



Annual Report and Accounts

2017-18

HC 1260

Delivering an excellent space programme with the maximum economic, scientific and policy benefit for the UK.

UK Space Agency
Annual Report and Accounts
2017-18

Presented to the House of Commons pursuant to section 7 of the Government Resources and Accounts Act 2000.

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HC 1260



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ACCOUNTABILITY REPORT

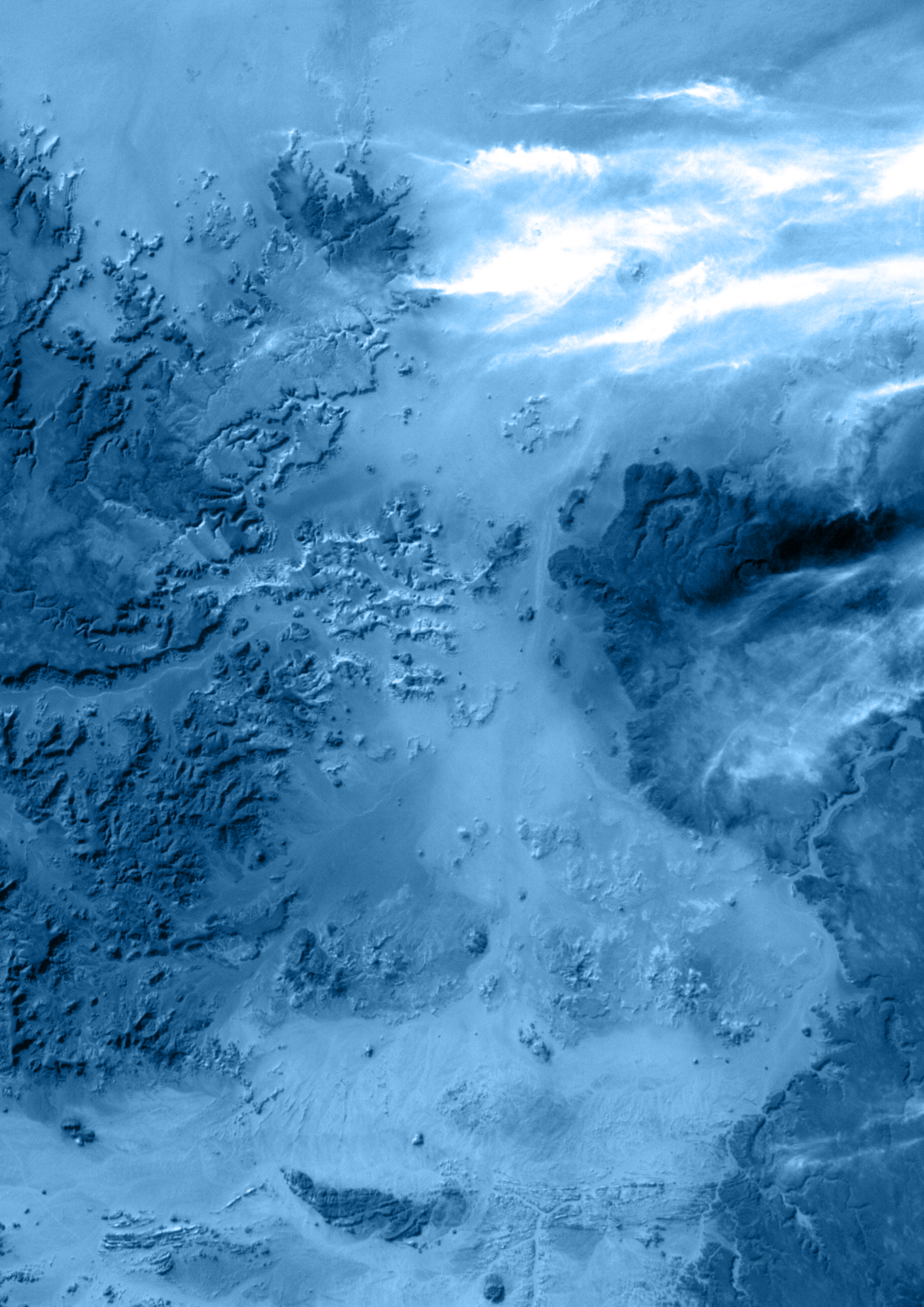
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An aerial photograph of a desert landscape, showing a winding, dry riverbed or channel cutting through a cracked and textured terrain. The colors range from light tan to dark brown, indicating different soil compositions and moisture levels. The overall scene is arid and desolate.

PERFORMANCE REPORT



OVERVIEW

CHIEF EXECUTIVE'S STATEMENT

I am delighted to introduce our Annual Report and Accounts for 2017-18.

Over the past year, we have driven growth of the space sector as part of the Government's Industrial Strategy. In 2017 the UK space industry was worth around £15 billion a year in turnover, with exports of £5.4 billion. We remain committed to work with industry to **increase the UK's share of the global space sector further**, aiming to reach 10% by 2030 (currently 6.5%) while keeping this target under close scrutiny in the current changing environment.

We have continued our **planning to prepare for EU Exit** - we have set up dedicated teams to support the implementation of our EU Exit portfolio and worked with stakeholders from a range of government departments and businesses to gather insights. Separately we have established a task force, drawing expertise from across the space, engineering and security sectors to develop options for an independent satellite navigation system if we are unable to secure an acceptable future agreement on Galileo. This work is intended to ensure that the UK's satellite positioning, navigation and timing needs are met in the future. Similarly, we are engaging proactively with stakeholders to understand the wider implications of EU Exit so that we are well prepared to review our strategy in light of the negotiated outcome.

We have overseen passage of the **Space Industry Act**, the most modern piece of space industry

regulation anywhere in the world, enabling the first ever commercial space launch from UK soil. This new regulatory framework will make it possible for us to compete in new segments of the space value chain. We are supporting growth of the UK space sector by attracting new businesses, to compete in the commercial space race using UK spaceports, and taking advantage of future developments, including hypersonic flight and high-speed point-to-point transport.

We ran an open call for grant proposals to develop low cost access to space. These initial missions from the UK will pave the way for a **commercial space launch** market, where multiple small satellite launch vehicles and sub-orbital spaceplanes could pursue rising global demand from a number of UK spaceports. Launch companies that choose to base themselves in the UK will benefit from access to the UK's world class space and aerospace manufacturers on their doorstep.

As incoming Chief Executive, I am particularly grateful to our internal auditors for the work they have carried out in reviewing agency HR and finance functions which will help us develop going forward.

As always, the Agency's success depends on the outstanding skills and expertise of our workforce and I remain grateful to them for their dedication and commitment.

Graham Turnock

Chief Executive and Accounting Officer
28 June 2018

"We remain committed to work with industry to increase the UK's share of the global space sector further, aiming to reach 10% by 2030".

HIGHLIGHTS in 2017-18

The UK Space Agency was established to deliver a civil space programme with the maximum economic, scientific and policy benefit for the UK. We have taken the strategic lead in the development and growth of the space sector in the UK - working to deliver real benefits to public services, science and innovation, national security and the wider economy. In 2017-18 this included the following highlights:

UK Space Sector Growth

The £15 billion UK space sector underpins industries worth more than £250 billion to the national economy and is at the heart of the UK Government's Industrial Strategy. Through our local and regional space growth programme we have worked with partners to provide support to grow space companies across the UK, from Scotland to Cornwall. Internationally we have ensured that UK investments in the European Space Agency (ESA) were targeted to ensure growth of the UK space sector. The Agency's investments focus on telecommunications, applications, Earth Observation and technology programmes aimed at developing space enabled products, applications and services to benefit both the public and industry. We periodically evaluate our past investments to ensure best possible value for the UK - most recently we published an assessment of the UK benefits from the ESA General Support Technology Programme (GSTP).

We have played a key role in modelling the benefits of space technology. Our Space for Smarter Government Programme (SSGP) has raised awareness, enabled access to knowledge and expertise within the space sector and demonstrated how satellite data and applications can benefit the public sector and therefore the public.



KEY PERFORMANCE INDICATORS (KPI)					
PERIOD	NO. OF POLICE OFFICERS NOT RE-SKILLED	NO. OF POLICE OFFICERS RE-SKILLED IN THE PUBLIC	NO. OF POLICE OFFICERS RE-SKILLED AS A RESULT OF CORRUPTION	NO. OF JCF MEMBERS CHARGED FOR JCF STAFF	NO. OF CIVILIAN CHARGES FOR CORRUPTION
JANUARY	2	NI	NI	4	4
SINCE JAN 1, 2012	2	NI	NI	6	4

ARRESTS BY ANTI CORRUPTION BRANCH													
PERIOD	TOTAL NO. OF ARRESTS	TOTAL NO. OF CHARGES	INVESTIGATIONS					REGULAR			JCF	DIT CONC	
			RECEIVED	OPENED	REFUSED	CHARGED	ACQUITTED	FINED	NO FINED	OTHER			
JANUARY	10	0	0	4	0	4	10	7	2	1	3	1	1
SINCE JAN 1, 2012	10	0	0	4	0	4	10	7	2	1	3	1	1

INTELLIGENCE/CORRUPTION REPORTS RECEIVED											
PERIOD	TOTAL NO. OF REPORTS RECEIVED	TOTAL NO. OF REPORTS LOGGED	CORRUPTION RELATED REPORTS	OTHERS	METHODS OF REPORTING						
					TELEPHONE	POST	EMAIL	ONLINE	OTHER	UNKNOWN	
JANUARY	37	3	28	9	22	10	1	10	NI	NI	10
SINCE JAN 1, 2012	31	3	28	22	10	1	10	NI	NI	10	

SUBMISSION OF FILES TO DPP/CJ												
PERIOD	NO. OF FILES SENT TO DPP	NO. OF FILES FROM 2012	NO. OF FILES FROM 2011	BREACHES OF RULES RECEIVED		NO. OF COMPLETED INVESTIGATION FILES			OTHERS			
				RECEIVED	FILED	FILED	FILED	FILED	FILED	FILED	FILED	FILED
JANUARY	3	2	1	2	4	1	1	NI	1	4	1	3
SINCE JAN 1, 2012	3	2	1	NI	4	1	1	NI	4	1	3	

COURT RESULT									
PERIOD	CORRUPTED	ACCOUNTY	FINE	HOUSE PROSEC	CASES SUBMITTED	NO CASES	NO FINED	TOTAL NO. OF CASES ADVERSE TO GOVT	
								FINED	OTHERS
JANUARY	1	NI	NI	NI	NI	NI	NI	5	7
SINCE JAN 1, 2012	1	NI	NI	NI	NI	NI	NI	5	7



International Engagement

We have continued to build international influence through existing and new partnerships. We have worked closely with ESA to ensure our programmes are fit for the future. This includes reforms to programme management and reforms to procurement as the commercial space sector matures to enable service delivery in new areas such as exploration services. Equally we have worked extensively with our partners in EU space programmes to highlight the mutual benefits of ongoing UK co-operation and explore models for maintaining such co-operation after we leave the EU.

Whilst our European co-operation remains at the centre of our international efforts we have also reached out to strengthen wider international co-operation. Working in partnership with industry and other government departments, we have developed a plan for strategic engagement with partner countries across the world and supported industry to realise key export goals.

With a growing awareness of the criticality of space services to everyday life, we have worked in partnership with other countries, UK government departments, and commercial operators to protect spacecraft from threats and assure the essential space services delivered from space are resilient and secure. This includes resilience of the UK Space Sector to disruptive challenge, including cyber, physical and personnel threats and natural hazards has been a key priority.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
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Space Sector Regulation

The Space Industry Bill received Royal Assent in March 2018 to become the Space Industry Act 2018. The Act is an important milestone in our civil space agenda and has provided new powers to license a wide range of commercial spaceflight activities, including vertically launched rockets, sub-orbital spaceplanes, satellite operations, and spaceports in the UK. It will create an attractive environment for safe and responsible spaceflight operations from the UK.

The Act highlighted the benefits of successful cross-government working, enabling us to achieve Royal Assent in under two years. Work is now underway to develop the detailed regulations to implement the Act.

Commercial Space

Our communications and stakeholder work has continued to strengthen our existing partnerships and reach new audiences to promote the UK space sector. Our Chief Executive and Executive Board have taken part in almost 300 separate engagements with key stakeholders across government, industry and academia. We have made significant announcements that have helped to build the sector's profile in the media, with the public, and with future investors in the UK and around the world - including high profile announcements of funding for key infrastructure projects such as the National Satellite Test Facility and National Space Propulsion Facility.

We have used our close partnership with industry to propel forward ambitions to grow our sector, including through the formation of a new Space Growth Partnership and emerging Sector Deal proposal. We have encouraged the sector to respond to the Industrial Strategy consultation document and to set out a clear proposal to government for a Sector Deal, including the case for a national space programme and market analysis that highlights over £70bn in new sector opportunities.

We have also helped British businesses to act now to take advantage of new commercial space markets, making significant strides in enabling commercial spaceflight from UK spaceports. The Government's Industrial Strategy earmarked £50 million to help deliver our launch programme, including potential funding for industry to build new launch infrastructure and technology (subject to business case approval), and our LaunchUK roadshow has toured the country to continue to promote exciting commercial opportunities linked to UK spaceflight.





Space Programmes

In partnership with industry we have delivered a wide range of national and international programmes in support of space science, human and robotic exploration, international aid, technology and innovation.

This will keep the UK at the forefront of world-class space science - helping UK engineers and scientists to secure leading roles in new missions such as the next generation exo-planet finder Plato. The pace of progress on current missions under implementation continues across a broad front with, for example, the successful delivery of UK led instruments for the Solar Orbiter spacecraft due for launch in early 2020.

Our Synergistic Air Breathing Rocket Engine (SABRE) project with Reaction Engines Ltd is on target to undertake a ground test demonstration of the air-breathing element of the engine in 2020.

Our International Partnership Programme (IPP) launched its second call for proposals. The successful projects will help developing countries use satellite enabled technology to address important challenges, including, improving responses when natural disasters strike, allowing more effective monitoring of illegal fishing and mining, and helping farmers to improve crop yield and responses to pests.

ABOUT THE UK SPACE AGENCY

The UK Space Agency is an Executive Agency of the Department for Business, Energy and Industrial Strategy (BEIS) and is responsible for the civil space policy landscape, representing the UK at the international level on global space policy issues, and supporting it with regulatory and licensing regimes for UK space activities.

Developing the UK space sector is a key element of the Government's modern and ambitious Industrial Strategy. We are committed to work with industry to increase our share of the global space economy from 6.5% to 10% by 2030. This will open the UK to new frontiers, transforming the way we live, and establishing us as an international space leader putting the UK at the heart of the 'new Space' revolution.

Our Vision (What we want to be)

The UK Space Agency will facilitate the development and growth of the space sector in the UK - working to deliver real benefits to public services, science and innovation, national security and the wider economy.

We aim to put the UK at the heart of the global 'new Space' revolution. In 2017-18 we have refreshed our vision to articulate this key role, our vision statement is:

The UK Space Agency - leading the new Space Age.

Our Mission (What we will do to get there)

In achieving this vision, we intend to pursue the following:

Economy

Embed space as a fundamental part of the UK's economy and society and unlocking new markets and technologies for the benefit of everyone in the UK.

Society and Security

Build a world where space tackles global challenges and is used responsibly, safely and securely by all.

Science

Work with partners undertaking science and discovery that helps us to understand our universe and our planet and which inspires the next generation.

Collaborate

Place the UK at the forefront of international collaboration, as a global partner with a compelling vision, understanding our planet, the universe beyond and for our shared future in space.

As at 31 March 2018 the UK Space Agency employed 153 staff across six directorates. This includes secondees from other government departments and industry providing additional subject matter skills, knowledge and expertise. Staff are based primarily at the headquarters in Swindon and at two other sites in Harwell (near Oxford) and London.

OUR PLANS FOR THE FUTURE

Looking forward to 2018-19 we shall concentrate on five priority areas which will be detailed in full in our Corporate Plan (including success measures/metrics).

What the UK Space Agency wants to be	Vision			
	Leading the new Space Age			
What we will deliver to get there	Mission			
	Economy	Society and Security	Science	Collaboration
How we will deliver	Priority actions in 2018-19			
	<p>Space Sector Growth</p> <p>We will work to continue to grow the UK space sector. We will publish an updated Civil Space Strategy which will highlight key opportunities for future sector growth and areas for priority investment. In conjunction with the Space Growth Partnership, the Space Agency will finalise an Industrial Strategy Sector Deal, ensuring this aligns with agreed industry and Government plans</p> <p>Satellite Launch Programme</p> <p>We will grow the UK space economy by enabling and encouraging businesses to build a safe and sustainable commercial market for small satellite launch and sub-orbital spaceflight from UK spaceports.</p>	<p>Space Regulation and Regulatory Reform</p> <p>We will execute our existing regulatory responsibilities efficiently and effectively and maintain the pace of reform of the UK's regulatory regime to deliver safe and sustainable commercial growth in the space sector, whilst protecting the space operating environment and managing Government's long-term risks.</p>	<p>Space Programmes</p> <p>We will oversee the performance, funding and risks in delivering the Agency's national and international programmes to derive maximum benefit. Manage and monitor delivery of the UK government's strategic (civil) programmes in space science, exploration, technology, research and development and innovation.</p>	<p>International Engagement</p> <p>We will strengthen existing international partnerships and create new relationships with nations strategically aligned to government priorities, based on our mutual interests in science and technology, security and economic growth.</p>

WHAT COULD STOP US ACHIEVING OUR OBJECTIVES?

The UK Space Agency's approach to risk management is about identifying risks that could occur, deciding what activity is required to influence the chance of them happening, and then managing that activity. In achieving our objectives, we will inevitably expose ourselves to risk therefore we must ensure that we maintain control over our risk exposure as much as practicably possible.

We have established guidelines and criteria that allow us to formalise the way in which we **identify, assess, address, record** and **review** our risks. Our risk management is conducted at three levels, with escalation/de-escalation between them when appropriate:

Projects/Programmes (risks that may impact on project/programme objectives)

Project and programme managers populate risk registers and use these to inform regular conclusions around the risk status of their projects and programmes.

Directorate Risks (risks that may impact on delivery of Directorate objectives)

Directors review their Directorate Risk Registers monthly, taking into account the Agency's risk appetite and providing advice and guidance on appropriate actions as required.

Corporate Risk Register (risks that may impact on delivery of Agency objectives)

The Executive Board assesses the Corporate Risk Register monthly. Audit Committee and Steering Board reviews the Corporate Risk Register at each of their meetings.

Our Executive Board recognises that it may not be possible to fully eliminate risk. Indeed, it may not be economically viable to do so therefore we need to understand the amount of risk that we are prepared

to accept before we take action i.e. our risk appetite. In 2017-18 we updated our risk appetite as follows:

Financial Exposure

Our appetite is 'cautious'. We will only tolerate financial risks which are rated as low or below and may choose to mitigate some of these.

Delivery

Overall our risk appetite is 'open'. We accept that delays are sometimes unavoidable. In most cases we are comfortable for these to be managed but should there be indications of a substantial delay to delivery, a risk must be mitigated.

Reputation

Our risk appetite is currently 'open', sometimes it is necessary to be innovative and ambitious with our policies. We cannot achieve this if we are restricted in our thinking by an overly cautious approach to risk taking. However, we have a 'minimalist' appetite for actions from anyone in the Civil Service which could reflect on the Agency negatively.

Legal

Our risk appetite is 'averse'. We will not pursue actions which are plainly unlawful or which otherwise cannot be supported by a respectable argument.

Information

Our risk appetite is 'minimalist' due to the highly sensitive commercial information being shared by our key industry partners.

Appetite Definitions

Averse

Avoidance of risk and uncertainty is a key organisational objective.

Minimalist

Preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward.

Cautious

Preference for safe delivery options that have a low degree of residual risk and may only have limited potential for reward.

Bold

Eager to be innovative and to choose options offering potentially higher business rewards, despite greater inherent risk.

Open

Willing to consider all potential delivery options, tolerate moderate risk, and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc).

Our corporate risks are those that capture the effect of uncertainty on the achievement of our strategic plans or those that have serious legal, financial viability or reputational implications for the Agency. Our key Corporate Risks at 31 March 2018 were:

EU Exit

Uncertainty following the referendum negatively impacts on the UK Space Sector reducing access to funding, collaboration with EU partner organisations or the ability for industry to attract and retain EU staff.

Satellite Incident

Collision of a UK-licensed object (including satellite constellations) in space results in a liability claim against the UK by another State.

Failure to sustain delivery

Agency fails to accurately match resources to priorities impacting on delivery of Agency priorities.

Project Performance

Agency fails to engage effectively with delivery partners to ensure programmes are managed within Performance, Time and Cost Approvals.

Space Sector Growth

Growth fails to capture 10% of the global space market by 2030.

OUR FINANCES

A key Agency financial objective is to outturn between +0% and -1% of the financial target.

In compliance with the budgeting regime, the Agency was required throughout the year to advise BEIS of its total forecast net expenditure for the year end, in line with the requirement from HMT Treasury to adhere as closely as possible to the forecast.

The Agency's 2017-18 final Departmental Expenditure Limit (DEL) outturn, excluding Annually Managed Expenditure (AME), was £0.037 million (equivalent to 0.009%) above the agreed financial target. The outturn against each separate budget line met the Agency's financial objective except for Capital DEL. This marginal overspend was a result of an improved delivery of milestones, equivalent to 0.13% of the agreed financial target.

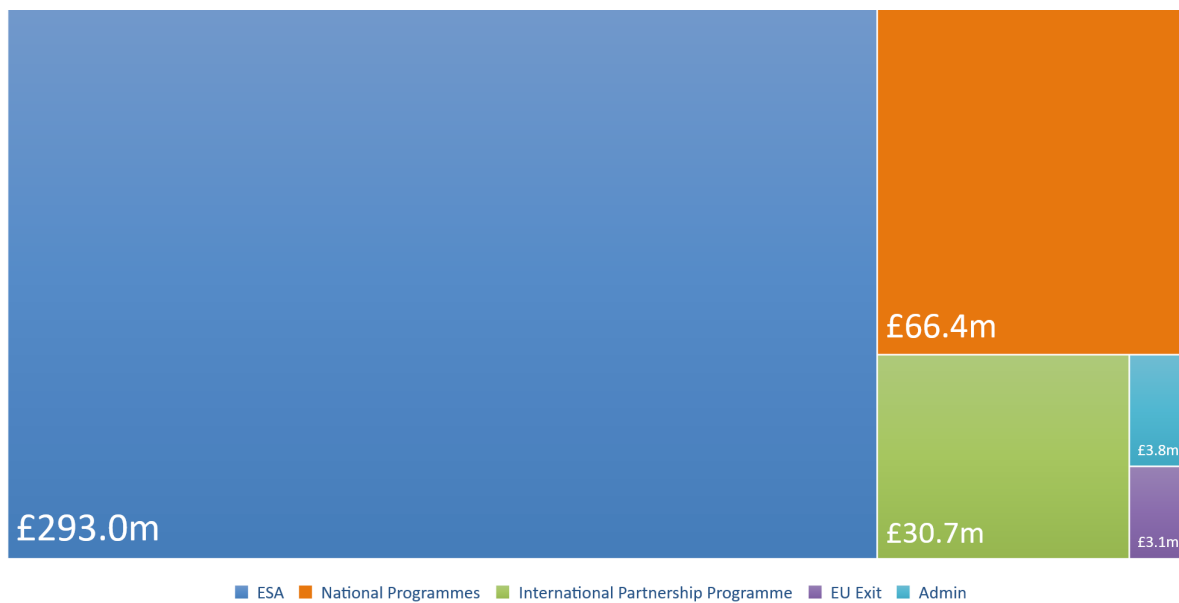
	2017-18			
	Budget	Agreed financial target	Outturn	(Surplus)/ Deficit
	£000	£000	£000	£000
Admin DEL	3,913	3,913	3,796	(117)
Programme DEL	190,983	190,668	190,626	(42)
Capital DEL	174,287	168,465	168,684	219
Global Challenges Research Fund	30,000	30,681	30,681	0
EU Exit	3,148	3,148	3,125	(23)
Total DEL	402,331	396,875	396,912	37
Non ring-fenced AME	0	1	1	0
Ring-fenced AME - forward contract revaluations	(13,031)	(13,031)	(29,911)	(16,880)
Total AME	(13,031)	(13,030)	(29,910)	(16,880)

Foreign exchange hedging impact of new ESA commitments

In December 2016, at the ESA Council of Ministers meeting, the UK Space Agency committed over €1.4 billion to ESA for the period of 2017 to 2019, with some commitments stretching to 2021. To aid budgetary certainty, the Agency manages a portfolio of foreign exchange forward contracts. In 2017-18 the portfolio consisted of 24 contracts, five of which matured during the year. These financial instruments are subject to significant variances in their underlying fair value as measured at 31 March 2018, which resulted in a recognised notional revaluation gain of £29.9 million. These movements are outside the control of management and are therefore classified as AME.

More information about the forward contracts can be found in Note 6 to the Financial Statements, Other financial assets and liabilities, on page 88 and Note 11.1, Other financial commitments on page 91.

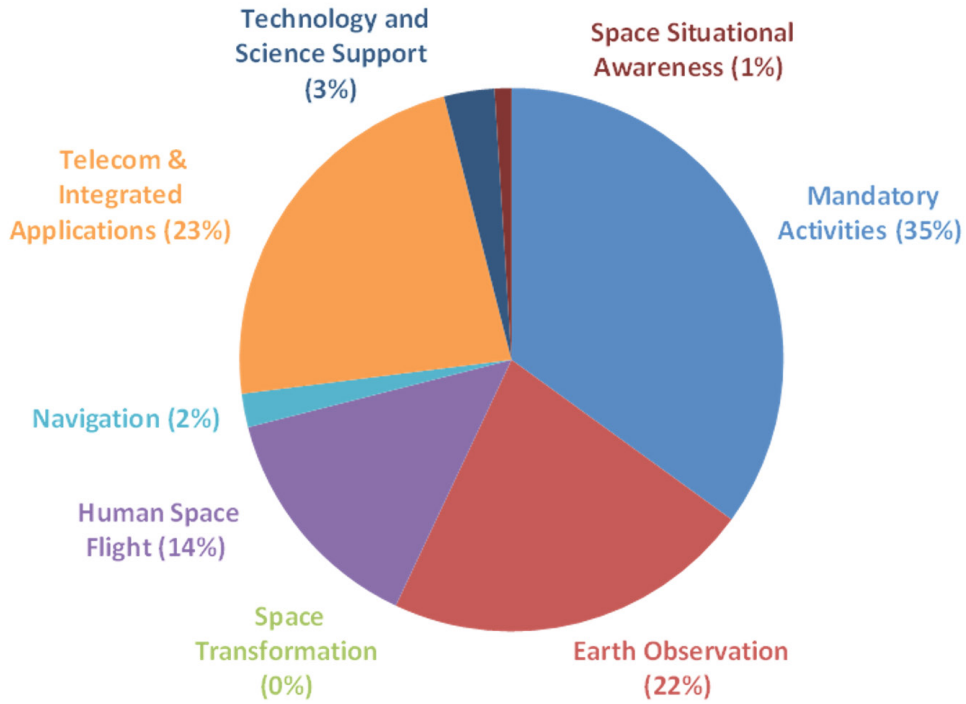
How we spent our 2017-18 budget



The table above includes delivery costs so the figures are not directly comparable to those in note 4 to the financial statements, Total expenditure, on page 86.

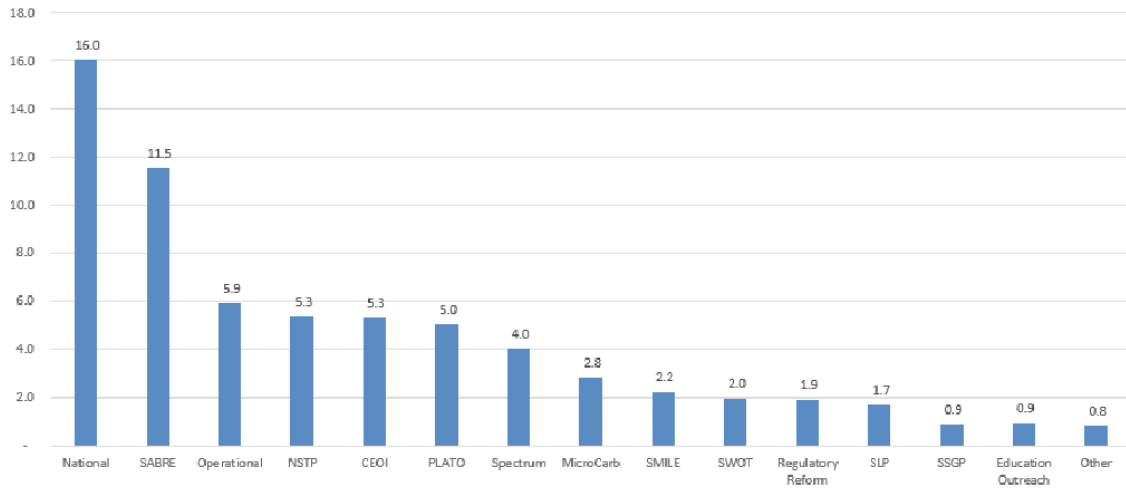
European Space Agency

During the reporting period, the Agency contributions to ESA totalled £293.0 million. The medium-term commitment of ESA contributions can be summarised into 8 key categories.



National Programme

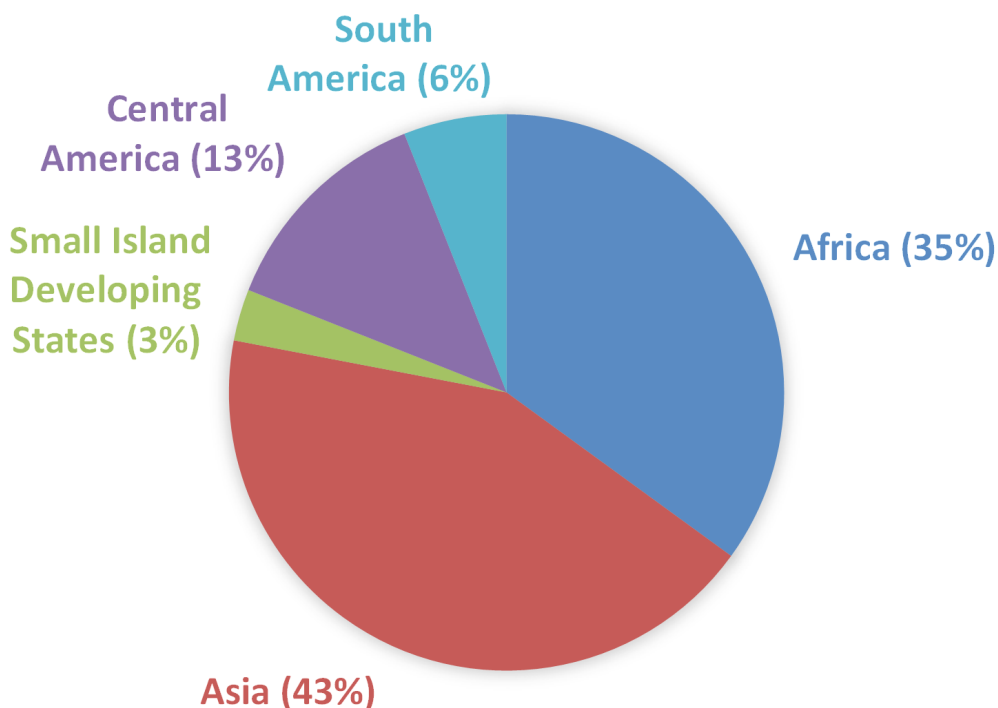
Including delivery costs, a total of £66.4 million was spent on the National Programme during the reporting period covering a multitude of different projects and initiatives. 2017-18 spend on National Programmes can be summarised into the key categories shown below:



International Partnership Programme (IPP)

The IPP is a five-year, £152 million programme run by the UK Space Agency and is funded from the Department for Business, Energy and Industrial Strategy's (BEIS) Global Challenges Research Fund (GCRF).

The IPP built on a successful first year in 2016-17 which saw it outturn this reporting period at £30.7 million (including delivery), up from £15.4 million in 2016-17. This global programme oversaw 36 projects in 2017-18 across five geographical regions. Further information on the IPP can be found on page 32.



Admin

The Agency Admin outturn increased from £3.7 million in 2016-17 to £3.8 million in 2017-18.

EU Exit

Following the UK’s decision on 23 June 2016 to exit the EU, the Agency has spent £3.1 million during the reporting period to support EU Exit policy and negotiations.

Net Assets

Net assets as at 31 March 2018 were £91.9 million, a decrease of £20.9 million from £112.8 as at 31 March 2017. This is predominantly due to a decrease in the cash balance at year end.

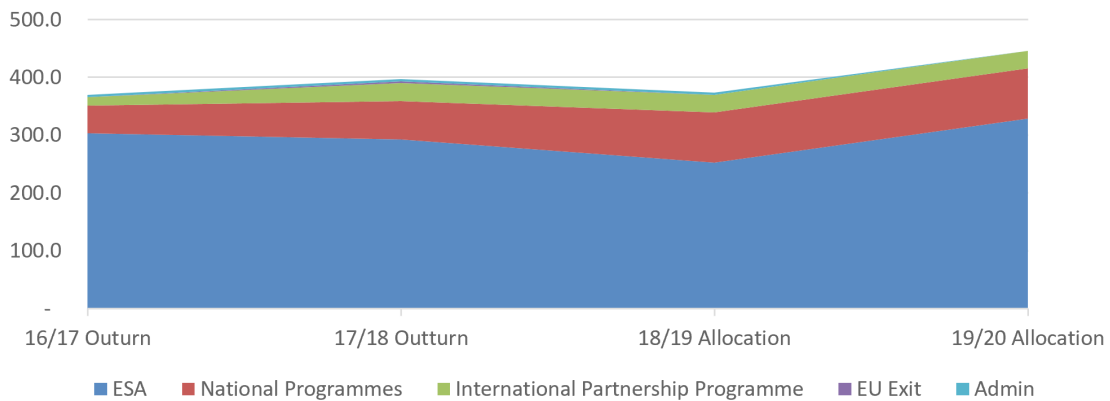
Cash

Cash balances are closely managed on a monthly basis to meet the internal and departmental cash requirements. All cash reserves are held within the Government Banking Service. The Agency does not hold any commercial bank accounts.

The cash balance as at 31 March 2018 was £12.9 million (2016-17: £29.1 million). The Agency aims to maintain an adequate cash balance at any point in time. Funding was drawn from BEIS at the beginning of March 2017 in anticipation of large payments being made to our partners and suppliers before year end which did not materialise until April/May 2017. This resulted in an unusually high cash balance reported as at 31 March 2017.

Long term expenditure trends

The UK Space Agency was created in April 2011, and to 31 March 2018 overall direct programme funding has risen from approximately £250 million to £400 million per financial year. The additional funding has allowed the Agency to expand its subscriptions to ESA, increase its funding to the national programme and expand the International Partnership Programme. Due to the nature of space science, expenditure on such programmes is managed across multi-year profiles.



EU Exit allocation for 2018-19 onwards has not yet been confirmed and is not included.
 Admin allocation for 2019-20 has not yet been confirmed and is not included.
 ESA projection includes indicative uplift to allocation in 2019-20.

OUR PEOPLE

Staff are vital to the success of the UK Space Agency. Without the commitment, hard work and knowledge of our staff none of the work outlined in this Annual Report would have been possible.

We have continued to invest in our workforce through learning and development initiatives which include project and programme management up skilling. Over the coming year, there will be a refresh of our Learning and Development strategy focussing on management development for both existing line managers and for those new to line management responsibilities. Professional and personal learning and development will continue to be encouraged on an individual basis.

In this year's Civil Service Staff Survey, we obtained an employee engagement index (EEI) of 55%. The EEI is shaped by five individual questions as well as measuring responses to nine key themes as shown

in the chart below. The overall EEI score decreased slightly from 2016-17 (down 2%). There was an improvement in two of the nine themes, no change in two and small decreases in the remainder. However, our overall EEI score was better than that for BEIS, our parent department. The 2017 survey results (set out below) also highlight a drop in 'Organisational Objectives and Purpose'. We have worked with staff across the Agency to try and establish the cause of this drop and generally it was felt to reflect the Agency's significant and rapid growth over the preceding six months. Staff were moved around inside the Agency and, as a consequence, did not always have a clear understanding of the organisational objectives or how to effectively engage through their corporate contribution.

People Survey Results			
	2017 Result	2016 Result	2015 Result
My Work	82%	82%	83%
Organisational Objectives and Purpose	60%	74%	87%
My Manager	63%	69%	65%
My Team	80%	81%	70%
Learning and Development	52%	52%	51%
Inclusion and Fair Treatment	73%	74%	73%
Resources and Workload	59%	64%	65%
Pay and Benefits	17%	12%	13%
Leadership and Managing Change	41%	33%	39%
EEI Index	55%	57%	61%

To respond to the results of staff surveys and to effect positive change in the Agency we have established a 'People Group' that has focussed its efforts into the following workstreams:

- Communication and Engagement
- Leadership and Change
- Wellbeing and Work-life Balance
- Resources and Workload

The workstreams have recommended a number of actions for improving how the Agency looks after its people to the Executive Board which have been implemented in 2017-18 - these included office refurbishments, improving internal communications and establishing wellbeing initiatives. The Executive Board and People Group will continue to work together to benefit staff throughout 2018-19.



Credit: Tim Peake/ESA/NASA



PERFORMANCE ANALYSIS

HOW WE HAVE PERFORMED

The Agency set challenging targets for its delivery in 2017-18, performance against these targets was measured monthly through detailed performance reports - which were analysed by our Executive Board and scrutinised by our Steering Board, Audit Committee and BEIS sponsor team every quarter.

In our 2017-18 Corporate Plan we detailed four KPIs which were the priorities for the 2017-18 financial year.

A summary of the performance against each KPI is shown in the table below with a red/amber/green rating given as at 31 March 2018.

In addition to the KPIs below, the UK Space Agency has continued to work closely with the Department for Exiting the EU and other Government Departments to achieve the best possible outcome for the UK space sector following the 2016 vote to leave the European Union.

KPI (Objective and Metrics)	Status	Summary
<p>Satellite Launch Enable commercial access to space from the UK.</p> <p>Metric: Complete initial market engagement and identify opportunities to support launch capability development - by the end of Q2.</p>		<p>Objective met – metric delivered fully</p> <p>Market Engagement Our 'LaunchUK' roadshow toured the country, promoting opportunities for businesses to get involved in the emerging UK launch market and gathering feedback on supply chain opportunities.</p> <p>We invited businesses interested in developing UK satellite launch and spaceflight operations to submit proposals for grant funding. We received 26 requests, showing strong interest from industry in the UK and around the world. These have undergone rigorous evaluation and due diligence to identify opportunities for government support.</p> <p>We were allocated £50m in the Government's Industrial Strategy to help deliver our programme, subject to business case approval.</p> <p>Legislation In parallel with our work with industry, we have worked with the Department for Transport to put in place new legislation. The Space Industry Act 2018 will enable the development of a detailed regulatory environment for safe and sustainable commercial launch activity.</p> <p>International Engagement We have also worked with other nations to raise awareness of UK companies' launch plans, learn from other nations' experience and help raise support where needed. This has included in-depth engagement with the US Government to help US launch companies export technology to UK spaceports.</p>

KPI (Objective and Metrics)	Status	Summary
<p>Space Growth Strategy</p> <p>The UK Space Agency will publish a Space Strategy to set out how they will achieve the policy principles set out in the 2015 National Space Policy. As part of this we are looking forward to receiving proposals on a Sector Deal for the space and satellite sector to support the work of the Industrial Strategy</p> <p>Metrics:</p> <p>Support Industry and Academia to develop proposals for a Sector Deal under the Government's Industrial Strategy by end of Q4.</p> <p>Publish the new Space Growth Strategy by the end of Q4.</p>		<p>Objective met – metrics partially delivered</p> <p>Space Growth Strategy We have engaged with industry, academia and over 20 government departments and delivery organisations to prepare a draft Space Growth Strategy. We have taken the decision to delay publication of the strategy until plans for the Sector Deal are fully developed (see below) - to ensure alignment and to leave open the possibility of using the strategy to frame the government response to a potential Sector Deal.</p> <p>Sector Deal We have worked closely with the industry led Space Growth Partnership to support them to develop a proposal for a Sector Deal. Government has yet to respond to this document but plans to do so during 2018.</p>

KPI (Objective and Metrics)	Status	Summary
<p>National and International</p> <p>Manage and monitor delivery of the Government's strategic (civil) space science, innovation and R&D programmes.</p> <p>Metric:</p> <p>Monitor all projects to assure that they are managed within approved performance, time and cost parameters as agreed by the Agency - reported on monthly through Performance Assurance Reports.</p>		<p>Objective met – metric delivered fully</p> <p>Project Monitoring</p> <p>All projects were monitored monthly throughout 2017-18 using a Performance Assurance Reporting system. Separately, key projects were also reported through Agency performance reporting mechanisms including to Executive Board and Steering Board and Audit Committees, highlights included:</p> <p>Space Science</p> <p>M2 mission (Euclid) where the UK-led VIS instrument passed its Critical Design Review (CDR); M3 (PLATO) UK Science-led mission was adopted as the next major ESA programme development; M4 (ARIEL) UK PI-led mission was recommended as the next candidate for adoption by ESA.</p> <p>Exploration</p> <p>Focused on the development of the Panoramic Camera for ExoMars- the engineering qualification model being integrated and currently under test, while work has started on the flight model. The Trace Gas Orbiter reached its final orbit and science operations started.</p> <p>SABRE</p> <p>Completion of Alternative Concept Key Point Reviews for several sub-systems, and a Baseline Design Review.</p> <p>NSTP</p> <p>18 'Grants for Exploratory Ideas' were selected for funding. An independent external evaluation of NSTP-2 was also commissioned and the final report published.</p> <p>IPP</p> <p>Launched Call 2, placing 11 projects to a value of £42million and £70million total project value including match funding.</p>

KPI (Objective and Metrics)	Status	Summary
<p>Space Regulatory Reform</p> <p>Reform the UK's space regulatory regime to deliver sustainable growth in the space sector, whilst protecting the space operating environment and managing Government's long-term risks.</p> <p>Metrics:</p> <p>Develop risk assessment methodologies - by end of Q4.</p> <p>Agree joint delivery of regulatory operating procedures between the Agency, CAA and HSE - by the end of Q4.</p>		<p>Objective met – metrics partially delivered</p> <p>Risk Assessment</p> <p>A comprehensive strategy to develop an in-house orbital risk assessment capability has been developed. A high-level statement of requirements with associated key events and a task plan to meet these requirements has been created and the technical work has commenced. New capability to evaluate the orbital environment is currently being brought online to support upcoming licensing applications, with particular focus on large constellations.</p> <p>A 'traffic light' system to simplify satellite licensing under the Outer Space Act has been developed - trials of certain aspects of the system have been undertaken. This system will offer greater transparency and predictability for applicants, whilst ensuring the space environment is protected and that the UK continues to meet its international obligations.</p> <p>We have also developed a new 'sliding scale' policy for setting the third-party liability insurance requirements that are placed on operators through licence conditions. This will help ensure that licence conditions can adapt to current and future innovations in a way that is proportionate and responsive.</p> <p>Joint Operating Procedures</p> <p>A Memorandum of Understanding (MoU) between the UK Space Agency and CAA (Civil Aviation Authority) is in the final stages of development and will ensure effective collaboration between the two lead regulators of spaceflight activity in the UK under the Space Industry Act 2018. The creation of a separate MoU between the UK Space Agency and the HSE (Health & Safety Executive) is also in final stages of development.</p>

2017-18 PERFORMANCE IN DETAIL

As well as the highlights summarised at the start of this report and the performance against our Key Performance Indicators listed above, the following sections detail some areas where we are particularly proud of our performance in 2017-18.

International Partnership Programme

Our International Partnership Programme (IPP) ran a successful second call for proposals, 53 applied and 11 were selected with a total grant value of £42 million. Successful projects ranged from a UN led project working with small islands to improve their resilience to climate change, to a project which predicts the presence of Dengue fever in Vietnam allowing for a proactive response by authorities. Sam Gyimah, Minister for Universities, Science, Research and Innovation, announced the funding for these projects at the Commonwealth Heads of Government Meeting in London.

IPP call 1 projects have also started to deliver benefits, for example the Philippine government used a satellite communications system during the natural disasters which took place in December and January to help target relief works in the disaster zones. This helped save lives and restore critical infrastructure. Separately the Seychelles' government used a renewable energy planning tool to test different power scenarios to achieve a target of 15% of renewable energy generation by 2030.

We have put in place procedures to monitor and evaluate each of the projects in the programme and worked to upskill grantees to ensure valid and consistent results are being evaluated.

Satellite Launch Programme

We achieved a significant milestone, working with the Department for Transport and Civil Aviation Authority to establish the Space Industry Act 2018. This is landmark legislation that will enable us to develop the detailed regulatory environment for safe and sustainable commercial launch activity.

The Government's Industrial Strategy allocated £50m to deliver an ambitious programme of further work, including potential funding to build new launch capabilities (subject to approval of a business case), and we have worked across industry, UK government and other nations to lay the foundations for the UK to become a leading destination for commercial space launch.

Last spring, we invited parties interested in building UK spaceports to join up with launch and spaceflight providers and submit proposals for Agency grant funding to realise their plans. We received 26 separate proposals, highlighting strong interest from potential spaceports across the UK and companies developing a range of new launch technologies. We have undertaken rigorous evaluation and due diligence to consider the best opportunities for government support.

In the autumn, our LaunchUK roadshow toured the country, helping us to share our latest developments and gather stakeholder feedback. Our roadshows helped to create new connections between businesses eager to pursue opportunities linked to UK spaceflight. Our LaunchUK resources have also reached thousands of children, and we have used high profile news stories and events in the UK and overseas to continue to build our profile and attract new commercial interest.

Together, this activity will enable the development of UK infrastructure, technology and supply chains, build confidence in the UK market and enable low-cost access to space from the UK. We expect to make further significant announcements in 2018-19, building upon our early successes.

Space Exploration

We played a key role in the European Exploration Envelope programme which included science experiments on the International Space Station (ISS) and a range of other space analogue facilities, such as drop towers, parabolic flights and Antarctic stations, the ExoMars Programme and preparatory activities for future missions such as Mars Sample Return and the Lunar Orbital Platform - Gateway.

ExoMars is an important element of the programme for the UK. Meanwhile the Trace Gas Orbiter which arrived at Mars at the end of 2016, has started successful science operations after a campaign of aerobraking manoeuvres that has placed the satellite in the correct orbit for observations. The 2020 mission will deliver a rover to the surface of Mars which will investigate the geochemical environment and search for signs of past and present life.

Space Innovation

We have supported innovative space research projects which will provide the UK with new capabilities and products. We have been working with UK industry to support their development of a new, lower-cost, Synthetic Aperture space Radar (SAR) demonstrator that can provide images from space regardless of the time of day or if the Earth is covered by cloud. The new NovaSAR system will deliver SAR images that can be combined with maritime automated identification systems, and these new datasets can then be used by the UK's industry and academia to develop applications for ship monitoring or help monitor and protect the UK's resources.

Education

We led the organisation of the 2017 UK Space Conference, under the overall theme 'Inspire, enable, connect'. A range of current issues which affect industry, academia and government were discussed by over 1200 delegates from across government, industry and academia. In addition, 2,000 members of the public took part in the 'Discover Space' outreach programme run as part of the conference.

We have continued our support for the Space Education Office (ESERO-UK) which registered over 50,000 downloads of space-related teaching resources during 2017 and the National Space Academy which delivered training to 954 teachers and masterclasses to over 9,000 students. We funded a project run by the Institute for Research in Schools, which is enabling school students to access and analyse key Earth Observation data relating to the poles. It actively monitors and reduces their carbon footprints and develops innovative strategies for carbon cutting. Other projects we supported included a fitness activity linked to Earth Observation run in schools by the Triathlon Trust and a radio programme for children focusing on space launch and spaceports. We also arranged for Tim Peake to address the head teachers' annual conference (the Association for School and College Leaders) to

promote the use of space resources in schools.

To help improve the provision of skilled workers to the space sector we have continued to run the Space Placements in Industry (SPIN) scheme to give university students experience of working in the sector over a period of two months (25 students in summer 2017) and it gave scholarships to seven students to attend the International Space University space studies programme in 2017. We also recognise the problems caused by the gender imbalance in employment in the space sector, and have been working with the 'Women in Science and Engineering' campaign to develop careers materials better suited to girls and young women. The results will be published shortly.

Satellite Applications

We launched an applications competition for 11 - 22-year olds to encourage young people to better understand satellite data. There were 9 winners, with ideas ranging from environmental monitoring to preventing death from heart attacks to identifying disused warehouses which could be developed. Of the entrants, one is now working in the space sector, others are going to university to study STEM (Science, Technology, Engineering and Mathematics) subjects.

We have invested significantly in the ESA Applications programme, now known as Business Applications. We invested in around 20 projects with a value of over €10,000,000, and a further 18 Kick Start projects (small feasibility studies), with an overall value of around €1,080,000. These projects are incredibly varied and have ranged from precision agriculture to marine management or supporting healthcare, amongst others. Three examples are:

- Virtual Clinic Direct - aims to reduce the period of rehabilitation for patients who have external fixators fitted having broken a limb. It aims to minimise the cost of care for the hospital and reduce levels of complication and readmission. It also aims to significantly increase the level of patient self-care. This project has been endorsed by doctors and will provide personalised healthcare for those recovering from significant broken bones.
- A project that helps mountain bike riders to plan a route based on real features and location rather than on a 2D map. It uses space data to locate features that riders are interested in, such as steep downhill in woodland, or single-track rides over rough terrain and plans a route based

on those preferences rather than based on getting from A to B.

- A project that uses drone and satellite technology combined with in house algorithms and AI to boost the effectiveness of farming practices by identifying problems including drainage, nutrition, disease, pests etc. and send this data to a cloud-based system which can not only tell farmers what to do, but also take some preventative action.

Telecommunications

The Agency has supported space enabled telecommunications for the future through ESA's ARTES (Advanced Research in Telecommunications Systems) programme that continues to be a draw for inward investment. In addition, we have actively supported initiatives such as Govsatcom, 5G and the Internet of Things through a number of national and ESA projects.

Space for Smarter Government Programme

We launched an open call competition which funded eight projects totalling £0.75 million, covering exciting new policy areas such as marine litter, asset monitoring and electric vehicle infrastructure planning. We designed and delivered an 'Introduction to Satellite Applications for the Public-Sector' course - training 100 people from 35 different government and public-sector organisations on how space could improve ways of working and decision making in their roles.

Local Growth

We invested in the Satellite Applications Catapult's Regional Centres of Excellence programme, providing support to space companies in Scotland and the North East, East Midlands, South Coast and South West of England. In December, the Agency expanded its business incubation programme to include new partnerships with Seraphim (London), Oxford Innovation (Fareham and Bordon), the Satellite Applications Catapult (Westcott) and the University of Leicester (Leicester). In total, we are now working with 15 incubator organisations supporting start-ups across 22 locations.

Critical National Infrastructure

We have taken the lead as the Government Agency responsible for assuring the resilience of the UK space sector to disruptive challenge, including

cyber, physical and personnel threats and natural hazards. We have made valuable contributions to cross-government risk reduction and response and recovery forums, including for the power distribution and telecoms networks, as well as advising the office of the Chief Government Scientific Advisor on threats to space infrastructure.

Space Science

Our space science programme has supported world-class science in the UK, keeping the UK at the forefront of discovery and providing economic benefits in stimulating technological innovation that supports industrial growth. This included participation in a range of missions, designing and building space science instruments and supporting the operational phase of missions, as well as post-operational data calibration, validation and archiving. Science highlights of the year included the completion of two milestone missions:

- Lisa Pathfinder, launched in 2015, successfully demonstrated the technology needed to build a gravitational wave observatory in space, paving the way for a future flagship mission. The mission surpassed some of the requirements for its next-generation successor. The UK contributed core elements of the laser metrology system and UK researchers have started analysing the data returned. The mission was named 2017 Space Technology Award winner by the American Astronautical Society.
- Cassini/Huygens is an ESA, National Aeronautics and Space Administration (NASA) and Italian Space Agency (ASI) mission launched in 1997 to explore the Saturnian system. The UK played the role in developing the magnetic detector. In 2017 Cassini spent its last five months diving between Saturn's rings and atmosphere in a series of 22 grand finale orbits culminating in a final farewell in September 2017. The grand finale orbits were supported by ESA ground stations, which received signals from Cassini to gather crucial radio science and gravitational science data.

Missions in operation and/or legacy phase

- Cluster is an ESA mission of four spacecraft operating together to investigate the Earth's magnetic environment and its interaction with the solar wind, launched in 2000. The UK has key roles in four of the eleven instruments and continues to plan their operation and to run a science operations centre.

- GAIA is an ESA mission launched in 2013 to create the largest and most precise 3D map of the Milky Way. The UK data centre for GAIA, at Cambridge, was critical to the first release of GAIA data which provided the positions and magnitudes for around 1.1 billion stars and mapping data for around 2 million bright stars. During 2017 UK scientists have supported the preparation of a second release of the data catalogue that records stellar data on 1.7 billion stars (released in April 2018).
- Hinode is a Japanese solar physics mission, with US and UK instrument contributions (the UK built the EUV Imaging spectrometer), which is increasing our understanding of the causes of solar variability and origins of solar activity. Hinode has been successfully gathering data for over eleven years and was an active observer of the August 2017 US Solar Eclipse. As millions watched, Hinode captured its own images of this phenomenon which were later adapted into a time-lapse video presentation.
- STEREO is a NASA mission launched in 2006, primarily to study Coronal Mass Ejections (CMEs); the solar storms that blast into space, some in an Earth bound direction capable of disrupting communication networks. STEREO has two spacecraft travelling in a similar orbit to the Earth with one ahead and one behind the Earth's path. In 2014 contact was lost with the spacecraft behind the Earth. Contact was temporarily regained in 2016 but was lost again. The other spacecraft continues to operate well and return data to the Earth.
- Swift is a NASA mission launched in 2004 to study gamma-ray bursts, which are extremely energetic explosions in distant galaxies lasting from a few milliseconds to several hours. The UK provided the ultraviolet and optical telescope and much of the X-ray telescope camera. In 2017 Swift discovered UV emission from the "astronomical event of 2017" heralding the era of multi-messenger astronomy, a kilonova in the nearby galaxy NGC 4993 and the electromagnetic counterpart to a gravitational wave signal likely caused by the collision of two neutron stars. In January 2018, NASA announced that the Swift spacecraft had been renamed the Neil Gehrels Swift Observatory in honour of Neil Gehrels, who died in early 2017.


Outer Space Act Licencing

The Agency acts on behalf of the Secretary of State for the Department for Business, Energy and Industrial Strategy to grant licences under the Outer Space Act 1986 to launch or operate a space object. A rigorous series of assessments are made to help ensure that the proposed activity does not pose risks to public health and safety or to UK national security. The licencing process also allows government to offset some of the unlimited liability that falls to UK taxpayers through the requirement on licencees to obtain third party liability insurance. In 2017-18 the Agency issued 21 Outer Space Act licences. Every licence was issued in advance of the anticipated launch date.

Graham Turnock
Chief Executive and Accounting Officer
28 June 2018

An aerial topographic map of the United States, rendered in a monochromatic purple color scheme. The map shows detailed terrain features, including mountain ranges, valleys, and coastlines. The text 'ACCOUNTABILITY REPORT' is overlaid on the left side of the map.

ACCOUNTABILITY REPORT



The Audit Committee has continued its work on ensuring the Agency has effective systems and controls in place supported by a robust process for gathering evidence in support of the Agency's assurance statements of internal control. We supported the work of our internal auditors in examining a number of key areas of our activities, and while it was disappointing to learn that some weaknesses were identified (as described elsewhere in this report), we are, following extensive discussion with our internal auditors and review of management responses to these findings, confident that measures have now been put in place to rectify those weaknesses, or otherwise to justify them in the context of the Agency's business, processes and systems. We continued to refine and improve the Risk Register, which included introducing a new dashboard to make risk management more transparent, as well as looking at the changed risks concerning regulation of satellite constellations, the Satellite Launch Programme and the regulatory landscape. Work has again continued with understanding information security and the cyber threat to the Agency, and specifically included examining data handling and security along with the Agency's relationships with BEIS in this connection. In anticipation of the change of law on data protection in May 2018, the committee considered the Agency's preparedness for these changes. Once again, we have had to be concerned with longer term implications for the agency's mission and programmes as well as the additional pressure on staff resources relating to preparations for EU exit.

Clive Tucker,
Audit Committee Chair

CORPORATE GOVERNANCE

DIRECTOR'S REPORT

We have an effective corporate governance framework in place to ensure that we continue to deliver against our purpose and vision.

In last year's Director's Report, I highlighted internal control improvements planned for 2017-18. I am pleased to report that the Agency has made satisfactory progress in meeting these goals.

Review the Agency's risk appetite and continue to embed risk management in the organisation by providing staff with updated policies and procedures and further training.

During 2017-18 our Risk Management Policy, including risk appetite, was comprehensively revised. Following review by the Executive Board and Audit Committee, the guidance was released to all staff. Discussions with BEIS are ongoing with regard to making appropriate training available, in the meantime online and classroom-based learning resources are available to staff.

Increase the proportion of controls rated as substantial as measured in the Director's Annual Assurance Statements of Internal Control (DAASIC) process.

The DAASICs process, in its third year of operation, was further embedded in the Agency during the year. Business managers and the finance team worked closely with the directors across the Agency during the annual assessments to ensure a consistent approach in evaluating the effectiveness of internal controls.

Update the Business Continuity and IT Disaster Plan in-line with recommendations on best practice from the GIAA (Government Internal Audit Agency)

Following the GIAA audit, the Business Continuity Management (BCM) plan was extensively rewritten to take into account both the audit recommendations and draw on best practice from similar organisations. The plan has been implemented and is subject to regular testing. Our IT is provided by BEIS and is subject to disaster mitigation SLAs (Service Level Agreements) should it fail.

Agree and implement an Agency 2016-17 Learning and Development plan that ensures compliance with mandatory training requirements and also targets key learning activities to strengthen the Agency control framework.

A Learning and Development framework was developed detailing Agency goals and commitments. All staff will be equipped with the right skills and expertise to deliver our vision for the UK space sector, managers will empower their staff to spend at least 5 training opportunities per year relevant to their roles and staff now have ownership to complete all mandatory training. This will be reviewed annually to ensure the plan remains current and relevant to our vision.

Strengthen UK interests within ESA in terms of Board representation and continue to support ESA to deliver its reform agenda.

The Agency has continued to work closely with ESA to further improve their procedures and practices. Key achievements include the European Centre for Satellite Applications and Telecommunications (ECSAT centre) at Harwell delivering a more commercial approach for ESA. This has included redefining ESA's contracting and monitoring process to make it more applicable to fast paced applications and the "New Space" revolution.

Our Leadership

The UK Space Agency Steering Board has continued to provide strategic leadership for the Agency in delivering its objectives through scrutiny, advice and challenge.

Our non-executive Steering Board members bring a wide range of experience, covering industry, academia, legal, and finance.

Non-Executive Members



Prof. David Southwood
Chair of the Steering Board

Appointed as Chair in June 2016.

David holds the post of Senior Research Investigator at Imperial College London where his research interests include solar-terrestrial physics and planetary science. David is a former President of the Royal Astronomical Society and he was Director of Science and Robotic Exploration at the European Space Agency until 2011. Before becoming Chair, David served as a member of the Steering Board.



Clive Tucker
Member of the Steering Board and Chair of the Audit Committee

Appointed in December 2014.

Clive is a solicitor and until 2010 was a corporate partner of international law firm Ashurst LLP where among other transactions he advised on satellite procurement, acquisitions, financing and regulatory matters. He is a non-executive member of the National Committee of the Forestry Commission England, and an independent member of the UK and Ireland Regulatory Board of the Royal Institution of Chartered Surveyors.



Dr Dame Frances Saunders, CB
Member of the Steering Board and Audit Committee and Agency's independent whistleblowing officer

Appointed in December 2014.

Following a variety of research and science and technology management roles within government, Frances' Civil Service career culminated with her appointment as Chief Executive of the Defence Science and Technology Laboratory (Dstl) from 2006-2012. Frances was President of the Institute of Physics between 2013 and 2015 and is a Trustee of the Royal Academy of Engineering and the Engineering Development Trust.



Prof. Malcolm McDonald
Member of the Steering Board

Appointed in July 2017.

A professional space technology engineer, academic & director. Malcolm is a Professor of Space Technology at University of Strathclyde and the Director of SoXSA (Scottish Centre of Excellence in Satellite Applications). He has a degree in Aeronautical Engineering as well as a PhD from the University of Glasgow.

Executive Team

Our Executive team provides day-to-day leadership and management. It ensures that we operate efficiently and effectively, regularly reviewing performance and managing risks, and monitoring business delivery and financial performance.



Dr Graham Turnock
Chief Executive

Appointed in April 2017.

Graham has extensive experience across Whitehall and at a European level and has held several other posts in the UK Civil Service with a strong European element, including the Treasury's lead on the EU budget.

Graham joined the Agency from his role as Director of Better Regulation in BEIS.



Rebecca Evernden
Director of Policy/
EU & International
(Job Share)

Joined the Agency in June 2016.

Rebecca leads on space security, regulation, statute, communications and international engagement to stimulate and drive growth and enable strategy delivery.



Dr Alice Bunn
Director of Policy/
EU & International
(Job Share)

Joined the Agency in February 2012, and was appointed as Director of Policy in May 2014.

Alice leads on space security, regulation, statute, communications and international engagement to stimulate and drive growth and enable strategy delivery. Alice also holds the posts of Senior Vice chair at ESA Council and is Head of the UK ESA delegation.



Dr Nicola Higgins
Director of
Regulation

Joined the Agency in January 2018.

Nicola has held a wide range of roles in the Civil Service, including the Ministry of Defence, Department of Energy and Climate Change, and Department for Communities and Local Government. Nicola joined the UK Space Agency from her position as Head of Strategy and Policy at the Oil and Gas Authority.

Executive Team



Dr Chris Castelli
Director of Programmes

Joined the Agency in November 2011, and was appointed as Director of Programmes from November 2014.

Chris leads the Agency's involvement with ESA on space science, technology and exploratory missions and manages the Agency's national programmes.



Peter Finn
Chief Operating and Finance Officer and Security, Information and Risk Officer (SIRO)

Joined the Agency in February 2014.

Peter is responsible for the UK Space Agency's operational performance, financial management, risk and assurance, and HR.



Catherine Mealing-Jones
Director of Growth

Joined the Agency in January 2012.

Catherine is responsible for the UK Space Agency strategy to continue to grow the UK space sector, drawing on the expertise of domain experts and acting as a sector sponsor to the UK space industry.



Ross James
Director of Commercial Space and Deputy CEO

Joined the Agency in October 2016 and left at the end of March 2018.

Ross was responsible for working with and across industry to help realise the UK space industry growth ambitions. Ross was also the Senior Responsible Officer for the Satellite Launch Programme.

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

The Department for Business, Energy and Industrial Strategy (BEIS) has appointed the Chief Executive as Accounting Officer of the Agency. The responsibilities of an Accounting Officer include responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, keeping proper records and safeguarding the Agency's assets, as set out in Managing Public Money,

published by HM Treasury.

In addition, the Accounting Officer is required to confirm that, as far as he is aware, there is no relevant audit information of which the Agency's auditors are unaware, and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Agency's auditors are aware of this information.

The Accounting Officer is also required to confirm that the annual report and accounts as a whole is fair, balanced and understandable and he takes personal responsibility for the annual report and accounts and judgements required for determining that it is fair, balanced and understandable.

GOVERNANCE STATEMENT

As Chief Executive and Accounting Officer, I am required to produce an annual governance statement. I have signed this statement after satisfying myself that there are no material ongoing governance issues affecting the Agency that I should declare within this statement.

Corporate Governance

This governance statement sets out the governance, risk management and internal control arrangements for the Agency. It applies to the financial year 1 April 2017 to 31 March 2018 and up to the date of approval of the Annual Report and Accounts. I am supported in my role as Accounting Officer by a governance framework which includes the Agency's Boards, Committees and Senior Management. In forming my assessment, I have examined:

- board and committee effectiveness in managing risks, finance and operational performance
- the policies in place impacting on risks such as counter fraud, counter bribery, conflicts of interest and whistleblowing
- the work of internal audit, which awarded the Agency an overall annual 'limited assurance'
- the assessments of my individual directors in the Director's Annual Assurance Statements of Internal Control (DAASIC) providing an overall rating of 'substantial assurance'
- the external audit Management Letter

To my knowledge, there is no relevant audit information of which the external auditors are unaware. I have taken all the steps necessary to ensure any relevant audit information is available to the external auditors.

Legal status

The Agency is an Executive Agency of the Department for Business, Energy and Industrial Strategy (BEIS) and does not have a separate legal status outside of BEIS. Therefore, in order to enter into contracts, delegated powers are conferred on the Agency by the Permanent Secretary. 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 BEIS, which is the 'Authority'.

Governance structure

The UK Space Agency is accountable to Parliament for the funds it expends through our parent department, BEIS. Parliament monitors and influences the Agency through its Select Committees and the Parliamentary Ombudsman.

The Agency's working relationship and lines of accountability with BEIS are defined in the Agency's Framework Document (revised and approved by Ministers in summer 2016), Corporate Plan, Allocation Letter(s) and Letter(s) of Delegated Authority made to the Chief Executive. These documents are subject to periodic review. The Agency is also held to account through regular performance reviews with our BEIS sponsor team. These help ensure active engagement and a transparent relationship with our parent department.

Steering Board

The role of the Agency Steering Board is to advise the Secretary of State and Ministers on the strategic direction of the Agency, through the Director General of Business and Science at BEIS. The Steering Board monitors performance against targets, and risks, within the strategic objectives set out in the Agency's Corporate Plan.

The Steering Board provides guidance to the Chief Executive and their senior executive team on the operation and development of the Agency. The Board are expected to fulfil this aspect using the benefit of their collective experience through advice and constructive challenge.

The Steering Board has four independent Non-Executive Members (NEMs), one of which chairs the Audit Committee, a BEIS appointee, the Chief Executive and the Agency's Senior Information Risk Officer (SIRO). The Steering Board is chaired by David Southwood and had four scheduled meetings this year.

All Board meetings remained quorate throughout the year. i.e three or more of the members were

in attendance including the Chairperson, or his/her representative, a Non-Executive Member, a representative from the Department and the Chief Executive or, in their absence, an authorised deputy.

Audit Committee

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

The committee consists of two independent NEMs, one BEIS appointee, the Chief Executive and the Agency's SIRO. The meetings are also attended by the representatives from the Government's Internal Audit Agency (GIAA), NAO and the Agency's Executive Board members.

The Audit Committee generally meets on a quarterly basis but can meet more frequently to deal with exceptional matters. Five meetings were held during 2017-18, one of which was an ad-hoc meeting. All Committee meetings remained quorate throughout the year.

Board and Committee attendance 1 April 2017 to 31 March 2018

Board Member	Steering Board	Audit Committee
Graham Turnock	4 (4)	5 (5)
Peter Finn (SIRO)	3 (4)	5 (5)
David Southwood (NEM)	4 (4)	-
Frances Saunders (NEM)	4 (4)	5 (5)
Clive Tucker (NEM)	3 (4)	5 (5)
Malcolm MacDonald (NEM)	3 (3)	-
Paul Hadley (BEIS)	4 (4)	-
Grazyna Kazmierska (BEIS)	-	2 (2)

Figures in brackets denote the total number of meetings that could have been attended by the individual based on when they commenced their role.

The members of the Steering Board and Audit Committee, their Terms of Reference and the summarised minutes of meeting discussions are available on the Agency website:

www.gov.uk/ukspaceagency

Executive Board

The Executive Board, chaired by the Chief Executive, manages the day-to-day operations and activity of the UK Space Agency, including the provision of policy advice to Ministers. The Board convenes weekly to make decisions and oversee high-level business planning, financial, risk and management issues. The Board receives advice and guidance from the Steering Board and Audit Committee. The Board is also responsible for overseeing standards, values and controls within the Agency. Minutes from the Executive Board are distributed to all staff and actions and attendance are monitored by the Agency Performance Team.

Space Sector Council

This is chaired by the President of the UKspace Trade Association, Andy Green. The Space Sector Council is the forum through which the space sector engages with Government. It replaced the previous Space Leadership Council to provide the high-level governance for the cross-sector Space Growth Partnership that was formed to provide a coordinated sector response to Government's Industrial Strategy. The new council met three times in 2017-18, empowering the Chair of the Council to offer clear and strategic advice to Ministers related to: Industrial Strategy; the impact of wider National space, science and industrial policies; membership of ESA; and regulation. Membership of the Council comprises senior industrialists, academics and officials from Government Departments and Agencies. Although the Council is not part of the UK Space Agency, the Agency's Chief Executive is a member of the Council.

CONTROL ACTIVITIES

Our control activities aim to ensure that the policies and procedures governing the organisation and our governance arrangements are efficient and effective.

Annual review of effectiveness of internal controls

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the UK Space Agency's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally accountable. This is done in accordance with the responsibilities assigned to me in HM Treasury's 'Managing Public Money', and the requirements set out in my appointment as the UK Space Agency Accounting Officer, including the delegation of financial authority from BEIS. My review is informed by a range of key processes and documents including: Director's Annual Assurance Statements of Internal Control; the annual internal audit programme; the Agency's assurance framework and internal procedures; the Agency's risk appetite; and the external audit Management Letter.

Bought in services

The Agency recognises that some reliance is placed on third party service providers, either when such services are provided by other public sector organisations as part of pan-government initiatives, or from private sector organisations where the relevant technical expertise is not available within the Agency or wider Government.

UKSBS - To support our business delivery, the Agency uses BEIS's contracted services provider, UKSBS to provide strategic and operational procurement; and transactional services in finance and human resources. The assurance on the internal control for each of these services is provided by BEIS as part of the Department's Shared Services Programme. The Government Internal Audit Agency (GIAA) is UKSBS's internal auditor. GIAA's internal audit reports provide input to UKSBS Executive Director's Quarterly Management Assurance letters to Accounting Officers. At the end of 2017-18, the overall assurance for UKSBS customer facing operations was assessed as amber.

BEIS ICT services - The UK Space Agency uses BEIS's contracted provider for ICT. The assurance on the internal controls for these services is undertaken by BEIS.

The Government Legal Department (GLD) - The Agency makes use of the services of GLD for the provision of the majority of legal advice sought by the Agency. The assurance on the internal control for these services is undertaken by BEIS as part of the Departmental Service Level Agreement with GLD.

The Government Actuary's Department (GAD) - The Agency uses the GAD for actuarial analysis to help inform policy development where appropriate.

Health & Safety Executive Laboratory (HSL) - HSL is the Science Division of the Health and Safety Executive (HSE). The Agency uses HSL to undertake research, help shape regulations and guidance on safety management systems and risk analysis with respect to spaceflight activities in the UK. HSL's relationship with the rest of HSE gives them a unique insight into the regulatory context of high risk and hazardous industries such as spaceflight. HSL has a strong international reputation for high-quality, published research and worldwide collaboration on risk management. They are a designated World Health Organisation Collaborating Centre for Occupational Health and Safety Research.

Other third-party service providers - The Agency seeks external technical expertise where appropriate. Due diligence and the risk management processes are carried out to assess competency of any such service providers.

Grant administration

Non-academic grant payments made via the National Programme are managed by the Agency through UKSBS. Academic grants are administered by STFC on the Agency's behalf as part of the RCUK grants system.

The governance of these grants is carefully structured by the Agency to include:

- fair and open calls for applications to fund projects
- advisory panels to provide technical and independent advice on which applications to fund
- due diligence undertaken on grant recipients to ensure compliance with State Aid rules
- programme staff to scrutinise grant recipients' progress in delivering project milestones, and to ensure that grant recipients do not breach the grant offer letter's terms and conditions
- an independent annual audit of grant payments paid for by the grant recipient

Payment policy

The UK Space Agency's policy is to comply with the Institute of Credit Management's Prompt Payment Code. In accordance with the Government direction, the Agency is committed to paying its suppliers within five days of receipt of a valid invoice or earlier if suppliers' terms dictate. During 2017-18, UKSBS processed 1,355 invoices (1,004 in 2016-17) on behalf of the Agency with 83.25% of payments made within five working days of UKSBS receiving the invoice (81.18% in 2016-17) and 94.46% within 30 days (95.42% in 2016-17).

The proportion of the aggregate amount owed to trade creditors at the year-end compared with the less than 1 day.

International Subscriptions

The UK Space Agency subscribes to various programmes run by the European Space Agency (ESA). ESA is a non-governmental organisation with no requirement for its members to be in the European Union (EU). The UK was one of the founding members when ESA was established on 30 May 1975. Through ESA, its Member States agreed to provide for and to promote, for exclusively peaceful purposes, co-operation among them in space research and technology and their space applications. Subscribing to ESA programmes allows UK industry to benefit from contracts awarded to the value of the overall subscription.

The UK Space Agency's subscriptions to ESA are determined at Councils of Ministers which are held periodically. The last Council of Ministers was held in December 2016 and was attended by Jo Johnson MP, then Minister for Universities and Science. The

UK Space Agency actively oversees the expenditure of these subscriptions through its membership of a range of ESA governance committees. In addition, ESA's financial accounts are subject to independent audit.

Openness and transparency

The Agency is subject to the Freedom of Information (FOI) Act 2000 and the Environmental Information Regulations 2004. In 2017-18, we responded to 40 requests, 39 of which were answered within the statutory time limits.

General Data Protection Regulation (GDPR)

The introduction of GDPR, on 25 May 2018, brings about substantial changes to the existing Data Protection Act 1998. In 2017-18, the GIAA, Agency's internal auditor, undertook an advisory audit to assess the Agency's readiness for the new legislation which has formed the basis of our action plan. The plan has been implemented by 25 May 2018 and further assurance on the Agency's readiness subsequently received from the BEIS GDPR team.

Business continuity and disaster recovery

In addition to the cross-council and UK SBS business continuity and disaster recovery plan, the UK Space Agency has a business continuity management plan. This was successfully tested and activated on a number of occasions due to the severe weather during March 2018.

Welfare

During 2017-18, there were no reportable injuries within the UK Space Agency under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) 2013, as in 2016-17.

Information security

The UK Space Agency is expected to meet a range of mandatory cyber security outcomes as described in the Government's Security Policy Framework. This framework is supplemented by policy, advice and guidance provided by the Cabinet Office and the National Cyber Security Centre. Government has developed and promoted two standards for cyber security - the Cyber Essentials and Ten Steps to Cyber Security. The Agency's core IT provision is managed and delivered by external suppliers contracted via BEIS. Our overarching security policy and procedural framework governing this

IT provision is set by BEIS (taking into account the Government's guidance described above). All staff members, both existing and new, are required to undertake the 'Responsible for Information General User' training annually. An annual report on security outcomes (the Departmental Security Health Check) is made to BEIS each year. In 2017-18, there were no breaches of personal data or IT security during the reporting period. However, there was one instance of a hardware loss which was reported to the BEIS security section. Following review, it was not classified as a security breach.

Counter fraud and bribery

The Agency's control environment is spread across three entities: the Agency's finance team; UKSBS and BEIS finance which provides independent oversight in the prevention and detection of fraud. Any transactions that are deemed to be unusual would be flagged to the Agency's finance team. The Agency is also part of the BEIS Group Counter Fraud Network. The network meets regularly to cascade latest learning, discuss current and emerging fraud trends and identify and share best practice.

The Agency continues to develop its Fraud Strategy in line with the guidance published by the Cabinet Office. All staff are required to undertake the 'Counter Fraud' training annually. There were no instances of fraud identified within the Agency in 2017-18.

Gifts and hospitality

The Civil Service Code (<https://www.gov.uk/government/publications/civil-service-code>) states that civil servants must not accept gifts or hospitality or receive other benefits from anyone which might reasonably be seen to compromise their personal judgement or integrity. All UK Space Agency employees are fully aware that they must not accept offers of gifts or hospitality without considering whether it would be both legal and proper to do so. All staff must follow specific guidelines for the treatment and recording of any offers of gifts and receipt of hospitality.

Conflicts of interest

All staff must comply with the Civil Service Code and BEIS standards of conduct. Any outside employment, business interests and financial interests or political activities must be declared and approved by a Director. At each Board meeting the Agency's executive directors and non-executive

members are required to provide declarations of private, professional and commercial interests, which are maintained on a register of interests. No issues regarding conflict with their managerial responsibilities have materialised in year.

Whistleblowing and raising concern policy

The Agency follows the BEIS Whistleblowing and Raising Concern Policy, which has been aligned with the latest version of the Civil Service Employee Policy (CSEP) and includes information about the Whistleblowing Hotline. Staff are required to familiarise themselves with the policy. Both in 2016-17 and in 2017-18 there were no instances of whistleblowing under this policy.

Macpherson Review

The review of quality assurance of Government analytical models undertaken by Sir Nicholas Macpherson and published by HM Treasury in March 2013 made several recommendations for government departments. In line with these recommendations, the UK Space Agency conducts an annual review of its use of analytical modelling and did not identify any that were considered to be business critical.

Tax arrangements for Public Sector Appointees

I confirm that the UK Space Agency is compliant with the requirements of the Alexander Review (2012). All Senior Civil Servants and Non-Executive Members are paid through a formal payroll facility resulting in appropriate tax and National Insurance contributions being deducted at source. Arrangements are in place through a retained HR function to provide assurance that appropriate tax arrangements are in place to cover any other appointees covered by the report. With regards to the reform of the intermediaries' legislation known as IR35, the Agency has conducted a review of all its off payroll working arrangements to ensure compliance with the revised regulations from 6 April 2017.

In 2017-18, the Agency identified no contractors who fell within the Alexander Review criteria.

Assurance

Director's Annual Assurance Statements of Internal Control (DAASIC)

The Agency's directors self-assessed the effectiveness of internal controls as at 31 March 2018 within their area of responsibility with relevant justifications for given assurance levels. This review assists in identifying areas with high assurance as well as for improvement which are monitored in the continuous improvement plan for 2018-19. Directors are asked to ensure that within their areas of responsibility there are measures that:

- underpin reliability of financial and other information
- achieve compliance with internal policies and external legislation and regulations
- ensure the development, implementation and monitoring of controls which manage the risks for which they are the lead director

Directors provide an Agency defined assurance level of substantial, moderate, limited or unsatisfactory over the adequacy and appropriateness of key internal controls within their area of responsibility as set out below.

DAASICS 2017-18

CONTROL AREA	EU & INTERNATIONAL	GROWTH	COMMERCIAL SPACE	PROGRAMME	OPPS & RESOURCES	REGULATION
1. Financial Control	Substantial	Substantial	Substantial	Substantial	Substantial	Substantial
2. Knowledge & Information Management	Substantial	Substantial	Substantial	Substantial	Moderate	Substantial
3. Human Resources	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate
4. Health & Safety	Substantial	Substantial	Substantial	Moderate	Substantial	Substantial
5. Engaging with Users / Promotion of Science	Substantial	Substantial	Substantial	Substantial	Substantial	Substantial
6. Planning & Performance	Moderate	Substantial	Substantial	Substantial	Moderate	Substantial
7. Awarding & Managing Grant Funding	Substantial	Substantial	N/A	Substantial	Substantial	Substantial
8. External Regulation & Statute	Substantial	Substantial	Substantial	Substantial	Substantial	Moderate

Each of the six Agency directors provided individual ratings for 36 key controls which are categorised into eight control areas and the average rating is recorded in the table above. In summary, there were only seven individual limited assurances out of the 216 assurances provided (2016-17: five limited assurances out of 180 assurances provided).

The DAASIC process, in its third year of operation, is now fully embedded within the Agency. The self-assessed assurances are moderated to provide a consistent justification for each assurance rating. The assurances are annually reviewed to ensure they continue to capture all relevant areas of internal control and take into account any new policy developments.

There has been an increase in the number of substantial assurances provided in 2017-18 compared with 2016-17 assessments, notably within the Knowledge & Information Management, Health & Safety, and External Regulation & Statute control areas. The Human Resources control area was deemed to be moderate by all directorates due to concerns around time recording of absences and monitoring of flexible working arrangements (five out of the seven limited assurances were observed in this area).

The Agency aspires to have no limited assurance and improvements in the HR control area will be addressed in the Continuous Improvement Plan.

Internal audit and assurance programme

Internal audit was provided independently by the Government Internal Audit Agency (GIAA). GIAA reports annually to the Accounting Officer, Graham Turnock. The cost of internal audits undertaken during 2017-18 was £44,713.31 (2016-17: £36,000). No remuneration was paid to the internal auditors in respect of non-audit work during 2017-18 (2016-17: none).

The internal audit assurance programme is managed by GIAA and developed annually in consultation with the UK Space Agency and its Audit Committee. The recommendations arising from these audits, and

their subsequent management plans, are scrutinised by the Executive Board, Audit Committee, and as appropriate by the Steering Board. A summary of the audit outcomes is provided below.

In agreeing the 2017-18 audit programme with GIAA, the Agency initiated a number of audits on areas where it had concerns around the effectiveness of its controls. Three audits were subsequently undertaken by GIAA, and their reports highlighted a number of areas where management controls could be further strengthened. No misappropriation, or risk of misappropriation of funds, was identified by GIAA as part of any of these audits.

The Agency takes all audit recommendations seriously. Action plans will be developed to address the findings of the three audits where the Agency received limited assurance. The Agency is committed to implementing all audit recommendations accepted in these audits in 2018-19, with the most significant issues having already been subject of immediate management action. To ensure that the changes we are making in response to the audit recommendations will be embedded and sustained successfully the Agency has allocated additional manpower resource to bolster the finance and HR teams.

In addition, GIAA undertook four advisory audits for which recommendations were not made and an assurance rating not provided. Overall the Agency received a limited assurance from GIAA in its audit conclusion. A summary of the audit work undertaken during 2017-18 is shown overleaf.

Assurance Key	GIAA Assurance Definitions
Substantial	The framework of Governance, Risk Management and Control is adequate and effective.
Moderate	Some improvements are required to enhance the adequacy and effectiveness of the framework of Governance, Risk Management and Control.
Limited	There are significant weaknesses in the framework of Governance, Risk Management and Control such that it could become inadequate.
Unsatisfactory	There are fundamental weaknesses in the framework of Governance, Risk Management and Control such that it is inadequate and ineffective or is likely to fail.
Advisory	Advisory work on risk and control issues driven by risk based planning, typically on areas where risk and control are not in existence or well established [this could relate to new systems or areas undergoing significant change where there is no system of internal control].

Summary of Internal Audit work undertaken in 2017-18

CORE PROGRAMME	STATUS	ASSURANCE	2017-18 ACTION
Pre-approval of travel	Final	Limited	There were 5 agreed actions, all of which are being addressed and will be completed shortly.
Financial Management	Final	Limited	There were 9 recommendations of which 6 were accepted and 3 were partially accepted. All agreed recommendations will be implemented in 2018-19.
Working Hours and Absence Management	Final	Limited	The 6 actions have been accepted and will be implemented during 2018-19.
Delegated Authority	Final	Advisory	The final report was issued in October 2017.
Regulatory Governance	Final	Advisory	The final report was issued in June 2018.
GDPR	Draft	Advisory	Deferred until 2018-19.
Follow-up of Recommendations	Draft	Advisory	GIAA followed up on recommendations from previous years. The Agency successfully implemented and closed 3 actions, 6 were superseded, and 11 recommendations/actions remain open and ongoing. However, 9 out of the 11 outstanding recommendations are being proposed for closure. The remaining recommendations are being addressed and will be completed soon.

Cross-client internal audits

GIAA have been appointed as the internal auditor for the Research Council campus in Swindon, where the Agency's head office is also located. Cross-client audits are designed to identify best practice and reduce costs by assessing multiple organisations as part of the same audit engagement. GIAA issues a separate audit assurance rating for each organisation participating in a cross-client audit.

The Agency participated in four cross-client audits in 2017-18. One audit received substantial assurance, the

remaining two audits were advisory. Further details can be found in the table below.

CROSS-CLIENT PROGRAMME	STATUS	ASSURANCE	2017-18 ACTION
Information Security and Assurance	Final	Advisory	The final report was issued in July 2017.
Health, Safety and Personnel Security - Swindon Campus	Final	Substantial	The final report was issued in October 2017. There were no recommendations for the UK Space Agency.
Audit Needs Assessment: Research Funding Programmes	N/A	Advisory	Being used as an internal document only, therefore the final report is not due to be issued.

Overseas Development Aid (ODA) compliance

Over the summer of 2017, the Independent Commission for Aid Impact (ICAI) conducted a review of the Global Challenges Research Fund of which the Agency's International Partnership Programme (IPP) is one of several delivery partners. ICAI scrutinise UK aid spending, operate independently of Government and report to Parliament through the House of Commons International Development Committee. They work to ensure UK aid is spent effectively for those who need it most and delivers value for UK taxpayers. The ICAI review of GCRF can be found at <https://icai.independent.gov.uk/report/gcrf/>

The ICAI audit included a review of the IPP. Although no assurance ratings were issued, ICAI acknowledged within the overall GCRF report the Agency's robust internal controls and procedures

with regards to ODA compliance.

The IPP is a 5-year programme which commenced in 2016-17. In line with the BEIS ODA Statement of Intent it focuses on innovation and the commercialisation of innovative space technologies. As the Agency had no previous experience of dispersing ODA funding, we sought advice from the Department for International Development (DFID) and engaged experienced specialist advisors to set up an ODA assurance system, including a logframe, a theory of change and a monitoring and evaluation plan. With external support, the Agency also conducted awareness raising workshops to help improve the quality of bids for grant funding and to facilitate ongoing monitoring and evaluation of the projects funded under the IPP.

External Audit

The draft Management Letter from the external auditors concerning the audit of the 2017-18 Financial Statements has been received which raised no material issues that will have implications for internal control.

Accounting Officer's conclusion

As Chief Executive, I am assured that the Agency has appropriate levels of internal control and governance to manage the business, consistent with my responsibilities as the Accounting Officer. I have been provided with evidence of:

- board and committee effectiveness in managing risks, finance and operational performance
- the policies in place impacting on risks such as counter fraud, counter bribery, conflicts of interest and whistleblowing
- the work of internal audit, which awarded the Agency an overall annual 'limited assurance'
- the assessments of my individual directors in the DAASIC providing an overall rating of 'substantial assurance'

Equally, I am confident from the evidence provided by my Chief Operating and Financial Officer (COFO) and the assurance from the external auditors that the accounts for the year ended 31 March 2018 are a true and fair reflection of the organisation and accord with Treasury guidance.

I conclude that the Agency has satisfactory governance and risk management systems in place to safeguard public money.

Whilst the Agency will continue to focus on assurance processes and build on the work we have already progressed in this area, I recognise that the Agency has a number of important assurance goals to achieve. My review has identified the following internal control and governance improvements that the Agency will address during the next year:

- complete the implementation of a more comprehensive scheme of delegations, recognising the need to balance accountability and responsibility in line with the Agency's operating model
- continue to develop the DAASIC review of progress against all internal control assurance statements on an on-going basis; and conduct a formal mid-year review
- implement the action plan addressing recommendations made by GIAA as part of a recent HR audit to strengthen internal processes for staff induction, flexible working and absence management
- increase HR engagement across the Agency by fostering a closer integration with the People Groups
- increase awareness of the whistleblowing and raising concern arrangements to ensure the policy is used effectively

Graham Turnock

Chief Executive and Accounting Officer
28 June 2018



REMUNERATION AND STAFF REPORT

REMUNERATION AND STAFF REPORT

Senior Civil Service remuneration policy

Remuneration Policy

The remuneration arrangements for Senior Civil Servants (SCS) are set by the Prime Minister following independent advice from the Senior Salaries Review Body (SSRB).

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

The remuneration packages of all Senior Civil Servants within BEIS are monitored by a Senior Oversight Committee which advises ministers on managing the balance between the ongoing pay restraint policy within the public sector and ensuring the right quality of leadership and specific skills needed by its Partner Organisations is achieved. All Agency Executive board members are SCS.

Performance and reward

The Senior Civil Service pay system consists of relative performance assessments. The highest performing individuals in BEIS were awarded a non-consolidated performance reward for their performance against objectives in 2016-17 which was paid in 2017-18. These awards varied in amount within an overall cost envelope set by the Senior Salaries Review Body and approved by the Government. Consolidated base pay awards are limited to a 1% increase to the Department's SCS pay bill. No base pay increases were paid to those assessed to be the lowest 10% of performers or those receiving a salary in the upper quartile of their pay band other than those assessed as being among the top 25% of performers.

Further information about the performance and reward arrangements for Senior Civil Servants can be found at:

www.gov.uk/government/collections/senior-civil-service-performance-management-and-reward

Service Contracts

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

Unless otherwise stated, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. The notice period for all Senior Civil Servants covered by this report is in line with the Civil Service terms and conditions.

Further information about the work of the Civil Service Commission can be found at:

www.civilservicecommission.org.uk

Audited Information

Salary and pension entitlements

The following table shows the number of Senior Civil Servants within the Agency as at 31 March 2018, including the details of their salary and pension entitlements. All SCS are Board members.

Table 1: Remuneration of Senior Civil Servants 2017-18

Name	Salary ⁽ⁱ⁾ in bands of £5,000		Performance reward payments ⁽ⁱⁱ⁾ to nearest £1,000		Benefits in kind to nearest £100		Pension benefits ⁽ⁱⁱⁱ⁾ to nearest £1,000		Single total figure of remuneration in bands of £5,000	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Graham Turnock ^(iv)	85-90	Not in post	-	Not in post	-	Not in post	19	Not in post	105-110	Not in post
Katherine Courtney ^(v)	Not in post	130-135	Not in post	-	Not in post	-	Not in post	46	Not in post	180-185
Chris Castelli	70-75	70-75	-	-	-	-	26	27	95-100	95-100
Catherine Mealing-Jones	70-75	70-75	-	-	-	-	13	26	80-85	95-100
Peter Finn	70-75	65-70	-	-	-	-	17	27	85-90	95-100
Ross James ^(vi)	70-75	35-40	-	-	-	-	14	8	80-85	40-45
Rebecca Evernden ^(vii)	55-60	40-45	7	-	-	-	18	17	80-85	55-60
Alice Bunn ^(viii)	45-50	45-50	6	8	-	-	14	20	65-70	70-75
Nicola Higgins ^(ix)	15-20	Not in post	-	Not in post	-	Not in post	7	Not in post	25-30	Not in post

Notes:

- i. Salary levels disclosed have been recorded on an actual basis.
- ii. Performance rewards are non-consolidated payments.
- iii. The value of pension benefits accrued during the year is calculated by MyCSP as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.
- iv. Graham Turnock was appointed as Chief Executive from 1 April 2017.
- v. Katherine Courtney was appointed interim Chief Executive with effect from 1 April 2016 for a period of 1 year. She left the Agency on 31 March 2017.
- vi. Ross James was on loan from the Department for Work and Pensions from 3 October 2016 as Director of Commercial Space. He worked on a part-time basis as 0.8 FTE. A full time equivalent (FTE) annualised salary in 2017-18 would have been £85-90k. 2016-17 salary band disclosed in the above table has been restated.
- vii. Rebecca Evernden was appointed as joint Director of EU & International with effect from 6 June 2016. She worked as a job share on a part-time basis at an average of 0.79 FTE during the reporting period. A full time equivalent (FTE) annualised salary in 2017-18 would have been £65-70k (2016-17: £65k - £70k).
- viii. Alice Bunn, joint Director of EU & International, works as a job share on a part-time basis as 0.7 FTE reduced to 0.6 FTE from 8 January 2018. A full time equivalent (FTE) annualised salary in 2017-18 would have been £65 - £70k (2016-17: £65k - £70k).
- ix. Following fair and open competition Nicola Higgins was appointed as Director of Regulation from 8 January 2018. Her annualised salary in 2017-18 would have been £75-80k.

Salary

Salary includes gross salary, overtime, London weighting or allowances, recruitment and retention allowances, private office allowances, ex-gratia payments and any other allowances or payments 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.

Bonuses

Bonuses are non-consolidated award payments, based on performance levels attained and are made as part of the appraisal process. The bonuses reported in 2017-18 relate to performance in 2016-17 and the comparative bonuses reported for 2016-17 relate to performance in 2015-16.

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. No Senior Civil Servant covered by this report received any benefits in kind during the year.

Single total figure of remuneration

Single total figure of remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind, compensation payments and pension benefits accrued during the reporting period. It does not include severance payments; employer pension contributions; the cash equivalent transfer value of pensions; and the payment of legitimate expenses.

Pay multiples

The Agency is required to disclose the relationship between the remuneration of the highest-paid director in the Agency and the median remuneration of the Agency's workforce.

	2017-18	2016-17
Band of Highest Paid Directors' Total Remuneration ⁽ⁱ⁾	£85-90k	£130-£135k
Median Total Remuneration ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾	40,313	45,723
Ratio ⁽ⁱⁱⁱ⁾	2.17	2.90

Notes:

- The highest paid director (on an FTE basis) in 2017-18 was Ross James, Director of Commercial Space. (2016-17: Katherine Courtney, the previous Chief Executive who left the Agency on 31 March 2017).
- Remuneration is the total annual salary including allowances per employee as at 31 March 2018 and adjusted for Full Time Equivalent (FTE).
- The 2016-17 median total remuneration figure and, consequently, the ratio have been restated.

The banded remuneration of the highest paid director in the Agency in 2017-18 was £85k - £90k (2016-17: £130k - £135k). This was 2.17 times (2016-17: 2.90 times) the median remuneration of the workforce, which was £40,313 (2016-17: £45,723).

The decrease in the Agency's median pay in 2017-18, compared with the previous year, was caused by a disproportionate increase in the number of HEO (Higher Executive Officer) /SEO (Senior Executive Officer) grade roles appointed during the year. The reduction in the remuneration of the highest paid director is reflected in the corresponding drop in the pay multiples ratio from 2.90 to 2.17.

In both 2017-18 and 2016-17, no employee received salary in excess of the highest paid director. Remuneration in the Agency ranged from £19,350 to

£88,792 (2016-17: £15,872 to £134,620).

Total remuneration includes full year equivalent 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.

Pension Benefits

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 Cabinet Office introduced a new pension scheme for civil servants, alpha. This new scheme is set out in the Public Service (Civil Service and Others) Pension Scheme (CSOPS) regulations. It provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed employees and the majority of existing employees joined alpha.

Prior to 1 April 2015, employees participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS operates four defined benefit schemes: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65. The PCSPS is now closed to new members.

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, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha.

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

Employee contributions are salary-related and range between 3.8% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. 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 his 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. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to 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 8% and 14.75% (depending on the age of the employee at the beginning of the tax year) into a stakeholder pension product chosen by the employee from a panel of 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 earnings (in addition to the employer's basic age-related contribution). Employers also contribute a further 0.5% of pensionable earnings to cover the cost of centrally-provided risk benefit cover such as death in service and ill health retirement referred to as mini-Accruing Superannuation Liability Charges (mini-ASLCs).

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, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha.

All sections of the PCSPS and CSOPS schemes have provision for death and medical retirement benefits. Anyone entitled to be covered by these schemes is also covered by the Civil Service Injury Benefit Scheme in the event of sustaining an injury at work.

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Table 2: Pension benefits of Senior Civil Servants 2017-18⁽ⁱ⁾. All SCS are Board members.

Name	Accrued pension at pension age as at 31/03/2018 and (if applicable) related lump sum in bands of £5,000	Pension increase in real terms and (if applicable) related lump sum at pension age in bands of £5,000	CETV at 31/03/2018 to the nearest £1,000	CETV at 31/03/2017 to the nearest £1,000	Real increase in the CETV as funded by the employer, to the nearest £1,000	Employer contribution to partnership pension account to the nearest £1,000
Graham Turnock	30 - 35 plus lump sum of 70 - 75	0 - 2.5 plus lump sum of 0	509	472	4	-
Chris Castelli	5 - 10	0 - 2.5	125	101	13	-
Catherine Mealing-Jones	25 - 30 plus lump sum of 65 - 70	0 - 2.5 plus lump sum of 0	460	431	1	-
Peter Finn	25 - 30 plus lump sum of 70 - 75	0 - 2.5 plus lump sum of 0	480	445	4	-
Ross James	20 - 25	0 - 2.5	405	367	10	-
Rebecca Evernden	15 - 20	0 - 2.5	192	174	5	-
Alice Bunn	15 - 20	0 - 2.5	205	187	6	-
Nicola Higgins	0 - 5	0 - 2.5	34	30	3	-

Notes:

- i. The pension figures quoted show pension earned in PCSPS or CSOPS (alpha) – as appropriate. Where the Senior Civil Servant has benefits in both the PCSPS and CSOPS the figure quoted is the combined value of their benefits in the two schemes.

Cash Equivalent Transfer Values

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

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

Real increase in CETV

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

Remuneration of Steering Board and Audit Committee Non-Executive Members

Appointments to the Agency's Steering Board and Audit Committee are made by BEIS Ministers, in accordance with the Commissioner for Public Appointments' Code of Practice for Ministerial Appointments to Partner Organisations.

In line with the other governance bodies within BEIS family of partner organisations, from 1 April 2013 the Agency's non-executive members receive an honorarium of £6,000 per annum.

David Southwood receives additional £2,000 honorarium. Non-executive members are also reimbursed for any legitimate expenses incurred on behalf of the Agency.

Table 3: Remuneration of Steering Board and Audit Committee Non-Executive Members 2017-18

Non-Executive Member	Position	Period of Appointment	Honoraria	
			2017-18 £000	2016-17 £000
David Southwood ⁽ⁱ⁾	Chair of Steering Board	Nov 2011 - June 2018	8	8
Clive Tucker ⁽ⁱⁱ⁾	Chair of Audit Committee	Dec 2014 - Nov 2020	6	6
Frances Saunders ⁽ⁱⁱⁱ⁾	Non-Executive	Dec 2014 - Nov 2020	6	6
Malcolm MacDonald ^(iv)	Non-Executive	July 2017 - June 2020	4.5	Not in post

Notes:

- David Southwood was appointed as Chair of Steering Board with effect from 6 June 2016 for a period of 2 years. Previously he was attending the Steering Board as a Non-Executive Member.
- Clive Tucker was reappointed for a second three-year term from 1 December 2017.
- Frances Saunders was reappointed for a second three-year term from 1 December 2017.
- Malcolm MacDonald was appointed as a Steering Board Member with effect from 1 July 2017 for a period of 3 year
- Paul Hadley attended the Steering Board as a BEIS appointee. He is not remunerated for his work as honoraria is not payable to members who are civil servants, employees of the UK Space Agency or full-time employees of organisations whose funds are derived from Votes of Parliament.

Staff report

The Agency's employees are eligible to be members of the Principal Civil Service Pension Scheme (PCSPS) and Public Service (Civil Service and Others) Pension Scheme (CSOPS) known as alpha which came into force from 1 April 2015. Many PCSPS members transferred into alpha on that date, while others will transfer into it over the next few years. The PCSPS is now closed to new members.

In this document the term 'Scheme' covers both PCSPS and CSOPS arrangements.

The Scheme is unfunded, defined benefit, contributory, public service occupational pension scheme in which the UK Space Agency is unable to identify its share of the underlying assets and liabilities.

The Scheme is subject to periodic actuary valuations. Contributions are paid both by employers and employees at a combined level, determined by the scheme actuary, sufficient to meet the liabilities being built up by the active membership (as adjusted to reflect any surplus or shortfall in the Scheme). The scheme actuary reviews employer contributions every four years following a full scheme valuation. The last full actuarial valuation was carried out as at 31 March 2012 and determined that from 1 April 2015 the average employer contribution would increase to 21.1% of pensionable earnings (18.9% up to 31 March 2015). The contribution rates are set to meet the cost of the benefits accruing during 2016-17 to be paid when the member retires, and not the benefits paid during this period to existing pensioners. More details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

During 2017-18, employer contributions of £1,088,361 were payable to the Scheme (2016-17: £752,234) at one of four rates in the range 20.0% to 24.5% of pensionable earnings (2016-17: 20.0% to 24.5%), based on salary bands.

Under the Partnership scheme employees have the option of opening a partnership pension account with one of the stakeholder pension providers approved by Cabinet Office, namely Scottish Widows and Standard Life. Stakeholder pensions are a type of personal pension with employer contributions which are age related and from 1 October 2015 range from 8% to 14.75% of pensionable earnings (3% to 12.5% up to 30 September 2015). Employee contributions are voluntary, and unlimited, and are matched by employer contributions up to 3% of pensionable earnings (the maximum possible employer contribution therefore is 17.75%). During 2017-18, employer contributions of £4,340 were payable to partnership pension providers (2016-17: £3,038). There were no prepaid contributions at 31 March 2018.

In addition, employer mini-ASLC contributions of £197 (2016-17: £155), from 1 October 2015 set at 0.5% of pensionable pay regardless of salary bands (0.8% up to 30 September 2015), were payable to the Scheme during 2017-18 for provision of risk benefits to those employees opting for partnership pension arrangements. These contributions cover the cost of the future provision of lump sum benefits on death in service or ill-health retirement of these employees.

No employee (2016-17: none) retired early on ill-health grounds, therefore there were no additional pension liabilities accrued during the reporting period (2016-17: none).

There were no redundancy or other departure costs paid during the year (2016-17: none).

Table 4: Analysis of staff costs and average number of persons

	2017-18			2016-17		
	Permanently employed £000	Other £000	Total £000	Permanently employed £000	Other £000	Total £000
Wages and salaries	5,336	-	5,336	3,538	-	3,538
Social security costs	582	-	582	410	-	410
Other pension costs	1,093	-	1,093	755	-	755
Subtotal	7,011	-	7,011	4,703	(0)	4,703
Add cost of inwards secondments	-	114	-	-	122	122
Less recoveries in respect of outward secondments	-	(117)	-	-	(70)	(70)
Total staff costs	7,011	(3)	7,011	4,703	51	4,755
	FTE	FTE	FTE	FTE	FTE	FTE
Average number of persons employed	123	1.13	124.13	79.50	2.10	81.60

Notes:

- On average there have been 2 FTE outward secondees (2 FTE in 2016-17) when the UK Space Agency's staff have been seconded to other organisations.
- In addition to the 1.16 FTE inward secondees in the above table (2.1 FTE in 2016-17), the UK Space Agency also benefited from an average of 1.9 FTE inward secondees (2.1 FTE 2016-17) provided at nil cost by other government organisations and industry as part of their staff development programme.

Unaudited information

Recruitment policies

Recruitment into the Civil Service is regulated by the Civil Service Commission (CSC). The Agency follows the CSC principles and ensures that appointments are made on merit after fair and open competition. The Agency also works closely with the parent Department to ensure these principles are adhered to.

In addition, the Agency adheres to the Government Interview Scheme (GIS), which ensures that any application with a disability is guaranteed an interview provided they meet the minimum criteria for the post.

The Agency has continued to expand to meet the demands of work undertaken and as a result in 2017-18 we ran a total of 67 recruitment campaigns.

6 posts were filled by internal candidates on promotion

2 posts were filled by internal candidates on level transfer

2 post were filled by apprentices

34 posts were filled as permanent posts

47 posts were filled from transfers (either permanent or on loan) from other Government Departments

21 posts were filled as loans

10 external campaigns were run

6 posts were sourced from BEIS/other Government Departments without the Agency running a campaign

1 post was filled under exception

3 posts remain unfilled

10 posts arising from campaigns run from 2017-18 have selected a candidate and are awaiting to be filled

The Agency continues to apply BEIS recruitment controls. External campaigns are only run once authorised by the parent Department where it is essential to support frontline delivery of services or is a business-critical need. Where external recruitment is necessary, a clear business case is required. In 2017-18, 8 external appointments were made on a fixed-term basis.

The Agency's attrition rate remained at 12% during the 2017-18 reporting period with 3% of those leaving the Agency transferring to other government departments.

No consultancy costs have been incurred during 2017-18 (2016-17: nil). The cost of contingent labour during the year was £141,272 (2016-17: £44,757).

Remuneration policy

The remuneration policy adopted by the UK Space Agency is in line with the BEIS departmental policy. The Agency's 2017 pay award was part of a 2-year deal comprising two pay rises, the first back dated to 1 August 2017 and the second from 1 August 2018.

The second pay rise will be subject to further consultation in 2018. Non-consolidated performance payments are awarded to the top 25% performers based on individual contributions to the Agency as formally assessed by the annual performance reviews.

The Agency runs a Rewards and Recognition Scheme, which is a special bonus scheme for individual payments recommended by line managers and colleagues for specific projects or outstanding pieces of work that are not covered by the normal performance management system. These payments are non-consolidated and the maximum amount available is capped to 0.6% of the total annual pay bill (excluding SCS pay). During 2017-18 we issued 117 awards at a cost of £27,350 (2016-17 we issued 43 awards totalling £13,475).

Staff Composition

The internal Workforce Planning Committee plays a key part in ensuring that the Agency has both the capacity and capability to deliver the aims and objectives of the Agency.

We have brought in specialist skills where necessary to support frontline delivery and fill business critical posts whilst maintaining the Agency's headcount at a sustainable level.

UK Space Agency grades	2017-18 %	2016-17 %	2015-16 %
Administrative assistants and Administrative officers ⁱ	3	3.1	3.9
Executive officers	4.5	4.2	6.6
Higher executive officers and Senior executive officers ⁱⁱ	47	41.3	38.9
Grade 7/6	41	44	44.4
Senior Civil Servants	4.5	7.4	6.2

Notes:

- i. Includes 1 apprentice as at 31 March 2017 and 2 apprentices as at 31 March 2016, includes 3 apprentices as at 31 March 2018.
- ii. Includes 1 fast streamer as at 31 March 2017 and 1 fast streamer as at 31 March 2016, includes 1 fast streamer as at 31 March 2018.

2017-18 Gender	Number	Percentage
Male	77	50
Female	76	50

2017-18 Working Pattern	Number	Percentage
Full-time	145	94
Part-time	8	6

2017-18 Disability	Number	Percentage
Yes	5	4
No	138	90
Prefer not to Say	10	6

2017-18 Ethnicity	Number	Percentage
Arab	1	1
Pakistani	2	1
White-English	70	45
White-Irish	1	1
White-Welsh	0	0
White and Asian	0	0
Other Asian	1	1
White and Black Caribbean	1	1
Other White Background	6	4
Prefer not to Say/Unknown	71	46

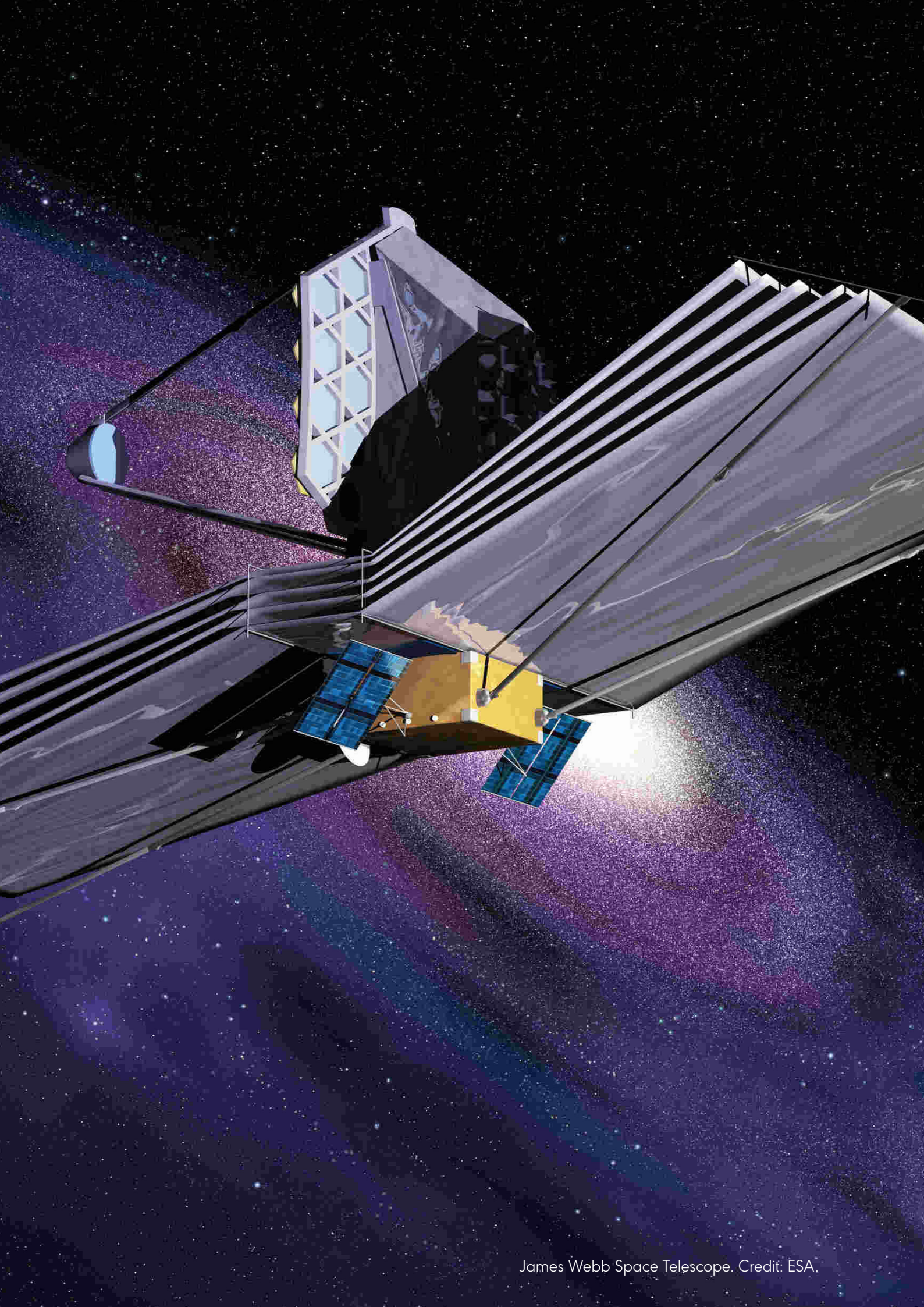
Workforce diversity (Executive Board only)	2017-18 (% declared)	2016-17 (% declared)
Black and minority ethnic	0	0
Women	50	57
Disabled	0	0
Working pattern - part-time	38	42

Sickness Absence

In the 12-month period April 2017- March 2018 the average working days lost through recorded sickness absence was 5 days (per employee absent through sickness). In the same period April 2016- March 2017 average working days lost through recorded sickness absence was 7 days (per employee absent through sickness).

Equality, diversity and Inclusion

The UK Space Agency is fully committed to providing equal opportunities for all staff. The Agency follows the Civil Service guidelines, ensuring that all staff have equality of opportunity on the basis of their suitability and skills, without discrimination on the basis of age, disability, gender, flexible working, marital status, sexual orientation, race, colour, nationality, ethnic or national origin or religious belief.



James Webb Space Telescope. Credit: ESA.

PARLIAMENTARY ACCOUNTABILITY AND AUDIT

PARLIAMENTARY ACCOUNTABILITY

These pages present information about the UK Space Agency that is useful to readers for accountability and decision making purposes that is not covered elsewhere in the report.

Our Chief Executive is personally accountable to Parliament for our performance. Our financial statements are subject to audit by the Comptroller and Auditor General, who heads up the National Audit Office and is responsible for scrutinising public spending and safeguarding the interests of taxpayers on behalf of Parliament. The Comptroller and Auditor General's audit certification is presented on page 70.

Regularity of expenditure (audited)

Fees and charges income

The Outer Space Act 1986 is the legal basis for regulation of activities in outer space carried out by organisations or individuals established in the United Kingdom or one of its Overseas Territories or Crown Dependencies. It confers licensing and other powers on the Secretary of State for Business, Energy and Industrial Strategy acting through the UK Space Agency. In 2017-18, the total statutory licence fees collected by the Agency amounted to £143,000 (2016-17: £110,500). More information can be found in Note 5 Income from operating activities on page 85.

Losses and special payments

There were no reportable losses or special payments incurred during the year.

Remote contingent liabilities

Under international (UN) convention, the UK Government is ultimately liable for third party costs from accidental damage arising from UK space activities. To manage the risk to the Government, the Outer Space Act 1986 requires licencees to indemnify HMG against any proven third party costs. In March 2015 the Outer Space Act 1986 was amended to cap

the previously unlimited liability for licenced activities.

The cap is set at 60 million euro for the majority of missions. This amendment came into force from 1 October 2015 and was designed to adequately balance the risk to the UK Government whilst ensuring UK space operators remain competitive internationally. There is a requirement on licencees to obtain third party liability insurance (set at 60 million euro for the majority of missions) for the duration of the licenced activity, with the UK Government a named beneficiary.

The UK Government is therefore exposed to a potential liability for third party costs which are not recoverable from the licencee. This liability is unquantifiable at the time of reporting.

EU Exit

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 starts a two-year negotiation process between the UK and EU.

Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of the negotiations. As a result, an unquantifiable contingent liability is disclosed. In accordance with accounting standards, no contingent assets can be recognised.

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

Opinion on financial statements

I certify that I have audited the financial statements of the UK Space Agency for the year ended 31 March 2018 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

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 2018 and of the net operating expenditure 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 regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My

responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the UK Space Agency in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Officer for the financial statements

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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of

these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the UK Space Agency's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the UK Space Agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope

and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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.

Other information

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report and Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with the applicable legal requirements.

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 parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
29 June 2018

Our Annual Report and Accounts 2017-18

Our Annual Report and Accounts are presented to Parliament following certification of our financial statements by the Comptroller and Auditor General to the House of Commons (see page 70). The cost of the audit was £40,000. No remuneration was paid to the external auditors in respect of non-audit work in 2017-18.

The Chair of the Audit Committee endorsed this report on 28 June 2018. Our Annual Report and Accounts is prepared in accordance with the Government Financial Report Manual (FReM), Managing Public Money and any applicable HM Treasury (HMT) instructions.

I believe that the information we have presented in our Performance Report (pages 8 to 35) provides a fair, balanced and understandable analysis of our performance. As required, I have signed and dated our Performance Report on page 35, as well as signing here our Accountability Report, which meets our key accountability requirements to Parliament.

Our fully audited financial statements follow in the rest of this document, which give a true and fair view of the Agency's state of affairs and of its comprehensive net expenditure, changes in taxpayers' equity and cash flows. I have signed our Statement of Financial Position on page 75.

Graham Turnock

Chief Executive
28 June 2018

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ACCOUNTS



FINANCIAL STATEMENTS

Statement of Comprehensive Net Expenditure for the year ended 31 March 2018

	Note	2017-18 £000	2016-17 £000
Income from operating activities	5	(1,871)	(1,484)
Total operating income		(1,871)	(1,484)
Staff costs	3	7,007	4,755
International subscriptions, grants and other funding	4	381,421	359,957
Technical contracts and contract management	4	8,165	5,384
Other operating expenditure	4	3,054	2,369
Total expenditure		399,647	372,465
Net operating expenditure		397,776	370,981
Other comprehensive net expenditure			
Items reclassified to net operating costs during the year:			
Net gain/(loss) released on the disposal of cash flow hedges ⁱ	4,6	36,509	26,082
Items which may be reclassified subsequently to net operating costs:			
Net (gain)/loss on revaluation of cash flow hedges ⁱⁱ	6	(29,912)	(46,547)
Total comprehensive net expenditure for the year ended 31 March 2018		404,373	350,516

Notes:

- i. The reported gains on disposal of cash flow hedges are notional gains which represent the total cumulative unrealised gains for the disposed contracts previously recognised in the revaluation reserve. More information can be found in Note 4 - Total Expenditure and Note 6 - Other financial assets and liabilities.
- ii. The reported gains on revaluation of forward exchange contracts are notional gains caused by an increase in the fair value of the contracts held at 31 March 2018 compared to the fair value of contracts held at 31 March 2017. The UK Space Agency abides by the HM Treasury and BEIS group rules relating to hedging. More information can be found in Note 6 - Other financial assets and liabilities.

The notes on pages 80 to 94 form part of these financial statements.

Statement of Financial Position for the year ended 31 March 2018

	Note	31 March 2018	31 March 2017
		£000	£000
Non-current assets			
Other financial assets	6	46,774	52,838
Total non-current assets		46,774	52,838
Current assets			
Trade & other receivables	7	35,959	34,312
Other financial assets	6	30,510	31,818
Cash & cash equivalents	8	12,915	29,107
Total current assets		79,384	95,237
Total assets		126,158	148,075
Current liabilities			
Trade & other payables	9	34,210	34,519
Total current liabilities		34,210	34,519
Total assets less current liabilities		91,948	113,556
Non-current liabilities			
Other financial liabilities	6	-	775
Total non-current liabilities		-	775
Total assets less total liabilities		91,948	112,781
Taxpayers' equity			
General fund		14,664	28,900
Revaluation reserve		77,284	83,881
Total taxpayers' equity		91,948	112,781

The notes on pages 80 to 94 form part of these financial statements.

Graham Turnock

Chief Executive and Accounting Officer
28 June 2018

Statement of Cash Flows for the year ended 31 March 2018

	Note	2017-18	2016-17
		£000	£000
Cash flows from operating activities			
Net operating expenditure for the year		(397,776)	(370,981)
Adjustments for non cash transactions - auditor's remuneration	4	40	40
(Increase)/Decrease in trade and other receivables	7	(1,647)	7,024
Increase/(Decrease) in trade payables	9	(309)	14,589
Net cash outflow from operating activities		(399,692)	(349,328)
Cash flows from financing activities			
Net parliamentary funding - drawn down		383,500	376,470
Net financing		383,500	376,470
Net increase/(decrease) in cash and cash equivalents in the period		(16,192)	27,142
Cash and cash equivalents at the beginning of the period	8	29,107	1,965
Cash and cash equivalents at the end of the period	8	12,915	29,107

The notes on pages 80 to 94 form part of these financial statements.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2018

2017-18	General fund ⁱ	Revaluation reserve ⁱⁱ	Total
	£000	£000	£000
Balance at 01 April 2017	28,900	83,881	112,781
Net Parliamentary Funding - drawn down	383,500	-	383,500
Net operating expenditure for the year	(397,776)	-	(397,776)
Non-cash adjustments			
Non-cash charges - auditor's remuneration	40	-	40
Movements in reserves			
Disposals	-	(36,509)	(36,509)
Revaluations	-	29,912	29,912
Balance at 31 March 2018	14,664	77,284	91,948

2016-17	General fund ⁱ	Revaluation reserve ⁱⁱ	Total
	£000	£000	£000
Balance at 01 April 2016	23,371	63,416	86,787
Net Parliamentary Funding - drawn down	376,470	-	376,470
Net operating expenditure for the year	(370,981)	-	(370,981)
Non-cash adjustments			
Non-cash charges - auditor's remuneration	40	-	40
Movements in reserves			
Disposals	-	(26,082)	(26,082)
Revaluations	-	46,547	46,547
Balance at 31 March 2017	28,900	83,881	112,781

Notes:

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

The notes on pages 80 to 94 form part of these financial statements.

1. Statement of Accounting Policies

1.1 Basis of accounting

These financial statements have been prepared in accordance with the 2017-18 Government Financial Reporting Manual (FReM) issued by HM Treasury, as set out in a statutory Accounts Direction issued pursuant to section 7(2) of the Government Resources and Accounts Act 2000.

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

1.2 Going concern

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

1.3 Accounting convention

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

1.4 Presentational currency

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

1.5 Financial instruments

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

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

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

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

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

Derivative financial instruments comprise forward contracts held to hedge the Agency's exposure to foreign currency risk. They are designated as cash flow hedges. The effective portion of change in the fair value 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 to the Statement of Comprehensive Net Expenditure in the periods when the hedged item affects the Statement of Comprehensive Net Expenditure.

Financial instruments held to hedge foreign currency risk exposures are designated as cash flow hedges if the criteria for applying cash flow hedge accounting under IAS 39 are met. If the criteria are not met, such as when a forecast transaction is no longer expected to occur, the forward contract is accounted for as a financial instrument held for trading purposes and any cumulative gain or loss that was reported in taxpayer's equity is immediately transferred to the Statement of Comprehensive Net Expenditure.

The UK Space Agency does not hold or issue derivative financial instruments for trading purposes.

1.6.1 Financial assets

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

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

The classification depends on the purpose for which the financial asset is held or acquired. The UK Space Agency determines the classification of financial assets at initial recognition.

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.

1.6.2 Financial liabilities

The UK Space Agency 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.

1.7 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, statutory licence fees for activities covered by the Outer Space Act 1986; co-funding income from other public sector bodies and EU; and charges for services provided, on a full cost basis, to external customers.

1.8 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.

1.9 Ownership of equipment purchased by research grant

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

1.10 Insurance

As an Executive Agency of the Department for Business, Energy and Industrial Strategy (BEIS), the UK Space Agency, along with other public bodies of the Departmental group, do not generally insure. Insurance will only be obtained on items which, with the agreement of the Department, require it due to the risks involved. Insurance premiums are charged to the Statement of Comprehensive Net Expenditure. Staff travelling overseas on business are covered by the Department's insurance policy for any medical costs incurred abroad, but are expected to take out their own travel insurance policy to cover any loss or damage to personal property. Claims directly related to business property are considered under BEIS expenses policy guidelines.

1.11 Foreign exchange

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

1.12 Pensions

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

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

Further details of the pension schemes can be found on the Civil Service Pensions website at www.civilservicepensionscheme.org.uk

1.13 Employee benefits

In accordance with IAS 19 Employee Benefits, the Agency is required to recognise short-term employee benefits when an employee has rendered service in exchange for those benefits. Included in the financial statements is an accrual for the outstanding employee holiday entitlement at 31 March 2018 on an undiscounted basis.

1.14 Taxation

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

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

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

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

1.15 Operating leases

Leases in which significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Operating lease rentals are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the lease term, in accordance with IAS 17 Leases. The amounts payable in the future, under these operating lease arrangements are not discounted.

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

1.16 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, BEIS, will fund this liability.

1.17 Reporting by operating segment

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

Although the Agency considers that its activities contribute to an overall mission within the same business environment, nevertheless there are separable operating segments on a geographical basis, namely National and International. See note 2 for further details.

1.18 Estimation techniques used and key judgements

The preparation of the UK Space Agency's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances, the results of which form the basis for

making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Uncertainty about these assumptions and estimates could result in outcomes that require an adjustment to the carrying value of the asset or liability. Where applicable these uncertainties are disclosed in the notes to the financial statements.

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

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

1.19 Changes to International Financial Reporting Standards (IFRS) and 2017-18 Financial Reporting Manual (FReM)

1.19.1. Changes to IFRS

In accordance with the FReM, these financial statements apply EU adopted IFRS and Interpretations in place as at 1 January 2016. 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. In July 2014 the International Accounting Standards Board (IASB) published the final version of the Standard, which introduced new classification and measurement requirements and a new hedge accounting model. The Standard will be effective for accounting periods beginning on or after 1 January 2018 (subject to EU adoption). This standard is not expected to have any material impact on the financial statements of the UK Space Agency as no significant changes are being proposed to hedge accounting.

- IFRS 16: Leases, will replace IAS 17 Leases and related Interpretations. IFRS 16 was published by IASB in January 2016 with the aim of improving the financial reporting of leases. The standard will be effective for accounting periods beginning on or after 1 January 2019 and will be adapted in the 2019-20 FReM (subject to EU adoption and the Exposure Draft process). HM Treasury will issue an Exposure Draft in advance of the effective date. This Standard will have an impact on the financial statements of the UK Space Agency, but the full details are not known at the time of reporting.
- IFRS 15: Revenue from Contracts with Customers, will replace IAS 18 Revenue. IFRS 15 was issued by IASB in May 2014, but was amended in September 2015 to defer the effective date to 1 January 2018 (subject to EU adoption). It is expected to be adopted in the 2018-19 FReM (subject to EU adoption and Exposure Draft process). HM Treasury will be issuing an Exposure Draft in the summer of 2016. The changes introduced in this Standard are not expected to have any effect on the financial statements of the UK Space Agency.

1.19.2. Changes to the FReM

No significant changes have been introduced to the 2017-18 FReM.

2. Statement of operating costs by operating segment

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

Funding is received by the UK Space Agency from BEIS to cover the cost of international subscriptions to the European Space Agency and the remainder of its programme work at a national level. National programme work includes being responsible for delivering aspects of specific project work in the UK as well as funding universities and companies to undertake various research and development activities. The activities within the two segments

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

The segments are separate for decision making purposes and there are no transactions between the two segments.

There have been no changes in segmental identification since the previous reporting period.

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

	2017-18			2016-17		
	National segment	International segment	Total	National segment	International segment	Total
	£000	£000	£000	£000	£000	£000
Gross expenditure	101,111	298,536	399,647	66,374	306,091	372,465
Income	(178)	(1,693)	(1,871)	(111)	(1,373)	(1,484)
Net operating costs	100,933	296,843	397,776	66,263	304,718	370,981

Description of segments

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

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

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

3. Staff Costs

	2017-18	2016-17
	£000	£000
Wages and salaries	5,336	3,538
Social security costs	582	410
Other pension costs	1,093	755
Subtotal	7,011	4,703
Add cost of inward secondments	113	122
Less recoveries in respect of outward secondments	(117)	(70)
Total staff costs	7,007	4,755

Further analysis of staff costs, average number of persons employed and other relevant disclosures can be found in the Remuneration and Staff Report.

4. Total expenditure

	Note	2017-18 £000	2016-17 £000
International subscriptions			
European Space Agency	i	329,327	328,873
Recognised (gain)/loss on forward exchange contracts		(36,509)	(26,082)
Net (gain)/loss on foreign exchange spot rate (non-hedge)		226	663
Total ESA subscriptions		293,044	303,454
Other international subscriptions		-	17
Other international grants & payments			
French Space Agreement (CNES) bilateral agreements		4,522	1,786
ESA mandatory tax adjustment and other payments	ii	970	834
National grants and other funding			
International Partnership Programme		29,720	14,707
National programme grants	iii	22,667	18,223
SABRE		11,544	6,238
National Space Technology Programme		5,261	1,238
CEOI 2020		4,921	2,538
Spectrum charges		4,017	4,017
Satellite Launch Programme	iv	-	1,368
NovaSAR		-	1,000
International Partnership Space Programme			731
Other national programme grants and funding		4,755	3,806
Total subscriptions, grants and other funding		381,421	359,957
Technical contracts and contract management		8,165	5,384
Operational costs			
Payments for departmental shared services	v	670	563
Travel and subsistence		644	562
Rentals under operating leases	vi	462	470
Accommodation		319	67
Training and other staff costs		194	115
Auditors remuneration (external)		40	40
Other		725	552
Total operational costs		3,054	2,369
Total expenditure		392,640	367,710

Notes:

- i. The Agency pays an annual subscription to ESA in Euros. To manage our budgets effectively, the Agency entered into forward exchange contracts with the Bank of England to hedge about 73.6% of its total 2017-18 commitments to ESA. The total exposure at spot rate in 2017-18 would have been £329.4m.
- ii. The Agency is liable in accordance with Article 42 of the Coordinated Organisation's Pension Scheme Rules, for the amount of tax adjustment applicable to pensions borne by the Member State in which the recipient is subject to taxes on income. The 2017-18 tax liability of £864k (2016-17: £834k) relates to tax of the recipients in the United Kingdom for the European Space Agency.
- iii. Prior to the creation of the Agency the responsibility for provision of academic research grants was undertaken by the Science Technology and Facilities Council (STFC). Since 1 April 2011, such grants are the responsibility of the Agency. Due to the ongoing nature of some of the grants and the expertise that STFC have in this area it has been agreed that STFC would continue to maintain the process and make any necessary payments, recharging the Agency for the costs of such grants. The cost of maintaining and processing these payments is minimal and STFC has agreed to undertake this activity on a nil cost basis. Therefore there is no charge for this activity to the Agency.
- iv. Whilst the Agency did not issue any grants under the SLP programme in 2017-18, the total running costs of £1.7m are recorded in Note 3 Staff costs; and within this Note under the Technical contracts and contract management and Operational costs categories.
- v. Payments for departmental shared services include the costs of centrally provided information technology, general overheads and legal advice. From 1 April legal services are provided by the Government Legal Department via an SLA with BEIS. The overall charge for legal advice costs in 2017-18 was £340k (2016-17: £300k).
- vi. The Agency entered into two operating lease agreements for office accommodation. See Note 12 Operating Leases for more information.

5. Income from operating activities

	Note	2017-18 £000	2016-17 £000
EU SST Programme		1,411	1,091
European GNSS Agency rental income	12.2	282	282
Outer Space Act 1986 licence fees		143	111
Other income		35	-
Total		1,871	1,484

6. Other financial assets / liabilities

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

The UK Space Agency uses forward exchange contracts as part of a balanced portfolio of hedges designed to control foreign currency risk in line with the level of risk appetite adopted by the Executive Board. The Agency is fully compliant with the BEIS departmental hedging policy, which forbids using financial instruments for speculative purposes. Hedging contracts may be placed with the Bank of England where the expected cost at the current exchange rate represents at least 2% of the total budget or the value of the transaction is greater than £2million. The only form of hedging foreign currency risk allowed within the BEIS family of partner organisations is the use of forward contracts so as to provide greater budget certainty and therefore plan the future expenditure more effectively.

	Note	2017-18 £000	2016-17 £000
Balance at 01 April 2017		83,881	63,416
Disposals (contracts settled in year)	i	(36,509)	(26,082)
Revaluation movement	ii	29,912	46,547
Balance at 31 March 2018		77,284	83,881
Non-current other financial assets		46,774	52,838
Current financial assets		30,510	31,818
Total other financial assets		77,284	84,656
Non-current other financial liabilities		-	(775)
Total other financial liabilities		-	(775)
Total net other financial assets and liabilities		77,284	83,881
Net change in value of cash flow hedges impacting reserves	iii	6,597	(20,465)

Notes:

- The disposal value arose through the completion of five forward exchange contracts with settlement dates falling in the reporting period. This notional value represents the total cumulative unrealised (gain)/loss for each of these contracts previously recognised in the revaluation reserve and removed on completion.
- Revaluation movement represents the difference in the fair value of the contracts still in place at 31 March 2018 and 31 March 2017. These contracts are for subscriptions payable up to 1 October 2021. The GBP to EUR forward rate moved on average from 1.15 to 1.11 during the year.
- Further information on the reported change in the value of cash flow hedges can be found in the Statement of Changes in Taxpayers' Equity on page 79 under the Revaluation Reserve disclosures.

Cashflow hedge contracts

The hedge contract is designed to allow for cash flow planning and enables better budgeting to align with the comprehensive spending reviews which are normally undertaken by the government every three years. The hedge contract is not designed to protect against currency risk which will result in an unrealised gain or loss arising each year end when hedges are revalued. On completion of the contract there will be either an opportunity gained or lost resulting from the movement in the exchange rate. As this is outside management control, and in line with the HM Treasury's Consolidated Budgeting Guidance 2017/18, these gains and losses are only recognised under the resource annually managed expenditure (RAME) budgetary category.

On acquisition and at the reporting date the hedges met the IAS 39 effectiveness criteria. The discounted cost of the contracts was compared with the discounted current market valuation, and both prospective and retrospective tests of effectiveness were within the 80% - 125% tolerance range.

During the reporting period the Agency maintained in total a hedge portfolio of 24 forward exchange contracts, five of which matured during the year. The outstanding 19 contracts will reach settlement between 1 June 2018 and 1 October 2021. The total cost of these contracts was £926,005,401 and as at 31 March 2018 fair value of all forward contracts held by the Agency was £1,003,288,955. There has been a positive movement on the revaluation reserve as at 31 March 2018 of £77,283,554.

The fair value of forward exchange contracts is determined by comparing the contractually agreed cost on creation of the contract with the fair value of the contract translated at the future forward market rate provided by the Bank of England at close of trading on 31 March 2018 for the relevant forward exchange contracts settlement dates. These are indicative rates only, and therefore in accordance with IFRS 13 Fair Value Measurements, the valuation inputs are classified as Level 2.

Credit risk

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

Liquidity risk

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

Market risk

Foreign currency risk

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

The Agency has also limited transactional currency exposure arising from occasional payments made in currencies other than sterling and through reimbursing foreign travel and subsistence costs for staff travelling to 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.

7. Trade receivables and other current assets

	31 March 2018	31 March 2017
	£000	£000
Trade and other receivables less than one year		
Trade receivables	186	-
Other receivables	46	19
Prepayments & accrued income	35,411	34,211
VAT	316	82
Total	35,959	34,312

Note:

- i. Prepayments and accrued income include a prepayment made to the European Space Agency of £35,296k (2016-17: £34,119k).

8. Cash and cash equivalents

	Note	2017-18	2016-17
		£000	£000
Cash and cash equivalents			
Balance at 1 April		29,107	1,965
Net change in cash and cash equivalents		(16,192)	27,142
Balance at 31 March		12,915	29,107
The following balances at 31 March were held at:			
Government Banking Service	i	12,915	29,107

Note:

- i. Included in the cash balance is £473,377 (2016-17: £145,617) held on behalf of the Ministry of Defence, who are third party beneficiaries in the EU SST programme. This funding was received from EU.

9. Trade payables and other current liabilities

	Note	31 March 2018	31 March 2017
		£000	£000
Trade and other payables less than one year			
Trade payables		3,111	557
Other payables		364	275
Accruals and deferred income	i, ii	30,735	33,687
Total		34,210	34,519

Notes:

- Accruals include accrued expenditure in respect of the IPP programme of £7,255k (2016-17: £766k); the NovaSAR project of £5,750k (2016-17: £5,750k); SABRE of £3,447k (2016-17: £2,018k); MicroCarb of £2,270k (2016-17: £0); SWOT of £1,585k (2016-17: £1,643); NSTP £1,215k (2016-17: £2,429k) and BREXIT £1,126k (2016-17: £0).
- The UK Space Agency is the main UK beneficiary of an EU funded programme called EU SST. As at 31 March 2018 the Agency received £2,950k; £1,539k of which was treated as deferred income (2016-17: £853k).

10. Capital commitments

There were no capital commitments as at 31 March 2018 (2016-17: None).

11. Other financial commitments

11.1 Other financial commitments

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

	31 March 2018	31 March 2017
	£000	£000
ESA		
Not later than one year	244,394	215,754
Later than one year and not later than five years	681,611	926,005
Total	926,005	1,141,759

11.2 Grants commitments

	31 March 2018	31 March 2017
	£000	£000
Not later than one year		
Academic Grant Commitments	14,585	22,667
SABRE	18,111	11,410
International Partnership Programme	30,921	29,720
Later than one year and not later than five years		
Academic Grant Commitments	19,343	33,928
SABRE	9,834	27,945
International Partnership Programme	35,982	66,903
Total	128,776	192,572

12. Operating leases

12.1 Obligations under operating leases

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

	31 March 2018	31 March 2017
Offices	£000	£000
Not later than one year	486	479
Later than one year and not later than five years	1,953	1,972
Later than five years	4,234	4,956
Total	6,673	7,407

Notes:

- i. In 2013-14 the UK Space Agency entered into a lease agreement with NATS (En Route) Plc for office accommodation at the NATS Swanwick Control Centre. The lease commenced on 7 January 2014 and will expire on 31 December 2030. There is no security of tenure after this date. The agreed initial rent charge is £83,745 per annum, which will be reviewed every 5 years and linked to the Retail Price Index (RPI). The base occupier's and tenant's charges were initially set at £359,609 per annum, and the landlord has the right to review these charges annually in line with the movements in RPI. In 2017-18, the total lease payments charged to the Statement of Comprehensive Net Expenditure were £452,427. These charges were fully paid by 31 March 2018.
- ii. In April 2018 the UK Space Agency entered into a short-term lease agreements with Satellite Applications Catapult Limited for office accommodation at the Electron Building based within the Harwell Oxford campus for a lease term up to 30 March 2020 at the cost of £29,933 per annum. Up to 31 March 2018 the Agency had a lease agreement with the Science and Technology Facilities Council (STFC) for office accommodation at the cost of £12,264 per annum. The lease payments were charged to the Statement of Comprehensive Net Expenditure in 2017-18 and fully paid by 31 March 2018.

12.2 Operating leases granted

Total future minimum sublease income under non-cancellable operating subleases is given below:

	31 March 2018	31 March 2017
Offices	£000	£000
Not later than one year	284	291
Later than one year and not later than five years	1,209	1,240
Later than five years	2,714	3,183
Total	4,207	4,714

Note:

- i. In 2013-14 UK Space Agency granted an operating sublease to the European GNSS Agency (GSA). The lease is for an agreed amount for a period of 16 years from 7 January 2014. The lease covers office accommodation rented from NATS (EN ROUTE) Plc. In line with the superior lease with NATS, GSA have no security of tenure after the lease expires on 31 December 2030. The initial agreed rental charge was £275,207 per annum, which is reviewed annually in line with the movements in RPI. In 2017-18, the total lease income charged to the Statement of Comprehensive Net Expenditure was £282,150 (2016-17 £282,150).

On 24 January 2018, the European Commission adopted a decision to transfer the back-up site of the Galileo Security Monitoring Centre, operated by GSA, from the NATS Swanwick Control Centre to Spain. The exact timing of the move is yet to be confirmed as well as any lease implications.

13. 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.

14. Contingent liabilities disclosed under IAS 37

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

15. Related party transactions

During 2017-18, the UK Space Agency was an Executive Agency of the Department for Business, Energy and Industrial Strategy and BEIS was regarded as a related party with which the Agency had various material transactions. In addition, the back-office function for processing national grants was outsourced to the Science and Technology Facilities Council which was also recognised as a related party.

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

Employee benefits received by Agency's key management personnel are disclosed in the Remuneration and Staff Report on page 56. In addition, the UK Space Agency made the following aggregated payments to third parties where Agency's directors and non-executive members are also senior members of staff:

Name	Position with related party	Description of transactions	Value of transactions
			£000
David Southwood	Trustee for the National Space Centre	Programme expenditure	134
Catherine Mealing-Jones	University of Bath Council	Programme expenditure	140

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

GLOSSARY

AME	Annually Managed Expenditure	HSE	Health and Safety Executive
ARTES	Advanced Research in Telecommunications Systems Programme	ICAI	International Commission on Aid Impact
ASLC	Accruing Superannuation Liability Charges	IPP	International Partnership Programme
BCM	Business Continuity Management	ISS	International Space Station
BEIS	Department for Business, Energy and Industrial Strategy	JWST	James Webb Space Telescope
CAA	Civil Aviation Authority	KPI	Key Performance Indicator
CETV	Cash Equivalent Transfer Values	MoU	Memorandum of Understanding
CSOPS	Public Service (Civil Service and Others Pension Scheme)	NAO	National Audit Office
DAASICS	Director's Annual Assurance Statements of Internal Control	NASA	National Aeronautical and Space Administration
DEL	Departmental Expenditure Limits	NSTP	National Space Technology Programme
DSTL	Defence, Science and Technology Laboratory	ODA	Official Development Assistance
ECSAT	European Centre for Satellite Applications and Telecommunications	OSS	Oxford Space Systems
EEI	Employee Engagement Index	PCSPS	Principal Civil Service Pension Scheme
ESA	European Space Agency	SABRE	Synergistic Air-breathing Rocket Engine
FCO	Foreign & Commonwealth Office	SAR	Synthetic Aperture Radar
FTE	Full-time equivalent	SCS	Senior Civil Service
GAD	Government Actuary's Department	SEO	Senior Executive Officer
GCRF	Global Challenges Research Fund	SIRO	Security, Information and Risk Officer
GIAA	Government Internal Audit Agency	SLA	Service Level Agreement
GIS	Government Interview Scheme	SME	Small and Medium-sized Enterprise
GLD	Government Legal Department	SoXSA	Scottish Centre of Excellence in Satellite Applications
GSTP	General Support Technology Programme	SPIN	Space Placements in Industry
HEO	Higher Executive Officer	SSC	Space Sector Council

