



UK Government
Investments

Financial Investment Report

October 2026

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Director's foreword



“This year’s report reflects a significant step forward in the depth and breadth of our analysis”

Siobhán Duffy
Director of Financial Instruments and Transactions Advisory Group

The *Financial Investment Report* remains a key guardrail for the government’s fiscal framework. This annual publication, and the analysis that underpins it, provides the public with a clear and transparent account of how public money is invested in the private sector, and what that means for the risks taxpayers carry. This report does not revisit individual investment decisions, which will have been rightly taken to deliver policy outcomes that cannot be fully assessed through a purely financial lens. Rather, it is intended to ensure that, at an aggregate level, the government makes financial investments deliberately and sustainably, with clear transparency for Parliament and taxpayers.

This year’s report reflects a significant step forward in the depth and breadth of our analysis, made possible not by UKGI alone, but by the sustained efforts of colleagues across departments, arm’s length bodies and public financial institutions. Producing meaningful portfolio-level analysis on the government’s unique and varied financial instruments requires more than aggregation of data. This process requires organisations with different systems and mandates to adhere to common definitions, reconcile inconsistencies and provide information beyond that ordinarily required for financial reporting. I am grateful for the ongoing support of partners across government in working collaboratively with UKGI to produce this report, and I look forward to building on this as we look ahead to our work over the next year.

While we have achieved a lot in the past two years, it is important to highlight that this publication represents an important milestone, not an end point. The methodology used to assess returns will be further refined as the underlying data quality improves; UKGI’s analysis of risk will become more sophisticated as risk budgeting is

implemented; and long-term trends in the portfolio will become more apparent as we build our dataset with each subsequent publication.

Looking ahead, from 2027 UKGI's annual reporting on financial investments and contingent liabilities will be brought together. Although these instruments sit on different sides of the balance sheet, they share important characteristics. Both deliver policy using tools that do not impact the

government's measurement of debt at the point of deployment but can create the possibility of future returns or losses. Understanding their aggregate impact is therefore essential to ensure effective balance sheet management and fiscal risk oversight.

Siobhán Duffy

Director of Financial Instruments and
Transactions Advisory Group



Executive summary

- **The government provides loans and equity investments to the private sector to deliver its policy priorities, including in relation to economic growth, housing and energy security.** The use of financial investments is growing. To improve transparency and risk management of the portfolio of investments, the government asked UK Government Investments (UKGI) to publish an annual report on the nature of the portfolio, the financial returns and policy outcomes the investments generate, and the risks retained by taxpayers.
- **The government's portfolio of investments grew by £0.3bn over the past year and is now valued at £51.9bn, excluding student loans.** The government made £6.6bn of new investments over the year, but most of this increase was offset by repayments, sales of investments and changes in the value of investments. **Loans continue to make up the majority of the portfolio** (54%). In 2025-26, 63% of new investments were loans. This raises the importance of monitoring credit risk. Newer investments will increasingly shape performance as the largest current investment – the Help to Buy equity loan scheme – unwinds.
- **Specialist institutions, including public financial institutions, continue to play a central role in the management of investments,** managing 86% of investments by value. Specifically, public financial institutions entered into approximately 70% (£5.3bn) of the portfolio's new investments over the year. This is consistent with the government's expectation that complex or higher-risk investments should ordinarily draw on specialist expertise. Established public financial institutions have exceeded their institution-specific performance targets. The expectation for organisations in their earlier stages, like the National Wealth Fund, is that they will generate positive portfolio-level returns as investments mature.
- **The portfolio generated an estimated annualised three-year financial return of -3%, reflecting financing and management costs and the fact the majority of investments in the portfolio predate the publication of the *Financial Transaction Control Framework*.** The framework, introduced in 2024, sets the expectation that investments generate a sufficient return to cover their costs, or to identify and account for any subsidy transparently. The majority (92%) of investments in the portfolio predate the publication of the framework, before the expectation that investments cover their costs was set, so the current return figure should be viewed as a baseline against which future performance can be assessed. In addition, the return measure is assessed over a relatively short three-year period and, as a result, may not fully capture returns that are expected to be generated over longer horizons.

- **The financial return should not be viewed in isolation: these investments are also delivering policy outcomes that are difficult to quantify.** When considering the performance of the portfolio, non-financial outcomes need to be considered. This report includes several investment case studies to look at the policy outcomes delivered.
- **The portfolio's risk profile reinforces the need for management at an aggregate level.** Credit risk (the risk a borrower will not repay some or all of the money they owe) is the most commonly reported risk, identified for 54% of investments, and may become more prominent if new investments continue to be weighted towards loans. Concentration in a relatively small number of large assets also means individual outcomes can materially affect the portfolio's returns.
- **From 2027, UKGI intends to combine its reporting on financial investments and contingent liabilities.** A single annual publication will provide a more complete view of the government's fiscal risk from these instruments, supporting future investment decisions and portfolio monitoring. For next year's report, UKGI will implement data and methodological refinements to enable a more robust assessment of portfolio performance, including at sub-portfolio and organisational level. UKGI will also analyse the portfolio under a stress scenario.

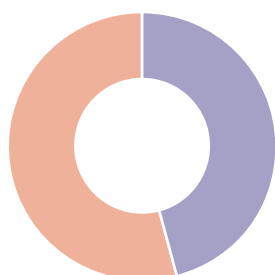
Portfolio overview¹

Total value of assets:

£51.9bn

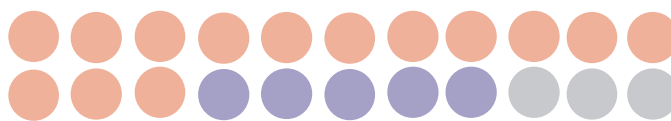
Breakdown by product:

54%
Loans



46%
Equity

22 organisations studied:



- 14 departments have financial investments
- 4 public financial institutions & Homes England
- 3 departments have no financial investments

Annualised three-year
return of the portfolio

-3%

taking cost of financing
and management into
account

Government investments generate benefits beyond financial returns, such as economic growth and job creation. For example, Help to Buy created £28.6bn in land value uplift, while public financial institution investments supported around 200,000 jobs.

Top 10 portfolio investments by value:

Description	Managing Organisation	Type	Value (£bn)	Change from last year (£bn)
Help to Buy equity loans	Homes England	Loan	13.5	-2.4
International Bank for Reconstruction and Development	Foreign, Commonwealth & Development Office	Equity	2.2	0.1
European Bank for Reconstruction and Development	HM Treasury	Equity	2.1	0.2
International Finance Corporation	Foreign, Commonwealth & Development Office	Equity	1.5	0.0
UK Export Finance Qatar Government loan	UK Export Finance	Loan	1.0	0.0
Asian Development Bank	Foreign, Commonwealth & Development Office	Equity	0.9	0.0
Commercially confidential	British International Investment	Equity	0.9	Restated
Urenco Group	Department for Energy Security & Net Zero	Equity	0.8	0.0
Iberdrola Financiacion	National Wealth Fund	Loan	0.6	New
Asian Infrastructure Investment Bank	HM Treasury	Equity	0.6	0.0
Total			23.9	N/A

¹ The data does not include student loans.

Portfolio breakdown

Sector focus

Real Estate Activities 27%	Financial & Insurance Activities 24%	Extra-territorial Activities 14%	Multiple Sectors 10%	Other Sectors <6% 25%
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Real estate remains the largest sector exposure, reflecting the Help to Buy equity loans. However, owing to repayments over the last year, its share of the portfolio has fallen, and the portfolio has become more diversified.

Changes to the portfolio value over the last year

£51.6bn	Financial Year 2024-25: the portfolio value at the end of the previous financial year
+£6.6bn	New investments: total amount invested over the past financial year
–£2.4bn	Value changes of investments: the net value change of the investments
–£3.9bn	Loan principal repaid: how much of the loan balance was repaid during the year
£51.9bn	Financial Year 2025-26: the value of the portfolio at the end of the last financial year

Changes to the investment portfolio value since the previous year

+£0.3bn

This is mainly driven by the **new investments** into the portfolio.

This box represents the total investments in scope segmented by the type of organisation managing the investment.			
£16bn Homes England Made up mainly of Help to Buy	£9bn Multilateral Development Banks and International Finance Institutions (non-government organisations)	£7bn Departments	£3bn National Wealth Fund
	£7bn British International Investment	£7bn British Business Bank	£3bn UK Export Finance

Chapter 1: Introduction

Purpose of the report

The government uses public money to provide loans and equity investments to the private sector to support policy objectives, including economic growth, housing and energy security commitments.

As the government increases its use of financial transactions, understanding their value, performance and risk becomes increasingly important. Financial transactions expose government to financial risk, including borrower default on loans and underperformance of companies the government has invested in. Greater transparency and accountability around how the government invests public funds into the private sector is therefore vital to maintain fiscal sustainability and ensure the risks are properly managed.

As set out by HM Treasury in the *Financial Transaction Control Framework*,² UK Government Investments (UKGI) is required to publish an annual report on the government's financial investment portfolio. The inaugural *Financial Investment Report*,³ published in November 2025, established a baseline understanding of the portfolio's value and management. This year's report builds on that foundation by providing more detailed analysis of the portfolio's value, performance and risk, supported by enhanced data from departments, public financial institutions and Homes England.

The important role of UKGI's report in improving transparency of the portfolio and its risks was recently recognised by the National Audit Office (NAO) in its *Managing the Government's Investments* report on the design, implementation and oversight of the *Financial Transaction Control Framework*. The approach of this report is in line with one of the NAO's findings around the need for 'proportionate and accurate data' to support effective ministerial decision-making.⁴

2 [Financial Transaction Control Framework March 2025](#)

3 [Financial Investment Report 2025](#)

4 [Managing the government's financial investments: the Financial Transaction Control Framework](#), page 12.

Explainer: Why do financial transactions matter?



- Financial transactions differ from traditional spending because loans and equity shareholdings create **financial assets that retain value and may generate future repayments, income or sale proceeds for government**.
- Using financial transactions **can allow the government to achieve its policy objectives** including solving market failures, delivering public services, or delivering on energy security or housing commitments.
- Financial transactions can represent better **value for money than conventional spending** such as grants, because they generate financial returns which reduce the net cost to government.
- Unlike private investors, the **government can accept below-market rates of return where an investment serves broader policy objectives**.⁵ The scale of the government's balance sheet (with total public-sector assets of £2,785bn in 2024-25⁶) and ability to raise funding at lower cost via gilts compared to private investors enables it to support higher-risk transactions or risks which the private sector is unwilling or unable to finance on appropriate terms.
- **Any investment is subject to risks**. These include equity risk (the risk an investment in a business loses value or does not deliver the expected return) and credit risk (the risk a borrower will not repay some or all of the money they owe). Should any of these risks crystallise then the value of the investment could be affected.
- Therefore, tracking the value, performance and risk exposure of the government's investment portfolio is essential to **assessing its fiscal sustainability**, and demonstrating that public funds are being managed effectively. Publishing this analysis provides **transparency and accountability around how government invests**.

Report aims

This *Financial Investment Report* aims to improve understanding of how the government manages its investments by:

1. Outlining and analysing changes in the aggregate value and distribution of the investment portfolio and how these investments have been valued (**Chapter 2**);
2. Exploring the performance of the government's financial investments, based on financial returns and other key metrics (**Chapter 3**);
3. Examining the level of risk within the government's portfolio of investments (**Chapter 4**);
4. Identifying how government can improve the monitoring and management of its financial investments (**Chapter 5**).

⁵ Subject to the applicable approvals and controls.

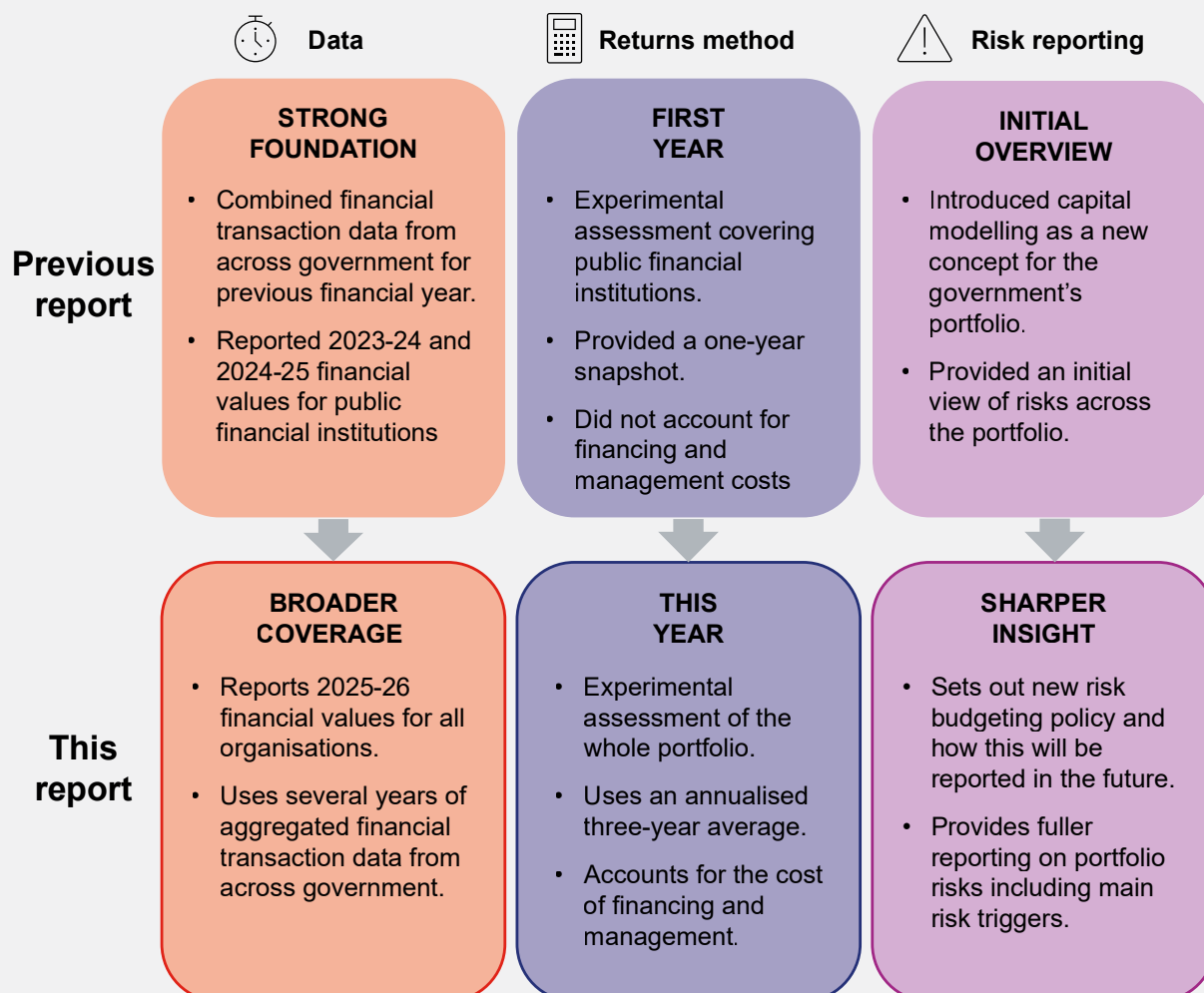
⁶ [Whole of Government Accounts – Year Ended 31 March 2025](#), page 9.

Explainer: What has changed since the previous report?



In the inaugural *Financial Investment Report* in November 2025, UKGI made a commitment to collect improved data to facilitate more sophisticated analysis and to provide a fuller picture of the government's investment portfolio. This year's report represents a step change in the level of analysis conducted.

Figure 1A: Comparison of the 2025 and 2026 Financial Investment Reports



While there has been some significant progress since the first *Financial Investment Report*, there is further to go. For next year's report, UKGI will work with government departments and organisations managing government investments to increase the consistency of reporting of performance metrics, analyse the financial investments portfolio under a stress scenario and further identify emerging concentrations.

Scope of the report

Government departments and public financial institutions develop and deliver financial transactions. This report consolidates the data organisations hold on individual investments and looks to improve government's management of them by analysing the value, performance and risk across the portfolio.

The scope of the data commissioned for this report is focused on the transaction types most commonly used by government, namely loan or equity investments:⁷

- into the private sector;⁸
- by organisations within the accounting boundaries of central government departments, as classified through European System of Accounts 2010 (ESA 2010);⁹ and
- either ongoing as of 31 March 2026 or those that have ended during the financial year 2025-26.

This report does not cover investments made by the NHS, local authorities or devolved administrations.

Loans to, or equity investments into, public sector organisations, public corporations, or other entities classified as being within the public sector are excluded from this report. This is because, while financial transactions within the public sector may be recognised from a departmental budgeting perspective, from a National Accounts perspective, transactions between two parts of the public sector will consolidate out, with no financial asset recognised.¹⁰

For example, the National Wealth Fund's (NWF) loan of £4.3bn to Sizewell C (a new nuclear power station), part of a wider £36.6bn support package for the construction of Sizewell C, is not included in this report's portfolio analysis. While the Office for National Statistics (ONS) has not yet made a decision on the economic classification of Sizewell C (currently under review with planned completion by the end of this year), it is considered an intra-public sector transfer for the purposes of this report because the government expects the project to be classified to the public sector, subject to a final decision by the ONS.

7 Other forms of financial transaction, such as derivatives, may be used by government departments or public financial institutions in limited circumstances, as per guidance. Guarantees may also be used but these are within the [Annual Report on the UK Government's Contingent Liabilities 2026](#).

8 For this report, private sector refers to any investment outside the public sector where the value of the asset would be captured in fiscal metrics (PSNFL). This includes households, non-governmental organisations and other governments.

9 ESA 2010 is an internationally compatible accounting framework for a systematic and detailed description of a total economy (that is, a region, country or group of countries), its components and its relations with other total economies. The ONS applies ESA 2010 to create national accounts and statistics.

10 Amended as described in the [Financial Transaction Control Framework March 2025](#), page 9.

Figure 1B: The subset of data used in this *Financial Investment Report* in comparison to the Whole of Government Accounts

Whole of government accounts (central government, devolved administrations, local authorities (all tiers), and NHS trusts).

Financial transactions: into the private sector (Student Loans, loans, equity investments, and guarantees).

This report's scope: Financial transactions into private sector which are loans and equity investments which existed during financial year 2025-26.

To ensure comparability between years, the scope remains the same as UKGI's *Financial Investment Report 2025*. However, the data used in this year's report is more granular to facilitate more sophisticated analysis. Further information on the valuation methodology and the scope of data included in the analysis of this report can be found in **Annex B**.

Student loans

Treatment of student loans in the *Financial Investment Report*

Student loans differ from most other financial investments held by government in their purpose, repayment structure and treatment within fiscal metrics such as net financial debt. Separate student loan portfolios are recognised by all four UK regions, with the largest being that held by the Department for Education (DfE) for English students. The total student loan portfolio is also substantially larger than any other individual financial investment within the government's portfolio. Analysing student loans alongside the rest of the portfolio would therefore risk obscuring the characteristics, performance and risks of other financial investments. **For these reasons, student loans have not been included in the portfolio analysis this year, consistent with the approach taken in last year's report.**

Overview of English student loans

Student loans are a form of government financial transaction whereby the government provides loans to cover tuition fees and living costs for students. Loan repayments, which are income contingent, are collected by HMRC, while the administration of the loans is managed by the Student Loans Company (SLC). SLC is a wholly owned arm's length body of the government and is classified as a public financial institution under the *Financial Transaction Control Framework*. The loans delivered to English students by SLC are recognised on DfE's balance sheet.

A detailed overview of student loans was provided in the 2025 *Financial Investment Report*.¹¹ Key changes since then are outlined below.

- **Key points** – In June 2026, the government announced a cap on maximum interest rates for Plan 2 and Plan 3 student loans at 6% for the 2026-27 academic year, replacing the previous rate of RPI+3%, to protect borrowers from short-term inflationary pressures driven by global shocks.¹²
- **Value** – As of 31 March 2025, the total value of student loans was £158bn.¹³ The updated value for 2025-26 will be published by the Department for Education in their annual report and accounts in November 2026.
- **Performance** – The total repayment of loans for higher education amounted to £5.3bn, a 6.4% increase from 2024-25. The underlying number of higher education borrowers liable to repay who were in live employment and made a payment increased from 3.0 million in April 2025 to 3.1 million in April 2026, a 4.4% increase.¹⁴
- **Risk** – The SLC is not subjected to economic capital risk modelling, which is otherwise required for other designated public financial institutions. Income-contingent loan repayments are correlated with general economic performance, meaning they are not risk-free: a strong economy typically results in stronger repayments. DfE use other risk modelling techniques, drawing on operational data provided by SLC or HMRC, to estimate expected repayments and determine the necessary budgetary provision.
- For further information on English student loans, the Department for Education publishes extensive forecasts for higher education and further education student loans in England.¹⁵ These include forecasts of student numbers, student loan outlay and student loan repayments. The level of detail published by the department is significantly more extensive than would be possible to cover in this report.

Alignment of management information, financial accounts and national statistics

The data and analysis presented in this report should be regarded as management information rather than audited financial information or official statistics. The analysis is based on unaudited management information provided by government departments, public financial institutions and Homes England, with information drawn from financial reporting processes and data fields requested specifically for the purposes of this report.

11 [Financial Investment Report 2025](#), pages 26-27.

12 [Department for Education: Interest rate cap introduced to protect Plan 2 borrowers](#)

13 [Financial Investment Report 2025](#)

14 [Student Loans in England, 2025-26](#)

15 [Student loan forecasts for England, financial year 2024-25](#)

UKGI has undertaken data quality, and consistency checks and engaged with the relevant organisations where issues were identified, but has not independently audited or verified the underlying information or the assumptions underpinning individual asset valuations. Figures presented in this report may therefore be subject to change, including following audit and may not reconcile to organisations' published financial accounts or national statistics.¹⁶

Further detail on the scope of the data, the validation and quality assurance undertaken and the methodologies and limitations relevant to the analysis is set out in **Annexes B to D**. Aggregate figures may not sum exactly to totals shown in the report because of the effects of rounding.

The granular and up-to-date financial data in this report enables more detailed analysis of the government's investment portfolio and supports transparency around the government's fiscal framework. However, the investment positions reported here may differ from those presented in national statistics, such as net financial debt, because they are captured and classified for different purposes.¹⁷ Financial reporting data provides a more risk-based view of performance and enables UKGI to identify changes in value earlier than would be possible under ESA 2010. This approach supports stronger stewardship and management of public funds in line with the *Financial Transaction Control Framework*.

¹⁶ Where UKGI was made aware of a substantive change in data post-audit, we updated our dataset accordingly.

¹⁷ Compiled under European System of Accounts 2010 (ESA 2010) for national accounts consistency.

Chapter 2: Value

Introduction

Monitoring the size and composition of the government's financial investment portfolio provides insights into how public funds are being deployed and supports effective fiscal oversight. Using the inaugural *Financial Investment Report 2025* as a baseline, this chapter provides an updated and expanded view of the portfolio's value, highlighting new investment activity and key drivers behind changes in asset valuations.

- The government's portfolio of investments grew by £0.3bn over the past year and, as of 31 March 2026, is now valued at £51.9bn. This was driven by £6.6bn of new investment activity over the previous year, largely offset by repayments, disposals and valuation movements.
- The portfolio continues to be predominantly comprised of loans and over 2025-26, 63% of new investments made were loans, reflecting the growing use of repayable financial instruments to deliver policy objectives. This increases the importance of understanding exposure to credit risks.
- Specialist institutions, particularly public financial institutions, are playing an increasingly important role in delivering and managing government investments, with around £5bn of new investment activity in 2025-26 delivered through public financial institutions.
- UK Government Investments (UKGI) will continue to improve its analysis of the value of the government's portfolio in future reports by improving data on cash flows, valuation movements and investment characteristics. This will provide a clearer explanation of what is driving changes in the portfolio and how valuations evolve over time.

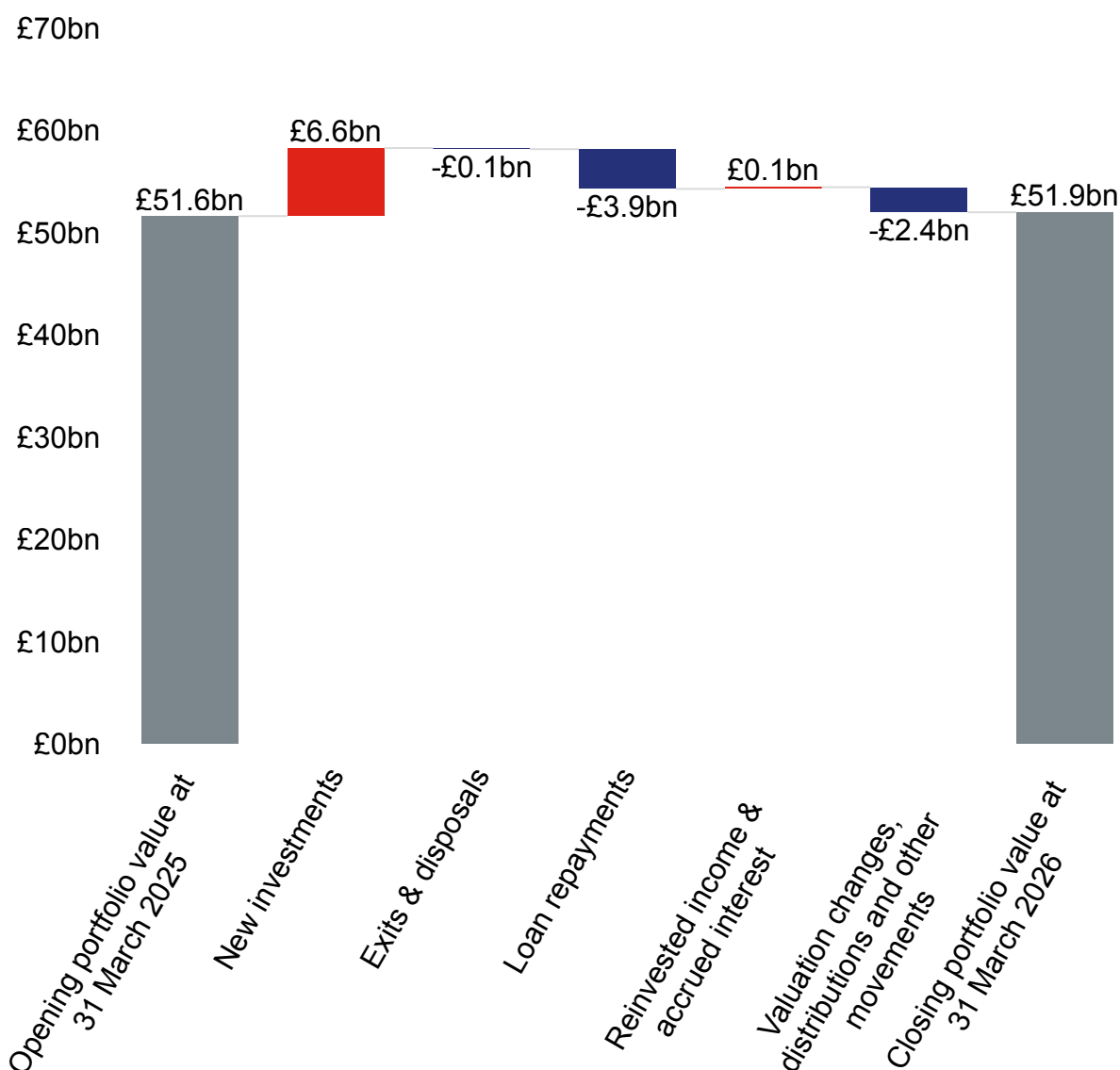
Value of the portfolio

Data as of 31 March 2026 shows the government's financial investment portfolio had a total reported value of £51.9bn.

Table 2A: The reported value of the government's financial investment portfolio by investment type

Type of investment	Value at end of 2024-25	Value at end of 2025-26
Equity	£22.6bn (44%)	£23.9bn (46%)
Loans	£29.0bn (56%)	£28.0bn (54%)
Total	£51.6bn (100%)	£51.9bn (100%)

As shown in **Figure 2A**, the portfolio increased by £0.3bn (approximately 0.7%) during 2025-26, primarily driven by £6.6bn of new investment activity which was largely offset by repayments, disposals and valuation movements. This increase reflects the government's planned expansion of financial transactions at *Spending Review 2025*.¹⁸ Tracking the drivers of value changes, as well as investment performance, will be key for examining whether these investments are being delivered in a fiscally sustainable manner.

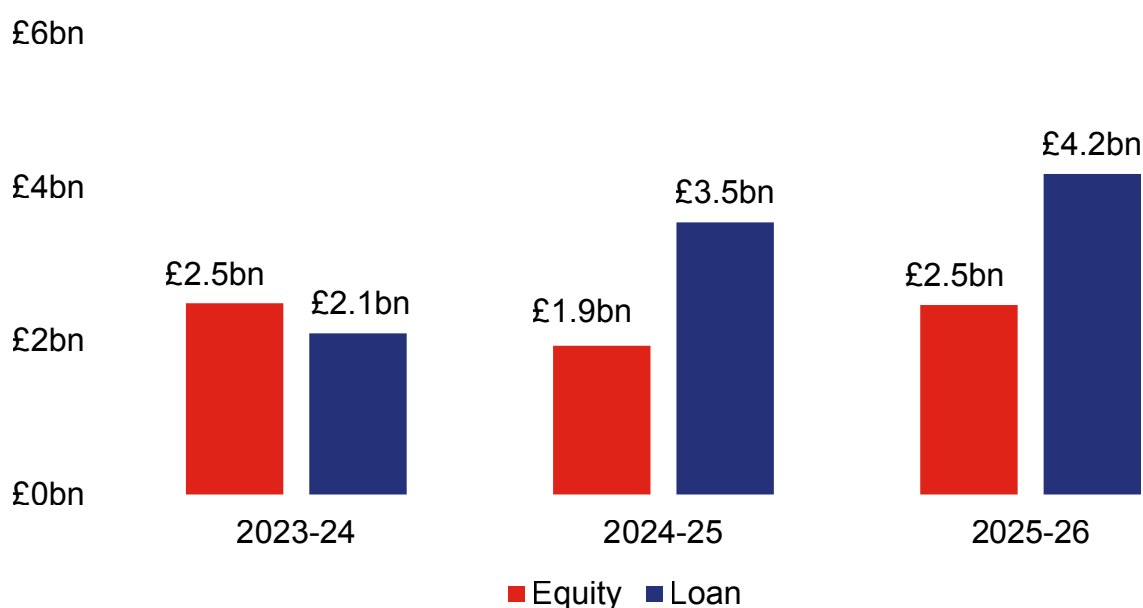
Figure 2A: Factors driving changes in the value of the government's financial investment portfolio between 2024-25 and 2025-26

18 [Spending Review 2025](#)

The £2.4bn decrease in valuations was mainly driven by value losses in major assets, such as the Extraordinary Revenue Acceleration loan to Ukraine. Losses like these were partially offset by gains in holdings such as the European Bank for Reconstruction and Development. UKGI has not independently valued these assets and has used data provided by the responsible organisations.

Figure 2B shows that loans comprised the vast majority of new investments into the portfolio, representing £4.2bn or 63% over 2025-26. This demonstrates the government's increasing use of repayable financial instruments to deliver policy outcomes. This shift has important implications for the portfolio's risk profile, placing greater emphasis on monitoring and understanding the government's exposure to credit risk. These issues are explored further in **Chapter 4**.

Figure 2B: New investments in loans versus equity instruments



As shown in **Table 2B**, the portfolio is concentrated in a relatively small number of assets, with the top ten investments accounting for roughly half of the portfolio's total value. As a result, these items have a significant influence on the value, performance and risk profile of the portfolio.

The Help to Buy equity loan scheme remains the largest individual investment in the portfolio, with a reported value of £13.5bn, representing approximately a quarter of the total portfolio value. The scheme's value decreased by around £2.4bn during the year and is expected to continue declining as borrowers repay loans and the scheme remains closed to new applicants.¹⁹ Unlike many of the portfolio's other large exposures, Help to Buy comprises loans to multiple individual households, rather than a single borrower or project, reducing the extent of concentration risk associated with the investment. Further analysis of the scheme's performance is provided in **Chapter 3**, while **Chapter 4** examines concentration risk across the portfolio in more detail.

¹⁹ [Help to Buy](#) closed to new applicants in 2022 but loan completions were allowed until March 2023.

Table 2B: Ten largest investments in the portfolio by reported value

Description	Managing organisation	Investment type	Value (£bn)	Change relative to FY 2024-25 (£bn)
Help to Buy equity loans	Homes England	Loan ²⁰	13.5	-2.4
International Bank for Reconstruction and Development	Foreign, Commonwealth and Development Office	Equity	2.2	0.1
European Bank for Reconstruction and Development	HM Treasury	Equity	2.1	0.2
International Finance Corporation	Foreign, Commonwealth and Development Office	Equity	1.5	0.0
UK Export Finance loan to Government of Qatar ²¹	UK Export Finance	Loan	1.0	0.0
Asian Development Bank	Foreign, Commonwealth and Development Office	Equity	0.9	0.0
Commercially confidential – equity investment in a subsidiary with a portfolio of fund and equity investments	British International Investment	Equity	0.9	Restated ²²
Urenco Group	Department for Energy Security and Net Zero	Equity	0.8	0.0
Iberdrola Financiacion	National Wealth Fund	Loan	0.6	New
Asian Infrastructure Investment Bank	HM Treasury	Equity	0.6	0.0
Total			23.9	NA

While Help to Buy continues to dominate the portfolio by value, its declining size means newer investments will increasingly determine the portfolio's future performance and risk characteristics. In particular, investments delivered through the National Wealth Fund (NWF) are becoming more prominent in the portfolio and demonstrate how government is using financial transactions to support strategically important infrastructure projects while mobilising private capital. The investment managed by NWF in the top ten government's largest new investments, is highlighted in the case study below.

20 Help to Buy equity loans are classified as an equity investment within Homes England's accounts. For this report, however, we have classified this as a loan due to its shared characteristics with other loan products within the portfolio.

21 This loan was provided in 2020 in support of BAE Systems' contract to provide Typhoon aircraft to Qatar.

22 In last year's report the BII portfolio was included as a single investment. However, more granular data is available this year. Due to the sensitive nature of BII investments, the description of the investment has been anonymised as commercially confidential.

Case Study: Upgrading UK grid infrastructure and supporting the transition to clean energy



Overview

In May 2025, the National Wealth Fund (NWF) committed £0.6bn to Iberdrola, through its UK subsidiary ScottishPower, to support upgrades to the UK's electricity transmission network.

The investment formed part of a wider £1.35bn financing package involving multiple commercial lenders. NWF's investment helped address a key financing challenge for long-term infrastructure projects, by providing financing aligned to the lifespan of transmission assets. This strengthened the overall financing proposition and helped attract additional private-sector lending alongside public investment.

Financing approach

The £1.35bn financing package operates as a public-private co-lending facility that combines NWF's £0.6bn with £0.75bn sourced from a syndicate of commercial banks. This structure crowds in private finance while widening the sources of capital available to the sector in the longer term.

Impact

Financing is directed towards seven priority transmission projects, including the Eastern Green Link interconnectors, which will strengthen the network's capacity to transport renewable electricity from Scotland to demand centres across the UK. This investment and associated upgrades will facilitate greater integration of renewable energy generation, reduce network congestion, support lower costs for businesses and households and contribute up to 600 jobs.

Management of the portfolio

The *Financial Transaction Control Framework* sets out an expectation that large, complex or higher-risk financial transactions should ordinarily be delivered through public financial institutions. In practice, the government also relies on other organisations with specialist investment expertise, including multilateral development banks, international financial institutions and arm's length bodies such as Homes England. Throughout this report, these organisations are collectively described as specialist institutions. Their expertise, established risk management frameworks, and market knowledge strengthen the government's ability to deliver and manage complex financial transactions effectively over the long-term.

Explainer: Public financial institutions



Public financial institutions are government-owned organisations that invest public money into the private sector via loans and equity stakes and issue guarantees to support policy goals. Public financial institutions collectively have over £70bn of capacity available for loans and equity investments, alongside additional capacity for guarantees and other financial instruments.²³

These institutions are managed as investment bodies and not as government spending departments. This means they are subject to specific controls aimed at balancing risk taking, returns and the need to support government policy delivery, which can include:

- **Total capacity:** a defined amount of capital made available by government for investment in financial transactions over a multi-year period.
- **Returns target:** institutions are expected to target returns that, over time, at least cover the government's cost of borrowing, unless any subsidy is explicitly approved to support policy objectives.
- **Risk limits:** constraints on the level of risk an institution can assume, using an economic capital approach.
- **Annual financial transaction limit:** an upper bound on the public financial institution's cash requirement, which is typically set above forecast investment activity.

Since the previous report, the government has designated the National Housing Bank as a public financial institution operating as a subsidiary of Homes England. However, no assets had been transferred to the new entity as of the time of the data commission for this report. Great British Energy has also been established and the government is considering its potential designation as a public financial institution. As this report analyses data as of 31 March 2026, neither of these organisations feature prominently, but are expected to in future years.

²³ [UK Infrastructure: A 10 Year Strategy](#)



Name and inception	British Business Bank (2014)	British International Investment (1948)	National Housing Bank (2026)	National Wealth Fund (2021) ²⁴	UK Export Finance (1919)
Sponsoring department	Department for Business, Innovation, Science and Trade	Foreign, Commonwealth and Development Office	Ministry of Housing, Communities and Local Government	HM Treasury	N/A ²⁵
Investment objectives	Business growth and tech commercialisation through small and medium-sized enterprise financing.	Invests to help solve the biggest global development challenges by supporting private sector growth and innovation.	Long-term investment to transform places and boost economic growth across England.	Capital-intensive projects, businesses and assets that support growth and clean energy.	Advance prosperity by ensuring no viable UK export fails for lack of finance or insurance.
Total current investment value and capacity	£7bn of £18bn	£7bn of £12bn	N/A (given £11bn of capacity) ²⁶	£3bn of £18bn	£3bn of £13bn ²⁷

Current investment value and capacity figures include loans and equity capacity as of 2025-26 in line with the scope of this report.²⁸

Explainer: Multilateral development banks



Multilateral development banks (MDBs) are international financial institutions established by groups of countries to provide finance for economic and social development. They allow governments to pool capital in a specialist institution, which invests it in line with its founding agreement and agreed development objectives. Their specialist expertise and investments across a wide range of countries also help to manage and spread risk. Examples include the World Bank and the European Bank for Reconstruction and Development.

²⁴ UK Infrastructure Bank (UKIB) was founded in 2021. UKIB was transformed and rebranded to become NWF in 2024.

²⁵ UKEF is a ministerial department, therefore it does not have a sponsoring department.

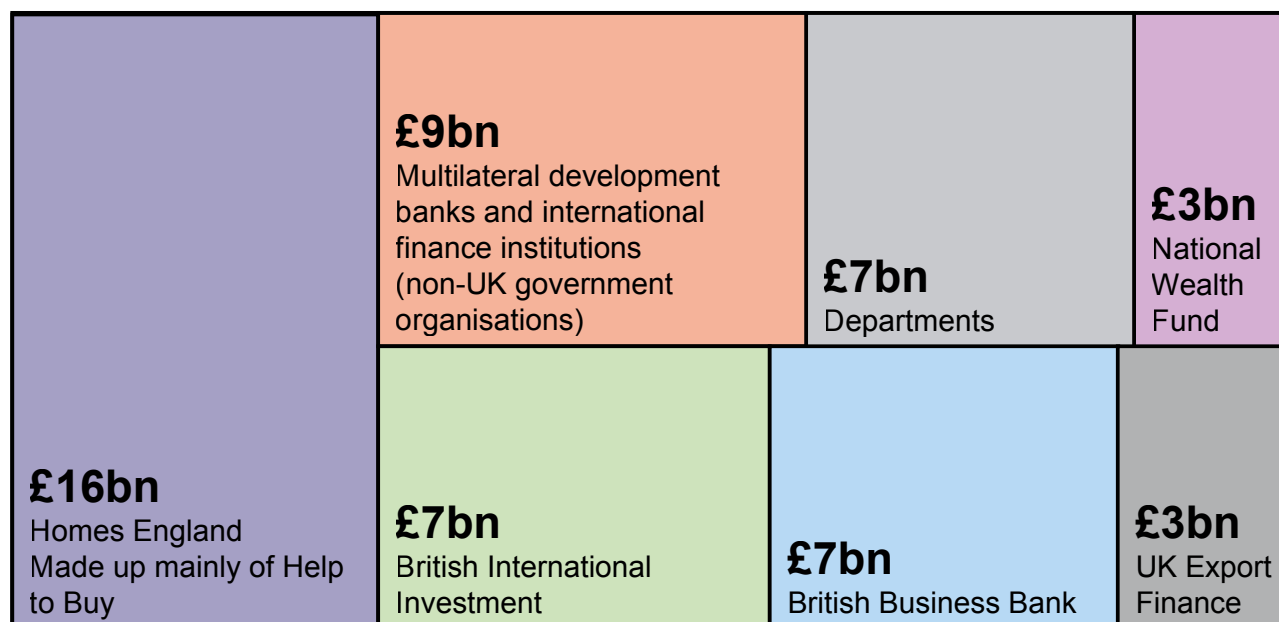
²⁶ The government officially opened the [National Housing Bank](#) in April 2026 as a subsidiary of Homes England. Please note the capacity for NHB refers to total capacity provided and a portion of the headline investment capacity has since been allocated outside the NHB, including with the Greater London Authority.

²⁷ UKEF's £13bn capacity is for loans only and their commitment limit is £130bn.

²⁸ Information on total investment capacity, including guarantees, can be found in each organisation's annual report and accounts. All figures, except BII, taken from UKGI Financial Investment Report dataset and capacity values taken from Table 2.1 in UK Infrastructure: A 10-Year Strategy.

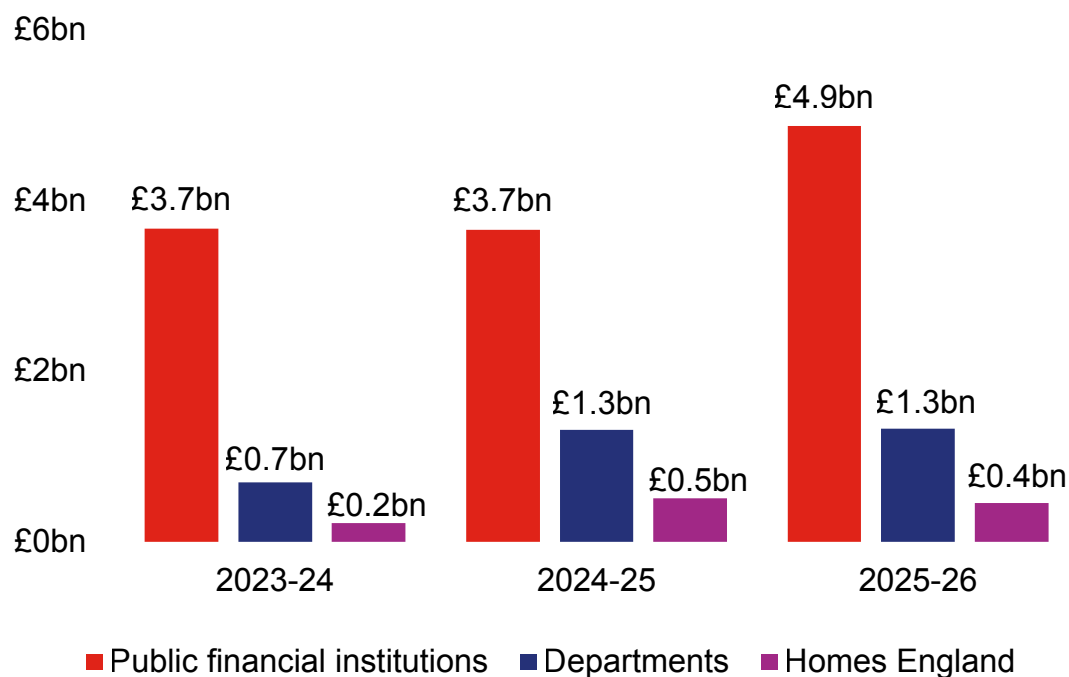
Figure 2C shows that as of 31 March 2026, the total value of investments held by specialist institutions was £45bn (86%), meaning it has held steady compared to the previous year. The remaining £7bn of assets across the portfolio are managed by government departments.

Figure 2C: Composition of the government's £51.9bn financial investment portfolio by managing organisation, excluding student loans



The increasing role of public financial institutions in delivering financial transactions is evident in the profile of new investments. As shown in **Figure 2D**, of the £6.6bn of new financial transactions in 2025-26, approximately £5.3bn are being delivered through public financial institutions and Homes England, compared with £1.3bn delivered directly by departments. This represents a substantial increase in capital deployed through public financial institutions compared with the previous two years, when annual deployment averaged £4.2bn.

This is broadly consistent with the direction set out in the *Financial Transaction Control Framework*, which established an expectation that large, complex or higher-risk financial transactions should ordinarily be delivered through public financial institutions.

Figure 2D: Distribution of new financial transaction activity by institution type

As shown in **Figure 2E**, the majority of investments (£4bn or 84%) made since the introduction of the *Financial Transaction Control Framework* sit on the balance sheet of public financial institutions. This reflects the government's preference to leverage specialist capabilities and expertise to manage investments.

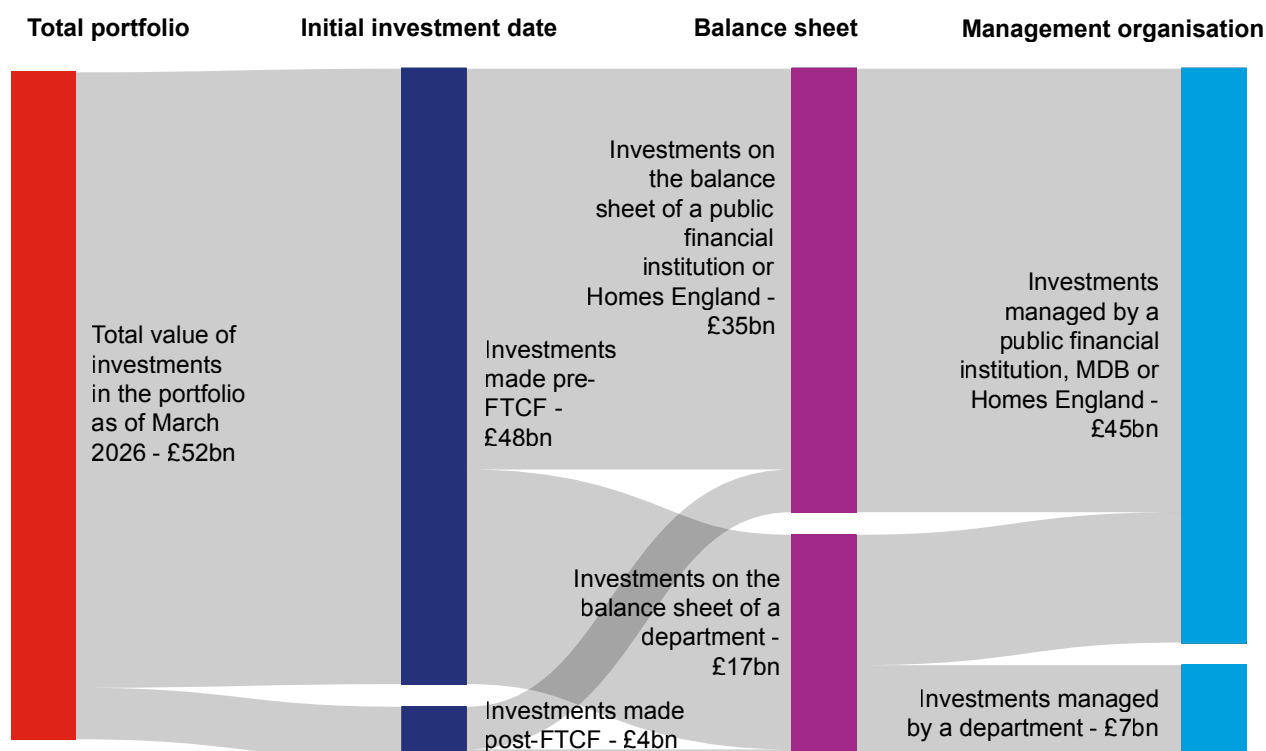
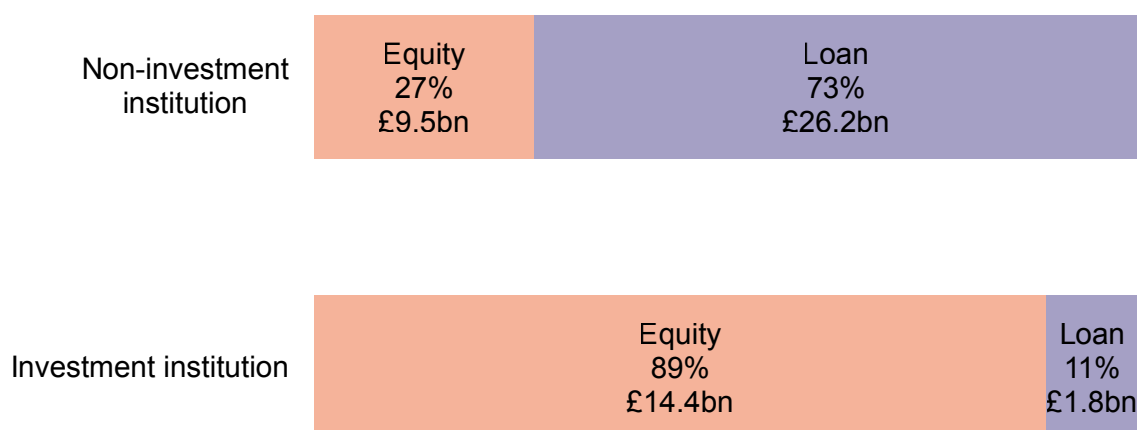
Figure 2E: Distribution of the government's financial investment portfolio

Figure 2F highlights a clear distinction in how the government deploys different investment types. As of 31 March 2026, around £36bn (69%) of the portfolio was invested directly in companies and projects (non-investment institutions), while £16bn was invested through

investment institutions such as multilateral development banks, investment funds, and other investment vehicles. In these cases, the government is not primarily investing in a single asset but gaining exposure to a diversified portfolio.

This analysis shows that loans are typically deployed as direct investments, providing targeted financing to specific companies or projects. By contrast, equity investments are commonly made through investment institutions, which allocate capital across a wide range of underlying assets. This approach can help reduce concentration risk by spreading exposure across multiple assets, sectors or geographies rather than a small number of individual holdings. However, the portfolio remains predominantly invested through non-investment institutions, reflecting the significant role of direct lending in delivering government policy objectives.

Figure 2F: Analysis of asset type by investment approach



How investments have been valued

Government departments and specialist institutions use different valuation approaches for financial transactions, reflecting the nature of the underlying asset and requirements of relevant accounting standards. While methodologies vary across the portfolio, the majority of investments are reported at fair value. Further detail about valuation methodologies is provided in **Annex C**.

Fair value: An estimate of what an asset could be sold for, or a liability transferred for, under normal market conditions at a particular point in time.



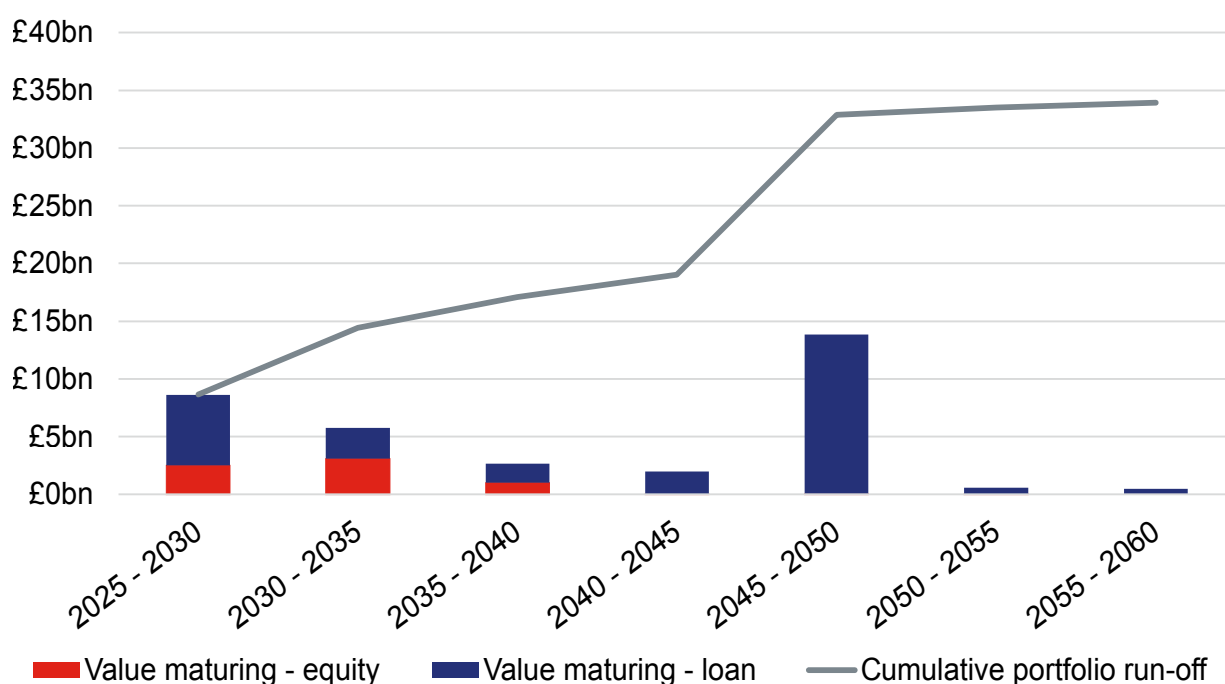
These valuation approaches influence how changes in the portfolio's reported value should be interpreted. Movements in value may reflect changes in market conditions, economic assumptions or the performance of underlying assets, rather than cash gains or losses realised by the government. As a result, comparisons across investments should be made with an understanding of the valuation applied to the respective assets.

Expected duration of investments

While valuation provides an important view of the portfolio's reported value, analysing its maturity profile offers additional insight into the concentration of capital in long-term investments, and the implications this has for portfolio risk and performance. **Figure 2G** highlights a substantial proportion of the portfolio is long dated, indicating that the government is likely to remain invested in many of its largest assets for some time.

The maturity profile also provides important context for assessing performance. Many of the portfolio's largest investments are intended to deliver returns over long time horizons, meaning their financial outcomes are unlikely to be fully reflected in short-term measures of value. In some cases, particularly where investments address market failures or support strategic policy objectives, financial returns may take many years to emerge and may initially appear weak before value is realised. This increases the importance of effective long-term risk management and ongoing monitoring of performance. Future iterations of this report will seek to collect more detailed information on expected cash flows and repayment schedules, enabling a more comprehensive assessment of how and when value is expected to be realised from the government's investments.

Figure 2G: Expected duration profile of the government's financial investment portfolio



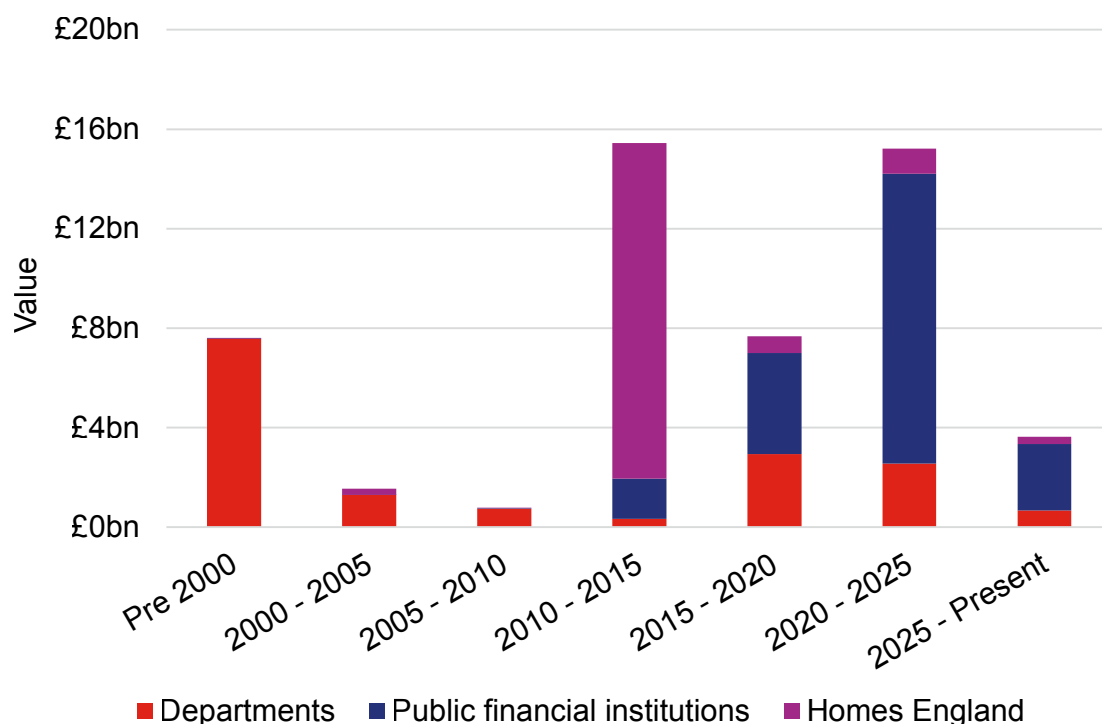
Chapter 3: Performance

Introduction

The *Financial Transaction Control Framework* sets the expectation that financial transactions should either generate returns to cover the government's cost of borrowing (and associated management costs) or where they are intentionally designed not to do so, identify and account for any subsidy transparently. This supports fiscal sustainability by ensuring the financial implications of investment decisions are appropriately balanced against other public spending within the government's fiscal rules.

However, the vast majority of investments within the portfolio (92%) pre-date the explicit controls introduced by the *Financial Transaction Control Framework*, with an average date of investment in the portfolio of 2011. As such, the performance of these investments should be considered in the context of the policy objectives, market conditions and controls in place at the time they were made rather than solely against the requirements subsequently introduced by the *Financial Transaction Control Framework*.

By contrast, the portfolio of investments made since the introduction of the framework remains relatively small and immature. At this stage, there is insufficient data to assess this cohort separately or draw meaningful conclusions about the impact of the framework on portfolio performance. This is because there is often a time lag between investment being made and expected returns. Future reports will examine this more closely as data improves and the number of new investments within the portfolio increases.

Figure 3A: Total value as at 2025-26 by initial investment date²⁹

In pursuing its policy objectives, such as addressing market failures or providing credit during periods of macroeconomic instability, the government undertakes investments where maximising a financial return is not the primary objective. Consequently, financial metrics alone do not provide a complete assessment of performance and should be considered alongside the policy outcomes the investments are intended to deliver. Unlike financial returns, these policy outcomes are often investment specific and are hard to assess on a consistent portfolio-wide basis.

This chapter examines the financial performance of the portfolio and case studies which consider wider policy impacts, providing a more complete view of how fiscal sustainability and policy objectives are being balanced.

²⁹ Note that Help to Buy was first launched in 2013-14. For the purposes of this figure, all subsequent capital deployed during the entire lifetime of the scheme has been attributed to the initial investment date. It does not therefore reflect the capital drawdowns that happened during the lifetime of the scheme in detail.

- The government's financial investment portfolio generated an annualised three-year return of -3% after financing and management costs, reflecting the short-term performance of a predominantly legacy portfolio where 92% of investments predate the *Financial Transaction Control Framework* and its return requirements.
- Portfolio performance is heavily influenced by a small number of large investments, with the UK's contribution to the G7 Extraordinary Revenue Acceleration Loans for Ukraine initiative and Help to Buy equity loan scheme among the largest contributors to the overall negative return, demonstrating how policy objectives are balanced against financial performance.
- UK Government Investments (UKGI) will continue to improve consistency and comparability of returns analysis by refining methodologies and developing clearer guidance for assessing investment performance across government. This will enable greater disaggregation of returns, helping identify key performance drivers and inform government decision making.

How returns are assessed in this report

The inaugural *Financial Investment Report* introduced experimental analysis to begin assessing the return generated by the government's portfolio of investments. This highlighted the inherent complexity of deriving a single portfolio wide return metric, given the diversity of investment types, maturities, risk profiles and valuation approaches.

Progress in standardising data inputs and analytical approaches has supported a more robust portfolio assessment in this report, allowing for a longer-term view of portfolio returns over a three-year period. The data is considered suitably reliable to support reporting returns at the whole portfolio level. However, at individual organisation level or sub-portfolio level, the risk of data quality issues affecting the results remains too high to support robust reporting and therefore was not suitable for this year's report. This will change as UKGI enhances data quality to provide more granular analysis in next year's report.

Explainer: Assessing returns



Government investments vary in their objectives, risk profiles and time horizons, making it difficult to assess performance using a single year measure. To provide a more representative assessment, this report **estimates portfolio returns over a three-year period**, smoothing short-term fluctuations.

The methodology provides an overall view of portfolio performance, including whether returns exceed the cost of government financing and management. It combines cash returns received (such as dividends, interest, loan repayments and exit proceeds) with changes in investment value.

Returns in each year are measured against a return base comprising the starting value of the investment, adjusted for any additional capital invested during the year. Annual returns are then calculated for each year, compounded across the assessment period, and annualised to enable consistent comparison across investments of different ages and durations. Returns are calculated for each investment within the portfolio, and are then aggregated on a weighted-average basis based on the value of each investment as of 31 March 2026.

Finally, annualised returns are compared with the cost of managing the investment and the government's cost of borrowing, using the relevant weighted average yield (WAY). This produces a net return, indicating whether an investment generated value above or below its funding and management cost.

Illustrative example: If government makes an initial investment of £100m and the investment generates £12m of value over three years, while financing and management costs total £4m, the investment has generated £8m more than it cost to finance and manage. This is equivalent to a cumulative return of 8% or annualised return of 2.6% over the three-year period. This report applies that principle across the portfolio using a consistent methodology.

Further detail on the methodology is provided in **Annex D**.

As a three-year assessment will not fully reflect the performance of long-term investments, this analysis is supplemented with analysis of key investments and case studies that illustrate the interaction between financial returns and policy outcomes. Reflecting the data limitations set out in **Chapter 1**, the returns analysis has been developed using management information and broad data categories to minimise reporting burdens on organisations. While the returns estimations presented in this report are more comprehensive and capture a broader range of relevant data than those presented in the previous *Financial Investment Report*, the methodology should be regarded as experimental. Future adjustments may be made as data availability and consistency evolves and methodological refinements are made.

Performance of the investment portfolio

Using the methodology explained above, the portfolio as of 31 March 2026 is estimated to have generated an annualised three-year average return of -3% after allowing for both the costs of government borrowing and managing the investments. This reflects a gross return of 1% (i.e. before any costs are taken into account), which is then reduced by 1% for the cost of managing the investments and reduced by 3% for the cost of financing.

Table 3A: 3-year annualised returns for the portfolio

Annualised 3-year returns	
Gross investment return	1%
Cost of financing	-3%
Cost of managing investments	-1%
Net investment return	-3%

Interpretation of portfolio returns

The methodology used in this report is more refined than that published in the 2025 *Financial Investment Report*, drawing on more granular cash flow and valuation data over a longer period and for the entire portfolio. While this improves the sophistication of the analysis, it also relies on a greater number of assumptions. Readers should note that:

- Returns estimations are subject to limitations of unaudited management information and the application of differing valuation methodologies across the portfolio. Resulting returns figures should be interpreted in accordance with an understanding of the assumptions made, methodologies and data constraints underpinning this analysis, as provided in **Annex D**.
- Returns are calculated for individual investments and then aggregated to portfolio level.
- This bottom-up approach provides greater insight into performance drivers, but means outlier cash flows or underlying data issues can have a larger impact on aggregate results.
- The dataset includes investments active during 2025-26, but excludes investments that exited the portfolio before 31 March 2025, even if they were active earlier in the three-year period.
- Weighted average returns are based on investment values as of March 2026 and may differ from other approaches (e.g. opening-period values).
- This is different from calculating returns of a portfolio using aggregated cashflows across the whole portfolio directly.

Taking the factors above into account, readers should note that the return estimates published in this report reflect an aggregate of returns on the investments in the portfolio as of the 2025-26 financial year, rather than the financial performance of the capital invested over the three-year period.

Readers should also note that portfolio performance will vary depending on the methodology and assumptions applied. The results presented in this report reflect the approach set out in **Annex D** and represent one interpretation of portfolio performance; alternative methodologies may produce different results.

The returns methodology applied in this report reflects a different analytical approach and considers different portfolios of investments than returns metrics published by public financial institutions directly. Further information on performance metrics published by public financial institutions is included in **Annex E**.

Drivers of portfolio returns

The data suggests that the dominant driver of the asset returns is assets falling in value, rather than assets not generating sufficient income. **Table 3B** below shows that over time, the portfolio has continued to generate substantial cash income through interest, dividends and distributions. However, these positive cashflows have been more than offset by negative valuation movements and other adjustments, resulting in an overall negative contribution to returns.

Table 3B: Breakdown of drivers of portfolio returns

Factor	2023-24	2024-25	2025-26
Valuation changes and other movements	-£1.2bn	-£0.9bn	-£2.4bn
Interest, dividends, and distributions paid	£0.9bn	£1.5bn	£1.5bn

A small number of large assets explain a meaningful part of the total portfolio result. For instance:

- The UK's contribution to the G7's Ukraine Extraordinary Revenue Acceleration (ERA) Loans for Ukraine initiative is a key driver of negative returns due to the level of write-offs following issuance. This investment was made to support wider strategic defence, foreign policy and security objectives, rather than generating a financial return.
- Help to Buy equity loans also drive negative returns on the portfolio performance over the past three years. Drivers behind Help to Buy equity performance are examined further in the case study later in this chapter.

Although these individual investments or fund returns explain a meaningful part of the total portfolio result, negative returns are not confined to a single investment. The reported negative return is unsurprising since:

- The three-year measurement period is short relative to the investment horizon of some assets, particularly equities. This is especially true given the recent expansion of public financial institution investment capacity and increase in new investments. Many of these newer investments are still in the early stages of their lifecycle, where costs are incurred before benefits and returns are fully realised. These investments may still outperform the cost of financing and management costs over their lifetime, even if this has not been reflected in returns over the past three years.

- The majority (92%) of investments within the current portfolio predate the introduction of the *Financial Transaction Control Framework*. Consequently, most assets were established prior to the introduction of the framework's requirements for returns to cover the government's cost of borrowing and management costs. Further, investments made since the introduction of the framework remain at an early stage.

In this context the finding that the legacy portfolio generates a negative return reinforces the rationale for implementing the *Financial Transaction Control Framework*; had the portfolio already been generating returns sufficient to cover the cost of financing and managing investments, the case for introducing the controls would have been less pronounced. While it remains too early to assess the impact of the framework directly, as investments made under it remain relatively small and immature, its core principle of requiring financial transactions to cover their costs over time should support improved portfolio performance as a greater proportion of investments are designed and delivered under the framework.

The analysis demonstrates the importance of including and measuring the cost of management, as this reduces the return by 1%. Including these costs provides a more complete picture of performance, as it helps assess not only whether the government is generating financial returns, but also whether those returns are sufficient to cover the costs incurred in managing the portfolio on behalf of taxpayers.

Improving consistency and methodology

UKGI continues to work with departments and public financial institutions to increase the consistency and comparability of returns data. For this report, UKGI strengthened the approach to estimating management costs, which are important for understanding the full cost of investments. Costs were attributed directly to individual investments where possible, allocated across groups where direct attribution was not feasible, and otherwise estimated using proxy indicators or benchmarking. This pragmatic approach enabled organisations to report management costs on a broadly consistent basis, while accommodating differences in data availability.

Despite these improvements, reported management costs may not reflect the true cost of managing the portfolio. In many cases, departments found it difficult to attribute staff and operational costs directly to individual investments, particularly where investment management is not undertaken by dedicated teams.

UKGI will continue to improve the quality and granularity of management cost data and enhance returns analysis. In preparation for next year's report, UKGI will also improve portfolio return estimates by building a more complete historical dataset and extending coverage across a longer period. This will enable the inclusion of investments that exited during the assessment period, support further methodology refinements, and provide more sophisticated analysis of portfolio performance and its key drivers, including at sub-portfolio and organisational level.

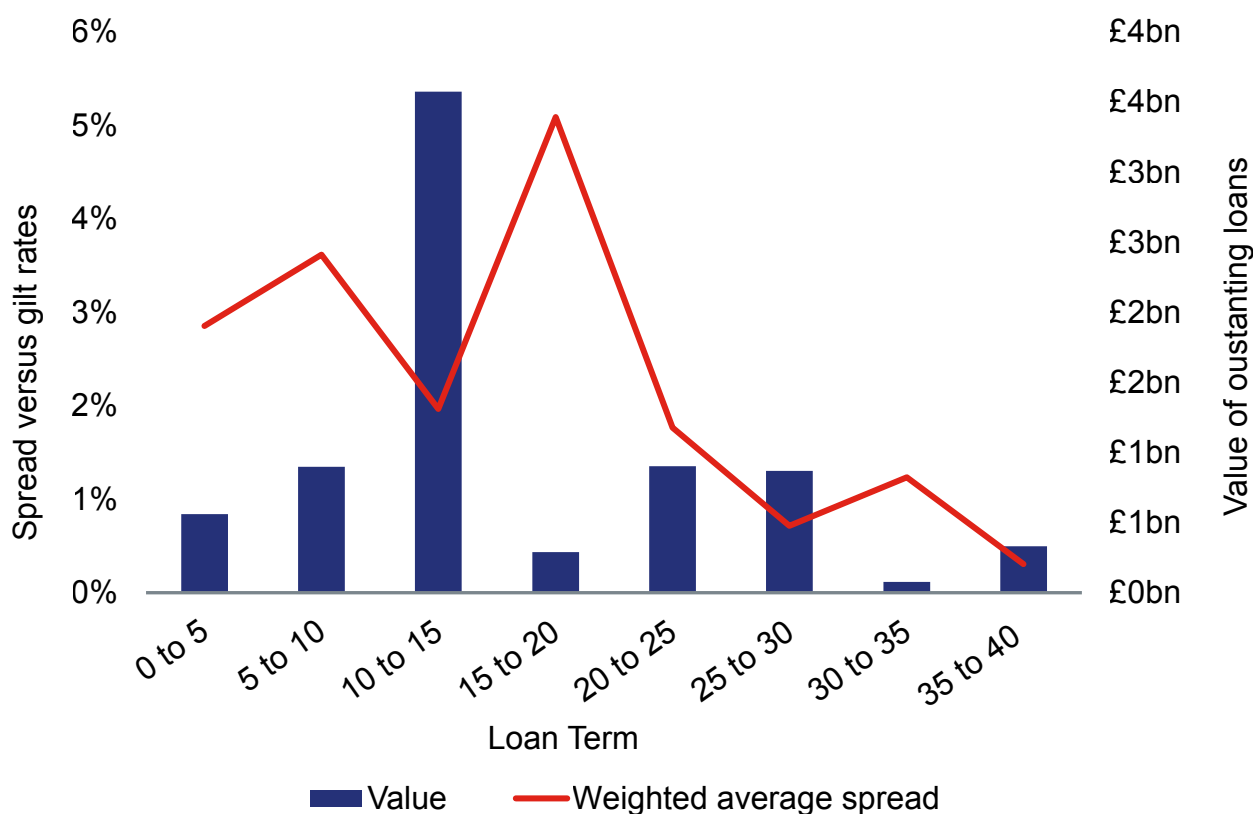
Interest rate on fixed-rate loans

Fixed interest loans account for £8bn (28%) of the loan portfolio. For these investments, the interest rate charged is a key driver of the financial return.

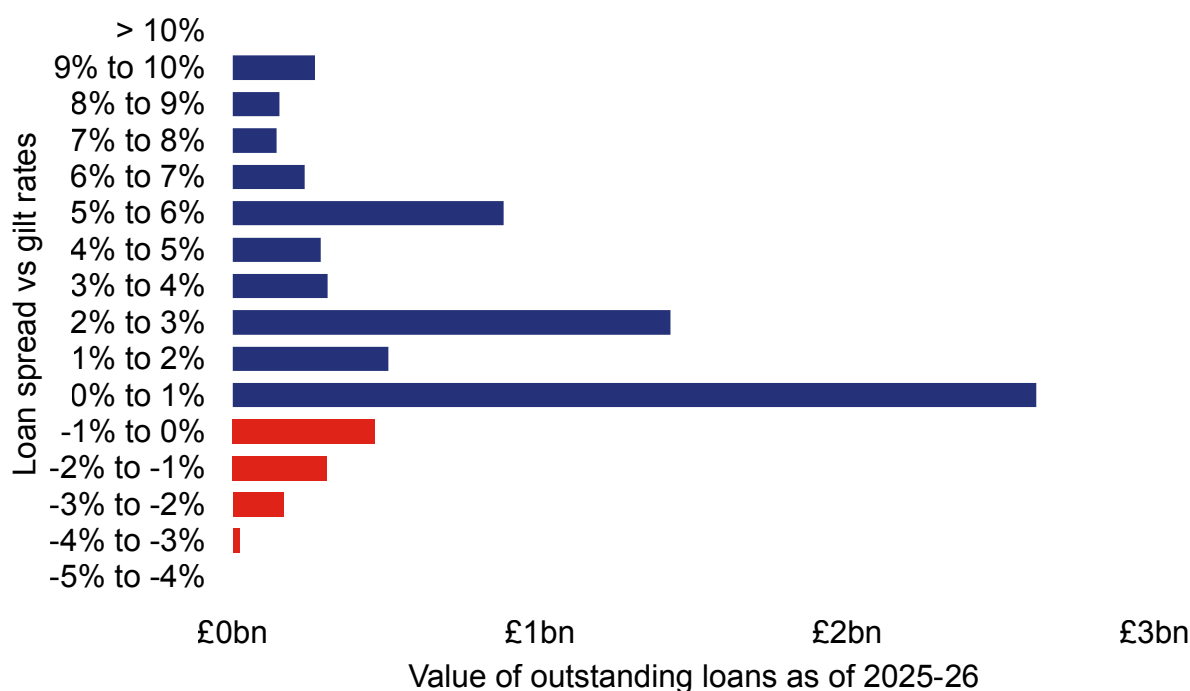
In broad terms, the return would be expected to reflect the prevailing interest rate environment when the loan was issued, alongside the creditworthiness of the borrower and any policy objectives associated with the transaction.

To compare loans issued in different interest rate environments, UKGI analysed the difference between the interest rate being charged and the weighted average gilt yield in the year the loan was issued. This difference is referred to as the spread. **Figure 3B** shows that, on average, fixed rate loans charge a positive spread over the relevant gilt yield. This is consistent with the requirement under the *Financial Transaction Control Framework* that financial transactions should cover government's cost of borrowing, even though the majority of these loans predate the framework's introduction. It also suggests that the portfolio's negative aggregate return cannot be explained by the pricing of fixed-rate lending, highlighting the importance of considering investment performance, valuation movements and policy objectives when assessing overall portfolio returns.

Figure 3B: At all durations of fixed-interest loan instruments, government charges a margin over gilts



The wide spread shown in **Figures 3B** and **3C** masks considerable variation across individual loans. Some loans charge interest below the relevant gilt yield, while others charge substantially higher rates, likely to reflect borrower, project or transaction-specific risks.

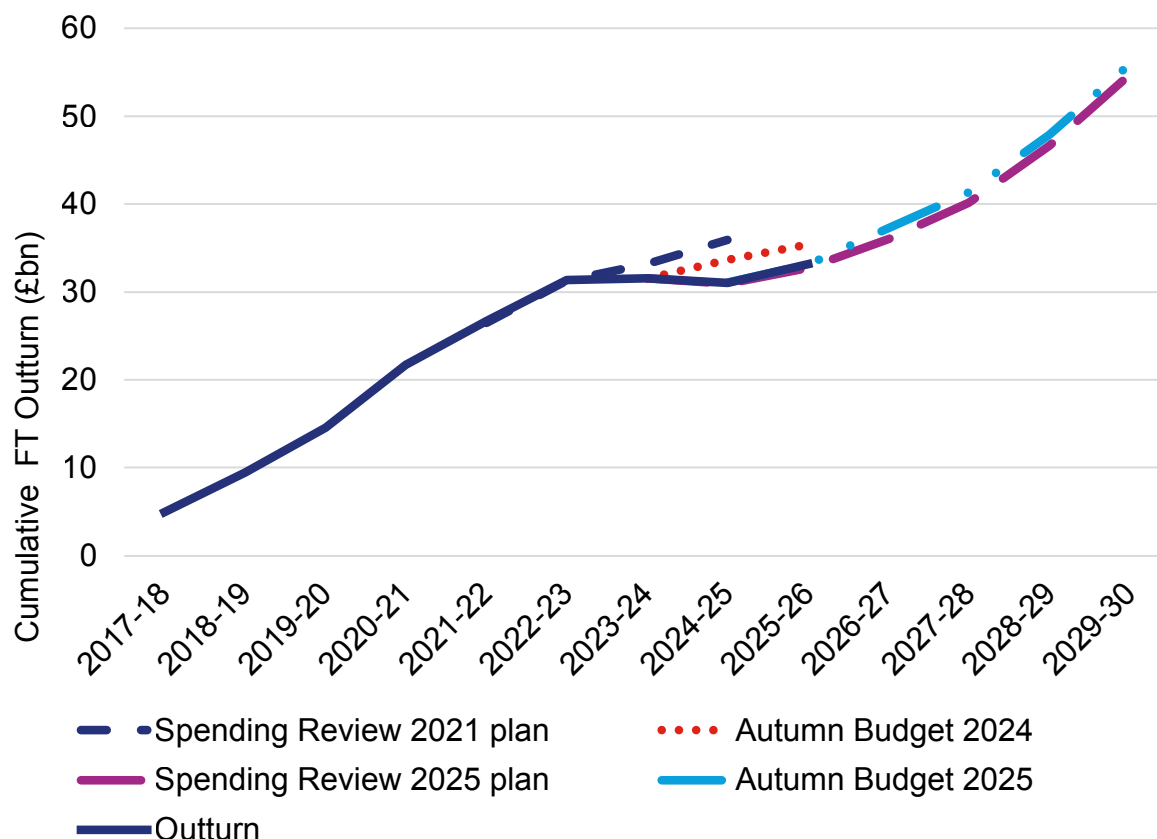
Figure 3C: The range of interest rate spreads on fixed-rate lending

The finding that most fixed-rate loans are priced above the government's cost of borrowing should not be interpreted as evidence that all loans are appropriately priced for their risk or policy objectives. Despite most fixed-rate loans charging a margin above the government's cost of borrowing, the net -3% return highlights the importance of other factors such as credit losses, valuation movements and management costs when examining portfolio performance.

In accordance with the principles set out in the *Financial Transaction Control Framework*, new financial transactions are expected to continue to exceed government's cost of borrowing and management costs, unless any subsidy is explicitly recognised. This analysis covers fixed-rate loans only and does not assess variable-rate lending, where ongoing and future returns will depend on how rates are set and updated relative to wider economic conditions. These risks are explored further in **Chapter 4**.

Deployment against plans

Comparing planned and actual investment activity provides helpful insight into how financial transactions are being used to implement policy commitments. Using publicly available information, UKGI conducted a high-level comparison of outturn against planned commitments set out in the budget and strategy documents of departments, public financial institutions and Homes England. This helps identify where activity has proceeded broadly as expected and where delivery has diverged from plans.

Figure 3D: Deployment of financial transactions against published plans

As shown in **Figure 3D**, recent outturn has tracked closely to the investment trajectory set out in *Spending Review 2025* and *Autumn Budget 2025* following periods where deployment fell short of previous planning assumptions. This suggests government has been able to better plan and/or deploy its use of financial transactions. Variances between planned and actual deployment of capital reflect a range of factors, including pipeline readiness, delivery constraints, policy choices and prevailing market conditions, or one-off events such as the acquisition and subsequent disposal of Bulb Energy in 2021-22.³⁰

While recent alignment provides a degree of confidence that spending plans are translating to delivery, planned future activity increases materially over the remainder of the spending review period, meaning that delivery will need to accelerate relative to current levels if government is to remain on track.

Looking at *Spending Review 2025* budget allocations against the distribution of sectors reported in the investment portfolio reveals that the government's loan and equity investments do not simply mirror government spending priorities, rather they reflect where government judges financial transactions can be used as an effective policy tool. For example, housing, energy and infrastructure feature prominently in the portfolio because they are sectors where loans, equity investments and private capital mobilisation can be used to achieve policy objectives. In contrast, major spending areas such as health and education are predominantly funded by direct public expenditure and therefore have limited representation in the portfolio.

³⁰ [Public Accounts Committee: Bulb Energy Inquiry 2023](#)

Organisational performance metrics

Public financial institutions report performance in line with their distinct mandates, typically combining financial metrics with delivery and impact measures; this is broader in scope than UKGI's analysis of performance included in this chapter. Because mandates and investment mixes differ, institution-level metrics are not directly comparable. Nonetheless, a summary of each organisation's performance can be found in **Table 3C** below. Further explanation, including what is in scope of each public financial institution's performance metrics can be found in **Annex E**.

Table 3C: Public financial institution metrics

Name	British Business Bank	British International Investment	National Wealth Fund	UK Export Finance
Performance metric	Rolling five-year adjusted returns: covers both programmes held on BBB's balance sheet and those administered on behalf of DBIST, ³¹ excluding legacy and Covid-19 programmes.	Seven-year weighted average: uses portfolio seven-year weighted average, given development finance focus and aim to generate returns over long-term.	Return on Equity (ROE) ratio: measures adjusted profit (excluding exceptional items) against weighted average shareholder equity, adjusted for cumulative exceptional items.	Pricing Adequacy Index (PAI): assesses whether the organisation generates sufficient premium income (i.e. PAI>1) over time to cover its risk exposure and operating costs.
Recent performance	2023-24: 4.5% 2024-25: 4.2% 2025-26: 3.9%	2023: 5.2% 2024: 5.1% 2025: 3.8%	2023-24: -10.7% 2024-25: -14.2% 2025-26: -2.6%	2023-24: 1.6 2024-25: 1.5 2025-26: Not available at the time of publication.
Jobs created or supported	Created 39,000 additional jobs ³²	Supported an additional 25,000 jobs (2025) ³³	Supported or created over 49,500 direct jobs (2024-25) ³⁴	Supported up to 85,000 jobs ³⁵
Private capital mobilised	£4.3bn ³⁶	£2.5bn ³⁷	£19.1bn ³⁸	n/a

31 Department for Business, Innovation, Science and Trade (DBIST), formed by merging of Department for Business and Trade (DBT) and Department for Science, Innovation and Technology (DSIT).

32 [British Business Bank Annual Report and Accounts](#), page 6.

33 [British International Investment: Impact Report](#)

34 [National Wealth Fund Annual Report and Accounts](#), page 19.

35 [UK Export Finance Impact Report 2025-26](#)

36 [British Business Bank Annual Report and Accounts 2026](#), page 6.

37 [British International Investment Impact Report](#) – USD converted to GBP as of 27/08/2026.

38 [National Wealth Fund Annual Report and Accounts 2025-26](#), page 13.

Performance of key investments

As highlighted, the government's financial transactions portfolio comprises a wide range of assets delivered at different points in time, under varying policy mandates and market conditions. Looking at the performance of the portfolio provides a useful barometer of portfolio health to inform the government's approach to deploying further financial transactions. Examining performance of key investments in greater detail, however, provides richer insight into how individual transactions contribute to this aggregate performance. Importantly, it also enables UKGI to examine how financial performance interacts with policy objectives in practice and can therefore provide a more complete picture of how the government balances financial sustainability with wider policy aims.

Lifetime returns

The majority of UKGI's analysis considers portfolio returns over three years from 2023-24 to 2025-26, providing a consistent measure across investments. However, a three-year measure has limitations in capturing the performance of long-term investments, particularly those designed to generate returns over a much longer time horizon.

UKGI has therefore analysed the lifetime returns for two material investments: Homes England's Help to Buy scheme and the British Business Bank's Venture & Venture Growth portfolio. This approach captures cash flows from initial investment to reporting date, including income, repayments, realisations, financing costs and management costs. It can provide a fuller view of performance over the period in which capital has been invested and help assess outcomes against initial expectations. Further methodological detail is set out in **Annex D**.

Case Study: Lifetime financial returns of Help to Buy

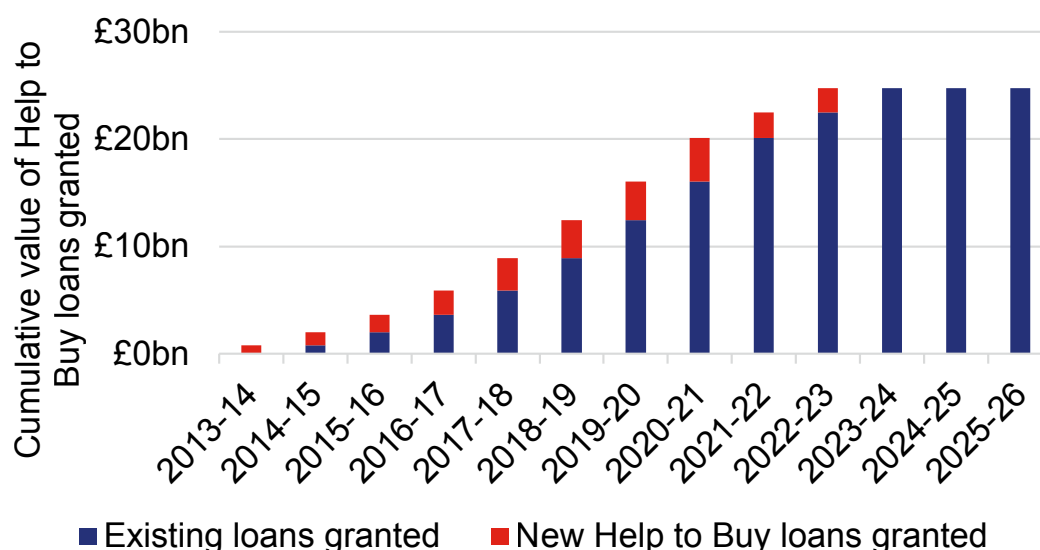


Financing approach

Help to Buy equity loans were granted to individual purchasers of new-build homes between 2013 and 2022.³⁹ Under the scheme, eligible recipients contributing at least a 5% deposit could borrow up to 20% of the purchase price from the government, or up to 40% in London from 2016 onwards. The loans were interest free for the first five years of the term and carried a variable interest rate thereafter. When the property is sold, the borrower repays the same proportion of its value that was originally borrowed.

Although the scheme closed for new applicants in 2022,⁴⁰ many Help to Buy loans remain outstanding at the time of this report. The lifetime returns calculation uses cash-flow data provided by Homes England, including new loans issued, interest received, repayments and management costs.

Cumulative Help to Buy loans granted



Financial return

Lifetime returns for Help to Buy

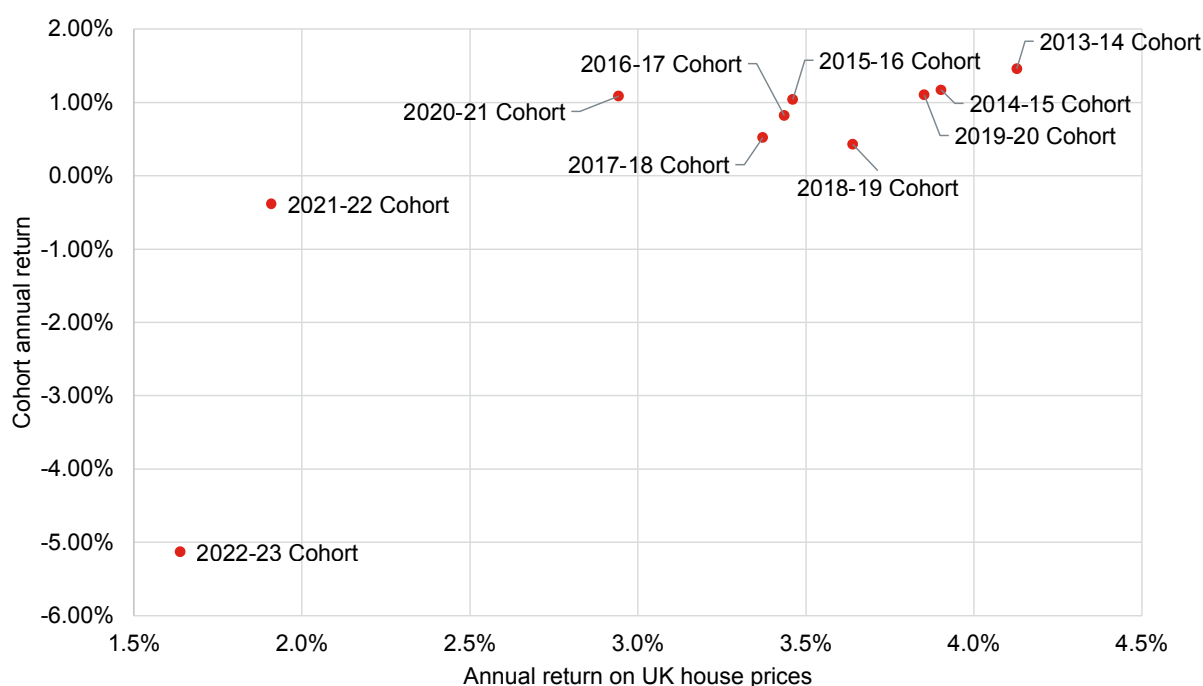
Estimated factor	Help to Buy
Gross return to date	1.9%
Cost of managing investment	-<0.1%
Cost of finance	-2.7%
Net return to date	-0.8%

39 Closed to new applicants in October 2022, with completions until March 2023.

40 Closed to new applicants in October 2022, with completions until March 2023.

Help to Buy returns are influenced by a combination of house price movements, loan repayments and interest income. The figure below compares returns generated by Help to Buy loans granted in each year of the programme. These returns are plotted against the annualised return on the UK house price index for the period from the investment date through 31 March 2026. Help to Buy loans which generated higher returns to government generally aligned with periods of stronger performance of the UK housing market.

Returns on Help to Buy loans by cohort versus UK housing market performance



To note, a significant proportion of Help to Buy loans remained outstanding as of 31 March 2026. Returns evaluated under this case study only reflect financial performance to-date, and therefore total returns for the Help to Buy portfolio will continue to change as additional loans are repaid in the future. In particular, returns for later cohorts can reasonably be expected to improve as the proportion of loans repaid increases over time.

Impact of investment

The return estimates reflect only part of the scheme's performance. The recent Help to Buy evaluation found that the scheme generated substantial wider societal benefits, including an estimated £28.6bn in land value uplift,⁴¹ leading it to conclude that the scheme represented very high value for money for taxpayers. In addition, Help to Buy supported around 390,000 households into homeownership, including approximately **330,000 first-time buyers**, alongside delivering a range of broader policy objectives.⁴²

41 [Evaluation of the Help-to-Buy scheme](#)

42 [Help-to-buy generates 138bn for taxpayers as nearly half of the loans are repaid](#)

Case Study: Lifetime financial returns of Venture & Venture Growth Portfolio

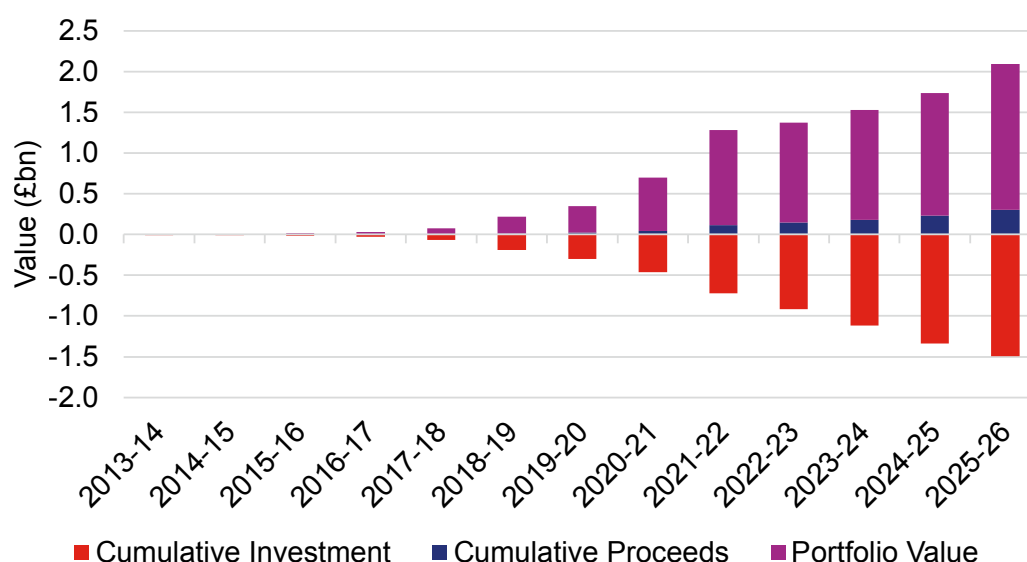


Financing approach

The British Business Bank (BBB) acts as a limited partner in a portfolio of venture capital investment funds through its Venture & Venture Growth sub-portfolio. By investing through these funds, BBB supports innovative and early-stage businesses, while allowing investment decisions to be made by fund managers with relevant expertise.

The portfolio includes investments made in funds during the period 2014-2026. Returns are typically realised over an extended period, reflecting the nature of venture capital investing. The weighted average tenure of investments is more than six years, and underlying companies often require several years to mature before generating proceeds.

Cumulative Venture & Venture Growth investments and portfolio value



Financial return

Lifetime returns for the Venture & Venture Growth portfolio

Estimated factor	Venture Growth
Gross return to date	10.7%
Cost of managing investment	-2.2%
Cost of finance	-2.5%
Net return to date	6.0%

The Venture & Venture Growth portfolio achieved a lifetime return of 6.0% to-date. This lifetime return far exceeds the three-year return for the government's portfolio as a whole. As demonstrated in the chart below, the Venture & Venture Growth portfolio has expanded steadily since 2014-15, with the portfolio value now exceeding £2bn in 2025-26. Cumulative investment has grown alongside a more gradual increase in proceeds, reflecting the long-term nature of venture capital investing and the maturation of underlying assets.

Impact of investment

While the return exceeds the government's cost of borrowing, the portfolio is designed to deliver both financial and policy objectives. One objective of the sub-portfolio is to reduce the barriers to entry for first-time fund managers and encourage more talented investors across the UK to start venture funds, supporting innovation and business growth.⁴³

The bank's 2026 *Impact Report* highlights how BBB is the UK's largest domestic investor in UK venture and venture growth capital funds. 67% of the UK's current unicorns have received equity investment from BBB-backed funds, and one in four UK university spinouts have been backed by BBB.⁴⁴ These outcomes demonstrate how the portfolio can support wider economic and innovation objectives alongside the generation of financial returns.

Both investments demonstrate how lifetime returns can provide valuable additional insight. For longer-term investments, such as venture investments, short-term performance measures may not fully capture the eventual financial outcomes or wider policy benefits delivered over the life of the investment. UKGI will explore whether lifetime returns analysis can be applied more widely in future editions of this report.

Non-financial benefits

The government uses financial transactions to support policy objectives, including promoting economic growth, improving energy security, increasing housing supply and addressing market failures. Monitoring the financial performance of these investments supports fiscal sustainability and the effective use of public resources. However, financial returns alone do not provide a complete picture of performance and should be considered alongside the policy outcomes investments are intended to achieve.

Measuring policy outcomes consistently across the portfolio is challenging. Investments are made for different purposes and operate over different time horizons. Consequently, a single portfolio-wide measure of policy impact is not currently feasible.

To provide insight into these wider benefits, UKGI has examined common impact measures reported by public financial institutions and considered how these are reflected in selected investments within the portfolio. This is illustrated in the case study below and in the Help to Buy and Venture & Venture Growth case studies earlier in this chapter.

43 [BBB Equity Finance: Investor Pathways Capital](#)

44 [BBB Impact Report 2026](#)

Case Study: National Wealth Fund investment in Cornish Lithium



Overview

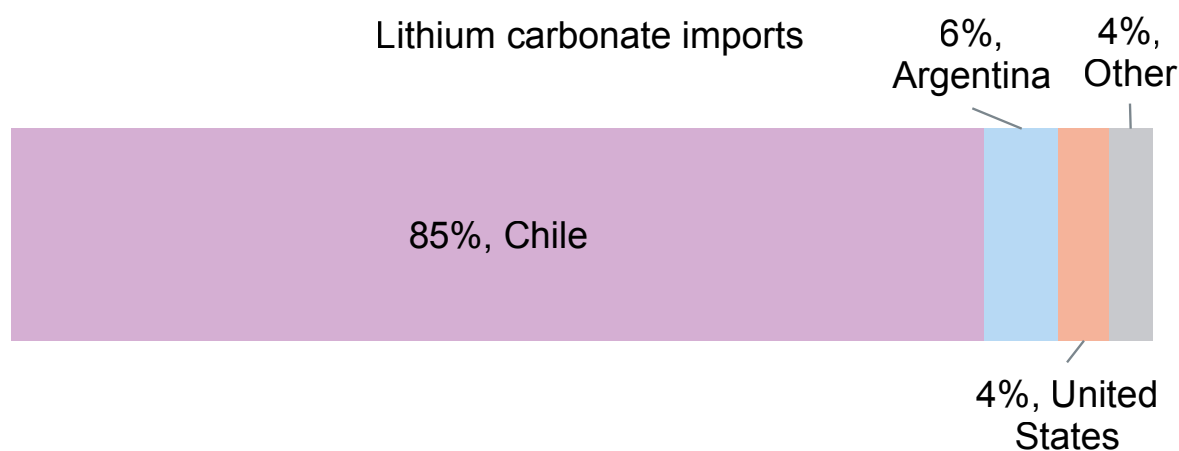
Cornish Lithium is developing domestic extraction of lithium, a critical mineral used in battery production. UK demand for lithium is forecast to increase more than tenfold by 2035, driven largely by electric vehicles and other electrified products. The UK currently fully relies on imported lithium which could present supply chain risks. The ambition is that domestic production will offset up to 10% of imports to meet part of the forecasted demand.

At present, the majority of UK lithium demand is met through imports from the United States, Chile, and Australia

Lithium oxide and hydroxide

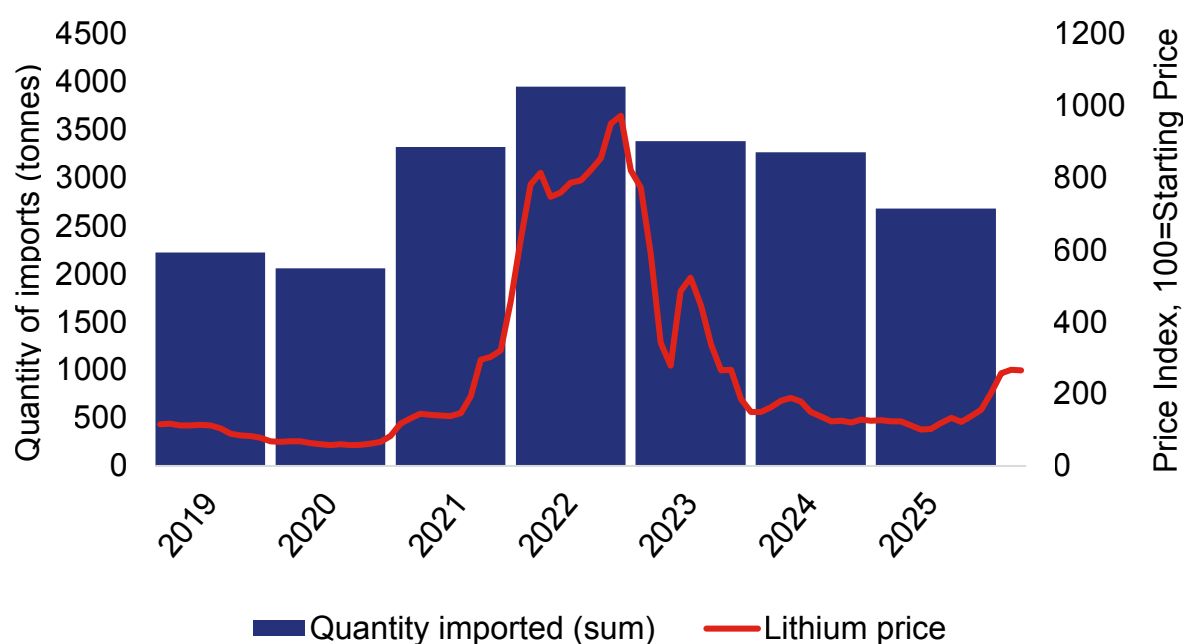


Lithium carbonate imports



Lack of access to finance has historically been a key barrier to the market's ability to respond to the anticipated rise in demand for critical minerals. Lithium prices are highly volatile due to varying supply in the industry, which creates barriers for investors looking to invest in stable ventures. This risk-aversion particularly affects new and emerging projects and is a key reason that the National Wealth Fund's (NWF's) investment in Cornish Lithium is impactful.

Lithium price volatility⁴⁵



Financing approach

In 2023 NWF, then operating as the UK Infrastructure Bank, announced a £24m equity investment in Cornish Lithium to support feasibility activity and assess the viability of extraction. A further £31m was announced in 2025 to advance geothermal lithium extraction towards commercial drilling and to complete feasibility studies. In total, more than £33m in private capital has been mobilised alongside NWF's investment.

Impact

The investment seeks to deliver policy objectives, while providing opportunity for commercial upside. Its financial performance will depend on the quantity and quality of lithium produced and future market prices. More broadly, the investment could help boost the UK's supply of critical minerals, reduce reliance on imports and support regional growth. Cornish Lithium estimates its activities could generate £3.8bn for the local economy and £5bn across the UK over 25 years, while creating 400 direct jobs and supporting more than 600 additional jobs in the supply chain.⁴⁶

⁴⁵ [HMG Vision 2035: Critical Minerals Strategy](#)

⁴⁶ [Delivering prosperity for the UK and the Southwest: Economic impact report](#), page 6.

Chapter 4: Risk

Introduction

All financial investments involve risk because their outcomes are inherently uncertain. Borrowers may be unable to repay loans and equity investments can fluctuate in value for various reasons, including wider economic or market shocks. While the government seeks to manage and mitigate risk, it also deliberately takes on certain risks, where doing so supports the delivery of policy objectives and addresses market failures. As the government's financial investment portfolio continues to grow in scale and complexity, understanding the nature and extent of these risks becomes increasingly important. Greater transparency around portfolio risk supports informed decision-making, enhances accountability for the stewardship of public funds, and helps assess the potential implications for fiscal sustainability.

This chapter explains the rationale for government taking on investment risk and outlines the frameworks, governance arrangements and controls in place to manage those risks across the financial investment portfolio. It also examines the principal risks facing the portfolio and how the government should consider these as part of its ongoing management of the investment portfolio.

- **Government accepts investment risks where this supports wider policy objectives**, including by sharing risks with the private sector to help mobilise additional private capital.
- **Credit risk is the most commonly reported primary risk in the portfolio.** It was the primary risk reported for around 57% of new investments in 2025-26, compared with approximately 55% in 2024-25, and may become more significant as new investment activity continues to favour loans.
- **The prevalence of floating rate loans, 62% of government lending, exposes the portfolio to interest rate risk.** Changes in market rates may cause interest income from lending to diverge from the government's cost of borrowing over time.
- **HM Treasury's risk budgeting policy for public financial institutions will be piloted in 2026-27 and fully implemented from April 2027.** Future reports will provide greater detail and analysis of risk exposure across public financial institutions.

Why does the government take on risk?

The government invests where the private sector is unable or unwilling to invest sufficiently. Therefore, investments may have longer payback periods and/or lower financial returns than those for commercial organisations. For example, the British Business Bank's (BBB) Future Fund provided financing during the pandemic when private capital was not available on a sufficient scale. In these cases, government intervention is justified because while the expected financial return is insufficient relative to the level of risk for private investors, the investment generates wider economic, social or strategic benefits for government.

Government investment alongside private investors can also help to reduce, share, or absorb certain risks that would otherwise be borne by the private sector, improving the attractiveness of opportunities for private investors and helping to crowd in additional capital.

Explainer: Sharing risk to mobilise investment



Government can use financial transactions to share or absorb risks that might otherwise prevent strategically important projects from securing sufficient private finance or make that finance unaffordable. By providing finance where private investors may be unwilling to participate on the required scale or terms, including by accepting longer investment horizons or sharing risks that private investors are less willing to bear, the government can help make projects viable and mobilise additional private capital.

Government's participation does not remove the underlying risks. Instead, the government accepts an appropriate share of risk in pursuit of policy benefits, while seeking to protect public money by managing its risk transparently and ensuring investments are delivered in a fiscally sustainable way.

Risks within the portfolio

Any investor, whether in the public or private sector, will face a range of risks within a portfolio of investments, such as credit, equity, interest rate, foreign exchange and concentration risks. As outlined above, the government's investment portfolio may be exposed to risks that private-sector investors would be less willing to accept due to the policy objectives these investments aim to achieve. If these risks were to crystallise, they could impact the value and performance of the portfolio.

Although the investment portfolio analysed within this report is small compared to the size of the government's overall balance sheet (the investment portfolio is approximately £52bn, around 2% of the total public-sector assets of £2,785bn in 2024–25),⁴⁷ it is important to understand and manage risk appropriately to protect public money and ensure value for money for taxpayers. Understanding portfolio risk helps government to assess the potential impact of adverse outcomes on the value and performance of its investments, as well as any resulting pressure on public finances, borrowing requirements or future spending.

⁴⁷ [Whole of Government Accounts – Year Ended 31 March 2025](#)

Organisation-reported risks

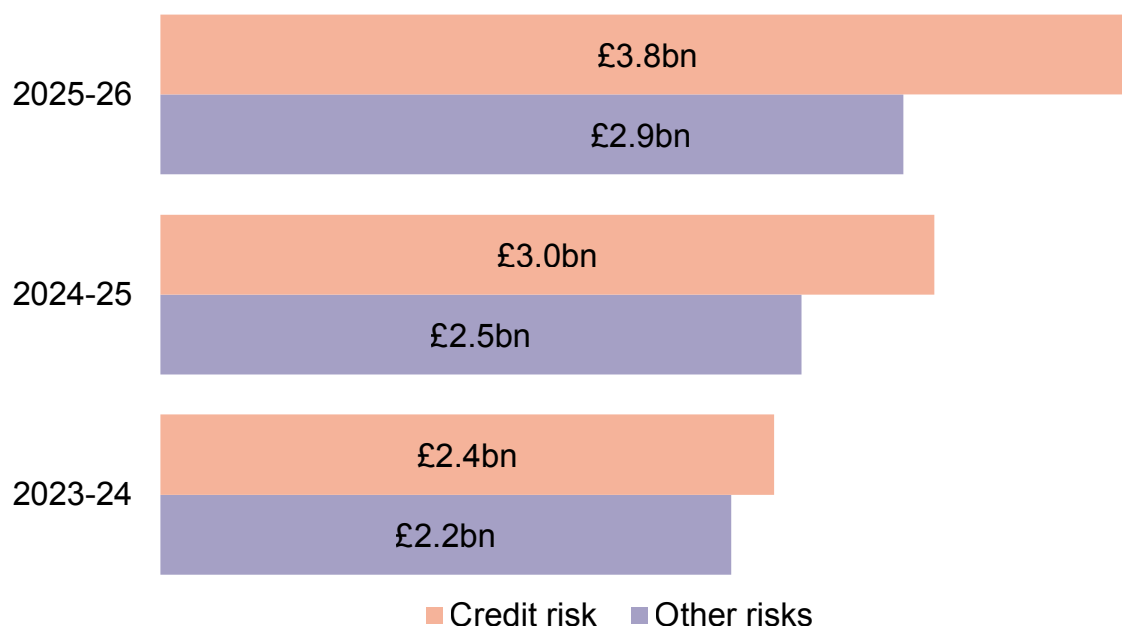
Departments, public financial institutions and Homes England were asked to identify the primary risk associated with each investment. Most investments are exposed to multiple risks, but for the purposes of this analysis each investment has been classified according to the risk considered most significant.

As shown in **Table 4A**, credit risk is the most commonly identified primary risk, accounting for £28bn (54%) of the portfolio and reflecting the debt heavy mix of the portfolio. Credit risk leaves the government exposed to counterparties' inability to meet their repayment obligations. Credit losses are typically more likely to materialise during periods of economic stress, when weaker cash flows, reduced liquidity and deteriorating financial conditions impair borrowers' ability to service debt. This means that the portfolio's performance could be significantly affected in the event of an economic downturn. All public financial institutions are required to assess credit risk in an extreme downside scenario, such that the potential for adverse events that could lead to systemic risk materialising are monitored as accurately as possible (further detail on this is below).

Table 4A: Primary risk associated with each investment

Risk	Value	Percentage
Credit Risk	£28bn	54%
Equity Risk	£16bn	31%
(FX) Risk	£5bn	11%
Interest Rate Risk	£1bn	1%
Concentration Risk (within portfolio)	<£1bn	1%
Policy Risk (during asset life)	<£1bn	1%
Market Risk	<£1bn	1%
Environmental, social and governance (ESG) and Climate Risk	<£1bn	<1%
Policy Risk (future policy choices)	<£0.1bn	<1%
Government Execution and Management Risk	<£0.1bn	<1%

As shown in **Figure 4A**, new additions to the portfolio are predominantly citing credit risks as the primary risk factor. In 2025–26, credit risk was the primary risk reported for around 57% of new investments, compared with approximately 55% in 2024–25. This trend is not surprising given that much of the expansion in the use of financial transactions has been in the form of loans. This suggests that the portfolio's inherent credit risk exposure could increase further over time, as the structural pipeline of new investments continues to skew towards credit-bearing assets.

Figure 4A: Risk profile for new investments each financial year

Concentration risk

Concentration risk arises from excessive exposure to a single asset, sector, geographic region, or other risk factor within a portfolio. A poorly diversified portfolio is more vulnerable to shocks, as losses in one area cannot be offset by stronger performance elsewhere. While the government's portfolio benefits from some diversification, this is not generally the result of a proactive risk-mitigation strategy. This is because, unlike in the private sector, investment decisions are made to deliver policy objectives, with each public financial institution established to address specific policy goals or market need. Concentration risk may therefore be unavoidable in the government's portfolio. Transparency about the level of concentration risk and its evolution is therefore essential in managing the portfolio and maintaining fiscal sustainability.

Single asset concentration

A key form of concentration risk in the portfolio is exposure to a relatively small number of large investments. As discussed in **Chapter 2**, the ten largest investments account for approximately half of the total portfolio value. While some of these exposures represent underlying diversified portfolios or schemes, others are concentrated in individual borrowers or projects. As a result, adverse movements in a small number of large investments will have a disproportionate effect on the value and performance of the portfolio as a whole, reinforcing the importance of understanding the specific risks associated with major exposures.

Sector concentration

As displayed in **Table 4B**, real estate activities represent the portfolio's largest single sector exposure with £14bn (27%) of the total, followed by financial & insurance activities with £12bn (24%). The real estate activities exposure is predominantly made up of Help to Buy equity loans, a legacy scheme in which the government holds a minority stake in a portfolio of

residential properties.⁴⁸ This concentration creates a direct exposure to the housing market. As the value of Help to Buy equity loans is linked to the value of the underlying properties, changes in house prices may affect the value and performance of this part of the portfolio.

In comparison to March 2024, real estate activities exposure has decreased from 38% to 27% as borrowers repay Help to Buy equity loans following the scheme's closure to new applicants in 2022.⁴⁹ Conversely, exposure to financial & insurance activities has increased from 14% to 24% of the portfolio, driven by new investment activity from public financial institutions in the sector.

This data shows that sectoral concentration into real estate is gradually reducing as the Help to Buy scheme winds down, decreasing its dominance within the portfolio. In the short-term this trend is expected to continue as outstanding loans are repaid. However, the recent announcement of the Your First Home scheme might lead to a subsequent increase in concentration over the medium-term.

Table 4B: Sectoral distribution of the government's financial investment portfolio

Sector	Value	%
Real Estate Activities	£14bn	27%
Financial & Insurance Activities	£12bn	24%
Extraterritorial Activities	£7bn	14%
Multiple Sectors	£5bn	10%
Construction	£3bn	6%
Energy Services	£3bn	5%
Information & Communication	£2bn	3%
Public Administration, Defence & Social Security	£2bn	3%
Manufacturing	£1bn	3%
Transportation & Storage	£1bn	2%
Other Sectors	£2bn	3%
Total	£52bn	100%

International and domestic concentration

As would be expected, the government's financial investment portfolio is predominantly UK based, with £30bn (58%) invested domestically and £22bn (42%) invested internationally. International investments are likely to have greater direct exposure to currency risk, global market fluctuations and geopolitical events.

However, this aggregate split masks a significant difference between loan and equity investments. As shown in **Figure 4B**, domestic investments are predominantly held through loans, whereas international exposure is primarily held through equity investments. This is

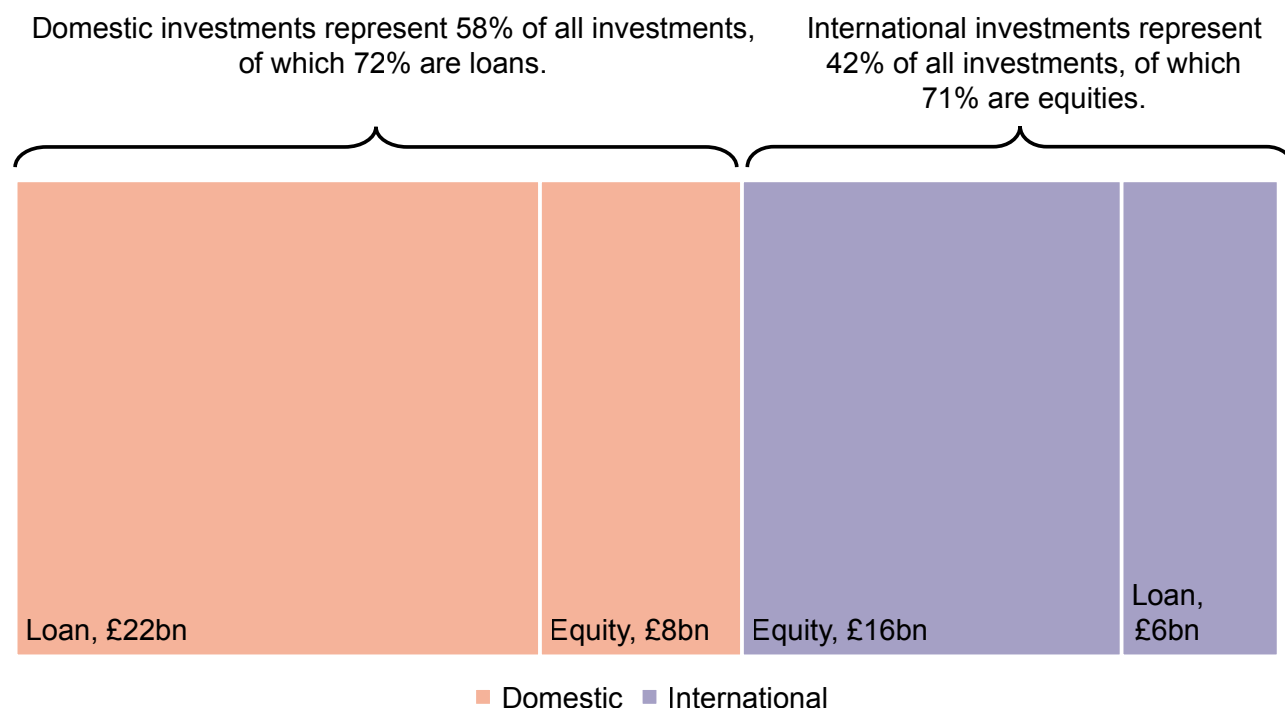
48 Properties were new build at the point loans were provided.

49 Closed to new applicants in October 2022, with completions until March 2023.

largely driven by equity investments made by British International Investment, as well as the government's investments in multilateral development banks and international financial institutions.

International and domestic exposures largely reflect different institutional mandates and policy objectives rather than an overarching diversification strategy.

Figure 4B: Domestic and international distribution of loan and equity investments



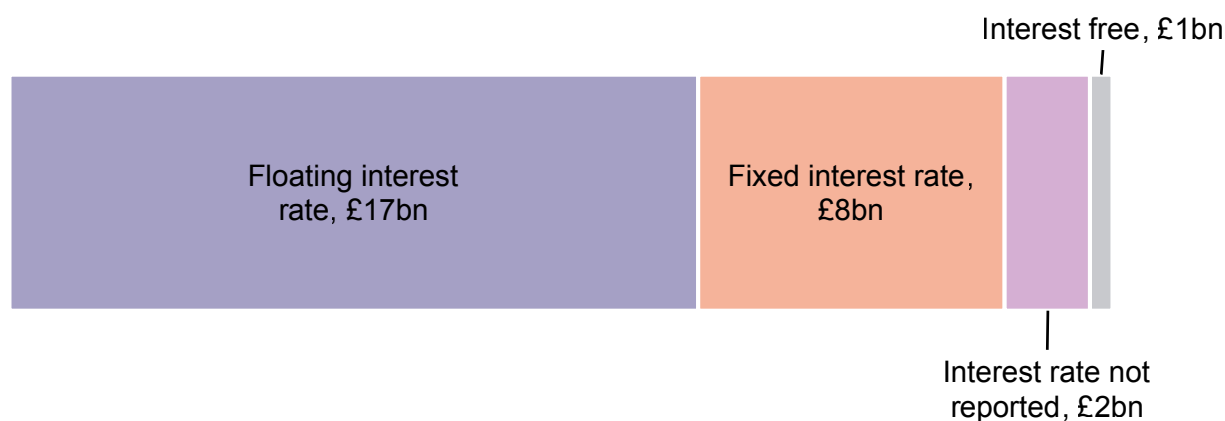
The composition of the portfolio reflects the mandates and policy objectives of the departments and public financial institutions responsible for making investment decisions. Unlike a commercial investment portfolio, assets are not selected primarily to achieve a desired portfolio allocation, but to deliver specific policy outcomes. Nevertheless, analysis of concentration risk can identify areas of heightened exposure. The evidence provided in this report can inform future investment decisions by highlighting where greater diversification could be considered, where policy choices are driving unavoidable concentration, and where additional risk-mitigation measures or controls may be required to manage the associated risks.

Interest rate risk

Interest rate risk arises where changes in market interest rates affect the value or performance of investments or create a mismatch between the terms on which the government borrows and invests. The loan sub portfolio, which is the largest part of the portfolio, is particularly subject to interest rate risk.

To assess the extent of this risk, we have evaluated the sub portfolio regarding the contractual terms of the loans. **Figure 4C** shows that most loans within the portfolio carry floating rates, accounting for 62% of the total. This is partly driven by the Help to Buy equity loan programme, which is the largest individual component of the loan portfolio. The remainder of the portfolio includes interest free and fixed rate instruments.

Figure 4C: Distribution of government lending by interest rate type



The high proportion of floating rate loans within the portfolio gives rise to interest rate risk. While the government finances expenditure through a combination of taxation and borrowing, the *Financial Transaction Control Framework* benchmarks investment returns against the government's cost of borrowing. As a result, changes in market conditions and the gilt rate (the effective cost of borrowing) may affect the income generated by floating-rate investments. While both investment income and financing costs may be influenced by the same market factors, they may not move in tandem or with the same sensitivity to changes in those factors. This creates uncertainty around the net return generated by these investments over time. UK Government Investments (UKGI) is working with the organisations managing the government's investments to create a more consistent approach to monitoring and assessing returns, so that risks to performance can be better understood and compared across the portfolio.

The largest contributor to this exposure is the Help to Buy equity loan programme, accounting for £13.5bn (48%) of the loan portfolio. However, the scheme differs from many interest rate instruments within the portfolio. Help to Buy loans were issued with an initial interest-free period, followed by an inflation linked interest charge. As a result, while Help to Buy contributes to the portfolio's interest rate exposure, the nature of that exposure differs somewhat from more conventional floating-rate lending.

Other risks

Other risks may also affect the government's portfolio and have implications for public finances and the achievement of policy objectives. Liquidity risk may arise where long-dated or illiquid investments limit the government's ability to realise value when needed. Policy risk is the risk that changes in government policy affect the expected costs, returns or value of an investment. This may be particularly relevant where an investment relies on a specific policy, regulatory framework or market intervention to achieve its objectives. Operational risk,

including the risk of loss arising from inadequate or failed processes, systems or controls, or from external events, may affect investment delivery or performance.

For the government, effective risk reporting provides a clear and consistent view of the uncertainties affecting the portfolio and their potential implications for public finances. It supports accountability, enables risks to be compared across investments and helps make informed decisions about investment, policy and the use of public resources.

Building on this year's analysis of risk triggers, UKGI is building more sophisticated analysis on downside stress scenarios through a working group with public financial institutions to share best practice on risk modelling. This work will inform analysis in future editions of the report. The next report is expected to focus on a single stress scenario, with later reports providing the results of stress testing across multiple scenarios. The longer-term aim will be to report annually on a range of standardised scenarios, improving transparency around fiscal risk. The scenarios will include financial and economic scenarios.

Risk budgeting policy for public financial institutions

As discussed above, investments carry a range of different risks that need to be understood and managed. As the government increasingly deploys financial transactions to achieve its policy aims, its approach to risk management will evolve to ensure taxpayer money is invested sustainably. In addition to the existing tools in place to manage risk, the *Financial Transaction Control Framework* outlined the government's commitment to set a limit (or risk budget) on exposure to unexpected losses from financial transactions delivered by public financial institutions. Following a year of working closely with UKGI and public financial institutions, HM Treasury has developed and introduced a risk budgeting policy which builds on the existing approach in institutions such as UK Export Finance (UKEF) and the National Wealth Fund (NWF).

As public financial institutions are increasingly expected to deliver the majority of the government's financial transactions, the policy is designed to support the management of investment risk within these institutions and provide guidance on the use of risk-based controls and limits. Taking on too little risk may suggest that institutions are not delivering sufficient transactions to meet policy objectives, whereas delivering investments that result in a higher consumption of the risk budget may suggest overexposure to certain sectors. Striking a balance between the two is important and can be achieved through the policy.

While the policy was agreed in June 2026, the first financial year (2026-27) is considered a pilot year, and public financial institutions will be expected to implement the policy in full from 1 April 2027.

Further detail on the risk budgeting policy, including risk benchmarking, the setting of risk budgets and implementation arrangements, is provided in **Annex F**.

In future iterations of this report and following the full implementation of this policy, UKGI will include quantitative analysis of relevant risk metrics across public financial institutions. This will enable the government to assess whether risk is being deployed in a manner consistent with policy objectives and support a more systematic approach to managing the portfolio.

Chapter 5: Conclusion and next steps

Assessment of the portfolio

The improved data collection for this *Financial Investment Report* has enabled a more sophisticated understanding of portfolio value, performance and risk than was possible in the inaugural report. Collectively, the findings demonstrate the value of a consolidated portfolio view and reinforce the importance of ongoing monitoring, transparency and active management of government investments.

Next steps

This *Financial Investment Report* serves not only to improve transparency, but also to support better decision-making across government. As the portfolio continues to grow and more investments are delivered under the *Financial Transaction Control Framework*, future reports will provide a more robust assessment of how government balances risk, return and policy objectives, and whether financial transactions are being deployed in a fiscally sustainable manner.

To achieve these two goals of continually improving transparency and decision-making, UK Government Investments (UKGI) will undertake the following work.

1. Data quality

Over the next year, UKGI will continue to work with colleagues across government to improve the quality, consistency and granularity of data collected. This will support more sophisticated analysis of portfolio value, performance and risk and improve comparability across organisations while reducing reliance on estimates. Future data collections will seek to provide richer insight into cashflows, management costs, expected investment duration and returns.

2. Analysis of performance

UKGI will improve portfolio return estimates by building a more complete historical dataset, extending coverage across a longer period. This will enable UKGI to capture investments that exited during the assessment period, refine the methodology for assessing returns, and produce more robust estimates. These enhancements will support more sophisticated analysis of portfolio performance and its key drivers in next year's report, including at sub-portfolio and organisational level.

3. Stress scenarios

Building on the enhanced risk analysis introduced this year, in future reports UKGI intends to incorporate stress-testing and downside scenario analysis to provide greater transparency around potential fiscal exposures. The intention is to develop a suite of standardised scenarios that can be applied consistently across the portfolio to improve the government's understanding of how economic and financial shocks could affect investment performance.

4. Risk budgeting policy implementation

The implementation of risk budgeting across public financial institutions will be another major area of focus. Following the pilot year in 2026-27 and full implementation from April 2027, future reports will begin reporting on relevant quantitative risk metrics, providing greater transparency around the level of risk being taken across the portfolio and how it is being managed.

5. UKGI advice on financial transactions

UKGI, as the government's centre of expertise for corporate finance, will continue to work with departments and public financial institutions to deliver new financial transactions. UKGI provides expert advisory support in designing and delivering financial transactions.

6. Portfolio management and use of insights

UKGI continues to improve how its investment data collected annually can feed into the ongoing management of the government's investment portfolio.

This report provides valuable insights into the government's investment portfolio, such as the increasing prevalence of loans, the risk exposure from asset and sector concentration, insight around the performance of investments, all of which could help inform future decisions. Given the increasing richness of the data UKGI holds, further insights can be made available to decision makers in government as decisions arise on new investments or future strategies.

7. Scope of annual publication

UKGI currently publishes separate annual reports on financial investments and contingent liabilities. While this has improved transparency, reporting them separately does not reflect how the government uses these instruments or manages their associated risks. From 2027, UKGI will move to a single annual publication covering both investments and contingent liabilities, published alongside the Budget. This will provide a more complete view of the government's fiscal risk from these instruments, supporting future investment decisions and portfolio monitoring.

