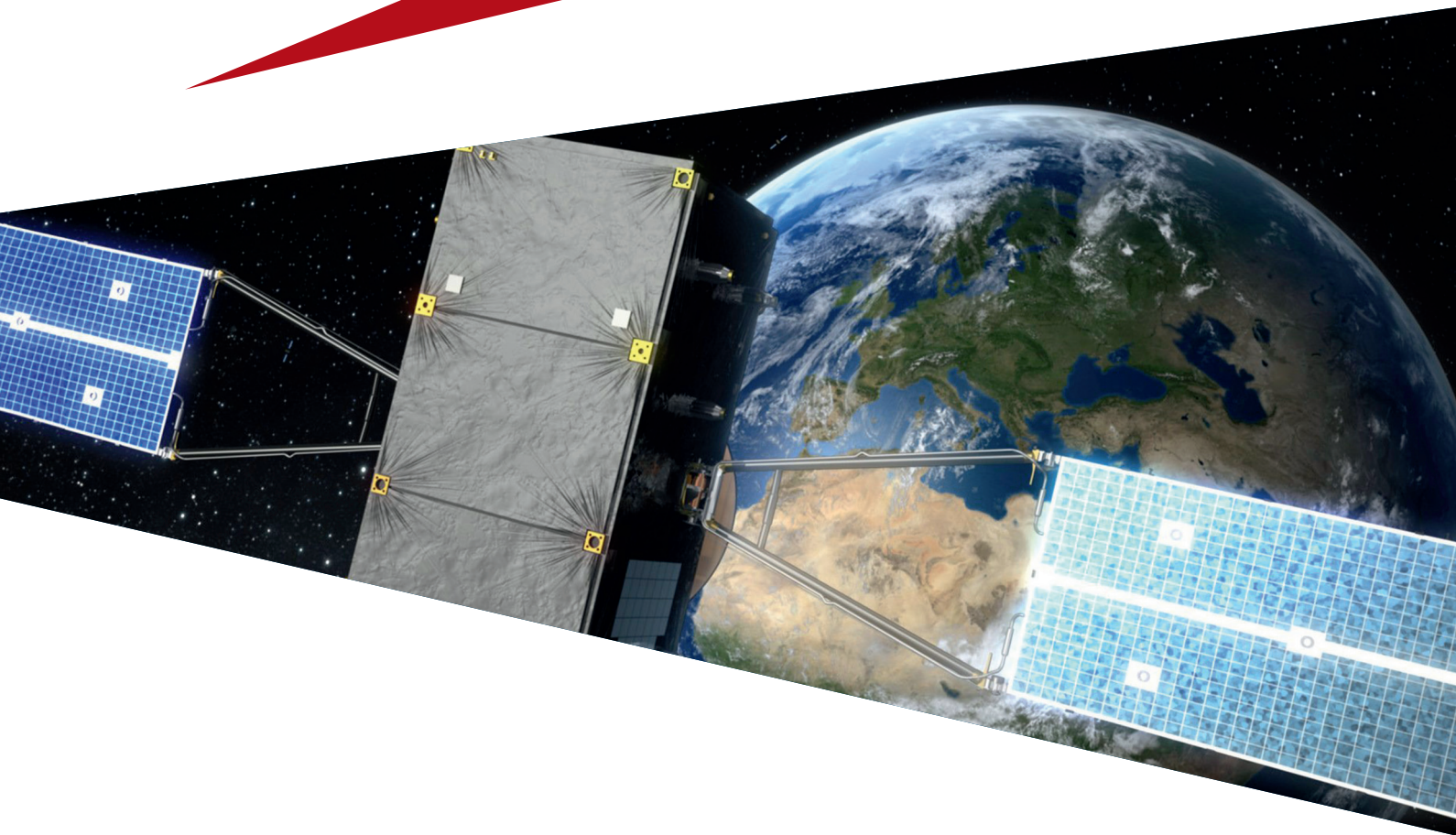


UK Space Agency Annual Report and Accounts 2011-2012



UK SPACE AGENCY
ANNUAL REPORT AND ACCOUNTS
2011-2012

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Resources and Accounts Act 2000

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CHAPTER 1 Introduction by the Chief Executive



Creating a new agency in a time of difficult global and national economic conditions has not been easy, but does reflect the vision of the coalition government in investing in an area that can contribute to three pillars of government activity, namely, economic growth, scientific knowledge and delivering public policies. Space is, at the same time, a wonderful tool for inspiration, challenging our best engineers and scientists to achieve amazing things and has a special ability in encouraging younger generations to engage in engineering and scientific careers.

I would like to start by recording my thanks for all the efforts of the Agency staff throughout the year. Navigating the first year in the life of the UK Space Agency has been both exciting and extremely busy both in terms of our programme work, and our development as a fully-fledged Executive Agency of the Department for Business, Innovation and Skills (BIS). The success of the year is a reflection of all the hard work, energy and endeavour of the staff in the Agency. I never fail to be impressed by the readiness of my colleagues to apply themselves to new challenges, continually developing their skills to keep abreast of the workload.

We inherited a set of programmes from the partners of the British National Space Centre which, in the 2010 Spending Review, received a favourable settlement that enables the Agency to continue implementation of all the programmes in its portfolio. Our activities are implemented around three main organisational structures: the European Space Agency (ESA), a National programme, and the European Union. In the latter case, we do not fund the programmes directly but act as the representative of the UK Government in negotiations.

As an Executive Agency of BIS, we are responsible for the policy advice to Ministers on all aspects of UK civil space activities. We also represented the UK in international fora and have signed agreements with India, Japan and the Russian Federation during the year. The Agency successfully chaired the International Disaster Charter Group and achieved international agreement to open up benefits of the Charter to every country worldwide. In total, the Charter responded to 28 international activations during the last year.

At a more practical level, I issued ten licences under the Outer Space Act 1986 for UK owned assets to fly in space, and gained government agreement to a proposal to revise the Act; this will be taken forward through public consultation during 2012-13. Equally we met our correspondence targets with 92% of Freedom of Information cases, 98% of ministerial cases and 100% of parliamentary questions answered on time. This was all against a backdrop of the Agency contributing to the efficiency savings of the Government.

We will continue to support and fund world-class science through involvement in the ESA programmes pursuing both space and earth science. These major projects are determined collectively at both a national and European level, and UK industry gains a major benefit from these programmes. All of them push the boundaries of science and technology and are tremendously exciting for the groups involved.

During the past year we have also worked hard to develop focused national activity. Using a 'hub and spoke' mechanism, this has been clustered at the Harwell Science and Innovation Campus owned by the Science and Technology Facilities Council. Here we have established the presence of an ESA-funded facility, and an International Space Innovation Centre. There is also a Business Incubation Centre funded by ESA and UK partners and, in the coming year, we intend to integrate the Technology Strategy Board Satellite Applications Catapult. Together these provide a critical mass to ensure UK industry and research groups can develop the nascent downstream market – a major growth area – as well as developing technology spin-outs. We also have a strong and supportive Steering Board, which has provided good advice throughout the year.

To support the national initiatives, we received an additional £14.75m of funding from BIS during the year. This has been used to strengthen the facilities at Harwell and undertake new and novel technology work with industry and research groups. A sign of its success is that matching funds of approximately £17.5m have been pledged from external sources. Working with partners, both inside and outside government, is seen as a key mechanism to produce outcomes that will contribute to economic growth.

The European Union continues to develop its role in space and directly supports key programmes. One programme is the European Satellite navigation satellite system and in this context UK industry has won key work in the build of the satellites. Another programme is the Global Monitoring for Environment and Security programme. This will, when completed, provide a European contribution to global efforts to monitor the Earth. Again the UK is winning key work and the Agency will continue to represent the UK in the relevant fora.

Ensuring the wider population understands our work and sees its benefits is an integral part of our activity and a major challenge in itself. During the year we have redeveloped our website and are more focused on digital delivery; however, we need to retain some publications to reach those parts of the population that do not yet have a decent internet capability. Our in-house publication, 'space:uk',

was distributed to all schools and is available on request to the general public. We also encourage all our staff to visit schools to give presentations and in the last year reached around 1,000 young people through this approach. In the tight financial situation we see this work as important and will continue to support the activity in future years.

The Agency remains committed to working with others at the international level. In July 2011 I was honoured to be elected as Chairman of ESA Council, and I hope to be able to use my two-year term to work with ESA and its 19 Member States to achieve efficiency savings whilst continuing to pursue an exciting and far-reaching space programme.

The year 2011/12 has been a momentous twelve months for the UK Space Agency. Our staff have worked extremely hard to establish a working agency and now have the foundation on which we can go forward. The coming year will be no less challenging because we face an ESA Council at Ministerial level, negotiations on the next European Union Financial perspective, and the celebration of the 50 years of UK in space. However, I have no doubt about the ability and determination of colleagues across the Agency to rise to those challenges.

David Williams
9 July 2012
Chief Executive and Accounting Officer

The UK Space Agency's Mission

“To work at the heart of UK efforts to explore and benefit from space. To provide funding for a range of programmes and work closely with national and international academic, education and community partners.”

Highlights

APRIL 2011

- **Establishment of the UK Space Agency as an Executive Agency of the Department for Business, Innovation and Skills**

JULY 2011

- **David Williams voted in as Chairman of the European Space Agency Council**
- **First UK Space Conference held at Warwick University**
- **UK-Russia year of space events held in London, including signing of agreement on areas for increased cooperation between the UK Space Agency and its Russian counterpart, ROSCOSMOS**

AUGUST 2011

- **Launch of round two of UK Space Agency 'Space for All' community grants scheme**

SEPTEMBER 2011

- **Minister appoints first external members of UK Space Agency Steering Board**
- **First external members of UK Space Agency Audit Committee appointed**

OCTOBER 2011

- **After six successful months of leading the International Charter on Space and Major Disasters, the UK Space Agency handed the chairmanship to Canada**

NOVEMBER 2011

- **Announcement of National Space Academy**

DECEMBER 2011

- **Better data for the space community with announcement of £4.75m of infrastructure investment to support collection, storage and management of satellite data**
- **UK Space Agency launches one-stop shop for jobs in space**

MARCH 2012

- **UK Space Agency praised for participation at Big Bang Fair**
- **UK winners of 'Mission X: Train Like An Astronaut' announced**

CHAPTER 2 Management Commentary

Historical background

The establishment of a new executive body to oversee the funding and management of UK space activities was the result of public consultation and a recommendation in the Space Innovation and Growth Strategy (IGS), which supported the formation of a national executive space agency.

The public consultation on the funding and management of UK civil space activities ran from July to October 2009. The main aim of the consultation was to consider what structure would be best placed to meet the increasing challenge of continuing to deliver a successful UK space programme. The consensus among respondents was that the British National Space Centre (BNSC) structure needed strengthening and the majority considered that an agency structure was the best way to achieve this.

The new Agency became effective from 1 April 2011 with an implementation team to make sure there was a smooth transition of functions from BNSC to the Agency. The host department for the new Agency is the Department for Business, Innovation and Skills (BIS) and the Agency is accountable to the Minister for Universities and Science. The Agency is headed by a Chief Executive Officer.

The UK Space Agency is responsible for all strategic decisions on the UK Civil Space Programme and provides a clear, single voice for UK space ambitions. It also has a mechanism for interfacing with other departments on civil and military programmes. Although it does not manage these programmes directly, the Agency is kept informed and involved in decisions relating to those programmes as necessary.

Formation of the UK Space Agency

On 1 April 2011 the responsibility for all space activities was transferred from a number of bodies, including government departments, Research Councils and non-departmental public bodies. The Agency therefore became responsible for the whole of the UK space activities. Representatives of the above bodies were invited to join the Space Leadership Council, which advises the Minister. A Steering Board was established to advise the Chief Executive, and an Audit Committee to provide guidance and formal oversight. The Chief Executive chairs an Executive Board, which is comprised of UK Space Agency directors.

This transfer was treated under Machinery of Government Accounting and the full effect of the transfer is explained in note 11 in the Accounts.

Existing BNSC, STFC and NERC staff transferred under Transfer of Undertakings (Protecting Employees) (TUPE) and Cabinet Office Statement of Practice (COSOP) arrangements into the new Agency.

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 (FReM).

The UK Space Agency is a partner organisation within 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 outcome and ensuring rapid responses to the changing circumstances of the Agency's substantial programme.

Performance

In establishing the UK Space Agency's budgets, several Machinery of Government (MOG) transfers were completed (please see note 11). The comparatives provided within the accounts are derived from the individual MOG agreements with each entity and have therefore been consolidated to enhance users' understanding. As part of the due diligence carried out by the Agency, two exceptional significant amounts were agreed with BIS to be accounted for as part of the alignment of the UK Space Agency accounting policies:

- £7.4m - Recalibration of estimation basis for ESA prepayments from MOG transfer balances;
- £2.3m – relating to the outstanding 2010 BIS (BNSC) affordability factor with ESA.

An over-spend of £9.7m was therefore recognised outside of our normal activities in 2011-12.

With a view to achieving targets within the overall 2011-12 UK Science Base, and in agreement with the BIS Knowledge and Innovation Group, the Agency chose to implement a higher spend profile, thereby assisting the delivery of budget reductions across the Comprehensive Spending Review period. This measure led to an increase in spend of 0.5% beyond our original target of 1% of DEL budget (Departmental Expenditure Limit). As a result, the Agency's final 2011-12 outturn, on normal in-year activities, was a managed over-spend of £3.7m.

In delivering our first Annual Report and Accounts, we have managed to fulfil all the BIS Clear Line of Sight requirements as part of its project to produce and publish consolidated accounts for the first time.

Net expenditure for the year increased by £22m from £234m to £256m; this was primarily due to an increase in international expenditure of £12m, principally due to an increase in capital grants.

The Agency has undertaken a considerable amount of planning, development and change management in its first year of operation and remains on target in moving to the next levels of maturity. These factors, combined with a prudent view on longer-term savings targets, has led to a reduction in staff costs by £1.1m when compared to 2010-11 levels. Overall, administrative costs, including staff costs, have remained constant at £1.5m.

Net assets decreased by £19.8m - from £33.1m to £13.3m - the foremost movement being the decrease in the value of derivative financial instruments. These forward contracts were purchased as a mitigating measure to control international spend over the Comprehensive Spending Review 2010, thus reducing the Agency's exposure to exchange rate fluctuations (see note 7 of the Financial Statements).

The Agency received funding of £259m in 2011-12. As at 1 April 2011 the Agency held nil cash reserves; these have subsequently raised to £10.3m as at 31 March 2012 due to timing differences between receipts and expenditure.

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.

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.

Auditors

The Comptroller and Auditor General has been appointed under statute to perform the statutory audit and report to Parliament. A notional charge of £44,000 has been made in the 2011-12 accounts in respect of this.

Disclosure of relevant audit information

There is no relevant audit information of which UK Space Agency's auditors are unaware and we have taken all the steps that we ought to have taken to make ourselves 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 100% of invoices paid within thirty days of receipt of invoice. In line with BIS and cross government payment guidelines 96.3% of invoices were paid in 5 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 2011-12.

Freedom of Information

The UK Space Agency is required to comply with the Freedom of Information Act 2000. During 2011-12 the UK Space Agency received thirteen requests for information under the Freedom of Information Act 2000, of which twelve were answered within the prescribed 20-day deadline

Forward look

With a new Comprehensive Spending Review and the ESA Ministerial on the horizon, the Agency will continue to demonstrate its ability and flexibility to meet the ambitions for UK growth and drive for economic impact against the current financial climate.

The Agency currently relies on BIS central support systems to provide several of its back office functions; 2012-13 will see the initial migration of these services to the RCUK Shared Service Centre Ltd., with the full transition to the Shared Service Centre platform scheduled for 1 April 2013.

In 2012-13 the Agency will sponsor an independent review which will encompass an evaluation of the current structure. Recommendations will be taken forward with the intention that the final model is adequately equipped to enable delivery of the Agency Corporate Plan against a background of austerity.

Due to the Machinery of Government transfers there are a range of Terms and Conditions across the employees of the Agency. A Change Management Project will be carried out in order to move toward a new harmonised, equitable position.

Directorates

Technology, Science and Exploration

The Technology, Science and Exploration (TSE) Directorate oversees much of the Agency's national space programmes and our investment in programmes of the European Space Agency (ESA).

The programmes of ESA are managed via a series of programme boards each of which meet 3-5 times a year. At these meetings, delegations (including UK Space Agency staff) make decisions on which missions ESA will build, review the progress of missions under development, and oversee the effective exploitation of spacecraft that have been launched - whether for science, technology development or practical application. Thus, TSE staff attend dozens of meetings per year at ESA Headquarters in Paris, its technical centre ESTEC in the Netherlands and other facilities around Europe to press the UK's interests.

Our Directorate also advises industry on how to bid for ESA contracts and generally assist our space community in maximising the value of the UK's investment in ESA. They regularly visit industry and universities to share

experience and understand the depth of expertise across the UK space sector. Other activities include managing UK involvement in many international groups such as panels on international space standards (ECSS - European Cooperation for Space Standards); development of common European technology roadmaps (THAG – Technology Harmonisation Advisory Group) and the International Space Exploration Coordination Group (ISECG).

Since becoming fully operational in April 2011 the UK Space Agency is delivering a set of national space programmes which complement our investments in the European Space Agency.

The programmes are:

- the Centre for Earth Observation Instrumentation (CEOI), which develops new technologies for future Earth observation missions;
- the Aurora National space exploration programme, which funds instrumentation for space exploration missions, new space exploration technology and also the scientific exploitation of current and future Mars exploration missions;
- the UK's Cosmic Vision national programme, which funds the design, development and test of instruments for space science missions and their operational use on ESA and international space missions;
- the UK's first national cubesat, UKube-1;
- the UK Space Agency's Education, Skills and Outreach Programme.

Some of these continue proven long-term activities managed by precursor organisations, while others represent exciting new initiatives designed to support the growth of the UK space sector. Two programmes are managed by our partner, the Technology Strategy Board.

The Directorate's expertise also supports other parts of the Agency's work, for example advice on the technical content of EU Space Research and Development through the Framework Programme and responding to Ministerial correspondence, providing expert briefings and answering queries from the general public.

The first full year of the Agency's operation has seen many successes and new developments.

In relation to Earth observation, following the decision to join the ESA Global Monitoring for Environmental Security (GMES) Space Component programme in 2008, UK industry secured a contract of more than €50m from ESA to build the Sentinel 5 precursor spacecraft and parts of its key instrument. Nationally, our Centre for Earth Observation Instrumentation awarded several new grants to develop new technologies such as passive microwave sounders and compact spectrometers. It also supported training and knowledge exchange work.

A key moment for the education, skills and outreach programme was the highly successful UK Space Conference held at Warwick in July 2011. With a sell-out attendance, it set forth the opportunities of the new space economy and brought all corners of the UK space sector together for the first time. A further round of the competitively awarded 'Space for All' programme of small awards for local initiatives in space education was held and to date more than two dozen projects have received Agency support. The Agency also provided funding to launch the National Space Academy, a major initiative of the National Space Centre in Leicester, to help "teach the teachers" in how to use space in the classroom. A further batch of UK students received bursaries to attend the International Space University.

In space technology, the big news was the launch of the new National Space Technology Programme (NSTP), as proposed by the Space Innovation and Growth Strategy (Space IGS) Report. Through its advisory bodies, the Agency consulted with the space sector to define the right structure for the NSTP and launched a series of calls in partnership with industry, TSB, STFC, DSTL and EPSRC. The total volume of the programme will reach £27m and over fifty separate projects are now underway. Some of the projects will be implemented at the International Space Innovation Centre (ISIC) at Harwell, including the new Centre for Environmental Monitoring from Space (CEMS) - the result of £3m of fresh investment in 2011-12. The Agency serves on the management board of ISIC and also maintains close links with ESA's Harwell centre located alongside.

NSTP will advance UK technologies to higher technology readiness levels (TRLs), with the majority of funding being used to support mid-TRL activities. It will allow UK industry to accelerate innovation, expand sales in the commercial space market and make the UK a stronger player in future international space programmes, including those of ESA.

After more than a decade of planning and development and £20m investment, the UK Space Agency formally delivered to NASA the Mid-IR Instrument (MIRI) for the James Webb Space Telescope, due for launch in 2018. MIRI will look back in time to see the earliest stars and planetary systems in formation and 'fill

in' a key part of the story of our Universe. Meanwhile, development of the UK's contributions to GAIA, BepiColombo and LISA Pathfinder continued. Operations costs were provided to seven space science missions already in orbit, including Planck's study of the cosmic microwave background – the echoes of the Big Bang.

While the preparation of instruments for ExoMars continued, part of the national space exploration programme invested in spinning technology out of ExoMars into terrestrial applications. One example is the development of a method for measuring soil contamination using the integrated processing system developed for the Life Maker Chip experiment. This has demonstrated the end-to-end capability of this concept, essential to attract further industrial funding for commercialisation.

Looking towards 2012-13, the first commitments to the new scientific missions of Cosmic Vision have been made, with funding towards four instruments for Solar Orbiter, one of the two instruments for the Euclid dark energy mission, plus its science ground segment. In early 2013, ESA will select its next Earth observation science mission and a strong UK involvement is expected. A small but important study in the NSTP will look "over the horizon" to emerging societal and technological challenges influencing future UK space technology, feeding back into the National Space Technology Strategy. Planning will start for the 2013 UK Space Conference and we expect important developments in implementing plans for national space apprenticeships to help develop tomorrow's space workforce.

In summary, after strong progress in 2011-12, the coming year in TSE will be marked by the culmination of long-held plans plus exciting new developments.

Policy and Operations

The Policy and Operations Directorate oversees the core operating functions of the UK Space Agency. These include budget management of the national and international space programmes, provision of corporate services, industrial and international policy, spectrum policy, space situational awareness and space weather policy, space security, space regulations, the Outer Space Act 1986, and communications. As well as working across the Agency, much of our work is done by collaborating with colleagues in the Department for Business, Innovation and Skills (BIS) and its partner organisations, as well as national and international stakeholders in government, industry and the academic sector.

Over the last year the Directorate has taken on a number of new priorities, working hard to establish a firm foundation on which the Agency can build. This

has included setting up a management system for the Agency's budgeting and accounts, and working with colleagues in BIS to establish HR processes. These processes are designed to cope in the interim period while a full change-management process is implemented which will address HR harmonisation issues and is a priority task for financial year 2012-13. The Directorate has also led work with internal audit teams to assess the Agency's financial systems, risk management processes, governance, information management and security procedures. Overall the internal audit reports have been very positive and show the Agency has already put in place sensible operating systems on which to build. During the financial year 2012-13, the Policy and Operations Directorate will work to develop the existing systems and take forward recommendations from the 2011-12 audit reports.

As lead section for governance of the Agency, the Directorate has supported the Steering Board and Audit Committee for the Agency. These bodies meet regularly throughout the year and provide advice to the Executive Board on the Agency's performance, operations, budget control and risk management. The Chairman of the Steering Board is a member of the Space Leadership Council, which is also supported by Policy and Operations. Chaired jointly by the Minister for Universities and Science and the CEO of Logica, the Leadership Council is tasked to provide independent advice to the Minister and the UK Space Agency on current priorities and future opportunities for space activity in which the UK should participate, both at a national and international level. Membership of the Council is drawn from across government, industry and the academic sector and provides a broad perspective on space activities. This will be particularly important in the lead up to the ESA Council meeting at Ministerial level in November 2012, which will set the agenda for the European space programme over the next few years. With responsibility for budget management and ESA relationship management, the Policy and Operations Directorate will play a lead role in preparing for the Ministerial Council and negotiating the best outcomes for the UK.

Having established a UK Space Agency, government and public interest has increased steadily and the Agency receives a high number of parliamentary and ministerial cases to handle as well as a significant volume of public queries. Content is wide-ranging and covers issues from space policy to requests for careers advice. The Policy and Operations section manages the responses to all correspondence, either within the Directorate or by coordinating replies across the Agency. Over the last year there were:

- 86 ministerial cases, of which 98% were answered within deadline;
- 22 parliamentary questions and 100% were answered on time;
- 450 public queries and the average response time was 3 days.

There are an increasing number of requests for outreach work with schools and young people's groups and these are also managed by Policy and Operations. A number of members of the Directorate undertake this work, whether developing the outreach package itself or as part of the Agency-wide team which visits schools to talk about the Agency and the space programme more widely. Over the last year there were 17 visits to schools and young people's groups, which led to direct contact with around 1,000 young people. This is an important part of our work and not only helps to raise awareness of the Agency and the UK space programme, but also contributes to the BIS priority of building an internationally-competitive skills base by helping individuals to realise their potential.

A key element of communicating with a global audience is the Agency website, which is maintained by the communications team within the Directorate. With over 850 pages to manage, this is a significant task in itself, but the team has also worked hard over the last year to increase the social media elements of the site. Over the last 12 months there have been around 20,000 visitors to the site each month, and the number of Twitter followers has increased to almost 12,000. As part of the contribution to the BIS growth agenda and the Permanent Secretary's deliverables, the Agency set itself a target of putting in place a live job feed on the website by the end of December 2011. The target was met and the ambition is to develop this further over the coming year by including more companies and helping to raise awareness of the range of jobs available in the UK space sector.

Further afield, the Directorate has a strong international focus, with staff attending a range of overseas meetings during the year. Most of these are with the European Space Agency (ESA) at their headquarters in Paris, or at the European Space Research and Technology Centre (ESTEC) in the Netherlands. ESA meetings, which Directorate staff attend, cover financial management, administration of ESA and the European space programme, space situational awareness, industrial policy, communications, and international relations.

Highlights of collaborative work with ESA over the past financial year included:

- approving the ESA budget by the end of December 2011, in time for the new ESA financial year which began in January 2012;

- contributing to the management of the industrial return policy of ESA and taking measures to ensure the UK got its fair share of industrial work meaning the UK had the ideal industrial return coefficient of 1.0 at the year end;
- working with the ESA UK team at Harwell to ensure UK space activities are included in the ESA UK newsletter, which receives wide circulation across ESA and its stakeholders.

Other international meetings are held on a bilateral basis with international space agencies and governments and, over the last year, agreements for collaborative working have been signed with India and Japan and an existing agreement with Russia has been extended. Further international agreements are anticipated during the financial year 2012-13, and the international relations section will also focus on ensuring existing agreements deliver against their stated objectives. The Directorate also works with the Foreign and Commonwealth Office, UK Trade and Investment, and the BIS Science and Innovation Network (SIN) and European groups to assist in selling UK capability abroad with the aim of increasing the UK's share of the world space market.

The Directorate is also responsible for managing UK interests in international space regulations, including legal issues around the uses of outer space. The region of space around the Earth is a limited and unique resource and we need to ensure this area remains sustainable for generations to come. Space debris presents a real and increasing hazard to space operations, which needs to be addressed from a scientific, technological, legal and political standpoint. The UK is at the forefront of this work internationally and, through Policy and Operations, the UK Space Agency is a respected member of the Inter-Agency Space Debris Coordination Committee (IADC), an international governmental forum for the worldwide coordination of activities related to the issues of space debris.

The same section of the UK Space Agency also works closely with the United Nations through the Committee on Peaceful Uses of Outer Space. This Committee brings together experts from around the world to consider the scope of international cooperation in peaceful uses of outer space and encourages continued research on outer space matters. It also studies legal problems arising from the exploration of outer space which can be complex and have wide implications.

In the UK, the Outer Space Act 1986 (OSA) is designed to ensure compliance under the UK's international treaties and principles covering the use of outer space, and applies to all UK nationals and companies intending to launch or procure the launch of a space object or operate a space object. The Policy and Operations Directorate considers applications and issues licences under the Act,

working with government and industry lawyers to analyse applications. In its Growth Review 2011, the government set out a commitment to reform the Outer Space Act in order to level the playing field for UK companies when competing for international business. Towards this aim, a public consultation will run in financial year 2012-13 seeking stakeholder views on proposed reform measures.

Some of the work of the Directorate is particularly technical in nature, such as management of spectrum policy. Space relies entirely on radio links spectrum for satellite control and payload communications. Key UK space industry applications include satellite broadcast, mobile satellite, satellite broadband and satellite navigation; spectrum is also used by the science sector for space exploration and remote sensing applications. As UK interests in space expand, so do the requirements for spectrum, and the UK Space Agency represents the UK nationally and internationally within stakeholder groups to represent these interests. International spectrum allocations are made at World Radio Conference meetings which take place every 3-4 years and bring together interested parties from around the world. The UK Space Agency represented the UK at the last meeting in February 2012 and was instrumental in agreeing new rules for clarifying the bringing into use and suspension of orbit slots. This was a significant agreement which will ensure that British industry has full and fair access to orbit slots and space companies are all operating against the same rules.

Work in the Policy and Operations Directorate is never simply a case of "business as usual". Parliament can move at speed and the Directorate needs to keep pace with developments while managing the relationship with BIS and the wider civil service, overseeing operational issues across the three Agency Directorates, continuing to develop the public facing work of the Agency, and delivering against international objectives. Undoubtedly the key output from the coming financial year will be the outcome of the ESA Ministerial meeting in November. Other highlights will be publication of the biennial Size and Health of the UK Space Industry report in the autumn, preparation for the next UK Space Conference in summer 2013, and implementing recommendations from the National Space Security Policy, which is due to be published in summer 2012.

Growth, Applications and EU Programmes

Introduction

Enabling growth is at the heart of the UK Civil Space Strategy and is the UK Space Agency mission. The role of the Growth, Applications and EU Programmes Directorate is to act as a focal point for key growth activities, to

shape and advise on the Agency strategy on investment for growth, to drive and support activities which will encourage the expansion of the downstream and applications section of the space market which is full of potential and in which the UK has real strengths.

The Directorate also leads on a number of key EU space programmes, involvement in which underpin the Agency's strategy and which, as services are delivered over the next few years are key to the future.

Key achievements in 2011-12

The Directorate worked with senior industry colleagues and others to coordinate and deliver on the action plan which accompanied the Space Innovation and Growth Strategy and on key Growth Review activities. This led to the publication of a report on the potential for satellite broadband in the UK including export markets, a review of public sector requirements for a pan government Earth Observation data and product service, the first London Satellite Finance Network Conference, the development of an international trade strategy, and a refresh of the National Space Technology Roadmaps amongst a number of other activities.

A strategic picture of investments which would provide the highest growth impact in the space sector was produced. This led to agreement to the Galileo Security Monitoring Centre, building on UK strengths in the area of security and signalling the future presence of a key piece of security infrastructure in the UK. There was also a significant investment into the facility for Climate and Environmental Monitoring from Space (CEMS). In working closely with ISIC and the project delivery team, this facility has now been built, is offering its services and has a national and international client list.

Additionally NovaSAR was also announced in year. This investment will unlock UK security and other applications, support growth by providing data for commercial applications development and will work in concert with the new Satellite Applications Catapult.

The Directorate engaged widely on Framework 7 programme activities, helping to shape the calls and support UK engagement in the programme both in terms of strategy and process. An innovative partnership to exploit the programme for the UK with countries in Eastern Europe has also been built.

As policy lead for Galileo, the European GNSS programme, the Directorate has worked to ensure a sensible outcome from a critical review of the programme, and was successful in asking for re-profiling of the programme, greater transparency, the stripping out of unnecessary programme elements and for the

professionalisation of the way in which the programme is run. Many elements of this approach have now been recognised in the plan for future governance of the programme. With a mindset that good programme management rather than more money is the way forward, and with the launch of the IOV satellites, there is much more confidence in the timelines for live services. On the back of this the Directorate, in partnership with the Technology Strategy Board, announced a Galileo Public Regulated Service Demonstrator Programme to identify innovative ways of managing the service end to end.

The opportunity to host a major EU conference in London, in partnership with the European Commission and which will include Galileo, Egnos and GMES content, was secured. The UK Space Agency is shaping this to be different. It will be user led and focused on downstream growth and the solutions that space can bring to a range of everyday areas.

UK industry secured some major contract awards during the year, demonstrating the continuing benefits of UK participation in Galileo.

The UK chaired the International Disaster Charter and managed the UK constellation contribution to the Charter. This secured international agreement to open up the benefits of the Charter to every country worldwide. During the year there were twenty-eight Charter activations.

Looking ahead to 2012 -13 and beyond

Recent figures setting out the position on the size and health of the space economy are encouraging but highlight the need for renewed, focused and prioritised action if the UK Space Industry is to capture the prize of a significant share in the global space market. A user-led approach to reveal sectors for the market to address is key to this, as is continuing to pull in new investment as the investors realise the sorts of returns that are possible.

The UK Space Agency has a key role in driving the strategy for this with industry and other partners through the forthcoming restack of the Space Innovation and Growth Strategy.

Post the Lisbon Treaty, the EU has a growing competence in space. The UK Space Agency will also work to influence this retuning of the key institutional relationships – in particular the EU and the European Space Agency so that investments in both the EU and ESA Programmes work harmoniously, producing growth in the UK economy. In 2012 in particular the Agency will be working to get the right outcomes from the proposed EU industrial policy, continuing to

shape other EU space work and the set of Horizon 2020, which is crucial to innovation and research and development.

A key relationship is with the Satellite Applications Catapult and the Agency will be at the heart of maximising this development and integrating it with the existing landscape at Harwell and beyond.

Other information

Staff

The UK Space Agency involves all members of staff in the delivery of the objectives set out in the Corporate Plan. 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 must have equality of opportunity for employment and advancement on the basis of their suitability for the work. There is 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.

There was no external recruitment during 2011-12.

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 2011-12, the average number of working days lost was 0.4 days per annum per employee.

Data and physical security

The UK Space Agency had no protected personal data related incidents during 2011-12. The UK Space Agency Senior Information Risk Officer (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 at: www.ome.uk.com.

The UK Space Agency has four Senior Civil Servants:

David Williams	Chief Executive
Emma Lord	Director of Policy and Operations
Catherine Mealing-Jones	Director of Growth, Applications and European Union Programmes
David Parker	Director of Technology, Science and Exploration

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

During the year several Machinery of Government Transfers (MoG) were completed; these included the TUPE of staff 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 a harmonised 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 specify the circumstances maybe 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

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 accumulated by the employees.

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.

Bonuses

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. The bonuses reported in 2011-12 relate to performance in 2010-11. There was no MOG creditor balance brought forward therefore the Agency funded this in 2011-12.

Remuneration (including salary) and pension entitlements - which has been audited

The following sections provide details of the remuneration and pension interests of the most senior management (i.e. Executive Board members) of the Agency.

Remuneration (salary and payments in kind) Table

	2011-12 Salary	2011-12 Bonus Payments	2011-12 Benefits in Kind
	£000s	£000s	Nearest £100
David Williams	115-120	5-10	0
Emma Lord	55-60	0	0
Catherine Mealing-Jones ²	65-70	0	0
David Parker	65-70	0	0
Ann Sta ¹	0	0	0

¹ In post from 1 April 2011 to 31 December 2011, no costs were borne by the UK Space Agency.

² In post from 3 January 2012 to 31 March 2012. The salary has been annualised.

This is the first year of operation for the UK Space Agency and therefore there is no comparative information for analysis and explanation.

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

The banded remuneration of the highest-paid Director in the UK Space Agency in the financial year 2011-12 was £115-120,000. This was 2.89 times the median remuneration of the workforce, which was £40,656.

In 2011-12, no employees received remuneration in excess of the highest-paid Director.

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

Agency Steering Board and Audit Board

The non-executive members were voluntary and drew no remuneration. Members were reimbursed for any reasonable expenses incurred on behalf of the Agency.

Pension Benefits - which has been audited

	Real increase in the pension and (if applicable) related lump sum at retirement age in bands of £2,500	Accrued pension at retirement age as at 31/3/2012 and (if applicable) related lump sum in bands of £5,000	CETV at 31/3/2011 to the nearest £1,000	Real increase in the CETV as funded by the employer, to the nearest £1,000	CETV at 31/3/2012 to the nearest £1,000	Partnership pension account, the employer's contribution, to the nearest £100
	£000	£000	£000	£000	£000	Nearest £100
David Williams	0-2.5 plus lump sum 0	25-30 plus lump sum 40-45	483	28	549	0
Emma Lord	0-2.5 plus lump sum 0-2.5	10-15 plus lump sum 30-35	120	7	138	0
Catherine Mealing-Jones ²	0-2.5 plus lump sum 0-2.5	15-20 plus lump sum 55-60	284	0	287	0
David Parker	0-2.5	0-5	0	6	7	0
Ann Sta ¹	0	0	0	0	0	0

¹ Ann Sta was on secondment from Department for Transport, no costs were borne by the UK Space Agency.

The actuarial factors used to calculate Cash Equivalent Transfer Value (CETV) were changed in 2011/12. The CETVs at 31/3/2011 and 31/3/2012 have both been calculated using the new factors for consistency.

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 set at the rate of 1.5% of pensionable earnings for Classic and 3.5% for Premium, Classic Plus and Nuvos.

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.

Pension age is 60 for members of Classic, Premium and Classic Plus and 65 for members of Nuvos; however this is under review.

Further details about the Civil Service pension arrangements can be found at the website: www.civilservice.gov.uk/my-civil-service/pensions/index.aspx.

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.

David Williams
9 July 2012
Chief Executive and Accounting Officer

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; and
- prepare the accounts on a going concern basis.

The Accounting Officer of the Department for Business, Innovation and Skills has designated the Chief Executive as Accounting Officer of UK Space Agency. The responsibilities of an 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

Governance structure

The UK Space Agency is an Executive Agency of 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 Agency's work through its Select Committees and the Parliamentary Ombudsman.

The UK Space Agency working relationship and lines of accountability with its sponsor department, BIS, are defined through a Framework document, Corporate Plan and Financial Memorandum, which are subject to periodic review. The UK Space Agency has an Executive Board, Steering Board and Audit Committee to manage and advise on activities.

Executive Board

The Executive Board manages the day-to-day operations and activity of the UK Space Agency, including policy advice to BIS Ministers. The formal Accounting Officer role lies with the Chief Executive.

The responsibilities of the Executive Board are:

- deliver the UK Space Agency 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;
- approve and implement effective financial (including Comprehensive Spending Review and subsequent estimates) planning;
- 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 reputational & stakeholder relationship management, including with government;
- oversee effective succession planning & 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/ regulatory) within the delegated authority granted by BIS;
- approve legal and regulatory compliance policies, including Health and Safety;
- approve HR policies;
- risk management and internal control framework.

The Chief Executive may delegate oversight of operational activity to Directors.

Executive Board Membership (and Attendance 2011/12)

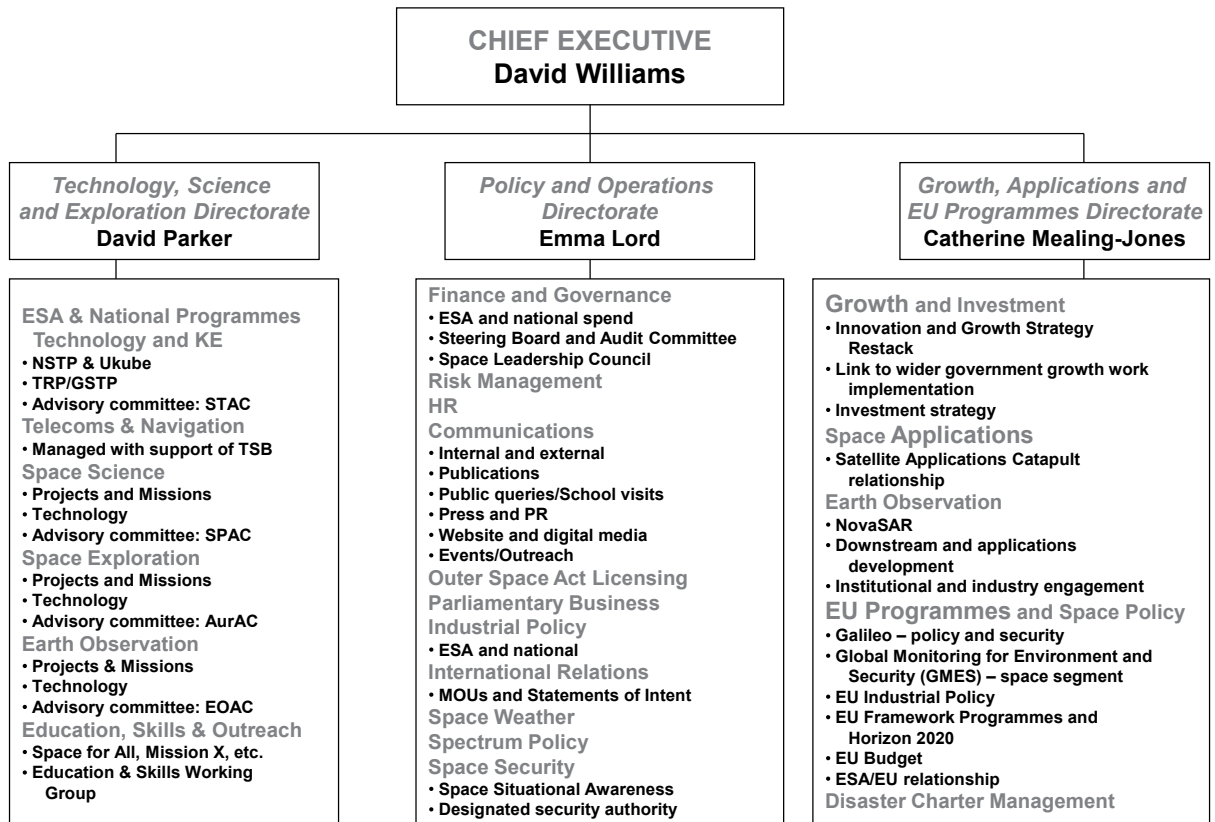
The Executive Board meets generally every week except for when not available due to other work commitments.

	No. meetings attended	No. meetings held
David Williams – CEO	27	27
David Parker – Director Technology Science and Exploration	27	27
Emma Lord – Director Policy and Operation	27	27
Ann Sta ¹ – Director Growth Applications and EU Programmes	16	16
Catherine Mealing-Jones ² – Director Growth Applications and EU Programmes	11	11

¹ Until 31 December 2011

² From 1 January 2012

UK SPACE AGENCY ORGANISATION CHART



Steering Board

In accordance with the HMG guidance, the external members are appointed by BIS for a term of office not exceeding four years. All Members are independent, with the exception of the Chief Executive who is a UK Space Agency employee and Jeremy Clayton who is a BIS internal appointment, and all external interests are listed in the Register of Members' Interests and in the Related Party Transactions. The Board is non-executive and provides advice and guidance to the Chief Executive.

A register of UK Space Agency Members' private, professional and commercial interests is maintained by the UK Space Agency. The register, Terms of Reference and summary minutes of the Board meetings are available on the UK Space Agency website: www.bis.gov.uk/ukspaceagency.

In addition, other Members of the Executive Board and the Head of Finance attend.

Steering Board (and Attendance 2011/12)

The Steering Board was established in November 2011 and generally meets on a bi-monthly basis.

	No. meetings attended	No. meetings held
Robert Douglas CBE – Chairman	4	4
David Williams – Chief Executive	4	4
Members		
Professor David Southwood – non-Executive	4	4
Jeremy Clayton – BIS	3	4
Sally Cantello – non-Executive	4	4
Baljit Dhillon – non-Executive	4	4
Emma Lord (as Senior Information Risk Officer (SIRO) for the Agency)	4	4

Audit Committee

The Audit Committee is a sub-committee of the Steering Board, where the Chairman of the Audit Committee reports to the Steering Board. External appointments are in line with HMG guidelines for a term of office not exceeding four years. All members are independent, with the exception of the Chief Executive who is a UK Space Agency employee, and all external interests are listed in the Register of Members' Interests and in the Related Party Transactions. The Committee is non-executive and provides advice and guidance to the Chief Executive.

A register of UK Space Agency Members' private, professional and commercial interests is maintained by the UK Space Agency. The register, Terms of Reference and summary minutes of the Committee meetings are available on the UK Space Agency website: www.bis.gov.uk/ukspaceagency.

In addition other Members of the Executive Board and the Head of Finance attend.

Audit Committee (and Attendance 2011/12)

The Audit Committee generally meets on a quarterly basis but can meet more frequently to deal with exceptional matters.

	No. meetings attended	No. of meetings held
Baljit Dhillon – Chairman	2	2
Members		
Sally Cantello – non-Executive (from March 2012)	1	2
David Williams – Chief Executive	2	2
Emma Lord (as Senior Information Risk Officer (SIRO) for the Agency	2	2
Ex-officio Attendees		
Dean Parker – NAO	2	2
Mike Slade – RCIAS	2	2

Accounting Officer 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 policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible. 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 the Department for Business, Innovation and Skills (BIS).

I have established the UK Space Agency Executive Board to support me in discharging my responsibilities. I may delegate responsibilities for implementation of UK Space Agency activities to Agency Directors but may not assign any of the responsibilities absolutely to any other person. I am also supported by an Advisory Steering Board, and a UK Space Agency Audit Committee, whose members are appointed by BIS.

The purpose of the Governance Statement

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 and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to 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.

The first year of the UK Space Agency as a body managing its own budgets has been one of consolidation and development as the year has progressed. The UK Space Agency used the BIS corporate services for back-office support. The grant system was previously operated by STFC and, due to its operating effectiveness, the UK Space Agency decided to continue using this facility on an outsourced basis. During the year, the Agency has developed a structured Risk Management Framework and began to embed this across the organisation. Significant corporate or 'super risks' to the business of the UK Space Agency, with recommendations to mitigate such risks, were identified. Mitigation strategies are being adopted to reduce the likelihood and impact were these risks to crystallise. The Steering Board and Audit Committee have also been established and are now instrumental to the oversight of the Agency's activities. The UK Space Agency also appointed the Research Council Internal Audit Service (RCIAS) as its internal auditors and, through their offices, four audit reviews have taken place and its recommendations are now being implemented.

In producing the accounts for the first year of operations as an Executive Agency, we have used opening balance transfers provided in good faith by the TSB, NERC, STFC and BIS. Such transfers are accounted for under the merger accounting procedures and enable the movements from one year to the next to be identified. During the year adjustments for amendments to the opening balances have been made. I currently have no reason to believe any further adjustments are required; however, should subsequent obligations to or from the precursor organisations arise, these will need to be resolved at departmental level.

I am therefore confident that overall, the Agency has adequate basic controls in place to give me the assurance necessary to manage our business consistent with my responsibilities as the Accounting Officer, and that the accounts for the year ended 31 March 2012 are a true and fair reflection of the organisation, and accord with Treasury guidance.

Capacity to handle risk

Risk management is embedded in our activities notably through Delegation of Authority, which makes Directors responsible for identification, assessment and recording of material risks, particularly within their sphere of responsibilities. This draws on output from a range of sources including internal audit reports, Directorate risk registers (corporate, director and project level), and discussions. As appropriate, the Directors escalate a risk for consideration by the Executive Board. In addition the Directors identify 'super risks' that overarch the UK Space Agency and not necessarily related to a particular area but which, left unmanaged, have the capacity to challenge the existence of the Agency.

The Executive Board, along with the Audit Committee and Steering Board, are responsible for reviewing risks associated with 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.

The risk and control framework

The UK Space Agency defines risk as an event or action that is a threat to adversely affect the ability to achieve its business objectives and execute its strategies. The objective of the 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 a Risk Register to manage its risks at corporate and directorate level. This sets 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 is made at the

inherent current and residual risk level. These registers are reviewed and updated on a regular basis as part of the UK Space Agency management work. The risk appetite is endorsed by the Agency Audit Committee and Steering Board.

Review of effectiveness

I was appointed as Accounting Officer with effect from 1 April 2011 and have been advised of my new responsibilities and accountabilities. I have attended all of the BIS Executive Boards, Steering Boards and Audit Committee meetings during the period of the review. I also attend BIS Knowledge and Innovation Group Directors' meetings on a regular basis, and have six monthly reviews with the BIS Director General for Knowledge and Innovation.

My review is further informed by the annual internal work programme, the Directors who apply the internal control framework, comments made by the external auditors in their interim reports and going forward the management letter and other reports. The Steering Board and Audit Committee have advised me on the implications of the result of my review in respect of the effectiveness of the system of internal control. A plan is in place to ensure continuous development and improvement of processes.

The internal audit review programme is managed by the Research Council Internal Audit Service (RCIAS), and developed annually in consultation with the Audit Committee and Directors to audit specific aspects of Space Agency business. The outcomes of these reviews and corrective actions are discussed by the Audit Committee, and as appropriate the Steering Board. In this first year the RCIAS covered four components, namely finance, risk management, governance, and information assurance. The outcome of these showed that whilst there was work still to do, as expected with any new organisation, there are no serious deficiencies in our working practices in these areas. From the audit programme as a whole, I am able to gain the necessary confidence and assurance on the workings of the audit framework.

In 2011/12 the UK Space Agency has used BIS central services to fulfil a number of its transactional activities. These include aspects of finance, legal, Parliamentary Questions, enquiry unit, HR online services and HR support, security clearances, and ICT. For each of these services, whether central support service provided by BIS or outsourced functions within the BIS family, the UK Space Agency has worked on the basis that BIS will provide assurance on the quality of these services, especially when they engage other Government

Departments or business to deliver them. In 2012/13 some of these services are scheduled to move to the Swindon Shared Service centre.

The Research Councils' UK Assurance Unit, hosted by the Biotechnology and Biological Sciences Research Council (BBSRC), acts on behalf of the Research Councils to review the regularity of expenditure on grants at research organisations. In 2011/12 the UK Space Agency grants inherited from STFC 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 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 this, together with our arrangements for the scrutiny of awards before payment, I am, therefore, confident that the necessary controls are in place to ensure the safeguarding of public money.

From April 2012, the Research Councils' UK Assurance Unit will have an agreement with the UK Space Agency to undertake a separate assurance programme on behalf of the Space Agency with respect to these activities.

Key areas of risk for the UK Space Agency

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. These bodies oversee ESA programmes and make decisions on funding and programme changes that are binding on the ESA executive. Taking this, together with our arrangements for the internal Space Agency executive management, I am, therefore, confident that the necessary controls are in place to ensure the safeguarding of public money.

Budgetary pressures

Whilst the UK Space Agency allocation for the 2010 Spending Review period – covering 2010-2014 – was positive, and over the four years sufficient to cover known commitments, there is a need for the Agency to rebalance annual spends across the period by moving activity from budgets in years 1 and 2 to years 3 and 4. In its first year, the Agency has managed to achieve the necessary reductions but will need to remain proactive to ensure the balance across the spending period. There are also potential budgetary pressures that will arise from the 2012 ESA Ministerial meeting, because decisions being sought by ESA at this meeting are not aligned with the UK Government spending periods.

Other issues

Legal status

The UK Space Agency is a full Executive Agency of BIS but 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'.

Data Protection

The UK Space Agency has most of its back-office support functions such as IT provided for 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.

Conclusions one year in

In its first year of operations as a full Executive Agency of BIS, the UK Space Agency has established itself in operational practices and governance in a way that gives me confidence in my role as the Accounting Officer that we are meeting the necessary requirements for public expenditures.

Nonetheless we recognise that we have a number of important goals to achieve in our second year of operation to ensure all processes we follow on a day-to-day basis are fully documented and transparent to stakeholders. In addition, we face

the new challenge of integrating key services into the UK Shared Service Centre in Swindon, at a time when this centre is itself not fully implemented. The RCIAS audits demonstrate that a good foundation is in place and provide a good template to address the key issues on activities we have agreed to take forward; these include:

- ensuring timely delegated authority letters;
- embedding risk management further into the organisation including the finalisation of the risk policy;
- business continuity plan;
- harmonisation of staff terms and conditions;
- ensuring transparency and accessibility of agency information;
- development of induction processes for new starters.

In addition, the UK Space Agency has recognised there is a need to review the overall staffing complement of the Agency now that there is a fuller picture of the both the range of tasks and their scale. This is because in the first year of the Agency a number of essential administration tasks came to light that had not been identified in all the pre-Agency evaluations.

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 to deliver its strategy in terms of all three of these impacts.

I am pleased that in our first year the Agency has been compliant with the requirements of the new Clear Line of Sight consolidated accounts project of the BIS family and at the same time managed to lay our first set of accounts to Parliament on schedule before the summer recess. In addition, an internal control framework has been established throughout the Agency and I have taken assurance from the internal audit reports that there are no major areas for concern.

David Williams
9 July 2012
Chief Executive and Accounting Officer

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 2012 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. 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 2012 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 Management Commentary elements 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.

Amyas C E Morse
Comptroller and Auditor General

11 July 2012

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

**Statement of Comprehensive Net Expenditure
for the year ended 31 March 2012**

				2011-12	2010-11
	Note	Staff costs	Other costs	Income	
		£000	£000	£000	£000
Administration costs:					
Staff costs	3	922			1,025
Other administration costs	4		602		477
Operating income		0	0	0	0
Programme costs:					
Staff costs	3	810			1,808
Programme costs	5		255,171		234,578
Income	6			(1,038)	(3,952)
Total		1,732	255,773	(1,038)	233,936
Net Expenditure				256,467	233,936

	Note	£000	£000
Net loss on revaluation of available for sales financial assets	7	14,559	0
Total Other Comprehensive Expenditure for the year ended 31 March 2012		14,559	0
Total Comprehensive Expenditure for the year ended 31 March 2012		271,026	233,936

The notes on pages 50 to 71 form part of these financial statements.

**Statement of Financial Position
as at 31 March 2012**

	Note	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000
<u>Non-current Assets</u>				
Other financial assets	7	0	13,498	0
Total Non-current Assets		0	13,498	0
<u>Current Assets</u>				
Trade and other receivables	8	18,899	17,725	17,455
Other financial assets	7	0	8,147	0
Cash & cash equivalents	9	10,272	0	0
Total Current Assets		29,171	25,872	17,455
<u>Current Liabilities</u>				
Trade & other payables	10	14,809	6,234	8,885
Other financial liabilities	7	523	0	0
Total Current Liabilities		15,332	6,234	8,885
<u>Non-current Liabilities</u>				
Other financial liabilities	7	538	0	0
Total Non Current Liabilities		538	0	0
Assets Less Liabilities		13,301	33,136	8,570
<u>Taxpayers' Equity</u>				
General fund		14,362	11,491	8,570
Revaluation reserve		(1,061)	21,645	0
Total Taxpayers' Equity		13,301	33,136	8,570

The notes on pages 50 to 71 form part of these financial statements.

David Williams
9 July 2012
Chief Executive and Accounting Officer

**Statement of Cash Flows
for the year ended 31 March 2012**

	Note	2011-12 £000	2010-11 £000
Cash flows from operating activities			
Net operating cost		(256,467)	(233,936)
Adjustments for non cash transactions	4	44	0
(Increase)/Decrease in trade and other receivables	8	(1,174)	(270)
Increase/(Decrease) in trade payables	10	8,575	(2,651)
Net cash outflow from operating activities		(249,022)	(236,857)
Cashflows from investing activities			
Net cash inflow/(outflow) from investing activities		0	0
Cashflows from financing activities			
Net Parliamentary Funding – drawn down		259,294	236,857
Financial instruments			
Net financing		259,294	236,857
Net increase/(decrease) in cash and cash equivalents in the period			
Cash and cash equivalents at the beginning of the period	9	0	0
Cash and cash equivalents at the end of the period	9	10,272	0

There is a nil balance in 2010-11 as that year consists entirely of Machinery of Government transactions and no cash balance was transferred to UKSA.

The notes on pages 50 to 71 form part of these financial statements.

**Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2012**

	2011-12		
	General fund	Revaluation reserve	Total
	£000	£000	£000
Balance at 1 April 2011	11,491	21,645	33,136
Net Parliamentary Funding – drawn down	259,294	0	259,294
Comprehensive Expenditure for the Year	(256,467)		(256,467)
Non-Cash Adjustments:			
Non-cash charges – auditor's remuneration	44	0	44
Movements in Reserves:			
Additions		0	0
Disposals		(8,147)	(8,147)
Recognised in Statement of Comprehensive Expenditure		(14,559)	(14,559)
Balance at 31 March 2012	14,362	(1,061)	13,301

	2010-11		
	General fund	Revaluation reserve	Total
	£000	£000	£000
Balance at 1 April 2010	8,570	0	8,570
Net Parliamentary Funding – drawn down	236,857	0	236,857
Comprehensive Expenditure for the Year	(233,936)	0	(233,936)
Non-Cash Adjustments:			
Non-cash charges – auditor's remuneration	0		0
Movements in Reserves:			
Additions		21,645	21,645
Disposals		0	0
Recognised in Statement of Comprehensive Expenditure		0	0
Balance at 31 March 2011	11,491	21,645	33,136

The notes on pages 50 to 71 form part of these financial statements.

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. The Revaluation reserve represents the increase of value of financial derivatives in relation to the cashflow hedge instruments.

Notes to the Accounts for the year ended 31 March 2012

1. Statement of Accounting Policies

1.1 Basis of accounting

These financial statements have been prepared in accordance with the 2011-12 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. Where the FReM permits a choice of accounting policy, the accounting policy which has been 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 consistently applied in dealing with items 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, held outside the public sector.

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 UKSA 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 derecognised 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 derecognised 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 rates 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 UKSA 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. Impairment losses are recognised in the Statement of Comprehensive Net Expenditure. On de-recognition, the cumulative gain or loss 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 UKSA, 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 a grantee with research grant funds supplied by the UK Space Agency belong to that institution. However, through the conditions of the *Conditions of Grant*, the organisation reserves the right to determine how such equipment shall be disposed of and how any disposal proceeds are to be utilised.

1.13 Insurance

As an Executive Agency of the Department of Business, Innovation and Skills, 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 often travel to France for ESA meetings and personal items are to be covered by staff own travel insurance.

1.14 Foreign exchange

Transactions that are denominated in a foreign currency are translated into sterling at the rate of exchange ruling 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 Measurements.

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, with a consultation process being undertaken with staff to assess whether they wish to transfer existing rights from the precursor pension scheme, namely Research Councils UK Pension Scheme (RCPS) to PCSPS. Both of the defined benefit schemes are unfunded. The UK Space Agency recognise 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 one 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.

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 Accounts is an accrual for the outstanding employee paid holiday entitlement at 31 March 2012 on an undiscounted basis.

1.17 Taxation

The UK Space Agency, as an Executive Agency of the Department of Business, Innovation and Skills, is exempt from income and corporation tax by way of its Crown exemption.

Value Added Tax (VAT) is accounted for in the Accounts, 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 within the Statement of Financial Position.

1.18 Inter-Departmental transfers of functions: Restatement of prior year comparatives

Machinery of Government changes, which involve the merger or the transfer of functions or responsibility of one part of the public service sector to another, are accounted for using merger accounting in accordance with the *FReM*. They are outside the scope of IFRS 3 *Business Combinations*, as central Government bodies are deemed to be under common control.

Merger accounting requires the restatement of the opening Statement of Financial Position and the prior year's Statement of Comprehensive Net

Expenditure, the Statement of Cash Flows and associated Notes to the Accounts. Where appropriate, the presentation of the Notes to the Accounts has also been changed in order to reflect a consistent approach to the disclosures.

The Machinery of Government changes, included in the UKSA 2011-12 Accounts, relate to transferring functions from the core department, Natural Environment Research Council, Science and Technology Facilities Council and Technology Strategy Board.

The impact on the prior year comparatives is disclosed in Note 11 to these Accounts.

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 14 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 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. Most expenditure incurred on the international segment of the Agency is on committed subscription costs with minimal central costs in support.

The UK Space Agency managed its assets and liabilities at the entity level during the year and therefore the distribution of assets and liabilities to those programmes and administration has not been disclosed.

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 of 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 Accounts.

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 IFRS and the 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. Segmental analysis

The following segments have been chosen to demonstrate the different geographical areas where expenditure is incurred.

	2011-12	2010-11
	£000	£000
Expenditure		
- National	28,648	21,339
- International	228,857	216,549
Total Expenditure	257,505	237,888
Income		
- National	(1,038)	(3,952)
- International	0	0
Total Income	(1,038)	(3,952)
Net Expenditure	256,467	233,936

Current accounting structures do not allow for exact splits of grants between national and international segments; therefore, where appropriate, management information has been used to pro rata capital spend between the segments using budgetary analysis.

There has been no allocation of central administrative costs to the various geographical segments as it is not material and would be too onerous in this first year of operation.

3. Staff numbers and related costs

Analysis of Staff Costs

	2011-12	2010-11
	£000	£000
Administration	922	1,025
Programme	810	1,808
Total	1,732	2,833

	2011-12			2010-11		
	Permanently employed	Others	Total	Permanently employed	Others	Total
	£000	£000	£000	£000	£000	£000
Wages and Salaries	1,316	0	1,316	2,044	0	2,044
Social Security Costs	138	0	138	227	0	227
Other pension costs	278	0	278	562	0	562
Total	1,732	0	1,732	2,833	0	2,833

There have been no outward secondments during the year.

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows:

	2011-12			2010-11		
	Permanently employed	Others	Total	Permanently employed	Others	Total
	No.	No.	No.	No.	No.	No.
Administration	17.0	0	17.0	26.0	1	27.0
Programme	14.3	0	14.3	14.3	0	14.3
Total	31.3	0	31.3	40.3	1	41.3

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the UK Space Agency is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/my-civil-service/pensions). For 2011-12, employers' contributions of £277,959 were payable to the PCSPS (2010-11 £562,574 to RCUK pension scheme) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. Contributions due to the partnership pension providers as the Statement of Financial Position date were £NIL. Contributions prepaid at that date were £NIL. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of NIL were paid to one or more of the panel of three appointed stakeholder

pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of NIL, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

The UK Space Agency follows the provisions of the PCSPS for calculating the cost of redundancy or other departure costs. There have been no redundancy or other departure costs paid or provided for during the year and therefore a table analysing the costs of such departures is not required.

4. Other administration costs

Administration costs	2011-12	2010-11
	£000	£000
Consultancy	108	108
IT costs	134	134
Accommodation	12	12
Training & other staff costs	11	10
Travel & subsistence	152	123
Rentals under operating leases	1	0
Professional services	46	46
Advertising & publicity	1	1
Hire of conference facilities	12	12
Telecommunications services	8	8
Non cash transactions		
Auditors remuneration	44	0
Other	73	23
Total	602	477

5. Other programme costs

Programme Costs	2011-12	2010-11
	£000	£000
Advertising & publicity	84	4
Consultancy	4,285	538
International subscriptions	199,907	216,549
Other grants	47,563	16,535
IT costs	3	0
Media & design	41	2
Research & development	35	2
Training & other staff costs	682	31
Travel & subsistence	42	2
Net gain/loss on foreign exchange	203	0
Legal costs	15	1
Sponsorship	61	3
UK subscriptions	166	69
Centre of Earth Observation Instrument	1,000	418
Funding of UK Astronomy Technology Centre	895	374
Other	189	50
Total	255,171	234,578

International subscriptions were paid to ESA.

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 UK Space 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 therefore 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.

6. Income

Programme Income	2011-12	2010-11
	£000	£000
Funding from central government	1,019	500
Other income	19	3,452
Total	1,038	3,952

The funding from central government is from Department for Transport.

7. Other financial assets/liabilities

The UK Space Agency has a number of cashflow hedge contracts in relation to its international subscriptions to the European Space Agency. These contracts, which are highly effective in hedging against cashflow fluctuation, are revalued at each year end and are revalued based on the future forward market rates at that time.

	2011-12	2010-11	2009-10
	£000	£000	£000
Balance at 1 April	21,645	0	0
Additions	0	21,645	0
Disposal (contracts completed in year)	(8,147)	0	0
Revaluation movement	(14,559)	0	0
Transfer to/from current assets	523	0	0
Transfer to/from non-current assets	(523)	0	0
Balance at 31 March	(1,061)	21,645	0
Non- Current (Liabilities)/Assets	(538)	13,498	0
Current (Liabilities)/Assets	(523)	8,147	0
Total	(1,061)	21,645	0

The “Disposal (contracts completed in year)” value arose through the completion of the first three contracts highlighted in the table for “Contracts outstanding at 31 March 2011”. The sum of the Credit to Reserves for each is the value which was recognised in reserves and is removed on completion.

The “Revaluation movement” amount is the difference in the fair value of the contracts still in place as at 31 March 2011 and 31 March 2012.

The “Transfer to/from current and non-current assets” is the reclassification of existing contracts at 31 March 2012 split between less and more than one year.

Cashflow Hedge Contracts

Contracts outstanding at 31 March 2012

	Currency	Date contract placed	Settlement Date	Cost	Fair Value at 31 March 2012	Credit to reserves
Contract	Type	Date	Date	£000	£000	£000
1	Euro	15/12/2010	1/6/2012	50,886	50,686	(200)
2	Euro	15/12/2010	1/10/2012	50,929	50,771	(158)
3	Euro	15/12/2010	1/2/2013	43,762	43,596	(166)
4	Euro	15/12/2010	3/6/2013	34,076	33,951	(125)
5	Euro	15/12/2010	1/10/2013	34,129	34,011	(118)
6	Euro	15/12/2010	3/2/2014	29,305	29,212	(93)
7	Euro	15/12/2010	2/6/2014	31,699	31,598	(101)
8	Euro	15/12/2010	1/10/2014	31,751	31,651	(100)
Total				306,537	305,476	(1,061)

Contracts outstanding at 31 March 2011

	Currency	Date contract placed	Settlement Date	Cost	Fair Value at 31 March 2011	Credit to reserves
Contract	Type	Date	Date	£000	£000	£000
1	Euro	15/12/2010	1/6/2011	54,597	57,523	2,926
2	Euro	15/12/2010	3/10/2011	54,620	57,478	2,858
3	Euro	15/12/2010	1/2/2012	46,853	49,216	2,363
4	Euro	15/12/2010	1/6/2012	50,886	53,385	2,499
5	Euro	15/12/2010	1/10/2012	50,929	53,351	2,422
6	Euro	15/12/2010	1/2/2013	43,762	45,717	1,955
7	Euro	15/12/2010	3/6/2013	34,076	35,544	1,468
8	Euro	15/12/2010	1/10/2013	34,129	35,563	1,434
9	Euro	15/12/2010	3/2/2014	29,305	30,499	1,194
10	Euro	15/12/2010	2/6/2014	31,699	32,966	1,267
11	Euro	15/12/2010	1/10/2014	31,751	33,010	1,259
Total				462,607	484,252	21,645

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 of 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 committed expenditure is profiled such that some 90% of spend is covered by the use of a cashflow hedge thereby fixing the exchange rate to be used. The remaining 10% is translated at the prevailing spot rate.

The only 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 not subject to market risk.

8. Trade receivables and other current assets

a) Analysis by type

Trade and other receivables less than 1 year	31 March 2012	31 March 2011	31 March 2010
	£000	£000	£000
Trade receivables	8,827	11	12,123
Other receivables	0	0	0
Prepayments & accrued income	9,884	17,714	5,332
VAT	188	0	0
Total less than 1 year	18,899	17,725	17,455

b) Intra Government balances

	31 March 2012	31 March 2011	31 March 2010
	£000	£000	£000
Balances with department	7,741	11	0
Balances with other central government bodies	1,274	0	0
Balances with local authorities	0	0	0
Balances with NHS trusts	0	0	0
Balances with public corporations and trading funds	0	0	0
Balances with bodies external to government	9,884	17,714	17,455
Total	18,899	17,725	17,455

9. Cash and cash equivalents

Cash and cash equivalents	31 March 2012	31 March 2011	31 March 2010
	£000	£000	£000
Government banking service	10,272	0	0
Total	10,272	0	0

10. Trade payables and other current liabilities

a) Analysis by type

Trade and other payables less than 1 year	31 March 2012	31 March 2011	31 March 2010
	£000	£000	£000
Trade payables	9,547	4,223	57
Other payables	398	0	0
Accruals	4,864	2,011	8,828
Total less than 1 year	14,809	6,234	8,885

b) Intra Government balances

	31 March 2012	31 March 2011	31 March 2010
	£000	£000	£000
Balances with department	1,242	6,234	8,885
Balances with other central government bodies	0	0	0
Balances with local authorities	0	0	0
Balances with NHS trusts	0	0	0
Balances with public corporations and trading funds	0	0	0
Balances with bodies external to government	13,567	0	0
Total payables	14,809	6,234	8,885

11. Machinery of Government changes

On 1 April 2011 the responsibility for all space activities was transferred from a number of bodies, namely, the parent department BIS, STFC, NERC and TSB. The Agency therefore became responsible for the whole of the UK space activities. This transfer has been treated under Machinery of Government Accounting and the full effect of the transfer on 2010-11 accounts can be seen below:

	Transfers to UKSA						
	BIS	NERC	STFC	TSB	Subtotal	Other	Total
	£000	£000	£000	£000	£000	£000	£000
Statement of Operating Costs and Net Expenditure							
Administration costs							
Staff costs	810	177	38	0	1,025	0	1,025
Other administration costs	477	0	0	0	477	0	477
Programme costs							
Staff costs	0	0	1,808	0	1,808	0	1,808
Other programme costs	10,896	57,472	114,704	51,506	234,578	0	234,578
Programme income	(52)	(500)	0	(3,400)	(3,952)	0	(3,952)
Total net expenditure	12,131	57,149	116,550	48,106	233,936	0	233,936

		Transfers to UKSA						Total
		BIS	NERC	STFC	TSB	Sub-total	Other	
		£000	£000	£000	£000	£000	£000	
Statement of Financial Position								
	<i>Non Current Financial Assets</i>	0	0	0	0	0	13,498	13,498
	<i>Current Financial Assets</i>	0	0	0	0	0	8,147	8,147
	<i>Total receivables</i>	11	2,772	4,933	10,009	17,725	0	17,725
	<i>Total payables</i>	(4,399)	0	(1,635)	(200)	(6,234)	0	(6,234)
	Total net assets	(4,388)	2,772	3,298	9,809	11,491	21,645	33,136
Taxpayers equity								
General fund								
	Opening balance	(553)	(2,295)	2,763	8,655	8,570		8,570
	Net Parliamentary Funding – drawn down	8,296	62,216	117,085	49,260	236,857		236,857
	Comprehensive Expenditure for the Year	(12,131)	(57,149)	(116,550)	(48,106)	(233,936)		(233,936)
	<i>Total taxpayers equity</i>	(4,388)	2,772	3,298	9,809	11,491		11,491
	Revaluation reserve	0	0	0	0	0	21,645	21,645
	Total Reserves	(4,388)	2,772	3,298	9,809	11,491	21,645	33,136

The UK Space Agency has committed payments to the European Space Agency, covering a period to October 2014, for which a number of cash flow hedge contracts were established on 15 December 2010. As the UK Space Agency was not established until 1 April 2011, the parent Department, BIS, requested STFC to establish the hedge contracts on its behalf. The details of each contract can be found in note 7.

12. Capital commitments

There were no capital commitments as at 31 March 2012 (2010-11 £NIL).

13. Other financial commitments

The UK Space Agency has entered into non-cancellable 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 as follow:

	2011-12	2010-11
	£000	£000
Not later than one year	145,577	156,070
Later than one year and not later than five years	160,960	306,537
Total	306,537	462,607

14. Contingent liabilities disclosed under IAS 37

The staff transfer to the UK Space Agency required a consultation and vote on whether to transfer the pensions from RCUK pension scheme to the PCSPS. Whilst the RCUK scheme is analogous to the PCSPS, nevertheless there is a possibility that a deficit may need to be funded. At the time of reporting, the process has not been completed and it is unclear as to any liability or asset to be transferred.

The UK Space Agency has a potential liability in regards licence costs under the Space Waste Act. This is likely to be minimal but is unquantifiable at time of reporting.

The UK Space Agency is involved with the ExoMars project, which is led by the European Space Agency (ESA) and, due to various viability and funding issues surrounding the project, it is not clear what future action is to be taken. This may result in cost implications for the UK Space Agency but this is unquantifiable at the reporting date.

15. Operating leases

The UK Space Agency has an operating lease with STFC for office accommodation at the Rutherford Appleton Laboratory in Oxford at a peppercorn rent of £1 per annum, which has not been claimed. A charge is made to the Agency operating costs for direct costs such as rates, heating and security.

16. Head Office accommodation

The UK Space Agency operates out of 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.

17. Related party transactions

During 2011-12, the UK Space Agency was an Executive Agency of the Department for Business, Innovation and Skills (BIS) and BIS was regarded as a related party with which the Agency had various material transactions during the year. In addition, the back-office function for

national grants was outsourced to STFC, which should therefore be recognised as a related party; there have been transactions with NERC and other bodies within the BIS family; however these are of less significance.

During the 2011-12 year, with the exception of the Chief Executive, none of the members of Steering Board, Executive Board or their associated bodies, key management staff or other related parties have undertaken any material transactions with the UK Space Agency.

The following staff member has related party transactions:

Name	Position with related party	Description of transactions	Value of transactions £000
David Williams	Trustee for the National Space Centre and Chair of European Space Agency (ESA) Council	Expenditure paid and payable to European Space Agency	£228,000 (UK Space Agency spent this with ESA)

18. Losses and special payments

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

19. Events after the reporting period

There have been no 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 accounts were authorised for issue on 11 July 2012.



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