



UK Space Agency Annual Report and Accounts 2013-14

UK Space Agency Annual Report and Accounts 2013-2014

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Chapter 1: Introduction and overview by the Chief Executive



As the UK Space Agency enters its fourth year of existence, we are beginning to achieve the ambitions that put the Agency at the forefront of our vibrant, growing sector.

This report captures how we are delivering on the UK Civil Space Strategy's Pathways to Growth, and how that overarching strategy translates into real benefit for the UK. We are setting the government's policy on civil space activities, ensuring that that policy is clear and fit-for-purpose through our regulatory framework, and managing the government's investment in key programmes to deliver the future growth of the sector.

In 2013-14, we have completed the preparation of the National Space Security Policy and it was issued in April 2014. A parliamentary inquiry into UK and European space agencies was published in the autumn of 2013, endorsing both organisations' work, and the UK Space Agency released the Government's response to that report in March 2014.

We have supported the work of the Space IGS Growth Action Plan team and we have published the Government's response to the public consultation on the reform of UK space licensing which will cap the current unlimited liability on satellite operators at £60M.

One of the most vital parts of our remit remains our role as regulator for the UK space sector. As the UK space sector grows, licensing of satellites and spectrum are one of our fast-growing demands. The number of licences issued grew again in 2013-14, as the Agency issued 60% more licences than in the previous year. Despite this significantly increased workload, the Agency managed to issue licences well in advance of every launch.

As the number and scope of the Agency's programmes grow, the Agency must change as well. In 2013-14 we prepared and delivered a significant change to the way the Agency works, through our Arrow programme. As of 1 April 2014, the Agency is to be divided into four directorates: Policy, Growth, Programmes and Operations & Resources. The reorganisation was needed to deliver the greater range of responsibilities we have been given while operating in this fast-moving sector.

But it has been a winding path. I am very proud of the Agency's staff. They have worked incredibly hard over the last year to overcome the challenges that invariably accompany the growth of any organisation. We can be proud that we have maintained our corporate performance throughout. We delivered most of our KPIs successfully and have set the stage for delivery of others over 2014-2015, as well as meeting new requirements in-year. There continues to be a real passion and dedication to our work among the Agency's staff. That dedication means that we can overcome challenges as they arise.

The UK has set out its clear view that ESA should remain an inter-governmental agency and not be absorbed into the European Union. We have advanced this view in Europe and our Minister, David Willetts, has mooted the ambition for a joint European space roadmap to be agreed between the European Commission and ESA.

Meanwhile, the European Space Agency remains at the heart of our work and we are starting to see the benefits of our investments at the Council of Ministers in November 2012. The Agency has concluded the hosting agreement that will transform the ESA office at Harwell into the European Centre for Space Applications and Telecommunications (ECSAT), and ESA have broken ground on the new 'Roy Gibson' building which will be their facility in the UK.

In the Agency's national programme, there have been many notable milestones. The UKube-1 satellite has

been completed in preparation for launch, which has however been delayed due to issues with the primary satellite on the planned launch from Baikanour.

The majority of projects in Phase 1 of NSTP have been completed. However, the planned programme review to measure impact and take lessons into Phase 2 has had to be delayed due to resource issues. Nevertheless, the top priority funding of technology projects to prepare exploitation of the publicly regulated signal (PRS) of Galileo have started using NSTP-2 funding. Following a delay in securing EU state-aids clearance, the NovaSAR project is now back on track.

The past year has been very busy with several major events, including the second national space conference in Glasgow and the hosting of ESA's Living Planet Symposium in Edinburgh. Both were incredibly successful and the latter brought together 2000 scientists to focus on the very dynamic and healthy European Earth observation programme.

Over this year the Agency's vision to make the space cluster at Harwell Oxford a key tool in delivering the UK civil space strategy has advanced. We have created the UK Space Gateway project as a means to coordinate with our partners on site. The Satellite Applications Catapult has grown rapidly, and the ESA business incubator continues to thrive. The partnerships we form at Harwell will be incredibly important for promoting innovation and showcasing the good work the space sector is doing across the country.

The Agency has also established a number of international agreements to support exporters and to strengthen international ties. A major success has been a new strategic agreement with CNES that will see UK contributions to both IASI-NG on Metop-2G and the SWOT Earth science mission, benefitting both the research and industrial communities.

The Agency also orchestrated one of the most exciting announcements in the UK space sector for some time - British ESA astronaut Tim Peake's selection for a six-month mission to the International Space Station in 2015. This presents an exciting new opportunity to bring Britain together around the remarkable achievements of space, and to inspire and inform the next generation of students and children. We have worked closely with ESA and with Tim to develop education and outreach actions. Our digital communications strategy has advanced and our web site will be updated to be part of the gov.uk portal. You can join our 75000-strong twitter community to keep up to date with developments and the latest happenings in the Agency.

As a small but ambitious organisation, we are learning just how strong and how capable we can be by working with our partners in government and industry. I hope that this report shows you that we are delivering the government's ambitions for the space sector and that we are properly managing the public funds entrusted to us.

David Parker
Chief Executive and Accounting Officer
20 June 2014



Chapter 2: Management Commentary

Strategic Report

This Management Commentary should highlight those areas which were key successes for the Agency, as well as areas where the Agency aims to deliver in 2014-2015.

The UK Space Agency continues to deliver its activities in-line with the UK's Civil Space Strategy, using that document as the foundation for its work across the sector and internationally. This summary is led by a snapshot of the Agency's policy and regulatory work, and followed by a description of how the Agency is delivering against each of the Civil Space Strategy's six pathways to growth.

Corporate Performance

The Agency delivered on its corporate performance measures in the year, setting ambitious, if achievable targets for 2013-14. The majority of the 61 key performance indicators (KPIs) were delivered successfully. These were captured in six overarching Outcomes in the Agency's annual Corporate Plan, and measured on a Red/Amber/Green scale.

Outcome	Status	Progress
We will have clear and effective space policies and policy positions.	Amber	Preparation of National Space Security Policy completed; UK position on ESA-EU evolution agreed and advanced at European level; National Space Policy delayed to 2014-15.
UK space policy and policy positions will be effectively represented at a national and international level.	Green	Galileo regulation agreed; ESA geographic return factor of 1.0 achieved; all Outer Space Act licenses delivered on time; Government response to Outer Space Act consultation delivered on time.
The UK will maintain and grow its national capability in space.	Green	UK Space Gateway project established; new bilateral programmes with France and Italy agreed; three new foreign direct investment successes.
UK investment in space will be effective, targeted and delivers tangible economic, societal or scientific benefit.	Amber	Secured lead of MetOp 2G MWS instrument; progress on range of science missions including launch of Gaia; Final projects for National Space Technology Programme delivered; Phase 1 of PRS projects delivered and Phase 2 begun.
The criticality and utility of the space sector to science, enterprise and economic growth will be increasingly understood by policy-makers, commerce, and the general public.	Green	Social media targets delivered; Big Bang Fair and UK Space Conference were successful in reaching target audiences; UK hosted ESA's largest scientific conference (Living Planet).
The UK Space Agency will have the capability, capacity and culture to deliver the Civil Space Strategy.	Green	Agency change programme launched; key new staff appointed; financial targets for 2013-14 met.

Advisory structure and governance

The Agency's advisory structures continue to draw on expertise from government and stakeholder groups. The Steering Board and Audit Committee are the key advisory bodies for the Agency which meet regularly to provide advice to both the Executive Board and the Department for Business, Innovation and Skills (BIS) on the Agency's performance, operations, budget control and risk management. The Audit Committee met 5 times and made 70 recommendations during 2013-14, which the Agency is currently in the process of implementing. The Steering Board met 5 times last year, providing independent challenge to the Executive on its work and priorities.

Rob Douglas CBE is an independent member and Chair of the Steering Board. Rob is also a member of the Space Leadership Council which is chaired jointly by the Minister for Universities and Science David Willetts MP, and the President of UKspace, Andy Green. The Council provides independent advice to the Minister and to myself on current priorities and future opportunities for space activity in which the UK should participate, both at a national and international level. The membership of the Council is drawn from across government, industry and the academic sector, in order to provide a broad perspective on space activities. The Council met four times in 2013-14, and their advice has been invaluable in continuing the momentum of the UK Space Agency.

Agency Arrow Programme

The UK Space Agency recognised the need for smarter working to ensure it is fit to deliver the sector's ambitious targets for growth. The Arrow programme was established to deliver organisational change to ensure the Agency is aligned, resourced and organised to deliver the Civil Space Strategy 2012-16 and the Space Growth Action Plan.

In doing so, the Agency works to become a respected and admired organisation, trusted:

- by Ministers to deliver their policies;
- by the Department to be efficient, effective, and financially stable;
- by industry and academia to help them meet their goals;
- by international agencies as a partner of choice.

The Agency goal has been to become an organisation where: knowledge is shared; adequate staff and resources are in place; there is clarity flowing from strategy through the Corporate Plan to individual objectives; IT and tools are in place to facilitate collaborative working; and, individuals are empowered to make decisions.

The programme has delivered through seven projects, including terms & conditions and pay; investing in our staff; communications; building one organisation; evolving our business model; new ways of working; and improving our performance.

The UK Space Agency has increased in size to 55 staff by 31 March 2014. The additional staff will help strengthen an Agency that is working across the country and around the world on behalf of an ambitious UK space sector. Agency staff have worked incredibly flexibly over the last year, given the continued expansion of the work of government in the space arena and the challenges of changing conditions.

In addition to providing leadership for the European Space Agency's (ESA) world class science missions, Agency staff have assisted industry as it competed for new European contracts, as well as working to attract inward investment and export UK excellence in manufacturing and satellite data services overseas. The UK Space Agency is also strengthening its support for the development of the UK Space Gateway at Harwell Oxford.

From 1 April 2014, the new structure organises the Agency into four Directorates - Policy, Growth, Programmes, and Operations and Resources. The revised business model is not solely about structure, but also promotes the flexibility to draw skills from across the four directorates as well as external partners to deliver.

The Arrow programme has also sharpened the Agency's internal management and reporting procedures through the introduction of consistent performance management procedures, a UK Space Agency project and programme handbook, and project and programme management training for staff.

David Parker
Chief Executive and Accounting Officer

20 June 2014

Policy Development

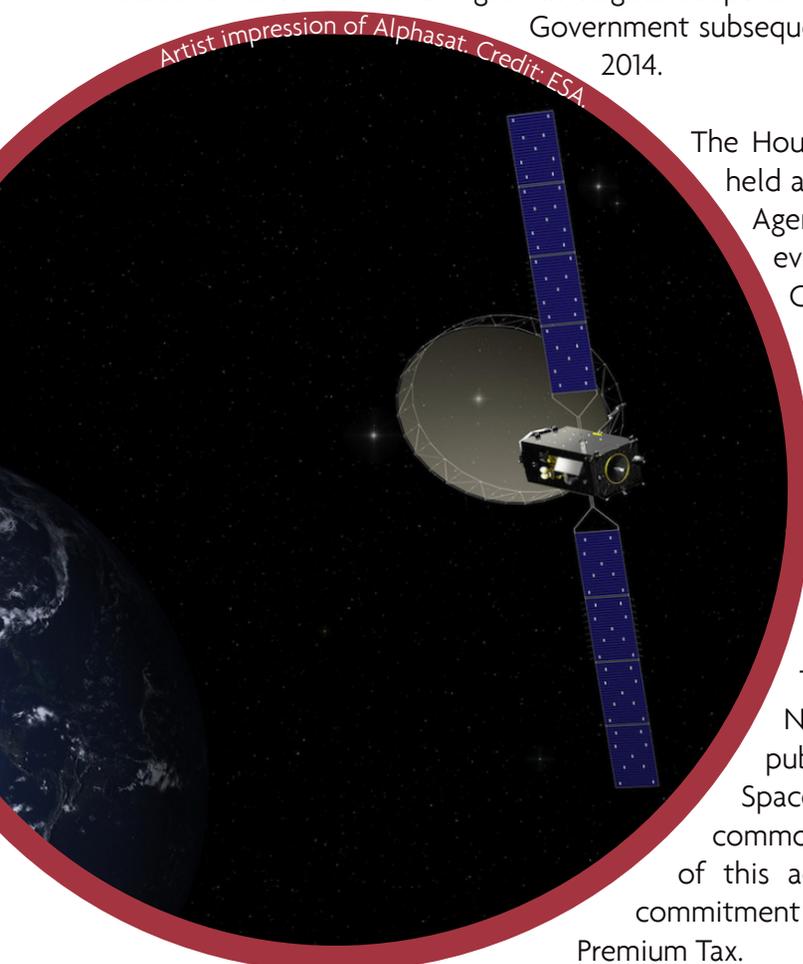
The reporting year saw extensive new policy developments, both domestically and internationally.

The United Nations Group of Governmental Experts on Transparency and Confidence Building Measures in Outer Space Activities issued a report which highlighted the need for an International Code of Conduct to provide an appropriate governance framework covering safety, security and sustainability. The UK Space Agency provided expert advice and support to the Foreign and Commonwealth Office as it worked with international partners to deliver the Code and it will continue to provide such support as the work proceeds. The Agency's Chief Engineer worked on the Inter-Agency Space Debris Coordination Committee (an international governmental forum for the coordination of activities related to space debris) and also made significant contributions to discussions within the United Nations Committee on the Peaceful Uses of Outer Space to ensure the long-term sustainability of outer space activities.

The finalisation of the European Union (EU) budget for 2014-2020 required the Agency to negotiate on the new EU legislation that governs the EU space programmes EGNOS, Galileo and Copernicus, and for the EU Horizon 2020 research and development programme that provides funding for space. A key UK objective of the negotiations for the space programmes was to improve the management and governance of the programmes to improve delivery. In total, the EU agreed around €11 billion for EU space activity to 2020.

Work has started in earnest on the question of how ESA and the EU should work together in future with the UK Space Agency feeding in analysis to the European Commission and the ESA Executive. A decision on how the two organisations should work together is expected to be taken towards the end of 2014-15. The European Commission also proposed a new EU initiative on space surveillance and tracking, to which the UK Space Agency responded. Work on preparing the necessary legislation for the use of Galileo's Public Regulated Service (PRS) continued, as the Agency led the UK strand by coordinating with stakeholders across government.

Domestically, the UK space sector undertook a comprehensive exercise to set out an Action Plan for the achievement of the growth targets adopted in the 2010 Space Innovation & Growth Strategy. The Government subsequently issued its response to the sector's report in April 2014.



Artist impression of Alphasat. Credit: ESA

The House of Commons Science and Technology Committee held an inquiry into the work of the UK and European Space Agencies and the Agency's Executive Board provided evidence at a hearing in Parliament in July 2013. The Committee issued its report in October, containing five headline recommendations. The Government accepted all of the recommendations in its response.

Work on the development of a National Space Security Policy was led by the Agency, working with the Cabinet Office, Home Office and Ministry of Defence. This was subsequently published on 30 April 2014.

The Government held a Space Challenger event in November, the results of which were subsequently published as part of the Government's response to the Space Growth Action Plan since many of the actions were common with the Action Plan recommendations. As a result of this activity, the Chancellor announced in the Budget a commitment to exempt space insurance premiums from Insurance Premium Tax.

The UK Space Agency also produced its first Strategy for Earth Observation from Space, covering the period from 2013 to 2016, providing a framework for strengthening the UK's world-leading position on Earth observation science and technology.

Regulation

The Agency acts on behalf of the Secretary of State to grant licences under the Outer Space Act 1986 to launch or operate a space object. A series of assessments are made to help ensure that the proposed activity does not pose risks to public health and safety or UK national security. It also allows the Government to offset some of the unlimited liability that falls to it through a requirement on licensees to obtain third party liability insurance.

During 2013-14, demand for licences grew again and the Agency issued 60% more licences than in the previous year. Despite this significantly increased workload, the Agency was able to issue every licence well before the relevant launch date. This increase in applications for licences is a positive sign of increased UK activity in space.

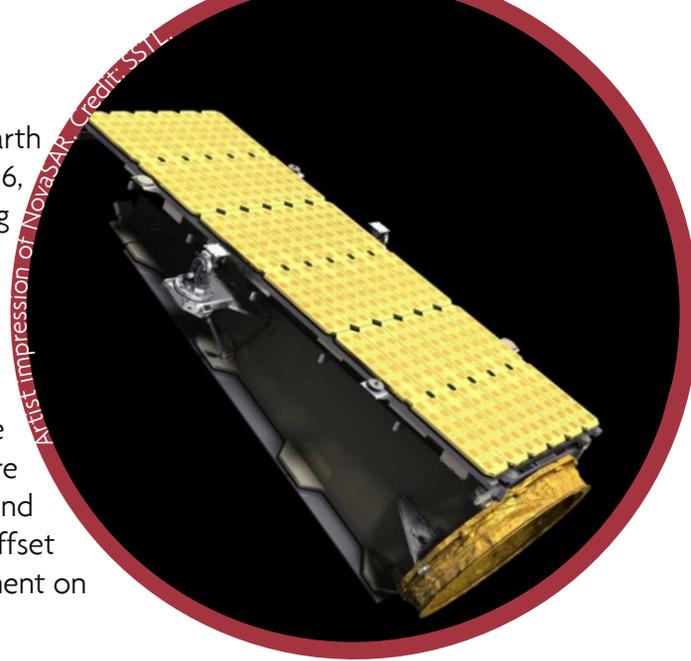
One of the Agency's key roles is to ensure that the regulatory framework for the UK's civil space sector is right and reducing the regulatory burden where appropriate remained a high priority last year. The Government's aim is that UK regulation is proportionate and balanced so that industry is not unfairly disadvantaged compared to international rivals.

The Government set out a commitment to reform the Outer Space Act in 2011 in order to level the playing field for UK companies when competing for international business. The Government published its response to a consultation exercise on proposed reforms in December and announced that the currently unlimited liability would be capped to £60 million for the majority of missions. The Government has also committed to considering its policy regarding the treatment of nano-satellites, including cubesats.

Spectrum

In its Space Growth Action Plan, industry proposed that the Agency lead the creation of a Space Regulatory and Spectrum group. Industry also proposed to review the competitiveness of the UK's business environment for the space sector on a rolling three-year basis to benchmark the UK against other countries.

The Agency will be supporting the creation of an industry-led group and will work closely with the sector and other government stakeholders, with the aim of establishing cross-industry positions on spectrum and licensing issues. Where compatible with the UK's international obligations, the Agency will take appropriate action and undertake a review of the cost of the space licensing regime to ensure value for money for the taxpayer.



Communications

The UK Space Agency led in organising the 2013 UK Space Conference, working closely with the key stakeholder groups within the space community. The conference had as its theme ‘Inspiration, impact and growth – making it happen’, so sessions were focused on realising the UK’s ambitions in space - including making a global impact with science and research, contributing to the UK’s economic growth by developing new commercial applications and businesses, and developing the interactions between these activities.

The Agency website also continued to be a major outlet for news and is growing into a focal point for space sector information of all types, from major news stories to education opportunities. During 2013-14, there were around 180,000 visits to the website and around 450,000 separate page views across the whole year (this is slightly lower than in 2012-13 when we had 240,000 visits and 600,000 separate page views). Preparations to migrate the website to the new Government portal (www.gov.uk) were undertaken this year and the move will take place in June 2014. The importance of social media to communicate the Agency’s messages is growing rapidly. For example, the number of Twitter followers more than doubled over the course of the last year to 75,000 people.

Correspondence

The UK Space Agency received a increased level of correspondence in 2013-14, and response times suffered as a result of significant pressures on staff. The result was that correspondence deadlines were occasionally missed while the majority of enquiries were dealt with within deadlines.

Correspondence	Number	Response Times
Ministerial Cases	16	96% answered within deadline
Parliamentary Questions	43	91% answered within deadline
Public Queries	467	Average response time: 3 days
Freedom of Information requests	27	85% answered within deadline



Innovation supporting growth

The UK Space Agency continues to invest and support the development of new infrastructure and technologies that will keep the UK space sector competitive in the global market.

AlphaSat

The Agency marked the success of a significant public private partnership with the launch of AlphaSat in July 2013. With an influential UK customer in Inmarsat and significant UK industrial involvement, AlphaSat represents the scale of ambition for UK industry and due value that is generated for UK industry from participation in ESA technology development programmes.

Minister for Universities and Science David Willetts, David Parker and Agency staff attended the launch in Kourou with Jean-Jacques Dordain, Director General of ESA.

Synergetic Air-Breathing Rocket Engine (SABRE)

At the UK Space Conference held in Glasgow during July 2013, the UK Government announced that, subject to a robust business case, it would provide a £60 million grant to Reaction Engines to aid the development of its ground-breaking Synergetic Air-Breathing Rocket Engine (SABRE).

Building upon the successful SABRE technology demonstrations undertaken by the company, the aim of this work is to complete development of a new engine to power launches into space.

SABRE will be the first engine to operate in two propulsion modes: air-breathing whilst in the Earth's atmosphere, and then in conventional rocket mode whilst in space, a development that will offer cheaper space launches than conventional systems. This engine technology will be an important step in the development and launch of a new type of space plane, one that will not only require less fuel than conventional rocket launchers but will also be fully reusable.

NovaSAR

The UK Space Agency is providing a grant of £21 million to SSTL to help support the development of the first NovaSAR satellite.

NovaSAR is a new low-cost S-band radar satellite that is being designed and built by Surrey Satellite Technology Limited. NovaSAR will deliver medium resolution (6-30 metres) Earth observation data day and night, in all weather at a price similar to traditional optical missions, and for approximately 20% of the cost of conventional radar missions.

UK funding began in December 2013, and already important development milestones have been met, including the completion of the Critical Design Review in March 2014.

Technology Programmes

National Space Technology Programme

The majority of NSTP projects were completed in 2013-14. Some flagship programmes will continue into 2014-15, and a second phase of the programme commenced with the PRS Pilot Scheme, as referenced below.

More detail is available in the Agency's National Space Programmes document available on the UK Space Agency website: www.gov.uk/ukspaceagency

PRS Pilot Scheme

This year has seen the UK's innovative development programme to exploit the opportunity presented by Galileo's Public Regulated Service find its stride. It has been supported by £6 million of joint funding from the Agency's second phase of the National Space Technology Programme and the SBRI scheme operated by the Technology Strategy Board. The programme is developing a number of ground-breaking technologies that will enable secure use of Galileo's encrypted service for a far wider group of authorised users than was considered possible up to this point. This exciting programme is also developing technologies that will revolutionize the way in which national regulators think about their administration of cryptographic keys.

Collaborative Research in Exploration Systems and Technology (CREST 2)

In July 2013, CREST 2 awarded funding to 9 projects totalling £2 million. The projects vary in length from 3-24 months and include 3 companies, 7 universities and 2 research centres. The aim of the scheme is to increase collaboration between academia and industry focusing on the four priority areas of:

1. autonomous capabilities; including fusion of data from a number of sensors, for example to aid location, navigation, sample identification and terrain assessment
2. novel instrument technologies; the development of instrument technologies likely to be used in future Mars missions and long lead technologies that are required for future exploration missions
3. planetary sample integrity; research into maintaining sample integrity from collection to analysis
4. precursor studies for ELIPS projects

Growth from new opportunities

The Agency is working to make the most of new opportunities that present themselves to the sector, identifying potential new markets, supporting industry initiatives and making the most of new collaborative European programmes.

Copernicus

This year also saw a key milestone realised in the EU and ESA Copernicus programme with the launch of the first satellite mission, Sentinel-1.

Copernicus marks a step change in Europe's Earth observation capability. Sentinel 1 moves Europe from an era where missions were largely one-off to support specific scientific objectives, to an era of long-term, sustained environmental observations to support a wide range of environmental and security applications for policy makers, industry, academia and the public at large. Sentinel-1 is a radar mission, and UK industry made key contributions to the development of the space craft, drawing on heritage from previous ESA missions and national investments. It will be capable of taking measurements down to 10m with images of up to 250km in breadth.

The data provided by this specific satellite will particularly support applications such as:

- monitoring sea ice zones and the Arctic environment
- surveillance of marine environment, including oil-spill monitoring and ship detection for maritime security
- monitoring land surface motion risks
- mapping of land surfaces: forest, water and soil, sustainable agriculture
- mapping in support of humanitarian aid in crisis situations
- climate monitoring

To date, the overall ESA and EU investment in the Copernicus programme is around €3.2 billion, however several economic studies have already demonstrated a huge potential for job creation, innovation and growth with benefits arising from Copernicus through to 2030 estimated at some £30 billion. The UK Space Agency has recognised this tremendous economic growth potential from exploitation of data and has coordinated the UK

community to invest in ground infrastructure which will provide the UK community fast and efficient access to data, enabling the downstream sector to capitalise on the growth opportunity.

Throughout this year the UK Space Agency has been heavily involved in the process to agree the Copernicus regulation which will provide the programmatic framework out to 2020. The UK Space Agency has also played a key role in oversight of the space component development and related issues through our involvement on ESA management boards.

National Spaceflight Coordination Group

The UK Space Agency, Department for Transport and Civil Aviation Authority have been formally working together since April 2013 to define a regulatory framework which will allow spaceplanes to safely operate from the UK; this followed a series of spaceplane regulation workshops, involving industry, regulators and the European Aviation Safety Agency, as well as a technology feasibility study into the elements of a UK spaceport (under the National Space Technology Programme). A summary report was submitted to ministers in March 2014, and the full technical report will be published in July 2014.

To take forward the recommendations set out in the report, the Government has established a National Spaceflight Coordination Group, which is chaired by the UK Space Agency and comprises representatives from the Department for Transport, Ministry of Defence, and Civil Aviation Authority. This cross-departmental team will further investigate reforms to spaceplane regulation, investments in spaceplanes and the feasibility selection of a UK spaceport by 2018, and will report to ministers (the Minister for Universities and Science; the Parliamentary Under Secretary of State for Transport; and the Minister for Defence Equipment, Support and Technology) on a quarterly basis. The Group's cross-cutting nature is a recognition of the scale of challenge inherent in identifying, approving and building a UK spaceport, and in supporting all the necessary innovation and technology that it would require.

UK Space Gateway activity

In 2013-14, the Agency has brought together local and national stakeholders to develop space activity at Harwell through the UK Space Gateway programme. Key areas of focus include: Providing a front-door into Harwell through a web portal, influencing the physical development of the campus and supporting inward investment.

Development of the ESA UK facility (ECSAT) is progressing; over 30 ESTEC staff have already transferred to the Harwell campus – with the total anticipated to reach 100 in 2015. Planning permission has been granted for the new building, and construction work is due to accelerate in 2014-15.

The new RAL Space facilities building (R100) has also received planning permission and enabling work has commenced – the facilities within R100 will also be available for external use. The EDRS dish has also been installed at the entrance to the campus – which will enable the download of Copernicus data for UK use.

The new private sector joint venture partner in the Harwell Oxford partnership joined in January 2014. They have commenced work on a campus-wide masterplanning exercise and have identified space as a significant cluster that could deliver the growth they are seeking.

The Catapult is now staffed with c. 100 FTE (including some consultants), and are expanding further within the Electron building. This has resulted in the need to build a new “Modular Building” (R103) behind Electron – and many of the companies currently in the Electron building will relocate there in the coming months. New organisations arriving on the campus include Thales Alenia Space UK and Deimos UK. There is a steady pipeline of inward investment inquiries.

The Gateway programme is also encompassing a number of the recommendations of the Space Growth Action Plan to support regional growth of the space sector. The Agency is working with a number of Local

Enterprise Partnerships and Devolved Administrations to highlight opportunities offered by the space sector and support them in achieving their growth targets through supporting space companies. In addition, the Gateway Programme is exploring the Agency's ambition to expand the provision of space business incubation across the UK.

Growth from export

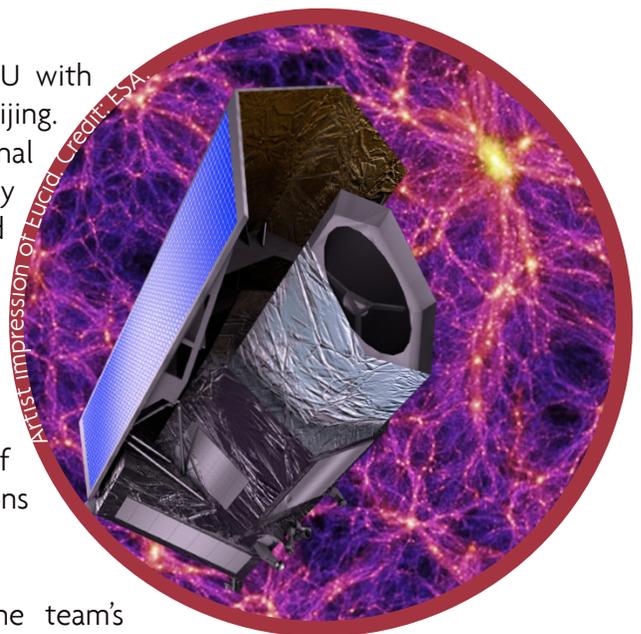
It has been an important year for international space policy at the UK Space Agency. The team has been redefined and expanded to reflect the important role that exports, inward investment and relationships with international partners will play in the drive to deliver the Agency's growth targets.

International agreements

A significant proportion of this work has concentrated on developing and improving relationships with other national space agencies that have an interest in developing space applications and services. The UK Space Agency has signed five important Memoranda of Understanding (MoU) which reflect this priority.

The first of these in May 2013 was with the **Mexican Space Agency (AEM)**. The Mexican Space Policy Roadmap is designed to transform Mexico into a producer rather than simply a buyer of complex satellite capabilities by 2027. AEM has programmes in the pipeline for Earth observation and telecommunications development and, due to support from other Mexican government departments, offers great potential for several new missions with opportunities for the UK. In December 2013, an agreement to take forward work to develop the Mexican satellite market and its various applications was signed during a visit by Deputy Prime Minister Nick Clegg to Mexico. The collaboration is expected to provide a boost to sales of satellite constellations necessary for national security, providing important data on natural disasters and weather events, as well as for satellite-enabled education and medicine, early detection of oil leaks, broadband telecommunications and other services.

December 2013 also saw the signing of an expanded MoU with the **China National Space Administration (CNSA)** in Beijing. This followed extensive preparatory work at the International Astronautics Congress in October 2013. The MoU was signed by David Parker and Vice Administrator Zhang Jianhua, witnessed by the Prime Minister and Minister for Universities and Science, David Willetts. The agreement begins the process of identifying collaborative opportunities with the space economy and so has the potential to deliver real economic growth and social benefit for both countries. UK Industry stands to benefit from such collaborations and a number of prospects are now in development. A series of trade missions to capitalise on this cooperation are planned for 2014/2015.



Looking to our traditional partners, in January 2014 the team's attention turned to the **French Space Agency (CNES)**, with whom we have a long and distinguished history. An agreement was reached that unlocked £13 million of UK investment in key instruments for the next generation of European weather satellites and will enable UK scientists to conduct the most comprehensive global survey of Earth's surface water. The agreement paved the way for possible joint work on Earth observation, telecommunications, space weather through the SWOT mission, as well as future development of technology and joint work on research. The signing of the MoU was witnessed by the Prime Minister and President Hollande at the UK-France Summit at RAF Brize Norton in Oxfordshire in January 2014.

February 2014 saw the establishment of an MoU with the **Nigerian Space Agency (NASRDA)**. This was signed on our behalf by the British High Commissioner to Nigeria, Dr Andrew Pocock, and the Director General of NASRDA, Dr Seidu Mohammed. Nigeria has an existing relationship with the UK space sector as part of

the Disaster Monitoring Constellation consortium, so this formalisation of the relationship provides further opportunities for commercial partners, capacity-building links and collaborative research.

Finally, in March 2014 an MoU was signed with an emerging space nation with significant national ambition, Algeria. The MoU with the **Algerian Space Agency (ASAL)** will create the framework for development of joint projects, accompanied by academic training sessions and project training, as well as underpinning UK industrial opportunities such as ALSAT-1b recently secured by SSTL. The signing ceremony took place in the presence of Minister of Post and Information and Communication Technologies, Zohra Derdouri, and General Zerhouni, Chairman to the ASAL Board of Directors, together with Lord Risby, the Prime Minister's Trade Envoy to Algeria, and Martyn Roper, the UK Ambassador to Algeria.

Other discussions have taken place with Brazil, Colombia, Italy, Malaysia, Thailand, Singapore and Chile, all of whom have pragmatic insights to offer in the use of UK space systems and services.

The International Space Policy team has also become more active in supporting UK industry at international fora, taking advantage of our excellent network of Trade and Science colleagues at UK Embassies. This included moderating a panel session at the Global Space Technology Conference (Singapore) and leading discussions at the Chilean Airshow (FIDAE). Further profile-raising venues are planned for 2014/2015.

Addressing inward investment, the UK Space Agency has started to work closely with UKTI to promote the UK as an excellent business-friendly location for starting and growing a space company. During 2013/2014 this has underpinned important successes leading to the establishment of UK offices for 2 established European space companies: Thales Alenia Space and Deimos.

Science to underpin growth

The UK's world-leading science base underpins the innovation that drives economic growth. The Earth observation, space science and exploration missions that the UK leads, and participates in, demonstrate great technical and scientific ambition, increasing our understanding of the Universe – from the geography and geology of neighbouring planets to fundamental physics and the origins of our Universe – while driving technological advances, with significant spin-out into terrestrial industries.

Space acts as a beacon to attract a new generation of engineers, scientists and entrepreneurs into activities that are vital in solving the challenges faced by society and in generating the economic activity needed to drive sustainable growth. Government investment in space over many years has been carefully targeted to support existing UK competences and develop into new areas where the UK can lead. UK industrial and academic research competes and wins on a global stage; the Agency seeks to ensure that this continues by leveraging activities through strong involvement in ESA and other bilateral and multilateral science missions, projects and agreements.

Euclid

Euclid is an ESA mission, scheduled for launch in 2020, to investigate the nature of Dark Energy and Dark Matter and to improve our understanding of why the Universe is expanding at an accelerating rate, and not slowing down due to the gravitational attraction of all the matter in it, as might have been expected. This cosmic acceleration was discovered nearly 20 years ago, but what causes it remains unknown. The term Dark Energy is used to refer to this mysterious force, and by studying its effects on the shapes and locations of galaxies, the Euclid team hope to understand its true nature and influence.

Euclid will use two scientific instruments to do this on its 6 year mission: the visible wavelength camera (VIS) and a near infra-red camera/spectrometer (NISP). Prof Mark Cropper at University College London's Mullard Space Science Lab is the Principal Investigator for the VIS instrument, which passed a rigorous preliminary design review in early 2014, and UK researchers will also play a key role in processing the very large volumes of high precision data which are expected from the mission.

JUICE

JUICE (JUperiter ICy moons Explorer) is the first Large-class mission in ESA's Cosmic Vision science programme. Planned for launch in 2022, it will spend 3 years observing the biggest planet in the solar system and 3 of its largest moons, Ganymede, Callisto and Europa. These moons are believed to have vast oceans of water beneath their icy surfaces, and JUICE will map the surfaces, make soundings of the interiors and assess the potential for life in the oceans. To do this JUICE will use a suite of instruments including cameras and spectrometers, a magnetometer, particle and plasma monitors and ice penetrating radar. A UK team led by Principal Investigator Prof Michele Dougherty at Imperial College London was selected by ESA

in 2013 to develop the magnetometer, which will investigate the magnetic fields of the Jupiter system and of the oceans. The UK is also collaborating with European partners on the development of the JANUS camera and the detectors for the Particle Environment Package.

Biomass

The UK is set to take part in a European space mission to map and monitor the amount of biomass and carbon stored in the world's forests. Named Biomass, the new mission will provide information essential to our understanding of the role of forests in Earth's carbon cycle and in climate change. Biomass is an innovative new addition to the Earth Explorer satellite series under the European Space Agency's Earth Observation Envelope Programme which the UK subscribes to, and was competitively selected this year.

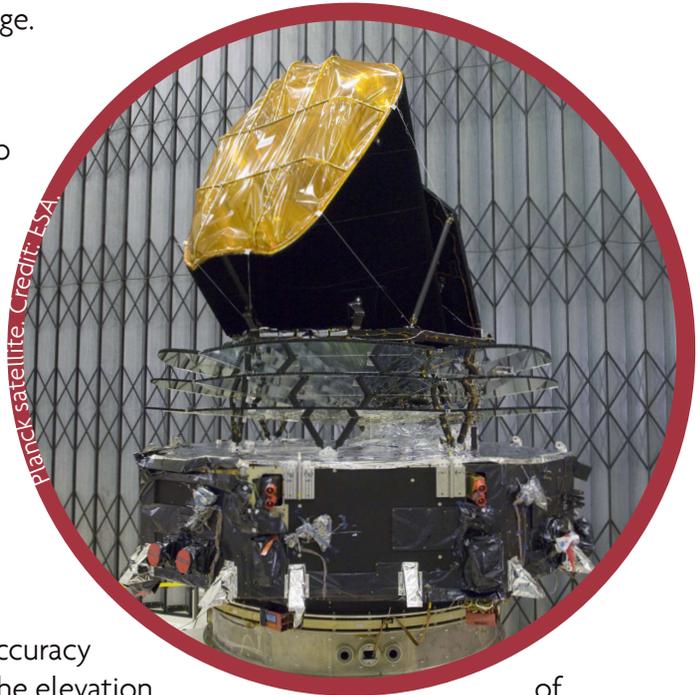
The satellite is designed to provide, for the first time from space, P-band radar measurements that are optimised to determine the amount of biomass and carbon with greater accuracy than ever before. In addition, BIOMASS will be able to map the elevation of Earth's terrain under dense vegetation, yielding information on subsurface geology and allowing the estimation of glacier and ice-sheet velocities, critical to our understanding of ice-sheet mass loss in a warming Earth. Due for launch in 2020, the mission also has the potential to evolve into an operational system, providing long-term monitoring of forests – one of Earth's most important natural resources.

Prof Shaun Quegan of the University of Sheffield, along with Dr Thuy Le Toan from the Centre d'Etudes Spatiales de la Biosphere, Toulouse, helped conceive the idea for the mission 8 years ago and is one of the principal investigators now supporting it.

InSight SEIS-SP

InSight is a NASA mission to Mars, due to launch on March 2016 and touch down on Mars' equator in September that year. The Lander will be equipped with a geophysics station and a 'Heat Flow and Physical Properties Package', and will measure tremors below the surface with the Seismic Experiment for Interior Structure (SEIS) instrument package. The UK Space Agency is investing £2.5 million to support a UK consortium to develop a microseismometer (SEIS-SP) for this package. It will sit on the surface and detect seismic waves that are generated by meteorite impacts and any movements of the Martian crust. The SEIS will also measure seismic activity caused by rocks cooling inside the planet. By comparing Martian and Earth seismic data, the researchers aim to build up a picture of Mars' internal structure – the first time such an extensive and accurate survey has been undertaken.

The instrument has completed its critical design review. The sensor, no larger than a £2 coin, has demonstrated it can survive shocks of 3000g and while under test in Oxford measured an earthquake in Greece.



ESA's Living Planet Symposium

Organised with the support of the UK Space Agency, ESA hosted the Living Planet Symposium on 9–13 September 2013 in Edinburgh. The event brought together scientists and users to present their latest findings on Earth's environment and climate derived from satellite data. It also provided an opportunity to introduce missions in development from ESA – such as the Sentinels, Earth Explorers and meteorological missions – as well as from national space agencies.

Over 1700 presentations during 9 daily parallel sessions and 3 poster sessions covered the scientific themes of oceanography; solid Earth and geodesy; atmosphere; climate and meteorology; cryosphere; hazards; methodologies and products; near-Earth environment; and land applications. Special sessions were dedicated to ESA programmes and initiatives, including the Climate Change Initiative and other international cooperation initiatives, as well as the Copernicus environmental monitoring programme.

Exhibitions about ESA, the UK Space Agency and many other partners from research and industry complemented the event. A School Lab also gave hands-on experience allowing students to learn about the science and applications of Earth observation, as well as the opportunity to talk to the scientists and experts attending this major conference.

Planck

ESA's Planck mission ended on schedule in October 2013, after 4.5 years of scanning the sky to study the Cosmic Microwave Background (relic radiation from the Big Bang) to provide information about the early Universe, its constituents and evolution. Although the operational phase of the mission has ended, the work of processing and researching the wealth of data generated by Planck continues apace. Data from the mission has already been used to compile the most precise image yet of the CMB, published in 2013 amid much public and academic interest, which enables researchers to test our current models of the origin and evolution of the Universe.

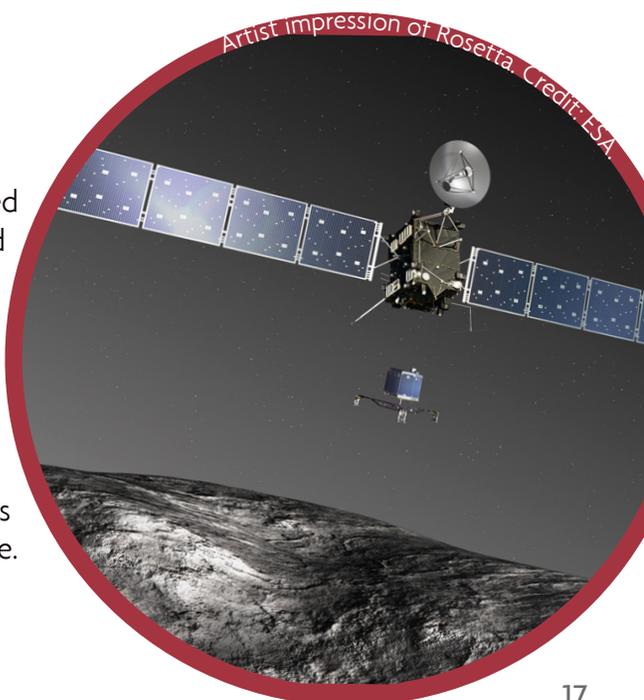
A catalogue of the largest galaxy clusters, the biggest building blocks of the Universe, is also in preparation. In May 2014 Planck data revealed a new image of our Galaxy's magnetic field, compiled from measurements of the polarised light emitted by interstellar dust clouds, and further revelations are anticipated in the next major data release during 2014. As part of the European Planck consortium, UK experts at the universities of Cambridge, Imperial College London and Manchester's Jodrell Bank Observatory continue to process and catalogue the datasets for further scientific investigations.

ExoMars

ESA's ExoMars mission has 3 main science objectives:

- to search for signs of past and present life on Mars
- to investigate the water/geochemical environment
- to study Martian atmospheric trace gases and their sources

The mission has 2 major elements; the first an orbiter to be launched in 2016. This will study the origin and distribution of methane and other trace gases in the atmosphere. The orbiter will serve as a high performance data-relay satellite for subsequent missions. The second element is the 2018 mission, which will land the ExoMars rover. The rover will carry out experiments analysing soil samples from depths of up to 2 metres, where the chances of finding organic compounds that indicate past or present life are greatest. At £165 million, the UK is the second largest European contributor to this programme and leads the development of the ExoMars rover vehicle.



The building of the 2016 spacecraft has progressed rapidly over the last year and the spacecraft has started integration. The 2018 mission has successfully completed its system requirements. The scientific instruments on-board the rover including the UK led Panoramic Camera have passed their provisional design reviews. A major upgrade to the Mars Yard test facilities at Airbus Defence and Space has been completed and was officially opened in March by the Secretary of State for Business, Innovation and Skills, Vince Cable.

European Life and Physical Sciences Programme (ELIPS)

The UK joined the European Life and Physical Sciences in January 2013. National membership of ELIPS gives UK-based researchers access to a suite of microgravity platforms including parabolic flights, drop towers and sounding rockets, as well as a \$100 billion orbiting laboratory: the International Space Station (ISS).

We have seen an impressive increase in UK-based scientists participating in the programme - including four experiments recently selected for the latest ESA bedrest campaign (wherein volunteers are confined to 60 days bedrest, at a 5 degree head-down tilt, to mimic the effects of microgravity on human physiology). Research time on the UK-led projects will be funded by the BBSRC, and all four address the physiology of ageing, demonstrating the value of space-based research for relevant social problems.

Researchers from various UK universities have been invited onto existing ELIPS research teams in physical sciences, emphasising the high esteem in which our science community is held internationally. New research into industrial alloys and novel materials for heat transfer will improve our fundamental understanding of material properties, and lead to more energy-efficient technologies with clear economic and social benefit.



PLATO

PLATO (PLANetary Transits and Oscillations of stars) is an exoplanet mission to find and characterise Earth-like planets orbiting other stars in their habitable zone - the distance from the star where liquid surface water could exist - and to assess their potential for supporting life. Selected in February 2014 by ESA as the third Medium-class mission in its Cosmic Vision science programme, PLATO is due to launch in 2024. It will observe thousands of stars simultaneously, and will detect Earth-like planets by monitoring the tiny regular dips in star brightness as the planets transit in front of them. These results will be combined with dedicated follow-up operations using space-based observatories like the soon to be launched James Webb Space Telescope, as well as ground-based facilities, in order to detect and characterise signatures of life on other planets.

To provide the necessary sky coverage, the instrument requires the development of innovative extremely wide field optics, with a conceptual design more closely resembling the compound eye of an insect than a conventional telescope. To provide the required sensitivity to detect faint signals from distant stars, the instrument will need the largest focal plane ever flown – effectively a 2.5 billion pixel camera.

In March 2014 the UK announced a funding package of £25 million to support the work of the UK team, subject to business case.

Rosetta

Rosetta will be the first spacecraft to undertake the long-term study of a comet at close quarters. It is one of the most challenging missions ever undertaken and is due to rendezvous with Comet 67P Churyumov-Gerasimenko in 2014. Rosetta has significant UK involvement from industry and science instrumentation

including the Ptolemy chemical analyser on the lander built by the Open University.

12 years after launching in 2004, the spacecraft awoke from hibernation in January 2014 and underwent a series of tests to ensure propulsion and communication systems were working as expected. Following this, all 11 scientific instruments were successfully switched on, and commissioning is now in its final stages.

The spacecraft is currently undergoing a series of thruster burns, or orbital correction manoeuvres, to slow down and align its trajectory with that of the comet. These manoeuvres will result in the spacecraft having the same velocity and position as the comet on 6 August 2014.

Education for growth

The Agency continues to use space to inspire young people to study science, technology, engineering and mathematics (STEM), informed students about the role of the UK in the space sector and worked to improve the skills of those embarking on careers in the space sector. The Agency's Education, Skills and Outreach Strategy has twin aims of using education for space – addressing the need for skilled graduates and technicians in the space sector – and space for education – using the exciting context of space to inspire an interest in STEM subjects. This has delivered an effective and varied education, skills and outreach programme and reached approximately 115,000 individuals (exceeding the 2013-14 Corporate Plan target of 80,000).



Astronaut Flight Education Programme

The Agency has prepared an education and outreach portfolio of activities across a range of topics and ages to coincide with the flight of astronaut Tim Peake to the ISS in 2015. A Programme Manager has been recruited at the Agency to oversee this programme and key partners with interests in STEM education are helping the Agency to develop the programme. In late April 2014, the Agency launched the first educational competition to coincide with Tim's flight: The Great British Space Dinner. This is a national competition for upper primary and lower secondary children to design a healthy, nutritionally-balanced, typically British meal for Tim to eat while on the ISS. Educational materials have been developed by the British Nutrition Foundation for teachers to use alongside the competition, and these are being hosted by ESERO-UK.

European Space Education Resource Office (ESERO-UK)

The Agency works closely with and supports the UK space education office, ESERO-UK, which is mainly funded by ESA and the Department for Education. The Agency's Head of Education chairs its Steering Board and ESERO-UK is helping to implement some of the Agency's programmes – for example training teachers to use the Mars exploration primary school resource 'Is there anyone out there?' and providing advice on teaching materials to support the Great British Space Dinner challenge. ESERO-UK has been established as the main UK source of teaching resources using space as a context to inspire students to study STEM subjects. In 2013-14, ESERO-UK delivered training days to 639 teachers, had 33,036 subscriptions to their e-newsletter, recorded 23,382 resource downloads, and worked with 2,540 school students directly. This year, ESERO-UK ran the national CanSat competition (an ESA-wide competition), challenging 9 UK schools to design a satellite no larger than a drinks can that can survive the space environment. In addition, ESERO-UK launched their Primary Project, with the aim of evaluating in detail the impact of 6 interventions per school on science interest and attainment. ESERO-UK ran a successful teacher conference in July 2013 to share with teachers successful ways of using space to teach STEM.

National Space Academy

The Agency has continued to fund the National Space Academy this year and actively supports it through its Steering Board. The Academy ran continued professional development classes for 772 teachers throughout the year, and masterclasses for 4,291 UK students and 4,312 overseas students. 15 new students enrolled onto the Space Engineering Level 3 course. New Lead Educators, who deliver training and masterclasses locally, were recruited in the North East of England, Scotland, Leicester and Manchester. The Academy also established hubs in Manchester (Manchester Communication Academy) and in the North East of England (Ashington Learning Partnership Trust). These hubs will run a programme of Academy activities in the spring and summer terms of 2014. The Academy, in partnership with G-STEP, also ran a Space Careers Day, at which the UK Space Agency presented on careers in the space sector and ran a stand offering careers and study advice to students.

Space for All community funding scheme

The Space for All competitive grant scheme offers small grants of up to £5,000 to groups who can present the UK space programme and stimulate the use of space for inspiration and learning. For the 2013-14 funding round the scheme received a record 39 applications totalling £166,390. £40,000 was available for these grants and 11 applications were chosen for funding, including a competition for primary school students to design a test of spacesuit materials, a workshop on designing space stations, support for outreach activities by the student society UKSEDS, and a series of audio clips about the UK's involvement in space with input from school children. In total these grant proposals aim to target an audience of over 27,000 people. A review of the 2012-13 round of Space for All funding found that for a cost of £38,460 an estimated 154,200 people have been reached by the programme (or roughly 25p per person). Some of the projects have generated valuable new teaching resources that will be hosted on the ESERO-UK site for use by teachers across the UK. Others have enabled academics to go into classrooms or work with pupils.

A wide range of space topics have been covered, from astrobiology to satellite navigation and from solar science to human spaceflight.

International Space University (ISU) competitive scholarship scheme

The Agency is again supporting UK students attending the ISU for both the Space Studies Programme (SSP) and the Masters in Space Studies (MSS) programmes. In 2014, there were 10 applicants in total for UK funding. They were interviewed in early April and 7 of these have been offered scholarships. The Agency provides a total of £30,000 to be shared between successful candidates for contribution towards their course fees. Last year's group of students was given a briefing on the UK space sector at an event at Inmarsat, and the Agency plans to hold another briefing for this year's group before they start their course.

Mission X: Train Like an Astronaut programme

In 2013-14 participation of UK schools in the international Mission X: Train Like an Astronaut programme grew for the fourth year running. 9,150 students were involved in the challenge between January and March 2014, completing science and physical education activities. This programme aims to inspire interest in science, nutrition and fitness in school students aged 8 to 12 yrs by using astronaut training as a context. This year over 180 school teams have registered in the UK, up from 120 in 2012-13. Several new regions have become involved in Mission X, with registrations from schools in Wales and Derbyshire. The programme continued to grow internationally with a total of 24 countries involved in Mission X 2013, up from 22 last year, providing more opportunities for UK schools to network globally.

In the autumn, the Agency organised several teacher training events to introduce teachers to the programme throughout the country, including Derbyshire, Wales, the West Midlands, Salford and an event at the House of Commons. Several launch and closing events were held to introduce participating students to space scientists, astronaut trainers and other space experts including at the Salford City Stadium, Royal Aeronautical Society's headquarters, the QinetiQ long-arm human centrifuge, the National Space Centre, and the Universities of South Wales, Cambridge and Strathclyde. A further event is planned for the Farnborough Airshow in July 2014.

In January, Mission X activities formed the basis of the Agency's contribution to the 3 regional BBC Stargazing Live events in Portsmouth, Norwich and Egham. Mission X in the UK has also featured on the children's TV show, Blue Peter, with presenter Barney undertaking astronaut training alongside Mission-X school, Summerville Primary.

A UK teaching guide is being developed to allow teachers to expand their Mission X programme to other school subjects beyond the original Mission X activity guides. For the first year, Mission X has been linked to the Crest Star Awards and the Space Education Quality Mark as an activity which can be used as evidence of a school's success in promoting science. The UK Space Agency, along with a group of Mission X school children, represented the UK at the Mission X International Closing Event at ESTEC in June 2013 (and plans to do so again at the Euro Space Centre in Belgium in June 2014).

Scout Association

The UK Space Agency continued to sponsor the UK-wide Scout Astronautics badge in 2014/15, using informal space education to inspire a large audience of young people. An activity guide and teachers' notes were published jointly by The Scout Association and the UK Space Agency to support scout leaders in delivering space-related activities to their units. Scouting Magazine interviewed Tim Peake about how his time as a Scout contributed to his career as a test pilot and later as an astronaut and Get Active magazine included activities linking scout leaders to ESERO-UK and the Association of Science and Discovery Centres and provided more space-related activities for scouts to get involved in. The Agency, in partnership with Faulkes Telescope and the National Space Academy, attended the All-Wales Cub Fun Day to meet younger members of the association and enthuse them with space science.

Big Bang Fair 2014

March 2014 was the Agency's fourth year exhibiting at the Big Bang Fair. The largest science and engineering fair in the country, this year it welcomed 75,000 people over 4 days to the NEC in Birmingham. Visitors were largely students aged between 7 and 19. The stand was delivered in partnership with ESA and RAL Space and an estimated 15,000 people visited it over the course of the fair. The aim was to introduce visitors to satellite engineering and the kinds of jobs available in the space sector in the UK and Europe. RAL Space provided an activity on vibration testing for satellite structures, the UK Space Agency provided an activity on spin stabilisation of satellites. ESA created a clean room where students got to handle real space hardware. Engineers from all three organisations led the activities and gave insights into their jobs, while the UK Space Agency education team provided careers advice and materials to interested students.

Careers

The Agency has developed a "Careers in Space" leaflet which can be downloaded or picked up from events, such as the Big Bang Fair, in paper form. This leaflet summarises the career opportunities in the space sector and suggests ways to find out more and get involved. Education team members have acted as careers ambassadors at education events such as the Big Bang Fair, and presented on space sector opportunities at the Royal Aeronautical Society, the G-STEP/NSA Space Careers Day, the UKSEDS Annual Conference and the Science Museum's Beyond Earth exhibition. The Agency is pursuing the recruitment of a national skills point of contact as recommended in the Space Growth Action Plan.

Growth through smarter government

Space for Smarter Government Programme

This year the agency has established a flagship new programme, the Space for Smarter Government Programme (SSGP) which puts the public sector at the heart of the drive to increase the use of space data products and services in the UK. This will leverage from existing public investments in Copernicus, Galileo, EGNOS etc and drive cost and efficiency savings where space provides the optimal / integrated solution for public sector operations, policy making and risk management.

The programme represents a successful partnership where UKSA provides the leadership but delivery draws from capability and industry knowledge at the Satellite Application Catapult where the programme office and team are located. Two very successful Programme Boards have been held which include Government users, industry trade bodies and experts from Technology Strategy Board and ESA. The programme aims to inspire the UK public sector to use space products and services, enabling them to save money, innovate, inform policy and manage risk.

The programme team will broker ideas between users and suppliers; provide a forum for government to government dialogue on use of space; influence policy to ensure opportunities for space uptake are met; and provide a budget for applications development for the non-commercial sector.

The programme replaces the National Space Applications Programme (NSAP) and Government Information From The Space Sector (GIFTSS) programmes and is a direct action and recommendation from the IGS Action Plan 2014-2020 and the Science and Technology Committee report on the work of the Agency and European Space Agency.

International Charter: Space and Major Disasters

The past year has unfortunately seen a much higher than average amount of flooding in Britain, especially in January and February 2014. Through involvement in the Charter, UK emergency response teams were able to get access to satellite imagery to help support their vital relief efforts. The flooding was on an unprecedented scale, especially across the Somerset levels, and only using imagery from space were the teams able to get the information they needed in a timely and reliable way. These images were used across the whole chain of our emergency response, from use in COBRA meetings at the highest possible political levels down to individuals at local levels in 4 X 4 vehicles using the maps to identify navigable routes. The teams also used the satellite data to delineate the extent of flooding, helping to gauge the depth of water on the levels and therefore the total volume of water which needed pumping. Again, this could only have been done by satellite, given the large area affected. This same data was also made available to other Defra non-departmental public bodies, including the Rural Payments Agency, to assess payments to farmers affected by flooding. Satellite data have become increasingly attractive as a low-cost data source. Public sector agencies are increasingly using satellite data as a smart, low-cost tool in a time of straitened public finances.

Internationally, UK satellites provided support over the last year to around 50 disaster events worldwide through the Charter, the UK operations teams often working weekends and evenings to provide a 24/7 level of response. On major international incidents we worked with the Department for International Development to provide support to their teams in the field. With DfID, and other government departments responsible for emergency response we continue to review our response rates and identify lessons learnt to further enhance the offering to government from space to support emergency response. In some instances, we have also activated the Copernicus emergency service to support our national and international efforts.

Financial review

Background

The Financial Statements have been prepared in accordance with a Direction issued by the Secretary of State for Business, Innovation and Skills (BIS) in pursuance of Section 7(2) of the Government Resources and Accounts Act 2000. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the accounting and financial reporting standards issued or adopted by the International Accounting Standards Board as interpreted for Government use by the Financial Reporting Manual (FRM). The Agency continues to fulfil all HM Treasury/BIS Clear Line of Sight requirements in producing and publishing consolidated accounts.

The UK Space Agency is an Executive Agency and partner organisation of BIS and does not own or control any other bodies. The Agency is required to remain within its specific budgeted limits agreed with BIS, under the governance of Resource Accounting and Budgeting (RAB), the regime by which HM Treasury, on behalf of central government, ensures Public Sector spending is satisfactorily controlled. In compliance with this regime, the Agency was required throughout the year to advise BIS of its total forecast net expenditure for the year end, based on the requirement from HM Treasury to adhere as closely as possible to the forecast. Adherence to this forecast required detailed and robust financial management, both in forecasting the annual outturn and ensuring rapid responses to the changing circumstances of the Agency's substantial programme.

Financial Performance

The Agency's 2013-14 final outturn, inclusive of Annual Managed Expenditure (AME), of £322.6 million. This was within the underspend target agreed with BIS K&I Group.

2013/2014 Summary	DEL £000's				
	Admin	Programme	Capital	Total	AME Total
Allocation	3,675	194,028	127,500	325,203	736
Expenditure	(3,662)	(195,296)	(122,864)	(321,822)	(736)
Outturn	13	(1,268)	4,636	3,381	-

Following the 2013 Autumn Statement, the Agency received £17.5 million supplementary funding for two unique space programmes in collaboration with the Italian and French space agencies. Both were delivered successfully, within year and in line with budgeted expenditure.

The ESA Council of Ministers in November 2012 agreed a 5 year commitment of €1.5 billion, approximately £1.2 billion. ESA's financial year ends on 31 December; 2013 therefore saw the first year at the new level of subscriptions, the UK subscriptions for this period amounted to €300 million. The 2014 ESA subscriptions are committed at €270 million. As a result of the above, the UK Space Agency's net expenditure for the financial year 2013-14 increased by £85.2 million to £322.6 million (from £237.4 million in 2012-2013).

Operationally, 2013-14 also saw an enduring £1.2 million uplift to the Agency's administrative budget from £2.5 million to £3.7 million. This increase in funding enabled the Agency to implement a new organisational model fully supporting the delivery of its Corporate Plan. A proportion of the additional funding provided the necessary resource to recruit 11 posts; taking the complement up to a headcount of 55 Full Time Equivalents (FTEs) on 31 March 2014. The Agency utilises back office support services via the central BIS framework contract, delivering greater efficiency for BIS as a whole.

Net assets increased by £0.8 million – from £19.0 million to £19.8 million, the key movements being an increase in cash reserves offset by an increase in trade payables.

The Agency's Executive Board is responsible for risk appetite; it is therefore this Board, with advice from the Steering Board, Audit Committee and the finance team, which decide the optimal conditions upon which to establish new forward exchange contracts.

As at 1 April 2013 the Agency held cash reserves of £12.7 million; these have subsequently risen to £21.5 million as at 31 March 2014. Cash forecasting is closely managed and balanced against individual budget profiles in order to maintain appropriate cash reserves. All cash reserves are held within the Government Banking Service accounts. The UK Space Agency does not hold any commercial bank accounts.

Financial instruments are in the form of forward exchange contracts (commonly called Hedging Contracts) to purchase fixed amounts of Euro currency on specific dates in the future. The Agency re-values the forward exchange contracts it has established at the end of each financial year; the Bank of England supply market rates on which these valuations are based. The UK Space Agency has applied a consistent methodology of valuation within the accounts produced to date and, therefore, any alteration in the value of the derivative financial instruments is a direct result of currency market movements. The UK Space Agency aligns with the BIS central Hedging Policy to ensure we have a harmonised approach for the consolidated BIS accounts. Currency fluctuations in GBP to Euro remain the primary risk to the Agency's ability to manage expenditure against the annual delegated Departmental Expenditure Limits. These forward exchange contracts were established as a mitigating measure to control international spend over the period of the Comprehensive Spending Review 2010, thus reducing the Agency's exposure to exchange rate fluctuations. Note 7 of the Financial Statements shows that these have been effective in terms of the technical requirements set out in International Accounting Standard (IAS) 39.

Other finance and operational issues

Sustainability

The UK Space Agency falls inside the exemption limits for sustainability reporting and as a result has not included a Sustainability Report.

Auditors

The Comptroller and Auditor General has been appointed under statute to perform the statutory audit and report to Parliament. A notional charge of £39,000 has been made in the 2013-14 accounts, in-line with 2012-13 charges.

Disclosure of relevant audit information

There is no relevant audit information of which UK Space Agency's auditors are unaware and the Agency has taken all the steps that it ought to have taken to make itself aware of any relevant audit information and to establish that UK Space Agency's auditors are aware of that information.

Creditors payment, policy and performance

UK Space Agency settles its own accounts with 99.4% of invoices paid within thirty days of receipt of invoice. In line with BIS and cross government payment reporting guidelines 86.4% of UK Space Agency invoices were paid in five working days.

In November 1998, the Late Payment of Commercial Debts (Interest) Act came into force, providing small businesses with a statutory right to claim interest from large businesses (and all public sector bodies) on payments that are more than thirty days overdue. Amended legislation (the Late Payment of Commercial Debts Regulations 2002) came into force on 7 August 2002 providing all businesses, irrespective of size, with the right to claim statutory interest for the late payment of commercial debts. No interest has been paid to trade creditors under this Act during 2013-14.

Freedom of Information

The UK Space Agency is required to comply with the Freedom of Information Act 2000. During 2013-14 the UK Space Agency received 27 requests for information under the Freedom of Information Act 2000, of which 85% were answered within the prescribed 20-day deadline; for 2012-13 this was 9 requests, with 100% answered within deadline.

Forward look

Building on the success of the ESA Council of Ministers in November 2012, further work has already begun in preparation for the next spending period(s). We now have increased confidence in the medium term sustainability of the Agency as a result of a successful 2015-16 funding settlement.

For 2014, the ESA budget is expected to be fully affordable; successful negotiations with ESA combined with a proactive approach to hedge profiling has led the Agency to arrive at a balanced short-term position. The Agency will continue to review its approach to manage exchange rate risk and take action as appropriate in order to enhance budgetary control and reduce financial risk exposure.

A long-term national capital investment plan is in place and supporting business cases are being developed. Beyond 2015-16, a new spending review period and continued fiscal challenges across Government will present unknown variables in the Agency's ability to fulfil its long-term obligations.

The 2014-15 UK Space Agency Corporate Plan is published and sets out how we will meet our ambitions for UK growth, driving greater innovation and economic impact.

The Agency has undertaken a considerable amount of planning, development and change management and remains on target to move to the next levels of maturity as the new organisation structure and Shared Business Service systems are embedded. The next step will be the replacement of legacy IT support and equipment, due for completion in May 2014.

The Agency has the solid core of a finance team in place, providing assurance to the Accounting Officer, developing new supportive tools to enable the directorates of the Agency to better manage its budgets and working increasingly closely with BIS business partners.

Due to the transfer of staff (under TUPE regulations) on creation of the UK Space Agency there are a range of Terms and Conditions in operation across the employees of the Agency. The Agency proposed a means of harmonising Terms and Conditions to HM Treasury during the year and the proposal was approved in May 2014. The changes are now subject to Trade Union consultation prior to the proposals being presented to staff.

Other information

Staff

The main channels of internal communication include feedback from the Executive Board meetings, Directorate meetings and all-staff meetings. Staff are helped to realise their potential through training, opportunities to make site visits to industry stakeholders and attending certain national and international meetings as observers.

The UK Space Agency is fully committed to providing equal opportunity for all staff. The Agency follows the civil service guidelines, ensuring that all eligible people have equality of opportunity for employment and advancement on the basis of their suitability for the work, with no discrimination on the basis of age, disability, gender, part-time workers, marital status, sexual orientation, race, colour, nationality, ethnic or national origin or religious belief.

The UK Space Agency's consultative mechanisms provide an opportunity for staff to have an input into issues that concern them, to offer a staff view on new initiatives, and to make suggestions for improvements where appropriate.

The Agency ensures that recruitment is carried out on the basis of fair and open competition, and that selection is on merit in accordance with the Office of the Civil Service Commission (OCSC) principles. The Agency works closely with its parent department, the Department for Business, Innovation and Skills (BIS) to ensure these principles are adhered to.

Days lost due to absence

The UK Space Agency encourages a culture where good attendance is expected and valued. However, it recognises that from time to time absences for medical reasons may be unavoidable. The Agency aims to treat its staff who are ill with sympathy and fairness and where possible to provide them with support which will enable them to recover their health and attend work regularly.

In 2013-14, the average number of working days lost was 7 days per annum per employee. This average has been distorted by two long term absences, without which the average would be 2.5 days. This has increased from the 2012-13 average number of working days lost which was 1.5 days per annum per employee.

Data and physical security

The UK Space Agency had no protected personal data related incidents during 2013-14. The UK Space Agency Senior Information Risk Owner (SIRO) and Information Assurance Coordinator (IAC), together with the Information Asset Owners (IAO), oversee the protection of datasets owned by the Agency. Bi-annual reports are provided to BIS on risk and security incidents. The UK Space Agency will continue to assess these information risks in order to identify any weaknesses and ensure continuous improvement of its systems.

Chapter 3: Remuneration Report

The remuneration of Senior Civil Servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. In reaching its recommendations, the Review Body is to have regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional and local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on Departments to meet the output targets for the delivery of departmental services;
- the funds available to Departments as set out in the Government's Departmental Expenditure Limits;
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found on the website of the Office of Manpower Economics: www.ome.uk.com.

For all other staff members, their remuneration is determined as agreed with HR Business Partners in our parent Department.

In the financial year, 2011-12, several Machinery of Government Transfers (MoG) were completed; these included the transfer of staff (under TUPE) from the Science and Technology and Facilities Council and the Natural Environmental Research Council. Those staff therefore retained the benefits held from their former organisation and will have the opportunity to adopt an aligned benefits package when this becomes available to all UK Space Agency employees.

Service Contracts

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

Unless otherwise stated, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commission can be found at: www.civilservicecommission.org.uk.

The notice period for all Senior Civil Servants covered by this report is in line with the Civil Service terms and conditions.

Salary

Salary includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

This report is based on accrued payments made by the Agency and thus recorded in these accounts. An accrual has been made within the accounts to reflect the value of the outstanding leave entitlement accumulated by the employees at 31 March 2014.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Agency and treated by HM Revenue and Customs as a taxable emolument.

Real increase in Cash Equivalent Transfer Value (CETV)

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement), and uses common market valuation factors for the start and end of the period.

Remuneration of Steering Board and Audit Committee Non-Executive Members

The Non-Executive Members received remuneration for their services from 1st April 2013 in line with other governance body's across BIS. Prior to this date the duties were carried out on a voluntary basis. In addition, Members were reimbursed for any reasonable expenses incurred on behalf of the Agency.

David Parker
Chief Executive and Accounting Officer
20 June 2014

Audited Information

Table 1: Remuneration (salary and payments in kind) of senior employees

Name	Salary (£000s) ⁽ⁱ⁾		Bonus Payments (to nearest £1,000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1,000) ⁽ⁱⁱ⁾		Single total figure of remuneration (£000s)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
David Parker ⁽ⁱⁱⁱ⁾	90-95	70-75	-	-	-	-	67	14	155-160	80-85
Peter Finn ^(iv)	10-15	Not in post	-	-	-	-	8	Not in post	15-20	Not in post
Emma Lord	55-60	55-60	-	-	-	-	19	10	75-80	65-70
Catherine Mealing-Jones	70-75	65-70	10	-	-	-	10	16	90-95	80-85
Richard Blayber ^(v)	35-40	Not in post	-	-	-	-	10	Not in post	45-50	Not in post
Chris Castelli ^(vi)	65-70	20-25	-	-	-	-	18	14	80-85	35-40
					2013-14			2012-13		
Salary band of highest paid Director at 31 March ^(vii)					90-95			90-95		
Median total remuneration ^(viii)					43			43		
Median total remuneration ratio					2.14			2.14		

The banded remuneration of the highest-paid director in the Agency in the financial year 2013-14 was £90-95,000 (2012-13: £90-95,000). This was 2.14 times (2012-13: 2.14) the median remuneration of the workforce, which was £43,300 (2012-13: £43,100).

In 2013-14 and 2012-13 no employees received remuneration in excess of the highest-paid director.

Total remuneration includes salary, non-consolidated performance-related pay, pension benefits, benefits-in-kind as well as severance payments.

Notes:

⁽ⁱ⁾ Salary levels disclosed have been recorded on an actual basis.

⁽ⁱⁱ⁾ The value of pension benefits accrued during the year is calculated by MyCSP as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

⁽ⁱⁱⁱ⁾ David Parker was in post as the Chief Executive on 18 December 2012 with a salary of £91k; the remuneration reported in 2012-13 is inclusive of earnings received prior to appointment whilst employed as a Director in the Agency.

^(iv) Peter Finn was appointed with effect from 3 February 2014. A full year equivalent salary in 2012-14 would have been £65-70k.

^(v) Due to a long term sickness Richard Blayber was appointed as the acting director of Policy and Operations Directorate with effect from 9 July 2013 to 31 March 2014. A full year equivalent salary in 2013-14 would have been £50-55k.

^(vi) Chris Castelli was promoted to Acting Director of Programmes with effect from 23 November 2012. A full year equivalent salary in 2012-13 would have been £65-70k.

^(vii) This represents the per annum salary of David Parker as at 31 March 2014 and 31 March 2013. Please note in 2012-13, the former Chief Executive, David Williams' annualised salary was between £115k-£120k, but left the organisation in November 2012.

^(viii) Remuneration is the total annual salary per employee as at 31 March 2014 and adjusted for Full Time Equivalent (FTE).

Performance Related Pay

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual.

Pension Benefits

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 20 July 2007, civil servants may be in one of four defined benefit schemes: either a final salary scheme (Classic, Premium or Classic Plus); or the average career scheme (Nuvos). These statutory arrangements are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, Classic Plus and Nuvos are increased annually in line with Pensions Increase Legislation.

Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary related and range between 1.5% to 6.25% for Classic and 3.5% to 8.25% for Premium, Classic Plus and Nuvos. These rates were increased from 1 April 2013.

Benefits in Classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum. Classic Plus is essentially a hybrid, with benefits for service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 worked out as in Premium.

In Nuvos, a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase Legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The Partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age.

Further details about the Civil Service pension arrangements can be found at the website:
www.civilservice.gov.uk/pensions

Table 2: Pension benefits of senior employees (2013-14)

Name	Pension increase in real terms and (if applicable) related lump sum at retirement age in bands of £2,500 £000	Accrued pension at retirement age as at 31/3/2014 and (if applicable) related lump sum in bands of £5,000 £000	CETV at 31/3/2013 to the nearest £1,000 £000	Real increase in the CETV as funded by the employer, to the nearest £1,000 £000	CETV at 31/3/2014 to the nearest £1,000 £000	Partnership pension account, the employer's contribution, to the nearest £100 Nearest £100
David Parker	2.5-5	10-15	163	45	232	-
Peter Finn	0-2.5 plus lump sum 2.5-5.0	20-25 plus lump sum 60-65	300	5	307	-
Emma Lord	0-2.5 plus lump sum 0-2.5	10-15 plus lump sum 35-40	151	10	171	-
Catherine Mealing-Jones	0-2.5 plus lump sum 0-2.5	20-25 plus lump sum 65-70	309	5	336	-
Richard Blayber	0-2.5	10-15	144	7	158	
Chris Castelli	0-2.5	0-5	19	11	37	-

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially-assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax, which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement), and uses common market valuation factors for the start and end of the period

Remuneration of Steering Board and Audit Committee Non-Executive Members

In 2013-14 remuneration was provided for the first time in line with the other governance bodies of BIS partner organisations. From April 2013 each member received £6k per annum with an additional £2k for the Chair of the Steering Board. In addition, members were reimbursed for any reasonable expenses incurred on behalf of the UK Space Agency.

Over 2012-13 the Non-Executive Members worked on a voluntary basis and drew no remuneration, other than expenses.

Non-Executive Members	2013-14 Remuneration
Robert Douglas CBE – Chairman	£8k
David Southwood – Non-Executive	£6k
Sally Cantello – Non-Executive	£6k
Baljit Dhillon – Non-Executive	£6k

David Parker
Chief Executive and Accounting Officer
20 June 2014

Chapter 4: Accounts

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, the Secretary of State with the consent of HM Treasury has directed the UK Space Agency to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the UK Space Agency and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgments and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis

The BIS Accounting Officer has designated the Chief Executive as Accounting Officer of the UK Space Agency. The responsibilities of Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the UK Space Agency's assets are set out in Managing Public Money published by the HM Treasury.

Annual Governance Statement

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the UK Space Agency's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally accountable. This is done in accordance with the responsibilities assigned to me in 'Managing Public Money', and the requirements set out in my appointment as the UK Space Agency Accounting Officer, and the delegation of financial authority from BIS.

I am supported in my role as Accounting Officer by a governance framework which includes the Agency, its Boards, Committees and Senior Management.

In forming my assessment I have examined:

- all board and committee meeting minutes
- the work of internal audit, including work undertaken to evaluate funding assurance in UK universities where the UK Space Agency has provided significant funding
- the assessments of my individual directors as covered in their regular reporting

So far as I am aware there is no relevant audit information of which the NAO are unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that NAO are aware of that information.

Legal status

The UK Space Agency is an Executive Agency of BIS and does not have a separate legal status outside of BIS; therefore, in order to enter into contracts, delegated powers are conferred on the Agency by the Secretary of State. In the event of a contract being entered into, the UK Space Agency is a 'Contracting Authority' on behalf of the Secretary of State for BIS, which is the 'Authority'.

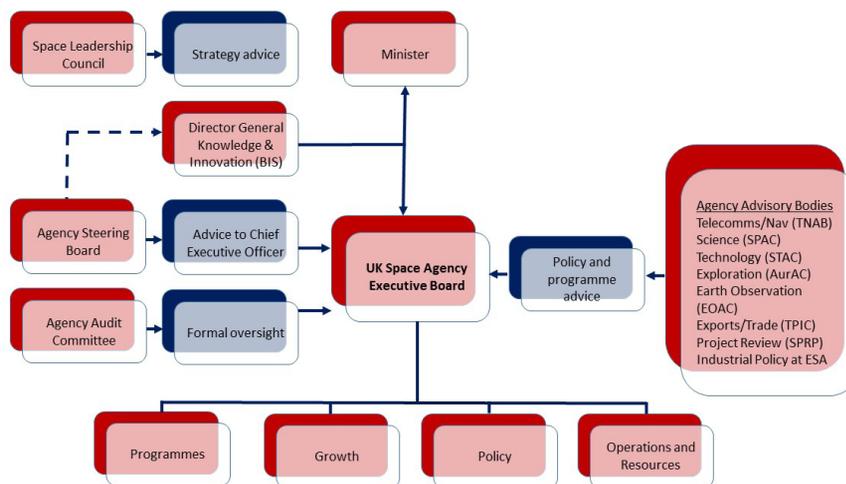
Governance structure

The UK Space Agency is an Executive Agency of the Department for Business, Innovation and Skills (BIS). The UK Space Agency is accountable to the public through BIS and to Parliament for the funds it expends. Parliament monitors and influences the UK Space Agency through its Select Committees and the Parliamentary Ombudsman.

The UK Space Agency's working relationship and lines of accountability with its sponsor department, BIS, are defined through the UK Space Agency Framework Document, Corporate Plan and letter(s) of Delegated Authority which are subject to periodic review.

Governance and Advice

The following model shows the governance arrangements and channels of advice provided to the UK Space Agency Chief Executive.



Executive Board

The Executive Board manages the day-to-day operations and activity of the UK Space Agency, including the provision of policy advice to BIS Ministers.

The responsibilities of the Executive Board are to:

- deliver the UK Space Agency's mission as detailed in its Corporate Plan by deciding overall programme priorities and resource allocation
- develop and maintain the mid-to-long term strategic direction and provide policy advice to ministers regarding civil space activities
- approve and implement effective financial planning (including Comprehensive Spending Review and subsequent estimates)
- have responsibility for the investment appraisal regime, including approving capital and revenue commitments under a threshold amount approved by BIS
- approve and implement robust and effective governance, including financial policies/procedures
- support and develop the appropriate advisory structures
- oversee stakeholder relationship management, including with government
- oversee effective succession planning and approve appointments below director level
- define and cascade appropriate organisational culture and ethos
- make executive decisions on matters having a material impact on the organisation (including reputational, legal and regulatory matters) within the delegated authority granted by BIS
- approve legal and regulatory compliance policies, including Health and Safety
- approve HR policies
- oversee management of risk and the internal control framework

As Chief Executive, I may delegate oversight of operational activity to Directors from time to time.

Executive Board Membership (and Attendance 2013-14)

	No. meetings attended	No. meetings possible
David Parker – Chief Executive	34	36
Emma Lord – Director Policy and Operations	6	8
Richard Blayber – Acting Director of Policy and Operations ⁽ⁱ⁾	25	28
Catherine Mealing-Jones – Director Growth Applications and EU Programmes	26	36
Chris Castelli – Acting Director Technology Science and Exploration ⁽ⁱⁱ⁾	30	36
Peter Finn ⁽ⁱⁱⁱ⁾ – Director Operations and Resources	5	6

Notes:

- (i) Acting Director with effect from 9 July 2013 to 31 March 2014 following long term absence of Emma Lord.
- (ii) Promoted to acting Director with effect from 23 November 2012.
- (iii) Appointed with effect from 3 February 2014.

Steering Board

The Steering Board provides advice and guidance to the Chief Executive. In accordance with the HMG guidelines, the Steering Board was appointed in November 2011 for an initial term in office of 3 years and, subject to a satisfactory assessment of performance, can be extended for up to a further 3 years. There are 4 Non-Executive Members who are independent; the remainder of the Board is made up of the Chief Executive (with Accounting Officer responsibilities), the Senior Information Risk Officer for the UK Space Agency and Jeremy Clayton who is a BIS internal appointment.

All external interests are listed in the Register of Members' Interests and in the Related Party Transactions laid out within notes to the annual accounts. The register of UK Space Agency Members' private, professional and commercial interests is maintained by the UK Space Agency which is reviewed for accuracy prior to each Steering Board meeting. The members of the Steering Board, their Terms of Reference and a list of meeting decisions from the Committee are available on the UK Space Agency website: www.gov.uk/ukspaceagency.

During 2012-13 the Non-Executive Members worked on a voluntary basis and drew no remuneration, however in 2013-14 remuneration was made in line with the other governance bodies of BIS partner organisations. From April 2013 each member received £6000 per annum with an additional £2000 for the Chair of the Steering Board. In addition members were reimbursed for any reasonable expenses incurred on behalf of the UK Space Agency.

In addition to the Steering Board Members, the remainder of the Executive Board and the Head of Finance may attend as required.

Steering Board Attendance 2013-14

The Steering Board was established in November 2011 and generally meets on a bi-monthly basis. Five meetings were held over 2013-14.

	No. meetings attended
Robert Douglas CBE – Chairman	5
David Parker – Chief Executive	5
Members	
Professor David Southwood – Non-Executive	5
Jeremy Clayton – BIS	5
Sally Cantello – Non-Executive	5
Baljit Dhillon – Non-Executive	4
Richard Blayber (as Acting Senior Information Risk Officer (SIRO) for the Agency) ⁽ⁱ⁾	5

Note:

(i) Acting SIRO in place of Emma Lord due to long term absence

Audit Committee

The Audit Committee is a sub-committee of the Steering Board and provides guidance and assurance to the Chief Executive to assist in fulfilling the Accounting Officer responsibilities. The Chairman of the Audit Committee reports to the Steering Board.

External appointments are in line with HMG guidelines for an initial term of office of 3 years and, subject to a satisfactory assessment of performance, can be extended for a further 3 years. All Non-Executive Members are independent and all external interests are listed in the Register of Members' Interests and in the Related Party Transactions laid in the notes to the annual accounts. A register of UK Space Agency Members' private, professional and commercial interests is maintained by the UK Space Agency. The members of the Audit Committee, and its Terms of Reference are available on the UK Space Agency website: www.gov.uk/ukspaceagency.

In addition to the Audit Committee members and internal and external audit representatives as ex-officio members, the remainder of the Executive Board and the Head of Finance may attend as necessary.

Audit Committee (and Attendance 2013-14)

The Audit Committee generally meets on a quarterly basis but can meet more frequently to deal with exceptional matters. Five meetings were held over 2013-14.

	No. meetings attended
Baljit Dhillon – Chairman	5
David Parker – Chief Executive	5
Members	
Sally Cantello – Non-Executive	5
Richard Blayber - Senior Information Risk Owner (SIRO) for the Agency ⁽ⁱ⁾	5
Meetings attended by internal and external auditors:	
NAO ⁽ⁱⁱ⁾	4
AASG ⁽ⁱⁱⁱ⁾	4

Note:

(i) Acting SIRO in place of Emma Lord due to long term absence

(ii) NAO – National Audit Office

(iii) AASG – Audit and Assurance Services Group

European Space Agency

A significant percentage of UK Space Agency funds are committed to the European Space Agency (ESA). This body has its own legal identity, and produces its own audited accounts. The internal audit group of ESA is staffed by nominees of National Member State Audit committees. In addition, ESA business is overseen by a Council and subordinate bodies, each of which has a formal delegate from each Member State. The Chief Executive of the UK Space Agency is the UK delegate to ESA Council. The various bodies that oversee ESA programmes and make decisions on funding and programme changes that are binding on the ESA executive. Given the above, together with the UK Space Agency governance structure, I am confident that the necessary controls are in place to ensure the safeguarding of public money.

Internal control and support systems

The system of internal control is a key component of the Governance Statement and is designed to manage risk to a reasonable level rather than to eliminate all risks, and thus provides a reasonable but not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of UK Space Agency policies, aims and objectives, to evaluate the likelihood and impact should the risks be realised, and to manage them efficiently, effectively and economically.

In 2013-14 the UK Space Agency used BIS central services to support a number of its back-office activities. These include aspects of, legal advice, HR support, the enquiry unit, security clearances and ICT. The assurance on the internal control for each of these services is provided by BIS. In 2013-14 finance and HR online services transferred from the BIS central service offering to the Shared Business Services centre, procurement having already transferred in 2012-13.

In utilising the BIS corporate services for back-office support, cost efficiencies have been achieved centrally. However the absence of signed Service Level Agreements may expose the Agency to the costs associated with service delivery. Over the last three years the Agency has, and continues to face, operational challenges due to an outdated IT system. The legacy IT systems are to be replaced, scheduled for May 2014, via a modernisation programme across BIS.

The Agency continues to outsource the operations of the national grants system which will continue to be supported by the Science and Technology Facilities Council (STFC) until the two entities share the same system platforms within Shared Business Services Ltd (SBS). In the interim the UK Space Agency places reliance on STFC's internal control mechanisms for the operational grant services.

To aid my assessment of internal controls, the Agency has developed a structured Risk Management Framework and begun to embed this across the organisation. The Steering Board and Audit Committee have been instrumental to the oversight of this risk management methodology.

The Audit and Assurance Services Group (AASG) carry out periodic reviews providing independent opinions of the Agency's internal control framework.

Anti-fraud policies have been established and made available to all staff. I can confirm that all staff completed the mandatory Fraud and Corruption and Protecting Information training this year.

I am therefore confident that, overall, I have sufficient levels of internal control and assurance necessary to manage our business, consistent with my responsibilities as the Accounting Officer; and that the accounts for the year ended 31 March 2014 are a true and fair reflection of the organisation, and accord with Treasury guidance.

The risk and control framework

The UK Space Agency defines risk as an event or set of events that, should it occur, will have an effect on the achievement of the Agency's business objectives and therefore influences its strategies. The objective of risk and control management is to systematically and proactively identify and treat risks which either threaten the organisation in any way or cause beneficial opportunities to be missed.

The Chief Executive and Executive Board promote the need to manage risks rather than avoid them, and recognise that reasonable risk-taking is considered to be an acceptable practice. The need to take risks is inherently driven by the need to meet objectives, and the risk management framework enables us to:

- prioritise - dealing with the most serious risks first;
- recognise factors that could delay, reduce or even stop the achievement of our objectives;
- evaluate different ways of meeting an objective, balancing the possibility of a better result against increased cost.

The UK Space Agency has established Risk Registers to manage its risks at corporate and directorate level. This provides a template to set out the initial risk statement, the existing control mechanisms in place, the proposed mitigation strategies, and an assessment of the likelihood and impact of the risk crystallising (made at the inherent, current and residual risk level). These registers are reviewed and updated on a regular basis at the Executive Board and as part of the UK Space Agency management work.

The Executive Board, along with the Audit Committee and Steering Board, are responsible for reviewing risks associated with UK Space Agency activities and deciding appropriate response actions. At each meeting of the Audit Committee and Steering Board there is a standing agenda item to consider the risk profile of the UK Space Agency. Risk appetite is endorsed by the Agency Steering Board and Audit Committee.

Capacity to handle risk

Risk management is embedded in our activities, notably through the Delegation of Authority, which makes directors responsible for identification, assessment and recording of material risks, particularly within their sphere of responsibilities. Directors draw on outputs from a range of sources including internal audit reports, directorate risk registers (inclusive of project management), and regular discussions with stakeholders. As appropriate, directors escalate risks to the Executive Board (via the Head of Operations and Performance) to consider for inclusion at the corporate level.

Over the year the Executive Board have managed the corporate risk profile; this included 5 “super risks” that overarch the UK Space Agency.

Over the course of the year, one super risk, around the delivery of the organisational review, was closed; however this was immediately replaced with the risk relating to the follow-on programme tasked to deliver the organisational change set out in the review. The other key movement was the recognition of the migration to and service levels of UK SBS Ltd systems. Both of these super risks remain a risk at year end but are declining in terms of exposure at a corporate level.

Mitigation strategies which have been adopted to reduce corporate risk exposures include the development of medium term delivery and corporate plans, the establishment of programme boards, reassignment of budgets; intensive work and engagement with key stakeholders; the development of clear policy lines and the establishment of long term strategies and partnerships.

Key financial risks

Whilst the UK Space Agency allocation for the 2010 Spending Review period (covering 2010-14) was favourable, and over the 4 years sufficient to cover known commitments, there remains an ongoing need for the Agency to control annual spend by actively managing multi-year budgets in line with activity.

At the 2012 ESA Ministerial meeting the UK committed to a portfolio of programmes to ESA over the subsequent five years which saw a major increase in UK space investment. A complication in making these commitments was that the 3-5 year ESA funding cycle does not align with the UK government spending periods; such long term commitment consequently required exceptional approval from HM Treasury.

Due to various complexities with the negotiations in preparation for this meeting, and within the business case itself, the Agency finds itself with fiscal pressures, namely:

- two years of the national programme were omitted from the final settlement with HM Treasury for 2013-14 and 2014/15 - this has enhanced the short term pressures on the Agency’s financial position; the Agency continues to work with BIS partners to mitigate these pressures
- the key risk exposure which is outside our control is the movements of sterling to the Euro exchange rate, consequently the Agency Executive Board actively balances a need for financial stability (e.g. the purchase of forward contracts) whilst also maximising value for money

Looking forward, the 2015-16 allocations are expected to help ease some of the financial pressures faced, although 2014-15 remains challenging.

Internal and External Audits

My review is informed by the annual internal audit work programme, the directors who apply the internal control framework, and going forward the 2013-14 NAO management letter and other reports.

The internal audit review programme is managed by the Audit and Assurance Services Group (AASG), and developed annually in consultation with the Audit Committee and directors to audit specific aspects of UK Space Agency business. The outcomes of these reviews and corrective actions are discussed by the Audit Committee, and as appropriate by the Steering Board. In this third year, the AASG programme covered five components, namely Programme Management; Organisational Change; Harwell Space Cluster; Expenses and GPC Review; and Information Security. The outcome of these showed that whilst there was work still to do, as expected with any organisation, there are no serious deficiencies in our working practices in all these areas.

A breach in the Travel and Subsistence policy was discovered in 2012-13. As part of the 2013-14 AASG audit programme the Agency commissioned a review of GPC and expense controls. The amounts involved in the T&S investigation were not material to the accounts and related to one isolated case. Additional controls were immediately implemented by the Finance team (from 1 April 2013) to enhance internal scrutiny of this area and reduce risk exposure. As a result, the review concluded an opinion of substantial assurance.

Sufficient internal audit work has been undertaken during the year to allow the Director of Internal Audit to provide a positively stated and reasonable assurance opinion on the overall accuracy and effectiveness of the Agency’s system of internal control. The overall opinion for 2013-14 is substantial assurance based on the results of the five individual assurance engagements completed in year. A summary of the work that supports the overall opinion is provided below.

Audit and Assurance Services Group (AASG) annual programme 2013-14

No.	Assignment	Assurance Opinion
1	Programme Management	Substantial Assurance
2	Organisational Change	Substantial Assurance
3	Harwell Space Cluster: Project Management	Limited Assurance
4	Expenses and GPC Review	Substantial Assurance
5	Information Assurance	Substantial Assurance

A great deal of confidence can be taken from the reviews of the NAO in their audit work. Within the past two management letters and the draft 2013-14 letter no significant matters were identified, a considerable achievement given the period of operational change the Agency has undergone. I am pleased to record that the Agency finance team have addressed all the issues which were previously identified through the work of the NAO. The recommendations reinforced the improvement plan of the finance team. A solid core of a team is now in place which provides me with confidence that sufficient analysis of budgets and expenditure has been carried out.

In summary, the outcomes of the internal and external audit programmes taken together contribute to providing me with the necessary confidence and assurances required.

UK SBS Ltd Assurance

For this interim year of change, the Chief Executive Officer of UKSBS Ltd has provided assurance directly to its customers, providing personal assurance that the services operated properly during the year.

While challenges remain, the trajectory for controls and improvements in systems is positive. UK SBS Ltd has concluded that risks have generally been managed to an acceptable level.

I note the positive content of the UKSBS letter and welcome it as a source of assurance for this year. I would expect that the trajectory of improvement continues and that the level of assurance will continue to improve going forward. A formal internal audit programme will be led by AASG covering 2014-15 UK SBS Ltd services delivered via the Oracle 12.1.3 platform; from this I expect to gain greater understanding of the strengths and weaknesses of the system’s control framework and reliability.

Grant assurance

Within AASG the Assurance Unit acts on behalf of the Agency (and the Research Councils), to review regularity of expenditure at research organisations in receipt of grants from the Agency. In 2013-14 the UK Space Agency national grants were reviewed by the Assurance Unit. Assurance activities focus on the control environment and its effectiveness in ensuring compliance with the UK Space Agency terms and conditions

for grant funding. Taking into account the generally positive nature of findings from the actual visits made, the programme has provided me with a satisfactory level of assurance. Relevant considerations include the good level of inherited assurance available from work in previous years undertaken by the Science and Technology Facilities Council (STFC), and the fact that the 5-year rolling plan of visits is derived from a risk and assurance map.

A further strand of work scrutinises the costing methodology used in UK Research Organisations which, for Universities, is the Transparent Approach to Costing (TRAC). The programme is an important element of the assurance framework, with an annual report produced which details activities undertaken in the year as well as proposed activities for the following year.

Taking the above, together with our internal arrangements for the scrutiny of grant awards, I am confident that the necessary controls are in place to ensure the safeguarding of public money.

Macpherson Review

Following the Macpherson Review the Agency reviewed its use of analytical modelling and did not identify that were considered to be business critical. This was communicated to BIS and I can confirm that the Agency complies with the BIS requirements.

Data Protection

The UK Space Agency has most of its back-office support functions such as IT provided by BIS. Reliance is therefore placed on BIS that data protection requirements, including adequate security of data and IT systems, are robustly and properly managed and safeguarded. In addition, all staff comply with IT security guidance provided by BIS's IT department, which covers the use of mobile technology such as laptops and smartphones.

I am not aware of any breaches of personal data or IT security, including loss of IT equipment, during the reporting period.

Conclusion

The UK Space Agency has continued to establish itself both in its operational practices and its governance in a way that gives me confidence in my role as the Accounting Officer that the Agency is meeting the necessary requirements for appropriate management of public expenditure.

Nonetheless I recognise that the Agency has a number of important goals to achieve as it matures, which will ensure all processes are fully documented and transparent to stakeholders. The AASG and NAO audits demonstrate that a good foundation is in place and provide a good template to address the key issues I have agreed to take forward. These include:

- ensuring timely issue of delegated authority letters
- embedding risk management further into the organisation including the finalisation of the risk policy
- alignment of staff terms and conditions
- ensuring transparency and accessibility of agency information.

A plan is in place to ensure continuous development and improvement of processes which is outlined within each year's Corporate Plan.

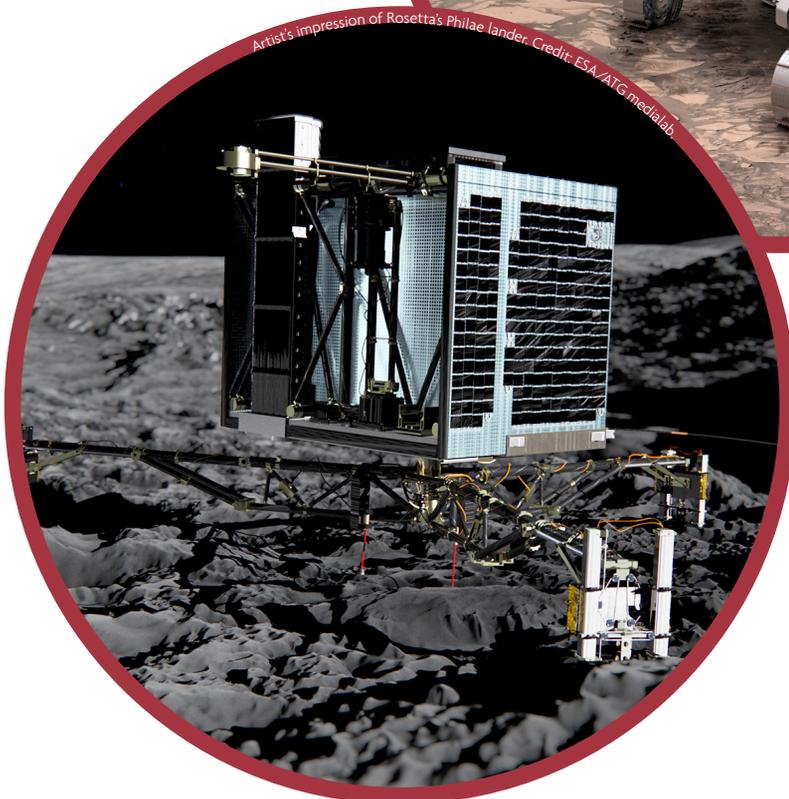
I am not aware of any departures from the "Corporate governance in central government departments: Code of good practice".

The UK Space Agency has a funding base from Government that recognises the positive impact space can make in terms of science, the economy, and delivering public policies. Nevertheless, the Agency faces tough challenges and choices in order to make reasoned deliver its strategy in terms of all three of these impacts.

I am pleased that the Agency has been compliant with the requirements of the new Enterprise Performance Management consolidated accounts project of the BIS family and at the same time managed to lay our set of accounts to Parliament on schedule before the summer recess in all years of operation.

An annual review of the internal governance bodies has indicated them to be effective. Taking this, together with the work of the internal and external audit in totality, provides me with the necessary confidence and assurance that I have fulfilled my responsibilities as Accounting Officer.

David Parker
Chief Executive and Accounting Officer
20 June 2014



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

I certify that I have audited the financial statements of the UK Space Agency for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the UK Space Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the UK Space Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the UK Space Agency's affairs as at 31 March 2014 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Introduction by the Chief Executive and the Management Commentary

sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London, SW1W 9SP

Date: 8 July 2014

Financial Statements

Statement of Comprehensive Net Expenditure for the year ended 31 March 2014

		2013-14		2012-13
	Note	Staff costs	Other costs	Income
		£000	£000	£000
Administration costs:				
Staff costs	3	1,629		1,341
Other administration costs	4		2,033	1,244
Programme costs:				
Staff costs	3	1,279		1,141
Programme costs	5		317,807	233,802
Income from operating activities	6			(190)
Total		2,908	319,840	(190)
Net operating costs				322,558
				237,443
Other comprehensive net expenditure				
Items that may be reclassified to net operating costs:				
Net (gain)/loss on revaluation of available for sales financial assets	7			2,318
				(1,044)
Total other comprehensive expenditure for the year ended 31 March 2014				2,318
				(1,044)
Total comprehensive expenditure for the year ended 31 March 2014				324,875
				236,399

The notes on pages 50 to 69 form part of these financial statements.

Statement of Financial Position for the year ended 31 March 2014

	Note	31 March 2014 £000	31 March 2013 £000
Non-current assets			
Other financial assets	7	-	176
Total non-current assets		-	176
Current assets			
Trade and other receivables	8	12,294	11,673
Other financial assets	7	-	331
Cash and cash equivalents	9	21,521	12,711
Total current assets		33,815	24,715
Current liabilities			
Trade and other payables	10	12,182	5,880
Other financial liabilities	7	1,875	-
Total current liabilities		14,057	5,880
Non-current liabilities			
Other financial liabilities	7	-	-
Total non-current liabilities		-	-
Assets less liabilities		19,758	19,011
Taxpayers' equity			
General fund		21,633	18,504
Revaluation reserve		(1,875)	507
Total taxpayers' equity		19,758	19,011

The notes on pages 50 to 69 form part of these financial statements.

David Parker
Chief Executive and Accounting Officer
20 June 2014

Statement of Cash Flows for the year ended 31 March 2014

	Note	2013-14 £000	2012-13 £000
Cash flows from operating activities			
Net operating cost		(322,558)	(237,443)
Adjustments for non cash transactions	4	39	39
Decrease/(Increase) in trade and other receivables		(621)	7,226
(Decrease)/Increase in trade payables		6,302	(8,929)
Net cash outflow from operating activities		(316,838)	(239,107)
Cash flows from investing activities			
Net cash inflow/(outflow) from investing activities		-	-
Cash flows from financing activities			
Funding from BIS		325,648	241,546
Net financing		325,648	241,546
Net increase in cash and cash equivalents in the period			
Cash and cash equivalents at the beginning of the period	9	12,711	10,272
Cash and cash equivalents at the end of the period	9	21,521	12,711

The notes on pages 50 to 69 form part of these financial statements.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2014

2013-14			
	General fund ⁽ⁱ⁾	Revaluation reserve ⁽ⁱⁱ⁾	Total
	£000	£000	£000
Balance at 1 April 2013	18,504	507	19,011
Funding from BIS – drawn down	325,648	-	325,648
Comprehensive expenditure for the Year	(322,558)	-	(322,558)
Non-cash adjustments:			
Non-cash charges - auditors remuneration	39	-	39
Movements in reserves:			
Additions	-	(296)	(296)
Disposals	-	232	232
Recognised in Statement of Comprehensive Expenditure		(2,318)	(2,318)
Balance at 31 March 2014	21,633	(1,875)	19,758

2012-13			
	General fund ⁽ⁱ⁾	Revaluation reserve ⁽ⁱⁱ⁾	Total
	£000	£000	£000
Balance at 1 April 2012	14,362	(1,061)	13,301
Funding from BIS – drawn down	241,546	-	241,546
Comprehensive expenditure for the year	(237,443)	-	(237,443)
Non-cash adjustments:			
Non-cash charges - auditors remuneration	39	-	39
Movements in reserves:			
Additions	-	-	-
Disposals	-	524	524
Recognised in Statement of Comprehensive Expenditure	-	1,044	1,044
Balance at 31 March 2013	18,504	507	19,011

Notes:

- (i) The general fund is used to support the on-going operations of the Agency and represents the investment made by the Agency or parent Department.
(ii) The revaluation reserve represents the increase of value of financial derivatives in relation to the cashflow hedge instruments.

The notes on pages 50 to 69 form part of these financial statements.

Notes to the Accounts for the year ended 31 March 2014

1. Statement of Accounting Policies

1.1 Basis of accounting

These financial statements have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by HM Treasury, as set out in a statutory Accounts Direction issued pursuant to section 7(2) of the Government Resources and Accounts Act 2000.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the UK Space Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the UK Space Agency are described below. They have been applied consistently in dealing with items that are considered material in relation to the accounts.

1.2 Going concern

The UK Space Agency is an Executive Agency of BIS, and the Department's estimates and forward plans include provision for its continuation. It has therefore been considered appropriate to prepare these accounts on a going concern basis.

1.3 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of non-current assets and financial assets and financial liabilities.

1.4 Presentational currency

The financial statements are presented in pounds sterling and all values are rounded to the nearest thousand pounds (£'000). The functional currency of the Agency is pounds sterling.

1.5 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying value amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition, management are committed to the sale, and completion is expected within one year from the date of classification.

Non-current assets held for sale are stated at the lower of the carrying amount and fair value less costs to sell.

1.6 Financial instruments

The UK Space Agency recognises and measures financial instruments in accordance with IAS 39 Financial Instruments: Recognition and Measurement as interpreted by the FReM.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in the Statement of Financial Position when the UK Space Agency becomes a party to the contractual provisions of an instrument.

Financial assets and liabilities are initially measured at fair value plus transaction costs, unless they are carried at fair value through Statement of Comprehensive Net Expenditure, in which case transaction costs are charged to operating costs.

The fair value of financial instruments is determined by reference to quoted market prices where an active market exists for the trade of these instruments. The fair value of financial instruments which are not traded in an active market is determined using generally accepted valuation techniques, including estimated discounted cash flows.

Financial assets are de-recognised when the rights to receive future cash flows have expired or are transferred and the UK Space Agency has transferred substantially all the risks and rewards of ownership.

Financial liabilities are amended when the obligation is discharged, cancelled or expires.

1.7 Derivative financial instruments under IAS 39 Financial Instruments: Recognition and Measurement

Derivative financial instruments comprise financial instruments held to hedge foreign currency risk exposures and embedded derivatives in host contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designed as a hedging instrument.

The resulting gain or loss is recognised in the Statement of Comprehensive Net Expenditure immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Statement of Comprehensive Net Expenditure depends on the nature of the hedge relationship. The UK Space Agency designates certain derivatives as hedges of highly probable forecast transactions such as cash flow hedges.

The UK Space Agency uses derivative financial instruments to manage its exposure to foreign currency exchange and interest rate risks. The UK Space Agency does not hold or issue derivative financial instruments for trading purposes; however if derivatives do not qualify for hedge accounting, they are accounted for as such.

The UK Space Agency operate cash flow hedges to mitigate the risk of foreign exchange rate movements on the annual subscription payments payable in foreign currency at set points throughout the year.

Financial instruments held to hedge foreign currency risk exposures are designated as cash flow hedges if the criteria for applying hedge accounting under IAS 39 are met. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Comprehensive Net Expenditure. Amounts accumulated in equity are recycled in the Statement of Comprehensive Net Expenditure in the periods when the hedged item affects net operating costs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Statement of Comprehensive Net Expenditure. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in taxpayer's equity is immediately transferred to the Statement of Comprehensive Net Expenditure.

If the criteria for applying hedge accounting are not met, the gain or loss on derivative financial instruments is credited or charged to the Statement of Comprehensive Net Expenditure instead of being deferred in taxpayer's equity.

1.7.1 Financial assets

The UK Space Agency classifies financial assets into the following categories:

- financial assets at fair value through Statement of Comprehensive Net Expenditure
- held-to-maturity investments
- loans and receivables
- available-for-sale assets

The classification depends on the purpose for which the financial asset is held or acquired. The UK Space Agency determines the classification of financial assets at initial recognition and currently only holds financial assets at fair value through Statement of Comprehensive Net Expenditure.

Gains and losses in fair value are recognised directly to equity except for impairment losses, which are recognised in the Statement of Comprehensive Net Expenditure. On de-recognition, any cumulative loss or gain previously recognised in equity is recognised in the Statement of Comprehensive Net Expenditure.

1.7.2 Financial liabilities

The UKSA classifies financial liabilities into the following categories:

- financial liabilities at fair value through Statement of Comprehensive Net Expenditure
- other financial liabilities
- The classification depends on the purpose for which the financial liability is held or acquired
Management determines the classification of financial liabilities at initial recognition

1.8 Research and development

Expenditure on research and development is charged to the Statement of Comprehensive Net Expenditure in the year in which it is incurred, unless it meets the criteria set out under IAS 38 Intangible Assets, in which case it is capitalised.

The ownership of any intellectual property arising from a research project is made clear from the outset. Normally this rests with the institution receiving the research grant, unless stated to the contrary. Where there are material returns from the intellectual property rights arising from a research award, the awarding body reserves the right to reclaim up to one third of the total, up to the value of the original award. Recoveries are credited to the Statement of Comprehensive Expenditure when received.

1.9 Operating income

Operating income is income that relates directly to the operating activities of the UK Space Agency and is measured at the fair value of consideration received or receivable and is shown net of trade discounts, value added tax and other taxes. It comprises, principally, fees, co-funding income from other public sector bodies and charges for services provided, on a full cost basis, to external customers and public sector repayment work.

1.10 Administration and programme expenditure and income

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. Administration costs reflect the costs of running the UK Space Agency, as defined under the Administration Cost-Control Regime, together with the associated operating income. Income is analysed in the Notes between that which, under the Regime, is allowed to be offset against gross administration costs in determining the outturn against the Administration Cost Limit, and that operating income which is not. Programme costs reflect non-administration costs, including payments, grants and other disbursements by the UK Space Agency, in support of policy initiatives.

1.11 Grants payable and receivable

Grants payable are recognised in the period in which the grant recipient carries out the activity that creates an entitlement to grant. Recognition of entitlement varies according to the details of individual schemes and the terms of the offers made. Unpaid and unclaimed grants are charged to the Statement of Comprehensive Net Expenditure on the basis of estimates of claims not received and are included in accruals in the Statement of Financial Position.

1.12 Ownership of equipment purchased by research grant

Equipment that has been purchased by an Institution with research grant funds supplied by the UK Space Agency belongs to that Institution. Through the Conditions of Grant applied to funded institutions, the UK Space Agency reserves the right to determine how such equipment shall be disposed of and how any disposal proceeds are to be utilised. Such equipment is excluded from these financial statements.

1.13 Insurance

As an Executive Agency of BIS, the UK Space Agency, along with other public bodies of the Departmental group, do not generally insure. Insurance will only be obtained on items which, with the agreement of the Department, require it due to the risks involved. Insurance premiums are charged to the Statement of Comprehensive Net Expenditure. Staff travelling overseas on business are expected to take out their own travel insurance policy to cover personal items.

1.14 Foreign exchange

Transactions that are denominated in a foreign currency are translated into Sterling at the rate of exchange prevailing on the date of each transaction unless covered by a forward hedge contract. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated at the rates of exchange ruling at that date. These translation differences are recognised in the Statement of Comprehensive Net Expenditure, except for those revaluations in relation to effective hedge contracts which remain in equity in accordance with IAS 39: Financial Instruments Recognition and Measurement.

1.15 Pensions

UK Space Agency staff are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS) as described in Note 3. Both of the defined benefit schemes are unfunded. The UK Space Agency recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the Schemes, the UK Space Agency recognises the contributions payable for the year.

Contributions to the defined benefit pension scheme are charged to the Statement of Comprehensive Net Expenditure in accordance with actuarial recommendations so as to spread the cost of the pensions over the employee's expected working lives.

Further details of the pension schemes can be found in the financial statements of PCSPS or at its website at: www.civilservice.gov.uk/pensions.

1.16 Employee benefits

In accordance with IAS 19 Employee Benefits, an entity is required to recognise short-term employee benefits when an employee has rendered service in exchange for those benefits. Included in the financial statements is an accrual for the outstanding employee holiday entitlement at 31 March 2014 on an undiscounted basis.

1.17 Taxation

The UK Space Agency, as an Executive Agency of BIS, is exempt from income and corporation tax by way of its Crown exemption.

Value Added Tax (VAT) is accounted for in the financial statements, in that amounts are shown net of VAT except:

- irrecoverable VAT is charged to the Statement of Comprehensive Net Expenditure, and included under the relevant expenditure heading;
- irrecoverable VAT on the purchase of an asset is included in additions.

The net amount due to, or from, HM Revenue and Customs in respect of VAT is included within other receivables and payables in the Statement of Financial Position.

1.18 Operating leases

Leases in which significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease rentals are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the lease term, in accordance with IAS 17 Leases. The amounts payable in the future, under these operating lease arrangements are not discounted.

Operating lease income is recognised in income on a straight-line basis over the lease term.

1.19 Contingent liabilities

The UK Space Agency discloses contingent liabilities in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. In the event that a contingent liability crystallises, it is expected that the parent department, BIS, will fund this liability. See note 13 for further details.

1.20 Reporting by operating segment

Under HM Treasury guidance in the FReM, the UK Space Agency is expected to meet the requirements of IFRS 8 Operating Segments to report information concerning operating segments where the criteria under IFRS 8 are met.

Although the Agency considers that its activities contribute to an overall mission within the same business environment, nevertheless there are separable operating segments on a geographical basis, namely National and International.

1.21 Estimation techniques used and key judgements

The preparation of the UK Space Agency's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Uncertainty about these assumptions and estimates could result in outcomes that require an adjustment to the carrying value of the asset or liability. Where applicable these uncertainties are disclosed in the notes to the financial statements.

In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Accounting Policies, revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are fluctuations in the fair value of financial assets/ liabilities measured using forward market exchange rates (see Note 7).

1.22 Changes to International Financial Reporting Standards (IFRS) and 2013-14 Financial Reporting Manual (FReM)

The UK Space Agency provides disclosure that it has not yet applied a new accounting standard and known or reasonably estimable information relevant to assessing the possible impact that initial application of the new standard will have on the Accounts.

The following new standards will be adopted by the Agency in full, when they are adopted by the FReM, unless the requirements are interpreted or adapted by the FReM:

* IFRS 9: Financial instruments, will replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The new standard was to be effective for accounting periods beginning on or after 1 January 2013 subject to EU endorsement but is now delayed to 2015. The standard is part of a wider project to replace IAS 39.

2. Statement of Operating Costs by Operating Segment

The UK Space Agency has two main geographical segments, international and national, and it is on this basis that reportable segments have been identified.

Funding is received by UK Space Agency from BIS to cover the cost of international subscriptions to the European Space Agency and the remainder of its programme work, namely, the national programme. National programme work includes being responsible for delivering aspects of specific project work on a national basis as well as funding universities and companies to undertake various research and development activities.

The activities within the two segments are reported to Executive Board on a monthly basis using a management accounts format which analyses on an administration and programme basis and is compared against funding allocation. This is further analysed at directorate level enabling full financial control to be maintained.

The segments are separate for decision making purposes and there are no transactions between the activities within each segment. There have been no changes in segmental identification.

Statement of Financial Position analysis by segment is not reported to the Executive Board and, therefore, in accordance with IFRS 8 Operating Segments, is not disclosed in the financial statements.

	2013-14			2012-13		
	National £000	International £000	Total £000	National ⁽ⁱ⁾ £000	International ⁽ⁱ⁾ £000	Total £000
Gross expenditure	39,307	283,441	322,748	28,513	209,015	237,528
Income	(52)	(138)	(190)	(85)	-	(85)
Net expenditure	39,255	283,303	322,558	28,428	209,015	237,443

Note:

(i) Gross expenditure was re-categorised from the presentation adopted in the 2012-13 Annual Report and Accounts.

Description of segments

The national segment mainly consists of expenditure on work undertaken within the UK either by the means of funding to research institutions or companies or expenditure on major national programmes.

The international segment mainly consists of expenditure with the European Space Agency in the form of subscriptions which are used to fund, along with subscriptions from other international partners, its various space programmes.

Central administrative costs are reported under the national segment reflecting the way they are reported to the Executive Board.

3. Staff numbers and related costs

The PCSPS is an unfunded multi-employer defined benefit scheme in which the UK Space Agency is unable to identify its share of the underlying assets and liabilities. The PCSPS is subject to periodic valuations and contributions are paid by employers and employees at a combined level, determined by the scheme actuary, sufficient to meet the liabilities being built up by the active membership (as adjusted to reflect any surplus or shortfall in the Scheme). The last full actuarial valuation was carried out as at 31 March 2007 and recommended that the average employer contribution was set at 18.9% of pensionable payroll. The contribution rates are set to meet the cost of the benefits accruing during 2013-14 to be paid when the member retires and not the benefits paid during this period to existing pensioners. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2013-14, employer contributions of £399,341 were payable to the PCSPS (2012-13: £341,930) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. Contributions prepaid at 31 March 2014 were £NIL. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. A formal actuarial valuation was due to be carried out as at 31 March 2010. However, formal actuarial valuations for unfunded public service pension schemes were suspended by HM Treasury whilst reforms to public service pension provisions were discussed. The Public Service Pension Act 2013 provides a framework to enact these changes for the PCSPS, and also sets out a requirement for future actuarial valuations of the reformed pension scheme.

Under the Partnership scheme employees have the option of opening a partnership pension account with one of three private sector providers. This is a stakeholder pension with employer contributions which are age related and range from 3% to 12.5% of pensionable pay. Employer contributions also match employee contributions up to 3% of pensionable pay (the maximum possible employer contribution therefore is 15.5%). During 2013-14 no contributions were payable to partnership pension providers (2012-13: £1,065). Contributions prepaid at 31 March 2014 were £NIL.

In addition, no employer mini-ASLC contributions (2012-13: £131), set at 0.8% of pensionable pay regardless of salary bands, were payable to the PCSPS for provision of risk benefits to those employees opting for partnership pension arrangements. These contributions cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

No employee (2012-13: none) retired early on ill-health grounds, therefore there were no additional pension liabilities accrued in the year.

Analysis of staff costs between administrative and programme expenditure

	2013-14	2012-13
	£000	£000
Administration	1,629	1,341
Programme	1,279	1,141
Total	2,908	2,482

Analysis of staff costs

	2013-14			2012-13		
	Permanently employed	Other	Total	Permanently employed	Other	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries ⁽ⁱ⁾	2,040	-	2,040	1,837		1,837
Social security costs	190	-	190	166	0	166
Other pension costs	411	-	411	343	0	343
Subtotal	2,641	-	2,641	2,346	0	2,346
Add cost of inward secondments	-	267	267	0	136	136
Total staff costs	2,641	267	2,908	2,346	136	2,482

Note:

⁽ⁱ⁾ There has been one outward secondment (one in 2012-13 for three months) during the first four months of the year as part of the Overseas Attachment Training Scheme (OATS) which is principally a development and training scheme run by another government department. All salary costs of the trainee have been covered by the UK Space Agency as per the terms and conditions of the Scheme.

Average number of persons employed

The average number of Full Time Equivalent (FTE) persons employed during the year was as follows:

	2013-14			2012-13		
	Permanently employed	Other ⁽ⁱ⁾⁽ⁱⁱ⁾	Total	Permanently employed	Other ⁽ⁱ⁾	Total
	Number	Number	Number	Number	Number	Number
Administration	25.6	1	26.6	23.7	0.4	24.1
Programme	20.9	2.5	23.4	15.1	1.1	16.2
Total	46.5	3.5	50	38.8	1.5	40.3

Notes:

- (i) In addition to the 3.5 FTE inward secondees recorded in the above table, the UK Space Agency also benefited from an average of 3.4 FTE inward secondees (2 FTE in 2012-13) provided at nil cost by other government departments and industry as part of their staff development programme.
- (ii) For 3 months of the year the Agency also provided a placement for an intern funded by the Erasmus programme.

4. Other administration costs

	2013-14	2012-13
	£000	£000
Travel and subsistence	385	391
Payments for shared services ⁽ⁱ⁾	361	449
Civil Aviation Authority ⁽ⁱⁱ⁾	338	-
Technical contracts and contract management	171	67
Accommodation	152	132
Conferences and education	140	2
Consultancy	131	69
Media and design	101	3
Agency staff costs	74	18
Auditors remuneration (external)	39	39
Auditors remuneration (internal)	14	14
Training and other staff costs	31	19
Board members honoraria and fees	26	-
Legal costs	23	-
Telecommunications services	13	9
Rentals under operating leases	6	9
Other	29	23
Total	2,033	1,244

Notes:

⁽ⁱ⁾ Payments to shared services include the costs for services such as information technology, HR, finance, security and general overheads charges.

⁽ⁱⁱ⁾ Payments to Civil Aviation Authority relate to technical support in UK Government Review of Commercial Spaceplane and Space Port Operations.

5. Programme costs

	2013-14 £000	2012-13 £000
International subscriptions		
European Space Agency	267,503	207,574
Other international subscriptions	858	767
Net (gain)/loss on foreign exchange spot rate (non-hedge)	(1,165)	(13)
Other international grants & payments		
French Space Agency (CNES) bilateral	13,000	-
Italian Space Agency (ASI) bilateral	2,500	-
ESA mandatory tax adjustment ⁽ⁱ⁾	737	687
National grants and other funding ⁽ⁱⁱ⁾	31,584	22,325
Operational Costs		
Technical contracts and contract management	1,554	1,311
Rentals under operating leases ⁽ⁱⁱⁱ⁾	342	-
Conferences and education	184	209
Legal costs	60	69
Travel and subsistence	32	32
Media and design	13	103
Training and other staff costs	-	12
IT costs	-	41
UK subscriptions	-	23
Other	605	662
Total ^(iv)	317,807	233,802

Notes:

⁽ⁱ⁾ UK Space Agency is liable in accordance with Article 42 of the Coordinated Organisation's Pension Scheme Rules, for the amount of tax adjustment applicable to pensions borne by the Member State in which the recipient is subject to taxes and income. The disclosed liability relates to tax of the recipients in the United Kingdom for the European Space Agency.

⁽ⁱⁱ⁾ Prior to the creation of the UK Space Agency the responsibility for provision of research grants was undertaken by the Science Technology and Facilities Council (STFC). Since 1 April 2011, such grants are the responsibility of the Agency. Due to the ongoing nature of some of the grants and the expertise that STFC have in this area it has been agreed that STFC would continue to maintain the process and make any necessary payments, recharging the Agency for the costs of such grants. The cost of maintaining and processing these payments is minimal and STFC has agreed to undertake this activity on a nil cost basis. Therefore there is no charge for this activity to the UK Space Agency.

⁽ⁱⁱⁱ⁾ In 2013-14 the Agency entered into an operating lease for office accommodation. See Note 14 Operating Leases for more information.

^(iv) Some of the programme costs have been re-categorised from the presentation adopted in the 2012-13 Annual Report and Accounts to align with the disclosures made in Note 2 Segmental Reporting and to reflect the nature of disclosed expenditure categories.

6. Income

	2013-14	2012-13
	£000	£000
Operating lease income ⁽ⁱ⁾	138	-
Other income ⁽ⁱⁱ⁾	52	85
Total	190	85

Notes:

(i) Operating lease income represents rental payments received from the European GNSS Agency. For more information see Note 14 Operating leases.

(ii) Other income represents Outer Space Act 1986 licence fees.

7. Other financial assets/liabilities

The UK Space Agency has a number of derivative contracts that have been designated as cashflow hedges to better plan any currency fluctuation in relation to its international subscriptions payable to the European Space Agency. These contracts are revalued at each year end based on the future forward market rates, as provided by the Bank of England, at that time. Any such revaluations at the year end therefore reflect unrealised gains and losses at that time.

The UK Space Agency uses the cashflow hedge contracts as part of a balanced portfolio taking into account its level of risk appetite. The UK Space Agency does not undertake the contracts for speculative purposes but rather to provide greater budget certainty and therefore plan its future expenditure more effectively.

	2013-14	2012-13
	£000	£000
Balance at 1 April 2013	507	(1,061)
Additions (new contracts entered into in year)	(296)	-
Disposals (contracts completed in year) ⁽ⁱ⁾	232	524
Revaluation movement ⁽ⁱⁱ⁾	(2,318)	1,044
Transfer to/from current assets ⁽ⁱⁱⁱ⁾	176	(331)
Transfer to/from non-current assets ⁽ⁱⁱⁱ⁾	(176)	331
Balance at 31 March 2014	(1,875)	507
Non-current assets/(liabilities)	-	176
Current assets/(liabilities)	(1,875)	331
Total	(1,875)	507

Notes:

(i) The disposal value arose through the completion of contracts number 7,8,9 and 12 recorded in the 'Contracts outstanding at 31 March 2014' table. The sum of the unrealised gain/(loss) for each of these contracts is the value which was recognised in reserves and is removed on completion.

(ii) Revaluation movement represents the difference in the fair value of the contracts still in place at 31 March 2013 and 31 March 2014.

(iii) Transfer to/from current and non-current assets is the reclassification of existing contracts at 31 March 2014 between less and more than one year.

Cashflow hedge contracts

The hedge contract is designed to allow for cash flow planning and enables better budgeting to align with the comprehensive spending reviews which are normally undertaken by the government every three years. The hedge contract is not designed to protect against currency risk which will result in an unrealised gain or loss arising each year end. On completion of the contract there will be either an opportunity gained or lost resulting from the currency movement but as the Agency cannot trade in such instruments there is no underlying budgetary impact.

The disposal is effectively a notional value as this clears the reserve balance when the contract is completed. The table below includes details of historic disposals and the corresponding notional reserve movements in the accounts for each financial year.

On acquisition and at the reporting date the hedges met the IAS 39 effectiveness criteria (i.e. in comparing the discounted cost of the contract with the discounted current market valuation, both prospective and retrospective tests of effectiveness were within the 80% - 125% tolerance range).

In December 2010 UKSA entered into eight forward contracts for subscriptions payable to the European Space Agency up to 2014. Three forward contracts were settled in 2011-12, a further three contracts in 2012-13 and a further three contracts in the reporting period. The outstanding contracts will reach settlement between 2 June 2014 and 1 October 2014.

On 4 December 2013 the Agency entered into a new forward contract which was settled during the reporting period. The cost of the contract was £26,853,426 and its fair value as at 4 December 2013 was £26,834,021. When the contract was settled on 3 February 2014 the balance of -£19,405 was cleared from the derivatives reserve.

On 10 December 2013 the Agency entered into six forward contracts. These contracts will reach settlement between 2 June 2014 and 2 February 2015. The total cost of all outstanding contracts is £167,191,504, and their fair value as at 31 March 2014 was £165,316,927. There has therefore been a negative movement on the derivatives reserve as at 31 March 2014 of -£2,317,173.

Contracts outstanding at 31 March 2014 (NB listed in chronological order)

Footnote		Currency	Date contract placed	Euro to GBP contract rate	Settlement Date	Cost	Euro to GBP rate at 31 March 2014	Fair Value at 31 March 2014	Gain/(loss) to reserves	Unrealised Gain/(Loss)
	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	
Contract	Type	Date	Rate	Date	£000	Rate	£000	£000	£000	
	1	Euro	15 Dec 10	1.1932	1 Jun 11	54,597	-	-	-	2,926
	2	Euro	15 Dec 10	1.1927	3 Oct 11	54,620	-	-	-	2,858
	3	Euro	15 Dec 10	1.1918	1 Feb 12	46,853	-	-	-	2,363
Contracts settled in 2011-12^{(ix)(a)}										8,147
	4	Euro	15 Dec 10	1.1910	1 Jun 12	50,886	-	-	-	(200)
	5	Euro	15 Dec 10	1.1901	1 Oct 12	50,929	-	-	-	(158)
	6	Euro	15 Dec 10	1.1871	1 Feb 13	43,762	-	-	-	(166)
Contracts settled in 2012-13^{(ix)(a)}										(524)
	7	Euro	15 Dec 10	1.1851	3 Jun 13	34,076	-	-	-	117
	8	Euro	15 Dec 10	1.1833	1 Oct 13	34,129	-	-	-	117
	9	Euro	15 Dec 10	1.1812	3 Feb 14	29,305	-	-	-	(447)
	12	Euro	4 Dec 13	1.2044	3 Feb 14	26,853	-	-	-	(19)
Contracts settled in 2013-14^{(ix)(a)}										(232)
	10	Euro	15 Dec 10	1.1792	2 Jun 14	31,699	1.2089	30,922	(778)	(871)
	11	Euro	15 Dec 10	1.1773	1 Oct 14	31,751	1.2077	30,952	(800)	(882)
	13	Euro	10 Jan 14	1.2055	2 Jun 14	26,046	1.2089	25,974	(72)	(41)
	14	Euro	10 Jan 14	1.2061	2 Jun 14	5,450	1.2089	5,437	(12)	(6)
	15	Euro	10 Jan 14	1.2042	1 Oct 14	26,075	1.2077	25,999	(75)	(16)
	16	Euro	10 Jan 14	1.2048	1 Oct 14	5,450	1.2077	5,436	(13)	(1)
	17	Euro	10 Jan 14	1.2021	2 Feb 15	33,692	1.2058	33,587	(105)	32
	18	Euro	10 Jan 14	1.2026	2 Feb 15	7,029	1.2058	7,010	(19)	10
									Adjustment for interim valuation on disposed contract no 9	(543)
Current liabilities^{(ix)(b)}					167,191	165,317	(1,875)	(2,318)		
Total outstanding contracts					167,191	165,317	(1,875)	(1,774)		

Notes:

- (i) All the forward exchange contracts are in Euro.
- (ii) Date contract placed is the date the forward exchange contracts were created.
- (iii) Euro to GBP contract rate is the translation rate for each contract, agreed on creation of the contract, which will determine how much is paid on settlement of the contract.
- (iv) Settlement date is the date that the contract is completed and paid.
- (v) Cost is the amount paid, in pound sterling, on the settlement date.
- (vi) Euro to GBP rate at 31 March 2014 is the future forward market rate at close of trading for the relevant forward exchange contracts settlement dates. These are indicative rates and form the basis of the fair value calculation, see note (vii). There are no official close of trading rates for forward contracts.
- (vii) Fair value at 31 March 2014 is the fair value of the contract translated at the future forward market rate at the close of trading on 31 March 2014, see note (vi).
- (viii) (Loss)/Gain to reserves is the difference between the fair value at 31 March 2014 and the cost to settle the forward exchange contract. This is the total value of the unrealised gain or loss for the outstanding forward exchange contracts.
- (ix) There are 2 sections to this heading. **(a)** For contracts settled in this or previous years, the amount relating to the settlement of contracts in year reflects the amount released via reserves and equates to the "disposal" value. **(b)** In Year Unrealised Gain/(Loss) Revaluation is the difference in fair values of the outstanding contracts at the year end compared to the fair values of the previous financial year or in the case of new contracts placed in year it is the difference in fair values at year end compared to the fair values recognised an inception (and equates to the "additions" value).

Contracts outstanding at 31 March 2013 (NB listed in chronological order)

Contract	Currency	Date contract placed	Euro to GBP contract rate	Settlement Date	Cost	Euro to GBP rate at 31 March 2013	Fair Value at 31 March 2013	Gain/(loss) to reserves
	Type	Date	Rate	Date	£000	Rate	£000	£000
1	Euro	15 Dec 10	1.1932	1 Jun 11	54,597	-	-	-
2	Euro	15 Dec 10	1.1927	3 Oct 11	54,620	-	-	-
3	Euro	15 Dec 10	1.1918	1 Feb 12	46,853	-	-	-
Contracts settled in 2011-12								
4	Euro	15 Dec 10	1.1910	1 Jun 12	50,886	-	-	-
5	Euro	15 Dec 10	1.1901	1 Oct 12	50,929	-	-	-
6	Euro	15 Dec 10	1.1871	1 Feb 13	43,762	-	-	-
Contracts settled in 2012-13								
7	Euro	15 Dec 10	1.1851	3 Jun 13	34,076	1.1811	34,193	117
8	Euro	15 Dec 10	1.1833	1 Oct 13	34,129	1.1792	34,246	117
9	Euro	15 Dec 10	1.1812	03 Feb 14	29,305	1.1773	29,402	97
Current assets					97,510		97,841	331
10	Euro	15 Dec 10	1.1792	2 Jun 14	31,699	1.1758	31,793	94
11	Euro	15 Dec 10	1.1773	1 Oct 14	31,751	1.1743	31,833	82
Non-current assets					63,450		63,626	176
Total outstanding contracts					160,960		161,467	507

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The UK Space Agency does not issue any loans, apart from staff loans, and does not have any outstanding loans. Any staff loans in issue are not material and do not present any credit risk to the organisation.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. In common with other government agencies, the future financing of its liabilities is to be met by future funding from the parent department, namely the Department for Business, Innovation and Skills, which receives its funding by means of Supply, voted annually by Parliament. There is no reason to believe that future approvals will not be forthcoming, therefore, on this basis the UK Space Agency is not exposed to liquidity risks.

Market Risk

Foreign Currency Risk

The UK Space Agency's exposure to foreign currency risk during the year was significant, though this was considerably mitigated by the use of cashflow hedge contracts. The expenditure on international subscriptions to the European Space Agency, in Euros, was made in three instalments during the year. The Agency aims to manage a portfolio of forward contracts to purchase Euros at approximately 80% of the annual subscription payable to ESA during a calendar year thereby fixing the exchange rate to be used. Depending on the movement of exchange rates and risk appetite, this percentage (coverage) can fluctuate by 10%. The remaining 10-30% is translated at the prevailing spot rate.

The other foreign currency expenditure is for foreign travel and subsistence costs for staff travelling to the international bodies. Such transactions are translated at the prevailing spot rate and the amounts involved are not material.

Interest Rate Risk

The UK Space Agency does not invest or access funds from commercial sources. The UK Space Agency does not have any loans or contracts that are subject to interest rate fluctuation and is not subject to any interest rate risk.

The UK Space Agency does not participate in any market reliant activities and is only subject to market risk where it engages in foreign exchange activities.

8. Trade receivables and other current assets

a) Analysis by type

Trade and other receivables less than one year	31 March 2014	31 March 2013
	£000	£000
Trade receivables	1	34
Other receivables	12	1
Prepayments and accrued income	12,181	11,076
VAT	100	562
Total receivables	12,294	11,673

b) Intra Government balances

Trade and other receivables less than one year	31 March 2014	31 March 2013
	£000	£000
Balances with BIS Group	125	209
Balances with other central government bodies	100	597
Balances with local authorities	-	-
Balances with NHS trusts	-	-
Balances with public corporations and trading funds	-	-
Balances with bodies external to government ⁽ⁱ⁾	12,069	10,867
Total receivables	12,294	11,673

Notes:

⁽ⁱ⁾ Balances with bodies external to government include a prepayment made to European Space Agency of £12,057k (2012-13: £10,867k).

9. Cash and cash equivalents

	31 March 2014	31 March 2013
	£000	£000
Government banking service	21,521	12,711
Total	21,521	12,711

10. Trade payables and other current liabilities

a) Analysis by type

Trade and other payables less than one year	31 March 2014	31 March 2013
	£000	£000
Trade payables	16	61
Other payables	267	770
Accruals	11,899	5,049
Total payables	12,182	5,880

b) Intra Government balances

Trade and other payables less than one year	31 March 2014	31 March 2013
	£000	£000
Balances with BIS Group	723	1,152
Balances with other central government bodies	53	189
Balances with local authorities	-	-
Balances with NHS trusts	-	-
Balances with public corporations and trading funds	-	34
Balances with bodies external to government ⁽ⁱ⁾	11,406	4,505
Total payables	12,182	5,880

Note:

(i) Balances with bodies external to government include accrued expenditure in respect of payments to the European Space Agency of £3,480k (2012-13: None), Surrey Satellite Technology of £3,250k (2012-13: None) and Centre for EO Instrumentation of £2,300k (2012-13: None).

11. Capital commitments

There were no capital commitments as at 31 March 2014 (2012-13: £NIL).

12. Other financial commitments

The UK Space Agency has entered into non-cancellable forward contracts (which are not leases or PFI contracts), in connection with a financial instrument for hedging internal subscription payments. The payments to which the Agency is committed, analysed by the period during which the commitment expires, are given below:

	2013-14	2012-13
	£000	£000
Not later than one year	167,191	97,510
Later than one year and not later than five years	-	63,450
Total	167,191	160,960

13. Contingent liabilities disclosed under IAS 37

Under United Nations (UN) convention, the UK government is ultimately liable for third party costs from accidental damage arising from UK space activities. To manage the risk to the Government, the Outer Space Act 1986 requires licensees to indemnify HMG against any proven third party costs. Since it is not possible to insure an unlimited risk, the UK Space Agency has a potential liability under the UN Space Treaties. This liability is unquantifiable at time of reporting.

In 2013-14 the UK Space Agency entered into an operating lease with NATS (En Route) Plc for office accommodation. At the end of the lease term in December 2030 the Landlord has the contractual right to enforce the Agency to pay for costs of dilapidation. However, due to the specialised nature of the asset, the expectation is that the Landlord will continue using the asset in its current state and therefore will not choose to exercise this option. In the event of the lease contract being terminated by the Landlord before the end of the lease term, UK Space Agency will be compensated. The likelihood of outflow of economic benefit is therefore assessed as improbable.

14. Operating leases

14.1 Obligations under operating leases

Total future minimum lease payments under non-cancellable operating leases are given below:

Offices	2013-14	2012-13
	£000	£000
Not later than one year	453	6
Later than one year and not later that five years	1,896	-
Later than five years	6,611	-
Total	8,960	6

a) In 2013-14 the UK Space Agency entered into a lease agreement with NATS (En Route) Plc for office accommodation at the NATS Swanwick Control Centre. The lease commenced on 7 January 2014 and will expire on 31 December 2030. There is no security of tenure after this date. The agreed initial rent charge is £83,745 per annum, which will be reviewed every 5 years and linked to the Retail Price Index (RPI). The base occupier's and tenant's charges are initially set at £359,609 per annum, and will be reviewed annually in line with the movements in RPI.

b) In 2013-14 the UK Space Agency had two short-term lease agreements with the Science and Technology Facilities Council (STFC) for office accommodation at the Electron Building based within the Harwell Oxford campus. Both lease agreements expired during the year and were fully paid by 31 March 2014. The lease payments were charged to operating costs, together with charges for direct costs such as rates, heating and security.

On 1 April 2014 the UK Space Agency entered into a new short-term lease agreement extending the lease for office accommodation at the Electron Building until 31 May 2014 at the cost of £2,800. It is anticipated that the lease will be further extended in 2014-15.

14.2 Operating leases granted

Total future minimum sub-lease income under non-cancellable operating sub-leases are given below:

Offices	2013-14	2012-13
	£000	£000
Not later than one year	280	-
Later than one year and not later that five years	1,193	-
Later than five years	4,272	-
Total	5,745	-

In 2013-14 UK Space Agency granted an operating sublease to the European GNSS Agency (GSA). The lease is for an agreed amount for a period of 16 years from 7 January 2014. The lease covers office accommodation rented from NATS (EN ROUTE) Plc. In line with the superior lease with NATS, GSA have no security of tenure after the lease expires on 31 December 2030. The agreed rental charges are £275,207 per annum, to be reviewed annually in line with the movements in RPI.

15. Head Office accommodation

The UK Space Agency is based in the Research Councils' site in Swindon, which is owned by the Research Councils on a joint tenancy agreement. All relevant costs are charged and recorded against operating costs as incurred. There are no capital commitments.

16. Related Party Transactions

During 2013-14, the UK Space Agency was an Executive Agency of BIS and the parent department was regarded as a related party with which the Agency had various material transactions. In addition, the back-office function for processing national grants was outsourced to the Science and Technology Facilities Council which was also recognised as a related party.

The UK Space Agency also had various material transactions with other entities for which BIS is regarded as the parent Department, namely: Biotechnology and Biological Sciences Research Council, Engineering and Physical Sciences Research Council, and the Technology Strategy Board.

In addition, the UK Space Agency made the following aggregated payments to third-parties where Agency staff and non-executive members are also senior members of staff:

Name	Position with related party	Description of transactions	Value of transactions £000
David Parker	Trustee for the National Space Centre	Programme expenditure	100
David Southwood	Trustee for the National Space Centre	Programme expenditure	100
Sally Cantello	Board Trustee and Chair of Risk Committee for the Scout Association	Programme expenditure	22

17. Losses and special payments

There were no losses or special payments incurred in the year.

18. Events after the reporting period

There have been no material events between the Statement of Financial Position date and the date the accounts were authorised for issue requiring an adjustment to the financial statements.

The date the accounts were authorised for issue is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

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