinary thinking
- Investing in 6,118 new research and innovation projects across the UK, allowing talented people and teams to pursue their ideas

## Innovation

- Launching the UKRI Innovation and Research Caucus, helping us to develop evidence-led R&I policies, strategies and decision-making, to create a thriving R&I ecosystem
- Supporting researchers and innovators to leverage the investment they need to commercialise, grow their businesses faster, and access networks and infrastructure to enable effective, cutting-edge innovation across the UK

## Impacts

- Harnessing the full power of the UK's research and innovation system to tackle large-scale, complex challenges, catalysing activity across our five Strategic Themes to leverage new and existing investment and partnerships
- Launching the £250 million technology missions to secure the UK's world-leading position in technologies of tomorrow – artificial intelligence, quantum technologies, and engineering biology

## Supported by a world-class organisation

- Further improving the way we work through our organisational change programmes, including early trials of our new funding service, creating a better user experience for applicants for R&I funding
- Launching our explainer series which helps our stakeholders understand who we are, what we do and how we work with the UK government and partners

# Financial overview

UKRI's expenditure is reported on two different bases in this Annual Report and Accounts:

1. The Consolidated Statement of Comprehensive Net Expenditure (page 105) presents net expenditure of £9.3 billion for the UKRI Group. The expenditure is calculated following accounting standards and guidance which are explained in more detail in Note 1 to the financial statements and on a similar basis to those rules applied by organisations internationally.
2. The Outturn against Budget is £9.5 billion. These figures are calculated in accordance with HM Treasury's budgeting framework. The figures used in this Annual Report have been prepared on this basis. There is a difference between these two bases primarily due to additions and disposals of Property, Plant and Equipment totalling £221 million that are capitalised, rather than being included in the Statement of Comprehensive Net Expenditure.

## Outturn against Budget 2022-23

UKRI 2022-23 Budget Allocation	Full year Outturn £m	Full Year Budget £m	Variance to Outturn £m	UKRI Variance to Outturn %
<b>UK Research Base, of which:</b>	<b>7,024.9</b>	<b>6,764.6</b>	<b>(260.2)</b>	<b>-7.0%</b>
Core Research	5,118.5	4,909.0	(209.4)	-4.3%
Non Core Research	1,906.4	1,855.6	(50.8)	-2.7%
R&D Other	485.8	523.4	37.5	7.2%
Core Innovation	676.2	676.8	0.5	0.1%
Core Innovation: DfT Zero Emission HGV technologies	0.1	10.0	9.9	99.1%
<b>Core Capital Allocation</b>	<b>8,187.0</b>	<b>7,974.8</b>	<b>(212.2)</b>	<b>-2.7%</b>
ODA	118.9	143.0	24.1	16.9%
BEIS Managed Programmes	445.7	466.9	21.3	4.6%
EU Programmes	531.1	524.7	(6.5)	-1.2%
<b>Ringfenced Capital Allocation</b>	<b>1,095.6</b>	<b>1,134.5</b>	<b>38.9</b>	<b>3.4%</b>
<b>Grand Total Capital Allocation</b>	<b>9,282.7</b>	<b>9,109.4</b>	<b>(173.3)</b>	<b>-1.9%</b>
Innovation Loans	12.1	38.0	25.9	68%
Other Financial Transactions	(4.6)	2.2	6.8	308%
Ring-fenced Resource Budget	200.9	221.3	20.5	9%
Annually Managed Expenditure	28.2	164.6	136.4	83%
<b>Total Allocation</b>	<b>9,519.2</b>	<b>9,535.5</b>	<b>16.3</b>	<b>0.2%</b>

The table above provides a summary of UKRI's outturn against budget. UKRI has a financial management target to deliver an outturn that is within 1% of its capital allocation.

The Outturn against Budget reported in the table above includes £238 million within the UK Research Base ringfence, where UKRI increased expenditure at the request of BEIS to manage the overall departmental group position. Expenditure was increased by rephasing Research England quality-related block-grant payments to higher education institutions across the academic year such that they fell into the 2022-23 financial year. As this was agreed late in the financial year, BEIS did not transfer budget to UKRI but maintained an equivalent underspend to ensure a balanced position across the departmental group. If this £238 million is removed from outturn numbers, UKRI can report an underspend of £25.8 million against the Core Capital allocation (0.3% variance).

## Outturn since 2018–19<sup>1</sup>

UKRI Allocation Headings	Full year Outturn 2022-23 £m	Full year Outturn 2021-22 £m	Full year Outturn 2020-21 £m	Full year Outturn 2019-20 £m	Full year Outturn 2018-19 £m
<b>UK Research Base, of which:</b>	<b>7,024.9</b>	<b>6,821.3</b>	<b>7,204.1</b>	<b>6,021.1</b>	<b>6,011.0</b>
<i>Core Research</i>	5,118.5	4,968.5	4,959.2	4,447.8	4,555.2
<i>Non Core Research</i>	1,906.4	1,852.9	2,244.9	1,573.2	1,455.8
R&D Other	485.8	461.4	474.1	481.5	306.7
Core Innovation	676.2	643.4	553.0	546.4	563.5
Core Innovation: DfT Zero emission HGV technologies	0.1	–	–	–	–
<b>Core Capital Allocation</b>	<b>8,187.0</b>	<b>7,926.2</b>	<b>8,231.2</b>	<b>7,048.9</b>	<b>6,890.8</b>
ODA	118.9	131.9	387.7	347.5	301.9
BEIS Managed Programmes	445.7	378.0	294.9	268.2	268.7
EU Programmes	531.1	5.9	–	–	–
<b>Ringfenced Capital Allocation</b>	<b>1,095.6</b>	<b>515.8</b>	<b>682.5</b>	<b>615.7</b>	<b>570.5</b>
<b>Grand Total Capital Allocation</b>	<b>9,282.7</b>	<b>8,442.0</b>	<b>8,913.8</b>	<b>7,664.6</b>	<b>7,461.3</b>
Innovation Loans	12.1	62.3	37.7	23.7	15.9
Other Financial Transactions	(4.6)	(20.3)	(3.0)	(17.5)	(18.0)
Ring-fenced Resource Budget	200.9	203.5	192.6	190.0	233.2
Annually Managed Expenditure	1.2	120.0	23.6	88.0	(20.1)
<b>Total Allocation</b>	<b>9,492.3</b>	<b>8,807.5</b>	<b>9,164.8</b>	<b>7,948.8</b>	<b>7,672.2</b>

## Commentary on outturn since 2018–19

UK Research Base outturn started at around £7.7 billion at the start of this five-year period and grew by £1.2 billion in 2020–21 due to the additional spend on COVID-19 interventions, which included a single-year increase in World Class Labs expenditure of £293 million designed to support the sector during the COVID-19 pandemic and reprofiling of quality-related research payments to higher education institutions to manage the overall UKRI Core Capital position. The Strategic Priorities Fund also started in 2020–21 which contributed to this increase in spend. The following year saw a modest drop in spend, as the peak of the COVID interventions passed.

The outturn for this financial year includes uplifts for the underlying core research and innovation budgets, along with £523 million for the delivery of funding linked to EU programmes, as described below.

The R&D Other ring-fence has remained balanced across years; this is mainly due to new waves in the Industrial Strategy Challenge Fund starting as the earlier waves come to an end. The position in 2022–23 increased slightly due to additional spend on the Faraday Institution.

In Spending Review 2021, our Core Innovation budget received a significant, specific uplift in funding; It is expected that Core Innovation spend will be £2.4 billion between 2022–23 and 2024–25.

<sup>1</sup> Each year excludes outturn where UKRI increased expenditure by reprofiling quality-related funding payments to Higher Education Institutions at the request of BEIS, for which BEIS did not transfer UKRI any budget cover.

BEIS Managed Programmes increased in 2020–21 due to the COVID-19 package channelled through Innovate UK specifically in relation to the Vaccines Task Force. Funding further increased in 2021–22 by £88 million mainly due to increases in programmes funded by the Vaccines Task Force, with a £54 million increase in spend compared to 2020–21 and new funding of £17 million and £8 million respectively for the Low Cost Nuclear and Industrial Energy Transformation Funds. In 2022–23 funding increased for the Low Cost Nuclear programme by a further £67 million. The Centre for Aerodynamics funding also increased by £75 million; this was partially offset by a reduction in funding for the Vaccines Task Force of £42 million compared to 2021–22 as the programme winds down.

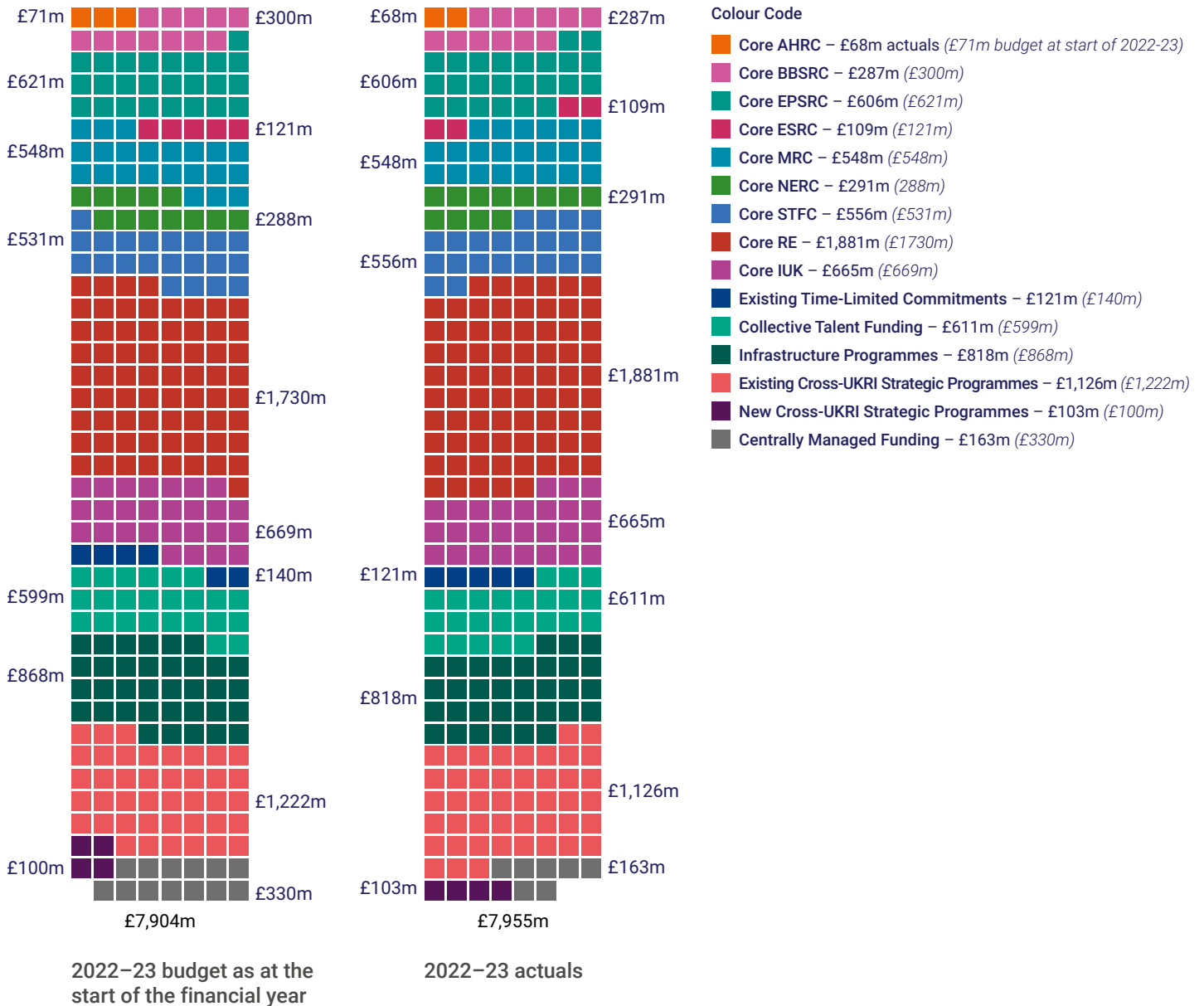
Innovate UK Loans net expenditure increased in 2020–21 and 2021–22 following the introduction of Innovation Continuity Loans in response to the COVID-19 pandemic, with £53.0 million of loans issued in 2021–22 and £17.2 million in 2020–21. This has reduced significantly in 2022–23 to £12.1 million; this is due to the combined impact of lower-than expected loan issuance during 2022–23, and increasing capital repayment from earlier competitions of the loan portfolio.

The EU programmes ringfence was created for 2022–23, and largely comprised of increased spending on schemes announced under the Horizon Europe Guarantee, designed to support the Research & Innovation sector through this period of uncertainty. In addition, further funding was distributed in the year to support the broader research sector with an emphasis on talent retention and infrastructure support; this was put in place due to the length of delay in Association.

Official Development Assistance (ODA) expenditure decreased by £256 million in 2021–22 following a significant reduction in funding available for such programmes as a result of COVID-19 and its impact on the UK economy, as announced in March 2021; funding has continued at this level for 2022–23.

Full detail on changes in UKRI's Consolidated Statement of Financial Position in 2022–23 is contained in the Financial Statements and notes at pages 106-109. Explanations for year-on-year variances in balances can be found in the notes to the financial statements.

## UKRI Councils' and Programmes Investments in 2022–23



Budgets have been rounded to nearest £25 million to represent in squares. The sum of planning allocations to individual budgets and Councils is £815 million higher cumulatively over 2022–23 – 2024–25 than the UKRI budget limit to mitigate the risk of underspends and ensure best use of available funding. Figures presented are in nominal terms.

All figures exclude funding for Official Development Assistance, Financial Transactions, BEIS Managed Programmes, EU Programmes, Depreciation, Amortisation & Impairments and Annually-Managed Expenditure.

Key variances against plans for 2022–23 are explained by:

- rephasing Research England’s (RE) quality-related (QR) block-grant payments to higher education institutions across the academic year such that they fell into the 2022–23 financial year, increasing Core RE actuals
- slippage and re-profiling of infrastructure programmes into future years reducing infrastructure actuals
- the impact of central adjustment for no-cost extensions which reduces spend in 2022–23 and was not budgeted for, reducing actuals for centrally managed funding

Our website includes more information about how we manage our [budget](#) and [what we have funded](#).



# Performance Analysis



**This section describes in detail how we have delivered over the year.**

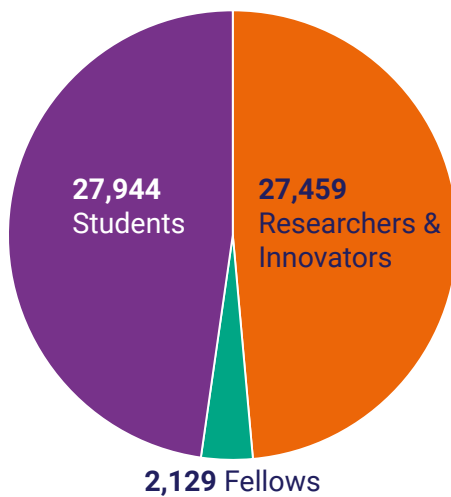
**The section outlines the ambitions we set out in our Corporate Plan and describes UKRI's progress against them for each of our six strategic objectives, details of key risks and how they have been managed, and how we are driving environmental sustainability across the organisation.**

# People and careers

We invest across the full research & innovation (R&I) skills spectrum, to make the UK the destination of choice for talented individuals, teams and businesses.

<p><b>To achieve this, in 2022–23 we committed to:</b></p>	<p><b>Which we have progressed by:</b></p>
<ul style="list-style-type: none"> <li>■ create a UKRI-wide talent programme, including extending our Future Leaders Fellowships (FLF) programme and supporting the government to deliver a new deal for postgraduate research</li> </ul>	<ul style="list-style-type: none"> <li>■ setting out how we will transition to collective talent funding in the <a href="#">Collective Talent roadmap 2022 to 2025</a></li> <li>■ launching Rounds 7 and 8 of the FLF scheme and continuing to develop cohorts, including through ‘Scaling the Edge’ business innovation training</li> <li>■ publishing <a href="#">the analysis</a> of our sector-wide call for input to inform our thinking on the <a href="#">New Deal for Postgraduate Research</a></li> </ul>
<ul style="list-style-type: none"> <li>■ promote and grow the use of the Global Talent visa and UKRI’s Temporary Worker Government Authorised Exchange (GAE) route</li> </ul>	<ul style="list-style-type: none"> <li>■ expanding the range and number of endorsed funders and approved host organisations for the <a href="#">Global Talent visa</a> and increasing the number of organisations using the UKRI Temporary Worker GAE scheme for short-term mobility</li> <li>■ driving policy and practice improvements through our global mobility <a href="#">evidence report</a>, shaped by over 40 organisations across the UK government and R&amp;D sector</li> <li>■ updating our terms and conditions to better support visa costs and the Immigration Health Surcharge through our grants</li> </ul>
<ul style="list-style-type: none"> <li>■ deliver our equality, diversity and inclusion (EDI) strategy and action plans, and our action plans on the <a href="#">Concordat to Support the Career Development of Researchers and the Technician Commitment</a></li> </ul>	<ul style="list-style-type: none"> <li>■ publishing UKRI’s <a href="#">EDI Strategy</a> and suite of action plans addressing specific R&amp;I communities’ needs</li> <li>■ publishing <a href="#">UKRI’s People and Teams action plan</a>, taking forward and broadening our implementation of the Technician Commitment &amp; the Researcher Development Concordat</li> <li>■ establishing the <a href="#">EDI Caucus</a> in partnership with the British Academy to provide high-quality research evidence to inform EDI policy and practice</li> </ul>
<ul style="list-style-type: none"> <li>■ develop and influence responsible national and international R&amp;I policy and culture, and drive the adoption of good practice</li> </ul>	<ul style="list-style-type: none"> <li>■ establishing the <a href="#">UK Committee on Research Integrity</a>, which published its <a href="#">2023–25 strategic plan</a>, outlining the Committee’s mission, vision and approach</li> <li>■ launching UKRI’s <a href="#">Open Access Policy</a> for research articles, supporting access and reuse of publicly funded research, and establishing the <a href="#">UKRI Open Access Policy Stakeholder Forum</a>, to help understand challenges and share and develop best practice</li> <li>■ piloting UKRI’s <a href="#">Trusted Research and Innovation (TR&amp;I) Risk Assessment Framework</a>, rolling out training for UKRI staff on TR&amp;I, and continuing to support the R&amp;I community with up to date <a href="#">guidance and resources</a></li> </ul>
<ul style="list-style-type: none"> <li>■ publish and deliver a new public engagement strategy for UKRI</li> </ul>	<ul style="list-style-type: none"> <li>■ publishing our UKRI <a href="#">public engagement strategy</a>, and the <a href="#">MRC public involvement landscape review</a>, outlining our commitment to breaking down the barriers between research, innovation and society</li> <li>■ launching <a href="#">Community Research Networks</a> to support people around the UK to develop meaningful, long-term collaborations with the R&amp;I system, and funding 24 community-led R&amp;I pilots through the <a href="#">Community Knowledge Fund</a></li> </ul>
<ul style="list-style-type: none"> <li>■ In addition to our Corporate Plan commitments for 2022–23, we also:</li> </ul>	<ul style="list-style-type: none"> <li>■ worked closely with the UK government on developing talent alternatives to Horizon Europe</li> <li>■ increased the stipend for UKRI postgraduate research students by 13% for academic year 2022–23, ensuring that we maintain a competitive funding offer for doctoral students</li> <li>■ established a <a href="#">Workforce Skills Foresighting Hub</a> to identify and address critical innovation emerging skills gaps in business, through Innovate UK working with partners within the Catapults, BEIS, the Department for Education and Universities UK</li> </ul>

## Developing the breadth of skilled people and teams essential for the future R&I workforce



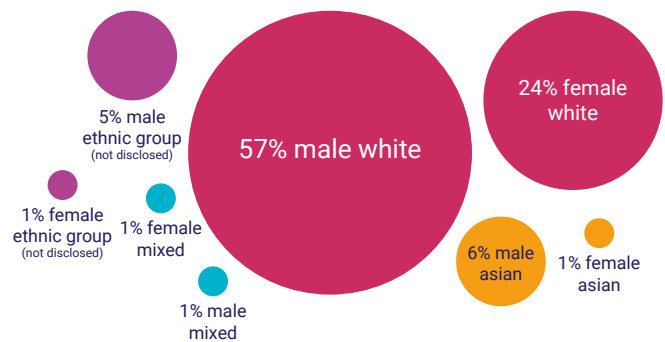
### Who our funding supported in 2022–23

Across our full portfolio of investments active in 2022–23.

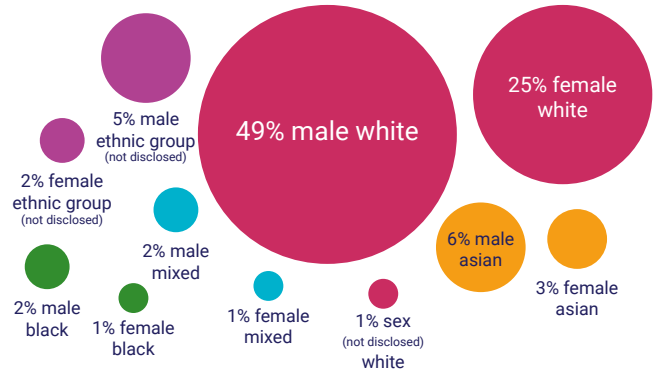
2021–22: Students 29,301; Fellows 2,074; Researchers and Innovators 28,008

The number of researchers, innovators and students supported by UKRI has decreased due to anticipated factors including the end of awards extended to mitigate the impacts of COVID-19 and of National Productivity Investment Funding.

### Principal Investigators



### Co-Investigators



### Our award holders

Our [2022 Diversity Data](#) report details UKRI's population of applicants and awardees in 2020–21, including for the first time, data on the intersection of ethnicity and gender (above) and of age and disability with gender. The Principal Investigator (PI) usually takes responsibility for the overall management and leadership of the R&I project, working closely with Co-investigators (Co-I). The project leadership team may include multiple Co-Is.

The Diversity Data report uses the Higher Education Statistics Authority staff data as an external benchmark for the diversity population of the UK Higher Education Institutes: Asian ethnic group 9%; Black ethnic group 2%; Mixed ethnic group 2%; White 79%; Other ethnic group 2%; Undisclosed 3%; Unknown 5%; Female 42%; Male 58%. Intersectionality analysis across staff data is not available for 2020–21.

## Attracting and retaining talented people and teams from the UK and around the world

**41%** of new grants in 2022–23 were led by a researcher who had never held a UKRI research grant before (42% in 2021–22)

**£111** million awarded to **106 R&I fellows** in 2022–23 through Future Leaders Fellowships  
2021–22: £109 million and 95 R&I fellows

**1,948** **Global Talent Visas (GTV)** endorsed by UKRI in 2022–23 (2021–22: 1,095). **Over 3000 GTVs** endorsed by UKRI in total since the scheme's inception in 2020, with individuals receiving funding from over 75 endorsed funders and being hosted at over 110 different UK organisations

## Shifting research culture to support talented people and teams to pursue their ideas

**57**

**organisations** convened, working in partnership to explore narrative curriculum vitae (CV) approaches, co-developing and sharing resources to catalyse sector-wide change, diversifying how R&I occurs and who conducts it

**49**

**UKRI Policy Fellowships** announced, led by ESRC in partnership with AHRC, BBSRC & Administrative Data Research UK

**95.9%**

of UKRI-funded articles are compliant with our Open Access policy, representing **an increase of 22.5%** since April 2022, based on analyses of previous publishing patterns

### Highlights



### Building technical skills at all levels across the UK

UKRI invests in some of the most technologically advanced large-scale facilities in the world, and the expertise of our staff contributes significantly to increasing the volume and diversity of technical skills at all levels across the UK. Throughout 2022 our [Skills Centre pilot](#), led through STFC, set out to inspire the next generation of scientists, engineers and technicians, drawing on the insights of ~2,000 scientists & engineers through a range of mechanisms including an early career engagement programme requiring early career staff to contribute three days of school & community engagement. STFC also recruited 29 apprentices and 60 graduates, and will double the apprenticeship opportunities available for September 2023.

### Team science underpins ozone layer recovery

The UN environment programme announced in January 2023 that the ozone layer is on track to recover within four decades, with the global phaseout of ozone-depleting chemicals already benefiting efforts to mitigate climate change. The work of the British Antarctic Survey (BAS) is crucial to this progress: one of their most famous discoveries was that of the Antarctic ozone hole in 1985, which led to international

efforts to control the production and use of CFCs and other ozone-depleting chemicals. Through NERC's BAS we support a diverse community of people – carpenters, chefs, ecologists, geologists, IT engineers, mechanics, meteorological observers, paleobiologists and visiting scientists – all of whom connect to others to contribute to a resilient research ecosystem in one of the most challenging environments on Earth.

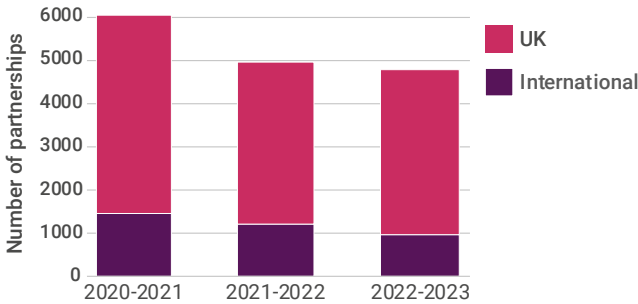
# Places

**Our investments in world-class institutions, infrastructures, sectors and clusters provide long-term capability, building research and innovation strengths across all regions and nations of the UK.**

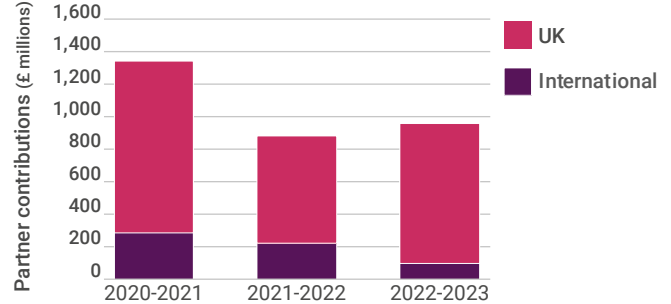
<p><b>To achieve this, in 2022–23 we committed to:</b></p> <ul style="list-style-type: none"> <li>■ seek new opportunities and partnerships to support collaboration and knowledge exchange to deliver impactful outcomes</li> </ul>	<p><b>Which we have progressed by:</b></p> <ul style="list-style-type: none"> <li>■ co-developing pilot <u>Innovation Accelerators</u> with BEIS and city region partnerships, to accelerate the growth of three high-potential innovation clusters</li> <li>■ piloting <u>Place Based Impact Acceleration Accounts</u> to enhance the capabilities of clusters and drive regional growth</li> <li>■ launching the <u>Local Policy Innovation Partnerships</u>, incentivising cross-sector collaborations that help build innovation-led and sustainable local economic growth</li> <li>■ launching our <u>Place toolkit</u>, enabling programmes to build capacity, increase benefits and strengthen connections across the UK</li> </ul>
<ul style="list-style-type: none"> <li>■ take a strategic approach to international partnering, collaboration, and engagement</li> </ul>	<ul style="list-style-type: none"> <li>■ launching our <u>international strategic framework</u> which sets out how international collaboration will help deliver our strategic objectives</li> <li>■ launching the first 11 programmes under the initial phase of the UK government's new <u>International Science Partnerships Fund</u></li> <li>■ maintaining and growing key relationships, including <u>partnering</u> with the Swiss National Science Foundation, <u>simplifying bilateral</u> collaboration with the Research Council of Norway, and <u>launching a £64 million programme</u> in partnership with Science Foundation Ireland &amp; Northern Ireland's Department of Agriculture, Environment and Rural Affairs</li> </ul>
<ul style="list-style-type: none"> <li>■ build our understanding and evidence base on resilience and embed it in our work and decision-making</li> </ul>	<ul style="list-style-type: none"> <li>■ developing our analytical tools and policy insight into the financial sustainability of research and sharing our findings including through a <u>guide to the Transparent Approach to Costing</u> and a <u>blog</u> on "Fixing the gap in research funding" and increasing sector engagement</li> <li>■ working closely with BEIS to input into the <u>Research, development and innovation (RDI) organisational landscape review</u>, including developing evidence by conducting a joint UKRI, BEIS and GO-Science survey of public-funded R&amp;I organisations</li> <li>■ uplifting the rate of indexation paid on grants starting in 2023–24 from 0.81% to 2.48% to address the challenges of rising costs</li> </ul>
<ul style="list-style-type: none"> <li>■ ensure that UK researchers have access to world-leading laboratory facilities, equipment and digital resources</li> </ul>	<ul style="list-style-type: none"> <li>■ investing £818 million through our suite of infrastructure programmes, including capital funding to our institutes, and multinational large infrastructures such as CERN – the European Organisation for Nuclear Research</li> <li>■ launching Round 7 of the <u>UK Research Partnership Investment Fund</u></li> <li>■ further strengthening the role of Innovate UK's <u>Catapults</u> as a bridge between research and industry, fortifying R&amp;I capacity and productivity &amp; contributing to greater UK prosperity via the innovation ecosystem</li> </ul>
<ul style="list-style-type: none"> <li>■ In addition to our Corporate Plan commitments for 2022–23, we also:</li> </ul>	<ul style="list-style-type: none"> <li>■ delivered £150 million funding to boost infrastructure investment across the UK to help address the impacts of the ongoing delay in agreeing the UK's association to Horizon Europe on fair and appropriate terms</li> <li>■ launched two Launchpad pilots through Innovate UK, to catalyse local innovation capability within <u>Liverpool City Region</u> and <u>Teesside</u>, focused on net zero and Advanced Manufacturing</li> <li>■ co-developed place-based action plans with local leadership. Through Innovate UK we launched partnerships with <u>Greater Manchester</u>, <u>Liverpool City Region</u> and <u>West Yorkshire</u>, with more to come in all parts of the UK</li> </ul>



## Strengthening clusters and partnerships – locally, nationally, and globally



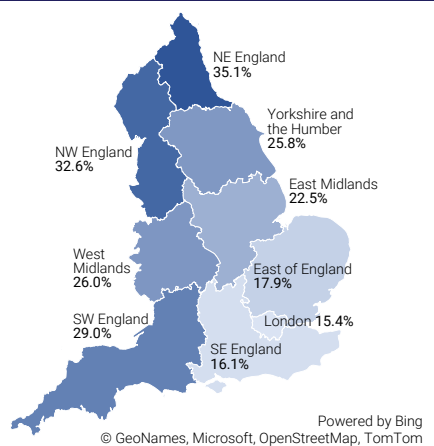
Financial Year	UK	International
2020-2021	4,594	1,457
2021-2022	3,755	1,202
2022-2023	3,814	962



Financial Year	UK	International
2020-2021	£1,068,036,298	£280,120,757
2021-2022	£657,262,629	£215,337,597
2022-2023	£864,429,922	£97,125,183

### Supported over 3,600 new international collaborations and over 12,100 across the UK since 2020–21, with a total of over £3 billion co-investment committed

Based on project partners declared at the point of application. Partners may change in delivery of projects. In 2020–21 increased collaboration and co-investment coincided with our significant investment in COVID-19 R&I programmes. An additional 157 partners for whom geographical location was not classified contributed a further £26 million in 2022–23 (63 partners and £36 million in 2021–22, and none in 2020–21).



**44% of Research England’s quality-related (QR) funding went to universities outside the Greater South East (GSE) in 2022–23,\* increasing from 41% in 2020–21\***

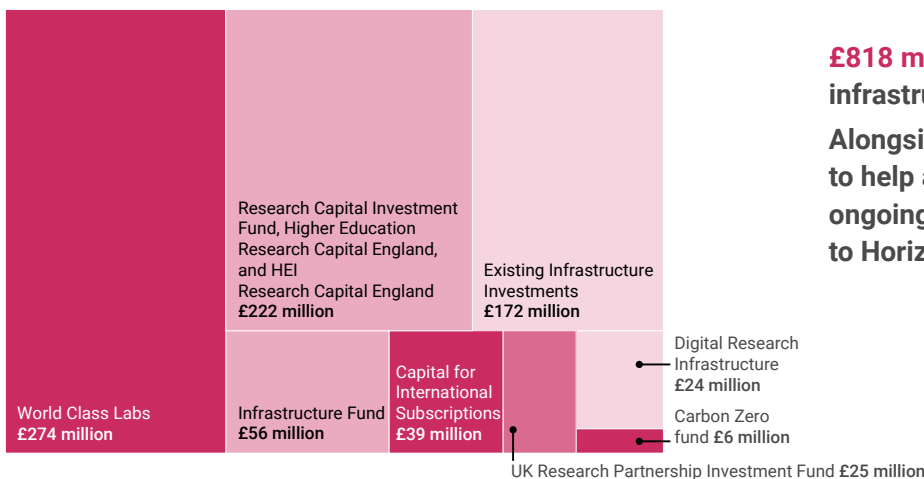
We publish in-depth [analyses](#) of the regional distribution of our funding.

\* Based on academic year. The increase reflects the Research Excellence Framework (REF) results (England only). QR provides stable, and flexible funding, enabling universities to identify and achieve their own strategic research ambitions and pursue new research priorities, often in partnership with business, charities, and other organisations.

Percentage change in QR funding between academic years 2022–23 vs 2021–22  
Total QR funding for all England increased 21% in 2022–23

**59 UKRI-supported institutes, centres, and catapults** across the UK, delivering against their diverse R&I missions, with over **4,500 UKRI staff in direct research-facing posts**

## Securing cutting-edge infrastructures for world-class research and innovation



**£818 million** invested in R&I infrastructure in 2022–23. Alongside an **additional £150 million** to help address the impacts of the ongoing delay in the UK’s association to Horizon Europe.

## Powering commercialisation of research across the North East of England

Northern Accelerator is boosting the North East's economy, creating real-world impact from world-leading research and commercialising innovation. It has been a game changer for commercialisation in the region, developing a thriving innovation ecosystem and significantly increasing the number of spin-outs to 38 in the last five years. The new funding routes and support networks created have led to spin-out business raising over £100 million in this period. Northern Accelerator is a collaboration between Durham, Newcastle, Northumbria, Sunderland and Teesside Universities, supported through Research England's Connecting Capability Fund.



## Highlights

## Linking digital connectivity and social inclusion leads to improved fibre broadband in UK's rural areas

Research on digital inclusion has found that rural communities need to be understood differently to implement broadband effectively. This led to major policy changes at Openreach, which connects nearly all UK homes and businesses to the national broadband network, and which has engaged rural community users as a priority over private users. Openreach recently announced that it has made Full

Fibre broadband available to more than 3 million premises in the hardest to reach parts of the country, in areas identified by the UK government as a priority for levelling up, and over 400,000 premises across the top 25 areas identified by the Social Mobility Commission as least socially mobile. The research was funded through EPSRC and drew on the outputs of earlier work funded through AHRC and ESRC.

## Facilitating millions of pounds of investment in climate change action in the North West of England

Carbon budgeting tools developed by the Tyndall Centre for Climate Change are helping regions across the UK to connect and align their climate change strategies to UN Paris Agreement targets. Greater Manchester Combined Authority has slashed its previous goal of 80% carbon reduction by 2050 in favour of zero emissions by 2038. Greater Manchester's public buildings are now producing over 7,000 tonnes less CO<sub>2</sub> equivalents per year,

and the public estate has reduced its energy use by over 43 million kWh, saving over £2 million across the city-region per year. The tools have helped 250 Local Authorities play their part in reaching global climate targets by supporting changing policies and practices. The Tyndall Centre for Climate Change was established through core funding from EPSRC, NERC and ESRC.



# Ideas

**We are committed to advancing the frontiers of human knowledge by enabling the UK to seize opportunities from emerging research trends, multidisciplinary approaches, new concepts and markets.**

<p><b>To achieve this, in 2022–23 we committed to:</b></p> <ul style="list-style-type: none"> <li>invest in a dynamic portfolio of creative, curiosity-driven research and innovation through council-led responsive mode and quality-related (QR) funding programmes, as part of the dual support system</li> </ul>	<p><b>Which we have progressed by:</b></p> <ul style="list-style-type: none"> <li>pioneering new approaches to support visionary, creative and potentially transformative research that challenges current thinking and paradigms, such as the EPSRC-led <a href="#">New Horizons Initiative</a>, BBSRC-led <a href="#">Pioneer Awards</a>, and NERC-led <a href="#">Pushing the Frontiers of Environmental Research</a> call</li> <li>realising innovation ideas faster investing in 678 businesses across the UK through Innovate UK Early-Stage Grants</li> </ul>
<ul style="list-style-type: none"> <li>develop funding mechanisms that help to capture the best ideas unconstrained by disciplinary boundaries</li> </ul>	<ul style="list-style-type: none"> <li>announcing the pilot <a href="#">Cross-Research Council Interdisciplinary Responsive Mode Scheme</a> to unlock exciting new research, approaches and methods that would not emerge from established disciplinary thinking</li> <li>continuing successful delivery of the <a href="#">Strategic Priorities Fund (SPF)</a>. An interim fund-level evaluation has found evidence of increased collaboration between UKRI, researchers, government departments and public sector research establishments, a high degree of multidisciplinary and intersectoral collaboration in SPF publications, and research outputs and insights helping to inform policy decisions</li> <li>fostering cross-council interdisciplinary collaboration, for example through work across AHRC, BBSRC, EPSRC, MRC and STFC <a href="#">to develop basic technologies in sensing and imaging</a></li> <li>launching the <a href="#">Research Infrastructure for Conservation and Heritage Science (RICHeS)</a> nationwide network, driving interdisciplinary collaboration, innovation, and commercialisation across areas such as digital twins, artificial intelligence (AI), robotics and bio-imaging, to maximise the economic value of the UK’s heritage assets through AHRC-led investment</li> </ul>
<ul style="list-style-type: none"> <li>In addition to our Corporate Plan commitments for 2022–23, we also:</li> </ul>	<ul style="list-style-type: none"> <li>supported over 500 organisations including over 400 businesses with <a href="#">Smart Grants</a> to develop business-focused ideas that will have a significant and positive impact on the UK economy, productivity and growth</li> </ul>

## Incentivising and removing barriers to multi- and interdisciplinary working

The [Strategic Priorities Fund](#) established in 2018–19 with an allocation of **£830 million**, has now invested **£543 million** across 34 multi- and interdisciplinary programmes. This includes **£158 million** invested in 2022–23. Programmes within the fund remain active until 2027–28

Councils within UKRI came together to design and launch **69 new interdisciplinary funding opportunities**, promoted on our funding finder which enables researchers to view all of our current competitions in one place



## Investing in a diverse and dynamic portfolio of high-quality, creative research and innovation



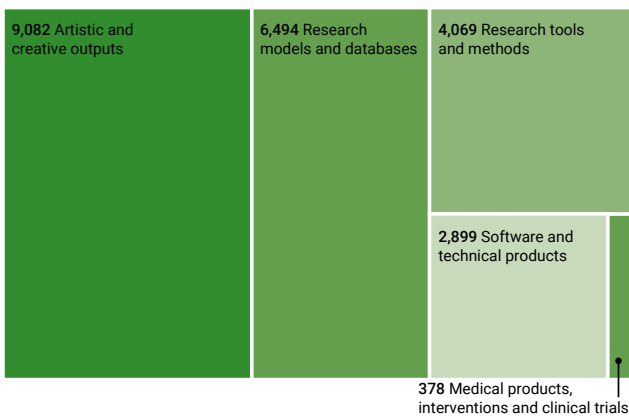
In 2022–23

**£1.9 billion** quality-related (QR) research funding allocated to universities through Research England

**£0.9 billion** project-specific investment in new and existing awards through our councils' responsive mode schemes

### Our portfolio of investments

Research Councils and Innovate UK investments, 'Research and development expenditure by the UK government: 2021', ONS, March 2023



Over 165,000 knowledge outputs have been generated by UKRI awards starting between 2018–2022, with ideas translated into 22,922 diverse R&I outputs and 142,297 publications

	Quantity
Artistic and creative outputs	9,082
Medical products, interventions and clinical trials	378
Research models and databases	6,494
Research tools and methods	4,069
Software and technical products	2,899

Source: Researchfish



	Quantity
Books	1,341
Book chapters	3,702
Journal articles	110,151
Other publications	27,103

Sources: Researchfish and Innovate UK project completion forms

Delivering the UK government's Horizon Europe guarantee, **1,897 multi-year projects**, worth a total of **£970 million** over their lifetime, were supported between 1 April 2022 and 31 March 2023

## Highlights



### Securing critical raw materials for future technologies with geological science

The British Geological Survey (BGS) launched the UK Critical Minerals Intelligence Centre (CMIC) in July 2022. The CMIC supports the UK in securing adequate, timely and sustainable supplies of minerals to transition the economy in the coming decades to net-zero emissions. A recent [grant](#) is developing a new quantitative understanding of the geology of lithium, which is vital for batteries. BGS also produces a range of openly accessible resources that inform government and industry decision-making, including the UK's first mineral [Criticality Assessment](#).

Decades of investment through NERC connecting research, data collection, infrastructure and training at the BGS, has provided the whole-system, independent science that the UK government and businesses need to deliver the UK Critical Minerals Strategy.

### Connecting arts and humanities researchers and innovators in emerging fields

[20 interdisciplinary research projects](#) with international reach are delivering new insights designed to not only tackle contemporary challenges across borders but move the frontiers of knowledge. Supported by investment through a bilateral UK-Germany partnership these impactful projects connect and engage researchers around topics such as AI's evolving role in art and culture, how ecology can inform modern architecture and the importance of taking love and care into account in conflict studies.

Through this collaborative UK-European programme 76 projects have been supported by £20 million AHRC-led investment, which has been matched by DFG (German Research Foundation), since a memorandum of understanding was signed in 2018.

### Pioneering research leads to a revolutionary gene therapy technique and life-saving treatment for rare genetic childhood disease

A 19-month-old baby became the [first child in the UK](#) to receive a life-saving gene therapy treatment on the NHS for metachromatic leukodystrophy (MLD), a rare genetic disease that affects children and causes severe damage to the nervous system and organs, resulting in a life expectancy of between just five and eight years. Previously, it was not possible to stop the disease, and treatment was aimed at relieving symptoms.

MRC has invested in [gene therapy](#) research in the UK for more than 20 years. This includes Professor Gaspar's studies of rare inherited childhood diseases and the development of lentiviral vectors that formed the basis of this MLD gene therapy breakthrough.

### Association to Horizon Europe

Connecting with the international community brings extraordinary and diverse benefits to our research and innovation system, which go beyond co-funding, and we have continued to support the UK government's efforts to secure association to Horizon Europe on fair and appropriate terms. Our extensive work in 2022–23 included working with DSIT to:

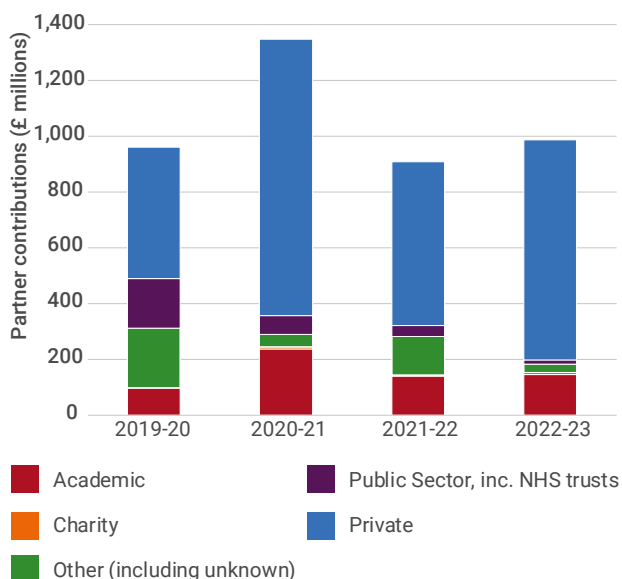
- deliver the UK government's [guarantee of funding](#) for successful Horizon Europe applicants, supporting 1,897 multi-year projects totalling £970 million between 1 April 2022 and 31 March 2023
- design shorter term [transitional mechanisms](#) to stabilise the sector if the UK is unable to associate, including support for in-flight applications, Third Country Participation, uplifts to existing schemes and a new Talent and Research Stabilisation Fund
- develop [Pioneer](#), comprising four interconnected offers supporting talent, global collaboration, infrastructure and innovation, should association to Horizon Europe on fair and appropriate terms not be possible
- secure £6.8 million to move these offers into readiness, in case they are required

# Innovation

**Dynamic collaborations across UKRI work to realise the full potential of the UK's world-class research base and national capabilities, and to deliver the UK government's vision for an innovation nation.**

<p><b>To achieve this, in 2022–23 we committed to:</b></p> <ul style="list-style-type: none"> <li>work across the system to support innovation through aligning research council opportunities and Innovate UK investments</li> </ul>	<p><b>Which we have progressed by:</b></p> <ul style="list-style-type: none"> <li>implementing our <u>Plan for Action for UK Business Innovation</u>, including expansion of the Innovate UK EDGE service, helping SMEs to grow and scale with support from 350 innovation and growth specialists across the UK</li> <li>delivering an initial launch of the Innovation Hub, making it easier to find out about opportunities for investment, collaboration and support</li> <li>expanding Innovate UK's £80 million <u>Investor Partnerships</u> programme, and launching the full roll out of <u>Innovation Loans</u> offering repayable finance to businesses with a later stage innovation project and clear route to commercial success</li> <li>leveraging and enhancing cross-UKRI working to forge deeper connectivity across research, research commercialisation and innovation, including:           <ul style="list-style-type: none"> <li>- piloting an <u>early stage collaborations programme</u> to increase the pipeline of groups and organisations entering EPSRC's Prosperity Partnerships</li> <li>- establishing a new <u>strategic partnership</u> between BBSRC and Innovate UK to support innovation in UK bioscience, build connections across the innovation ecosystem and stimulate private sector investment in R&amp;D</li> <li>- launching the <u>SHAPE (Social Sciences Humanities &amp; the Arts for People and the Economy)</u> catalyst programme through AHRC and ESRC in partnership with the <u>Aspect Research Commercialisation Accelerator</u> to develop and bring new products, processes, services and experiences to market</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>work with partners across the globe to deliver programmes of international collaboration on innovation</li> </ul>	<ul style="list-style-type: none"> <li>through Innovate UK, hosting the 2022 Presidency of <u>TAFTIE – The European Network of Innovation Agencies</u>, sharing best practice and enabling better support for UK businesses</li> <li>investing over £17 million through international bilateral and multilateral innovation support activities with partner countries, including £6.5 million through the <u>EUREKA Eurostars</u> programme which works with over 45 countries enabling SME collaboration &amp; clusters, building future value chains, supporting UK organisations to grow</li> <li>expanding existing relationships and launching new joint collaborative R&amp;D competitions, committing an additional £5 million of funds to multi-year programmes in Canada, US, Singapore, South Korea and Israel, as well as initiating new partnerships with Taiwan, Germany, and Switzerland</li> </ul>
<ul style="list-style-type: none"> <li>leverage new and existing research commercialisation opportunities</li> </ul>	<ul style="list-style-type: none"> <li>publishing "<u>Backing Innovation-led business: the role of public investment</u>" with the British Business Bank, examining how the programmes we deliver to back innovation-led businesses work together to support their success</li> <li>expanding our support for research commercialisation and collaboration through <u>ICURe</u> and Innovate UK <u>Knowledge Transfer Partnerships</u></li> <li>delivering a £3 million pilot programme of <u>Accelerated Knowledge Transfer Partnerships</u>, short business-academia collaborations exploring real world challenges faced by businesses. Midpoint reviews of the 138 projects indicate that 96% are planning further collaborations</li> </ul>
<ul style="list-style-type: none"> <li>In addition to our Corporate Plan commitments for 2022–23, we also:</li> </ul>	<ul style="list-style-type: none"> <li>launched a <u>pioneering partnership</u> through Innovate UK with the London Stock Exchange, to help innovative companies navigate opportunities across public and private sources of funding to scale up and increase impact</li> <li>developed the <u>UKRI Innovation and Research Caucus</u>, a network of innovation and research funding experts to support UKRI in its R&amp;I policies and decision making</li> </ul>

## Delivering the skills, finance and collaboration opportunities needed to boost private sector investment



	Co-investment on new grants			
	Total contribution (millions)			
	2019-20	2020-21	2021-22	2022-23
Academic	97	237	140	146
Charity	2	8	4	6
Other (including unknown)	212	45	138	30
Private	470	991	587	790
Public Sector, inc. NHS trusts	179	67	39	16
<b>Total</b>	<b>960</b>	<b>1,348</b>	<b>908</b>	<b>987</b>

**£987 million co-investment from partnering organisations on new grants in 2022-23, including £790 million co-investment from the private sector**

Based on project partner contributions declared at the point of application. The peak in 2020-21 coincided with increased COVID-19 and Industrial Strategy Challenge Fund investments

**1,167**

total number of active spinouts enabled by UKRI funding, **910** of which were active as of April 2023. (1,027 and 843, respectively as of April 2022)

Total number of spinouts that have incorporated, reported through Researchfish since 2004 and reported through the Innovate UK Project Completion Forms since 2019

**2,750**

small or medium sized enterprises (SMEs) supported across our portfolio of investments active in 2022-23  
2021-22: 2,650 SMEs supported

**£25.6 million** new lending for a further 28 innovation loans in 2022-23

**£88.8 million** in private capital leveraged by innovation loans portfolio companies

**£15.8 million** revenue growth across the innovation loans portfolio, a 27% increase from 2021-22

## Accelerating translation, commercialisation, and knowledge exchange

**Over 8,000** innovation-driven businesses supported by Innovate UK EDGE in 2022-23

- helping 1,600+ to access new markets
- securing £600+ million in funding and finance
- creating and maintaining 3,300+ jobs

**£11.8 million** Investor Partnerships grant funding in 2022-23, which supported **20** small and medium-sized enterprises with a further **£30.8 million** invested by partners **£135 million** raised in total further investment by the portfolio of Investor Partnership companies



**885 Knowledge Transfer Partnerships (KTPs)**

supported in 2022–23, (2021–22: 753) partnering 105 universities, colleges, research organisations and Catapults to collaborate with a business, and creating 315 new graduate employment opportunities in 2022–23. 78% of KTP projects are partnered with SME businesses

**£158 million invested through Impact Acceleration Accounts (IAAs)**

to translate research into impacts which transform public services, create new jobs, attract private investment and forge new partnerships with businesses and charities, through investments led by AHRC, BBSRC, EPSRC, ESRC, MRC and STFC

**Catalysing synthetic biology innovation in Bristol**

Researchers at the University of Bristol's synthetic biology research centre, [BrisSynBio](#), have created a cluster of nine innovative life sciences companies in the city. In just a few years, this cluster has raised more than £10 million in investment and created 30 new jobs.

These diverse companies span sensing, diagnostics, vaccine development, cell therapies and materials science applications of synthetic biology, delivering benefits for the medical and defence industries. Together they have transformed the City of Bristol and South West of England region into a centre of excellence for biotechnology, entrepreneurship and commercialisation.

BrisSynBio was established by a £13.5 million joint investment through BBSRC and EPSRC.

**Highlights****Investment success for space tech start-ups tackling climate change**

Since 2011, the European Space Agency Business Incubation Centre United Kingdom (ESA BIC UK) has supported more than 120 UK start-ups, which have raised over £140 million in equity investment, using space and satellite technologies to develop new products and services across a diverse range of sectors. ESA BIC UK's resilient graduate companies

enjoy a 95% survival rate over five years, sustain over 900 highly skilled UK jobs and contribute £30 million in GVA to the UK economy every year. ESA BIC UK is managed by STFC in collaboration with ESA Commercialisation Gateway, UK Space Agency and University of Leicester.

**Spinout develops faster diagnoses and alternative treatments for lung infections**

Synairgen, a Southampton-based spinout company with 24 employees, is developing an inhaled interferon beta candidate for severe viral lung infections, including asthma, COPD and COVID-19. Engaging with Southampton General Hospital, Synairgen's COVID-19 trial reduced the waiting time of a point-of-care test used to recruit patients to within one hour, a dramatic reduction from one day, and had positive impacts on

patient flow. Since its launch, Synairgen has raised more than £129 million to fund clinical trials, has increased its market capitalisation tenfold to £300 million, and has received £10 million through licensing. MRC-funded research has supported the discovery science underpinning inhaled interferon beta therapy for nearly five decades, identifying many of the disease mechanisms involved.

# Impacts

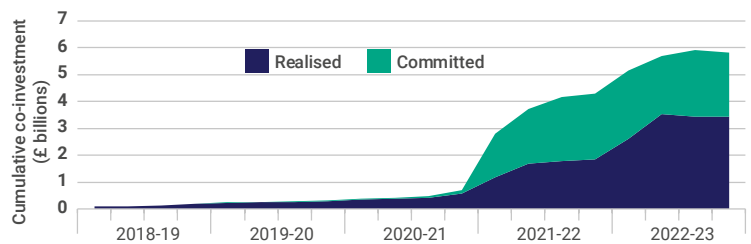
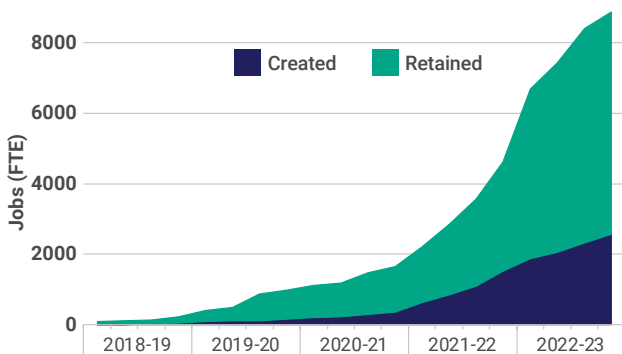
We create opportunities to connect ideas, science and innovation, providing the foundations to target global and national challenges, including contributing to the UN's Sustainable Development Goals (SDGs), to create and exploit tomorrow's technologies, and to build the high-growth business sectors of the future.

<p><b>To achieve this, in 2022-23 we committed to:</b></p> <ul style="list-style-type: none"> <li>support our five strategic themes, capturing synergies from wider investment across UKRI and leveraging collaboration and co-investment from partners</li> </ul>	<p><b>Which we have progressed by:</b></p> <ul style="list-style-type: none"> <li>implementing our Strategic Themes: <u>Building a green future</u>; <u>Building a secure and resilient world</u>; <u>Creating opportunities, improving outcomes</u>; <u>Securing better health, ageing and wellbeing</u>; <u>Tackling infections</u> and announcing the first set of funding opportunities, to begin investing from 2023-24, including:             <ul style="list-style-type: none"> <li>the <u>Net Zero Transport for a Resilient Future Research Hub</u>, co-funded by the Department for Transport, focusing on climate adaptation and mitigation solutions for our transport system across modalities and landscapes</li> <li><u>Global Centres in clean energy and climate change</u>, collaborating with the US, Canada and Australia to undertake new cutting-edge, interdisciplinary, use-inspired research on clean energy &amp; climate change</li> <li>launching <u>co-developed calls</u> to tackle the key health care challenges, including poor mental health, ageing, the impact of climate change on health to reduce the strain on people, businesses, and public services</li> <li>amplifying investments, including supporting 24 new projects focusing on alternatives to in vivo models in bioscience research through BBSRC and the <u>National Centre for the Replacement Refinement &amp; Reduction of Animals in Research (NC3Rs)</u></li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>support businesses to deliver impact in key challenge areas through continuing to deliver the Industrial Strategy Challenge Fund (ISCF)</li> </ul>	<ul style="list-style-type: none"> <li>supporting seven of the challenges as they move into successful completion phases, with progress across the portfolio of <u>24 challenges</u> on track</li> <li>publishing an <u>Evaluation Framework</u> setting out how we intend to evaluate the Fund, and <u>challenge-level evaluations</u> of progress and impacts to date</li> <li>building on the success of the £55 million <u>Creative Industries Clusters Programme</u>, which has returned £4 for every £1 invested. A further £2.5 million, with co-funding from the Department for Digital, Culture, Media &amp; Sport, will extend the Clusters' activities to other parts of the UK, provide up-skilling opportunities, attract foreign direct investment and stimulate further economic growth</li> </ul>
<ul style="list-style-type: none"> <li>champion the adoption and diffusion of the seven priority technology families as outlined in the UK government's Innovation Strategy</li> </ul>	<ul style="list-style-type: none"> <li>working closely with BEIS to develop the <u>Technology Missions</u>, with £250 million to support cutting-edge R&amp;I with the potential to transform the fields of artificial intelligence (AI), engineering biology and quantum technologies</li> <li>investing in AI, including £167 million through cross-UKRI programmes such as <u>Responsible and Trustworthy AI</u>, <u>AI Centres for Doctoral Training and Turing AI Fellowships</u> and £80 million through the EPSRC-led <u>research hubs</u></li> <li>developing the next phase of the <u>National Quantum Technologies Programme</u>, through work led by EPSRC with Innovate UK, STFC &amp; BEIS</li> <li>delivering the next phase of quantum technologies funding through £100 million EPSRC investment in Quantum Hubs, research consortia and pilot programmes</li> <li>supporting the Henry Royce Institute, the UK's advanced materials research institute, through £95 million <u>new investment</u> led by EPSRC</li> <li>launching the £20 million <u>Transformative Technologies fund</u> to help small and micro companies throughout the UK to accelerate innovative ideas and key technologies</li> </ul>
<ul style="list-style-type: none"> <li>explore opportunities to leverage support and drive new and existing sectors such as the life sciences, space, design and creative industries sectors</li> </ul>	<ul style="list-style-type: none"> <li>delivering part of a £200 million UK government investment in <u>Earth Observation (EO)</u> to improve climate data, boost agricultural productivity, and support businesses using EO in novel ways</li> </ul>

- explore opportunities to leverage support and drive new and existing sectors such as the life sciences, space, design and creative industries sectors (cont.)
- driving innovation in the agri-food sector by helping to deliver novel resource-efficient, low-emission food production systems and move the industry closer to net zero whilst addressing important nutrition and health challenges, providing platforms for stakeholders across sectors to work together on a range of R&I priorities
- launching a £16 million investment in Human Functional Genomics Initiative clusters through MRC and BBSRC, addressing capability needs, identified in the Life Sciences Vision
- leveraging capacity in the UK's world-leading design sector, via our collaboration with the Design Council to tackle contemporary challenges from healthy ageing to net zero, including via their regular Design Economy report
- conducting an extensive stakeholder review of Knowledge Exchange funding, with Research England setting out its long-term strategic direction, including the future of the knowledge exchange framework
- In addition to our Corporate Plan commitments for 2022-23, we also:
  - invested £54.1 million through continuing COVID-19 programmes developed as part of UKRI's COVID-19 research funding and business support package, totalling over £1 billion since 2020-21, and evaluated the impacts of these programmes
  - published 6,781 impact case studies, submitted by 157 UK higher education institutions as part of the REF 2021 exercise in a searchable database

## Addressing major national and global challenges

### Co-investment generated and jobs created and retained through the Industrial Strategy Challenge Fund



- 43% of overall funding directed to micro or small sized organisations

**£1 billion** total allocated to date across UKRI challenge programmes, generating

- £3.4 billion co-investment realised to date
- £2.4 billion further co-investment committed to date
- £7.3 billion forecast for overall co-investment over fund lifetime
- £2.8 billion target total co-investment over fund lifetime

## Harnessing the opportunities from tomorrow's technologies & transforming sectors that are key to the future economy

**Over 100 teams** across the UK supported to develop cyber security innovation and commercialisation, **over £19 million** in further funding, and **21 companies** formed through CyberASAP – the Cyber Security Academic Startup Accelerator Programme – since its inception in 2017, with the Year 7 programme launched in 2023

**31 Local Authorities** & their businesses supported, to accelerate the delivery of the transition to net zero through the net zero Living Pathfinder Places

**£37 million** invested to expand the patient capital fund of the UK Innovation and Science Seed Fund (UKI2S), to help early-stage firms to use the outputs of research in pursuit of health, security and sustainable growth. The additional capital will support key growth sectors such as synthetic biology and fusion energy

**£48 million** funding was assigned this year to **75 projects**, supporting UK health & life sciences SMEs to test and develop innovative health and care solutions across life sciences, including therapeutics, medical devices, and digital health through the Biomedical Catalyst (BMC)



## Highlights



### Quantum Technology (QT) Hub attracts multinational companies, harnessing the opportunities of tomorrow's technologies

Research into quantum gravity sensors and ultra-precise clocks at the QT Hub for Sensors and Timing has built a diverse commercial ecosystem of component suppliers, system integrators and end-users in the West Midlands, with applications in numerous sectors from defence and healthcare to civil engineering. The QT Hub has developed a resilient local quantum-enabled economy, attracting more than 30 companies which have invested £25 million, developing new products which have provided the Defence Science and Technology Laboratory (DSTL) with critical new defence capabilities such as military sensing, and encouraging three multinational companies to open sites in the West Midlands. The QT Hub is supported by the National Quantum Technologies Programme which receives funding through EPSRC, STFC and Innovate UK.

### Improving air quality in London and beyond

London's air is cleaner and healthier thanks to ambitious emissions control schemes underpinned by UKRI-funded research. Connecting daily measurement of atmospheric pollution with predictive modelling helped policymakers select the most effective traffic control options for London. Research has also helped engage the public and drive support for tighter, more ambitious emissions controls by quantifying the impacts of air pollution on health.

Following the introduction of the Ultra Low Emission Zone, on average 74,000 fewer polluting cars per day drive in central London and nitrogen dioxide concentrations have fallen by an estimated 46%. Similar interventions are now being planned across the UK and worldwide. King's College London scientists worked in partnership with Transport for London, supported through NERC, MRC, ESRC, Defra, DHSC and NIHR.

### Driving sustainable development through R&I

Many UKRI programmes align with, and inform, the UN's Sustainable Development Goals (SDGs), for example:

- contributing to affordable and clean energy through the Bioenergy, Fertiliser and Clean Water from Invasive Aquatic Macrophytes (BEFWAM) project which developed four demonstration digesters in Uganda which break down waste biomass to generate biogas using water hyacinth in Uganda, and created 5 biogas plants in rural India. Water hyacinth invades waterways, damaging the ecosystem and preventing communities from using the water for fishing or other activities. Now the project has been scaled to pilot level in Uganda, 7,000 households no longer have to rely on solid biomass to cook food, reducing respiratory issues, and India's plants have reduced carbon emissions and lowered financial costs for locals. BEFWAM was supported by BBSRC through the Global Challenges Research Fund
- supporting good health and well-being at all ages through 16 projects funded through UKRI's Healthy Ageing Challenge. The Scaling Social Ventures scheme is supporting the projects in tackling the common concerns of ageing, including impaired hearing, eyesight, mobility and mental wellbeing, sustaining physical activity for over 50s and innovative models of care for independent living

# World-class organisation

**We are transforming UKRI to become a more efficient, effective and agile organisation, integrating our capability to maximise and optimise the support we deliver for the R&I system.**

<p><b>To achieve this, in 2022–23 we committed to:</b></p> <ul style="list-style-type: none"> <li>continue to improve how we work to drive greater efficiency, collaboration and agility across UKRI</li> </ul>	<p><b>Which we have progressed by:</b></p> <ul style="list-style-type: none"> <li>delivering our Organisational Change (OC) Portfolio through five major programmes, overseen by the Board's OC Committee, actively evolving the scope and approach to embed interventions to address the recommendations of the <a href="#">Independent Review of UKRI</a> and <a href="#">Review of Research Bureaucracy</a></li> <li>delivering the first stages of our new grants system, through our Simpler and Better Funding programme, harmonising and simplifying our grants processes across UKRI to deliver a better user experience for our applicants</li> <li>establishing an Agile Resourcing task and finish group to create more fluidity in our internal labour market and be more agile in resourcing emerging priorities</li> </ul>
<ul style="list-style-type: none"> <li>refresh our communications and engagement strategy to fully align with our five-year strategy</li> </ul>	<ul style="list-style-type: none"> <li>outlining a coherent approach across UKRI's communications and engagement activity, docking directly into our strategy, and ensuring we help deliver on DSIT's priorities</li> <li>understanding stakeholders' perceptions of UKRI. 18 in-depth interviews with key stakeholders demonstrated a growing understanding of UKRI's multiple roles in the R&amp;I system, including our role in progressing sector approaches on research culture and informing development of a quantitative <a href="#">survey</a> open to our whole stakeholder community</li> </ul>
<ul style="list-style-type: none"> <li>deliver a comprehensive people plan to meet the needs of our new operating model</li> </ul>	<ul style="list-style-type: none"> <li>launching our <a href="#">workforce equality, diversity and inclusion plan</a> and continuing to develop our employee value proposition</li> <li>launching the UKRI People Standards, defining how we should approach our work, highlighting core behaviours and attitudes</li> <li>refreshing our learning offer, commissioning a suite of pilot leadership programmes (to undergo evaluation in autumn 2023–24), launching a revised core skills catalogue and sourcing a new digital learning platform</li> <li>launching a talent attraction framework, piloting a suite of initiatives to improve our candidate talent pool including increasing the visibility of STFC engineering roles</li> </ul>
<ul style="list-style-type: none"> <li>embed environmental sustainability across our work and estates, delivering on our Environmental Sustainability Strategy and action plans</li> </ul>	<ul style="list-style-type: none"> <li>leading collaborative work stretching across the R&amp;I sector to deliver more environmentally sustainable research and innovation practice</li> <li>delivering against our Environmental Sustainability Strategy, as detailed in our Environmental Sustainability report (page 46)</li> </ul>
<ul style="list-style-type: none"> <li>champion 'responsible procurement'</li> </ul>	<ul style="list-style-type: none"> <li>developing a UKRI 'Responsible Procurement' Charter for our staff and suppliers to follow which includes consideration of environmental sustainability, and also other key areas of responsible procurement including social value, corporate ethics and health and safety</li> <li>working with procurement experts to deliver bespoke training to commercial business partners on social value and UKRI procurement</li> </ul>
<ul style="list-style-type: none"> <li>In addition to our Corporate Plan commitments for 2022–23, we also:</li> </ul>	<ul style="list-style-type: none"> <li>worked with the Government Internal Audit Agency which audited our framework for performance and responded to the recommendations in their advisory report, which noted that the framework utilised the National Audit Office Good Practice Criteria for Performance Measurement</li> <li>implemented a new Impact Management Framework for our business-led innovation support, enabling us to collect and analyse end-to-end data on emerging trends</li> </ul>

## Empowering talented people to collaborate and thrive

# 7,983

UKRI staff Full Time  
Equivalents (FTE) of which

# 4,394

are in direct research-facing roles  
in our institutes and centres  
See the staff report on page 87 for details

### Since launching UKRI's talent attraction framework

# 38

average number of applications  
to difficult to fill roles, including  
software developer and mechanical  
engineer roles, up from **19**

# Only 7%

of vacancies using the framework  
failed to recruit a post holder first  
time, compared to **52%** prior to its  
introduction

# 9.6%

 Mean gender pay gap 2022  
(10.2% in 2021, -0.6%)

# 8.7%

 Median gender pay gap 2022  
(12.3% in 2021, -3.5%)

# 6.2%

 Mean ethnicity pay gap 2022  
(+1% since 2021)

# 0.2%

 Median ethnicity pay gap 2022  
(-3% since 2021)

From our [Gender Pay Gap Report 2022](#)

### Catalysing change and impact through embedding new approaches to communications, engagement and partnership

**1 in 7** of the public are familiar with UKRI, increasing slightly  
since 2021

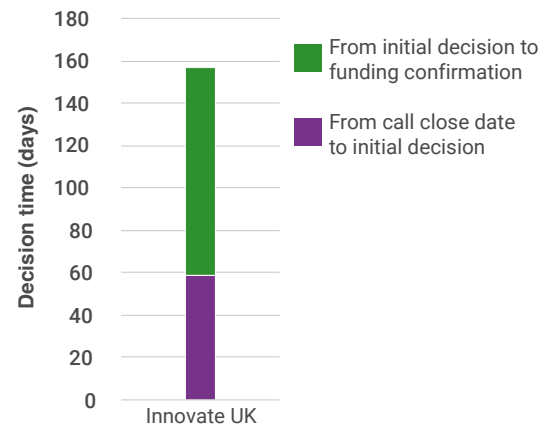
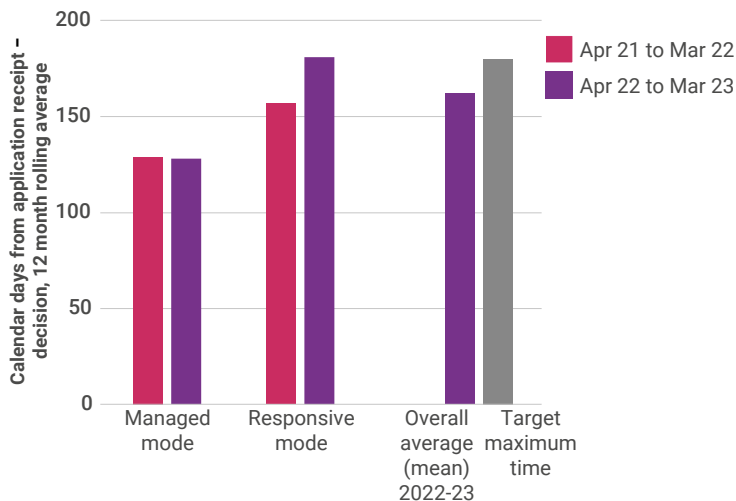
UKRI remains **one of the most reputable public sector  
organisations** and our reputation remains well above average for  
public sector bodies. Source: [RepTrak](#) survey 2022

**The single UKRI website** integrates the 10 separate sites, making  
it easier for users to find information. A website satisfaction survey  
for external users showed that satisfaction has increased in all areas  
compared to when research council sites were separate, with  
**88% of visitors** trusting the information on the website 'a great  
deal' or 'a lot'. Achieved a **top ten ranking** for our website out of  
268 government and public sector websites. Source [Sitemorse](#)





## Making UKRI an efficient, effective and agile organisation



Average No. of Days	Apr 21 to Mar 22	Apr 22 to Mar 23
Managed mode	129	128
Responsive mode	157	181
		Target
	162	180
Overall average 2022-23	148	162

IUK Average No. of Days	Innovate UK
From initial decision to funding confirmation	98
From call close date to initial decision	59

**5.4 months / 162 days** average processing times for research council funding applications – ahead of target. Responsive mode opportunities welcome applications on any topic within the disciplinary portfolio. Managed mode opportunities focus on specific R&I areas or challenges.

Innovate UK’s customer base, products and processes differ to the Research Councils’. For Innovate UK in 2022–23: average 59 days from call close date to initial decision, and average 98 days from initial decision to funding confirmation.

UKRI target **6 months / 180 days**. For comparison, the European Research Council target is 9 months, USA’s National Science Foundation target is 75% of applications within 6 months.

### Highlights

**22,312** applications reviewed in 2022–23 (23,591 in 2021–22)

**27%** award rate for applications by number (23% in 2021–22)

**30%** award rate for applications by value (25% in 2021–22)

Data span all applications reviewed by UKRI. Projects supported by the Horizon Europe guarantee are not included in these analyses. We are currently carrying out several major change programmes, including migrating our data to the newly created DataBank, as well as transitioning new R&I applications to our Funding Service, replacing legacy systems. As the quality and completeness of our data sources and linkages improve, our reporting in the future will improve.

### Creating a culture in which our people thrive

UKRI has a critical role in fostering an outstanding R&I system in the UK, to which everyone can contribute and from which everyone benefits. Aligned to the UKRI Strategy, in 2022 we launched our first people and teams action plan which brings together a range of previous work and sets out how we will lead by example, build a more inclusive culture at UKRI, offer opportunity for all, and develop the diversity of people and thought we need to be a world-class organisation. We must support our workforce and build the resilience needed to respond with agility to the future challenge and opportunities of an increasingly R&I intensive economy. Critically, we must make sure that everyone at UKRI can thrive in their careers, feel valued and able to realise their potential. This is essential for our productivity, creativity and ability to solve problems and address challenges. We are committed to sharing our successes and failures and learning to evolve our plan and actions as we go.

## Highlights



## Engaging the sector to shape collective action

During 2022–23 UKRI has led collaborative work to explore how we collectively deliver more environmentally sustainable research and innovation practice across the research and innovation sector. Engaging with representatives in higher education, independent research institutes and funding organisations, UKRI has led a range of successful meetings and events which have all signalled good will from across the sector for UKRI to pursue the development of a new concordat on the environmental sustainability of research and innovation practice. The concordat will set out principles for joint action while also recognising and aligning with other relevant existing frameworks and reporting mechanisms.

## Transforming our organisation

Across UKRI we continue to make considerable progress in the delivery of the organisational change portfolio (OCP) and our work to the [Independent Review of UKRI](#), including advancing our capability, IT systems and infrastructure through a £130 million+ multi-year investment. This work includes:

- Simpler and Better Funding (SBF) is on track for delivery by December 2023:
  - with funding opportunities from all seven Research Councils within UKRI already running on the new SBF system
  - aiming to reduce the number of Research Council funding mechanisms from over 200 to an expectation of less than 10
  - close collaboration and co-creation with University Research Offices with great engagement by researchers, e.g., 4,600+ subscribers to SBF newsletter and positive feedback about the new system, “The new Funding service is much easier to use than the Je-S system”
- completing the design and configuration work for the Services for HR, Accounting, Reporting and Procurement (SHARP) programme, providing harmonisation across UKRI and adoption of Government standard processes. Some delays have been experienced with data migration, and the programme is progressing to implementation
- progressing the design of our overall operating model to identify opportunities for efficiency, increased collaboration and simplification. The new operating model is being implemented in a phased programme of activity through 2023–24 and 2024–25. The designs include:
  - simplifying and clarifying governance structures and enabling faster decision-making through the creation of “authority” positions that operate on behalf of the whole of UKRI
  - harmonising and simplifying our systems and processes by developing pan-UKRI services and infrastructure – with 7 out of 9 Councils and all parts of the operational centre already moved to a single, new IT infrastructure
- creating clear leadership and prioritisation for optimising UKRI’s data with a CIO and CDO being appointed
- supporting and developing our leaders to lead the implementation of these changes, whilst also maintaining the positive, inclusive, engaged environment in which all our people can contribute to making UKRI a great place to work

# Risk and Performance

## Risk Management Framework

As part of our governance, we operate a risk management framework within which risks are owned at the lowest level of authority able to direct resources to address them. Risks are managed locally within Councils, Institutes and Programmes through their existing governance structures, with support from the Risk and Assurance team.

## Risk Appetite

We recognise as an organisation that we must take risks to achieve our objectives, and to inform this we have a risk appetite statement that sets the boundaries for risk taking. The appetite statement is used to identify risks that require a mitigation plan.

## Principal Risks

UKRI defines risk as an uncertain event or set of circumstances, that should it occur will have an impact on the achievement of objectives. The principal risks to UKRI are organised into four categories:

- Strategic Challenges
- Major External Challenges
- Internal Control Framework
- Organisational Capabilities

There are 23 principal risks of which nine are overseen by the Board. Some of these risks map to the significant issues presented in the Governance Statement. An issue is an unplanned event which has already happened and requires management action. The Governance Statement summarises the way we managed significant issues that arose during the year.

**A summary of the Board level risks is set out in the table below.**

Risk and Mitigating Actions	Appetite and Direction
<b>Strategic Challenges</b>	
<p><b>Financial sustainability of the UK research system</b></p> <p>In 2022 our Financial Sustainability programme has been combining data analysis, qualitative insights and understanding of the incentives and connections across the research and innovation system to gain a better picture of the financial health of higher education providers and UKRI institutes. This work helps us assess current and future financial risks to the ability of these organisations to carry out high-quality research and innovation and supports development of policy options which may help enhance the resilience of the R&amp;I system. The programme draws on continuous stakeholder engagement, including the independent expertise of the Financial Sustainability of Research Group, which we established in 2021.</p>	<p>This risk is not within appetite and has remained at a high score throughout the year.</p>
<b>Major External Challenges</b>	
<p><b>Failure to influence/respond to changes in the policy landscape</b></p> <p>UKRI responded quickly to changes in the R&amp;I landscape, maintaining and building strong relationships with UK Government that remained effective and relevant, including where there were changes in departmental structures. The UK Government's strong commitment to R&amp;I investment remains and this year we published our three-year Strategic Delivery Plans, setting out how we will utilise our allocations to deliver our five-year Strategy, for Government, and our communities. We also completed our Communications and Engagement Strategic Framework, through which we will improve our understanding of our stakeholders and communities, enabling us to build even more effective, influential and trusting connections across the R&amp;I landscape.</p>	<p>This risk is not within appetite, the score has fluctuated throughout the year between medium and high scores.</p>



**Risk and Mitigating Actions**

**Appetite and Direction**

**Major External Challenges**

**Trusted Research and Innovation**

UKRI is required to develop appropriate and proportionate principles and procedures to balance risks associated with national security, partnership and funding against the benefits from overseas funding and research capacity. A Trusted Research and Innovation Programme was launched in 2021 to implement guidance in this area across UKRI. As part of this work programme we updated our standard Grant Terms and Conditions and published an accompanying set of TR&I Principles to provide greater protection and clarity around our expectations. We continue to roll out our '10 Steps to TR&I' risk assessment framework, to ensure a consistent and effective model for identifying and mitigating risk associated with trusted research, together with an accompanying training programme to raise awareness and understanding across UKRI staff.

This risk is not within appetite and has remained at a high score throughout the year.

**Failure to deliver against UKRI Environmental Sustainability and Greening Government Commitments**

During 2022–23, key priorities for UKRI's Environmental Sustainability programme to 2024–25 were established to create a foundation for delivery of the UKRI Environmental Strategy. The four priorities listed below are enablers for the next phase of delivery of the programme. Progress has been made against each priority:

Delivery of a Concordat for the UK Research & Innovation sector that establishes mutually agreed targets for Carbon net zero and principles of approach. UKRI internal consultation is currently underway and will be followed by a wide consultation with external stakeholders and funders.

Establish policies that provide clear direction for UKRI and external stakeholders, including: UKRI Travel policy, UKRI Policy Statement on Carbon Offsetting and a policy to set clear directions for minimum requirements on environmental performance for future investments as guidance for project development and approvals. The latter is currently progressed in discussion with key stakeholders in UKRI.

Establish accurate measurement of emission data and develop capability to predict and calculate future trajectory of carbon emissions for the existing and future investments to assist corporate decision making and operational management. Data has been verified and there is a clearer understanding of what the gaps are and how to close them. The procurement process for the carbon tracker has started in May 2023 with issue of the PIN notice.

Establish clear, viable, evidenced and costed plans for the transformation of UKRI owned estate and research infrastructure to net zero position. Activities for the transformation of the UKRI estate and research infrastructure include ensuring that these are capable to the future changes in the climate and pose no risk to research continuation due to increasingly extreme weather and climate events. The councils have produced their estimates for the cost of the transformation of UKRI owned estate and research infrastructure and work is now underway to deliver (FY 2023–2025) and detailed planning of the projects for next SR (2025–2030) as one UKRI Programme.

This risk is not within appetite and has remained at a high score throughout the year.

## Risk and Mitigating Actions

## Appetite and Direction

Internal Control Framework	
<p><b>Major gap or failure in our internal control environment</b></p> <p>This is a new UKRI Board-level risk representing the high risk profile of our key legal or regulatory compliance areas as well as our responsibilities under UK government requirements including Managing Public Money. We recognise that our security and counter fraud arrangements need to be strengthened. The risk score has been increased to reflect the challenge of implementing new systems at pace. Our internal control environment is subject to regular review and audit. Key mitigations to this board level risk include regular review of performance information and assurance outcomes. The implementation of our Security Strategy and the development of Fraud Risk Assessment project will mitigate significant areas of weakness.</p>	<p>This risk is not within appetite, with a medium score that has increased over the course of the year.</p>
Organisational Capabilities	
<p><b>UKRI Staff Capability and Capacity</b></p> <p>The UKRI capacity and capability strategic risk has five operational risks and mitigations underpinning it which are the five HR strategic objectives developed over the last 12 months. The five workstreams are managed through individual risks with supporting actions that are monitored monthly to assess progress. This year we have successfully completed a Talent Attraction pilot as part of the Strategic Workforce Planning (SWP) model and provided a written report with recommendations that will now form the basis of a wider roll out. We carried out a gap analysis for all Key and Critical Roles with succession and talent interventions identified, produced an Employee Engagement Plan and published a measurable L&amp;D Strategy and annual plan.</p>	<p>This risk is not within appetite, with a very high score that has increased over the course of the year.</p>
<p><b>Failure to deliver UKRI's Organisational Change Programme</b></p> <p>During 2022–23 we brought together all elements of Organisational Change into one coherent portfolio with updated and reviewed Governance arrangements. Robust processes are in place for the prioritisation and ongoing review of all elements and Senior Leaders from across the organisation are working together to design and deliver the changes needed for the future of UKRI.</p>	<p>This risk is not within appetite however over the next twelve months delivery of major milestones and completion of activities within the portfolio are projected to bring this risk within appetite and to the target score.</p>
<p><b>Effectiveness of UKRI system and IT infrastructure</b></p> <p>This is a new risk identified at a Board/Exco Workshop in January 2023 focussed on ensuring that an appropriate level of resourcing and investment is incorporated into plans for the operation and maintenance of IT systems and infrastructure across the organisation. This risk recognises support for new systems being developed within organisational change under the Technology Programme and the challenges we have with bringing together our legacy systems. The recruitment of a Chief Information and Chief Data Officer will strengthen technology governance and play an important part in reducing this risk.</p>	<p>This risk is not within appetite and has increased in score since its creation.</p>
Cross Category Risk	
<p><b>Impact of decision on association to Horizon Europe</b></p> <p>UKRI has continued to deliver the Guarantee on behalf of BEIS to ensure that the community can receive Horizon Europe funding in the interim period, prior to a decision around association. We continue to work closely with our DSIT colleagues to develop transitional measures and longer-term alternatives to ensure that preparations are in place should these be needed if the decision is for the UK not to associate. We also enabled delivery of additional interim investment into R&amp;I on behalf of DSIT to support the community during this financial year.</p>	<p>This risk is not within appetite, with a score fluctuating between high and very high throughout the year.</p>

# Environmental Sustainability Report

## Introduction

Research and Innovation (R&I) is critical in understanding how our planet is changing and helping us act responsibly to protect and restore our natural environment.

The UKRI Strategy, Corporate Plan and Strategic Delivery Plans set out our responsibility to catalyse change and impact through partnership and leadership. This commitment extends to reducing the harm and enhancing the environmental sustainability of our owned operations, while supporting wider research and innovation to do the same.

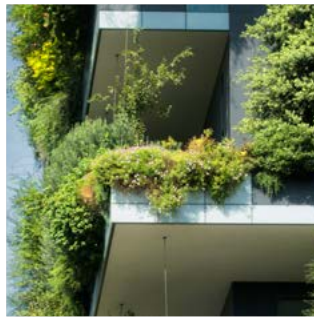
The UKRI Environmental Sustainability Strategy commits us to:



**being 'positive for the environment' through our decision making**



**achieving net zero\* from our owned operations by 2040**



**acting as agents of change to drive environmental sustainability in the research and innovation sector**



In line with these commitments, during 2022–23 we have:

- developed decarbonisation plans across UKRI based upon priority areas for carbon reduction
- directly invested over £10 million to enhance and implement these decarbonisation plans to support long-term science delivery, including the roll out of new green and renewable technologies
- changed the way we make decisions on infrastructure – enhancing the environmental requirements for proposals to include carbon forecasting
- initiated a £1.8 million project to understand and reduce the environmental impact of our digital research infrastructure (DRI) and associated computing activities
- implemented new requirements for staff business travel and procurement, which reflect our environmental ambition
- engaged the wider sector to develop common principles for environmental sustainability that we can all apply to enhance impact

Delivery against our Environmental Sustainability Strategy is governed via a Programme Board, reporting to the UKRI Executive Committee and UKRI Board.

\* The reduction of anthropogenic greenhouse gas emissions (expressed as CO<sub>2</sub>e) to zero or to a residual level that is consistent with reaching net zero emissions in eligible 1.5 °C pathways (hence time-bound), recognising that UKRI will need to neutralise the impact of residual emissions (if any) by removing and storing an equivalent volume of carbon.



Our activity to decarbonise and minimise the negative environmental impacts of our operations supports several UN Sustainable Development Goals (SDGs) including, but not limited to:



**SDG9.4:** 'upgrade infrastructure and retrofit industries to make them sustainable'



**SDG13.2:** 'integrate climate change measures into policy and planning'



**SDG17:** 'encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships'

## Environmental sustainability performance

### Scope

UKRI's environmental sustainability performance is presented in line with the 2021–2025 [Greening Government Commitments](#) (GGC) reporting requirements and [HM Treasury Sustainability Reporting Guidance](#). Performance indicators are set against a 2017–18 financial year baseline.

The data set includes direct (scope 1) and indirect (scope 2) greenhouse gas (GHG) emissions from UK operations and UK business travel (scope 3). The 2017–18 data are for the MRC, STFC and NERC estate. The data for remaining years are for all UKRI.

## Mitigating Climate Change



### Key Performance Indicators:

- net zero by 2040 for UKRI-owned operations
- reduce GGC-scope GHG emissions by 65% and direct emissions by 30% by 2025
- 25% of UKRI car fleet to be Ultra Low Emissions Vehicles (ULEV) by 31 December 2022, and 100% zero-emissions at the tailpipe by 31 December 2027
- reduce domestic business flight emissions by at least 30% by 2025, and report international business flight distance travelled



### UKRI greenhouse gas emissions

UKRI has set a target of achieving net zero for its owned operations by 2040. In 2022–23 our operational emissions have decreased by ~ 46% compared to the 2017–18 baseline year:

#### UKRI annual greenhouse gas emissions, energy consumption, and expenditure 2017–18 to 2022–23

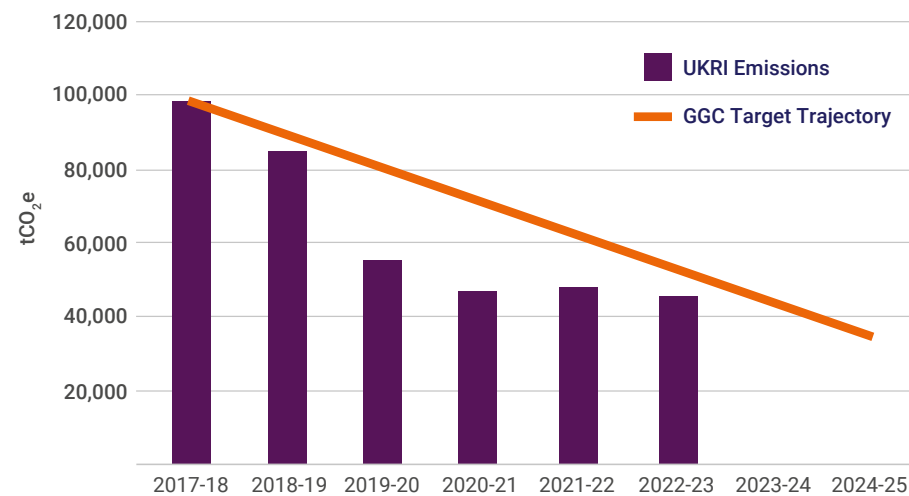
UKRI greenhouse gas emissions		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	
Non-financial total gross indicators (1000t CO <sub>2</sub> e)	Total gross emissions	98.2	71.4	54.9	46.6	47.4	45.4	
	Total net emissions	98.2	71.4	54.9	46.6	47.4	45.4	
	Gross emissions Scope 1 (direct)	Gas & LPG	14.3	13.0	9.2	11.3	11.3	11.0
		Owned transport	0.2	0.1	0.1	0.03	0.03	0.03
		Fugitive emissions	1.7	1.6	1.5	0.6	0.3	0.3
	Gross emissions Scope 2 & 3 (indirect)	Electricity	74.3	52.0	37.4	34.3	35.3	31.4
		Heat	0.03	0.02	0.004	0.0	0.0	0.0
		Business travel	7.6	4.6	6.6	0.3	1.0	2.7
	Related energy consumption (million kWh)	Electricity: non-renewable	193.3	169.4	134.8	12.9	0.0	108.1
		Electricity: renewable	0.2	0.3	11.8	122.6	148.6	40.5
Gas		67.4	82.7	49.6	61.2	64.5	60.1	
LPG		0.006	0.014	0.007	0.015	0.030	0.0	
Heat*		0.2	0.1	1.0	6.4	6.5	4.8	
Other		6.5	1.3	0.4	0.3	0.1	0.04	
Financial indicators (£m)	Expenditure on energy	17.6	23.4	25.1	21.7	23.8	33.1	
	CRC Expenditure	1.4	0.0	0.0	0.0	0.0	0.0	
	Expenditure on accredited offsets	0.0	0.0	0.0	0.0	0.0	0.0	
	Expenditure on business travel	5.2	4.5	3.9	0.5	2.1	5.3	

\* From onsite Ground Source Heat Pump (GSHP) and Combined Heat and Power (CHP) generation.

Note: UKRI does not purchase carbon offsets in line with the UKRI Position Statement on Carbon Offsetting. We seek to reduce our owned carbon emissions as a matter of priority. We do not currently support carbon offsetting as a means of reducing carbon emissions as research indicates that the benefits of different offsetting activities are variable, and that there is lack of evidence of genuine long-term additionality (permanent capture and storage of carbon). We are working to improve the long-term credibility of carbon offsetting through our research investment and collaboration.

UKRI’s annual emissions from our baseline year 2017–18 are currently within the reduction trajectory of our 2025 GGC-scope target:

#### UKRI annual carbon emissions (tCO<sub>2</sub>e) compared to GGC target of 65% reduction from baseline year by 2024–25



	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
UKRI Emissions	98,171	85,106	54,860	46,647	47,476	45,460	-	-
GGC Target Trajectory	98,171	89,055	79,939	70,823	61,707	52,591	43,476	34,360

Carbon emissions have reduced compared to previous years as we continue to invest in our owned operations, and in new R&I infrastructure, in an increasingly low-carbon way. To deliver the longer-term decrease required, UKRI has established a dedicated carbon fund in 2022–23 to enhance and implement operational decarbonisation plans to 2025. From 2022–23, infrastructure decision-making is now informed by proposal and organisational carbon forecasting.



#### Highlights of decarbonisation projects have included:

- we launched a new staff travel policy, no longer focusing on cost as the primary consideration when booking travel, and adopting a virtual-first approach to meetings
- through MRC we provided £167 thousand funding to the Frances Crick Institute for a Steam Electrification and Heat Generation Feasibility Study to look at optimising the operation of the steam boilers by installing an additional steam plate heat exchanger to eliminate the use of natural gas. The proposal offers the Crick a CO<sub>2</sub>e reduction of 9,870t.CO<sub>2</sub>e per year by 2030
- through STFC we replaced a range of equipment including air compressors, fume cupboards, ovens and pumps with more efficient models
- British Antarctic Survey (through NERC) has installed a smart grid and solar photovoltaic (PV) array of around 300 panels at the Bird Island research station in Antarctica. The array is in excess of 100kWp and covers most of the existing roof space at the research station. The solar and battery system is expected to reduce annual carbon emissions and fuel use at the station by 50%
- through MRC, we replaced old inefficient freezers (and ultra-low temperature freezers) with newer, more energy efficient models
- through NERC we successfully achieved the 'Taking Action' tier of the Route to net zero Standard (R2N0) Award (previously Carbon Trust Standard). R2N0 will support NERC with insight and recommendations to continue reducing carbon impact
- the FAAM Airborne Laboratory (through NERC) completed its first trial of low-carbon sustainable aviation fuel

#### Low-carbon emission vehicles

UKRI owns a fleet of ~ 85 vehicles, including specialist vehicles, to support our science operations. These vehicles are being replaced with ultra-low emission models as they come to the end of their operating life or lease period in line with the Government Fleet Commitment targets. As at the end of March 2023, ~ 50% of our fleet is ultra-low emission (50gCO<sub>2</sub>e/km) vehicles. We continue to enhance electric vehicle charging infrastructure on our UK estate for staff and visitors.

#### Case study

Through STFC, this year we purchased eight new electric vehicles for their fleet, and installed a telematics system which enables monitoring to identify potential carbon savings. In addition, we also purchased six e-bikes to encourage the uptake of active travel across STFC's Harwell and Daresbury campuses. Bike rental provision at the Rutherford Appleton Laboratory (RAL) has also been expanded, making active and lower-carbon emission travel easier than ever.

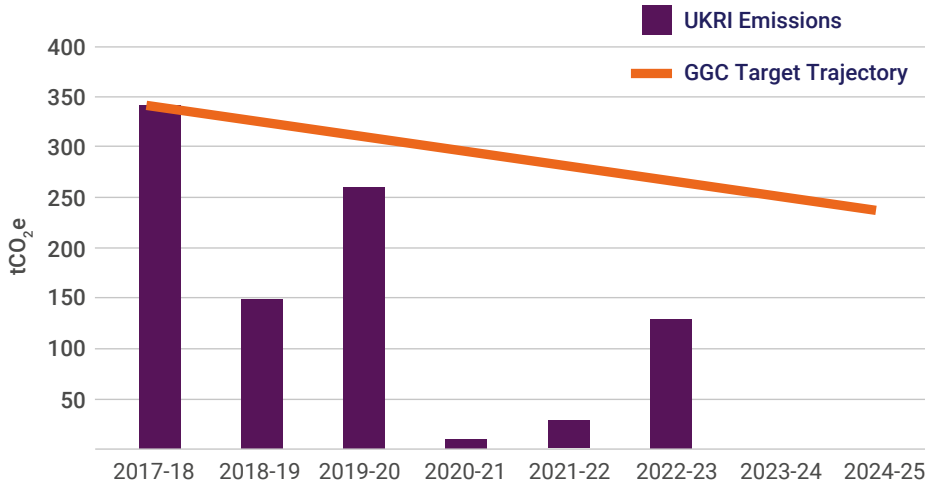




**Business travel**

GHG emissions from all employee business travel during 2022-23 have decreased by 64% compared to the 2017-18 baseline year. This includes a 61% reduction in emissions from UK domestic flights taken in 2022-23 compared to the 2017-18 baseline year, against the GGC target of a 30% reduction by 2024-25:

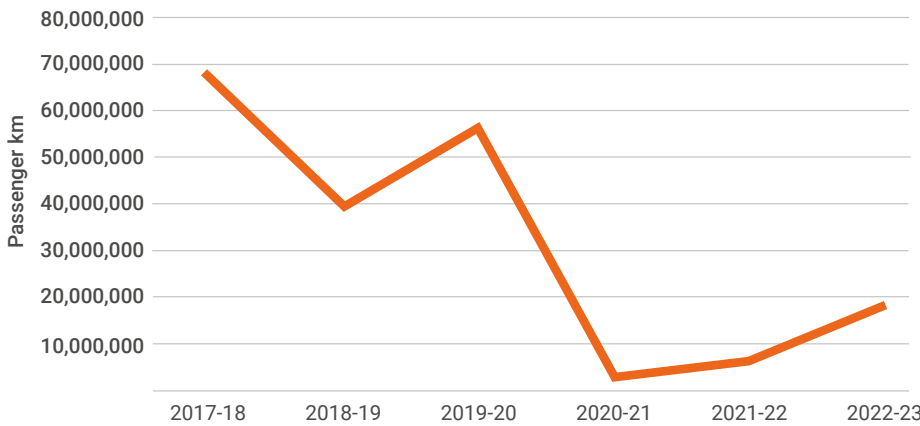
**Carbon emissions (tCO<sub>2</sub>e) from domestic flights compared to GGC target reduction of 30% from baseline by 2024-25**



	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
UKRI Emissions	340	148	260	10	28	131		
GGC Target Trajectory	340	326	311	296	282	267	253	238

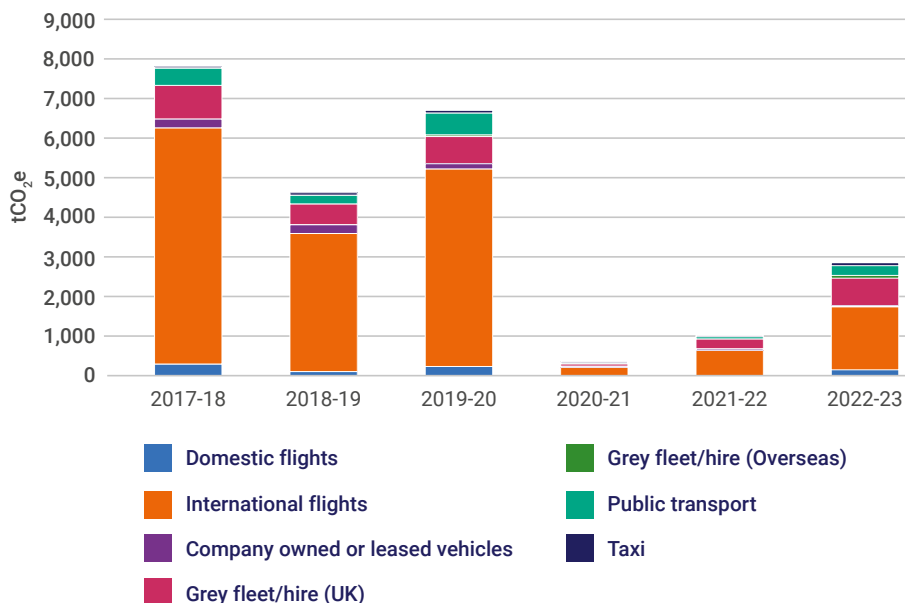
This change is enabled by the roll-out of remote-working technologies across UKRI offices and our new business travel policy published in November 2022, to encourage ‘climate-conscious’ travel choices. This trend is reflected in the total international business travel flights (per passenger kilometres travelled) undertaken by UKRI employees:

**Total number of annual passenger kilometres travelled by UKRI employees on international flights**



2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
67,288,103	39,580,541	56,370,456	2,782,572	6,352,826	18,530,686

UKRI annual business travel by travel mode



	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Domestic flights	340	148	260	10	28	131
International flights	5,938	3,462	4,997	224	530	1,585
Company owned or leased vehicles	202	213	113	32	33	31
Grey fleet/hire (UK)	855	528	700	73	265	688
Grey fleet/hire (Overseas)	0	0	5	0	0	86
Public transport	428	246	575	3	68	248
Taxi	39	48	62	7	25	70

Note: Some business travel data for research councils in 2018–19 is not available due to incomplete records.

Minimising waste and promoting resource efficiency

Key Performance Indicators – by 2025:

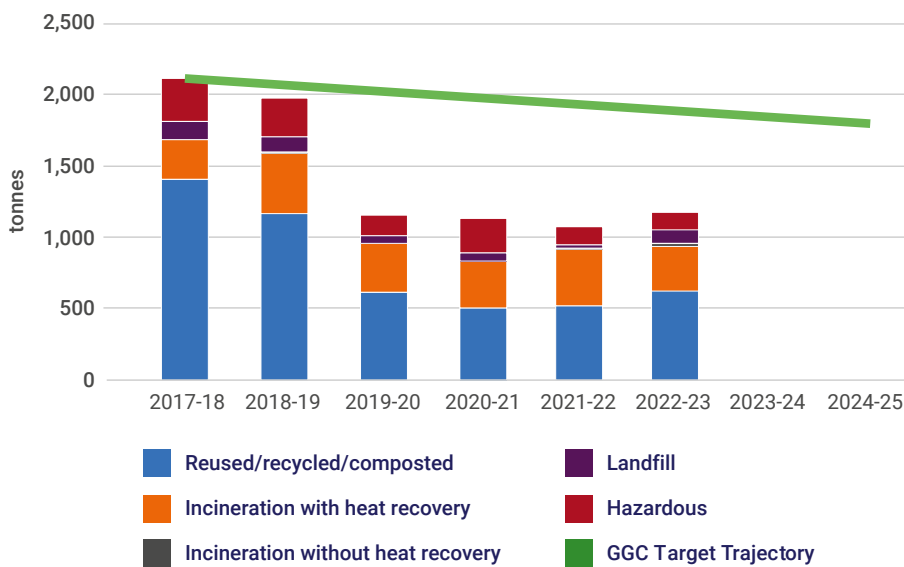
<p>reduce the overall amount of waste generated by</p> <p><b>15%</b></p>		<p>reduce the amount of waste going to landfill to less than</p> <p><b>5%</b></p> <p>of overall waste</p>		<p>reduce paper use by at least</p> <p><b>50%</b></p>
<p>remove consumer single-use plastic from the office estate</p> <p>measure and report on food waste</p> <p>report on the introduction and implementation of reuse schemes</p>		<p>increase the proportion of waste that is recycled or reused to at least</p> <p><b>70%</b></p> <p>of overall waste</p>		

We have reduced our total waste generation from operations in 2022-23 by ~ 44% compared to the 2017-18 baseline year:

UKRI annual waste generation indicators 2017-18 to 2022-23

UKRI waste generation			2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	
Non-financial total gross indicators (tonnes)	Total waste		2,065	1,976	1,156	1,130	1,073	1,176	
	Hazardous waste	Total	302	276	147	243	125	122	
		Landfill	128	105	51	64	30	92	
	Non-hazardous waste	Reused/recycled inc. composting		1,349	1,172	618	499	516	623
		Incinerated with energy recovery		284	419	339	324	398	316
		Incinerated without energy recovery		2	4	1	0	4	23
Financial indicators (£m)	Total disposal cost		0.8	0.8	0.9	0.9	1.0	1.2	
	Hazardous waste	Total	0.3	0.3	0.4	0.8	0.7	0.8	
		Landfill	0.06	0.03	0.3	0.02	0.2	0.01	
	Non-hazardous waste	Reused/recycled/composted		0.3	0.2	0.2	0.1	0.2	0.3
		Incinerated with energy recovery		0.2	0.2	0.2	0.01	0.01	0.04
		Incinerated without energy recovery		0.0	0.0	0.0	0.0	0.0	0.0

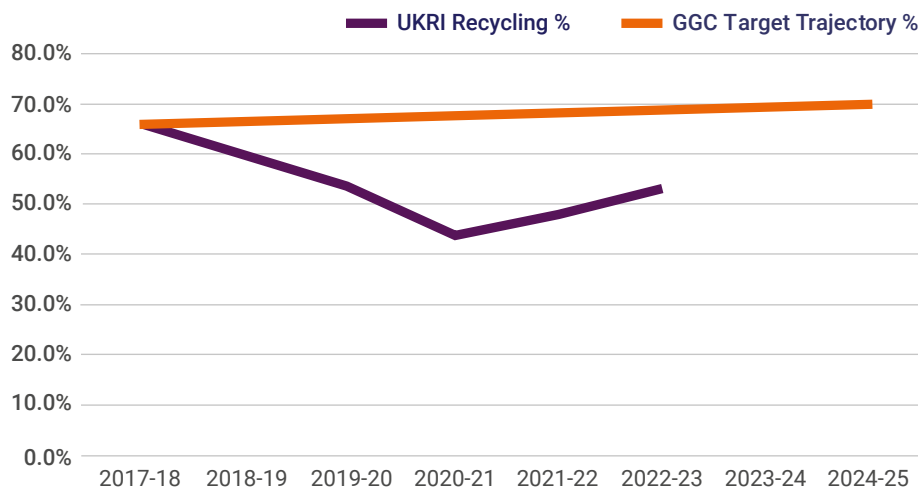
Annual UKRI waste volume (tonnes) by fate compared with GGC reduction target trajectory to reduce overall waste by 15% from baseline year by 2024-25



	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Total waste	2,111	1,976	1,156	1,130	1,073	1,176
Hazardous waste	302	276	147	243	125	122
Non-hazardous: landfill	128	105	51	64	30	92
Non-hazardous: recycling/composted	1,394	1,172	618	499	516	623
Non-hazardous: incinerated with heat recovery	284	419	339	324	398	316
Non-hazardous: incinerated without heat recovery	2	4	2	-	3	23

UKRI's overall recycling rate has increased slightly compared to 2021–22. At 53% it remains below the 2024–25 target of 70% but the increasing trend suggests that we are on course to achieve this in future years:

**Annual UKRI waste recycling (tonnes) as a percentage of overall waste compared with GGC target trajectory to increase overall recycled waste to at least 70% overall by 2024–25**



	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Total waste	2,111	1,976	1,156	1,130	1,073	1,176		
Total recycling	1,394	1,172	618	499	516	623		
UKRI Recycling %	66.0%	59.3%	53.5%	44.1%	48.1%	53.0%		
GGC Target Trajectory %	66.0%	66.6%	67.2%	67.7%	68.3%	68.9%	69.4%	70.0%

We do not have complete data on consumer single-use plastic use, paper consumption and food waste volume, due to data capture constraints. These will be developed from next year. Environmental sustainability action plans for our councils and Head Office set out how waste is being reduced across our operations while working to meet re-use and recycling targets.



**Practical actions taken over the last year to improve UKRI's waste performance include:**

- the Laboratory Efficiency Assessment Framework (LEAF) has been used across NERC and MRC to identify and realise opportunities for more environmentally sustainable operations, including enhanced waste management practices such as recycling for single-use nitrile gloves
- British Geological Survey (through NERC) has introduced greener practices around solvent use, and has installed new waste management facilities for staff
- through MRC we have introduced new software to produce and maintain a database of chemicals, which ensures that only the quantities needed are produced or ordered, reducing waste
- through MRC we funded a project in its Gambia unit to establish an integrated waste recycling system for plastic and organic waste produced by the unit. The system includes a biodigester in which the by-products will be used as fertiliser on site in the unit's gardens and supplied to local women's community gardens, to support food production and livelihoods

## Reducing our water use

### Key Performance Indicators:

reduce water consumption by at least

**8%** by 2025



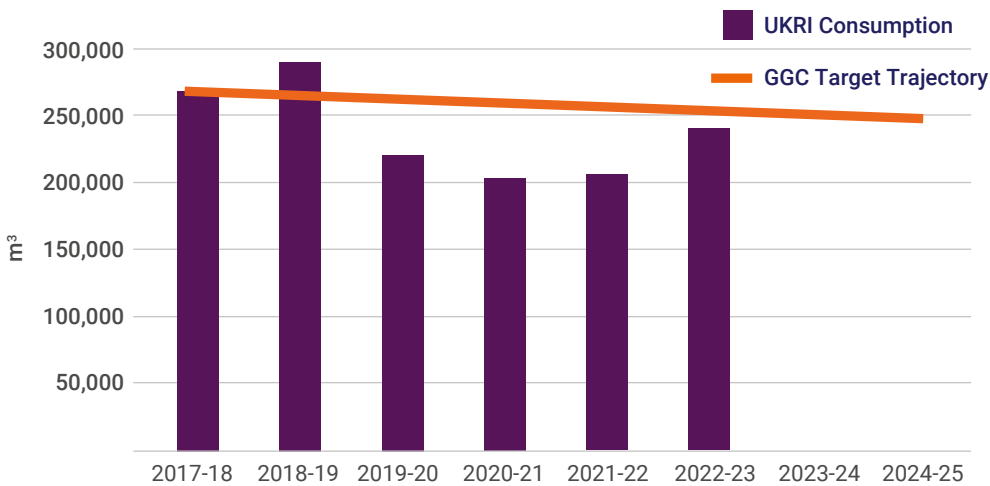
In 2022–23 UKRI’s water consumption decreased by ~ 11% compared to the 2017–18 baseline year:

### Total UKRI annual water consumption (m³) disaggregated by office and non-office estate

UKRI water consumption		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	
Non-financial total gross indicators (000 m³)	Total water consumption	268.9	290.2	221.6	203.2	205.8	239.6	
	Water consumption (office estate)	Supplied	2.4	10.9	13.1	10.7	6.9	10.1
		Abstracted	0.0	0.0	0.0	0.0	0.0	0.0
	Water consumption (non-office estate)	Supplied	266.5	279.3	208.5	192.5	198.9	229.5
		Abstracted	0.0	0.0	0.0	0.0	0.0	0.0
	Financial indicators (£m)	Total cost	0.58	0.82	0.85	0.56	0.59	0.78
Water supply cost (office estate)		0.19	0.25	0.42	0.02	0.01	0.03	
Water supply cost (non-office estate)		0.39	0.57	0.43	0.54	0.58	0.75	

UKRI’s water consumption across our office and science estate from our baseline year 2017–18 is currently within the reduction trajectory of our 2025 GGC-scope:

### Annual UKRI water consumption (m³) compared with GGC reduction target trajectory to reduce overall water consumption by 8% by 2024–25



	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
UKRI Consumption	268,995	290,255	221,606	203,163	205,745	239,583	-	-
GGC Target Trajectory	268,995	265,920	262,846	259,772	256,698	253,623	250,549	247,475

Whilst there has been an increase in consumption in 2022–23, Estates teams across UKRI utilise extensive building control and metering systems to monitor water-use, and identify leaks and opportunities to reduce consumption.



## Procuring sustainable products and services

Our reported GHG emissions do not include the embodied emissions of the goods and services procured by UKRI. As a first step in quantifying the environmental impact of our purchasing activity we have developed an emissions baseline that suggests annual emissions from goods and services to be approximately 78,500 tonnes CO<sub>2</sub> equivalent. This equates to around 36% of our total when adding supply chain emissions with emissions from our owned operations.



In 2022–23, UKRI adopted a holistic ‘Responsible Procurement’ Charter, and we are now developing tools to help staff implement this when purchasing goods and services. The Charter sets out future minimum environmental requirements for all UKRI suppliers, and ensures compliance with Social Value requirements.

Commercial leads have received additional training on social value and carbon reduction plans to support the collaborative implementation of the new Charter.

UKRI collaborated with DEFRA to support their work to review the Government Buying Standard (GBS) on food and catering, and to discuss future opportunities to enhance other standards, to ensure that they reflect the latest environmental research. UKRI works with its main catering provider (Aramark) and local providers to encourage sustainable food practices.

## Nature recovery and biodiversity

Protection of biodiversity is a key component of our ambition to be ‘positive for the environment’. Biodiversity enhancement plans are being developed and implemented across our key office and research estate and infrastructure, which will be in line with the GGC requirement on Nature Recovery Plans. Proposals for new UKRI-funded infrastructure developments are required to consider and propose plans to mitigate negative impacts on nature from construction and operations.

**Case study**

Through STFC we reinforced the commitment to supporting nature and biodiversity on its sites through the publication of a biodiversity plan. Actions implemented include a new mowing regime at the RAL site that encourages wildflower growth, and the propagation of a significant number of wildflowers and planted native trees at the Daresbury site.





## Adapting to climate change

Climate change adaptation assessment and planning is a key objective within the UKRI Environmental Sustainability Strategy and reflected in council-level plans. Adaptation considerations are also being embedded in UKRI investment decision-making and business case processes, to ensure that our operations are sustainable in the face of climate change in the long term.

### Case study

In 2022, NERC updated its Climate Change Adaptation plan, which aims to ensure that operational activities generate positive outcomes for air, water and land quality across NERC and its Centres. The plan will better inform the funding and operating of climate-resilient research facilities and infrastructure, which are prepared for a warming world.



## Reducing environmental impacts from ICT and digital

The use of ICT and digital infrastructure is increasingly important to deliver research and innovation, but this comes with an environmental impact, we are actively managing.



### Practical examples of greening ICT in 2022–23 have included:

- ensuring that all staff can easily video conference from home, and maintaining a network of over 350 video-enabled meeting rooms
- emphasising low-power consumption, high-efficiency devices as we procure new ICT equipment to replace legacy infrastructure
- launching a PC recycling scheme for staff. The scheme has enabled devices that are no longer fit for corporate use and scheduled for disposal instead to be securely wiped and made available for staff to purchase. To date over 1,000 devices have been distributed
- hosting the STFC High Performance Computing Conference Computing Insight UK with a headline sustainability theme for the December 2022 event
- awarding £1.8 million in funding to investigate how UKRI can achieve net zero digital research infrastructure. The technical report arising from this scoping project will help us understand the environmental impact of our computing activities and provide strategic recommendations to reach net zero

## Sustainable construction

Through its infrastructure funding, UKRI promotes sustainable construction and has adopted sustainability standards to support this: for example, as part of the BAS (NERC) Antarctic Modernisation Programme, the new Discovery Building at Rothera Research Station is being built to the BREEAM sustainability standard.

For future large new and refurbishment STFC build projects, we have also developed a net zero Carbon Design Standard which adopts the RIBA (Royal Institute of British Architects) Sustainable Outcomes Guide and focuses on eight key areas of sustainable performance.



### Case study

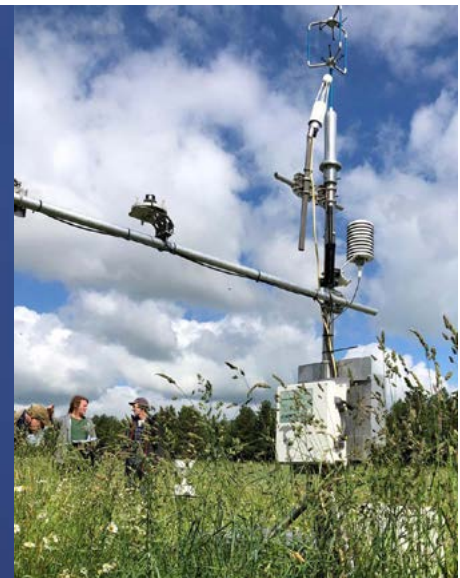
In 2022–23, Research England's UK Research Partnership Investment Fund (UKRPIF): net zero has awarded £18.9 million to support capital activities which will reduce the carbon emissions of nine UKRPIF-funded research facilities, making the research processes they support more environmentally sustainable, and developing innovative activity to support the reduction of carbon emissions from higher education infrastructure.

## Rural proofing

Rural proofing refers to understanding the impacts of our policies in rural areas of the UK and (where relevant) helping to enhance the economies of our rural communities. During 2022–23 we funded several projects and programmes that are explicitly focused on rural economies in the UK.

### Highlights include:

- through NERC and BBSRC, working with the UK Centre for Ecology & Hydrology and Rothamsted Research, we jointly invested in AgZero+, a new £13 million programme which brings together researchers and farmers to test innovative farming systems and help UK farmers to produce low-carbon, environmentally friendly food
- through our 'Highlands and Islands Climate Change Community Grants' programme we helped communities in the Highlands and Islands of Scotland to work together with researchers to address local climate change issues. People who have fewer opportunities to engage with research, in particular those who are in rural locations or who are young, marginalised or socioeconomically disadvantaged, were able to lead partnerships with researchers on challenges that mattered to them



To find out more about environmental sustainability activity across UKRI visit: [Environmental sustainability – UKRI](#)

**Dame Ottoline Leyser**

**Chief Executive and Accounting Officer**

6 July 2023

# 3

## 3. Accountability Report

# Corporate Governance Report

**The Corporate Governance Report sets out the governance arrangements of UKRI and comprises:**

1. The Director's Report
2. The Statement of Accounting Officer's Responsibilities
3. The Governance Statement

## 1.

### Director's Report

#### Statutory Background

UK Research and Innovation (UKRI) was established as an independent non-departmental public body of the Department of Business, Energy and Industrial Strategy (BEIS) by the Higher Education and Research Act 2017.

On 7 February 2023, the prime minister announced a major machinery of government change, redistributing the activities of several existing government departments, including BEIS. The Department for Science, Innovation and Technology (DSIT) is one of three new departments created. UKRI has been designated to DSIT with accounting officer (AO) responsibilities formally transferred from 1 April 2023.

As UKRI's Chief Executive Officer (CEO) and sole AO, I am accountable to the public via Parliament. Parliament monitors and influences UKRI's work through its Select Committees and the Parliamentary Ombudsman.

#### UKRI Leadership

A full account of UKRI's governance structure can be found within the Performance Report on page 15.

A list of Board and Committee members with their attendance for the period covering 1 April 2022 to 31 March 2023 can be found on page 64 of the Governance Statement.

Registers of interest for UKRI's Board and Committees can be found at:  
<https://www.ukri.org/about-us/governance-and-structure/conflicts-of-interest/>

#### Personal data related incidents

UKRI recognises and fully supports the need for effective information governance in protecting its information assets and the information entrusted to it in the course of its business. UKRI's approach to information governance is described in the Governance Statement.

No personal data breaches were assessed to have met the Information Commissioner's Office's (ICO) reporting requirements in 2022-23.

#### Freedom of Information

UKRI is subject to the Freedom of Information Act and the Environmental Information Regulations. Responses were provided to 279 requests during 2022-23, a decrease from 331 in 2021-22.

UKRI responded to 86% of Freedom of information Requests in 2022-23 within ICO deadlines (compared to 95% in 2021-22 and 79% in 2020-21).

## 2.

### Statement of Accounting Officer's Responsibilities

Under the Higher Education and Research Act 2017, the Secretary of State for BEIS with the consent of HM Treasury has directed UKRI to prepare a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of UKRI and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

As UKRI's AO, in preparing the accounts, I am required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and I take personal responsibility for the Annual Report and Accounts, and the judgements required for determining that all reasonable steps have been taken to ensure the Annual Report and Accounts as a whole are fair, balanced and understandable

The Department of BEIS has appointed the CEO as AO of UKRI. The responsibilities of an AO, including responsibility for the propriety and regularity of the public finances for which the AO is answerable, for keeping proper records and for safeguarding UK Research and Innovation's assets, are set out in 'Managing Public Money' published by HM Treasury.

As the AO, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that UKRI's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware. I take personal responsibility for the Annual Report and Accounts, and the judgements required for determining that all reasonable steps have been taken to ensure the Annual Report and Accounts as a whole are fair, balanced and understandable.

## 3.

### 2022–23 Governance Statement

#### Scope of Responsibility

This Governance Statement, for which I take personal responsibility, describes the dynamics of UKRI, its governance, risk and internal control arrangements, and how successfully the organisation has coped with the challenges and opportunities presented this financial year.

This Statement explains how UKRI has maintained a sound system of governance and taken significant steps to enrich internal control. It is my responsibility to ensure sound governance underpins the achievement of UKRI's policies, aims and objectives whilst safeguarding the public funds and UKRI assets. I am also accountable for ensuring UKRI is administered prudently and economically and that resources are applied in accordance with HM Treasury's Managing Public Money guidance and the responsibilities assigned to me by BEIS. I am also accountable for ensuring the annual report and accounts is fair, balanced and understandable.



## Governance Framework

In my role as UKRI's AO, I am supported by the UKRI Board, the nine Executive Chairs of the councils, and the Executive team within UKRI, who use a range of management information to monitor performance and inform decision making. The Executive Chairs, in turn, are supported and challenged in the delivery of their specific aims and objectives by their Councils, which comprise the Executive Chair and ordinary Council members.

## Capacity to Handle Risk

As CEO, I have overall responsibility for ensuring there is an effective system of risk management, internal control and assurance in place within UKRI for meeting all relevant statutory requirements, and for ensuring adherence to guidance. Further accountability and responsibility for elements of risk management are set out in UKRI's Risk Management Strategy and Policy. An overview of the risk management framework and details of the principal risks managed this year are set out in the Performance Report.

## The Purpose of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to achieving the policies, aims and objectives of UKRI, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently and effectively.

## UKRI Board Overview

The UKRI Board ('the Board') comprises a very strong team of research and business leaders who work with me and my Executive team to ensure that UKRI continues to be world-leading.

The Board is chaired by Sir Andrew Mackenzie and comprises myself as CEO, the Chief Finance Officer (CFO) and 9–12 other non-executive members. A representative of the Secretary of State attends all board meetings. All non-executive members are appointed by the Secretary of State for BEIS and details of membership can be found at: <https://www.ukri.org/about-us/our-structure/ukri-board/>

The following Board members left during the year:

- Professor Sir Leszek Borysiewicz – 30 October 2022
- Lord John Browne of Madingley – 5 October 2022

The following new Board member was appointed:

- Professor Nola Hewitt-Dundas – 1 October 2022

The Board is our top-level decision-making body and exercises full and effective control over the activities of UKRI and its people. The Board provides strategic leadership, takes ownership of the principal strategic risks and makes decisions on issues of major importance including: key strategic objectives and targets; corporate strategy; major decisions involving the use of financial and other resources; and substantive personnel issues including key appointments.

The Board participated in the [Independent Review of UKRI](#), led by Sir David Grant, and will oversee delivery of the recommendations for UKRI, alongside the conclusions of the light touch Board Effectiveness Review held in late 2022. The Board will also take account of recommendations from the reviews of Research Bureaucracy led by Professor Adam Tickell and the Research, Development and Innovation (RDI) organisational landscape by Professor Sir Paul Nurse. A further Board and Executive Committee Effectiveness Review will be held in 2023–24 as the Board continues to refine its working practices.

The Board met six times during this financial year and key areas discussed included:

- implementation of the UKRI Strategy
- sustainability of the research and innovation (R&I) system
- development of the UKRI Operating Model
- the UKRI framework for performance and development and pilot of a balanced scorecard
- cross-cutting policy areas, including research commercialisation, people culture and talent, trusted research and innovation and security; and preparations for association to Horizon Europe and planning for alternatives
- UKRI's risk management approach, including updates to risk appetite covering security and other key areas

Minutes of the Board meetings are published on UKRI's website at <https://www.ukri.org/about-us/how-we-are-governed/ukri-board/>

All Board members are required to declare any personal or business interests which may influence their judgement in discharging their obligations, or which may be perceived to do so. These interests are published on UKRI's website at: <https://www.ukri.org/about-us/our-structure/conflicts-of-interests/#contents-list>

The UKRI Board's approach to governance aims to comply with the HM Treasury and Cabinet Office's Corporate Governance in Central Government Departments: Code of Good Practice (the Code), the Public Sector Equality Duty and the Cabinet Office Code of Good Practice for Partnerships between departments and arm's-length bodies.

### Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee (ARAC) is chaired by Ruwan Weerasekera with Professor Sir Anthony Finkelstein as deputy chair, both non-executive Board members of UKRI. The committee has independent members who are Christina Coker OBE, Philip Greenish CBE, Fiona Sheridan and Ian Wilson. The CFO, COO and I regularly attend ARAC meetings. The Board Chair, Sir Andrew Mackenzie attends periodically and is also in receipt of regular reports of ARAC activity.

The role of ARAC is to support the UKRI Board and Accounting Officer. It checks compliance with relevant codes and regulation and focus on our organisation's risks. It ensures that our approach to assurance meets organisational need. To do this the committee constructively yet firmly reviews and challenges the reports of management as well as our internal and external auditors, with a particular focus on governance, the control environment and the integrity of our financial statements. Meetings are attended by the National Audit Office (NAO) and the Government Internal Audit Agency (GIAA), UKRI's internal audit provider, and the committee meets with them regularly independently of management. Representatives from BEIS attend regularly and, in turn, members of UKRI ARAC are invited to observe the BEIS ARAC.

ARAC held five full meetings in 2022-23 and two additional meetings to provide independent challenge on the Annual Reports and Accounts. It also held a number of deep dive sessions to explore particular areas of focus in greater detail. ARAC worked closely with management in the review of the Annual Report and Accounts and the Research Councils Pension Scheme, ensuring that appropriate accounting policies and judgements have been scrutinised. These judgements include, but are not limited to:

- the valuation of assets and liabilities in the Medical Research Council Pension Scheme
- asset valuations and impairment review
- the accounting impact of no cost extensions to grants
- decommissioning provisions
- the valuation of and provisions for Innovation Loans issued by Innovate UK Loans Limited, a subsidiary of UKRI

Throughout the year the committee has focused particularly on:

- UKRI's corporate governance and corporate risk management arrangements, including management assurance and risk appetite, funding assurance, security, counter fraud, complaints, raised concerns, and developing the new framework for performance reporting
- findings from the internal audit programme for the year
- monitoring the implementation of significant audit recommendations from the last two years
- major projects and programmes and how they align with the responses to external reviews such as the Grant Review and the Tickell Review

## Nominations and Remuneration Committee

The Nominations and Remuneration Committee (NomCo) is chaired by the UKRI Chair, Sir Andrew Mackenzie. There have been no changes to the membership this year with the exception of Nigel Toon joining the committee from March 2023. I attend as CEO with the CFO and Chief People Officer (CPO) invited as attendees without decision-making powers.

NomCo met six times during the year. It reports to and supports the Board by:

- maintaining oversight of senior leadership succession plans, appointments and awards
- determining the performance-related pay of the executive members of the Board (CEO, CFO)
- providing assurance of UKRI remuneration policy to the Board
- providing assurance of UKRI performance-related policy and pay to the Board
- providing assurance of UKRI pension schemes and their governance to the Board
- maintaining oversight of the Board and Executive Committee effectiveness reviews
- maintaining oversight of the completion of annual appraisals for non-executive board members and senior executives

## UKRI Organisation Change Committee

The Organisation Change Committee (OCC) is a newly constituted board committee for 2022–23, chaired by board member Nigel Toon. Other board members include Professor Sir Anthony Finkelstein and Ruwan Weerasekera. The CFO, COO (as SRO for Organisational Change) and CPO are regular attendees and I have a standing invitation to attend as CEO. The committee is responsible for supporting the Board by reviewing the planning, management and implementation of all major strategic organisational change programmes, including our new operating model. OCC also consider deeply the risk to delivery and challenge the executive on the outcomes expected from our investment in change, particularly our progress towards the challenging efficiency targets that were set as part of UKRI's spending review settlement.

OCC met six times this year. It provides board oversight and independent challenge to the change programmes by:

- keeping under review and providing constructive challenge to the development, planning and implementation of UKRI's change portfolio
- keeping under review government direction regarding UKRI efficiency and effectiveness
- reviewing and assessing the management of risk associated with delivering the outcomes expected from the change portfolio in coordination with ARAC

## UKRI Board Investment Committee

The Board Investment Committee (BIC) is chaired by Priya Guha, and its members are Nigel Toon, Professor Sir Ian Boyd, UKRI's CFO and COO.

BIC provides assurance to the UKRI Board on major investments. BIC promotes accountability for financial decision-making by the executive and strengthens the independent challenge provided by the Board on UKRI's large, novel or contentious investments and projects, including alignment of business cases with UKRI's strategy and investment principles. BIC works closely with the Investment Advisory Working Group (IAWG) and UKRI executives as cases proceeded through executive approval and BEIS Projects and Investment Committee (PIC) processes.

BIC met four times during the year and reviewed business cases and topics as diverse as Biobank, European Spallation Source, Research Infrastructure for Conservation and Heritage Science, Supercomputing, the Large Hadron Collider, net zero, AI Research & Innovation, and European Molecular Biology Laboratory – European Bioinformatics Institute: Data Resources for the Life Sciences.

## Executive Committee

I chair the UKRI Executive Committee (ExCo) which is responsible for providing strategic advice to the UKRI Board and constitutes the executive leadership of UKRI (the nine Executive Chairs of the councils, the CFO, Executive Director of Strategy, Performance and Engagement, the COO and CPO). The Director of External Relations, Communications and Public Engagement also attends regularly.

The Committee meets once a month (except August) and met 11 times last year. It receives a monthly finance report and its areas of operational focus have included:

- developing the UKRI Strategy
- developing the UKRI Operating Model
- planning for EU exit and Horizon Europe alternatives
- governance, risk and assurance
- management security and resilience
- UKRI framework for performance and developing the new balanced scorecard
- communications
- developing and publishing the UKRI Corporate Plan and Council Strategic Delivery Plans
- staff performance and reward
- policy areas including implementation of the UKRI five-year Strategy, international strategy, commercialisation, equality, diversity and inclusion (EDI), place, and people, culture and talent

**Table of Attendance for UKRI Senior Executive and Non-Executive Boards and Committees**

	UKRI Board	ARAC	BIC	NomCo	OCC	ExCo
<b>Number of meetings held</b>	<b>6</b>	<b>7</b>	<b>4</b>	<b>6</b>	<b>6</b>	<b>11</b>
<b>Board Members</b>						
Sir Andrew Mackenzie (Chair)	6/6	1/7		6/6	–	–
Professor Dame Ottoline Leyser (CEO)	6/6	4/7	3/4	6/6	4/6	11/11
Siobhan Peters (CFO)	5/6	6/7	3/4	1/6	6/6	9/11
Ruth Elliot (Deputy CFO)	6/6	7/7		5/6		9/11
Professor Julia Black	6/6	–	–	6/6	–	–
Professor Sir Leszek Borysiewicz	3/3	–	–	–	–	–
Lord John Browne of Madingley	0/3	–	–	–	–	–
Professor Sir Ian Boyd	6/6	–	4/4	–	–	–
Dr John Fingleton	6/6	–	–	6/6	–	–
Professor Sir Anthony Finkelstein	6/6	7/7	–	–	6/6	–
Priya Guha	5/6	–	4/4	5/6	–	–
Professor Nola Hewitt-Dundas	3/3	–	–	–	–	–
Nigel Toon	5/6		4/4	–	6/6	–
Ruwan Weerasekera	6/6	7/7	–	–	4/6	–
Lord David Willetts	5/6	–	–	5/6	–	–
Jo Shanmugalingam	6/6	–	–	–	–	–
<b>ARAC Independent Members</b>						
Christina Coker OBE	–	7/7	–	–	–	–
Philip Greenish CBE	–	7/7	–	–	–	–
Fiona Sheridan	–	6/7	–	–	–	–
Ian Wilson	–	5/7	–	–	–	–
<b>Executive Committee Members</b>						
Professor Dame Ottoline Leyser (CEO)	–	–	–	–	–	11/11
Siobhan Peters (CFO)	–	–	–	–	–	9/11
Ruth Elliot (Deputy CFO)	–	–	–	–	–	9/11
Tim Bianek (COO)	–	–	–	–	6/6	10/11
Isobel Stephen/Emma Lindsell (Executive Director, Strategy, Performance and Engagement)	–	–	–	–	–	11/11
Chris Ball (CPO)	–	–	–	6/6	6/6	11/11

	UKRI Board	ARAC	BIC	NomCo	OCC	ExCo
Professor Christopher Smith (Executive Chair (EC) AHRC)	-	-	-	-	-	10/11
Deputy for AHRC EC	-	-	-	-	-	1/11
Professor Melanie Welham (EC BBSRC)	-	-	-	-	-	11/11
Professor Alison Park (Interim EC ESRC)	-	-	-	-	-	10/11
Deputy for ESRC EC	-	-	-	-	-	1/11
Professor Dame Lynn Gladden (EC EPSRC)	-	-	-	-	-	10/11
Deputy for EPSRC EC	-	-	-	-	-	1/11
Indro Mukerjee (CEO Innovate UK)	-	-	-	-	-	5/11
Deputy for Innovate UK CEO	-	-	-	-	-	6/11
Professor John Iredale (Interim EC MRC)	-	-	-	-	-	8/11
Deputy for MRC EC	-	-	-	-	-	3/11
Professor Sir Duncan Wingham (EC NERC)	-	-	-	-	-	7/11
Deputy for NERC EC	-	-	-	-	-	4/11
Professor David Sweeney (EC Research England)	-	-	-	-	-	5/5
Professor Dame Jessica Corner (EC Research England)	-	-	-	-	-	6/6
Professor Mark Thomson (EC STFC)	-	-	-	-	-	10/11
Deputy for STFC EC	-	-	-	-	-	1/11

#### Notes

- in line with the ExCo Terms of Reference, if members are not able to attend meetings they may authorise an appropriate colleague to represent them
- for a significant period of the financial year, Siobhan Peters (CFO) was on a phased return to work following sick leave. Ruth Elliot was appointed as Deputy CFO and deputised for the CFO where needed. Her attendance as the duly authorised representative of the CFO is indicated above
- Professor David Sweeney's term as Research England's Executive Chair ended on 30 September 2022
- Professor Dame Jessica Corner was appointed as Research England's Executive Chair from 1 October 2022
- Jo Shanmugalingam, Director General for Science, Innovation and Growth at BEIS, attended all UKRI board meetings in 2022-23 as representative of the BEIS Secretary of State

#### Councils overview

The UKRI Councils have a pivotal role in ensuring the success of UKRI, helping us to achieve our strategic objectives to be the single, strong voice of UK research and innovation and building on our world-leading reputation. The Councils act in an advisory capacity to the Executive Chairs of the nine research councils, in which ordinary Council members contribute their significant expertise and insight to influence and provide constructive challenge and advice to Executive Chairs. Council members provide expertise within their respective fields to shape the councils' Strategic Delivery Plans and their ongoing implementation, which set out the combined and collective actions we will take to deliver our Strategy. Councils work in partnership with ExCo and the Board and meet bi-annually to address the UK's major technological and innovation challenges.

Each Council consists of an Executive Chair and between five and 12 non-executive ordinary members, one of whom is a Senior Independent Member (SIM).

Each Council met between four and six times last year. The terms of reference for councils have been refreshed as part of the organisational change programme to maximise organisational efficiency and effectiveness in line with the Grant Review recommendations.

The full list of Council members, and Council terms of reference can be found at:

<https://www.ukri.org/about-us/how-we-are-governed/council-members/>



## Strategy Committee

The Strategy Committee (StratCo) is chaired by the Executive Director of Strategy, Performance and Engagement and comprises senior strategy representatives from the nine councils as well as directors with cross-cutting responsibilities such as talent and infrastructure. StratCo provides expertise and advice on developing and implementing of UKRI's research and innovation strategy. StratCo played a very significant role in developing the UKRI Strategy 2022 to 2027, and continues to be instrumental in ensuring the successful implementation of the Strategy. The Committee met 11 times last year and provides input on emerging areas of strategy before they are considered by ExCo.

## People, Finance and Operations Committee

The People, Finance and Operations Committee (PFO) is chaired by the Deputy CFO and comprises senior operational professionals from the central corporate services teams and councils. PFO is responsible for establishing and monitoring effective common operational frameworks and policies across areas including the Commercial function, Human Resources (HR) and Grants Funding.

PFO met ten times during the year. As well as its work on financial reporting, operational performance and people policies, key areas of focus for PFO included:

- Security: Cyber Security Vulnerability Review, Departmental Security Health Check, UKRI overarching Security and Resilience Strategy 2023–2026
- Pay and Reward: Equal Pay Audit, pay remit proposals and Pay Gap reporting
- Counter-Fraud and Funding Assurance

## Health and Safety Management Committee

The Health and Safety Management Committee (HSMC) is chaired by the CFO or representative and comprises the UKRI Head of Health and Safety, the UKRI Head of Office Estates, and senior operational professionals and lead health and safety advisors from across UKRI together with senior representatives from the Office Estate, Risk and HR functions.

The Committee is responsible for monitoring the capability and performance of health and safety management systems with the objective of safeguarding the health and safety of staff and others working from UKRI sites, and regulatory compliance, and for establishing and developing continuous improvement in health and safety performance. HSMC met four times in the year focusing on UKRI's health and safety policy, codes, management system components, UKRI Top Hazards, reporting and performance.

## Investment Advisory Working Group

The Investment Advisory Working Group (IAWG) comprises a set of subject-matter experts who provide challenge and advice on business cases, including making recommendations to the CFO and to the ExCo about whether cases should be approved.

Chaired by the Head of Project Delivery Profession, IAWG met 15 times in the year, and heard 22 business cases with an approximate value in excess of £6.4 billion. Some cases were reviewed at both Outline Business Case Stage and Full Business Case Stage. These included major infrastructure investments and significant grant schemes including potential alternatives to associating with Horizon Europe. All cases that subsequently went to ExCo and BEIS were approved first time.

## Workforce and Financial Planning Committee

The Workforce and Financial Planning Committee is formed from representatives from UKRI councils and the corporate hub to provide oversight and assurance that the UKRI workforce is the right shape, size, and profile to deliver its aims, whilst not exceeding its agreed headcount and budget. Chaired by the CPO, it met 10 times in the year. It has specifically focused on the immediate plans to meet efficiency targets during 2022–23 and manages the new approvals process for all external recruitment and all Senior Civil Service (SCS) equivalent roles.

## Risk & Internal Control Framework

The UKRI system of internal control is designed to manage risk to an appropriate and proportionate level rather than to eliminate all risk of failure to achieve policies, aims and objectives. UKRI has a robust risk management framework

designed to support informed decision-making concerning the risks that effect our ability to achieve our objectives. The framework provides a consistent approach to identifying, assessing and dealing with risks facing us, to ensure that they do not exceed the level of risk the organisation is willing to accept. The UKRI Risk Management Framework includes a Risk Management Policy, Strategy and Appetite Statement.

The Risk Management Framework complies with the requirements of HM Government's Orange Book and is supported by a central team of qualified Risk Business Partners to embed effective Risk Management across UKRI.

UKRI's Risk and Assurance Management System provides an integrated and dynamic view of UKRI's risks, issues, assurance framework, policies and control environment. Since its implementation in 2021–22 it has provided improved reporting and dashboard capabilities, increased understanding of interdependencies and links between risks, a dedicated single control library, integrated assurance framework and improved links with performance and strategic objectives.

## Counter Fraud

The UKRI Fraud control framework is designed to minimise the risk of fraud and includes a Counter Fraud and Bribery policy and an approved counter fraud operating plan with key target outcomes. This complies with the requirements of the Cabinet Office Functional Standards for Counter Fraud and sets out UKRI's approach with an action plan for the year.

The COVID-19 pandemic and current cost of living crisis have created opportunities for individuals and companies to exploit public funding. Control weaknesses arising from the current economic climate have been identified and improvement recommendations made by the UKRI Counter Fraud and Investigations Service (CFIS). All improvement recommendations made by the CFIS are now recorded, tracked and managed centrally across UKRI using the risk management system.

A revised counter fraud strategy is being created by the CFIS, which will encompass key changes across the fraud landscape (post COVID-19) including the formation of the Public Sector Fraud Authority. This is to ensure UKRI captures best practice, and develops alternative approaches to both deterrence and sanctions, including the recovery of public funds.

During 2022–23 UKRI CFIS reported the following:

- 24 instances of identified fraud with a total value of £1.2 million. A reduction from the £2.81 million identified in 2021–22
- one instance of prevented fraud with a value of £0.485 million, in comparison to £0.95 million reported during 2021–22
- the value of recoveries for the period 2022–23 was £0.06 million

Changes in triage and reporting procedures since 2021–22 have contributed to the decreased figures reported in 2022–23. In addition, the value of fraud reported in 2021–22 included one particularly high value case.

UKRI introduced a new recovery policy in the autumn of 2022. Implementation of this policy is expected to increase the value of recovery.

## UKRI Coronavirus Job Retention Scheme (CJRS) pilot

UKRI participated in a data matching exercise with HMRC to identify organisations that received CJRS payments and were grant recipients of UKRI.

HMRC identified 804 companies which were in receipt of CJRS payments while also in receipt of Innovate UK funding. UKRI reviewed a sample of these data matches and are using the results to inform next steps.

## Participation in the National Fraud Initiative (NFI)

The NFI is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. As part of a biennial national exercise the NFI provides creditor payment screening and has developed a range of tests to identify duplicate payments. Aside from the financial benefits, data matches help to improve the efficiency of organisations' creditor payment systems.

The NFI helps to identify duplicate payments and incorrect VAT payments that can be recovered, caused by incorrect supplier invoices, input errors and VAT miscalculations. The reasons for this are wide ranging, from human error to poor processes, controls that can be overridden and the fact that accounting systems can only carry out basic checks.

Following extensive work by the project team and various stakeholders, data sets including staff payroll and supplier invoices were uploaded to the NFI portal in October 2022. Release of all established UKRI matches is expected early in 2023–24. A response plan has been created to ensure that any matches are investigated appropriately.

### UKRI Fraud Risk Assessments (FRA)

A Fraud Risk Assessment Task & Finish Group is in place and working to meet the GoV13 Functional Standard (Fraud) and the requirement for appropriate levels of FRA. Membership includes colleagues from the CFIS.

Good progress has been made in completing FRAs for key activities across UKRI and identifying fraud related risks. It is too early to assess the response of risk owners to improving controls and reducing the overall risk but, the CFIS are actively working with internal stakeholders to identify and address weaknesses in controls. Opportunities to embed this culture across UKRI are actively being explored with relevant stakeholders.

### Fraud Awareness

UKRI has mandatory fraud awareness e-learning as part of its induction programme, and staff are asked to undertake refresher training on an annual basis. Take-up is high with over 86% of staff having completed the training. In addition to an online tool, bespoke training has been delivered to key finance and procurement staff across UKRI, tailored to their roles.

### Project Delivery

The UKRI Project Delivery Profession has over 450 members benefitting from the tools, guidance, frameworks, training and development it offers. Members of the profession can access the Government Online Skills Tool (GOST) for self-assessment against competencies, skills and behaviours for current job roles and future career steps. The profession is exploring the opportunity to be part of the Government Project Delivery Profession's Accreditation scheme which is being piloted across departments in Government and Arms-Length Bodies to improve workforce planning, and skills development.

The profession undertakes annual self-assessments against the Government Functional Standard for compliance and assurance purposes, and completes a Portfolio, Programme and Project Management Maturity Model (P3M3) assessment exercise to help inform the key focus areas for the Profession. Specific Interest Groups (SIGs) continue to facilitate knowledge sharing and the development of best practice in key project management areas including risk management, benefits realisation and change management. The Profession organised a 'Learning week' in November 2022 providing over 500 hours of CPD to professionals free of charge.

A project management system is in place with over 500 active users. It provides project professionals the ability to manage and report on projects, programmes and portfolios at any level improving the efficiency of delivery, effectiveness of reporting, and consistency in practice.

The Business Case Hub provides expertise covering HMT's Five Case Model, helping projects and programmes within UKRI's Major Projects Portfolio produce business cases that set projects up for successful delivery. Since its inception in 2020, the Business Case Hub has maintained its 100% success rate of first-time approval by BEIS, and the average time for approval has fallen from 12 weeks to four weeks.

### SHARP Programme

SHARP is a multi-year programme established to implement a modern Enterprise Resource Planning (ERP) solution for UKRI and our shared service provider, UK SBS. It will enable wider changes, through a new technology platform which can deliver efficiencies in process harmonisation, resource and service. The new ERP system will replace both the Workday and Oracle platforms currently used across UKRI. Prior to the commencement of the programme, the support from Oracle for the existing platform would have ceased in December 2023.

Support has now been extended until the date of migration to the new solution.

In 2022–23 the SHARP programme concluded a procurement process to identify both the new technology solution and implementation partner. The outcome of this procurement resulted in contract awards to Oracle and IBM respectively. The programme has worked throughout the year with commercial partners to develop the detailed design and new processes for the new solution for both UKRI and UK SBS. These designs have now been agreed and are in the process of being built by IBM before undergoing a rigorous series of testing prior to go-live.

The SHARP programme team is continuing to engage and communicate across both organisations as well as delivering training, to support implementation.

### **Simpler and Better Funding Programme**

The Simpler and Better Funding (SBF) Programme aims to reduce the bureaucracy and difficulty involved in applying for grants and managing funding from UKRI by delivering a unified funding service. The service is already live and has been creating consistency, predictability and simplicity to our grant making processes as recommended by the Grant and Tickell reviews, to the benefit of applicants, research and administrative offices, and expert reviewers and assessors. So far, we have run 35 funding opportunities, received over 2100 applications and accepted over 1500 reviews, with over 170 research organisations registered on the service. Over the course of 2023–24, more funding opportunities will be run through the new service as we build new features and functionality. We expect all research grant funding opportunities to run on the new service by 2024.

### **Regularity and Propriety**

UKRI is committed to establishing and applying appropriate regularity and propriety standards, including embedding appropriate cultures and behaviours, and does not tolerate any form of fraud, bribery or corruption. The key components in this regard are UKRI's:

- Counter Fraud and Bribery policy and arrangements
- Gifts and Hospitality policy
- Whistleblowing policy
- Complaints policy
- Declarations of Interest policy

I confirm that for 2022–23:

Neither I nor my staff authorised a course of action, the financial impact of which is that transactions infringe the regulatory requirements as set out in Managing Public Money:

- there were no novel, contentious or repercussive transactions
- no new UKRI employees or contractors have received remuneration in excess of the amount approved by BEIS and HM Treasury
- within the operations of UKRI and our shared service provider, UKSBS, no instances of fraud have been discovered with a material impact on UKRI

### **Modern Slavery**

UKRI is committed to the principles of the Modern Slavery Act 2015 and the abolition of modern slavery and human trafficking. UKRI seeks to minimise the risk of modern slavery and human trafficking in its operations through a control framework which focuses on recruitment, selection and resource management, commercial supply chain arrangements, policy development for safeguarding and reporting of concerns, and employee awareness training. The latest UKRI Modern Slavery and Human Trafficking Statement published in September 2022 reported the following:

- no concerns identified or reported by employees or third parties
- UKRI has rolled out its programme of Universal Learning to all employees
- our controls have been reviewed in the light of risks associated with COVID-19 and EU Exit

During 2022–23 UKRI has continued to:

- monitor recruitment and commercial activity for modern slavery indicators
- improve uptake of training for all employees

## Whistleblowing

Whistleblowing and the 'Freedom to Speak Up' is viewed by UKRI as a positive act, that can make a valuable contribution to UKRI's efficiency and long-term success. The [UKRI Whistleblowing – Freedom to Speak Up Policy](#), reviewed in 2022–23, encourages and enables employees to speak out when they encounter or suspect malpractice. Internal avenues for raising concerns are also supported by an external advice line through Protect.

Concerns are investigated properly, sensitively and in confidence, and individuals are protected from any detrimental reprisals as a result of raising a concern in good faith, in line with the Public Interest Disclosure Act (PIDA).

The Standard Operating Procedure for undertaking a whistleblowing investigation was updated in 2022–23 to take account of lessons learned from casework.

UKRI contracted a third party in 2022–23 to improve the timeliness of investigations. 17 concerns were submitted in 2022–23 of which six were assessed as being in scope of the UKRI Whistleblowing 'Freedom to Speak up' Policy and were investigated as a 'qualifying disclosure' regarding alleged or actual malpractice. The findings from each completed investigation are being acted upon and a process has been established to identify and address lessons learned.

## Complaints

As a public body, UKRI recognises the importance of having mechanisms to positively receive feedback and complaints. In 2022–23 UKRI received 42 formal complaints, compared to 123 in 2021–22. This decrease in complaint numbers from 2021–22 is reflected by improved mechanisms for handling concerns (potential early-stage complaints) by local resolution, for example, through council-led Customer Service functions and competition or grant teams, as well as improved communication with applicants about what issues we can review through the UKRI Complaints Procedure.

Following the publication of the Parliamentary and Health Service Ombudsman (PHSO) UK Central Government Complaint Standards, UKRI has reviewed and updated the [UKRI Complaints Policy](#); it was effective across the whole organisation as of February 2023. This has enabled UKRI to continue to strengthen its approach to complaint handling and to improve stakeholder experience.

The Parliamentary and Health Service Ombudsman (PHSO) formally investigated one complaint relating to UKRI during 2022–23. The complaint was originally raised with UKRI in 2021–22. The PHSO report partially upheld the complaint and made four recommendations, all of which have been complied with to the satisfaction of the PHSO.

As part of learning from the PHSO case, UKRI has improved its internal processes for handling complaints. Some of the recent initiatives include new internal resources available to colleagues in handling complaints and a refreshed approach to the UKRI Complaints Forum which continues to enable the sharing of good practice and knowledge.

UKRI has also improved its ability to provide assurance that actions and learnings arising from complaints are addressed and evidenced as complete through the migration of action tracking to the CGR Risk Management system.

## Declarations of Interest

UKRI recognises the important role of ensuring transparency and compliance with the Seven Principles of Public Life. UKRI employees and non UKRI employees, including all persons engaged to represent or act on behalf of UKRI, or its affiliated organisations worldwide are expected to comply with the highest standards of professional and ethical practice, and are required to declare any interests which may conflict, or may be perceived to conflict, with UKRI's business.

In 2022–23, UKRI published a new policy for [Declaration of Interests \(DoI\)](#) (formerly Conflicts of Interest). Declaring interests supports transparency and demonstrates the integrity of UKRI's business and employees by providing assurance that any potential conflicts are considered and managed effectively.

UKRI has created a new electronic portal to support the process of collecting and managing declarations. The new process is more efficient, reducing pressure on staff who support the delivery of the DoI process. Controls designed to mitigate declared interests are subject to management approval and are recorded in the portal. The UKRI Board and ExCo member declarations are published annually on [ukri.org](http://ukri.org).



## Gifts and Hospitality

As a major funding organisation, UKRI is aware that accepting or giving gifts or hospitality may affect how the organisation is perceived and may be seen to affect our decision-making and behaviour. The purpose of the [UKRI Gifts and Hospitality Policy](#) is to ensure that all staff are aware of their responsibilities and are vigilant in ensuring that we remain impartial and fair across the work we do.

The cost of gifts and hospitality offered by UKRI must be proportionate, approved beforehand and recorded on the Gifts and Hospitality Register. All offers of gifts or hospitality made to staff must be declared even if not accepted and it is not standard for staff to accept gifts and hospitality. In line with the policy, any gifts above £20 in value have either been surrendered or retained with appropriate approval.

## Welsh Language Scheme

UKRI's Welsh Language Scheme sets out how UKRI complies with the principles established by the Welsh Language Act and which services and communications are offered in Welsh. The Scheme was prepared in accordance with guidelines issued by the Welsh Language Commissioner under Section 9 of the Act and was approved by the Welsh Language Commissioner on 8 April 2021.

## Prompt Payment

UKRI's policy is to comply with the Prompt Payment Code for the payment of invoices for goods and services. Whilst our standard terms and conditions specify payment within 30 days of receipt, we aim to make payments within five working days. In 2022–23, UKRI paid 97% of undisputed invoices within 30 days (2021–22: 97%) and 71% within five working days (2021–22: 71%).

## Pay Remit

I can confirm that UKRI is complying with Civil Service pay-setting requirements set out in guidance issued by HM Treasury.

## Tax Arrangements of Public Sector Appointees

The government's review of tax arrangements for public sector appointees highlighted the possibility of artificial arrangements to enable tax avoidance. UKRI's senior staff are all paid through the payroll and controls exist to provide assurance that appropriate tax arrangements are in place to cover other in-year appointees. UKRI provides BEIS with tax assurance evidence on a yearly basis, which forms part of their summary of BEIS tax assurance data at [www.gov.uk](http://www.gov.uk).

## Quality Assurance of business-critical models

Quality Assurance of business-critical models is managed by the Analytical Leadership Group which identifies, reviews and maintains a list of business-critical models. This approach utilises existing review processes and expertise within UKRI, with oversight from its Analytical Leadership Group, and aligns UKRI practice with recommendations and standards for analytical modelling as outlined in *Managing Public Money*, the MacPherson Review, and the Aqua Book.

## Ministerial Directions

There were no Ministerial directions given in 2022–23.

## Information Governance

Information governance relates to the policies, procedures and controls to ensure that our information is valued, managed and protected. Information governance risks are reviewed regularly and managed through appropriate mitigating actions. During 2022–23 a key data protection risk was addressed through the redesign of the approach for UKRI's data protection impact assessment and Records of Processing Activity; in addition, the UKRI-wide information asset register introduced last year underwent its first annual review.

The Data and Information Governance Committee, reporting to PFO, promotes strategic interaction between all key data and information stakeholders to ensure that data and information are valued, accessible and protected where appropriate.

## Security

UKRI security has strengthened assurance arrangements, with internal challenge and third-party support, including from the Government Security Group and its specialist security centres.

UKRI's senior management security roles and responsibilities are aligned to GovS 007. These have provided the UKRI Accounting Officer with senior management depth in security roles. UKRI Board and ARAC were briefed on UKRI's current security risk exposure and its strategic approach to reduce risk via continued improvement of protections and organisational resilience.

UKRI has experienced security incidents within the reporting year, all of which have been swiftly and effectively managed, with legal reporting requirements being met; post-incident lessons were captured to support continuous improvement.

## Review of Effectiveness

As Accounting Officer, it is my responsibility to ensure that UKRI is maintaining a sound system of governance and internal control. In 2022–23 I look to the work of the ARAC, ExCo and its supporting Committees, the internal audit service provided by GIAA, UKRI's Funding Assurance Programme, the assurance opinion provided by the Accounting Officer of UK SBS, and comments made by the NAO as our external auditors in their management letter and other reports to inform my view.

## Executive Accountability Assessment

UKRI has developed an assurance framework that describes the assurance available on:

- legal, regulatory and government requirements
- good governance and best practice frameworks

The design of the assurance framework is aligned to HM Treasury Guidance. The assurance framework identifies and evaluates the different sources of assurance using a three lines model comprising: management; internal assurance; and independent assurance.

An Executive Accountability Exercise is completed at the end of each financial year. The exercise comprises self-assessments approved by Executive Directors which are subject to review and challenge by the Deputy Director Risk and Assurance.

The outcomes are summarised and reported to the People, Finance and Operations Committee as well as the Executive Committee and Audit Risk and Performance Committee. The 2022–23 Executive Accountability Exercise provided an overall medium level of assurance.

Five out of 161 assessments received a low level of assurance. These related to: Adherence to our IR35 responsibilities; Compliance with the UK's international trade obligations in respect of public subsidy to enterprise and potential market distortion; Business Continuity Management Toolkit, Equality Act compliance; and the Public Sector Equality Duty (PSED). There are plans in place to address the weaknesses identified in these areas.

## Government Internal Audit Agency Annual Opinion

The Group Chief Internal Auditor (GCIA) is required to provide me with an opinion on the overall adequacy and effectiveness of UKRI's framework of governance, risk management and control.

In their annual report and opinion, the GCIA has provided a moderate opinion for 2022–23.

This opinion reflects that, although there are areas that could be improved, UKRI's frameworks for governance, risk management and control are operating effectively to deliver strategic objectives. The distribution of assurance ratings across individual audit assignments is comparable to previous years.

The GCIA noted improvements in the management of issues that they highlighted last year. These include Innovate UK funding oversight, fraud and error, people risks and security.

The GCIA highlighted areas where controls were not fully formed or effective in 2022–23. These are data governance, the corporate governance framework, and funding assurance. Each of these areas are being reviewed within UKRI's operating model programme.

The GCIA annual report and opinion included valuable feedback on four themes: grant funding assurance; strategic corporate change; data and technology; and risk management and assurance.

## Assurance on our Funding

The requirement for assurance spans the entire research and innovation funding lifecycle, from designing our schemes to post-project reporting. I have received a report that identifies the sources of assurance and provides an overall moderate assurance opinion on the effectiveness of governance, risk management and internal control in relation to funding assurance.

We completed self-assessments against the government functional standard for grants in 2021–22 which were reviewed and confirmed by Cabinet Office in 2022–23. The assessments have been favourably benchmarked against 15 other arm's-length bodies. The average score for the 15 arm's-length bodies reviewed by Cabinet Office was 75%. Research Council Grants were third (89%) and Innovate UK Grants (80%) was the fourth highest scoring body. Action plans are in place to further improve our compliance with the functional standard.

Good progress has been made in 2022–23 to complete Fraud Risk Assessments for the major funding types. Internal Audit work related to our grant funding has provided either moderate or substantial opinions and we are proactively taking internal audit's advice as we continue to address earlier findings.

Improvements have been made in the methodology used by the UKRI Funding Assurance teams. These teams review compliance with terms and conditions of funding and test validity of spend charged to UKRI grants. The assurances provided by the Research England, Innovate UK and Research Council funding assurance teams for 2022–23 are moderate:

- 40 reviews of research organisations in receipt of Research Council funding were completed. One assignment provided substantial assurance, 35 moderate assurance, three limited assurance and one was rated unsatisfactory. Transaction testing covered £35.4 million and identified £0.5 million of ineligible spend (1.42% error rate), which was either not paid or was recovered. Five of the assignments were undertaken jointly with other funders as part of efforts to reduce research bureaucracy.
- 2,814 reviews relating to £154.2 million of Innovate UK grant claims. These reviews identified £1.26 million of ineligible spend (0.8% error rate), which was either not paid or is being recovered
- 21 audits were completed of Research England block-grants covering a third of the funding annually allocated. No material or major issues were identified, providing positive assurance over the data and the systems and processes used

Action is taken to address the specific and thematic findings from funding assurance reviews:

- when we identify ineligible expenditure charged to a UKRI grant it is removed from the claim before payment
- organisations subject to a research council funding assurance visit are required to receive and respond to a report, which includes improvement actions where appropriate. Improvement actions are followed-up
- all claims made by Research Organisations in receipt of a limited funding assurance opinion are subject to additional scrutiny
- terms and conditions of funding were updated during 2022–23 to improve guidance related to Directly Incurred staff costs in response to failings identified at 25 research organisations

The CFIS received 37 referrals in 2022–23 related to grant funding. £1.2 million of fraud was identified and £0.5 million prevented.

Work is underway to deliver a more integrated UKRI funding assurance service overseen by a strengthened Funding Assurance Oversight Group (FAOC). The FAOC oversees programme planning and delivery, monitors outcomes, and as part of the vision will be reviewing testing methodologies and the potential for efficiency savings. The FAOC are ensuring that improved funding assurance requirements are supported by incoming system upgrades for finance and grant making. The FAOC will also consider setting a specific risk appetite for funding assurance to inform the design of internal controls and set tolerance levels for potential ineligible spend included in the financial accounts.

### **Diamond Light Source Ltd.**

Diamond Light Source Ltd (DLS) was first established as a Joint Venture by the Science and Technology Facilities Council (which became part of UKRI in 2018) and Wellcome Trust in 2002. I am currently responsible for DLS as AO and UKRI representatives attend the DLS Board and Audit, Finance and Risk Committee. As a body classified by the Office for National Statistics as central government, DLS is required to comply with the central government control framework.

In 2022–23, UKRI worked with DLS and BEIS to develop robust governance procedures and sponsorship arrangements, to support the transfer of AO responsibilities to the DLS CEO. These arrangements will be implemented in the next financial year.

The DLS Annual Report and Accounts are subject to external audit and consolidated within the BEIS Annual Report and Accounts. Further narrative and detail of DLS's governance arrangements and financial results are available within the DLS Annual Report and Accounts lodged with Companies House.

### **Innovate Loans Special Purpose Vehicle**

Innovate UK Loans Ltd (IUKL) is a wholly owned subsidiary of UKRI, which delivers financial support to innovative businesses as a part of Innovate UK's wider commitment to fostering business-led innovation. As a wholly owned subsidiary, IUKL is subject to the central government controls framework. The IUKL Annual Report and Accounts are subject to audit by the National Audit Office and are consolidated with UKRI's Annual Report and Accounts. GIAA is responsible for the provision of internal audit services to IUKL. Further narrative and detail of their governance arrangements and financial results are available within the [IUKL Annual Report and Accounts](#) filed with Companies House.

### **Knowledge Transfer Network**

Knowledge Transfer Network (KTN) has a core mission to: connect ideas, people and communities to respond to societal, environmental and economic challenges and drive positive change through innovation. Prior to April 2022, KTN operated as a key external delivery partner of Innovate UK. Following BEIS sponsor and UKRI AO approval, KTN is now established as a legal entity within Innovate UK and the UKRI family and will continue to deliver its core mission under name Innovate UK KTN.

Governance, accountability and operational requirements are set out in the UKRI and KTN Framework operating document and KTN's own updated Articles of Association. Operational requirements set out in the Framework document cover agreement of an annual work programme, financial and non-financial reporting regimes and broader information sharing. 2022–23 is treated as a transition year, with full compliance expected from April 2023. As well as closer working with UKRI, KTN is also expected to deliver strategic alignment of objectives and operational benefits.

Further narrative and detail of their governance arrangements and financial results are available within the [KTN Annual Report and Accounts](#) filed with Companies House.

### **STFC Innovations Ltd**

STFC Innovations Limited (SIL) is a wholly owned subsidiary of UKRI, and carries out activities in the field of commercialisation for STFC:

- investing in a portfolio of start-up companies based on STFC intellectual property
- commercially exploiting STFC's intellectual property through licence agreements and sales of services
- operating business incubators

As a wholly owned subsidiary, SIL is subject to the central government controls framework. The SIL Annual Report and Accounts are subject to audit by the National Audit Office and are consolidated within UKRI's Annual Report and Accounts. Further narrative and detail of their governance arrangements and financial results are available within the SIL Annual Report and Accounts filed with [Companies House](#).

### **Shared Services Assurance**

UK SBS is a company wholly owned by its public sector customers and shareholders: Department for Business and Trade (DBT), Department of Energy Security and Net Zero (DESNZ), Department for Science, Innovation and Technology (DSIT) and UKRI. The company aims to provide efficient HR and Payroll, Finance, Procurement, and IT business services.

UKRI receives bi-annual assurance reports from UK SBS on the design and effectiveness of its internal control framework. UK SBS also receives its internal audit provision from GIAA and received an overall Moderate assurance opinion for 2022–23.

## Significant issues

### Organisational Change Portfolio

UKRI is currently carrying out several major change programmes which will have impacts across all areas of UKRI to respond to challenging targets set for our internal efficiency, integrating and harmonising our systems and processes, modernising our legacy IT systems, responding to the Grant Review and ensuring UKRI is as effective and efficient as possible. We have brought together the change programmes into a single portfolio encompassing our new ERP system (SHARP), our new grants system, Simpler and Better Funding (SBF), our wider Technology programme which includes initiatives to standardise and optimise our data, the UKRI Operating Model and a people and culture change programme alongside several smaller projects. All major programmes and projects have key delivery milestones due in 2023–24 and this portfolio approach will allow us to coordinate change across the business to manage the risk to effective delivery. This is a significant portfolio and the extent of change being delivered across UKRI is high with risks of programme delivery delays, disruption to normal business or staff anxiety being managed both through co-ordination of delivery and through our leadership.

Delivery of these programmes will help us to deliver more world-leading research and innovation as an efficient, effective, and agile organisation.

### Security

UKRI does not meet all minimum [GovS 007](#) requirements. The threat to UKRI security and resilience continues to shift as geopolitics and economic instability affect the broader research and innovation landscape. Across UKRI's federated landscape, security practices are not fully aligned to defend as one, and in parts of the organisation are supported by aging infrastructure and approaches.

### Capacity and Capability of Staff

The risks and issues associated with recruitment, retention, and resourcing are impacting our ability to deliver on our objectives and is limiting the speed at which we can effect change within our organisation. Recruitment is often a time-consuming and resource-intensive process that requires significant effort to identify and attract the right candidates. In a highly competitive market, it is even more challenging to find suitable candidates with the necessary skills and experience to perform specialised roles, additionally, attracting and retaining a diverse workforce can be particularly challenging. Resourcing and current capacity concerns can present different challenges within the Councils and Corporate functions.

We have developed a workforce plan to attract and retain talent and make effective use of our resources, to reduce the impact of these issues across our complex organisation.

### Horizon Europe

UKRI has been asked by the UK Government to develop plans to deliver alternatives to association with Horizon Europe should association not be secured on fair and appropriate terms. The details of this have been published by the government in the Pioneer Prospectus. If UKRI is required to deliver the plans laid out in the Pioneer Prospectus then UKRI will be expected to deliver ~£2 billion additional funding for R&I each year, an uplift of ~25% to our current budget.

## Conclusion

I have considered the accounts and evidence provided by colleagues across UKRI in the production of this Governance Statement as well as independent advice and assurance provided by our organisation's ARAC.

Based on the review outlined above, I conclude that UKRI has a sound system of governance, risk management and internal control that supports the department's aims and objectives for 2022–23.



# Remuneration and Staff Report

## Remuneration Policy

The Chair and Non-Executive Board Members receive a letter of appointment from the sponsoring Government Department.

They are not employees of UKRI although remuneration is made through UKRI payroll.

The sponsoring Government Department advises UKRI of the rates they are required to pay, and these are reviewed with each new appointment.

Board members may receive additional remuneration for attending advisory committees.

The Board Chair and Board Members are defined as Office Holders. They are neither employees nor civil servants.

Appointments are usually made for up to four years. In exceptional cases members may be offered the possibility of re-appointment which cannot exceed ten years in total.

Appointments are non-pensionable and there are no superannuation payments relating to the fees paid to them. There is no compensation for loss of office.

## Remuneration – Audited Information

Remuneration (£ per annum)	2022-23	2021-22
Board Chair	29,500	29,500
Board Members	9,180	9,180
Board Members with additional roles (Innovation Champion, Chairs <sup>1</sup> )	9,180	9,180

1. Where sub-committee chair roles take up 7-15 days on top of the 20 contracted Board Days.

## Board Honoraria – Audited Information

Board Membership Name	Period of Appointment		Remuneration	Remuneration
	From	To	£000s 2022-23	£000s 2021-22
Sir John Kingman	01 Apr 2018	11 Jul 2021	–	5-10
Lord (John) Browne of Madingley <sup>1</sup>	01 Apr 2018	05 Oct 2022	–	–
Fiona Driscoll	01 Apr 2018	29 Oct 2021	–	5-10
Professor Sir Leszek Borysiewicz	01 Apr 2018	30 Oct 2022	5-10	5-10
Professor Julia Black	01 Apr 2018	20 Oct 2023	5-10	10-15
Lord David Willetts	01 Apr 2018	07 Nov 2023	5-10	5-10
Professor Sir Ian Boyd	20 Sep 2021	19 Sep 2024	5-10	0-5
Dr John Fingleton <sup>2</sup>	20 Sep 2021	19 Sep 2024	5-10	5-10
Vivienne Parry	01 Apr 2018	04 May 2021	–	0-5
Priya Guha <sup>3</sup>	20 Sep 2021	19 Sep 2025	5-10	0-5
Ruwan Weerasekera <sup>4</sup>	20 Sep 2021	19 Sep 2025	5-10	0-5
Nigel Toon <sup>5</sup>	20 Sep 2021	19 Sep 2025	–	–
Professor Sir Ian Diamond	01 Apr 2018	31 Oct 2021	–	–
Dame Sally Davies	01 Apr 2018	30 Oct 2021	–	–
Sir Andrew Mackenzie	12 Jul 2021	12 Jul 2026	25-30	20-25
Professor Sir Anthony Finkelstein	20 Sep 2021	19 Sep 2024	5-10	0-5
Professor Nola Hewitt-Dundas	01 Oct 2022	30 Sep 2025	0-5	–
Siobhan Peters <sup>6</sup>	29 Jun 2020		****	****
Professor Dame Ottoline Leyser <sup>6</sup>	29 Jun 2020	28 June 2025	****	****

## Notes:

1. Lord Browne was reappointed until October 2023; however, he subsequently resigned and stepped down on 5 October 2022. Lord Browne declined to receive honoraria during his time on the Board.
2. Dr John Fingleton is the current UKRI Innovation Champion, for which he is entitled to an honorarium. Dr Fingleton is also an Innovate UK Council Member, for which he receives a separate honorarium.
3. Priya Guha is Chair of BIC (Board Investment Committee), for which she is entitled to an honorarium.
4. Ruwan Weerasekera is Chair of ARAC (Audit Risk & Assurance Committee), for which he is entitled to an honorarium.
5. Nigel Toon is Chair of OCC (Organisation Change Committee), for which he is entitled to an honorarium. However, he has declined any payment for chairing this committee.
6. Remuneration disclosed in Senior Staff Remuneration Table.

## Chief Executive Officer (CEO), Chief Finance Officer (CFO) and Executive Chairs

Ministerial appointments (CEO, CFO and Executive Chairs) have their initial remuneration package, both the basic pay and the performance-related pay element, agreed by the relevant DSIT minister.

The UKRI Nominations and Remuneration Committee (NomCo) provides advice and recommendations to DSIT as to the performance element of the pay package, changes in basic pay for existing role-holders, and the package for new recruitment exercises. The Committee will also review and oversee the expenses arrangements of these appointments. Inputs include scrutiny of performance, benchmarking, recruitment and retention issues, compliance with equality duties and overall efficiency affordability.

This advice is exchanged between the Chair of UKRI and the DSIT Permanent Secretary, where the context of wider public sector pay policy and managing public money rules are relevant factors in decision making. The final decision as to the performance related pay elements of these ministerial appointees is taken by the DSIT Permanent Secretary.

When setting remuneration policy the NomCo reviews and has regard to pay and employment conditions across UKRI and the wider public sector, especially when determining annual salary increases. This will include the Senior Civil Service Pay Award practitioner guidance published annually by the Cabinet Office.

### Other Senior Employees

The remuneration of other senior roles which existed before the formation of UKRI and transferred into UKRI on 1 April 2018 remained unchanged, and with their pay arrangements protected.

The pay award date for all senior employees and Executive Chairs were harmonised from 1 April 2020. A harmonised performance management system was also introduced from this date.

Remuneration for senior roles is linked to job weight, and a minimum salary for Deputy Director-equivalent posts has been introduced. The remuneration for new senior roles recruited into Medical Research Council (MRC) Institutes is in line with their legacy pay arrangements as agreed at the establishment of UKRI.

The role of NomCo is to ensure that remuneration arrangements support the strategic aims of UKRI and enable the recruitment, motivation and retention of senior staff, while complying with public-sector pay policy and other requirements.

## Senior Staff Remuneration Table – Audited Information

	2022-2023					2021-2022				
	Salary	Bonus	Non-cash benefits	Pension benefits	Total	Salary	Bonus	Non-cash benefits	Pension benefits	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Professor Dame Ottoline Leyser – UKRI Chief Executive <sup>1</sup>	215-220	–	–	14	230-235	215-220	–	–	8	225-230
Siobhan Peters – UKRI CFO <sup>2</sup>	145-150	–	–	45	190-195	145-150	5-10	–	31	185-190
Tim Bianek – UKRI Chief Operating Officer <sup>3</sup>	120-125	5-10	–	37	170-175	115-120	–	–	47	165-170
Chris Ball – Chief People Officer <sup>4</sup>	205-210	–	–	–	205-210	–	–	–	–	–
Emma Lindsell – Executive Director of Strategy, Performance & Engagement (job share) <sup>5</sup>	80-85	0-5	–	25	110-115	75-80	0-5	–	13	95-100
Isobel Stephen – Executive Director of Strategy, Performance & Engagement (job share) <sup>6</sup>	70-75	0-5	–	22	95-100	70-75	0-5	–	12	85-90
Professor Christopher Smith – AHRC Executive Chair <sup>7</sup>	155-160	5-10	–	27	185-190	140-145	10-15	–	26	180-185
Professor Melanie Welham – BBSRC Executive Chair	150-155	–	–	36	185-190	145-150	10-15	–	72	230-235
Professor Alison Park – ESRC Executive Chair <sup>8</sup>	115-120	10-15	–	36	165-170	115-120	–	–	41	155-160
Professor Dame Lynn Gladden – EPSRC Executive Chair <sup>9</sup>	120-125	5-10	–	–	125-130	115-120	–	–	–	115-120
Indro Mukerjee – Innovate UK CEO <sup>10</sup>	180-185	–	–	28	210-215	160-165	–	–	25	185-190
Professor Fiona Watt – Executive Chair MRC <sup>11</sup>	–	–	–	–	–	130-135	–	–	25	155-160
Professor John Iredale – MRC Executive Chair <sup>12</sup>	140-145	–	–	–	140-145	40-45	–	–	2	40-45
Professor Sir Duncan Wingham – NERC Executive Chair	145-150	5-10	–	39	190-195	145-150	5-10	–	66	215-220
Professor David Sweeney – Exec Chair RE <sup>13</sup>	80-85	10-15	–	–	95-100	135-140	–	–	–	135-140
Professor Dame Jessica Corner – Research England Executive Chair <sup>14</sup>	70-75	–	–	22	95-100	–	–	–	–	–
Professor Mark Thomson – STFC Executive Chair <sup>15</sup>	150-155	–	–	49	200-205	150-155	–	–	48	200-205

## Notes:

1. Professor Dame Ottoline Leyser commenced the role of UKRI Chief Executive on 29 June 2020. Professor Leyser is an employee of the University of Cambridge and on secondment to UKRI. FYE (Full Year Equivalent) salary band is 215-220.
2. Siobhan Peters commenced the role of Chief Finance Officer on 29 June 2020. FYE salary band is 155-160.
3. Tim Bianek commenced the role of Chief Operating Officer on 8 February 2021. FYE salary band is 120-125.
4. Chris Ball joined UKRI as CPO on 7 March 2022. He is employed through an independent agency and does not belong to the available pension schemes. He is retained via a Crown Commercial Service Public Sector Resourcing framework contract. His role has been assessed as being within scope of the IR35 regulations; consequently, Income Tax and National Insurance deductions are made at source by the independent agency that directly employs him in compliance with the IR35 regulations. The FYE salary banding is 205-210.
5. Emma Lindsell joined UKRI on 5 August 2019 and is employed in a 65% job share. Full Time Equivalent (FTE) salary banding is 120-125.
6. Isobel Stephen is employed in a 60% job share. The FTE salary banding is 120-125.
7. Professor Christopher Smith commenced the role of AHRC Executive Chair on 1 September 2020. Professor Smith is an employee of the University of St Andrews and on secondment to UKRI. The values shown are the amounts reimbursed to the University of St Andrews. Value Added Tax (VAT) is payable on the total amount invoiced but is not included in the figures above.
8. Professor Alison Park covered the ESRC Executive Chair position on an interim basis.
9. Professor Dame Lynn Gladden is an employee of the University of Cambridge and is on secondment to UKRI. The values shown above are the amounts reimbursed (excluding Pension and National Insurance Contributions) to the University of Cambridge from April 2022 to March 2023. VAT is payable on the total amount invoiced but is not included in the figures above.
10. Indro Mukerjee commenced the role of Chief Executive Officer at Innovate UK on 5 May 2021. FYE salary band is 180-185.
11. Professor Fiona Watt was an employee of King's College London and was on secondment to UKRI. The values shown above are the amounts reimbursed (excluding National Insurance Contributions) to King's College London. Professor Watt left the role on 9 January 2022. VAT was payable on the total amount invoiced but is not included in the figures above. Professor Watt's secondment was 80% of full time. FYE salary banding for a complete year was 185-190.
12. Professor John Iredale is an employee of the University of Bristol and is on secondment to UKRI. The values shown above are the amounts reimbursed (excluding Pension and National Insurance Contributions) to the University of Bristol from April 2022 to March 2023. VAT is payable on the total amount invoiced but is not included in the figures above. Professor Iredale's secondment is 80% of full time. FYE salary band is 175-180.
13. Professor David Sweeney opted out of the pension scheme.
14. Professor Dame Jessica Corner commenced the role of Research England Executive Chair in October 2022. FYE salary band is 145-150.
15. Professor Mark Thomson is an employee of the University of Cambridge and is on secondment to UKRI. The values shown above are the amounts reimbursed (excluding Pension and National Insurance Contributions) to the University of Cambridge from April 2022 to March 2023. VAT is payable on the total amount invoiced but is not included in the figures above.

In addition, please note:

- bonuses paid in the financial year 2022-23 relate to the performance year 2021-22, unless otherwise stated
- the value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights. The pension benefit disclosure for secondees is not equivalent to the pension benefit



## Salary and Allowances, Benefits in Kind and Bonuses

Salary paid in 2022–23 includes salary and any allowances. It does not include severance payments, reimbursement of expenses, employer pension contributions or the cash equivalent transfer value of pensions.

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HMRC as a taxable emolument. There were no benefits in kind paid to any UKRI Executives in 2022–23 (Nil in 2021–2022).

Decisions on whether to award non-consolidated performance awards to Directors are made by the CEO in conjunction with the UKRI Nominations and Remuneration Committee. Decisions are strictly performance-based. They are made in accordance with the Cabinet Office's Guidance for the Approval of Senior Pay document, published in November 2018, and the Cabinet Office Senior Civil Service Pay Award Practitioner Guidance (Annual), as well as the annual Senior Salaries Review Board report and any guidance from HM Treasury, Cabinet Office or DSIT. Directors are awarded non-consolidated awards based on how well they achieved or exceeded the personal objectives given to them at the beginning of the appraisal period.

Awards to Directors for their 2022–23 performance will be paid in 2023–24, following the internal moderation processes, and will be included within next year's report.

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

Senior Staff Pension Table – Audited Information

	Accrued pension at pension age at 31 March 2023 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2023	CETV at 31 March 2022	Real increase in CETV	Employer contribution to partnership pension account	Accrued pension at pension age at 31 March 2022 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2022	CETV at 31 March 2021	Real increase in CETV	Employer contribution to partnership pension account
Chief Executive and Executive Chairs	£000	£000	£000	£000	£000	Nearest £100	£000	£000	£000	£000	£000	Nearest £100
Siobhan Peters – UKRI CFO <sup>1</sup>	65-70 plus a lump sum of 35-40	0-2.5 plus a lump sum of 0	1,066	977 <sup>3</sup>	(29)	–	60-65 plus a lump sum of 35-40	0-2.5	977	916	7	–
Tim Bianek – UKRI Chief Operating Officer <sup>1</sup>	40-45	0-2.5	651	586 <sup>3</sup>	(2)	–	0-5	2.5-5	41	5	27	–
Emma Lindsell – Executive Director of Strategy, Performance & Engagement (job share)	35-40 plus a lump sum of 75-80	0-2.5	588	542 <sup>3</sup>	(22)	–	30-35 plus a lump sum of 70-75	0-2.5	542	511	1	–
Isobel Stephen – Executive Director of Strategy, Performance & Engagement (job share)	35-40 plus a lump sum of 65-70	0-2.5	606	560 <sup>3</sup>	(21)	–	30-35 plus a lump sum of 65-70	0-2.5	560	528	1	–
Professor Alison Park – ESRC Executive Chair	10-15	2.5-5	153	106	29	–	5-10	2.5-5	106	64	27	–
Professor Dame Jessica Corner – Research England Executive Chair	0-5	0-2.5	27	0	21	–	–	–	–	–	–	–
Professor Melanie Welham – BBSRC Executive Chair	35-40	5-7.5	578	460	80	–	25-30	2.5-5	460	387	53	–
Indro Mukerjee – Innovate UK CEO <sup>2</sup>	–	–	–	–	–	28,000	–	–	–	–	–	24,900
Professor Sir Duncan Wingham – NERC Executive Chair	40-45	5-7.5	777	647	108	–	35-40	2.5-5	647	560	60	–

Notes:

1. Siobhan Peters and Tim Bianek’s closing balance for 2021–22 and opening balance for 2022–23 have been re-stated following updated information received from the pension scheme administrator, MyCSP.
2. Member of partnership pension scheme.
3. Taking account of inflation, the CETV funded by the employer has decreased in real terms.

## Fair Pay Disclosure – Audited Information

The banded remuneration of the highest-paid director in UKRI in the financial year 2022–23 was £215,001–£220,000 (2021–22: £215,001–£220,000). This was 5.47 times the median remuneration of the workforce. This is unchanged from last year (2021–22 ratio of median salary was 5.47; the 25th percentile was 6.81 and the 75th was 4.39). The minimum, 25th percentile and median salary are unchanged and are the same as in 2021–22; the 75th percentile salary was £49,498 in 2021–22.

In 2022–23, no employees received more remuneration than the highest-paid director. Remuneration ranged from £11,925–£217,500.

Excluding the highest-paid director, the average Full Time Equivalent salary has increased by 4.8% from £40,808.50–£42,767.81. This is a result of a change in grade mix within the organisation. Although there are fewer permanent FTEs than this time last year most of the efficiencies have been found at junior grades which has impacted the UKRI average salary figure.

	Salary	Pay ratio	Salary component	Allowance component
Highest paid Director*	£217,500.00			
Minimum	£11,925.00	18.23	£11,925.00	£–
25th Percentile	£31,931.00	6.81	£31,931.00	£–
Median	£39,748.00	5.47	£39,748.00	£–
75th Percentile	£50,702.00	4.29	£50,702.00	£–
<b>Max Salary range</b>	<b>£217,500.00</b>			

## Average change in total pay and reward

	2022-23 Salary & Allowances	2022-23 Bonus Payments
Staff Average	4.8%	5.1%
Highest Paid Director	0%	0%

FTE decreased amongst permanent staff, but reductions primarily arose more junior grades; consequently, the average salary has increased by 4.8% compared to last year. The average number of bonus payments per staff Headcount also increased over the period by 5.1% due to an increase to end of year payments made in 2022–23, with £0.5 million more being awarded than for the previous period.

As a separate legal entity KTN's pay ratios and highest paid directors are presented separately below:

	Salary	Pay ratio	Salary component	Allowance component
Highest paid Director*	£159,681.00		£159,681.00	
Minimum	£21,828.00	7.3	£21,828.00	£–
25th Percentile	£38,250.00	4.1	£38,250.00	£–
Median	£47,940.00	3.3	£47,940.00	£–
75th Percentile	£59,543.00	2.6	£59,543.00	£–

\* mid-point of banded remuneration

## Details of Pension Schemes

Most employees of UK Research and Innovation are members of one of the three occupational pension schemes; the Research Councils Pension Scheme (RCPS), Medical Research Council Pension Scheme (MRCPS) and Civil Service Pension Scheme (CSPS).

UKRI complies with auto-enrolment legislation by enrolling eligible employees into a qualifying occupational pension scheme. Most staff employed by UKRI are entered into the CSPS arrangements.

Staff who are employed at MRC Institutes in Cambridge, London and Harwell are enrolled in the MRCPS. Staff who were previously employed by AHRC, BBSRC, EPSRC, ESRC, Innovate UK, MRC, NERC, Research England and STFC who had their employment transferred to UKRI through a statutory staff Transfer Scheme on 1 April 2018, are entitled to remain in their pension scheme, including if they take up a new post on UKRI Terms and Conditions.

## Members of Relevant Pension Schemes at 31 March 2023

RCPS	3,153
MRCPS	1,056
CSPS	3,234

## Research Councils Pension Scheme (RCPS)

The RCPS is a defined benefit scheme funded from employer and employee contributions and annual grant-in-aid on a pay-as-you-go basis. The benefits are by analogy to the Principal Civil Service Pension Scheme (PCSPS), 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 UKRI. The scheme is administered by the Joint Superannuation Service, with the associated grant-in-aid managed by UKRI. The scheme accounts are prepared by UKRI on behalf of the UKRI Chief Executive, as the Accounting Officer of the RCPS. Separate accounts are published for the pension schemes.

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). Pension payables are increased annually in line with changes in the Consumer Price Index (CPI). Employees' contributions vary between 4.6 and 8.05% depending on the scheme. The employer's contribution is agreed by the RCPS Management Board on the recommendation of the Government Actuary's Department (GAD), and is currently set at 26.0% of pensionable pay.

## RCPS Employee Contribution Rates for 2022-23

Annualised Pensionable Earnings	Normal Member Contribution Rate (%)
Up to £23,100	4.60
£23,101 - £56,000	5.45
£56,001 - £150,000	7.35
£150,001 and above	8.05

The employer's contribution to the RCPS for 2022-23 was £36.3 million (2021-22 £38.4 million)

Contributions are set at a level that is expected to be sufficient to pay the required benefits falling due in the same period, with future benefits earned during the current period to be paid out of future contributions.

Formal actuarial valuations are used to determine employer and employee contribution rates. The last full actuarial valuation was undertaken for RCPS on 31 March 2018, and completed in 2020. The RCPS Management Board agreed to continue with the employer contribution rate of 26.0%.

As an alternative to RCPS, a Partnership Pension Account was made available to new staff from 1 October 2022, 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 employer contribution for 2022-23 was £711,021 (2021-22: £287,471). The employer's 0.8% death-in-service Partnership contribution for 2022-23 was £64,919 (2021-22: £11,021).

Further details of the Research Councils Pension Scheme can be found at [jsspensions.nerc.ac.uk](https://jsspensions.nerc.ac.uk)

## Medical Research Council Pension Scheme (MRCPS)

Details of the Medical Research Council Pension Scheme are disclosed in Note 11 of the Financial Statements.

## Civil Service Pension Schemes

UKRI has a statutory requirement to participate in the Civil Service Pension Scheme (ref. Higher Education and Research Act 2017 Sch. 9 Para 8(6)). The Civil Service Pension arrangements comprise the Principal Civil Service Pension Scheme (PCSPS) and Alpha, a new scheme set up in April 2015. Generally, all new employees joining on UKRI Terms and Conditions are enrolled in the Alpha pension scheme.

Alpha provided benefits on a career-average basis with a normal pension age equal to the members State Pension Age (or 65 if higher).

These statutory arrangements are unfunded, with the costs of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation.

Employee contributions are salary-related and range between 4.60 to 8.05% for members of premium, classic plus nuvos and alpha.

## Civil Service Employee Contribution Rates for 2022–23

Annualised Pensionable Earnings	Normal Member Contribution Rate (%)
Up to £23,100	4.60
£23,101 - £56,000	5.45
£56,001 - £150,000	7.35
£150,001 and above	8.05

The accrued pension quoted is the pension that the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha.

The pension figures quoted for officials show pension earned in PCSPS or alpha, as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.

Further details about the Civil Service pension arrangements can be found at [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

During 2022–23, employer contributions of £31,996,263 (2021–22: £28,236,196) were payable to the Scheme at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands.

## Other Pension Schemes

UKRI also paid contributions during the year to two other multi-employer pension schemes for specific groups of employees. These schemes are:

- the Principal Non-Industrial Superannuation Scheme (PNISS) of the United Kingdom Atomic Energy Authority (four employees)
- The National Employment Saving Trust (NEST), the Government's workplace pension scheme (three employees)
- RCUK PTN Scottish Widows (25 employees)
- RCUK PTN Standard Life (10 employees)
- CSPS PTN Legal & General (72 employees)
- Knowledge Transfer Network (KTN) Ltd operates a defined-contribution scheme, into which KTN Ltd makes employer contributions of up to 10%. The scheme is provided and administered by Scottish Widows (262 employees)



### Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a point in time. The benefits valued are the member's accrued benefits and any contingent spouses pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

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

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023–24 CETV figures.

### Real Increase in the Value of the CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, nor contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement), and it uses common market valuation factors for the start and end of the period.

# Staff Report

## Staff Numbers – number of persons employed at 31 March 2023 – Audited Information

	2022-23		2021-22	
	Headcount	FTE	Headcount	FTE
Permanent & Fixed term employees	7,881	7,566	7,931	7,602
Temporary & Contract Staff	433	392	378	246
Secondments	34	25	73	35
<b>Total Number of Staff*</b>	<b>8,348</b>	<b>7,983</b>	<b>8,382</b>	<b>7,883</b>

\* Total number of staff for UKRI/Parent organisation, exclusive of KTN staff who are detailed separately below. Separate information for Innovate UK Loans Limited and STFC Innovations Limited is not supplied because neither wholly-owned subsidiary has any directly-employed staff.

Permanent staff headcount and Full Time Equivalents (FTE) decreased compared to last year. Although permanent FTE decreased, total FTE slightly increased. Efficiencies in administrative areas and frontline operational activity were offset by increases in contingent labour to support change programmes as well as research-facing science roles; permanent employees FTE in direct science research-facing areas is 4,086 compared to 3,977 in the same period last year.

As a separate employer, Knowledge Transfer Network (KTN) information is provided below:

	2022-23		2021-22	
	Headcount	FTE	Headcount	FTE
Permanent & Fixed term Employees	282	275	228	220
Temporary & Contract Staff	0	0	0	0
Secondments	0	0	0	0
<b>Total Number of Staff</b>	<b>282</b>	<b>275</b>	<b>228</b>	<b>220</b>

Permanent and Fixed Term employees increased during 2022-23. The increase reflects the growth in Programmes managed on behalf of other government departments, and additional Reach and Engagement activity as part of organisational objectives to drive inclusivity across the innovation ecosystem.

## Staff Related Costs – Audited Information

	2022-23			2021-22
	Permanently Employed Staff £000	Temporary Staff £000	Total £000	Total £000
Wages and Salaries	345,132	35,899	381,031	341,954
Social Security Costs	33,065	0	33,065	72,908
Other Pension Costs	106,096	0	106,096	107,757
Sub Total	484,293	35,899	520,192	522,619
Less Recoveries in Respect of Outward Secondments	(971)		(971)	(548)
<b>Total</b>	<b>483,322</b>	<b>35,889</b>	<b>519,221</b>	<b>522,071</b>

Staff Related costs covers UKRI's total paybill, which encompasses relevant expenditure for research-facing and professional support staff, including staff costs at KTN Limited added to the group in 2022-23. UKRI's Organisation Strategic Objective includes a priority to make UKRI an efficient, effective, and agile organisation; this includes targets to reduce operating expenditure and professional support FTE. These costs are themselves a sub-set of UKRI's Staff Related Costs.

Although overall Staff Related costs have not changed significantly year-on-year, there have been significant changes in individual spending categories. The £39 million increase in wages and salaries is explained by:

- £18 million accrued for back dated pay increases for 2022-23 across all UKRI staff
- £3 million increase in temporary staff costs
- £3 million increase in overtime and allowances paid to staff
- £14 million of new costs where KTN wages and salaries have been added to the Group’s expenditure

Social security costs have decreased year on year by £40 million. This is primarily explained by one-off circumstances impacting social security costs in 2021-22. During 2021-22, following a review of the IR35 status of Monitoring & Assessment Officers engaged by Innovate UK, UKRI concluded that some of these Monitoring & Assessment officers should have been considered to be inside the scope of IR35 regulations, and subject to Income tax and national insurance contributions. UKRI estimated a liability of £36.4 million related to these income tax and national insurance contributions for the period to 2018-19 to 2021-22 which was included in the 2021-22 accounts. UKRI continues to accrue for the income tax and national insurance contributions for the period to 2018-19 to 2021-22; however following further review of the liability, UKRI decreased the value of this accrual by £7 million, leading to a credit against social security costs. When the impact of these one-off circumstances is removed, there was an underlying growth in social security costs of £4 million, these primarily being related to the accrued back dated pay increases for 2022-23.

**Sickness Absence**

Sickness Absence	2022-23		2021-22	
	Days	Working Days	Days	Working Days
Total Days of Absence	53,004	43,927	47,409	38,831
Frequency of Absences Lasting Longer than 28 Days	287	287	338	338
Total Days of Long-Term Absence	21,087	15,405	19,951	14,566
Average Days of Sick Absence per Person in UKRI	6.4	5.3	5.8	4.7

UKRI Human Resources (HR) and management monitor employee sick absences continuously, with sickness absence followed up by a return-to-work interview in line with UKRI sickness absence policy. Short-term and long-term absence are managed on a case-by-case basis with appropriate support from an occupational health assessor. This is also supported by HR advice from the central team. At the end of March 2023, of 191 open cases being supported by Central HR, 76 included an Occupational Health Referral.

Following the end of work-from-home orders and the protective effect of social distancing, levels of recorded absence increased in 2021-22. Despite the increase, levels of recorded absence were still historically low. Recorded absences have continued to rise in 2022-23, and are now only slightly below pre-pandemic averages.

In both financial years the top three causes of sickness absence were as follows:

1. Minor Illness
2. Stress and Mental Ill-health
3. COVID-19

Rates of Minor Illness were lower than historical trends for some time after work from home orders ceased. This was attributed to the protective effect of hybrid working, allowing staff to work from home when they felt able in instances when commuting to an office location would not have taken place. Rates of Minor Illness are now comparable to historical trends, and are the highest cause of sickness in UKRI.

Stress and Mental Ill-health is the second most common reason for sickness absence. This fell significantly over the work-from-home period, although not by the same degree (a 25% drop compared to a 53% drop in Minor Illness rates).

Although it has since risen, it is still significantly below pre-pandemic rates (10% lower by working days lost). UKRI has implemented several wellbeing initiatives and employee engagement activities, as well as supporting staff through the Employee Assistance Programme. This is believed to be having a sustained effect.

UKRI still records a number of COVID-19 instances each month, with around 200 days lost per month in quarter four of 2022–23. Across the last two years there were two peaks in COVID-19 related absences: quarter four of 2021–22 (with a peak of 901 working days lost in March 2022) and more recently July 2022 (with 932 working days lost).

Rate of sickness for back pain and musculoskeletal injuries are below historical trends, but COVID-19 rates are slowly declining, and it is expected that in 2023–24 absences for backpain and musculoskeletal injuries will replace COVID-19 as the third most common cause for recorded sickness absence.

## Staff Numbers by Sex

Pay Bands	Headcount				FTE			
	Male	Female	Unknown	Total	Male	Female	Unknown	Total
Directors (X&Y)	82	51		133	77	49		126
Senior Managers (G&H)	353	215		568	333	206		538
Other Employees (A-F)	4,049	3,456	142	7,647	3,936	3,245	137	7,319
<b>Total</b>	<b>4,484</b>	<b>3,722</b>	<b>142</b>	<b>8,348</b>	<b>4,346</b>	<b>3,500</b>	<b>137</b>	<b>7,983</b>

UKRI's Unknown male-female records are in relation to contingent labour who do not routinely complete this information.

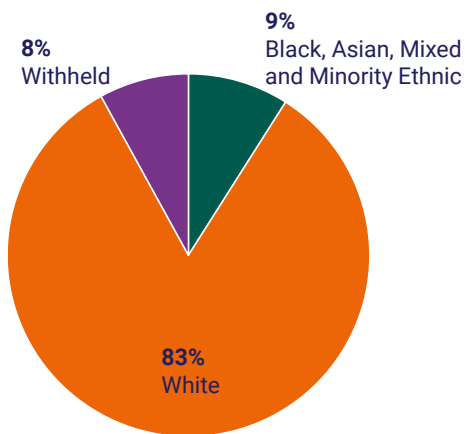
Pay Bands	Headcount				FTE			
	Male	Female	Unknown	Total	Male	Female	Unknown	Total
Directors (X&Y)	3	4		7	3	4		7
Senior Managers (G&H)	22	16	6	44	22	15	6	43
Other Employees (A-F)	78	116	37	231	77	113	35	225
<b>Total</b>	<b>103</b>	<b>136</b>	<b>43</b>	<b>282</b>	<b>102</b>	<b>132</b>	<b>41</b>	<b>275</b>

Unknown male-female details in KTN were high on 31 March 2023. KTN Employees are in the process of updating personal fields into their HR Information System.

### Staff Numbers by Ethnicity

On 31 March 2023, 5,773 (69.2%) staff had shared their ethnicity information on our central People and Payroll systems.

Ethnic Group	Year-end Number of Staff	Percentage
Black, Asian, Mixed and Minority Ethnic	512	6%
White	4,771	57%
Ethnicity Withheld	490	6%
Ethnicity Not Reported	2,575	31%
<b>Total</b>	<b>8,348</b>	



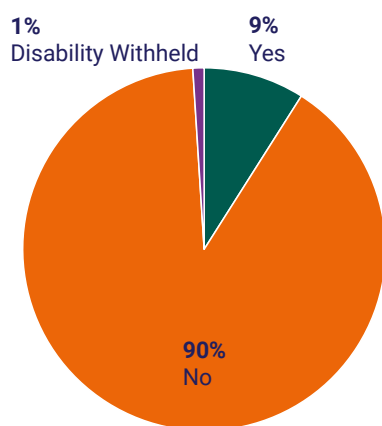
#### Distribution of UKRI staff sharing ethnicity details

To be consistent with Higher Education Statistical Authority (the body responsible for analysis of higher education in the UK, and a useful benchmark for UKRI), census categories and other public bodies, UKRI uses the terms Black, Asian, Mixed and Minority Ethnic for the purposes of clarity.

### Staff Numbers by Disability

On 31 March 2023, 2,390 (28.6%) staff had shared their disability identity on our central People and Payroll systems.

	Year End Staff	Percentage
Yes	221	2.6%
No	2,158	25.9%
Disability Withheld	11	0.1%
Disability Not Reported	5,958	71.4%
<b>Total</b>	<b>8,348</b>	



#### Distribution of UKRI staff sharing disability details



## Staff Turnover

	2022-23	2021-22
All Staff Turnover	17.1%	14.9%
Employee Turnover	14.0%	11.7%
Resignation Rate	8.5%	7.5%

Following the end to work-from-home orders and lockdown measures in the UK all turnover across UKRI increased in 2021-22. Despite the increase in exits, turnover rates were still historically low. Turnover has continued to rise in 2022-23 and turnover rates are now comparable to pre-pandemic rates.

UKRI has some known turnover hotspots:

- within research facing areas, turnover is above appetite in STEM areas. We believe that for junior staff a perceived lack of career progression and pay progression are key drivers; and for world-class senior scientists, we cannot compete on pay rates. UKRI has initiated several interventions to address this. They include working in partnership with BEIS on a STEM pay case to reduce compensation disparities with our competitors, particularly across specialist and niche technical areas. UKRI aims to link pay to competences and career development to ensure that key talent investments are retained
- within research-facing roles, turnover is typically highest within the early career grades (Bands A–D). Turnover then declines in the junior leadership grades (Bands E and F). Band F has the lowest average turnover for research facing roles
- given the challenges in recruiting research-facing staff we consider all turnover in these areas to be high but targeted resourcing activity and initiatives such as the ‘talent attraction framework’ have ensured that the staffing levels in these areas are mostly stable or growing
- conversely in professional support areas, Band F has one of the highest turnover rates, but it is increasing in all bands. There are particularly elevated rates of turnover within IT & systems, change and projects, analysis and estates functions
- turnover is highest in ‘Other’ grades which are comprised of contingent labour and other temporary non-standard contracts (such as NERC Mariners). The short duration of these contracts and the points at which they are retained mean that turnover in specific areas can exceed 100% in a year. Although this means the turnover rate is high these are planned exits to project timetables, and no specific action is being undertaken to change these rates

## Reporting of Civil Service and other Comprehensive Schemes – Exit Packages

### Audited Information

Redundancy costs have been paid in accordance with either the provisions of the Research Councils Compensation Scheme, which mirrors the terms of the Principal Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972, or the provisions of the Medical Research Council Redundancy Compensation Scheme.

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total no. of exit packages by cost band	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
<£10k	2	2	12	16	14	18
£10k - £25k	9	6	13	30	22	36
£25k - £50k	6	2	5	12	11	14
£50k - £100k			3	4	3	4
£100k - £150k				0	0	0
£150k - £200k	1			1	1	1
Total no. by type	18	10	33	63	51	73
<b>Total value of exit package accounted for in year (£)</b>	<b>569,438</b>	<b>163,231</b>	<b>704,441</b>	<b>1,438,687</b>	<b>1,273,879</b>	<b>1,601,918</b>

### Health and Safety

UKRI's health and safety (H&S) management systems, professional H&S advisors, staff, H&S representatives and the workforce, deserve recognition for returning to ‘business as usual’ activities this year. The work to map UKRI's Top Hazards has progressed to produce a hazard visualisation diagram, and the analysis of associated risks has commenced. We will keep striving to be safer both through our own inspections and external regulation, and to recognise the impact on the wellbeing and mental resilience of our workforce and society.

Other specific H&S achievements for the year include:

- as UKRI is reviewing its operating model to decide how we best organise ourselves to realise UKRI's strategy, transforming tomorrow together, reviewing UKRI's H&S management structures to reflect any changes because of the new Operating Model
- within NERC, British Geological Survey (BGS) and British Antarctic Survey (BAS) have been re-certified to the ISO 45001 standard
- the H&S incident reporting and management system was successfully reconfigured to ensure it can be used to its best effect across UKRI
- in 2022 Rutherford Appleton Laboratory and Daresbury Laboratory won a Royal Society for the Prevention of Accidents award for outstanding performance in health and safety in the "Research and Development" sector
- additional drafting of UKRI Health and Safety codes has been completed which will further strengthen the H&S management system

We have maintained our H&S governance arrangements during the past year. The key H&S committees and working group have continued to meet online and in person, discussing and approving papers to develop the H&S management system and to review progress and performance which is consolidated into the quarterly UKRI H&S reports which, once approved by the HSMC (Health and Safety Management Committee), are provided to ExCo (Executive Committee) and the Audit Risk and Assurance Committee (ARAC).

### Performance – Health & Safety

UKRI injury and non-injury incident data is consolidated into the quarterly H&S reports to ExCo. Both injury and non-injury incident numbers increased during the year, consistent with more people being back in the workplace. This translates to the average injury incident rate being 33 per 1,000 staff and a non-injury rate of 113 per 1,000 staff, again increased from the previous year. Most incidents are of a minor nature. Seven injury incidents and three ill-health incidents were reported to the Health and Safety Executive (HSE), two incidents were reported to the Environment Agency and one incident to the Marine Accident Investigation Board. This is more than for 2021–22, reflecting the return to business-as-usual. The incident rates are below the HSE's published national figure. These incidents were investigated to establish root causes and identify and implement remedial actions: no improvement or prohibition notices were issued for any of the incidents. There has been no enforcement action undertaken against UKRI by our external regulators this financial year.

### COVID-19 – Health & Safety

UKRI has continued to embrace flexible working practices, ensuring that office space and science facilities return to 'business as usual' activity. UKRI's incident management structure remains in place if the situation requires review, to ensure that the organisation can quickly adapt to changes. BAS has continued to find practical ways to manage COVID-19 in Antarctic stations and ships, and has changed its approach to COVID-19 management to one based on full immunisation and pre-deployment health screening for all staff for 2022–23. The data showing the reduced risk of serious complications from COVID-19 following the immunisation of a low-health-risk cohort made this a more manageable and pragmatic policy. There were no significant health problems from COVID-19 in the 2022–23 Antarctic season.

### Expenditure on Consultancy

Expenditure on consultancy in 2022–23 was £281,300 (2021–22: £215,970).

### Expenditure on Contingent Labour

Expenditure on contingent labour in 2022–23 was £35.9 million (2021–22: £19.7 million); it increased year-on-year in line with increase in temporary headcount to support change programmes across UKRI, and reclassification of monitoring officer costs into temporary staff costs.

### Off Payroll Engagements (more than £245 per day and longer than 6 months)

All payroll workers at UKRI are on arrangements in which supplier agencies process their payments through pay-as-you-earn (PAYE), to ensure full tax compliance. The only exception to this is in the rare cases where the HMRC Tool has shown that off-payroll workers; engagement arrangements fall outside of the scope of the IR35 intermediaries legislation. 18 workers were identified as being subject to this circumstance in 2022–23 of which eight were still retained on 31 March 2023. All workers identified were subject to off-payroll legislation.

**Table 1: Highly Paid Off-payroll Worker Engagements as at 31 March 2023, Earning £245 Per Day or Greater**

	UKRI
Number of Existing Engagements as of 31 March 2023	123
<b>Of which</b>	
No. that have existed for less than one year at time of reporting	102
No. that have existed for between one and two years at time of reporting	11
No. that have existed for between two and three years at time of reporting	6
No. that have existed for between three and four years at time of reporting	1
No. that have existed for four or more years at time of reporting	3

**Table 2: All Highly Paid Off-payroll Workers Engaged at any Point During the Year Ended 31 March 2023, Earning £245 Per Day or Greater**

	UKRI – ALB
Number of Temporary Off-payroll Workers Engaged During the Year Ended 31 March 2023	330
<b>Of which</b>	
Of which	
Not subject to off-payroll legislation	0
Subject to off-payroll legislation and determined as in-scope of IR35	316
Subject to off-payroll legislation and determined as out-of-scope of IR35	14
No. of engagements reassessed for compliance or assurance purposes during the year	90
Of which: no. of engagements that saw a change to IR35 status following review	0

**Table 3: For any Off-payroll Engagements of Board Members, and/or Senior Officials with Significant Financial Responsibility, between 1 April 2022 and 31 March 2023**

	UKRI – ALB
No. of off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, during the financial year. (1)	5
Total no. of individuals on-payroll and off-payroll that have been deemed "Board members, and/or, senior officials with significant financial responsibility," during the financial year. This figure should include both on payroll and off-payroll engagements. (2)	36

The senior leaders with significant financial responsibility have been restricted to ExCo members (These are 15 individuals, including the Executive Director SPE jobshare) and 11 Board members.

Of the 15 ExCo members, five are off-payroll; Professor Dame Ottoline Leyser, Professor Dame Lyn Gladden, Professor Christopher Smith and Professor John Iredale who are all seconded into UKRI from universities and are on their respective payrolls with costs recovered from UKRI.

Chris Ball (Chief People Officer) is retained on an interim basis.

## Employee Engagement

People are central to the success of UKRI, and the organisation is working to establish a range of communications and engagement channels to ensure staff understand the importance of what they do and can connect their contributions to the success of UKRI's strategic objectives. We are committed to effective engagement with staff and taking forward their suggestions and ideas. We do this through:

- day-to-day leadership and management at every level in the organisation
- an effective partnership with recognised Trade Unions through a Joint National Consultative Committee, which represents staff on a range of matters including pay, benefits, pensions and organisational change

- regular updates to staff by senior executives, which are accessible by all staff irrespective of their working location. This provides staff with updates on corporate initiatives and provides the opportunity for employees to ask challenging questions of the executive
- the Source, providing a central online portal for all UKRI staff, covering news, events and resources, complemented by additional material for each constituent council
- the Yammer platform, facilitating networking and social interaction amongst UKRI staff

### People Survey

UKRI's annual People Survey is the centrepiece of an ongoing programme of staff engagement, which itself is a core element of our work to develop a compelling Employee Value Proposition. There has been much activity across UKRI driven by the results of 2022 People Survey. UKRI and local level action plans have been published and have been further enhanced by additional insight gained through follow up engagement activities, including pulse surveys and focus groups.

The UKRI People Survey Action Plan was published to all staff in August 2022. It contained a series of commitments based around the three key themes identified in the People Survey. Progress of this plan over the year has included:

Highlighting the value of the work we do and the contributions staff make to UKRI's overall purpose via improved internal communication channels.

Improving the way UKRI communicates organisational change programmes by improving information accessible on our staff intranet, holding regular change webinars and establishing a "Change Champions" network,

Published UKRI Leadership Standards known as the "People Standards" to enable us to consistently identify, exemplify and reward effective behaviours.

Launched two new leadership development programmes: the Emerging Leadership Programme and the Inspirational Leadership Programme.

Increased availability of virtual learning by engaging with a digital content provider.

### UKRI HR Policies

- horizon scanning has continued to ensure the HR policy suite remains legally compliant and is fit for purpose
- where new advice, recommendations or information is presented new and/or supplementary guidance documents have been produced, for example, Industrial Action Guidance
- the policy review project continues with the redevelopment of several policies, providing a streamlined policy with greater guidance for managers and employees viz the appropriate consultation mechanisms
- the consultation on the harmonisation of MRC Institutes to the UKRI HR policy suite concluded towards the end of the 2022-23 and will be effective from 1 July 2023

### Learning and Development

At the end of 2022-23 UKRI launched Leadership Through Change which is an executive programme within a triad of UKRI-wide leadership development pilot programmes. The three programmes are the:

- Emerging Leadership Programme (ELP)
- Inspirational Leadership Programme (ILP)
- Leadership Through Change Programme (LTC)

Together, the three programmes provide a systemic approach to change leadership that will deliver enhanced leadership capability across the pan-UKRI leadership community. By taking a systemic and action learning approach, the programmes will require change to take place throughout the programme at individual, team and organisational levels. By experiencing this problem-solving approach leaders will also be equipped with a methodology that they can apply to future organisational leadership challenges beyond the duration of the formal programme.

## Wellbeing

A range of support sessions have been developed and run across UKRI in 2022–23, in response to current wellbeing issues affecting staff across the business. These practical sessions were developed by the Wellbeing team, using knowledge of the culture and context of the UKRI organisation. The sessions will be updated to reflect and respond to business and “life” changes, which impact on individuals working for UKRI.

A Wellbeing Pulse Survey was completed by 3,722 colleagues this year. The insights from this survey included:

- wellbeing is seen as important, and there is widespread recognition of the importance of engaging with the four pillars of wellbeing
- we believe in a proactive and preventative approach to wellbeing, and collectively we are trying to look after ourselves
- we know our workplace stressors, and we can identify the causes of workplace stresses

In response to the wellbeing pulse survey, UKRI is committed to:

- raise awareness of the support available and encourage colleagues to visit ‘Our Wellbeing’ page and read the Wellbeing Plan, which outlines a vast range of support, advice and services, spanning the four wellbeing pillars
- signpost wellbeing training for line managers and publishing the line managers toolkit
- constantly updating the Wellbeing Calendar for ideas and opportunities to promote healthy habits
- encouraging staff to reduce their everyday work stresses, by speaking up and making change happen
- the continuing work of the Wellbeing Team with the business to ensure that wellbeing activity remains aligned to the changing needs of UKRI

Other Wellbeing activity delivered throughout the year includes:

- insights discovery – Behavioural and work preferences
- mental health awareness training for Managers
- resilience, uncertainty and change sessions
- financial wellbeing webinars

## Equality, Diversity and Inclusion (EDI)

In 2022–23 UKRI published our first Equality, Diversity and Inclusion Strategy and Workforce Equality, Diversity and Inclusion Plan.

This strategy sets out how we will foster a more diverse and inclusive research and innovation system in the UK that provides everyone with the opportunity to contribute and to benefit from our investments in research and innovation. The strategy includes four objectives:

1. foster a world-class research and innovation system, ‘by everyone, for everyone’
2. include and support a diversity of people and ideas through our funding and partnerships
3. create a more inclusive and fair organisational culture, where everyone can contribute and participate, and feels valued and respected
4. advance and grow knowledge and capability to support a thriving research and innovation system by being a creative, evidence-based and evidence-informed organisation

Our Workforce Equality, Diversity and Inclusion (EDI) plan is essential for UKRI in its role as funder, employer and leader in the R&D sector to deliver its vision for an outstanding research and innovation system in the UK that provides everyone with the opportunity to contribute and to benefit, enriching lives locally, nationally and globally. The plan outlines our strategic approach and detailed actions to embed and mainstream EDI in UKRI, and mature our work. It provides a roadmap to guide the EDI activity across the organisation. It also demonstrates how we will deliver on our strategic priorities.

UKRI holds Disability Confident Employer status, which is awarded to employers who have made a commitment to employ, keep and develop the abilities of disabled people; this will be done through the framework of our EDI Plan, the progress of which we will measure annually. We continue to publish our Gender Pay Gap report alongside longer term plans to address pay gaps. Our institutes and centres continue their own EDI programmes, primarily but not exclusively focused on the participation of women in science.



### Trade Unions

UKRI has a recognition agreement with the following Trades Unions: The British Medical Association (BMA), The FDA, Prospect, The Public and Commercial Services Union (PCS), Unite the Union (Unite), The University and College Union (UCU), Nautilus International (Nautilus), and The Rail, Maritime and Transport Union (RMT). UKRI engages with unions through a Joint Negotiation and Consultative Committee at an organisational level, Local Joint Consultative Committees at some sites, and Joint Council Consultative Committees at Council level.

The following tables are provided under section 172A of the Trade Union and Labour Relations (Consolidation) Act 1992 in connection with the imposition of requirements on public authorities to publish information on facilities time taken by trade union officials.

During 2022–23 Trade Union Representatives have been recording their facilities time using the centralised absence booking system, allowing a simple overview of the number of representatives and the time that they are taking for their union duties to ensure compliance with the terms of the recognition agreement.

24 UKRI employees by headcount (22 FTE) spent a portion of their working hours on facility time in 2022–23. No employees spent more than 50% of their time on facility time. Of the employees who dedicated time to facilities time activities the average contribution was 3.5% and amounted to less than 0.01% of all employee activity.

**Table 1: Relevant Trade Union Officials**

	FTE equivalent
24	22

**Table 2: Percentage of Time Spent on Facility Time**

	Number of employees
0-0.9%	6
1 – 50%	18
51 – 99%	–
100%	–
<b>Total</b>	<b>24</b>

**Table 3: Facility time cost**

Total cost facility time £	27,744
Total pay bill £000	504,291
<b>% of total pay bill</b>	<b>0.01%</b>

**Table 4: Facility time as % of Total Time**

(Total time spent on TU activities / total facility time hours) x 100	3.50%
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**Senior Civil Servant\* Pay Structure**

Minimum (£)	Maximum (£)	Number of Staff*	On Payroll	Off Payroll
£70,001	£80,000	–	–	–
£80,001	£90,000	10	9	1
£90,001	£100,000	29	28	1
£100,001	£110,000	12	12	–
£110,000	£120,000	8	8	–
£120,001	£130,000	14	13	1
£130,001	£140,000	2	2	–
£140,001	£150,000	10	8	2
£150,001	£160,000	5	4	1
£160,001	£170,000	–	–	–
£170,001	£180,000	–	–	–
£180,001	£190,000	1	1	–
£190,001	£200,000	–	–	–
£200,001	£300,000	3	–	3

\* Based on Full Time Equivalent salary not pro-rata amount. SCS (Senior Civil Service) identified based on UKRI band equivalents X, Y or Contingent Labour 'Other' bands where the contingent labour occupant has line-management responsibility equivalent to a substantive senior civil servant.

# Parliamentary Accountability and Audit Report

## Losses and Special Payments – Audited Information

The total losses and special payments incurred by UKRI in the year were £540,463 (2021–22: £870,141). There were no individual losses or special payments above £300,000.

Two special severance payment were made during 2022–23; the amounts paid to the recipients are not disclosed as doing so would conflict with UKRI's legal obligation under the Data Protection Act 2018.

## Remote Contingent Liabilities – Audited Information

In addition to contingent liabilities reported within the meaning of IAS 37, UKRI also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability.

UKRI had one remote contingent liability as at 31 March 2023.

Through STFC, UKRI collaborates with international partners in the funding, management and operation of technical facilities which are not owned by UKRI. In the event of a decision to withdraw from any of these arrangements, it is likely that UKRI would assist in the search for a replacement partner to ensure that technical commitments are met. The most significant international collaborations are in respect of the European Organisation for Nuclear Research (CERN) and European Southern Observatory (ESO). For both facilities there is the possibility that UKRI would be obliged to contribute to decommissioning costs arising from a decision taken to discontinue operations. The decisions to decommission are not wholly within UKRI's control.

## Audit Fees – Audited Information

The cost of the external audit for UKRI was £500,000 (2021–22: £475,000), the statutory audit fee for STFC Innovations Ltd (SIL) was £8,800 (2021–22: £7,050), Innovate UK Loans Limited £105,000 (2021–22: £100,000) and for KTN £49,385 (2021–22: £48,500). During the year, £4,969 was also paid for the statutory audit of those predecessor bodies not closed at 31 March 2022, and £8,400 has been accrued for the statutory audit of one predecessor body not closed at 31 March 2022. All of the above fees exclude VAT. VAT is charged to UKRI and the predecessor bodies at 0% and IUKLL, SIL and KTN at 20%.

Remuneration of £10,400 was paid to SIL's external auditors in respect of non-audit work carried out for SIL in 2022–23 (2021–22: £9,450); these figures exclude VAT charged at 20%.

## Fees and Charges – Audited Information

Fees are set to comply with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

Facilities are offered to European Union users, commercial users and external users. Users are charged a unit cost based on direct operating costs and annual quantity of access, with an allowance for overheads.

Disclosure does not include recovery from other bodies to cover direct costs of grants paid from programmes funded jointly with other organisations.

We have identified two material items to which disclosure requirements apply in 2022–23.

### STFC – Other Income

Programme delivery, scientific facilities, goods and services are offered to European Union users, other government departments, commercial users and external users.

The default position for facilities, goods and services provided is that users are charged a cost based on direct operating costs and annual quantity of access, with an allowance for overheads to achieve full economic cost recovery.

Prices for facilities, goods and services provided by STFC are calculated to differentiate between the type of service and access charged for.

### Innovate UK – Programme Delivery Recharge

Innovate UK recharged other government departments to recover the costs arising from evaluation, assessment and monitoring of grants issued to meet the common policy objectives of UKRI and relevant other government departments and EU grant-awarders.

Agreements with other government departments relating to revenue seek to cover actually incurred direct costs only, either by direct recharge of costs incurred retrospectively or via a formula contribution to direct costs; there is no use of standard unit costs to calculate charges.

Income Item	£	Description
STFC – Other Income	£14,352,792	Charged for facilities and goods & services
Innovate UK – Programme Delivery Recharge	£6,448,371	Recharges for grant delivery costs

No subsidy or overcharging arose from provisions of relevant facilities, goods and services.

### Government Functional Standards

Government Functions enable excellence and consistency in the delivery of policy and services. Functional standards are set by each function to provide direction and advice for people working in and with the UK government. They bring together and clarify what needs to be done, and why, for different types of functional work. They are mandated for use in departments and their arm's length bodies. UKRI maintain self assessments against each functional standard and actions are in place to better align to functional standards where UKRI practices are not consistent with mandatory requirements.



**Dame Ottoline Leyser**

**Chief Executive and Accounting Officer**

6 July 2023

## THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

### Opinion on financial statements

I certify that I have audited the financial statements of United Kingdom Research and Innovation and its Group for the year ended 31 March 2023 under the Higher Education and Research Act 2017.

The financial statements comprise United Kingdom Research and Innovation (parent) and its Group's:

- Consolidated Statement of Financial Position as at 31 March 2023;
- Consolidated Statement of Comprehensive Net Expenditure, Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Total 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 Group financial statements is applicable law and UK adopted International Accounting Standards.

In my opinion, the financial statements:

- give a true and fair view of the state of United Kingdom Research and Innovation and its Group's affairs as at 31 March 2023 and their net expenditure for the year then ended; and
- have been properly prepared in accordance with the Higher Education and Research Act 2107 and Secretary of State directions issued thereunder.

### Opinion on regularity

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

### Basis for opinions

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

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I am independent of United Kingdom Research and Innovation and its Group 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 United Kingdom Research and Innovation and its Group'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 United Kingdom Research and Innovation and its Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

The going concern basis of accounting for United Kingdom Research and Innovation is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

## Other Information

The other information comprises the information included in the Annual Report, but does not include the financial statements nor my auditor's certificate and report. The Accounting Officer is responsible for the other information.

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

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

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

I have nothing to report in this regard.

## Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Higher Education and Research Act 2017.

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

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with Secretary of State directions made under the Higher Education and Research Act 2017; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

## Matters on which I report by exception

In the light of the knowledge and understanding of United Kingdom Research and Innovation and its Group and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

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

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

## Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the United Kingdom Research and Innovation and its Group from whom the auditor determines it necessary to obtain audit evidence;



- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with Secretary of State directions made under the Higher Education and Research Act 2017;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with Secretary of State directions made under the Higher Education and Research Act 2017; and
- assessing United Kingdom Research and Innovation and its Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the United Kingdom Research and Innovation and its Group will not continue to be provided in the future.

### **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit, certify and report on the financial statements in accordance with the Higher Education and Research Act 2017.

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

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

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

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

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

- considered the nature of the sector, control environment and operational performance including the design of United Kingdom Research and Innovation and its Group's accounting policies.
- inquired of management, United Kingdom Research and Innovation's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to United Kingdom Research and Innovation and its Group's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including United Kingdom Research and Innovation and its Group's controls relating to United Kingdom Research and Innovation's compliance with the Higher Education and Research Act 2017 and Managing Public Money;
- inquired of management, United Kingdom Research and Innovation's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team including significant component audit teams and the relevant internal and external specialists, including pension and properties where specialist expertise was engaged on the audit, 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 United Kingdom Research and Innovation and its Group for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals, complex transactions, bias in management estimates and grant expenditure. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of United Kingdom Research and Innovation and its Group's framework of authority and other legal and regulatory frameworks in which United Kingdom Research and Innovation and its Group operate. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of United Kingdom Research and Innovation and its Group. The key laws and regulations I considered in this context included the Higher Education and Research Act 2017, Managing Public Money, employment law, pensions legislation and tax legislation.

I considered the fraud and error risk and impact assessment produced by United Kingdom Research and Innovation's Counter Fraud and Funding Assurance Functions, including their consideration of Internal Audit findings in relation to the susceptibility of United Kingdom Research and Innovation's grant funding activities to fraud.

### Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and tested to supporting documentation to assess compliance with the provisions of relevant laws and regulations described above as having a direct effect on the financial statements;
- I enquired of management, the Audit, Risk and Assurance Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board, and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- I reviewed the reports produced by the in-house Funding Assurance teams and made enquiries of management based on my review.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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


### Other auditor's responsibilities

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

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

### Report

I have no observations to make on these financial statements.



**Gareth Davies**                      **Date:** 12 July 2023  
**Comptroller and Auditor General**

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

# 4

## 4. Financial Statements

# Consolidated Statement of Comprehensive Net Expenditure

## for the year ended 31 March 2023

	Note	2022-23 UKRI £000	2022-23 Consolidated £000	2021-22 UKRI £000	2021-22 Consolidated £000
Total operating income	3	(233,745)	(280,583)	(404,104)	(405,432)
Staff costs	4	504,291	522,023	522,241	524,947
Purchase of Goods and services	5.1	739,260	752,367	645,478	647,993
Depreciation and impairment charges	5.2	211,238	214,733	207,505	208,008
Research and Innovation	5.3	8,064,954	8,074,553	7,434,328	7,434,746
Provision expense	5.4	(63,488)	(63,165)	73,871	69,500
Other operating expenditure	5.5	718	1,223	3,996	3,001
		<b>9,456,973</b>	<b>9,501,734</b>	<b>8,887,419</b>	<b>8,888,195</b>
<b>Net operating expenditure</b>		<b>9,223,228</b>	<b>9,221,151</b>	<b>8,483,315</b>	<b>8,482,763</b>
Taxation	6	69,521	69,600	31,621	32,467
Finance income		(431)	322	(332)	(7,685)
Finance expenditure		(10,937)	(9,445)	(534)	2,209
<b>Net expenditure for the period</b>		<b>9,281,381</b>	<b>9,281,628</b>	<b>8,514,070</b>	<b>8,509,754</b>
<b>Other comprehensive expenditure</b>					
Net (gain)/loss on revaluation of property, plant and equipment		(275,758)	(275,758)	(189,500)	(189,500)
Net (gain)/loss on revaluation of intangible assets		(21,752)	(21,752)	14,442	14,442
Net (gain)/loss on revaluation of investments		(30,608)	(33,392)	(31,385)	(28,548)
Actuarial (gain)/loss on defined benefit pension plan		(316,075)	(316,075)	(190,846)	(190,846)
<b>Total comprehensive net expenditure for the period</b>		<b>8,637,188</b>	<b>8,634,651</b>	<b>8,116,781</b>	<b>8,115,302</b>


The notes on pages 110 to 150 form part of these accounts

# Consolidated Statement of Financial Position

for the year ended 31 March 2023

	Note	2022-23 UKRI £000	2022-23 Consolidated £000	2021-22 UKRI £000	2021-22 Consolidated £000
<b>Non-current assets</b>					
Property, plant and equipment	7	3,336,766	3,337,271	3,023,352	3,023,352
Intangible assets	8	98,395	98,395	94,599	94,599
Investment property		5,965	5,965	4,470	4,470
Investments in group undertakings	9	765,578	774,190	735,703	741,996
Financial assets	10	11,399	141,090	11,399	138,326
Pension asset	11	737,414	737,414	420,226	420,226
Trade and other receivables	12	128,413	–	128,235	–
		<b>5,083,930</b>	<b>5,094,325</b>	<b>4,417,984</b>	<b>4,422,969</b>
<b>Current assets</b>					
Assets held for sale		–	–	5,792	5,792
Trade and other receivables	12	592,912	607,910	574,996	578,217
Cash and cash equivalents	13	143,890	157,645	290,739	299,030
		<b>736,802</b>	<b>765,555</b>	<b>871,527</b>	<b>883,039</b>
<b>Total assets</b>		<b>5,820,732</b>	<b>5,859,880</b>	<b>5,289,511</b>	<b>5,306,008</b>
<b>Current liabilities</b>					
Trade and other payables	14	(1,506,975)	(1,538,409)	(1,396,877)	(1,411,242)
Derivatives		(1,129)	(1,129)	–	–
Provisions	15	(9,270)	(10,181)	(4,012)	(4,600)
		<b>(1,517,374)</b>	<b>(1,549,719)</b>	<b>(1,400,889)</b>	<b>(1,415,842)</b>
<b>Total assets less current liabilities</b>		<b>4,303,358</b>	<b>4,310,161</b>	<b>3,888,622</b>	<b>3,890,166</b>
<b>Non-current liabilities</b>					
Trade and other payables	14	(133,915)	(134,128)	(51,066)	(51,066)
Derivatives		(1,147)	(1,147)	–	–
Provisions	15	(190,155)	(190,155)	(258,246)	(258,246)
		<b>(325,217)</b>	<b>(325,430)</b>	<b>(309,312)</b>	<b>(309,312)</b>
<b>Total assets less total liabilities</b>		<b>3,978,141</b>	<b>3,984,731</b>	<b>3,579,310</b>	<b>3,580,854</b>
<b>Taxpayers' equity and other reserves</b>					
General fund		(1,690,450)	(1,692,527)	(1,859,818)	(1,859,633)
Revaluation reserve		(1,470,612)	(1,475,125)	(1,227,938)	(1,229,667)
Intellectual property reserve		(79,665)	(79,665)	(71,328)	(71,328)
Pension reserve		(737,414)	(737,414)	(420,226)	(420,226)
<b>Total reserves</b>		<b>(3,978,141)</b>	<b>(3,984,731)</b>	<b>(3,579,310)</b>	<b>(3,580,854)</b>

The notes on pages 110 to 150 form part of these accounts



Dame Ottoline Leyser  
Accounting Officer  
UK Research and Innovation  
6 July 2023

# Consolidated Statement of Cash Flows

## for the year ended 31 March 2023

	Note	2022-23 UKRI £000	2022-23 Consolidated £000	2021-22 UKRI £000	2021-22 Consolidated £000
<b>Cash flows from operating activities</b>					
Net expenditure for the period	SoCNE	(9,281,381)	(9,281,628)	(8,514,070)	(8,509,754)
Adjustments for non-cash transactions	16	239,639	248,654	250,836	253,073
Employer contributions to Pensions		(26,541)	(26,541)	(26,420)	(26,420)
(Increase)/Decrease in trade and other receivables	12	(18,093)	(29,694)	40,625	76,157
Increase in trade and other payables	14	194,492	215,307	11,172	19,132
Increase in derivatives		2,276	2,276	-	-
(Decrease)/Increase in provisions	15	(62,833)	(62,510)	74,239	69,864
<b>Net cash outflow from operating activities</b>		<b>(8,952,441)</b>	<b>(8,934,136)</b>	<b>(8,163,618)</b>	<b>(8,117,948)</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	7	(226,400)	(226,400)	(268,754)	(268,754)
Purchase of intangible assets	8	(3,319)	(3,319)	(6,268)	(6,268)
Investment in joint ventures	9.1	-	-	-	-
Other investments	9.3	-	(100)	-	(31)
Investment in Loans	10	-	(12,588)	(332)	(66,282)
Proceeds of disposal of investments		-	61	-	995
Proceeds of disposal of assets held for sale		5,578	5,578	4,840	4,840
Proceeds of disposal of property, plant and equipment		333	333	3,581	3,581
<b>Net cash outflow from investing activities</b>		<b>(223,808)</b>	<b>(236,435)</b>	<b>(266,933)</b>	<b>(331,919)</b>
<b>Net cash outflow before financing activities</b>		<b>(9,176,249)</b>	<b>(9,170,571)</b>	<b>(8,430,551)</b>	<b>(8,449,867)</b>
<b>Cash flows from financing activities</b>					
Grant-in-aid received from BEIS		9,034,266	9,034,266	8,493,582	8,493,582
Lease repayments		(4,866)	(5,080)	(4,143)	(4,143)
<b>Net cash inflows from financing activities</b>		<b>9,029,400</b>	<b>9,029,186</b>	<b>8,489,438</b>	<b>8,489,438</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(146,849)</b>	<b>(141,385)</b>	<b>58,888</b>	<b>39,572</b>
Cash and cash equivalents at the beginning of the period		290,739	299,030	231,851	259,458
<b>Cash and cash equivalents at the end of the period</b>		<b>143,890</b>	<b>157,645</b>	<b>290,739</b>	<b>299,030</b>

The notes on pages 110 to 150 form part of these accounts



# Consolidated Statement of Changes in Total Equity

## for the year ended 31 March 2023

### Consolidated

	Note	General reserve	Revaluation reserve	Pension reserve	Intellectual property reserve	Total reserves
<b>Balance at 1 April 2022</b>		<b>(1,859,633)</b>	<b>(1,229,667)</b>	<b>(420,226)</b>	<b>(71,328)</b>	<b>(3,580,854)</b>
<b>Retained surplus b/fwd from Subsidiary</b>		(2,509)	–	–	–	(2,509)
Grant-in-aid from BEIS		(9,034,266)	–	–	–	(9,034,266)
Net expenditure for the period		9,281,628	–	–	–	9,281,628
<b>Movements in reserves:</b>						
Net gain on revaluation of property, plant and equipment	7	–	(275,758)	–	–	(275,758)
Net gain on revaluation of intangible assets	8	–	–	–	(21,752)	(21,752)
Net gain on revaluation of investments	9	–	(33,392)	–	–	(33,392)
Cash flow hedge		–	2,276	–	–	2,276
Actuarial gain in the pension scheme	11	–	–	(316,075)	–	(316,075)
Contributions from other employers in the pension scheme		–	–	(4,029)	–	(4,029)
Transfers between reserves		(77,747)	61,416	2,916	13,415	–
<b>Balance at 31 March 2023</b>		<b>(1,692,527)</b>	<b>(1,475,125)</b>	<b>(737,414)</b>	<b>(79,665)</b>	<b>(3,984,731)</b>

### Parent

	Note	General reserve	Revaluation reserve	Pension reserve	Intellectual property reserve	Total reserves
<b>Balance at 1 April 2022</b>		<b>(1,859,818)</b>	<b>(1,227,938)</b>	<b>(420,226)</b>	<b>(71,328)</b>	<b>(3,579,310)</b>
<b>Retained surplus b/fwd from Subsidiary</b>		–	–	–	–	–
Grant-in-aid from BEIS		(9,034,266)	–	–	–	(9,034,266)
Net expenditure for the period		9,281,381	–	–	–	9,281,381
<b>Movements in reserves:</b>						
Net gain on revaluation of property, plant and equipment	7	–	(275,758)	–	–	(275,758)
Net gain on revaluation of intangible assets	8	–	–	–	(21,752)	(21,752)
Net gain on revaluation of investments	9	–	(30,608)	–	–	(30,608)
Cash flow hedge		–	2,276	–	–	2,276
Actuarial gain in the pension scheme	11	–	–	(316,075)	–	(316,075)
Contributions from other employers in the pension scheme		–	–	(4,029)	–	(4,029)
Transfers between reserves		(77,747)	61,416	2,916	13,415	–
<b>Balance at 31 March 2023</b>		<b>(1,690,450)</b>	<b>(1,470,612)</b>	<b>(737,414)</b>	<b>(79,665)</b>	<b>(3,978,141)</b>

The notes on pages 110 to 150 form part of these accounts

# Consolidated Statement of Changes in Total Equity

## for the year ended 31 March 2023

### Consolidated

	Note	General reserve	Revaluation reserve	Pension reserve	Intellectual property reserve	Total reserves
<b>Balance at 1 April 2021</b>		(1,799,074)	(1,077,927)	(243,661)	(106,405)	(3,227,067)
IFRS 16 Implementation		16,000	–	–	–	16,000
<b>Balance at 1 April 2021</b>		(1,783,074)	(1,077,927)	(243,661)	(106,405)	(3,211,067)
Grant-in-aid from BEIS		(8,493,582)	–	–	–	(8,493,582)
Net expenditure for the period		8,509,754	–	–	–	8,509,754
<b>Movements in reserves:</b>						
Net gain on revaluation of property, plant and equipment	7	–	(189,500)	–	–	(189,500)
Net gain on revaluation and addition of intangible assets	8	–	–	–	14,442	14,442
Net gain on revaluation of investments	9	–	(28,548)	–	–	(28,548)
Net loss on impairment of investments		–	13,181	–	–	13,181
Actuarial gain in the pension scheme	11	–	–	(190,846)	–	(190,846)
Contributions from other employers in the pension scheme		–	–	(4,688)	–	(4,688)
Transfers between reserves		(92,731)	53,127	18,969	20,635	–
<b>Balance at 31 March 2022</b>		(1,859,633)	(1,229,667)	(420,226)	(71,328)	(3,580,854)

### Parent

	Note	General reserve	Revaluation reserve	Pension reserve	Intellectual property reserve	Total reserves
<b>Balance at 1 April 2021</b>		(1,803,575)	(1,073,361)	(243,661)	(106,405)	(3,227,002)
IFRS 16 Implementation		16,000	–	–	–	16,000
<b>Balance at 1 April 2021</b>		(1,787,575)	(1,073,361)	(243,661)	(106,405)	(3,211,002)
Grant-in-aid from BEIS		(8,493,582)	–	–	–	(8,493,582)
Net expenditure for the period (excl transfer of undertakings)		8,514,070	–	–	–	8,514,070
<b>Movements in reserves:</b>						
Net gain on revaluation of property, plant and equipment	7	–	(189,500)	–	–	(189,500)
Net gain on revaluation of intangible assets	8	–	–	–	14,442	14,442
Net gain on revaluation of investments	9	–	(31,385)	–	–	(31,385)
Net loss on impairment of investments		–	13,181	–	–	13,181
Actuarial gain in the pension scheme		–	–	(190,846)	–	(190,846)
Contributions from other employers in the pension scheme	11	–	–	(4,688)	–	(4,688)
Transfers between reserves		(92,731)	53,127	18,969	20,635	–
<b>Balance at 31 March 2022</b>		(1,859,818)	(1,227,938)	(420,226)	(71,328)	(3,579,310)

The notes on pages 110 to 150 form part of these accounts

# Notes to the Accounts

## 1. Statement of Accounting policies

United Kingdom Research and Innovation (UKRI) is an executive non-departmental public body established by the United Kingdom Parliament. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to all the years presented unless otherwise stated.

### NOTE 1.1 Basis of accounting

The consolidated Financial statements have been prepared in accordance with the Accounts Direction issued by the Secretary of State for Business, Energy and Industrial Strategy, with approval of HM Treasury, in pursuance of Section 14(2) of Schedule 9 of the Higher Education and Research Act 2017.

The consolidated Financial statements have been prepared in accordance with the 2022–23 Government Financial Reporting Manual (FRm) issued by HM Treasury. The accounting policies contained in the FRm apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FRm permits a choice of accounting policy, the accounting policy judged to be most appropriate to the particular circumstances of UKRI for the purpose of giving a true and fair view has been selected. The particular policies adopted by UKRI are described below. They have been applied consistently in dealing with items that are considered material to the consolidated Financial statements.

On 7 February 2023, the prime minister announced a major machinery of government change which redistributed the activities of several existing government departments, including BEIS, and created three new departments, the Department for Business and Trade, the Department for Science, Innovation and Technology, and the Department for Energy Security and Net Zero. UKRI has been designated to Department for Science, Innovation and Technology (DSIT) with accounting officer responsibilities formally transferred from 1 April 2023.

### Going concern

UKRI is dependent on funding from the DSIT to meet liabilities falling due within future years. UKRI has reason to believe that funding will be forthcoming beyond 2023–24. BEIS published details of research and development allocations from 2022–2023 to 2024–2025 on 14 March 2022, including allocation plans for UKRI totalling £25.1 billion over that period.

It has accordingly been considered appropriate to adopt a going concern basis for the preparation of the Financial statements. UKRI monitors future levels of commitment to ensure they remain within anticipated budgets.

### NOTE 1.2 Accounting convention

The consolidated Financial statements have been prepared under the historical cost convention modified to include the fair value of property, plant and equipment, intangible assets and financial instruments to the extent required or permitted under IFRS as set out in the relevant accounting policies.

The consolidated Financial statements are presented in pounds sterling and all values are rounded to the nearest thousand (£'000), except where indicated otherwise.

### NOTE 1.3 Presentational currency

Pounds sterling is the functional currency of UKRI. Transactions denominated in a foreign currency are translated into sterling at the rate of exchange on the date of each transaction. In preparing the financial statements, monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the reporting date. All translation differences of monetary assets and liabilities are included in net expenditure for the year.

**NOTE 1.4 Basis of consolidation**

The Group comprises:

- UK Research and Innovation (UKRI)
- STFC Innovations Limited
- Innovate UK Loans Limited
- Knowledge Transfer Network Limited

UKRI prepares financial statements in accordance with the FReM. Innovate UK Loans Limited, STFC Innovations Limited and Knowledge Transfer Network Limited prepare accounts under UK-adopted International Accounting Standards. For those bodies that do not prepare financial statements in accordance with the FReM, adjustments are made at consolidation if necessary where differences would have a significant effect on the financial statements.

**NOTE 1.5 Changes in accounting policy, new accounting standards adopted in the year**

UKRI has made no changes in accounting policy nor adopted new accounting standards for 2022–23.

**NOTE 1.6 Future accounting standards**

IFRS 17 Insurance Contracts is effective within the private sector from 1 January 2023. However, the Financial Reporting Advisory Board (FRAB) was advised in November 2021 that adoption would be delayed for the public sector by at least one year to allow full consideration of its impact to be made. The 2024–25 reporting year would be the earliest opportunity for adoption of standards with mandatory adoption in the 2025–26 reporting year.

**NOTE 1.7 Grant-in-aid**

In line with the FReM, grant-in-aid for revenue purposes and grants from BEIS (the controlling body) are recognised as a financing flow and thus credited to the General Reserve.

**NOTE 1.8 Income**

Revenue is recognised when goods are delivered and title has passed, and services in the accounting period in which the service is rendered.

Grant Income receivable and funding for collaborative projects are recognised as income over the period in which UKRI recognised the related costs for which the grant or funding is intended to compensate in accordance with IAS 20. This represents approximately 72% of UKRI income.

Commercial income is recognised in line with the satisfaction of performance obligations at a point in time in line with the terms of contract or license agreement, as per IFRS 15. Where the contract is for the supply of goods this will be at a point in time. Commercial income includes royalties, rental of facilities for use by third parties, property rental or canteen/restaurant revenue. This represents approximately 28% of UKRI income.

**NOTE 1.9 Deferred income**

UKRI receives funding for projects to support UKRI research, separate from grant-in-aid provided by BEIS. Such funding is received from the UK public sector, charities, and from the European Commission (EC). Some funding may involve payment for projects in advance of the accounting period to which it relates.

Where there is a variance between activity in the accounting period and received funding, income will be deferred when there is a condition which makes the grant repayable or returnable (BEIS grant-in-aid funding cannot be classified as deferred income).

**NOTE 1.10 Staff costs**

Staff costs are recognised as expenses when UKRI becomes obliged to pay them, including the cost of any unused leave entitlement.

## **NOTE 1.11 Grants and training awards payable**

### **Research Grants, Fellowships and Studentships**

Research grants and fellowships are paid on an instalment basis in accordance with an agreed payment profile. Grant payments made in advance or in arrears are accounted for on a prepayments or accruals basis in the financial statements. Where the grant documentation does not specify a pre-agreed payment profile or other matching considerations, obligations are recognised in full. Studentship payments are paid on a quarterly instalment basis in advance or arrears directly to the research institute.

Where the profile indicates that an unclaimed and/or unpaid amount exists at the Statement of Financial Position date, such sums are accrued in the financial statements. Where the profile indicates a payment of grant that is yet to be utilised by the recipient, a prepayment is recognised.

### **Innovate UK Grants**

Innovate UK grant expenditure is recognised in the period in which eligible activity creates an entitlement in line with the terms and conditions of the grant.

Where activity has been undertaken but no grant claim has been received, accrued grants are charged to the Statement of Comprehensive Net Expenditure based on estimates (see Note 1.28) and are included in accruals in the Statement of Financial Position.

### **Research England Formula-based Grants**

Most grants are paid on an agreed profile, as a contribution to research costs within institutions.

The profiles are periodically updated throughout the academic year, and as such no financial year end accruals are expected for these streams of expenditure.

### **Other Research England Grants**

For Research England grants, such as the Strength in Places Fund, which fund agreed and specified eligible activity, expenditure is recognised in the period in which eligible activity creates an entitlement in line with the terms and conditions of the grant.

Future commitments at the Statement of Financial Position date are disclosed in Note 17.

## **NOTE 1.12 Ownership of equipment purchased with grants**

Equipment purchased by an institution using UKRI grants belongs to the institution and is not included in UKRI property, plant and equipment. UKRI reserves the right through its grant conditions to determine the disposal of such equipment and how any disposal proceeds are to be used.

## **NOTE 1.13 Taxation**

UKRI is subject to corporation tax on taxable profits. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to HM Revenue and Customs, based on tax rates and laws that are enacted or substantively enacted by the reporting date.

Tax expense recognised within the period includes payment on account for the current period and changes in the amount expected to be recovered from or paid to HM Revenue and Customs, relating to current and prior periods.

Where applicable, current tax assets and liabilities expected to be recovered from or paid to HM Revenue and Customs include amounts relating to Innovate UK Loans Limited (IUK LL), including relief on losses incurred by IUK LL.

UKRI recognises and discloses information regarding deferred tax assets and liabilities arising from taxable temporary differences i.e. differences between the carrying amount of an asset or liability in the statement of financial position and its tax base.

This is disclosed in Note 6.

**NOTE 1.14 Value added tax**

As UKRI is partially exempt for VAT purposes, all expenditure and non-current asset purchases are shown exclusive of VAT except in the following circumstances:

- irrecoverable VAT is charged to the Statement of Comprehensive Net Expenditure and included under the relevant expenditure heading
- irrecoverable VAT on the purchase of an asset is included in additions
- residual input tax reclaimable by the application of the partial exemption formula is taken to the Statement of Comprehensive Net Expenditure as a reduction of expenditure.
- the net amount due to, or from, HM Revenue and Customs in respect of VAT is included within other receivables and payables on the Statement of Financial Position

**NOTE 1.15 Intangible assets****Recognition**

Expenditure on intangible assets is capitalised where the cost is £10,000 or more and is applied on a grouped basis using a threshold of £10,000 where the elements in substance form a single asset.

Subsequent acquisitions of less than £10,000 in value which are of the same nature as existing grouped assets are appended. Otherwise, expenditure on intangible assets which fall below £10,000 is charged as an expense in the Statement of Comprehensive Net Expenditure.

**Measurement**

Intangible assets are initially measured at cost in line with IAS 38. For separately acquired assets, cost comprises the purchase price and any directly attributable costs to prepare the asset for its intended use. The cost of internally generated assets comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management.

There are no active markets for any of UKRI's intangible non-current assets which are valued at the lower of depreciated replacement cost and value-in-use using a valuation technique (for example for income-generating assets); where there is no value in use, depreciated replacement cost is used. Assets of low value or with short useful lives are carried at cost less accumulated amortisation and impairment losses as a proxy for fair value.

**Impairment**

Intangible assets are monitored for any indication of impairment. At the end of each reporting period, tests for impairment are carried out for any such asset with an indefinite useful life or in the course of development.

Where indications of impairment exist, and any possible differences are estimated to be significant with regards to the net book value or life of the asset, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised in the Statement of Comprehensive Net Expenditure.

Where an impairment loss is subsequently reversed, the reversal is credited in the Statement of Comprehensive Net Expenditure, up to the amount of the original loss, adjusted for amortisation that would have been charged if the loss had not been recognised.

**Amortisation**

Amortisation is provided on all intangible assets from the date at which they are available for their intended use at rates calculated to write off the cost of each asset (less any estimated residual value) on a straight-line basis over its expected useful economic life. UKRI reviews and updates the remaining useful economic lives of its assets each year. The estimated useful economic lives of the intangible assets currently in service are summarised as below:

Internally developed software	3–5 years
Software licenses	Up to 15 years (subject to the length of the license)
Internally developed websites	2–5 years
Data sets	5–10 years
Patents	Up to 15 years (subject to the length of agreement)



## Disposals

When scrapping or disposing of an intangible asset, the carrying amount is written off to the Statement of Comprehensive Net Expenditure and a loss (or gain) is recognised and reported net of any disposal proceeds.

## NOTE 1.16 Property, plant and equipment

### Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefit, including service potential, associated with the item will flow to UKRI and the cost of the item can be measured reliably. A capitalisation threshold of £10,000 is applied to all asset classes. Expenditure below this value is charged as an expense in the Statement of Comprehensive Net Expenditure.

Property, plant and equipment usually comprises single assets. However, capitalisation is applied on a grouped basis using a threshold of £10,000 where the elements in substance form a single asset. Furthermore, where an item includes material components with significantly different useful economic lives, those components are capitalised separately and depreciated over their specific useful economic lives.

Expenditure that maintains, but does not add to, an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Any capital funding provided by UKRI to independent institutes relating to UKRI-owned assets (buildings leased to the institutes or ships operated by them) is accounted for as a non-current asset addition in the property, plant and equipment note based on the construction costs during the year up to the Statement of Financial Position date.

### Measurement

Property, plant and equipment are initially measured at cost, comprising the purchase price plus any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located are recognised as a provision where an obligation to dismantle or remove the asset arises from its acquisition or usage. The related expense is recognised as a provision expense in the Statement of Comprehensive Net Expenditure.

Assets are thereafter carried in the Statement of Financial Position using the following measurement bases:

- land, buildings, Polar research stations, ships and aircraft are professionally revalued every five years and in the intervening period relevant indices are used. Indexation is not applied to assets under construction. All other tangible assets are subject to annual indexation using relevant indices
- specialised assets (those for which a market value cannot be readily determined, due to the uniqueness arising from its specialised nature and design) are valued on a depreciated replacement cost basis in line with the FReM
- for non-specialised assets, market value in existing use is used where this can be established. Any surplus on revaluation is taken to a revaluation reserve
- for furniture, fixtures and fittings where an asset pool is maintained replacements on a one-to-one basis are charged directly to the Statement of Comprehensive Net Expenditure in the year of replacement

### Impairment

Property, plant and equipment are monitored for any indication of impairment. At the end of each reporting period, tests for impairment are carried out for any assets with a remaining useful life and on assets in the course of construction.

Where an annual check is impractical given the number of assets held, a targeted risk-based approach is taken to assess all assets within 18 months of the end of their useful life plus a randomly selected check of 10% by number of the whole asset population.

Where indications of impairment exist, or trigger points are noted (such as transfer from assets under construction into property, plant and equipment) and any changes are estimated to be significant with regards to the net book value or life of the asset, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised in the Statement of Comprehensive Net Expenditure.

Where an impairment loss is subsequently reversed, the reversal is credited in the Statement of Comprehensive Net Expenditure, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised; anything over and above is recognised in the revaluation reserve.

## Depreciation

Assets under construction are not depreciated until the asset is brought into use.

Depreciation is provided on all property, plant and equipment, apart from assets under construction, from the date at which they are available for their intended use at rates calculated to write off the cost of each asset (less any estimated residual value) on a straight-line basis over its expected useful economic life. Increased depreciation charges arising from revaluations are matched by transfers from the revaluation reserve to the general reserve. Assets that are under construction are not depreciated until such time as they are available for their intended use.

UKRI reviews and updates the remaining useful economic life of its assets each year. The estimated useful lives of the assets currently in service are summarised as follows:

Freehold land	Not depreciated
Leasehold land	Up to 60 years (subject to the length of the lease)
Freehold buildings	Up to 60 years
Leasehold buildings	Up to 60 years (subject to the length of the lease)
Major facilities (costing over £50,000)	Up to 15 years
Scientific equipment	3 to 15 years
IT equipment	Up to 10 years
Other plant and machinery	3 to 20 years
Furniture, fixtures and fittings	Up to 10 years
Motor vehicles	Up to 10 years
Polar research stations	Up to 35 years
Ships	20 to 50 years
Aircraft	15 to 50 years

## Disposals

When scrapping or disposing of property, plant and equipment, the carrying amount is written off to the Statement of Comprehensive Net Expenditure and a loss (or gain) is recognised and reported net of any disposal proceeds.

On disposal of a revalued asset, the resulting element of the revaluation reserve that is realised is transferred directly to the general reserve.

### NOTE 1.17 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition, management are committed to the sale and completion is expected within one year of the date of classification.

The asset is revalued immediately before reclassification and carried at the lower of this amount and fair value, less selling costs. Assets held for sale are not depreciated. Where there is a subsequent reduction in fair value, the loss is reported in the Statement of Comprehensive Net Expenditure, and increases are only recognised as gains in the Statement of Comprehensive Net Expenditure up to the amount of any previously reported losses.

### NOTE 1.18 Investments in joint arrangements and associates

UKRI's investments in joint ventures and associates are accounted for using the equity method of accounting in both the separate UKRI financial statements and the consolidated financial statements in line with IAS 28. This is the method required by that standard and FReM.

The investment in an associate or joint venture is initially recorded at cost and is subsequently adjusted to reflect UKRI's share of the net profit or loss of the associate or joint venture. Where appropriate, UKRI adjusts information from the investee's financial records to bring it in line with the FReM.

Details of UKRI's investments in Joint Ventures and Associates can be found in Note 9, including adjustments made to the investee's financial information.

## NOTE 1.19 Financial instruments

UKRI recognises and measures financial instruments in accordance with IFRS 9 Financial Instruments as interpreted by the FReM.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

UKRI derecognises a financial asset when the contractual rights to receive future cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which UKRI neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

UKRI derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

### Innovation loans

Loans to borrowers issued by Innovate UK loans Limited are designed to stimulate later stage innovation and are offered on non-commercial terms including a below-market rate of interest.

### Innovation Loans: Competitions 1-5 and 6-8 cohorts

These cohorts of loans pass the business model test (where the objective of the business model is to hold the financial assets to collect the contractual cash flows) and the cash flows characteristics test; therefore, the loans are held at amortised cost. In accordance with IFRS 9, amortised cost loans are recognised at fair value at initial recognition. A fair value adjustment is required for innovation loans because a rate of interest is charged that is below the market rate (non-commercial terms).

Interest income is calculated using the effective interest method and is recognised in the Statement of Comprehensive Net Expenditure.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, a loss allowance equal to 12-month expected credit losses (based on the probability of default within the next 12 months) is recognised.

Where credit risk has increased significantly since initial recognition, lifetime expected losses are recognised. In these circumstances, interest revenue is calculated on the gross carrying amount of the asset.

For loans which are assessed to be credit-impaired or defaulted, a lifetime expected credit loss is recognised and interest revenue is calculated on the net carrying amount net of credit allowance.

Innovation loans will be written off at the point when any further recoveries are unlikely or become uneconomical to pursue. At this point, any remaining provision held against a credit-impaired (or defaulted) loan asset will be taken to the Statement of Comprehensive Net Expenditure and the value of the loan written off in the Statement of Financial Position.

### Innovation Loans: Innovation Continuity Loans and Convertible Loan Notes

Innovation Continuity Loans and Convertible Loan Notes differ from loans issued under Competitions 1-5 and 6-8 cohorts by including equity conversion features. The inclusion of these features mean that they do not meet the test to show that the IFRS 9 cash flow characteristics are solely payments of principal and interest; consequently these loans have been classified as fair value through profit and loss (FVTPL). No expected credit loss is recognised for these loans, nor any expected credit loss provision for loss against irrevocable commitments.

The approach used to calculate the FV at origination of innovation loans including discount rates is refreshed for the recalculation of the FVs of loans classified as FVTPL at the reporting date. The assumptions for estimating the arm's length commercial interest rate, taking account of an individual borrower's credit rating and the cashflow projections are updated to the position at the reporting date to arrive at a proxy FV at the reporting date.

These loans are outside the scope of IFRS 9 Effective Interest Rate requirements. Interest income accrued is part of the FV calculation. Other income includes the movement of FVTPL loans after the fair value adjustment on initial recognition to the fair value of reporting date, excluding contractual interest receivable.

Innovation Continuity Loans and Convertible Loan Notes will be written-off at the point when any further recoveries are unlikely or become uneconomical to pursue.

**NOTE 1.20 Trade and other receivables**

Under IFRS 9, trade and other receivables are measured at amortised cost. In line with the FReM, the simplified approach will be adopted and any loss allowances will be recognised at an amount equal to expected lifetime credit losses.

**NOTE 1.21 Trade and other payables**

Trade and other payables are recognised in the period in which related money, goods or services are received or when a legally enforceable claim against UKRI is established, or when the corresponding assets or expenses are recognised.

**NOTE 1.22 Cash and cash equivalents**

Cash and cash equivalents comprise cash-in-hand and other short-term highly liquid investments which, being readily convertible to known amounts of cash, are subject to negligible risk of changes in value, and have an original maturity of three months or less. Any bank overdraft amounts without the right of offset are included within trade payables and other liabilities.

**NOTE 1.23 Risks**

Due to the non-trading nature of its activities, and the way in which UKRI is financed, UKRI is not exposed to the degree of financial risk faced by non-public sector entities. UKRI has only very limited powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing UKRI in undertaking its activities.

UKRI is subject to foreign exchange risk through the maintenance of bank accounts in foreign currencies to deal with day-to-day overseas transactions. This risk is not actively managed by UKRI, because its potential impact is too small to affect UKRI's financial management.

Innovation loans are exposed to credit risk. Credit risk is the risk of a customer or a counterparty failing to meet their financial obligations. Credit risk also encompasses refinance risk and concentration risk. Refinance risk is the risk of loss arising when a repayment of loan occurs later than originally anticipated. Concentration risk is the risk of loss arising from insufficient diversification. Further details on credit risk are disclosed in Note 10 in this set of financial statements.

**NOTE 1.24 Provisions**

Provisions are recognised and measured in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Where the time value of money is material, provisions are discounted to present value using HM Treasury's real discount rates, except in the case of the Institut Laue-Langevin (ILL) decommissioning provision, where the underlying provision that determines UKRI's share of the provision has been calculated using a discount rate of 5.46% (2022: 4.59%), in accordance with the Fifth Protocol to the Intergovernmental Convention, as agreed by the members of ILL.

Irrevocable undrawn commitments to lend are within the scope of IFRS 9 provision requirements. This provision for irrevocable commitments is included within provisions for liabilities and charges in the Statement of Financial Position. These commitments are not recognised in the Statement of Financial Position until the loans are advanced. When the loan commitment is drawn, the provision for irrevocable commitment is released and is replaced by either a FV adjustment and/or ECL provision on the drawn loan.

**NOTE 1.25 Leases**

Leases are classified in accordance with IFRS 16 as leases when the risks and rewards of ownership are transferred substantially to the lessee; other leases are classified as operating leases.

UKRI has made use of the exemptions to exclude short-term leases (1 year or less), and those where the underlying asset is classified as of "low value", this is deemed to be £10,000 for the group, which is the capitalisation threshold for UKRI.

**Finance leases – UKRI as lessor**

Amounts due from lessees under finance leases are recognised as receivables at the amount of UKRI's net investment in the lease. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on UKRI's net investment outstanding in respect of the leases.

### Finance leases – UKRI as lessee

Assets and liabilities are recognised at the discounted value of the minimum lease payments (excluding VAT, which is expensed) on a straight-line basis over the term of the lease) and shown as leased assets and lease liabilities within the accounts (asset values also include any prepaid rent, lease incentives and direct costs). In instances where no interest rate is stated within the lease, the HMT discount rate in effect at the commencement of the lease is used.

Lease assets will be depreciated over the life of the lease; where they relate to assets held at fair value (including land and buildings), they will be subject to the same revaluation treatments as other assets within the category.

Lease liabilities are adjusted during the year to reflect both the repayments made and the impact of interest on the balances outstanding. Buildings are recognised as leased assets only if the building itself is leased from the lessor. The value of these assets will include any capital costs incurred in their construction (including lease premiums), and any subsequent improvement works to the building that will belong to the lessor at the end of the lease. The value of such leased building additions, where material, will be disclosed within the PPE note.

In instances where the land has been leased and then constructed-on by UKRI, the land will be included under leased assets and the buildings under freehold.

Where a lease comes to an end and the lease liability has been extinguished, lease assets will also be derecognised as disposals, these normally being of zero net book value at the point (the lives being tied to the lease term). Where a lease is terminated early, the remaining liability will be released via a lease reassessment shown under PPE in the accounts with the related lease assets also being derecognised as disposals (the NBVs having been reduced via the lease reassessment). In both cases any difference between the liability and asset net book values will be recognised under Other operating expenditure in the SoCNE.

All new leases are reviewed to ensure that any requirement to rectify dilapidations is appropriately provided for via provision covering the discounted estimated future costs.

### Operating leases – UKRI as lessor

Assets subject to operating leases are recognised in the Statement of Financial Position with rental income plus initial direct costs incurred in arranging the lease, including incentives to the lessee to enter into the lease, recognised on a straight-line basis over the lease term.

### Operating leases – UKRI as lessee

Rentals payable under operating leases, including benefits received and receivable as incentives to enter into the leases, are expensed on a straight-line basis over the term of the lease.

## NOTE 1.26 Pensions

Retirement benefits to employees of UKRI are generally provided by:

- the Research Councils' Pension Scheme (RCPS)
- the Civil Service Pension Scheme (CSPS)
- the Medical Research Council Pension Scheme (MRCPS)
- United Kingdom Atomic Energy Authority (UKAEA) and
- National Employment Savings Trust (NEST)

RCPS and CSPS members can transfer to the Partnership Pension scheme. Partnership is a Defined Contribution arrangement provided for RCPS by Scottish Widows and Standard Life and by Legal and General for the CSPS.

The RCPS, CSPS and UKAEA are unfunded Defined Benefit pension schemes and the MRCPS is a funded Defined Benefit pension scheme. The treatment of the different pension schemes is explained below.

NEST is a Defined Contribution workplace pension scheme.

### Unfunded pension schemes

The RCPS, CSPS and UKAEA pension schemes are public sector pension schemes and, as required by the Government Financial Reporting Manual, it is the scheme (rather than the employer) that reports the expected value of future pension payments. Employers whose employees are members of these pension schemes account for the scheme as a defined contribution plan, with employer contributions charged to the Statement of Comprehensive Net Expenditure in the period to which they relate.

## Funded pension schemes

Employer superannuation costs are based on an actuarially-derived calculation under IAS 19: see Note 11. The defined benefit plan requires contributions to be made to separately administered funds. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Actuarial gains and losses are recognised in full as income or expense in the Statement of Comprehensive Net Expenditure.

The past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognised immediately.

The defined benefit asset (or liability) is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses (not recognised reduced by past service cost not yet recognised) and the fair value of plan assets, out of which the obligations are to be settled directly. If such an aggregate shows a surplus, the asset is measured at the lower of this aggregate, or the aggregate of cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits, available in the form of refunds from the plan or reductions in the future contributions to the plan. The net asset is recognised as UKRI derives benefits from the reduced contributions to the scheme.

## Defined Contribution pension schemes

Contributions are charged to the Statement of Comprehensive Net Expenditure when they become payable. UKRI has no further liabilities in respect of benefits to be paid to members. UKRI pays a nominal contribution to the main schemes for provision of Death in Service benefits for Partnership scheme members (0.5% of pensionable pay for CSPS and 0.8% for RCPS).

## NOTE 1.27 Contingent assets and liabilities

Contingent assets and liabilities are disclosed in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Where an outflow of economic benefits from a past event is possible but not probable, UKRI discloses a contingent liability. No disclosure is made for those contingencies where crystallisation is considered to be remote or the amounts involved are immaterial.

Where an inflow of economic benefits from a past event is probable, UKRI discloses a contingent asset. No disclosure is made where realisation is considered to be possible, but not probable, or the amounts involved are immaterial.

## NOTE 1.28 Judgements, estimates and assumptions

### Funded Pension Scheme

The determination of the pension cost and defined benefit obligation (liabilities) of the Medical Research Council Pension Scheme depends on the selection of certain assumptions, which include the discount rate, inflation rate, salary growth, mortality rates and expected rate of return. The pension assets include £376 million of property investments and approximately £781 million of unquoted equity investments, which are estimates and are based on fund manager valuation reports, and valued by the expert valuation reports as at 31 March 2023. See Note 11 for further details.

### Property, Plant and Equipment

A number of judgements have been made around valuation of PPE, useful economic lives, depreciation rates and indices used. These have been more fully explained in Note 1.16 above.

### Patents and Royalties

Where patents and royalties are recognised as intangible assets, these are revalued annually by specialists on the basis of future royalty income streams. Management applies the discount rate. Estimates are subject to business uncertainty in terms of sales and the fluctuation of exchange rates. Judgement has been required in assessing the impact of these variables. The policy has been judged to be compliant with IAS 38.



## Innovation Loans

The measurement of the expected credit loss under IFRS 9 for the innovation loans made to UK small or medium-sized enterprises is an accounting estimate.

In assessing the expected credit loss provision which management believes is required, the most critical accounting judgements are:

- the approach to applying the staging requirements – identifying significant increases in credit risk and identifying credit impaired loans and the definition of default
- the basis of forward-looking information and multiple economic scenarios and the application of weightings of expected credit loss models for the sensitivity of systemic risk factors

In assessing the fair values of innovation loans, management believes to require the most critical accounting judgements are:

- the approach of calculating a fair value at origination of an innovation loan including discount rate
- the approach to calculating a fair value at the reporting date for loans classified as FVTPL

## Grant Accruals and Prepayments

Financial statements include a grant accrual for each project (including fellowships, studentships and grants) where it has been determined that there is an unclaimed amount at the year-end that is due to participants.

Given the nature of this estimate and the history of recipients not spending, and therefore not being reimbursed for, their full entitlement, an expected future underspend percentage is calculated based on historic data of underspend against payment profile and applied to the year-end balance.

A No Cost Extension arises when a grant recipient moves the end-date of a research or fellowship grant into the future without changing the value of the grant.

A new grant profile is modelled and a prepayment is recognised as a result. Payments continue to be made quarterly in accordance with the original grant profile; however the new profile recognises expenditure through to the new end date of the grant agreed between UKRI and the grant recipient. In recognising this prepayment UKRI makes judgements and assumptions regarding: the population of grants affected; the impact of NCEs on the length of the grant; the amount that will be paid to the recipient during the term, and the impact and timing of this impact on underlying activity supported by the grant arising from the NCE.

## Recognition of Research Grants and Fellowships Expenditure, and payment profiles

Where Research Grant and Fellowship grant payment profiles are linear, as referenced in Note 1.11, and a grant is not subject to NCE, UKRI judges that there is an alignment between the payment profile, the underlying activity it supports, and costs incurred by grant recipients. UKRI makes this judgement because the majority of costs incurred by grant recipients are similarly linear (for example, direct costs of employing researchers, overheads associated with a grant), and therefore sufficiently aligned with the payment profile of the grant such that it is the most reasonable and appropriate basis for recognising expenditure. This judgement means that UKRI therefore recognises expenditure on individual Research Grants and Fellowships when payment is made, except where final payment is withheld awaiting a final statement of expenditure from a grant recipient.

## Innovate UK Grant Accrual

The grant accrual is based on participants' forecast of expenditure submitted with their latest claim. For a number of large non-core projects, the Knowledge Transfer Network (KTN) and Catapult Centres, Innovate UK contacts the participants directly to obtain further information and assurances on claims due at the year-end date. For those grants that are based on procurements, Innovate UK confirms the accruals based on purchase orders raised for the period. The grant accrual as at 31 March 2023 was £673.1 million (31 March 2022: £620.6 million).

The major sources of uncertainty in the estimate relate to the profiling of incurring and defraying the project costs that create the entitlement to the grant, and the amount of the grant not utilised at the end of the project. The projects funded by Innovate UK are typically collaborations between private businesses and academia; this aspect introduces a degree of interdependency between project partners that may impact on the timing of individual work packages. In addition, projects are typically two to five years long, which permits a degree of flexibility for grant recipients in the scheduling of

their project activity. These projects seek to develop new technology-based products and services for future markets and, as such, are inherently uncertain in terms of their success and, related to this, the project duration and activity costs ultimately incurred.

### Decommissioning Provisions

Calculation of the decommissioning costs for specialist facilities constitutes a significant accounting estimate. External experts give insight into the current cost of the work to be undertaken and assumptions regarding inflation rates. Management translates these costs into a provision using knowledge of the timing of the decommissioning and the profiling of the expenditure. To reduce the risk of material misstatement, the estimates and assumptions are reviewed annually.

UKRI has recognised a decommissioning provision of £38 million for the ISIS facility at RAL. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the plant from the site, radioactive waste disposal and clean-up costs and the expected timing of those costs. ISIS is forecast to be decommissioned over 45 years commencing in 2040–41. The decommissioning costs are estimated to total £59 million at current prices. The decommissioning provision for ISIS is sensitive to changes in inflation/discount rates that are provided by HMT. This year the long-term discount rate (11-40 years) increased from 0.95% to 3.51%, and the very-long-term rate (> 40 years) increased from 0.66% to 3%, the inflation rate staying the same at 2%. The ISIS decommissioning provision decreased by £69 million due to the change in discount rates (last year the movement due to discount rate changes was an increase of £25 million).

UKRI has recognised a provision of £92 million for its share of the decommissioning costs of the ILL; this has been taken to be its share of the ILL decommissioning provision recognised in the ILL latest accounts. The calculation by the ILL assumes that the ILL will shut down in 2030 and decommissioning will be completed in 2057. The main sources of uncertainty are associated with future developments in waste processing and site rehabilitation technology, and with nuclear and conventional safety constraints and environmental requirements. The value of UKRI provision will also be affected by the EUR:GBP exchange rate.

## 2. Statement of Operating Expenditure by Operating Segment

### Analysis of UKRI information by business segment

2022-2023	AHRC £000	BBSRC £000	EPSRC/UKRI £000	ESRC £000	IUK £000	MRC £000	NERC £000	RE £000	STFC £000	Total £000
Total operating income	(2,059)	(5,552)	(12,052)	(6,584)	(63,478)	(93,217)	(36,343)	(1,522)	(59,776)	<b>(280,583)</b>
Staff costs	6,236	9,930	100,176	10,446	67,943	93,280	73,767	4,756	155,489	<b>522,023</b>
Purchase of Goods and services	1,364	3,664	84,757	2,811	52,410	72,825	53,360	2,347	478,829	<b>752,367</b>
Depreciation and impairment charges	16	12,141	11,671	189	8,666	40,461	47,864	–	93,725	<b>214,733</b>
Research and Innovation	164,013	451,481	1,101,693	261,506	1,565,054	883,223	318,163	3,022,743	306,677	<b>8,074,553</b>
Provision expense	–	–	(3)	–	323	37	(2,582)	–	(60,940)	<b>(63,165)</b>
Other operating expenditure	–	(248)	–	–	40	2,075	(38)	–	(606)	<b>1,223</b>
<b>Net expenditure</b>	<b>169,570</b>	<b>471,416</b>	<b>1,286,242</b>	<b>268,368</b>	<b>1,630,958</b>	<b>998,684</b>	<b>454,191</b>	<b>3,028,324</b>	<b>913,400</b>	<b>9,221,151</b>

2021-2022	AHRC £000	BBSRC £000	EPSRC/UKRI £000	ESRC £000	IUK £000	MRC £000	NERC £000	RE £000	STFC £000	Total £000
Total operating income	(2,757)	(4,731)	(12,542)	(7,386)	(174,104)	(96,875)	(32,934)	(4,333)	(69,770)	<b>(405,432)</b>
Staff costs	6,069	9,868	95,694	9,965	95,070	99,572	70,047	5,108	133,554	<b>524,947</b>
Purchase of Goods and services	277	2,448	77,704	(1,195)	36,297	90,228	52,270	7,159	382,807	<b>647,993</b>
Depreciation and impairment charges	14	11,609	15,880	–	7,179	42,832	42,412	–	88,082	<b>208,008</b>
Research and Innovation	147,229	416,581	1,111,944	263,218	1,469,075	813,102	314,415	2,632,806	266,376	<b>7,434,746</b>
Provision expense	–	–	(3)	–	(4,371)	(15)	21,506	–	52,384	<b>69,500</b>
Other operating expenditure	–	(45)	–	–	(170)	5,154	165	–	(2,103)	<b>3,001</b>
<b>Net expenditure</b>	<b>150,832</b>	<b>435,731</b>	<b>1,288,676</b>	<b>264,602</b>	<b>1,428,976</b>	<b>953,998</b>	<b>467,881</b>	<b>2,640,739</b>	<b>851,328</b>	<b>8,482,763</b>

UKRI reports its expenditure by operating segments in accordance with IFRS 8 Operating Segments.

Operating segments are funding segments about which separate financial information is available that is regularly reviewed by the chief operating decision maker, the UKRI Executive Committee.

### 3. Total operating income

	2022-23 UKRI £000	2022-23 Consolidated £000	2021-22 UKRI £000	2021-22 Consolidated £000
Current grants from Central Government	(21,250)	(54,730)	(72,639)	(72,639)
Current grants from European Commission	(17,896)	(18,180)	(8,284)	(8,284)
Capital Grants	(7,176)	(7,176)	(24,997)	(24,997)
Current grants from private sector	(64,033)	(64,033)	(50,082)	(50,082)
Income from other government departments and public sector	(56,810)	(57,167)	(171,748)	(171,748)
Rental income	(9,159)	(9,159)	(8,598)	(8,598)
Sales of goods and services	(29,652)	(30,795)	(20,792)	(21,007)
Other income	(27,769)	(39,343)	(46,964)	(48,077)
	<b>(233,745)</b>	<b>(280,583)</b>	<b>(404,104)</b>	<b>(405,432)</b>

The decrease of £125 million in operating income is explained in general by reduced co-funding contributions across time-limited grant programmes, more specifically:

- £115 million decrease in income from other government departments and public sector entities has arisen because a number of co-funded programmes across UKRI's innovation portfolio were completed in 2021-22 and work for co-funded programmes in 2022-23 has been focused on initiating programmes rather than delivering significant grant outlay; UKRI has not needed to recover costs from co-funding departments
- current grants from central government have reduced by £18 million; this was expected where time-limited COVID-19 research programmes co-funded by Department for Health & Social Care ended across 2021-22 and 2022-23, leading to a reduction in contributions as activity wound down
- the £17 million decrease in capital grants received has come about due to a range of underlying capital projects undertaken by UKRI either completing or reducing in activity during 2022-23, leading to a reduction in contributions
- these decreases were offset by an increase of ~ £15 million in current grants from private sector; this income supported a number of different programmes across NERC and STFC led activity

### 4. Staff costs

	2022-23 UKRI £000	2022-23 Consolidated £000	2021-22 UKRI £000	2021-22 Consolidated £000
Wages and salaries	365,570	381,031	339,593	341,954
Social security costs	32,879	33,065	72,794	72,908
Other pension costs	104,011	106,096	107,526	107,757
	502,460	520,192	519,913	522,619
Staff severance costs	1,831	1,831	2,328	2,328
	<b>504,291</b>	<b>522,023</b>	<b>522,241</b>	<b>524,947</b>

Staff costs covers UKRI's total paybill, which encompasses relevant expenditure for research-facing and professional support staff, including staff costs at KTN added to the group in 2022-23.

Although overall Staff Costs have not changed significantly year-on-year; there have been significant changes in individual spending categories. The £39 million increase in wages and salaries is explained by:

- £18 million accrued for backdated pay increases for 2022-23 across all UKRI staff
- £3 million increase in temporary staff costs
- £3 million increase in overtime and allowances paid to staff; and
- £14 million of new costs where KTN limited wages and salaries have been added to the Group's expenditure

Social security costs have decreased year on year by £40 million. This is primarily explained by one-off circumstances impacting social security costs in 2021-22. During 2021-22, following a review of the IR35 status of Monitoring & Assessment Officers engaged by Innovate UK, UKRI concluded that some of these Monitoring & Assessment officers should have been considered to be inside the scope of IR35 regulations, and subject to Income tax and national insurance contributions. UKRI estimated a liability of £36.4 million related to these income tax and national insurance

contributions for the period to 2018–19 to 2021–22 which was included in the 2021–22 accounts. UKRI continues to accrue for the income tax and national insurance contributions for the period to 2018–19 to 2021–22; however following further review of the liability, UKRI decreased the value of this accrual by £7 million, leading to a credit against social security costs. When the impact of these one-off circumstances is removed, there was an underlying growth in social security costs of £4 million, these primarily being related to the accrued backdated pay increases for 2022–23.

### 5.1 Purchase of goods and services

	2022-23 UKRI £000	2022-23 Consolidated £000	2021-22 UKRI £000	2021-22 Consolidated £000
Rentals under operating leases	4,497	4,683	4,340	4,340
Finance, HR, IT and support costs	28,166	28,331	29,140	29,140
Accommodation and office equipment costs	168,574	172,506	143,061	143,265
Consultancy and legal expenditure	1,989	2,156	4,368	4,368
Training and other staff costs	7,135	7,340	5,495	5,506
Travel and subsistence costs	16,359	17,691	9,338	9,346
Advertising and publicity	4,672	5,344	2,144	2,202
Professional services	75,634	78,975	62,670	64,713
Auditors' remuneration	474	670	481	605
Programme management and administration of grants and awards	3,625	6,024	3,390	3,390
Professional and international subscriptions	368,130	368,130	325,282	325,282
Recharges	18,888	18,970	5,419	5,484
Other purchase of goods and services cost	41,117	41,547	50,350	50,352
	<b>739,260</b>	<b>752,367</b>	<b>645,478</b>	<b>647,993</b>

The key areas relating to UKRI's external cost base that have shown material year-on-year increases since 2021–22 are:

- accommodation and office equipment costs (£29 million) driven by higher energy costs, expenditure on the SHARP programme as implementation progresses, and inclusion of KTN Limited's costs in the UKRI group from April 2022
- professional services have increased in year (£15 million) primarily due to additional external professional service costs relating to the Hartree National Centre for Digital Innovation
- significant increase (£43 million) in professional and international subscriptions, where contributions to the European Spallation Source have increased as further parts of the programme became operational in 2022–23, and increases in contributions relating to the Extremely Large Telescope operated by the European Southern Observatory programme

Advertising and publicity spend increased in 2022–23 as external in person conferencing and seminar activity increased, following easing of COVID-19 restrictions.

The audit fee comprises this year's fee minus an over-accrual from 2021–22. VAT is charged to UKRI and its predecessor body at 0% and to its subsidiaries at 20%. See page 98 for further details.

### 5.2 Depreciation and impairment charges

	2022-23 UKRI £000	2022-23 Consolidated £000	2021-22 UKRI £000	2021-22 Consolidated £000
Depreciation	174,974	175,234	156,087	156,087
Amortisation of intangible assets	22,070	22,070	31,947	31,947
Impairment of PPE	12,784	12,784	15,893	15,893
Impairment of financial assets	–	–	1,673	1,673
Impairment of investment properties	107	107	–	–
Expected Credit Loss	1,303	4,538	1,905	2,408
	<b>211,238</b>	<b>214,733</b>	<b>207,505</b>	<b>208,008</b>

Depreciation of land and buildings has gone up by £10.4 million following significant upward revaluation of the NERC and STFC RAL estates during 2021–22 and 2022–23, and the bringing into service of £149 million of assets previously under construction, see Note 7 Property, Plant & Equipment for more details. Transport and IT Equipment depreciation

have increased by £6 million and £7.7 million respectively following the bringing into service of the RRS *Sir David Attenborough* and the ARCHER II Supercomputer towards the end of 2021–22. Plant and Machinery depreciation has decreased by £4.9 million due to a combination of shorter-life assets being replaced by longer-life ones; and as part of a significant asset verification and validation exercise that has resulted in revised useful economic lives.

Amortisation has fallen by £9.9 million, including £2.7 million for software intangibles in line with a general reduction of in-service intangible assets as UKRI has harmonised its capitalisation criteria; and £7.2 million for patents and licences.

Impairments for 2022–23 include £10.7 million of building impairments following the buildings being professionally valued and impairments of transport of £2.1 million relating to rectification work on the RRS *Sir David Attenborough*, see Note 7 for more details; 2020–21 impairments included £15.3 million of land and building market value impairments following the buildings being professionally valued.

### 5.3 Research and Innovation

	2022-23 UKRI £000	2022-23 Consolidated £000	2021-22 UKRI £000	2021-22 Consolidated £000
Core Funding	1,190,962	1,190,962	1,153,837	1,153,837
Research England funding	2,522,858	2,522,858	2,305,922	2,305,922
Institutes, Catapults, Centres & Networks	558,333	558,333	528,354	528,772
Knowledge Exchange, Translation and Commercialisation	225,661	225,661	207,209	207,209
COVID-19 Research	34,902	34,902	347,468	347,468
International Subscriptions	–	–	325	325
International	21,864	21,864	5,698	5,698
Talent	603,746	603,746	554,106	554,106
Other costs – Core Research	(6,303)	(6,303)	17,302	17,302
<b>Core Research</b>	<b>5,152,023</b>	<b>5,152,023</b>	<b>5,120,221</b>	<b>5,120,639</b>
Infrastructure	159,425	160,153	203,326	203,326
World Class Labs	478,775	478,775	409,350	409,350
Cross-cutting Funds	186,659	186,659	–	–
Research England funding	–	–	184,988	184,988
Strategic Themes	4,984	4,984	–	–
Strength in places fund	58,613	58,613	35,029	35,029
Other costs – Non Core Research	15,022	15,022	4,230	4,230
<b>Non Core Research</b>	<b>903,478</b>	<b>904,206</b>	<b>836,924</b>	<b>836,924</b>
Cross-cutting Funds	419,459	419,459	391,373	391,373
Technologies Missions Programme	1,118	1,118	–	–
Other costs – R&D Other	4,672	4,672	–	–
<b>R&amp;D Other</b>	<b>425,249</b>	<b>425,249</b>	<b>391,373</b>	<b>391,373</b>
Institutes, Catapults, Centres & Networks	321,601	321,601	256,110	256,110
Innovation Policy & Other	57,597	66,468	177,651	177,651
International	43,662	43,662	–	–
SMART	104,996	104,996	96,230	96,230
Biomedical Catalyst	31,403	31,403	26,363	26,363
Fast Start	26,665	26,665	–	–
<b>Innovation</b>	<b>585,924</b>	<b>594,795</b>	<b>556,354</b>	<b>556,354</b>
ODA	125,852	125,852	150,481	150,481
BEIS Managed Programmes	439,611	439,611	373,356	373,356
EU Programmes	432,817	432,817	5,619	5,619
<b>Ringfenced Capital</b>	<b>998,280</b>	<b>998,280</b>	<b>529,457</b>	<b>529,457</b>
	<b>8,064,954</b>	<b>8,074,553</b>	<b>7,434,328</b>	<b>7,434,746</b>



Total Research and Innovation grants expenditure increased by £639.8 million in 2022–23.

Within Core Research expenditure, Research England expenditure has increased by £217m, largely due to additional allocations in both the Higher Education Innovation Funding and Strategic Programme schemes of £19m and £129m respectively. Within Research England funding, rephasing of Quality-Related block-grant payments to higher education institutions was £68 million higher than 2021–22. Talent expenditure increased by £49.6 million due to the increase in spend in the Future Leaders Fellowships scheme following the start of Round 4 of the scheme (£34.7 million), as well as an increase in the allocation for the Stipend uplift (£19.4 million). Spend on COVID-19 Research reduced in 2022–23 by £313 million as the peak of activity to respond to and support the sector during the pandemic passed,

Non Core programme expenditure has increased by £67 million largely due to £69 million increased spending in World Class Labs.

Innovation expenditure increased by £38 million in 2022–23. Institutes, Catapults, Centres & Networks expenditure increased in the year by £65 million due to an uplift in funding (e.g. cross-catapult projects) plus some redeployment from other areas which saw delays in establishing programmes. Innovation Policy & Other saw a reductions of £111 million driven by schemes coming to an end at the end of the previous spending review. Spend in International increased by £44 million as funding increased for the Plan for Action scheme.

Ringfenced Capital has increased by £469 million. The UK Government announced a Guarantee that allowed successful UK applicants to Horizon Europe programmes who, due to the delay in Association, were not funded by the EU receiving equivalent funding from the UK, with £427 million in expenditure being paid through the Horizon Europe Guarantee programme. BEIS Managed programme expenditure also increased by £66 million in 2022–23 due to increased funding for Low Cost Nuclear.

#### 5.4 Provision expense

	2022-23 UKRI £000	2022-23 Consolidated £000	2021-22 UKRI £000	2021-22 Consolidated £000
Provision expense – Early retirement	34	34	(18)	(18)
Provision expense – Other provisions	844	844	1,554	1,554
Provision expense – Loan commitments	–	323	–	(4,371)
Provision expense – Decommissioning	(64,366)	(64,366)	72,335	72,335
	<b>(63,488)</b>	<b>(63,165)</b>	<b>73,871</b>	<b>69,500</b>

The material provision expense movements consist of increases and decreases in the provision required by changes to the discount rate. The Public Expenditure System paper produced by HM Treasury lays down the discount rate used by organisation such as UKRI. During this year the very long term discount rate increased from 0.66% to 3%, the long-term rate increased from 0.95% to 3.51%, medium-term rate increased from 0.7% to 3.2% and the short-term rate increased from 0.47% to 3.27%. The increase in the discount rates resulted in a provision decrease of £72.9 million.

Decommissioning provisions includes a decrease of £70.2 million for ISIS and an increase of £9.6 million for the ILL.

#### 5.5 Other operating expenditure

	2022-23 UKRI £000	2022-23 Consolidated £000	2021-22 UKRI £000	2021-22 Consolidated £000
Revaluation – investment property	40	40	(170)	(170)
Loss on disposal – assets held for sale	–	–	–	–
Profit on disposal – PPE	(178)	(178)	164	164
Loss on disposal – PPE	124	124	(21)	(21)
Loss/(Profit) on disposal of other investments	–	505	–	(995)
Share of profits on joint venture and associates	(12,880)	(12,880)	(13,734)	(13,734)
Share of losses on joint venture and associates	13,612	13,612	17,757	17,757
	<b>718</b>	<b>1,223</b>	<b>3,996</b>	<b>3,001</b>

The reduction in the year-on-year share of profits was due to Harwell Science and Innovation Campus (HSIC) results not being included this year. The profit from 2021–22 was £14 million.

There was a similar level of losses made year on year. There was a slight change in the individual losses, with a smaller loss from the Francis Crick Institute and a slightly larger loss from the Diamond Light Source. See Note 9 for details.

## 6. Taxation and Deferred Taxation

	2022-23 UKRI £000	2022-23 Consolidated £000	2021-22 UKRI £000	2021-22 Consolidated £000
<b>Corporation Tax</b>				
Taxable profit for the period	1,014	1,437	76,533	80,805
Corporation tax @ 19%	193	272	14,507	15,353
Adjustments of corporation tax expense for prior periods	(14,262)	(14,262)	17,114	17,114
<b>Total corporation tax</b>	<b>(14,069)</b>	<b>(13,990)</b>	<b>31,621</b>	<b>32,467</b>
<b>Deferred Tax</b>				
Origination and reversal of temporary differences	83,590	83,590	–	–
Adjustments in respect of earlier years	–	–	–	–
Impact of change in UK corporation tax rate to 25% (FY21: 19%)	–	–	–	–
Remeasurement of temporary differences	–	–	–	–
<b>Total deferred tax</b>	<b>83,590</b>	<b>83,590</b>	<b>–</b>	<b>–</b>
<b>Taxation</b>	<b>69,521</b>	<b>69,600</b>	<b>31,621</b>	<b>32,467</b>

### Corporation Tax – current and prior years

Tax charges for current year relate only to corporation tax incurred by UKRI and Innovate UK Loans Limited in the normal course of business. UKRI has recognised an accrual of £192,626 for 2022–23 based on an initial calculation of the tax liability. This may be subject to change prior to final submission of the UKRI 2022–23 Corporation tax return during 2023–24.

There is no change in the taxation rate applied in 2022–23, 19% being the rate defined for this period.

UKRI recognised increased charges in the 2021–22 in respect of prior years by £17.1 million including interest for late payment. This related to two factors:

- prior year corporation tax charges relate to the period 2018–19 to 2021–22. During 2020–21, HMRC raised enquiries into the 2018–19 Corporation Tax return. In response to HMRC's enquiries on elements of the 2018–19 tax return, UKRI established that re-calculation of corporation tax liabilities for 2018–19 and 2019–20 was required. This is because a different interpretation of UKRI's tax position was necessary in relation to elements of the initial tax returns. UKRI recognised charges of £0.3 million and £13.9 million for additional liabilities in 2018–19 and 2019–20 respectively (this includes the underlying liability and expected interest for late payment)
- following computation of the 2020–21 Corporation Tax liability, UKRI established that it under-accrued by £2.8 million in 2020–21, estimating tax for the year to be £8.5 million

Regarding adjustments for prior years in 2022–23, UKRI recognised an estimated accrued tax charge of £14.5 million for 2021–22 based on an estimate of taxable profits; following completion of the 2021–22 tax return, the charge was settled at £6.5 million leading to £8.0 million adjustment in 2022–23 in respect of 2021–22 and a further £6.3 million adjustment for years prior to 2021–22.

### Deferred Taxation

#### Factors that may affect future tax changes

All deferred tax assets and liabilities have been calculated using a tax rate of 25%. A corporation tax rate of 25% for profits over £250,000 has been set with effect from 1 April 2023. UKRI has assumed that taxable profits will be above £250,000 in future periods.

## Detail of Deferred Tax Assets &amp; Liabilities

Asset Category	Deferred Tax (Asset)/Liability recognised in the Statement of Financial Position (£000s)	Deferred tax (income)/expense recognised in the Statement of Comprehensive Expenditure (£000s)
	Parent 2022-23	Parent 2022-23
Tangible fixed assets	120,021	120,021
Intangible Assets	(9,816)	(9,816)
Investments in Joint Ventures	(39,645)	(39,645)
Pension reserve	16,592	16,592
Investment in Associates	445	445
Other Investments	740	740
Provisions	28	28
Capital losses	(4,775)	(4,775)
<b>Total</b>	<b>83,590</b>	<b>83,590</b>

Capital losses relate to the transfer to Government Property Agency of the Polaris House freehold in 2020-21; this leads to a deferred tax asset of £4,775 thousand which has reduced deferred tax expense in 2022-23.

## 7. Property Plant and equipment

## Consolidated

	Land £000	Buildings £000	Plant, equipment, fixtures and fittings £000	IT equipment £000	Transport £000	Assets under construction £000	Total £000
<b>Cost or Valuation</b>							
<b>At 1 April 2022</b>	<b>254,556</b>	<b>2,238,430</b>	<b>1,408,782</b>	<b>185,762</b>	<b>416,680</b>	<b>558,451</b>	<b>5,062,661</b>
Additions	119	5,867	50,432	7,887	10,020	152,075	226,400
Disposals	(1,375)	(19,070)	(44,718)	(19,104)	(537)	–	(84,804)
Transfers	(1,779)	150,638	42,712	7,825	385	(200,576)	(795)
Revaluation	43,169	211,143	118,947	4,416	26,328	–	404,003
Lease Remeasurement	–	730	–	–	–	–	730
Impairment	–	(10,676)	–	–	(2,109)	–	(12,785)
<b>At 31 March 2023</b>	<b>294,690</b>	<b>2,577,062</b>	<b>1,576,155</b>	<b>186,786</b>	<b>450,767</b>	<b>509,950</b>	<b>5,595,410</b>
<b>Depreciation</b>							
<b>At 1 April 2022</b>	<b>(29,887)</b>	<b>(852,631)</b>	<b>(934,074)</b>	<b>(99,803)</b>	<b>(122,914)</b>	<b>–</b>	<b>(2,039,309)</b>
Charged in period	(481)	(66,294)	(60,596)	(26,950)	(20,913)	–	(175,234)
Disposals	1,375	19,062	44,594	19,104	514	–	84,649
Transfers	96	428	(324)	(127)	(73)	–	–
Revaluation	(2,436)	(47,586)	(69,212)	(2,058)	(6,953)	–	(128,245)
Impairment	–	–	–	–	–	–	–
<b>At 31 March 2023</b>	<b>(31,333)</b>	<b>(947,021)</b>	<b>(1,019,612)</b>	<b>(109,834)</b>	<b>(150,339)</b>	<b>–</b>	<b>(2,258,139)</b>
<b>Net book value</b>							
<b>At 31 March 2023</b>	<b>263,357</b>	<b>1,630,041</b>	<b>556,543</b>	<b>76,952</b>	<b>300,428</b>	<b>509,950</b>	<b>3,337,271</b>
At 31 March 2022	224,669	1,385,799	474,708	85,959	293,766	558,451	3,023,352
<b>Asset financing:</b>							
Owned	200,121	1,541,375	556,543	76,952	300,408	509,950	3,185,349
Leased	63,236	88,666	–	–	20	–	151,922
<b>At 31 March 2023</b>	<b>263,357</b>	<b>1,630,041</b>	<b>556,543</b>	<b>76,952</b>	<b>300,428</b>	<b>509,950</b>	<b>3,337,271</b>

	Land £000	Buildings £000	Plant, equipment, fixtures and fittings £000	IT equipment £000	Transport £000	Assets under construction £000	Total £000
<b>Cost or Valuation</b>							
<b>At 1 April 2021</b>	<b>235,969</b>	<b>1,953,208</b>	<b>1,278,046</b>	<b>124,415</b>	<b>284,434</b>	<b>638,906</b>	<b>4,514,978</b>
IFRS 16 Initial Adoption b/fwd adjustment	12,874	32,122	–	–	5	–	45,001
<b>At 1 April 2021</b>	<b>248,843</b>	<b>1,985,330</b>	<b>1,278,046</b>	<b>124,415</b>	<b>284,439</b>	<b>638,906</b>	<b>4,559,979</b>
Additions	100	8,951	17,385	29,043	8,448	204,827	268,754
Disposals	(5)	–	(26,808)	(4,508)	(78,204)	–	(109,525)
Transfers	(5,450)	7,290	41,425	38,875	200,221	(285,282)	(2,921)
Revaluation	11,085	250,224	99,315	(2,063)	1,776	–	360,337
Lease Remeasurement	–	1,930	–	–	–	–	1,930
Impairment	(17)	(15,295)	(581)	–	–	–	(15,893)
<b>At 31 March 2022</b>	<b>254,556</b>	<b>2,238,430</b>	<b>1,408,782</b>	<b>185,762</b>	<b>416,680</b>	<b>558,451</b>	<b>5,062,661</b>
<b>Depreciation</b>							
<b>At 1 April 2021</b>	<b>(27,821)</b>	<b>(685,381)</b>	<b>(836,485)</b>	<b>(86,067)</b>	<b>(182,432)</b>	<b>–</b>	<b>(1,818,186)</b>
Charged in period	(1,465)	(54,927)	(65,519)	(19,287)	(14,889)	–	(156,087)
Disposals	5	–	26,780	4,508	74,508	–	105,801
Transfers	–	(240)	240	–	–	–	–
Revaluation	(606)	(112,083)	(59,090)	1,043	(101)	–	(170,837)
Impairment	–	–	–	–	–	–	–
<b>At 31 March 2022</b>	<b>(29,887)</b>	<b>(852,631)</b>	<b>(934,074)</b>	<b>(99,803)</b>	<b>(122,914)</b>	<b>–</b>	<b>(2,039,309)</b>
<b>Net book value</b>							
<b>At 31 March 2022</b>	<b>224,669</b>	<b>1,385,799</b>	<b>474,708</b>	<b>85,959</b>	<b>293,766</b>	<b>558,451</b>	<b>3,023,352</b>
At 31 March 2021	208,148	1,267,827	441,561	38,348	102,002	638,906	2,696,792
<b>Asset financing:</b>							
Owned	160,903	1,297,127	474,708	85,959	293,763	558,451	2,870,911
Leased	63,766	88,672	–	–	3	–	152,441
<b>At 31 March 2022</b>	<b>224,669</b>	<b>1,385,799</b>	<b>474,708</b>	<b>85,959</b>	<b>293,766</b>	<b>558,451</b>	<b>3,023,352</b>

Land additions relate to a new lease for a car park at MRC's LMS site.

Building additions include £0.74 million for Right of Use lease assets relating to new leases (including £0.63 million for IUK KTN's London site). Additionally £0.26 million of Building additions relate to leasehold improvements (this includes £0.14 million for recognising IUK KTN's prior year balances).

Transport additions include £0.02 million for Right of Use lease assets relating to new leases.

Transfers include £1.78 million of STFC Right of Use assets reclassified from land to buildings, the land relates to infrastructure and this treatment brings it into line with the estate as a whole. Within the land category £5.05 million was moved from leasehold to freehold; this relates to MRC's lease of land for the ARES building at BBSRC's Babraham site. This predated the formation of UKRI, but had not previously been corrected for. It also involved the movement of £1.27 million of depreciation between the land and building assets, this being included within depreciation charged in the year.

Depreciation of Buildings charged during the year includes £8.80 million for leasehold assets.

All Land and £12.34 million of Building disposals relate to lease surrenders at MRC's LMS site as part of the construction of the new LMS building. Additionally £0.56 million of Building disposals relate to the end of UKRI's lease for its former London office.

Included under transfers are: £42.33 million for STFC's Extreme Photonics Applications Centre (EPAC), £32.57 million under Buildings and £10.76 million under Plant, equipment, fixtures and fittings; and £91.79 million under Buildings for the new building at MRC's London Institute of Medical Sciences (LMS).

Assets under construction additions include:

- £29.98 million (2021–22 £10.33 million) for STFC's National Quantum Computing Centre (NQCC)
- £24.39 million (2021–22 £12.74 million) for the new aircraft for NERC's British Antarctic Survey
- £17.20 million (2021–22 £25.10 million) for NERC's Antarctic Infrastructure Modernisation Programme and other Antarctic projects

Included in Assets under construction are: £98.32 million (2021–22 £98.32 million) for BBSRC institute work; £86.93 million (2021–22 £78.53 million) for STFC's National Satellite Test Facility (NSTF); £44.09 million (2021–22 £10.33 million) for STFC's National Quantum Computing Centre (NQCC); £22.53 million (2021–22 £19.00 million) for STFC's ISIS Neutron and Muon Source; £37.25 million (2021–22 £12.86 million) for the new aircraft for NERC's British Antarctic Survey; and £81.47 million (2021–22 £64.60 million) for the Antarctic Infrastructure Modernisation Programme and other Antarctic projects (previously included under other Antarctic projects).

STFC Land and buildings at the Rutherford Appleton Laboratory were professionally valued during 2022–23 as at 31 March 2023 by Avison Young Limited, Chartered Surveyors, an independent valuer. Land and buildings were valued in accordance with the relevant HM Treasury guidance, cross-referencing to IFRS 13 subject to variations to meet the specific reporting standards adopted by Government bodies. This effectively provides that assets should be assessed to Fair Value, with non-specialised operational assets valued on the basis of Market Value for Existing Use (the equivalent of Existing Use value) and specialist operational assets assessed according to a Depreciated Replacement Cost approach. Non-operational, surplus and investment assets are valued to their underlying Market Value. All other STFC Land and buildings were professionally revalued during 2018–19, as at 30 November 2018 by Grimley Ltd, Chartered Surveyors, an independent valuer.

Impairment of buildings (which include £0.96m of leasehold properties) relates to STFC buildings being impaired to their depreciated replacement costs as established by professional valuation (see above for details of the valuation exercise).

NERC and EPSRC UK land and buildings were professionally revalued during 2021–22 as at 31 December 2021 by Carter Jonas LLP, Chartered Surveyors, an independent valuer. Land and buildings were valued in accordance with appropriate sections of the current RICS Professional Standards (PS), and in accordance with the appropriate sections of the current RICS Valuation – Global Standards (incorporating the IVSC, International Valuation Standards) and the UK national supplement (the 'Red Book'), and are prepared either on a Market Evidence or a Depreciated Replacement Cost basis. NERC's Antarctic buildings were professionally revalued during 2021–22, as at 31 March 2021 by Powis Hughes Ltd, Chartered Surveyors, an independent valuer. Buildings were valued at Fair Value as defined by the International Accounting Standards Committee (IASC) under IFRS 13 as the basis of value in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 (effective from 31 January 2020) and the UK Supplement (together with the Red Book) on a Depreciated Replacement Cost basis.

The former BBSRC land and buildings were professionally revalued during 2020–21, as at 31 January 2021, by Avison Young Limited, Chartered Surveyors, an independent valuer. Land and buildings were valued in accordance with the Royal Institute of Chartered Surveyors Valuation Standards (8th Edition), the Red Book, and are prepared either on a Market Evidence or a Depreciated Replacement Cost basis.

MRC land and buildings were professionally revalued during 2018–19 as at 31 December 2018, by Powis Hughes Limited, Chartered Surveyors. NERC's research ships (RRS *Discovery* and RRS *James Cook*) were valued by E.A. Gibson Shipbrokers Ltd during 2018–19, as at 16 August 2018. All NERC aircraft were revalued in 2018–19 as at November 2018, by the International Bureau of Aviation Group Limited.

Lease Remeasurement costs include £0.46m reflecting the rent review on NERC's Edinburgh site at Heriot-Watt University (a corresponding revaluation has occurred to keep the NBV in line with the 2021–22 valuation), and £0.31m relating to a delay in the planned surrender of leases at MRC's Hammersmith site.

Impairments of transport relate to construction costs of the RRS *Sir David Attenborough* that had to be rectified during the refit carried out following its first Antarctic season in service, this being part of the extended process of bringing the vessel fully into service.

The consolidated PPE note includes £767k of cost and £260k of depreciation under Buildings that relate to Right of Use lease assets and leasehold improvements for the Knowledge Transfer Network; these are excluded from the UKRI PPE number within the Statement of Financial Position.

## 8. Intangible assets

	Patents and Licences £000	Software Intangibles £000	Assets under development £000	Total £000
<b>Cost or Valuation</b>				
<b>At 1 April 2022</b>	<b>369,659</b>	<b>134,991</b>	<b>5,498</b>	<b>510,148</b>
Additions	3,633	820	2,499	6,952
Disposals	–	(1,370)	–	(1,370)
Transfers	–	7,031	(6,236)	795
Revaluation	18,119	–	–	18,119
Impairment	–	–	–	–
<b>At 31 March 2023</b>	<b>391,411</b>	<b>141,472</b>	<b>1,761</b>	<b>534,644</b>
Amortisation				
<b>At 1 April 2022</b>	<b>(298,351)</b>	<b>(117,198)</b>	<b>–</b>	<b>(415,549)</b>
Charged in period	(13,415)	(8,655)	–	(22,070)
Disposals	–	1,370	–	1,370
Transfers	–	–	–	–
Revaluation	–	–	–	–
Impairment	–	–	–	–
<b>At 31 March 2023</b>	<b>(311,766)</b>	<b>(124,483)</b>	<b>–</b>	<b>(436,249)</b>
Net book value				
<b>At 31 March 2023</b>	<b>79,645</b>	<b>16,989</b>	<b>1,761</b>	<b>98,395</b>
At 1 April 2022	71,308	17,793	5,498	94,599
<b>Cost or Valuation</b>				
<b>At 1 April 2021</b>	<b>384,101</b>	<b>134,370</b>	<b>3,663</b>	<b>522,134</b>
Additions	–	221	6,047	6,268
Disposals	–	(1,283)	–	(1,283)
Transfers	–	1,683	(4,212)	(2,529)
Revaluation	(14,442)	–	–	(14,442)
Impairment	–	–	–	–
<b>At 31 March 2022</b>	<b>369,659</b>	<b>134,991</b>	<b>5,498</b>	<b>510,148</b>
Amortisation				
<b>At 1 April 2021</b>	<b>(277,717)</b>	<b>(107,168)</b>	<b>–</b>	<b>(384,885)</b>
Charged in period	(20,634)	(11,313)	–	(31,947)
Disposals	–	1,283	–	1,283
Transfers	–	–	–	–
Revaluation	–	–	–	–
Impairment	–	–	–	–
<b>At 31 March 2022</b>	<b>(298,351)</b>	<b>(117,198)</b>	<b>–</b>	<b>(415,549)</b>
Net book value				
<b>At 31 March 2022</b>	<b>71,308</b>	<b>17,793</b>	<b>5,498</b>	<b>94,599</b>
At 31 March 2021	106,384	27,202	3,663	137,249



## 9. Investments in group undertakings

	Notes	2023 UKRI £000	2023 Consolidated £000	2022 UKRI £000	2022 Consolidated £000
Investments in joint ventures	9.1	753,407	753,407	720,907	720,907
Investments in associates	9.2	9,212	9,212	9,093	9,093
Other investments	9.3	2,959	11,571	5,703	11,996
		<b>765,578</b>	<b>774,190</b>	<b>735,703</b>	<b>741,994</b>

### 9.1 Investments in joint ventures

	FCI £000	DLSL £000	ILL £000	HSIC £000	Other £000	Total Joint Ventures £000
<b>At 1 April 2022</b>	<b>300,981</b>	<b>320,159</b>	<b>44,165</b>	<b>54,133</b>	<b>1,469</b>	<b>720,907</b>
Additions	–	–	–	–	–	–
Transfers	–	–	–	–	–	–
Revaluation	17,331	11,499	4,521	–	–	33,351
Impairments	–	–	–	–	–	–
Share of joint venture profit/(loss)	(1,951)	(11,767)	–	12,880	(13)	(851)
<b>At 31 March 2023</b>	<b>316,361</b>	<b>319,891</b>	<b>48,686</b>	<b>67,013</b>	<b>1,456</b>	<b>753,407</b>
<b>At 1 April 2021</b>	<b>292,436</b>	<b>314,412</b>	<b>43,627</b>	<b>40,743</b>	<b>1,493</b>	<b>692,711</b>
Additions	–	–	–	–	–	–
Transfers	–	–	–	–	–	–
Revaluation	13,691	18,177	538	–	(18)	32,388
Impairments	–	–	–	–	(125)	(125)
Share of joint venture profit/(loss)	(5,146)	(12,430)	–	13,390	119	(4,067)
<b>At 31 March 2022</b>	<b>300,981</b>	<b>320,159</b>	<b>44,165</b>	<b>54,133</b>	<b>1,469</b>	<b>720,907</b>

The revaluation of investment in ILL relates to the movement in UKRI share of the ILL capital investment reserve. The adjustment is taken to the revaluation reserve.

The revaluation of the investment in Diamond Light Source Limited (DLSL) relates to the adjustment required to account for differences in accounting policy between UKRI and DLSL. The adjustment is taken to the revaluation reserve.

The revaluation of investment in the Francis Crick Institute (FCI) relates to the adjustment required to account for differences in accounting policy between UKRI and FCI. The adjustment is taken to the revaluation reserve.

#### The Francis Crick Institute Limited (FCI)

The FCI is a UK registered charity and limited company formed in partnership with Cancer Research UK, University College London, Kings College London, Imperial College of Science, Technology & Medicine and the Wellcome Trust. The Institute became operational on 1 April 2015. The entity is designed to allow the delivery of the scientific aims of the joint venture.

The FCI's objectives as set out in its Articles of Association are "the advancement of human health and education for the benefit of the public by the promotion and carrying out, directly and indirectly, of all aspects of biomedical research and innovation".

The funding of the project was via capital contributions leading to shares. The UKRI investment in the FCI is represented by issued shares. The investment is therefore valued under the equity method in accordance with the arrangements of IFRS 11 Joint Arrangements as a Joint Venture and additional disclosures regarding the investment are made under IFRS 12 Disclosure of Interests in Other Entities. The principal place of business is Midland Road, London. The proportion of share capital of the Francis Crick Institute that the UKRI holds is 41.9%.

**Summarised financial information relating to the FCI is presented below:**

<b>Summarised financial information</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Current assets	155,254	72,788
Non-current assets	482,398	531,642
Current liabilities	(80,884)	(43,005)
	<b>556,768</b>	<b>561,425</b>
Revenue	209,983	178,477
Loss from continuing activities	(9,214)	(13,970)

<b>Other financial information</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Cash and cash equivalents	11,640	46,365
Depreciation and amortisation	(34,918)	(38,343)

<b>Other information</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Capital commitments	5,029	5,184
Grant commitments	–	–

A lease dated 7 June 2012 between the original founders and the FCI grants land at Brill Place, Camden, London (site of the FCI) to the FCI. The lease term is for a period of 55 years at peppercorn rent. The land had been revalued by Powis Hughes, Chartered Surveyors, as at 31 December 2018. The valuation was carried out in accordance with RICS Valuation Manual, as amended in April 2010, known as the revised "Red Book", at Market Value. The MRC's interest in the land is recorded at £6 million (2020 £6 million) and reflected in the financial statements accordingly.

**Diamond Light Source Limited (DLSL)**

UKRI has an 86% interest in DLSL, a company incorporated and operating in the UK. DLSL is a synchrotron science facility. Its purpose is to produce intense beams of light to be used in scientific research, and the principal activities are research and experimental development in natural sciences and engineering.

DLSL is a separate structured vehicle under the joint control of UKRI and the Wellcome Trust. UKRI has a residual interest in its net assets. Under IFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated accounts using the equity method.

UKRI holds 86% of the ordinary share capital and 100% of the non-voting redeemable shares in DLSL. The purpose of the redeemable shares is to provide for the funding of irrecoverable VAT incurred during the construction and operation of the synchrotron facility.

DLSL is consolidated using the equity method based on UKRI's net share of the ordinary and preference shares and after adjusting DLSL financial statements for differences in accounting policy.

**Summarised financial information relating to the DLSL is presented below:**

<b>Summarised financial information</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Current assets	32,547	36,004
Non-current assets	304,842	331,084

<b>Summarised financial information</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Current liabilities	(22,177)	(30,029)
Non-current liabilities	(52,415)	(60,964)
	<b>259,175</b>	<b>276,095</b>
Revenue	108,022	99,969
Loss from continuing activities	(13,298)	(12,866)
<b>Other financial information</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Cash and cash equivalents	16,787	22,970
Depreciation and amortisation	(33,729)	(35,796)
<b>Other information</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Capital commitments	6,324	16,728
Lease commitments	7	14

### Institut Laue-Langevin (ILL)

UKRI has a 33% shareholding and 27.5% net interest (31 March 2022: 27.5% net interest) in the ILL; an international research centre for neutron science, incorporated and operating in France. UKRI is the UK representative and, along with the French and German Foreign Ministries, jointly controls the ILL. The ILL is a separate structured vehicle and UKRI has a residual interest in its net assets. Under IFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated accounts using the equity method. ILL prepares accounts to 31 December (in euros); they are produced in accordance with French accounting rules and principles.

### Summarised financial information relating to the ILL is presented below:

<b>Summarised financial information</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Current assets	97,590	82,389
Non-current assets	530,462	491,013
Current liabilities	(50,926)	(43,763)
Non-current liabilities	(391,688)	(359,460)
	<b>185,438</b>	<b>170,179</b>
Revenue	106,270	89,723
Profit/(loss) from continuing activities	–	–
<b>Other financial information</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Cash and cash equivalents	46,364	40,828
Depreciation and amortisation	(12,866)	(11,763)
<b>Other information</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Capital commitments	–	–
Grant commitments	–	–

### Harwell Science and Innovation Campus Public Sector Limited Partnership (HSIC PubSP)

UKRI has a 38% interest (31 March 2022: 38%) in HSIC PubSP, a company incorporated and operating in the UK. Management and control of PubSP is jointly shared by UKRI and the UKAEA, with financial interests reflecting the relative contributions of the partners; under IFRS 11 the joint arrangement is classified as a joint venture and is equity accounted. The principal activity of HSIC PubSP is to manage and develop the Harwell Campus as a partner in the Harwell Science and Innovation Campus LP alongside the private sector partner, Harwell Oxford Developments Limited.

## Summarised financial information relating to HSIC is presented below:

Summarised financial information	2022-23 £000	2021-22 £000
Current assets	24,255	24,271
Non-current assets	136,672	103,514
Current liabilities	(16)	(2)
Non-current liabilities	-	-
	<b>160,911</b>	<b>127,783</b>
Revenue	-	-
Profit/(loss) from continuing activities	33,566	32,563

Other financial information	2022-23 £000	2021-22 £000
Cash and cash equivalents	24,252	24,269
Depreciation and amortisation	-	-

Other information	2022-23 £000	2021-22 £000
Capital commitments	-	-
Grant commitments	-	-

**UK Shared Business Services Ltd (Registered in England)**

UKRI holds one Non-Government Department (NGD) £1 share in UK Shared Business Services Ltd. DSIT holds one Government department (GD) £1 share carrying 51% of the votes. All other stakeholders, including UKRI, each hold 1 NGD share with a combined vote of 49%.

**9.2 Investments in associates**

	2023 UKRI £000	2023 Consolidated £000	2022 UKRI £000	2022 Consolidated £000
Opening balance	9,093	9,093	23,780	23,780
Impairment	-	-	(14,728)	(14,728)
Transfers	-	-	-	-
Profit/loss	119	119	41	41
	<b>9,212</b>	<b>9,212</b>	<b>9,093</b>	<b>9,093</b>

**The UK Innovation & Science Seed Fund LP (UKI2S) (formerly the Rainbow Seed Fund)**

The UKI2S is an independently managed capital venture fund, which is backed by government, was established to invest in technologies developed from publicly funded research. UKRI is a limited partner in the fund and has invested £37 million. UKI2S was previously known as the Rainbow Seed Fund and changed its name on 8 February 2018 [www.ukinnovationscienceseedfund.co.uk](http://www.ukinnovationscienceseedfund.co.uk)

**Anglia Innovation Partnership (AIP) LLP (formerly Norwich Research Partners LLP (NRP LLP))**

BBSRC's investment of £833,000 in the AIP LLP is an equal share of a £2.5 million capital investment made by the three landowners of the NRP in 2011-12, (BBSRC, John Innes Foundation, and the University of East Anglia). The NRP LLP was formed between the NRP Partners – which consists of the three landowners, the Norfolk and Norwich University Hospital, the John Innes Centre, The Sainsbury Laboratory, and the Earlham Institute – with the aim of transforming the NRP into a world-leading centre for research and innovation in life and environmental science, as well as delivering significant economic benefits and growth in jobs, as a result of the government's £26 million capital investment in the facilities and infrastructure on the NRP [www.norwichresearchpark.com](http://www.norwichresearchpark.com)

**Babraham Research Campus Ltd (BRCL) (formerly Babraham Bioscience Technologies Ltd (BBT))**

UKRI currently holds 25% of shares in BRCL, with a nominal value of £6.6 million, with the Babraham Institute holding the remaining 75%. This equity stake in BRCL will ensure that £50 million of government investment to date in the Babraham Research Campus facilities and infrastructure, and in any future developments, will deliver economic growth and job creation. This will be achieved through the creation of an environment where life science businesses can focus on developing their science and building their business in a supportive and highly networked community, helping to create new medicines, jobs and growth, and maximising the impact of UK science. BRCL is incorporated in England and Wales. [www.babraham.com](http://www.babraham.com)

**Plant Bioscience Ltd (PBL)**

UKRI holds 110 ordinary shares at 10p each, representing one third of the issued share capital of PBL, with the John Innes Centre and the Sainsbury Laboratory also holding a third each of the shares with the same nominal value. All of the shareholders have therefore equal voting rights. PBL offers an extensive range of technologies for licensing in Life Sciences including those in Agriculture, Food & Nutrition, Microbiology, Biotechnology and related Life Science industries. These technologies have been sourced by PBL from research institutes and universities worldwide. PBL is a company incorporated in England and Wales. [www.pbltechnology.com](http://www.pbltechnology.com)

**Rothamsted Enterprises Ltd (REL) (formerly Rothamsted Centre for Research and Enterprise Ltd (ROCRE))**

UKRI holds one ordinary share at 100p, representing 20% of the issued share capital of REL. Lawes Agricultural Trust and Rothamsted Research each hold two ordinary shares, or 40% of the remaining issued share capital. Government has invested £10.9 million in REL facilities and infrastructure alongside investments from the other shareholders. REL's primary aim is to promote collaboration and innovation through providing the facilities and expertise for start and scale up agricultural technology and food businesses to prosper and establish the Rothamsted Campus as a world class centre for research and innovation in food security, green energy, and climate change. REL is incorporated in England and Wales. [www.rothamstedenterprises.com](http://www.rothamstedenterprises.com)

**Leaf Systems International Ltd**

30 ordinary shares at 100p each, representing 30% of the issued share capital (with voting rights) of Leaf Systems International Ltd. Leaf Systems International Ltd is incorporated in England and Wales and was launched in January 2017, following construction of the government-funded £5 million transitional facility at Norwich for producing high-value protein in plants. [www.leafexpressionsystems.com](http://www.leafexpressionsystems.com)

**Aberystwyth Innovation and Enterprise Campus Ltd (AIEC)**

UKRI holds 25 ordinary shares in AIEC, valued at £25, representing 25% of the issued share capital. Aberystwyth University holds the remaining 75% of issued share capital. Government has invested £12 million, out of a total investment of £40.5 million, to provide world-leading facilities managed by AIEC at Aberystwyth University's Goggerdan campus. AIEC's primary aims are to support innovation and promote industrial and academic collaboration, within the biotechnology, agri-tech, and food and drink sectors, whilst facilitating the development of spin-out companies and inward investment so as to drive economic growth through the creation of high value-add jobs and thriving knowledge-based companies. AIEC is incorporated in England and Wales. [www.aberinnovation.com](http://www.aberinnovation.com)

**9.3 Other investments**

	2023 UKRI £000	2023 Consolidated £000	2022 UKRI £000	2022 Consolidated £000
Opening balance	5,703	11,996	6,706	15,804
Additions	–	100	–	31
Revaluation	(2,744)	41	(1,003)	(3,839)
Disposals	–	(566)	–	–
	<b>2,959</b>	<b>11,571</b>	<b>5,703</b>	<b>11,996</b>

## 9.4 Subsidiary Undertakings

### STFC Innovations Limited (SIL)

STFC Innovations Limited (SIL), a company registered and operating in the UK, is a wholly owned subsidiary of UKRI. SIL was established to manage and commercially exploit intellectual property owned by UKRI for the benefit of the UK economy in accordance with HM Government policy.

SIL is consolidated in UKRI's financial statements in accordance with IFRS 10. In 2022–23 SIL recorded a loss of £0.6 million. Its net surplus of capital and reserves at 31 March 2023 was £6.2 million.

### Innovate UK Loans Limited

Innovate UK Loans Limited (IUKLL), a company registered and operating in the UK, is a wholly owned subsidiary of UKRI. IUKLL was incorporated on 22 February 2018 to implement a programme of innovation loans for the benefit of the UK economy in accordance with HM Government policy.

IUKLL is consolidated in UKRI's financial statements in accordance with IFRS10. In 2022–23 IUKLL recorded a loss of £0.3 million. Its net deficit of capital and reserves at 31 March 2023 was £1.0 million.

### Knowledge Transfer Network

Knowledge Transfer Network (KTN), a company limited by guarantee, registered and operating in the UK, is a wholly controlled subsidiary of UKRI. On 1 April 2022, KTN successfully transitioned from being a company limited by guarantee with membership comprised of its Board members to now having a sole member, UKRI. It has subsequently been rebranded as IUK KTN and has agreed design principles for how it will operate as a part on Innovate UK, which in itself is a part of UKRI.

Knowledge Transfer Network Limited (IUK KTN) exists to connect innovators with new partners and new opportunities, helping to accelerate ambitious ideas into real-world solutions. Businesses make up the core of its network, but its diverse connections span government, funders, research and the third sector. This overview and connectivity enable it to take partners, clients and communities through the complex landscape of research, development and innovation.

### The opening balance sheet transferred into UKRI at 31 March 2022 was as follows:

	£000
<b>Non-current assets</b>	
Property, plant and equipment	135
<b>Current assets</b>	
Trade and other receivables	7,152
Cash and cash equivalents	3,498
<b>Total assets</b>	<b>10,785</b>
<b>Current liabilities</b>	
Trade and other payables	(2,747)
Total assets less current liabilities	8,038
<b>Non-current liabilities</b>	
Trade and other payables	(5,529)
	<b>2,509</b>
<b>Reserves</b>	
	2,509

KTN is consolidated in UKRI's financial statements in accordance with IFRS10. In 2022–23 KTN recorded a profit of £0.6 million. Its net surplus of capital and reserves at 31 March 2023 was £3.1 million.



## 10. Financial Assets

## 10.1 Loans

	2023 UKRI	2023 Consolidated	2022 UKRI	2022 Consolidated
Opening balance	11,399	138,326	11,067	75,276
Reclassification – expected credit loss	–	–	–	1,295
Additions	–	19,693	332	67,477
Loans repaid	–	(7,106)	–	(4,948)
Expected credit loss	–	(3,235)	–	(1,798)
Amortisation	–	5,179	–	3,753
Fair value movement – Day 1	–	(787)	–	(1,345)
Fair value movement – FVTPL	–	(10,450)	–	(1,384)
Loans written off	–	(530)	–	–
	<b>11,399</b>	<b>141,090</b>	<b>11,399</b>	<b>138,327</b>

## 10.1.1 Loans analysis

The loans are further split between Innovate UK Loans Limited (IUKLL) and a loan to Daresbury SIC LLP (DSIC), which is a joint venture between UKRI and Halton Borough Council. The IUKLL loans receive contractual interest in a range from 3.7% to 7.4%, whilst the DSIC loan's contractual interest rate is 3%.

	UKRI			Consolidated			
	DSIC £000	IUKLL £000	Total £000	DSIC Amt cost £000	IUKLL Amt cost £000	IUKLL FVTPL £000	Total £000
<b>At 1 April 2022</b>	<b>11,399</b>	<b>–</b>	<b>11,399</b>	<b>11,399</b>	<b>56,490</b>	<b>70,437</b>	<b>138,326</b>
Reclassification	–	–	–	–	–	–	–
Reclassification – expected credit loss	–	–	–	–	–	–	–
Reclassification in year	–	–	–	–	–	–	–
Additions	–	–	–	–	17,578	2,115	19,693
Loans repaid	–	–	–	–	(4,985)	(2,121)	(7,106)
Expected credit loss	–	–	–	–	(3,235)	–	(3,235)
Amortisation	–	–	–	–	1,912	3,267	5,179
Fair value movement – Day 1	–	–	–	–	(787)	–	(787)
Fair value movement – FVTPL	–	–	–	–	–	(10,450)	(10,450)
Loans written off	–	–	–	–	–	(530)	(530)
<b>At 31 March 2023</b>	<b>11,399</b>	<b>–</b>	<b>11,399</b>	<b>11,399</b>	<b>66,973</b>	<b>62,718</b>	<b>141,090</b>
<b>At 1 April 2021</b>	<b>11,067</b>	<b>–</b>	<b>11,067</b>	<b>11,067</b>	<b>64,209</b>	<b>–</b>	<b>75,276</b>
Reclassification	–	–	–	–	(15,937)	15,937	–
Reclassification – expected credit loss	–	–	–	–	–	1,295	1,295
Reclassification in year	–	–	–	–	(900)	900	–
Additions	332	–	332	332	14,155	52,990	67,477
Loans repaid	–	–	–	–	(4,033)	(915)	(4,948)
Expected credit loss	–	–	–	–	(1,798)	–	(1,798)
Amortisation	–	–	–	–	1,515	2,238	3,753
Fair value movement – Day 1	–	–	–	–	(721)	(624)	(1,345)
Fair value movement – FVTPL	–	–	–	–	–	(1,384)	(1,384)
<b>At 31 March 2022</b>	<b>11,399</b>	<b>–</b>	<b>11,399</b>	<b>11,399</b>	<b>56,490</b>	<b>70,437</b>	<b>138,326</b>

Subsequent to the signing of the 2020–21 Group Accounts £17.2 million innovation loans previously classified as amortised cost were reclassified as FVTPL following a detailed assessment of an equity conversion clause on the cash flow characteristics of innovation continuity loans (ICLs). ICLs were made available to support the continuation of innovation by Innovate UK award recipients who are SMEs or third sector organisations that found themselves facing a sudden shortage or unavailability of funds resulting directly from the COVID-19 pandemic. The intention of the equity conversion feature is defensive, to support the recovery of any outstanding capital and interest.

### Maximum credit risk exposure

The maximum credit risk exposure is calculated by adding the balance sheet carrying value of loans advanced (net of expected credit loss provisions) to the irrevocable loan commitments that are not yet advanced (and so are not recognised on the balance sheet), less provisions on these commitments. The maximum credit risk exposure totalled £157.6 million at 31 March 2023 (2022: £151.5 million).

### Staging & credit quality (amortised cost loans only)

UKRI's most substantial exposure to credit risk relates to the lending by its subsidiary Innovate UK Loans Limited (IUKL). More detailed disclosure is available in the published statutory accounts of this subsidiary, which will be approved by the IUKL directors and will be made available on the Companies House website later this year.

The nature of innovation loans is such that this type of lending is expected to have a relatively higher credit risk profile compared to lower-risk commercial lending secured on a range of tangible and intangible assets at the market interest rates that private sector financial institutions typically offer. IUKL adopts robust credit risk management policies designed to recognise and manage the risks arising from the portfolio. At 31 March 2023 there were 14 innovation loans with a significant increase of credit risk and 11 loans that were credit impaired (defaults) (at 31 March 2022 there were 14 loans significant increase of credit risk and eight loans with credit impairment (defaults)), as defined by the IUKL's staging transfer criteria, at the end of the financial year.

A consequence of the classification of innovation continuity loans as FVTPL is that these loans are outside the scope of ECL provisions and the provisions for irrevocable commitments, and so provisions cannot be made for these loans.

The table below shows the loan balances and provisions for DSIC and amortised cost IUKL innovation loans, by risk grade.

### Loan balance and provisions by risk grade

#### 31 March 2023

Amortised cost loans only	Loan balance				Provisions			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
DSIC non-graded	11,399	–	–	11,399	–	–	–	0
Strong (AAA to A-)	–	–	–	–	30	–	–	30
Good (BBB+ to BBB-)	3,776	–	–	3,776	–	–	–	0
Satisfactory (BB+ to BB-)	34,309	972	–	35,281	818	43	–	861
Weak (B+ to B-)	23,971	3,754	–	27,725	1,717	581	–	2,298
Bad/financial difficulties (CCC+ and below)	60	5,069	–	5,129	11	1,738	–	1,749
Default/credit-impaired (D)	–	–	5,517	5,517	–	–	5,517	5,517
<b>Total</b>	<b>73,515</b>	<b>9,795</b>	<b>5,517</b>	<b>88,827</b>	<b>2,576</b>	<b>2,362</b>	<b>5,517</b>	<b>10,455</b>

Although ICLs are outside the scope of ECL provisions, IUKL manages the credit risks of ICLs on exactly the same basis as other innovation loans and is exposed to the same risks of default. As at 31 March 2023 the additional provisions that would have been made if ICLs had been classified as amortised cost would have been £4.1 million (2022 £4.6 million).

## 11. Funded Pension Scheme

The MRC operates a funded pension scheme (MRCPS) providing benefits based on service and final pensionable pay at the normal retirement age of 65. The scheme is a defined benefit scheme that prepares its own scheme statements. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of between 6.0% and 6.5% pensionable earnings to the scheme.

Following the transfer of MRC research units and employees to universities, a University section was set up to account for the obligations to individuals that remain in the MRCPS. During the period obligations of £10.4 million were recognised under Section 75 (S.75) of the 1995 Pensions Act in respect of liabilities of transferred employees; the University section, has been set up within MRCPS to manage S.75 liabilities. These costs are reflected in the valuation of the pension scheme.

The required MRCPS contribution rate is assessed every three years in accordance with the advice of the Government Actuary. The latest actuarial assessment of the MRCPS was at 31 December 2019; it showed a surplus of £230.9 million (2016 valuation: £160.3 million) and the market value of the assets of the MRCPS was £1,647 million (2016: £1,406 million), an ongoing funding level of 116% (2016 valuation 113%). The actuarial value of the assets was sufficient to cover 116% of the benefits that had accrued to members after allowing for expected future increases in earnings. Triennial valuations are conducted under the Pensions Act 2004 on a scheme-specific funding basis. The present MRCPS employers' contribution rate remained at 16% in 2022–23 (2021–22: 16%).

The contributions due to the scheme are set out in the schedule of contributions for each section. The most recent schedules of contributions were signed on 21 December 2020 and are due to be reviewed following the next actuarial valuation of the scheme, which is due to be carried out as at 31 December 2022.

The following payments are due in 2023–24:

### MRC Section

By the members:	6.5% of pensionable pay
By MRC:	16.0% of pensionable pay
By other employers:	16.9% of pensionable pay

The total contribution expected to be paid into the MRC section in 2023–24 is £11m.

### University Section

By the members:	6.5% of pensionable pay
By the universities:	16.9% of pensionable pay
By MRC:	27.1% of pensionable pay

The total contribution expected to be paid into the University section in 2023–24 is £10m.

As at 31 December 2019 the average maturity of the scheme as a whole was around 20 years.

The valuation used for IAS 19 disclosures has been based on the data for the most recent actuarial valuations as at 31 December 2019, and updated to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at 31 March 2023. The mortality assumptions included within the figures are that male and female members who retire at typical ages will live to approximately age 87 and 89 respectively.

### a. Financial assumptions used to calculate scheme liabilities

	2022-23 %	2021-22 %
Rate of increase on pensionable salaries	3.60	4.00
Rate of increase on pension payments	2.60	3.00
Discount rate	4.65	2.70
Inflation rate	2.60	3.00
Expected return on equities	4.65	2.70
Expected return on bonds	4.65	2.70
Expected return on overall fund	4.65	2.70

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. The table below indicates the approximate effects on the actuarial liability as at 31 March 2023 of changes to the main actuarial assumptions.

Change in assumption			Approximate effect on total liability
Discount rate	-1%	+16%	+£198m
Rate of increase in earnings	-1%	-2%	-£19m
Rate of increase in pensions	-1%	-10%	-£122m
Removing age rate for pensioner mortality		+3%	+£40m

### b. Analysis of Actuarial gain

	2022-23 £000	2021-22 £000
Actual return less expected return on pension scheme assets	(148,372)	151,902
Experience gains arising on the scheme liabilities	(79,207)	(18,107)
Changes in demographic assumptions	–	17,108
Changes in financial assumptions	543,654	39,943
<b>Actuarial gain (note 11e)</b>	<b>316,075</b>	<b>190,846</b>

### c. Analysis of actuarial gain expressed as a percentage of the scheme's assets and liabilities at the statement of financial position date

	2022-23 %	2021-22 %
Actual return less expected return on pension scheme assets	(7.59)	7.34
Experience (loss)/gain arising on the scheme liabilities	(6.51)	(1.10)
Actuarial gain	25.98	11.57

### d. The assets and liabilities in the scheme

Assets	2022-23 £000	2021-22 £000
Equities	1,124,494	1,262,581
Property	375,570	444,101
Bonds	393,644	300,841
Cash	60,266	62,137
	<b>1,953,974</b>	<b>2,069,660</b>
Actuarial value of liability	(1,216,560)	(1,649,434)
	<b>737,414</b>	<b>420,226</b>

Equities and bonds contain assets that have a quoted market price in an active market. As at March 2023, the value of those assets within equities is £343.0 million and £182.0 million within bonds.

An investment strategy is in place which has been developed by the pension trustee, in consultation with the Employer to mitigate the volatility of liabilities, to diversify investment risk and to manage cash. To this end the majority of assets are invested in growth assets, which in the long term are expected to yield a greater return than would be available for fixed income assets such as bonds and gilts.

**e. The movements in the scheme surplus**

	2022-23 £000	2021-22 £000
<b>Surplus at the start of the period</b>	420,226	243,661
Current service costs net of employee contributions	(34,276)	(38,454)
Employer contributions	26,541	26,420
Past service costs	–	(7,000)
Administrative expenses paid from scheme assets	(2,363)	–
Other finance income (note 11f)	11,211	4,753
Actuarial gain (note 11b)	316,075	190,846
<b>Surplus at end of period</b>	<b>737,414</b>	<b>420,226</b>

**f. Other finance income**

	2022-23 £000	2021-22 £000
Expected return on pension scheme assets	55,574	37,878
Interest on pension scheme liabilities	(44,363)	(33,125)
<b>Net return – other finance income (note 11e)</b>	<b>11,211</b>	<b>4,753</b>

**12. Trade and other receivables**

	2023 UKRI £000	2023 Consolidated £000	2022 UKRI £000	2022 Consolidated £000
<b>Due within one year</b>				
Trade receivables	116,057	124,366	86,173	88,258
Other receivables	32,745	32,754	3,504	3,500
Prepayments	346,362	347,412	313,771	313,795
Accrued income	83,162	88,792	146,015	147,131
Contract assets	14,586	14,586	25,533	25,533
<b>Total receivables</b>	<b>592,912</b>	<b>607,910</b>	<b>574,996</b>	<b>578,217</b>
<b>Due after more than one year</b>				
Other receivables	128,413	–	128,235	–
Prepayments	–	–	–	–
	<b>128,413</b>	<b>–</b>	<b>128,235</b>	<b>–</b>

Key drivers of the £21 million reduction in receivables include:

- a £36 million increase in trade receivables, of which the most significant changes were a £10 million increase arising from co-funding income from MoD for the EPAC programme led by STFC, and £5.6 million increase in receivables against grants paid by STFC on behalf of UK Space Agency
- prepayments with an increase of £31 million. There is a £67 million increase in prepayment recognised in 2022–23 in research and ODA grants relating to the increased impact of no cost extensions where grants have been reprofiled due to delays in carrying out underlying work. New no cost extension impacts add to existing balance of prepayments starting in 2020–21 financial year with unwind of these prepayments occurring over a multi-year period. This is offset by a decrease of £45 million in Catapult Advance on Grants which have reduced to zero because multi-year funding periods ended in 2022–23, with advances offset by claims paid or accrued at year-end

- other receivables with an increase of £23 million, of which the most significant element is £10 million recognised against expected proceeds from the sale of the Vaccine and Manufacturing and Innovative Centre (VMIC)
- a decrease of £58 million in accrued income; in line with the decrease in Operating Income discussed at Note 3, a significant volume of projects with other government departments as funder, were either completed in 2021–22, or at early stages in 2022–23, leading to a reduction in accrued income

### 13. Cash and cash equivalents

	2023 UKRI £000	2023 Consolidated £000	2022 UKRI £000	2022 Consolidated £000
<b>Balance at 1 April</b>	<b>290,739</b>	<b>299,030</b>	<b>231,851</b>	<b>259,459</b>
Net change in cash and cash equivalent balances	(146,849)	(141,385)	58,888	39,571
<b>Balance at 31 March</b>	<b>143,890</b>	<b>157,645</b>	<b>290,739</b>	<b>299,030</b>

The following balances at 31 March were held at:

Government Banking Service	113,634	117,577	254,799	262,693
Commercial banks and cash in hand	30,256	40,068	35,940	36,337
<b>Total</b>	<b>143,890</b>	<b>157,645</b>	<b>290,739</b>	<b>299,030</b>

### 14. Trade and other payables

	2023 UKRI £000	2023 Consolidated £000	2022 UKRI £000	2022 Consolidated £000
<b>Amounts falling due within one year:</b>				
VAT	(1,877)	(2,029)	(3,125)	(3,111)
Other taxation and social security	(8,301)	(8,304)	(8,679)	(8,679)
Trade and other payables	(156,644)	(169,427)	(108,144)	(121,910)
Accruals	(233,558)	(244,658)	(246,709)	(247,322)
Grant accruals	(1,056,396)	(1,056,396)	(981,311)	(981,311)
Deferred income	(41,693)	(48,878)	(38,374)	(38,374)
Lease liability	(2,816)	(3,027)	(4,395)	(4,395)
Contract liabilities	(5,690)	(5,690)	(6,140)	(6,140)
	<b>(1,506,975)</b>	<b>(1,538,409)</b>	<b>(1,396,877)</b>	<b>(1,411,242)</b>

#### Amounts falling due after more than one year:

Deferred tax	(83,590)	(83,590)	–	–
Lease liability	(50,325)	(50,538)	(51,066)	(51,066)
	<b>(133,915)</b>	<b>(134,128)</b>	<b>(51,066)</b>	<b>(51,066)</b>

#### Analysis of lease liability movements

Lease Repayments	4,866	5,080	4,143	4,143
Lease Interest	(1,568)	(1,573)	(1,579)	(1,579)
Lease Remeasurements	(730)	(730)	(1,930)	(1,930)
New Leases	(250)	(882)	(2,450)	(2,450)
	<b>2,318</b>	<b>1,895</b>	<b>(1,816)</b>	<b>(1,816)</b>

#### Analysis of expected timing of cash flows

Not later than one year	(2,816)	(3,027)	(4,395)	(4,395)
Later than one year and not later than five years	(8,532)	(8,745)	(12,306)	(12,306)
Later than five years	(41,793)	(41,792)	(38,760)	(38,760)
<b>Balance at 31 March</b>	<b>(53,141)</b>	<b>(53,564)</b>	<b>(55,461)</b>	<b>(55,461)</b>



Payables have increased by £123 million year-on-year with most of the increase relating to Trade and other payables (£47 million increase) and grant accruals (£77 million increase).

For Trade and other payables there are two key drivers of year-on-year change:

- related to the increase in Core Innovation activity and budget allocation for the current Spending Review period, there was an increase in the value of eligible claims to be paid to Innovation grant recipients at 31 March 2023
- resolution of outstanding invoice position with suppliers to the ARCHER II

The Grant accruals increase of £77 million relates to:

- the general increase in Core Innovation activity and budget allocation following the increase in funding announced at Spending Review '21, an increase in the allocation for Aerospace programmes and the introduction of the Horizon Europe guarantee which has increased grant activity and commensurate grant accruals within Innovate UK
- additional funding to approximately 75 medical charities that was accrued; due to delays in securing funding grants were not paid by 31 March 2023
- a decrease of £27 million in COVID-19 and ODA grants accruals; this was expected where time-limited COVID-19 research programmes ended across 2021–22 and 2022–23 and due to the expected winding down of GCRF programmes in 2022–23
- in addition, UKRI a £84 million increase is reported in other payables where UKRI has recognised a net deferred tax liability for the first time; see Note 6 Taxation for further detail

## 15. Provisions for liabilities and charges

<b>Consolidated</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
<b>Balance at 1 April</b>	<b>262,846</b>	<b>192,983</b>
Provided in the period	10,768	61,058
Provisions not required written back	(1,039)	(9,779)
Provisions utilised in the period	(595)	(667)
Reclassification of ICLs irrevocable commitment reversals	–	(3,216)
Change in the discount rate	(72,894)	21,438
Unwinding of discount	1,250	1,029
<b>Balance at 31 March</b>	<b>200,336</b>	<b>262,846</b>
<b>Analysis of expected timing of cash flows</b>		
Not later than one year	10,181	4,600
Later than one year and not later than five years	18,380	21,336
Later than five years	171,775	236,910
<b>Balance at 31 March</b>	<b>200,336</b>	<b>262,846</b>
<b>Analysis of provisions</b>		
Decommissioning		
ISIS	57,819	127,869
ILL	101,514	91,653
Other	36,075	38,924
Early retirement	1,227	1,390
Other provisions	3,701	3,010
	<b>200,336</b>	<b>262,846</b>

The ILL decommissioning provision of £101.2 million (2021–22: £91.7 million) is UKRI's share of the ILL's decommissioning provision disclosed in its Financial Statements for the year ended 31 December 2022, produced in accordance with French accounting rules and principles and compatible with IFRS. ILL calculated its provision using a discount rate of 5.46% (2021–22: 4.59%). The main sources of uncertainty are around future developments in waste processing and site rehabilitation technology, changes in nuclear and conventional safety constraints and environmental requirements, future inflation and the EUR:GBP exchange rate.

End of Life (EoL) – no decision has yet been made on the EoL of the ILL facility; the current plan assumes that the reactor will be shut down in 2030 and decommissioning completed in 2057. The timing of the EoL will determine the start date of the decommissioning plan, which will impact the future costs of decommissioning and the discounting of the provision.

Discount rate – if the HM Treasury PES (2022) discount rate of 3.51% for general provisions had been used, the provision would increase by £36.5 million. Exchange rate – a change of 10% in the EUR:GBP exchange rate would result in a movement of £10 million in the provision.

UKRI places reliance on the detailed Decommissioning Feasibility Study that was produced by the ILL in conjunction with the CEA (French Atomic Energy Commission) in 2019 and the subsequent review by the Decommissioning Costs Working Group (DCWG) as to its reasonableness concerning the decommissioning costs and timescale. The DCWG concluded that it was content with the current estimate of the ILL decommissioning costs and the key assumptions used are a reasonable base case.

The membership of the DCWG comprised representatives from the UK, Germany and France with experience in the nuclear industry and nuclear decommissioning.

ISIS decommissioning includes:

- £42.2 million (2021–22: £111.8 million) for the decommissioning (and radioactive waste disposal) of the ISIS Spallation Neutron Source facility; decommissioning is expected to begin in 2040 and be completed in 2095
- £15.6 million (2021–22: £16.1 million) for construction of a Waste Separation Facility (WSF) to handle the higher activity waste (HAW) produced by the ISIS facility. A significant proportion of ISIS waste is HAW, which is the most expensive and difficult to prepare for disposal. The WSF will handle and segregate the waste to minimise the cost for transportation and disposal. Construction is forecast to be completed in 2025–26

Decommissioning provisions have been discounted to present value using discount (and inflation) rates provided by HM Treasury.

## 16. Adjustments for non-cash transactions

	2022-23 UKRI £000	2022-23 Consolidated £000	2021-22 UKRI £000	2021-22 Consolidated £000
Depreciation and impairment charges	209,935	210,196	203,927	203,927
Other operating expenditure	247	9,001	1,520	3,757
IAS19 Pension costs	2,916	2,916	18,969	18,969
Employer contributions to Pensions	26,541	26,541	26,420	26,420
	<b>239,639</b>	<b>248,654</b>	<b>250,836</b>	<b>253,073</b>

## 17. Commitments

### Consolidated

#### 17.1 Capital commitments

	2022-23 £000	2021-22 £000
Contracted capital commitments at 31 March 2023 not otherwise included in these accounts		
Property, plant and equipment	283,344	297,292
Intangible assets	86	-
	<b>283,430</b>	<b>297,292</b>

#### 17.2a Grant commitments

	2022-23 £000	2021-22 £000
Not later than one year	4,345,185	4,097,477
Later than one year but not later than five years	5,033,911	6,225,646
Later than five years	132,128	203,850
	<b>9,511,224</b>	<b>10,526,973</b>

UKRI have multi-year contractual obligations for grants. These are legal contracts that are not captured in the comprehensive statement of financial position but will become an expense at a future date.

UKRI Group Grant commitments include:

- a commitment of £350 million over a six year period to the Francis Crick Institute (FCI). See note 9 for further details of the FCI
- a commitment of £110 million over a two year period to the Low Cost Nuclear programme, which was established in 2021, to further develop the UK small modular reactor power station concept. It is led by Rolls-Royce SMR Limited with UKRI as delivery partner overseeing programme management on behalf of the Department of Energy Security and Net Zero, who are accountable for the project
- a commitment of £131 million over a six year period to the UK Dementia Research Institute (DRI), which was established in 2017, by MRC, Alzheimer's Society and Alzheimer's Research UK to bring together research into dementia

#### 17.2b Grant agreements

	2022-23 £000
Not later than one year	290,200
Later than one year but not later than five years	1,304,000
	<b>1,594,200</b>

In addition to the legal grant commitments made by UKRI as at 31 March there are ongoing discussions to finalise investment of up to £1.6 billion into the Catapult Network for five years starting from 1 April 2023 to 31 March 2028. Recipients have been informed in the form of a comfort letter.

### 17.3 International subscriptions

UKRI had the following commitments in respect of membership of international collaborations.

#### 2022-23

Organisation	Within one year £000	Between one year and five years £000	After five years £000	Total £000
European Organization for Nuclear Research (CERN)	167,440	104,295	–	271,735
European Spallation Source (ESS)	14,389	27,364	–	41,753
Institut Laue-Langevin (ILL)	20,905	59,899	–	80,804
European Synchrotron Radiation Facility (ESRF)	9,049	25,164	–	34,213
European Molecular Biology Laboratory (EMBL)	18,519	20,341	–	38,860
European Organisation for Astronomical Research in the Southern Hemisphere (ESO)	32,945	17,000	–	49,945
European X-Ray Free-Electron Laser Facility GMBH (XFEL)	2,744	18,204	–	20,948
Square Kilometre Array (SKA)	36,633	69,954	27,565	134,152
Other	11,817	13,305	139	25,261
	<b>314,441</b>	<b>355,526</b>	<b>27,704</b>	<b>697,671</b>

#### 2021-22

Organisation	Within one year £000	Between one year and five years £000	After five years £000	Total £000
European Organization for Nuclear Research (CERN)	142,777	88,468	–	231,245
European Spallation Source (ESS)	21,614	30,853	–	52,467
Institut Laue-Langevin (ILL)	19,893	15,072	–	34,965
European Synchrotron Radiation Facility (ESRF)	8,916	25,431	–	34,347
European Organisation for Astronomical Research in the Southern Hemisphere (ESO)	26,638	13,569	–	40,207
European X-Ray Free-Electron Laser Facility GMBH (XFEL)	3,674	22,420	5,802	31,896
Other	23,520	7,604	931	32,055
	<b>247,032</b>	<b>203,417</b>	<b>6,733</b>	<b>457,182</b>

### 18. Contingent liabilities

UKRI recognises a contingent liability for its share of Institut Laue-Langevin (ILL) staff related commitments that will arise on the closure of the facility. The contingent liability will become a provision when a detailed closure plan has been documented and communicated to all those affected.

### 19. Related party transactions

UKRI is a non-departmental public body sponsored by DSIT. On 7 February 2023, the prime minister announced a major machinery of government change which redistributed the activities of several existing government departments, including BEIS, and created three new departments, the Department for Business and Trade, the Department for Science, Innovation and Technology, and the Department for Energy Security and Net Zero. UKRI has been designated to Department for Science, Innovation and Technology (DSIT) with accounting officer responsibilities formally transferred from 1 April 2023.

For the purposes of International Accounting Standard 24, DSIT is regarded as a related party. During the year UKRI had various material transactions with DSIT and other bodies for which BEIS was regarded as the parent department, namely UK Space Agency and UK Atomic Energy Authority. In addition, UKRI also had a number of related transactions with UK SBS Limited.

During the year, UKRI had transactions with other government departments and with other central government bodies, such as: Intellectual Property Office; the Foreign, Commonwealth and Development Office; the Department for Environment, Food and Rural Affairs; the Department of Health and Social Care; the Department for Transport and the Ministry of Defence. UKRI also had transactions with devolved administrations, such as the Scottish Government and the Welsh Government.

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 UKRI Board members.

During the year, UKRI entered into no new awards or contracts funded by UKRI where UKRI Board members or Executive Directors are the principal investigator.

The following aggregated payments were made by UKRI in respect of funded awards or contracts to Institutions where Executive Directors, Board members or their close family members were employed during the year:

Organisation	Board Member or Director* (Relationship where involvement is not direct)	Position	Amount awarded (£)
British Heart Foundation	Professor John Iredale	Trustee	175,843
Cancer Research UK	Professor Sir Leszek Borysiewicz Emma Lindsell (Parent)	Chair Board Member	210,000
Courtauld Institute of Art	Professor Julia Black Professor Sir Leszek Borysiewicz Lord John Browne	Trustee Governor Chairman	3,747,153
DEFRA	Professor Anthony Finkelstein (Sibling)	Permanent Under-Secretary	96,066
Diamond Light Source Ltd	Professor Mark Thomson	Board Member	88,116,160
Fera Science Limited	Sir Ian Boyd	Director	730,913
Imperial College London	Professor Sir Leszek Borysiewicz	Council Member	57,682,122
International Human Frontier Science Programme Organisation (HFSP)	Professor Melanie Welham	Trustee	1,805,132
London School of Economics and Political Science	Professor Julia Black	Director	45,767,921
National Oceanography Centre	Sir Ian Boyd	Director	58,111,059
Queen’s University Belfast	Professor Nola Hewitt-Dundas	Pro-Vice Chancellor	38,224,613
Science Europe	Professor Melanie Welham	Member	124,811
Sirius Constellation Ltd	Lord David Willetts	Director	156,243
SKA Observatory	Professor Mark Thomson	Board Member	43,308,073
The Francis Crick Institute Ltd	Lord John Browne	Chairman	88,955,713
The Royal Society	Sir Ian Boyd	Chair	150,038
UK Research Integrity Office	Sir Ian Boyd	Director and Chair	2,500
University College London	Professor Melanie Welham (Daughter)	Receiving UKRI Funding*	4,071,583
University of Bristol	Professor Melanie Welham (Daughter)	Receiving UKRI Funding*	1,786,087
University of Cambridge	Professor Dame Ottoline Leyser	Regius Professor	350,947,776
University of Leicester	Lord David Willetts	Chancellor	56,121,025
University of London	Professor Sir Anthony Finkelstein	President	10,284,170
University of St Andrews	Sir Ian Boyd	Chair and Professor	8,974,077
University of Stirling	Professor Alison Park (Sibling)	Professor, Receiving UKRI Funding*	402,359
Verditek plc	Lord David Willetts	Chair	217,419

\* Amounts paid to Universities for grants relevant to the Related Party person close family member rather than amounts paid to Universities in total for the year.

UKRI also has related party transactions with its joint ventures; the Crick, DLSL, Daresbury SIC LLP, HSIC PubSP, and HSIC LP. These are disclosed in the table below:

Joint Venture	Type of transaction	Transaction amount Expense/(Income) £000	Balance Debtor/(Creditor) £000
Crick	Operations funding	75,159	(14,052)
DLS	Sale of goods and services	(1,556)	33
	Purchase of goods and services	634	(188)
	Operations funding	88,702	(6,334)
Institut Laue-Langevin	Operations funding	21,329	–
	Purchase of goods and services	3	–
	Sale of goods and services	(1)	–
Daresbury SIC LLP	Purchase of goods and services	409	–
	Loan notes interest	342	–
	Sale of goods and services	(13)	13
HSIC PubSP	Purchase of goods and services	1,166	16

UKRI sponsors nine research institutes, which conduct long-term, mission-orientated research using specialist facilities that are in line with UKRI's priorities. UKRI provides Strategic Programme Grants to the institutes to fund specific research programmes. The sponsored institutes have a separate charitable status, and an independent governing body which oversees the institutes' activities.

	Type of transaction	Transaction amount Expense/(Income) £000	Balance Debtor/(Creditor) £000
<b>Transactions with UKRI-sponsored Institutes</b>			
Babraham Institute	Purchase of goods and services	17,834	(1,898)
The Pirbright Institute	Purchase of goods and services	29,566	(678)
Quadram Institute Bioscience	Purchase of goods and services	17,616/(54)	(1,582)
John Innes Centre	Purchase of goods and services	40,519	(1,888)
Rothamstead Research	Purchase of goods and services	30,468	(3,176)
The Earlham Institute	Purchase of goods and services	14,172/(61)	(1,089)
UK Biobank Limited	Operations funding	5,874	(1,392)
UK Dementia Research Institute	Operations funding	24,300	(1,861)
Health Data Research UK	Operations funding	21,698	(3,551)
<b>Transactions with other related parties</b>			
LifeArc Limited	Operations funding	(354)	93
Babraham Research Campus Ltd	Sale and Purchase of goods and services	209/(950)	(209)
Anglia Innovation Partners LLP	Operations funding	370	(316)
Aberystwyth Innovation and Enterprise Campus Ltd	Purchase of goods and services	300	(262)
Rothamsted Enterprises Ltd	Purchase of goods and services	478	(83)
Alan Turing Institute	Operations funding	31,650/(1017)	38/(2,520)



## 20. Financial instruments and derivatives

IFRS 7, Financial Instruments: Disclosures, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks that UKRI faces in undertaking its activities. Specifically: (a) the significance of financial instruments affecting financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which it is exposed. As a result of the largely non-trading nature of its activities and the way it is financed, UKRI is not exposed to the degree of financial risk faced by businesses. Moreover, financial instruments play a limited role in creating or changing risk around its operational activities.

### Liquidity risk

UKRI's net revenue resource requirements are largely funded by the grant-in-aid from its sponsor department. The capital expenditure is also financed through the grant-in-aid. UKRI is therefore, not exposed to significant liquidity risks.

### Interest rate risk

UKRI has a low level of exposure to interest rate fluctuations; it does not actively seek to invest cash in money markets. Any excess funds held outside of the Government Banking Systems framework, which could attract interest, are maintained in low-level current accounting arrangements, as part of its banking arrangements with Lloyds Banking Group.

### Foreign currency risk

UKRI maintains US Dollar, Euro and Swiss Francs bank accounts in order to deal with day-to-day transactions.

Foreign currency risk arises when UKRI enters into transactions denominated in a foreign currency. UKRI makes payments in Euros and Swiss Francs for the UK's membership to the international collaborations of CERN, ESO, ESRF and ILL. To minimise the currency risk, UKRI policy is to take out forward contracts arranged by the Bank of England to cover up to 90% of its annual international subscriptions due over the course of the current spending review period.

Execution of this policy is subject to DSIT approval. DSIT may consider other aspects beyond UKRI's immediate financial considerations in evaluating the business case for hedging, e.g., sector reform and related budgetary uncertainty, and potential to manage risks across the department.

Therefore, the risk attached to holding foreign currency denominations is not considered to be material.

### Receivables and creditor risk

Financial assets and liabilities are held at fair value and changes in values are recognised in the Statement of Comprehensive Net Expenditure. The fair value of UKRI's financial assets and liabilities are equivalent to the carrying amount unless stated above. UKRI has limited powers to borrow or invest funds; financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the council in undertaking its activities. Of current outstanding trade debt, 39% is more than 30 days old.

### Credit risk

Innovation loans are exposed to credit risk, which is the risk of a customer or a counterparty failing to meet their financial obligations. Credit risk also encompasses refinance risk and concentration risk. Refinance risk is the risk of loss arising when a repayment of a loan occurs later than originally anticipated. Concentration risk is the risk of loss arising from insufficient diversification. Further details on credit risk are disclosed in Note 10 in this set of financial statements.

## 21. Events after the reporting period

In accordance with the requirements of IAS 10 Events after the Reporting Period, events after the Statement of Financial Position are considered up to the date on which the Accounts are authorised for issue. This is interpreted as the same date as the date of the Certificate and Report of the Comptroller and Auditor General.





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ISBN: 978-1-5286-4030-5 E-Number: E02892454 07/23

Design and printed in the UK by UKRI Creative Services  
on behalf of the Controller of His Majesty's Stationery Office.

HC 1504

