



# Annual Report and Accounts 2019-20

HC 606

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





**UK Space Agency**  
**Annual Report and Accounts**  
2019-20

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HC 606



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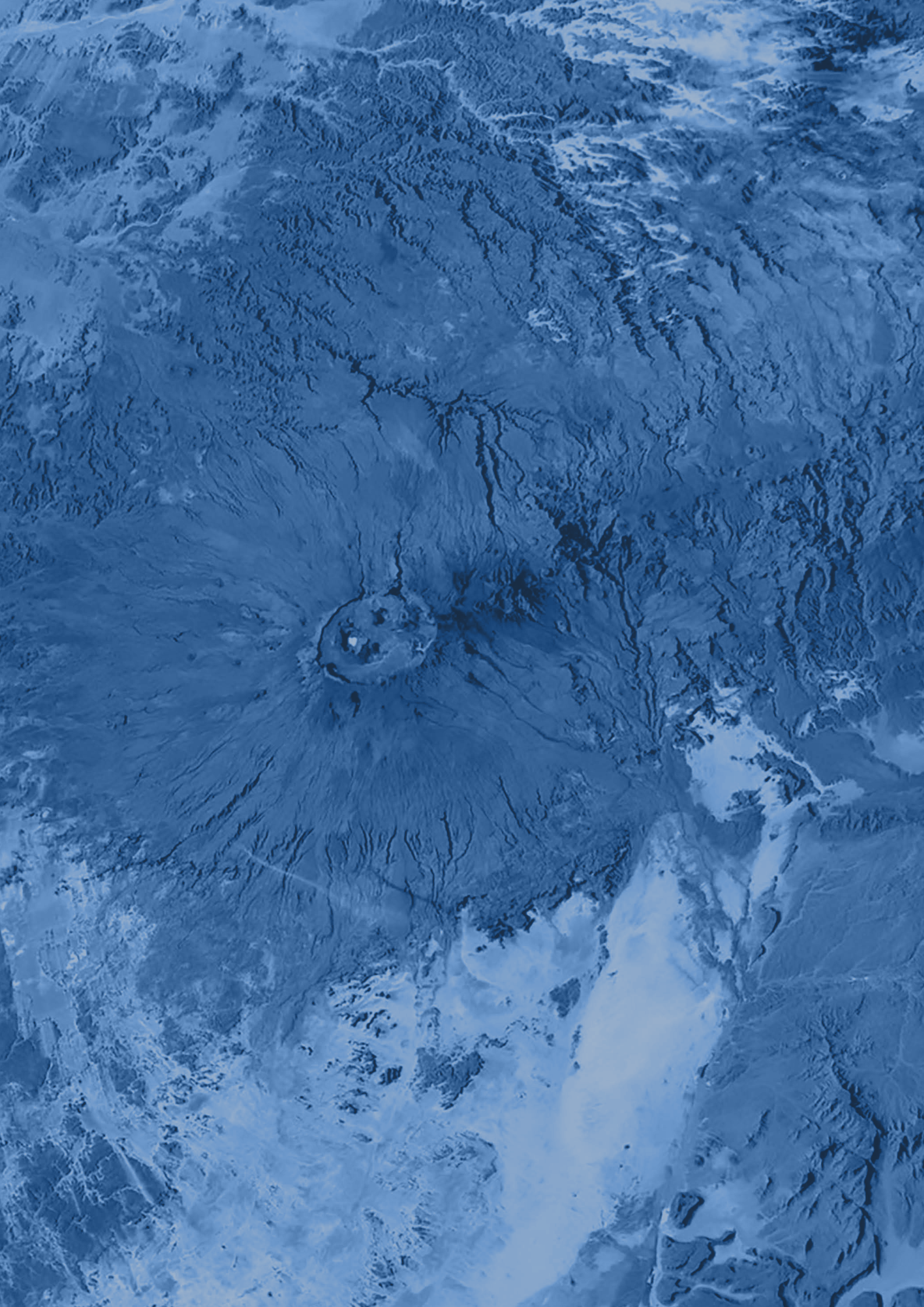
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# PERFORMANCE REPORT





# OVERVIEW



# CHIEF EXECUTIVE'S STATEMENT



**I am delighted to introduce our Annual Report and Accounts for 2019-20.**

The year was characterised by significant progress not only on UK supported space missions but also on the maturity of the Agency and how we conduct business. In 2019-20 our workforce grew by 31% across the year and, in recognition of the growing importance of our work, we also appointed a new Deputy CEO, Ian Annett who is leading on programme management within the Agency.

The vision I set out in our corporate plan for 2019-20 was to support the UK to be a leader of the new space age, and I focused our work around four key missions to help get us there. This document includes details of some of the successful projects and programmes, led by different teams within the UK Space Agency, that have driven us towards this vision.

The government's spaceflight programme is one of the ways we are looking to grow the UK space sector and its contribution to the UK economy. In addition to the £31.5m announced last year to enable the first vertical launch in the UK, in November 2019 we announced a £7.35m grant to the UK branch of US launch operator Virgin Orbit to enable horizontal launch of small satellites at Cornwall Airport, Newquay. This grant helps secure the first satellite launch from Spaceport Cornwall, which Virgin Orbit are planning for the early 2020s.

We have created a new Strategy Directorate to lead work to deliver a new UK space strategy. Overseen by a new National Space Council, this will provide a unifying vision for space to align future policy direction and investment across all parts of Government. We expect the Council to be established as a Cabinet Committee, chaired by the Chancellor of the Exchequer, early in 2020-21.

We have also designed a new UK Space Agency Results Framework, which will help us to monitor

our strategy's success. Through a new and comprehensive set of metrics, we will build our understanding of our organisation's outcomes and the size and health of the UK space sector.

World-class space science continues to be a major strategic driver for our work, and the global space community watched as the ESA Solar Orbiter mission launched from Cape Canaveral in February 2020 to begin its long journey towards the Sun. Airbus UK led manufacture of the spacecraft, while UK academics played leading roles on two of the instrument suites on board the spacecraft – the Solar Wind Analyser and Magnetometer – and were involved in development of a spectroscopic and ultraviolet imager which will study the origins of the particles on the Sun's surface.

This year also saw a significant increase in our international collaboration activity. In November 2019, the UK joined ESA member states at a Council of Ministers in Seville, Spain to agree a medium term budget settlement. Our £374m pa annual investment with ESA agreed at the Ministerial meeting in November 2019, allowed us to take a leading role in missions of national importance including Truths, to establish a climate standards laboratory in space, and the L5 mission that will allow us to monitor and predict space weather events from Lagrange point 5. For our International Partnership Programme (IPP), analyses carried out during the year have demonstrated economic, societal and/or environmental benefits to people on the ground in partner countries, while also boosting the UK economy by £2.57 for every £1 invested 'International Partnership Programme: Economic Return to the UK, London Economics'. We are also working closely with the Australian Space Agency to develop a 'Space Bridge' between our countries, which will unlock greater collaboration and new space opportunities.

As we reached the end of the financial year the Agency's operations were impacted by Covid-19. The Agency adapted at speed to trigger our business continuity plans to enable remote working, whilst prioritising staff wellbeing. We also re-prioritised staff to work on sector resilience to strengthen our support for the space sector to meet the challenges presented by Covid-19. A key response in the fight against Covid-19 saw the Agency fund a new £2.6m

call for space-enabled technology and services to strengthen the NHS response to Covid-19.

### **Our plans for the future**

Covid-19 has significantly changed the way we work, and we will continue to prioritise the wellbeing of our people and the sector as we plan our future operations. We remain committed to using innovation and technology to position the UK as a centre for the space sector of the future.

As we come towards the end of the EU Exit transition period, we will maximise the opportunities within our new trade deals and from our international relations with ESA and others, whilst continuing to boost the UK's visibility overseas through our International Partnerships Programmes.

We will continue to demonstrate our commitment to our people. The demands on the Agency have increased significantly over the last 18-24 months, leading to significant growth in our organisational size, our financial responsibilities, and the complexity of programmes we undertake. We have established

a transformation project within the Agency, Proteus, with an aim to build our organisational capability, ensuring we continue to meet our significant challenges, and that we are sufficiently adaptable to respond to future needs.

We will also maintain our increased focus on becoming the best we can with a commitment to driving continuous improvement in the results from our people surveys and continuing to demonstrate the behaviours and skills of a consistently excellent Space Agency.



**Graham Turnock**

Chief Executive and Accounting Officer  
9 July 2020

# OUR PERFORMANCE HIGHLIGHTS in 2019-20

**As an Agency, we set out 4 missions in our 2019-20 Corporate Plan, based around economy, society and security, collaboration, and science. Below we have highlighted a range of our achievements over the past year that realise progress towards these goals.**

## Spaceflight

We have been driving forward the Government's Spaceflight Programme which enables the UK to be the first country in Europe to achieve a commercial small satellite launch.

As part of this drive, we announced the £7.35 million grant to the Virgin Orbit that will enable horizontal launch of small satellites at Cornwall Airport, Newquay; we provided a further £1.5 million to help develop plans for horizontal spaceports in the UK including potential sites in Snowdonia in Wales and Machrihanish in Scotland.

We continue to work with international partners to develop strong global relationships, ensuring the UK spaceflight sector has access to markets, financing and supply chains all around the world. This includes US-UK Technology Safeguards Agreement negotiations to facilitate American companies exporting space launch technology.

## Chief Engineer's Team

The Chief Engineer's Team acts as the key technical stakeholder on projects and programmes across the UK Space Agency. The team has contributed to the technical oversight of major grant and technology development activities to ensure that the UK Space Agency acts as an informed customer and ensures investments continue to deliver value for money.

The Chief Engineer's Team led the UK delegation at the United Nations Committee on the Peaceful Use of Outer Space (UN COPUOS) Science and Technical Sub-Committee (STSC) in February 2020. UN COPUOS STSC has a wide mandate including reviewing international cooperation in peaceful uses of outer space, studying space-related activities that could be undertaken by the United Nations and encouraging space research programmes.

The team also led the UK delegation at the Inter-Agency Space Debris Coordination Committee (IADC) annual meeting in May 2019. The IADC is comprised of 13 space agencies who actively perform space debris research and use this expertise to develop guidelines on the sustainable use of space.

## Legislation & Regulation

We have ramped up our engagement with industry on the regulatory framework in 2019-20 and engaged with industry through a series of plenary sessions to test our policy decisions in advance of the statutory consultation. We anticipate that most of the secondary legislation will be in place in 2021, although this is an ambitious timetable and will be dependent on factors such as the responses received from industry following consultation and the availability of Parliamentary time. Work is ongoing to set up the new Spaceflight Regulator with the aim of it being able to accept licence applications in 2021.

## European Space Agency

The European Space Agency (ESA) programme of work for 2019-20 was primarily focused on securing a sustained programme of investment with ESA at Space 19+ in Seville in November 2019, which maximises UK benefits and financial returns. Approval was received for a UK annual average investment of £374 million in ESA over the next five years. These investments will secure UK involvement in building the Lunar Gateway, monitoring and mitigating the impact of space weather and removing space debris to prevent collisions in space.



UK Space Agency CMin19+ delegation.



The Space 19+ outcome saw the UK commit to subscribing around £600 million to the ESA space science programme across the ESA Ministerial Council period). The UK has further invested £250 million into ESA's telecommunications programme, which could enable faster 5G connectivity, £180 million into the global exploration programme, and £80 million on space safety and security to protect infrastructure in space.

Other notable investments include £200 million in Earth Observation, £16 million on satellite navigation innovation, £12 million to support commercial spaceflight and over £30 million to support space technology, including help for small businesses to take advantage of the space sector.

### International Policy

On wider international policy, the Agency worked closely with the Department for International Trade to promote exports from the UK space sector and investment into the sector. In support of the Agency's objective of growing the UK space market to 10% of the global total, we supported several trade missions over the year, including to the USA, India, and Japan.

At the UK Space Conference in September 2019, the UK Space Agency alongside the Australian Space Agency, announced our intent to step up cooperation with a world-first 'Space Bridge', modelled on the highly successful UK-Australia FinTech bridge. The Space Bridge is now under development and will unlock greater collaboration between governments, regulators, and industry.

### Space Security

As the lead government body responsible for space sector Critical National Infrastructure (CNI), we worked closely with both the National Cyber Security Centre (NCSC) and the Centre for the Protection of National Infrastructure (CPNI), to gain their expert support in undertaking resilience assessment activities. We also built our relationships with other key expert groups, industry, government and internationally; including setting out the criticality thresholds for the sector, agreeing our cyber, physical and personnel threat assessment methodologies and defining the process for declaring the CNI status of a space asset with NCSC and CPNI.





## UK Global Navigation Satellite Systems (GNSS)

Space based technology continues to be critical to everyday life, and one of the most critical areas is the UK's dependence on Positioning, Navigation and Timing (PNT) services derived from GNSS, such as GPS. PNT underpins a wide range of essential public services, Critical National Infrastructure (CNI), National Security, defence interests and the wider digital economy and is a key technology supporting the government's priorities for automation and climate change.

Throughout 2019-20, the UK's GNSS Programme has continued to deliver the technical, commercial, security and industrial information needed to evidence a potential Full Business Case. Specific achievements this year include increased knowledge of signal structure and the alerting service, commercial understanding of an indicative Operator Tender and 'Make vs Buy' analysis. Significant engagement with industry has allowed the government to explore options for joint ventures and Public Private Partnership, through private sector investment, and promote UK exports in the growing secure PNT market, with our international partners.

## Education and Skills

Highlights in our education activities included the launch of the 'One Million Interactions' programme in September 2019, which is designed to support the offer from space sector employers to engage young people with space. To address the need for skills at higher levels, the Agency has been working with stakeholders in academia and industry to develop the concept of a National Space Skills Institute.



Former Space Minister Chris Skidmore with school pupils at the UK Space Conference.



## General Support Technology Programme (GSTP)

Engagement in ESA's General Support Technology Programme (GSTP) across the sector continues to grow, and we have supported five more start-ups during the last year.

There has been a marked increase in the number of activities that the UK has supported which has resulted in the development of new and innovative technologies from both space and non-space companies, some of whom have collaborated with other European companies supported by their GSTP delegations. We also successfully showcased UK's GSTP supported capabilities at the UK Space Conference 2019.

The Westcott space cluster has seen primary building commence, towards establishing a vital propulsion facility for UK industry and academia, implementing in liaison with UK Shared Business Services, ESA, the Department for Business, Energy and Industrial Strategy (BEIS), NAMMO Westcott Ltd, the Science and Technology Facilities Council (STFC) and the Cabinet Office.

## Earth Observation and Climate

The UK Space Agency continues to play a critical role in enhancing capabilities in Earth Observation and climate technology, data, and services to drive economic growth, science leadership and societal benefits.

Our national earth observation technology programme, Centre for Earth Observation Instrumentation (CEOI), issued a new vision and 10 projects were funded in the 12th EO Technology Call; 1 Flagship, 7 Fast Track and 2 Pathfinders, with a total contract value of £2M, doubled to £4 million by industry match funding.



*TRUTHS Funding partners at the Ministerial in Seville.*

The flagship project is Spectroscopic-system for EnviRonmental MONitoring (SERMON), developed by a consortia of STFC, RALSpace, UK Met Office, STAR-Dundee and JCR Systems Ltd. SERMON will develop a heterodyne microwave hyper-spectral detector aimed at providing improved weather prediction through the application of detailed spectral profiling of O<sub>2</sub> and H<sub>2</sub>O. SERMON instruments will be capable of being deployed on small/nano satellites, or even on a High-Altitude Pseudo Satellite (HAPS) platform and will complement and advance upon the currently planned MetOp-SG satellites.

Also, as a result of national investment, the UK proposed the TRUTHS mission as the UK's first ESA EarthWatch mission. This provides a fantastic opportunity for the UK to lead the build of a unique climate mission – alongside 2 other nations – that will create a space-based climate and calibration observing system to improve confidence in climate-change forecasts. With most of the instruments to be built in the UK, it also has the potential to inspire a new generation of space engineers and climate scientists.

### Space Science technology yields economic benefits for UK

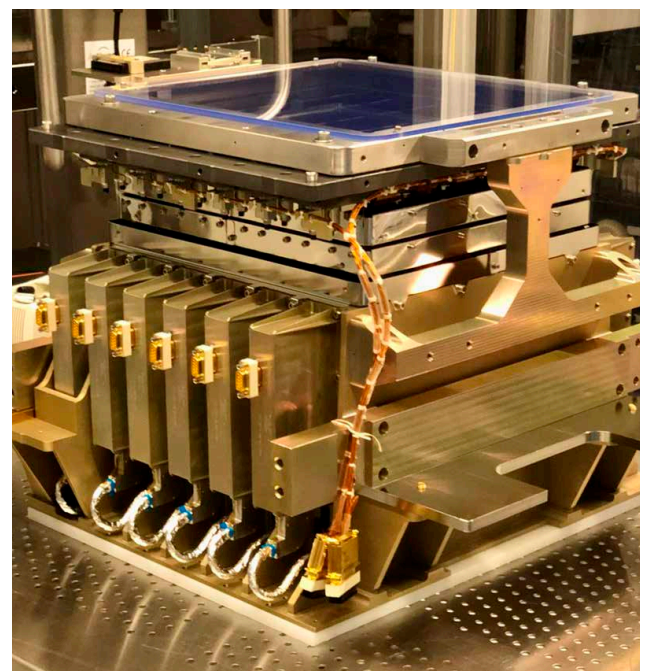
A report was commissioned by the UK Space Agency during 2019 analysing the economic benefits gained by the UK over 6 past Space Science missions developed by the European Space Agency. The evaluation finds evidence of significant benefits and a wide range of potential longer-term benefits to the UK more broadly, including for example employment, skills, and productivity, and research and capability benefits to academia.

## Mission Highlights

**UK-led Comet Interceptor selected as first ESA F (or Fast) mission.** During 2019 a UK-led academic team proposed an innovative idea to explore a pristine comet from the outer reaches of our Solar System. This has been selected by ESA as a pathfinder for a new type of mission – an F mission. Comet Interceptor is now undergoing evaluation as a passenger with the ESA ARIEL satellite to a point in space where it will wait for up to three years for a long-period comet to fly by at a reachable trajectory and speed. Such objects are difficult to target because they can only be discovered when approaching the Sun for the first time, leaving little time to plan and launch a mission to them. Advances in technology are now making such a mission possible.

### UK delivers key instrument for ESA Euclid mission.

Euclid is ESA's mission to study Dark Energy and Dark Matter. Researchers now believe that around 85% of the Universe consists of Dark Matter, a mysterious substance we still know very little about. Euclid will launch in 2022 and will use two instruments to map the geometry of this 'Dark Universe' using visible and infra-red light. The UK Space Agency is funding the development of one of these instruments, the visible camera (VIS) and a key data processing centre on the ground to analyse the large amounts of data that will be returned.



CEA

*The VIS flight instrument focal plane assembly ready to be shipped to Airbus in France to be integrated with the rest of the imager, showing the specialised CCD detectors on the top (blue) and the electronics housed below.*



**The Agency's International Partnership Programme (IPP)** is funded from the Global Challenges Research Fund. Through two competitions, since 2016 our award-winning initiative has provided grants to industry, academia and non-profit organisations to deliver satellite-enabled data solutions to 44 emerging and developing countries across Africa, Asia-Pacific and Latin America, providing practical and sustainable benefits on the ground. The projects are delivered through partnerships with 112 international organisations that include government departments, industry, Non-Governmental Organisations (NGOs) and academia.

Significant matched funding from stakeholders further enhances the value and the effectiveness of these projects.

In October 2019, we published three reports demonstrating that our IPP projects are not only improving the lives of people around the world by providing better ways to tackle global issues such as deforestation, sustainable food production and disaster response, but at the same time are boosting the UK economy.

We also released the 'Space Solutions for Development' register – a directory showcasing the range of UK expertise in satellite technology, and how it can help tackle problems in developing countries:

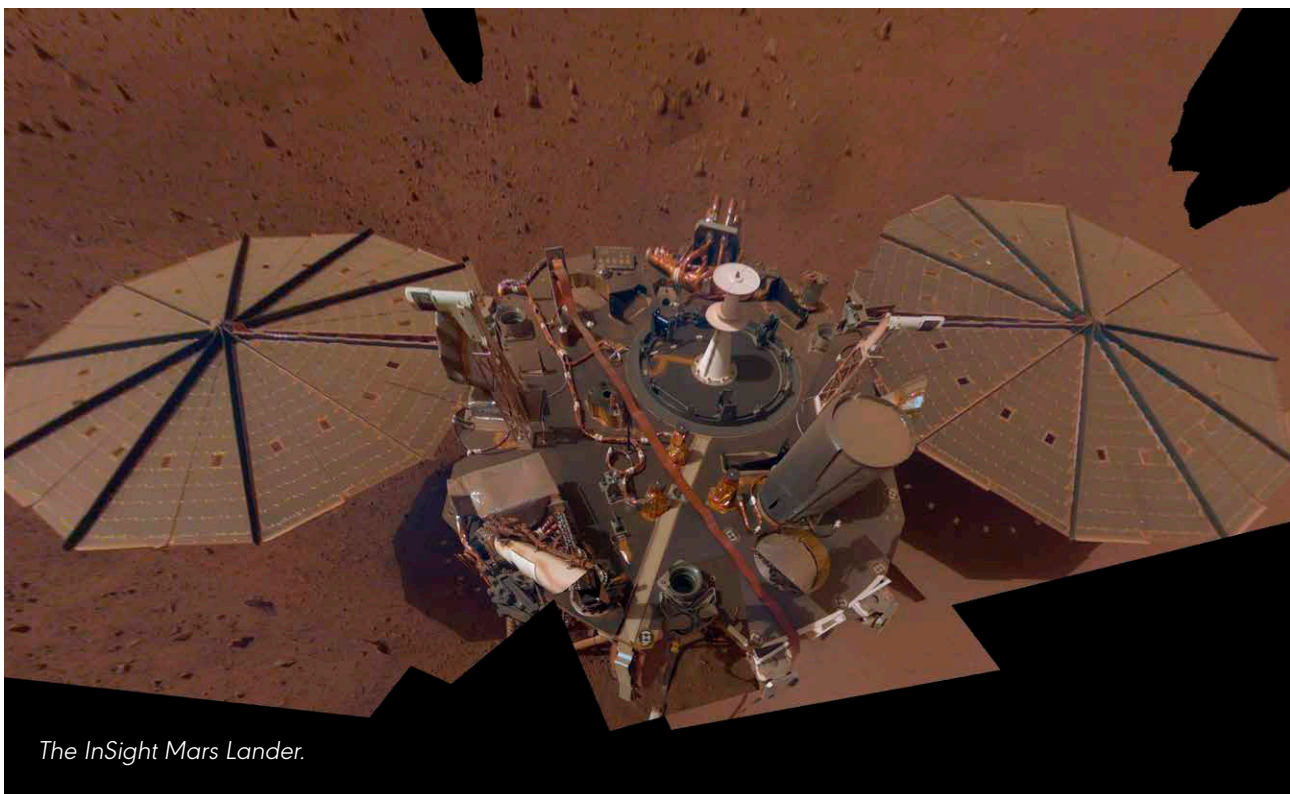
Analyses carried out during the year have proven that IPP projects are delivering economic, societal,

and/or environmental benefits to people on the ground in partner countries, while also boosting the UK economy by £2.57 for every £1 invested.

- Satellite communication tools used in >12 disaster situations, saving lives.
- 986 boats equipped with monitoring systems; 45 fishermen's lives saved.
- 383,000 hectares of deforestation avoided.
- Oil slicks of >25km<sup>2</sup> detected and intercepted before making landfall.
- 312 schools in remote locations provided with satellite internet access.

#### **First results from the seismometer on Mars.**

Our first investigation of the deep interior of another planet, NASA's InSight mission, delivered a seismic payload (SEIS), to the surface of Mars in November 2018 to detect Mars-quakes. On board were three silicon microseismometers built by Imperial College London and Oxford University, the UK's first instruments operating on another planet. These microseismometers have performed flawlessly since landing, sensing first the lander itself swaying in the wind. Once SEIS was taken off the lander and put on the surface of the planet, it has been detecting signals from planet itself. We are now slowly building up a catalogue of Mars-quakes to help construct a model of the planet. With all the hardware operating perfectly, we are now looking to extend the mission until at least 2022.



*The InSight Mars Lander.*

NASA/JPL-Caltech



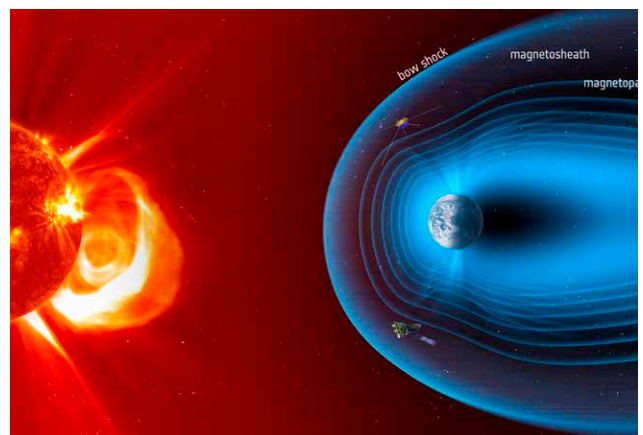
**ExoMars Rosalind Franklin Rover.** Built by Airbus, Stevenage, the rover was delivered to France to complete its final tests before integration into the ExoMars spacecraft. This is the first rover that will be able to drill down two metres to access rocks unaffected by the harsh Martian radiation environment. It will help us to understand the past Martian environment and how it has evolved, importantly when and for how long were there conditions that could have supported life. More than 15 UK companies and academic institutions have been involved in the development of this challenging mission.

In March 2020, ESA and Roscosmos agreed to postpone the launch to 2022. This was driven primarily by the need to ensure the robustness of all the ExoMars systems as well as force majeure circumstances related travel restrictions caused by Covid-19.

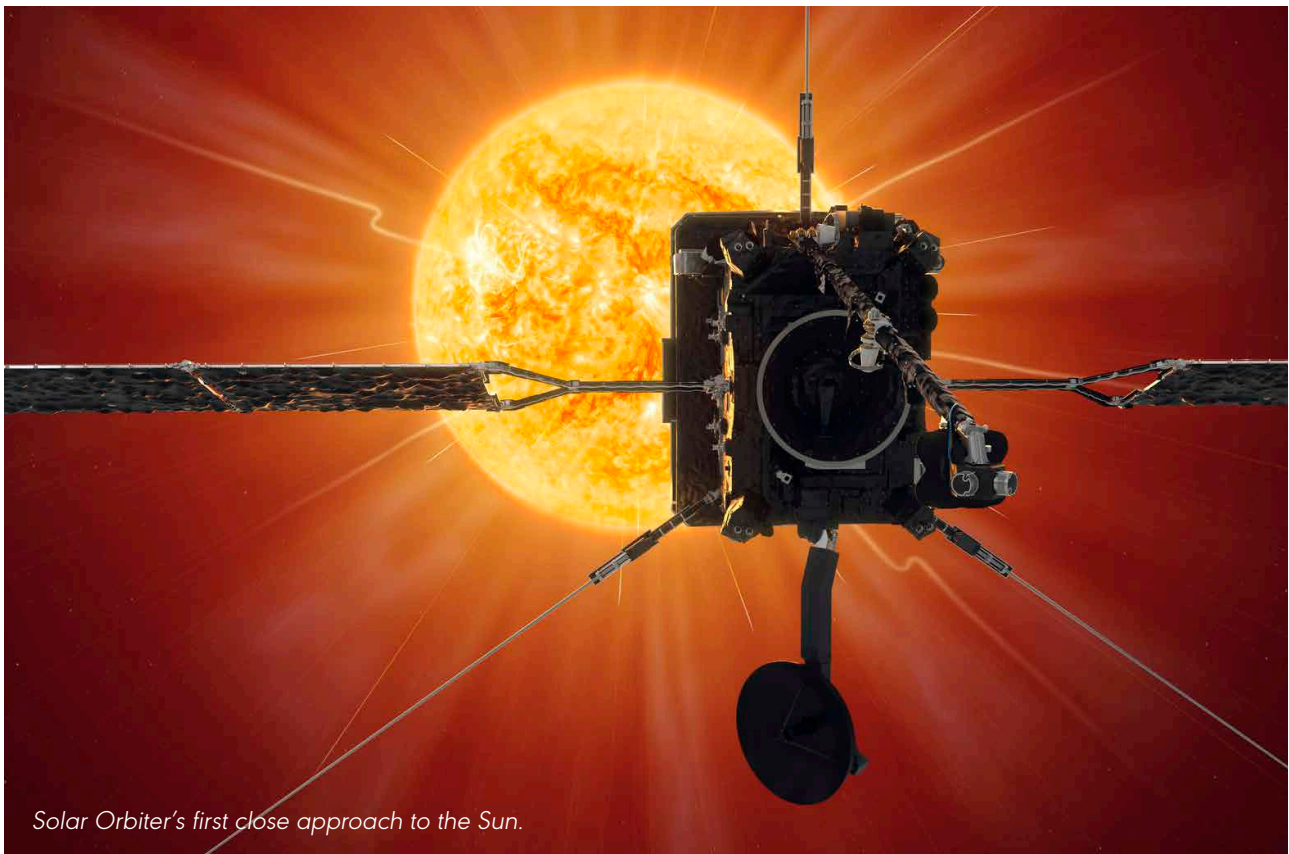
**ESA and UK confirm approval for a mission with a SMILE.** ESA and the UK Space Agency along with others, formally 'adopted' the ESA/Chinese Academy of Sciences SMILE (Solar-wind Magnetosphere Ionosphere Link Explorer). This mission will be launched in 2023. UK academia is leading the

European Science team and the UK Space Agency is funding unique instrumentation on-board to take X-Ray images of the way our Sun interacts with the Earth, especially around our magnetosphere. This can have important consequences for our lives here on Earth for example by its disrupting effects on our national electrical grid systems.

**Launch of Solar Orbiter mission.** UK Space Science witnessed the successful launch of its most important mission for a generation. On 9 February 2020 the ESA Solar Orbiter mission took off from Cape Canaveral and is now heading for a rendezvous







ESA/Medialab

with our nearest star, the Sun. Support from the UK Space Agency has enabled the UK to hold vital roles on this key mission which will study the Sun and how it creates and controls the charged particles that blow out into the interstellar medium. UK academics have leading roles on two instrument suites, the Solar Wind Analyser and the Magnetometer, which will directly experience the in situ nature of the solar wind, as well as involvement in a spectroscopic and an ultraviolet imager which will study the origins of the particles on the Sun's surface. The spacecraft has been designed and tested to operate in the Sun's challenging environment led by UK industry.

**Space Surveillance & Tracking (SST).** We continue to work with partners across government, industry and internationally to build a UK Space Surveillance and Tracking capability that supports the safety and sustainability of space operations in orbit. We are working with the Ministry of Defence to continually improve the way we deliver SST from the UK Space Operations Centre (SpOC) in RAF High Wycombe, where we have recently increased the number of expert civil analysts working alongside the military in response to increased activity in space.

**BioRock experiment on International Space Station (ISS).** The BioRock experiment flew to the ISS in August 2019. The project was built and flown by the European Space Agency (through the UK's membership of ESA's exploration programme),



ESA

*ESA astronaut Luca Parmitano sliding bacteria into the Kubik experiment container on the ISS.*

with science funding provided by STFC. The project investigated the formation of microbial 'biofilms' on surfaces in microgravity and simulated Mars gravity. As well as demonstrating for the first time the biological extraction of useful elements from rocks for biomining and life support systems in space, it also yielded new fundamental insights into the behaviour and growth of biology in space.

**Graham Turnock**  
Chief Executive  
9 Jul 2020



# 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 requirements from HM Treasury to adhere as closely as possible to the forecast.

The Agency's 2019-20 final Departmental Expenditure Limit (DEL) outturn, excluding EU Exit ring fenced budgets and Annually Managed Expenditure (AME), was £1.152 million (equivalent to 0.26%) below the agreed financial target. Significant variances in ring fenced budget outturn saw EU Exit GNSS underspend as a result of delays to place key contracts for the Engineering and Design Phase

(EDDP), and National Productivity Investment Fund (NPIF) underspend as a result of an increased timeframe required to secure spaceflight approval.

The table below includes the details of the budget, financial target agreed with BEIS and outturn against each ring-fenced budget line. The reported variance is the difference between outturn and agreed financial target. The Agency's financial objective only applies to DEL budget lines as movements in the AME budgets are outside the control of management.

	2019-20			
	Budget £000	Agreed financial target £000	Outturn £000	(Surplus)/ Deficit £000
Admin DEL	4,807	4,807	4,741	(66)
Programme DEL	181,478	181,478	181,270	(208)
Capital DEL	194,899	194,899	194,812	(87)
Global Challenges Research Fund	30,000	25,599	25,654	55
National Productivity Investment Fund	42,500	32,988	32,142	(846)
<b>Total DEL</b>	<b>453,684</b>	<b>439,771</b>	<b>438,619</b>	<b>(1,152)</b>
EU Exit – GNSS ring fenced budget	50,100	27,398	26,846	(552)
EU Exit	2,744	2,433	1,953	(480)
<b>Total EU Exit</b>	<b>52,844</b>	<b>29,831</b>	<b>28,799</b>	<b>(1,032)</b>
Non-ring-fenced AME	1,570	1,263	2,033	770
Ring-fenced AME - forward contract revaluations	763	(3,911)	(6,567)	(2,656)
<b>Total AME</b>	<b>2,333</b>	<b>(2,648)</b>	<b>(4,534)</b>	<b>(1,886)</b>

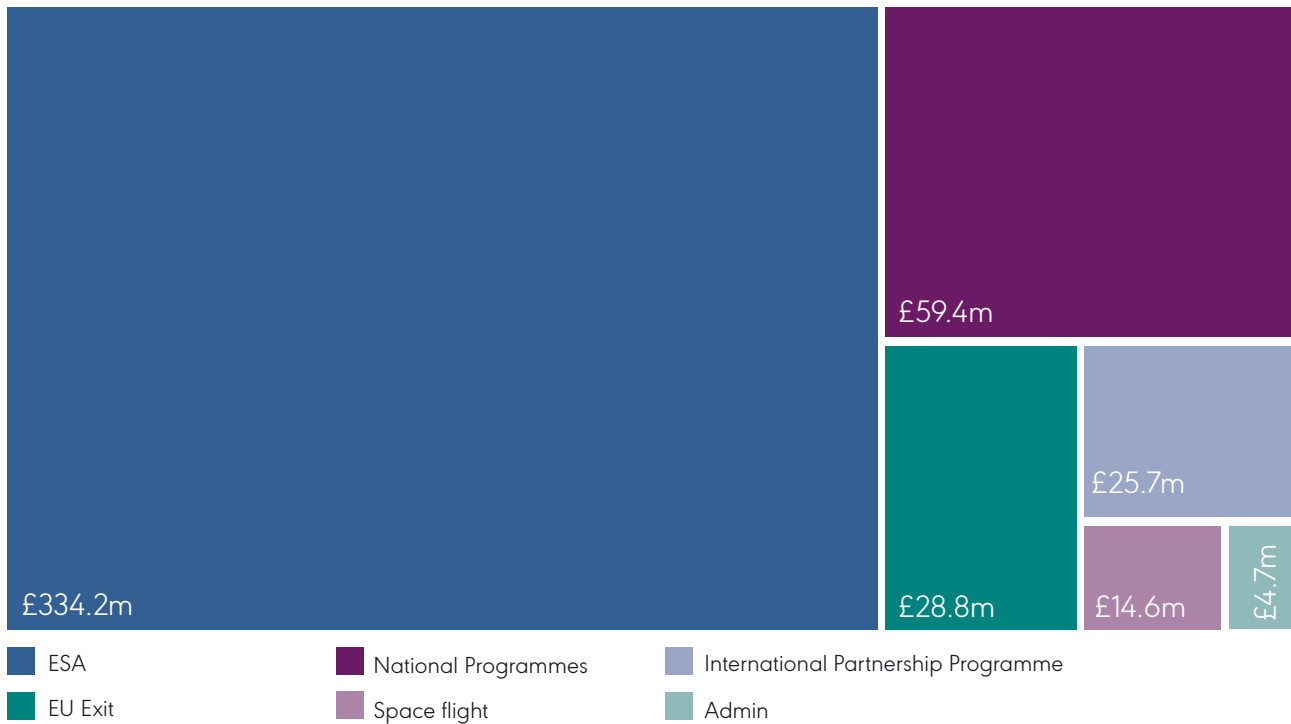
## Foreign exchange hedging impact of ESA commitments

In December 2016, at the ESA Council of Ministers meeting, the 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 2019-20, the portfolio consisted of 13 contracts, seven of which matured during the year. These financial instruments are subject to significant variances in their underlying fair value

as measured at 31 March 2020, which resulted in a recognised notional revaluation gain of £6.6m. These movements are outside the control of management and are therefore classified as AME.

More information about the forward exchange contracts can be found in Note 6 to the Financial Statements, Other financial assets and liabilities, on page 78 and Note 11.1, Other financial commitments, on page 81.

## How we spent our 2019-20 budget



The table above includes delivery costs, therefore the figures are not directly comparable to those in the Note 4 to the Financial Statements, Total Expenditure, on page 77.

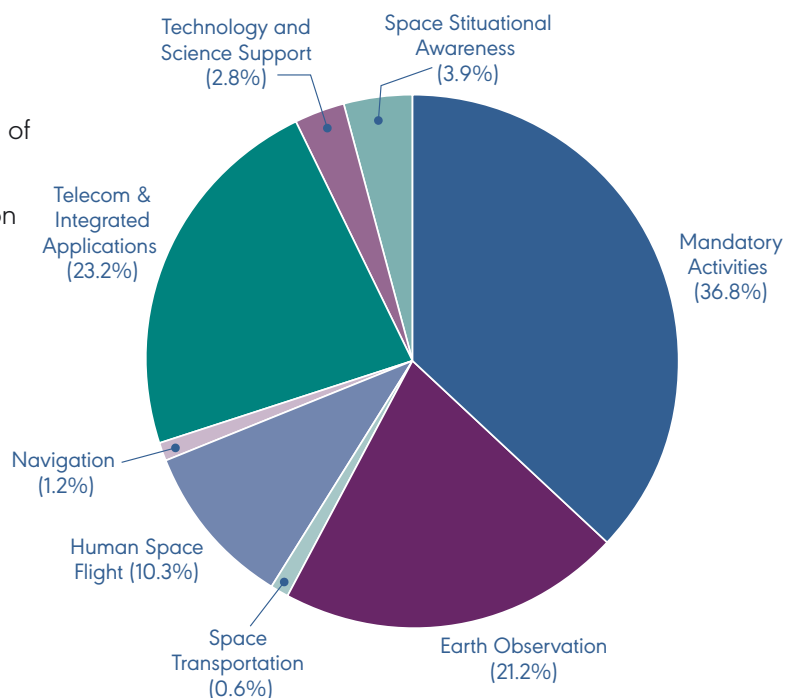
### European Space Agency

During the reporting period, the Agency subscriptions to ESA totalled £334.2 million. The Agency's commitments to ESA are agreed at Council of Ministers meetings, scheduled every two to four years. The most recent meeting was held in November 2019 where the UK announced it will invest on average £374 million per year to deliver international space programmes over the next 5 years. This investment secured UK involvement in international space missions and the development of new technologies, including:

- building the Lunar Gateway, a new space station orbiting the moon;
- returning the first samples from Mars;
- new satellites to help us understand climate change;
- an early warning system for solar storms;

- research in space technology to deliver high-speed mobile technology such as 5G and satellite broadband services around the world;
- removing space debris to prevent collisions in space.

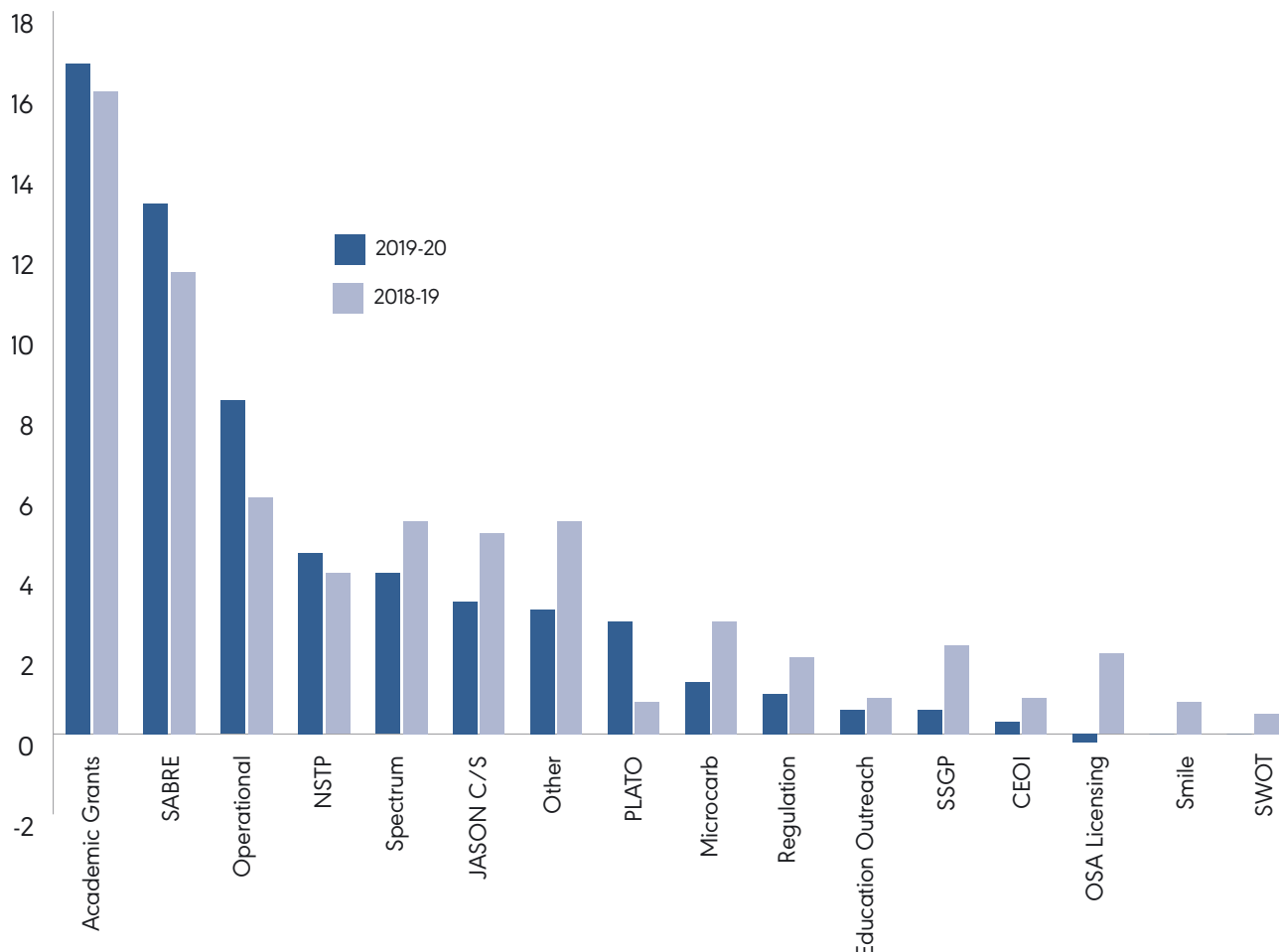
The subscriptions portfolio can be summarised into eight key categories shown below.



## National Programme

Including delivery costs, a total of £59.4 million was spent on the National Programme during the reporting period covering a multitude of different projects and initiatives. 2019-20 spend on National

Programmes, including prior year comparatives, can be summarised into the below key programmes and other spend categories.



### Admin

In 2019-20, administrative costs amounted to £4.7 million which was in line with the Agency's admin budget. (2018-19: £3.8 million).

### EU Exit

Following the UK's decision on 23 June 2016 to exit the EU, the Agency has spent £28.8 million during the reporting period (2018-19: £17.4 million). The increased spend from previous year was predominantly driven by the GNSS programme.

### Net Assets

Net assets as at 31 March 2020 were £24.4 million, a decrease of £14.3 million from £38.7 million as at 31 March 2019. The decrease in the value of net assets from previous year is proportionate to the diminishing portfolio of foreign exchange forward contracts held at 31 March 2020.

### 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.

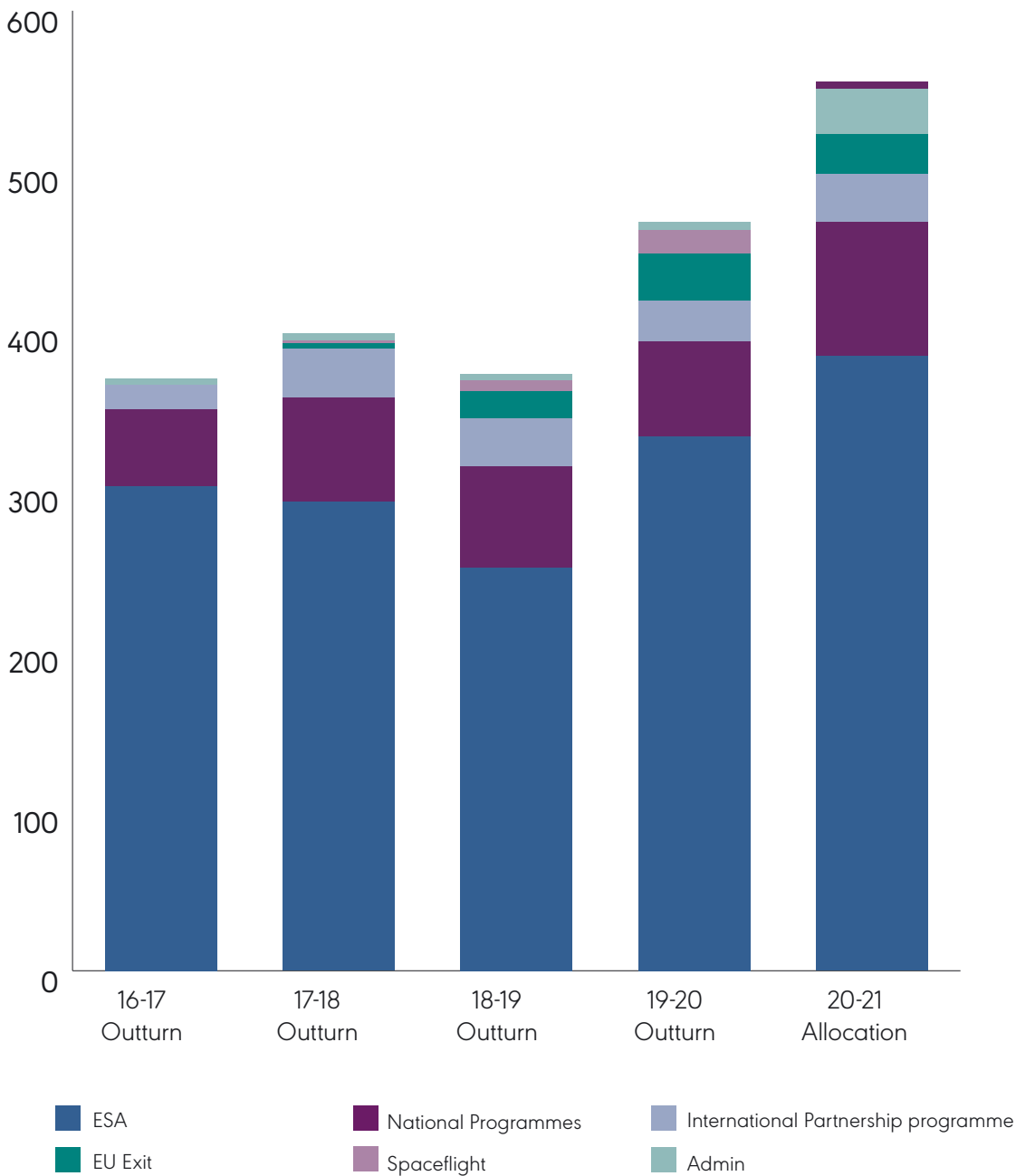
The cash balance as at 31 March 2020 was £15.6 million (2018-19: £11 million). The Agency aims to maintain an adequate cash balance at any point in time.



### Spending Review 2015 expenditure trend

The Agency was created in April 2011, and to 31 March 2020 overall direct programme funding has risen from approximately £250 million to £500 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 resource space programmes related to EU Exit activities. Due to the nature of space science, expenditure on such programmes is managed across multi-year profiles.

The graph below shows the historic expenditure trend based on the Spending Review 2015 settlement covering the period from 2016-17 to 2019-20, and the relative share of the overall allocation across ring-fenced budgets. Spending round 2019 set out the government's spending plans for 2020-21 and Agency's 2020-21 confirmed budget allocation is shown below. Future funding will be confirmed as part of the BEIS SR20 settlement planned to conclude in 2020.



# PERFORMANCE ANALYSIS



# HOW WE HAVE PERFORMED

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The Agency set challenging targets for its delivery in 2019-20 and performance against these targets was measured monthly through detailed performance reports. These were analysed by our Executive Board and scrutinised by our Steering Board, Audit Committee and BEIS Sponsor Team.

In our 2019-20 Corporate Plan, we detailed seven KPIs which were our priorities for the 2019-20 financial year. A summary of the performance against each KPI is shown in the table below as on 31 March 2020.

## KPI - Space Regulation

We will protect the space operating environment and government liabilities and responsibilities under the UN space treaties.

### Success Measures

We will execute our regulatory responsibilities under the Outer Space Act efficiently and effectively and maintain the pace of reform of the UK's regulatory regime by the end Q4.

Develop proposals for regulation of new types of mission by end of Q4.

Continue to develop the legislative basis and licensing regime for UK launch.

### How We Performed

**Outer Space Act licensing:** After undergoing the appropriate assessments 76 OSA licences were issued during the financial year, all within a timeframe that allowed the licensed activity to commence. No non-compliance action was necessary.

**Proposals for new types of mission:** We have developed draft proposals for regulation of close proximity missions and tested these across the Agency and with external stakeholders, including international stakeholders. We will continue engagement with domestic and international stakeholders to further the development of the regulatory regime for in orbit servicing and active debris removal missions.

Continue to develop the **legislation and licensing** regime for UK launch: Working in close partnership with the Civil Aviation Authority and Department for Transport at pace to develop detailed regulations to implement the Space Industry Act 2018 and building a fit-for-purpose regulator, as required under the Act. Draft regulations and accompanying guidance have been produced, with input from the Health & Safety Executive and across Government. Drafts are due to be published for consultation this year, and the new regulator will be in place to receive applications for licences once the secondary legislation has passed through Parliament.

## KPI - Science & Technology Programmes

We will deliver programmes in science and innovation and grow our strategic capability in space ensuring our programmes are aligned with Agency objectives. We will do this by delivering a world-class programme in science and exploration through ESA and bi-laterally with other agencies. We will fund the development of innovative and cutting-edge technologies in partnership with UK industry. We will support government objectives in addressing the needs of developing countries through the use of space technology and data.

### Success Measures

Monitor the performance of all projects to assure that they are within approved time and cost parameters.

### How We Performed

All Programmes were delivered on time and within budget. These include but are not limited to:

**Space Science:** ESA's Solar Orbiter mission launched successfully in February to study the Sun and how it controls the solar wind. ESA's dark energy mission, Euclid, in January the UK-led visible camera (VIS) was delivered to ESA for final testing.

**Exploration:** The Panoramic Camera was delivered to ESA in July and integrated onto the ExoMars rover in August. The UK microseismometer on NASA's InSight mission worked flawlessly with over 450 potential seismic events being measured. The CoLKa terminal was completed and flew to the ISS in February.

**SABRE:** Successful Heat Exchanger tests reached speeds of Mach5 in October 2019.

**National Space Technology Programme (NSTP):** NSTP ran two core funding opportunities which resulted in 29 projects funded. New collaboration initiatives across the UK Space Agency resulted in projects to support rural healthcare projects in Wales, technology development relevant to Lunar and Martian exploration.

**International Partnership Programme (IPP):** IPP has been awarded a Better Satellite World Award by Space & Satellite Professionals International. IPP published a trio of reports demonstrating that satellite technology is improving the lives of people around the world by providing better ways to tackle global issues such as deforestation, sustainable food production and disaster response, whilst at the same time boosting the UK economy.

**National Space Innovation Programme (NSIP):** The development of NSIP, the Agency's new programme to support innovation started in Q3 of 19-20.

## KPI - International Engagement

We will drive UK sector growth by securing funding and supporting the delivery of collaborative science/research, trade/commercial and security programmes.

### Success Measures

Develop a high-quality business case that demonstrates the benefits and value of future UK Space Agency investments into the European Space Agency (ESA). Then negotiate and secure a sustained programme of investment with ESA at Space 19+/CMIN 19 that maximises UK benefits including prosperity and knowledge, safety and security and global influence.

To complement the ESA investments, build the case for an international bilateral programme that enables new partnerships with our key strategic partners.

Ensure that the Government has an informed policy position and well-coordinated approach to deliver the best outcomes for the space sector following the UK's Exit from the European Union.

### How We Performed

**ESA/CMIN19:** Comprehensive impacts and economic evaluations were undertaken across the portfolio of European Space Agency (ESA) programmes ahead of the ESA Ministerial Council meeting held in November 2019 (CMIN19). The evaluations showed strong economic returns, on average £10 for every £1 we invest with ESA, this evidence underpinned our approval for £374m annual investment for the next 5 years. We remain committed to demonstrating the impacts and value for money of the investments made and are currently implementing a comprehensive programme of monitoring and evaluation which will build on our existing evaluations of ESA programmes and help inform UK investment choices ahead of the next ESA Council Ministerial meeting in 2022.

**International Bilateral Programme:** A National Space Innovation Programme was announced in March 2020 which includes provisional funding for the new International Space Programme. This will strengthen our key strategic relations through a programme of activity focused on developing trade, science and security partnerships. To ensure long term success, a multi-year approach will need to be taken, so options are currently being investigated in-line with a future spending review.

**EU Exit:** A cross agency team was formed to ensure that the UK was prepared for negotiations, and had in place appropriate contingency plans in the event that the UK had left the EU without a Withdrawal Agreement. We prepared the Agency for all potential outcomes and have agreed our policy positions with BEIS Ministers and Cabinet. The negotiations on our future relationship will take place in 2020, and we will continue to provide support to the sector.



## KPI - Space Resilience & Security

We will strengthen international partnerships with nations strategically aligned to government priorities, based principally on economic benefit and national security.

### Success Measures

We will increase UK resilience to disruptive challenge by completing all the activities set out in the 2019 Space Sector Security & Resilience Plan (SSRP) by Q4 and maintain access to spectrum by working closely with Whitehall and industrial partners, including agreeing the UK goals and the approach to achieving these at the World Radiocommunications Congress (WRC19) by end Q4.

### How We Performed

The SSRP for FY19/20 was largely completed, further work is still ongoing in some areas of critical national infrastructure dependencies. Highlights included: a full dependency deep dive on global navigation satellite systems; extensive work to produce a draft sector emergency response plan; and publication of a space sector cyber toolkit.

The UK Space Agency and DCMS (Department for Digital, Culture, Media and Sport) worked closely to ensure spectrum requirements for the space sector were met in the WRC negotiations.

## KPI - Space Sector Growth

We will champion a cross-Government approach to space governance and set UK priorities for future sector growth, development of new capabilities and areas for priority investment. We will work with the Space Growth Partnership (SGP) to agree a prioritised set of actions to support the growth of the space sector across the UK including building the case for a National Space Programme.

### Success Measures

Secure agreement across government to a Civil Space Strategy by end of quarter 2.

Prepare proposals for Space Sector Deal with Industry by end of quarter 2.

### How We Performed

Following publication of the Sectors proposals for a Sector Deal in May 2018, the UK Space Agency led work across Whitehall to advise Ministers that establishing a National Space Council ('NSpC') and developing a National Space Strategy ('NSS') would provide a more effective route to delivering the Sector's broad-brush innovation and growth ambitions than would be possible from a Sector Deal (which are often individual challenge based). Government announced its intent to create the NSpC in June 2019. Moreover, the NSpC will provide a major improvement in government's coordination of its civil, security and defence interests in space. Taking forward the NSS, which the NSpC will own, has therefore superseded the need for a civil space strategy by providing a more holistic approach to sector growth than would have been possible from a civil plan alone.

Through our role on the Space Growth Partnership (SGP) Board, we continue to work towards maximising UK investment in space R&D and strengthen collaboration between government, industry and universities in the sector. We led the SGP project to create an evidence base for a National Space Innovation Pathfinder, with funding earmarked to start the pathfinder with funding allocated from April 2020.

## KPI - Spaceflight Programme

We will continue to create the conditions needed to enable the UK to be the first country in Europe to achieve commercial small satellite launch – generating growth opportunities for the UK's space economy and establishing the foundations for achieving ongoing market growth and commercial sustainability by 2030.

### Success Measures

We will oversee the use of grant funding to develop new vertical spaceflight capabilities within the milestone costs, timing and specification prescribed for 2019-20.

We will establish a development fund for the emerging horizontal spaceflight market by the end of Q1.

We will develop and approve a regulatory process Target Operating Model by end Q2.

We will provide information to and working with industry to raise awareness and support understanding of the forthcoming regulations and regulatory approach.

### How We Performed

#### Grant Management

We have continued to actively oversee a range of projects to help grow the UK's spaceflight capabilities including £31.5 million to enable vertical launch through grants awarded to Lockheed Martin, Highlands and Islands Enterprise and Orbex. Highlands and Islands Enterprise's grant is working to develop the Sutherland Space Hub. Lockheed Martin has been awarded two grants: one to bring a US company and launcher to the UK and another to develop an Orbital Manoeuvring Vehicle.

On 4 November 2019, the UK Space Agency confirmed a £7.35 million grant to Virgin Orbit to support small horizontal satellite launch from Spaceport Cornwall as part of £20 million central and local government funding. The funding will help to develop advanced ground support equipment, including UK-based manufacturing of key equipment, and conduct mission planning.

#### Regulatory Target Operating Model

The high-level Target Operating Model for the future Spaceflight Regulator was finalised in mid-2019. The UK Space Agency is now reviewing the underlying data and challenging some of the assumptions to ensure that the design of the Regulator is fit for purpose. We are currently planning a staged approach to implementation to the Target Operating Model.

#### Industry engagement

The Government is committed to developing detailed regulations in a transparent manner with input from industry and interested parties. We have ramped up our engagement with industry on the regulatory framework over the course of 2019 and 2020, including regular plenary sessions with the sector and the offer of one to one sessions with prospective launch companies.

## KPI - GNSS

We will, with the full support of the Ministry of Defence, undertake the necessary design, engineering and commercial activities needed to develop options for an independent UK GNSS capability, providing assured access to Position Navigation and Timing services.

### Success Measures

Ensure development of a Business Case to allow Government to make an informed investment decision in FY20-21. Establish a draft design, prepare cost engineering model aligned to agreed work breakdown structure, and complete a draft schedule analysis to inform the next phase of procurement.

### How We Performed

The programme has successfully developed the baseline design product set as part of the first phase of Engineering Design Development Phase (EDDP). This was delivered on time and to the required level of quality. Several technical contracts were awarded with Industry through this period resulting in a suite of technical design documentation and enabling informed decisions about the next phase of EDDP work from April 2020.

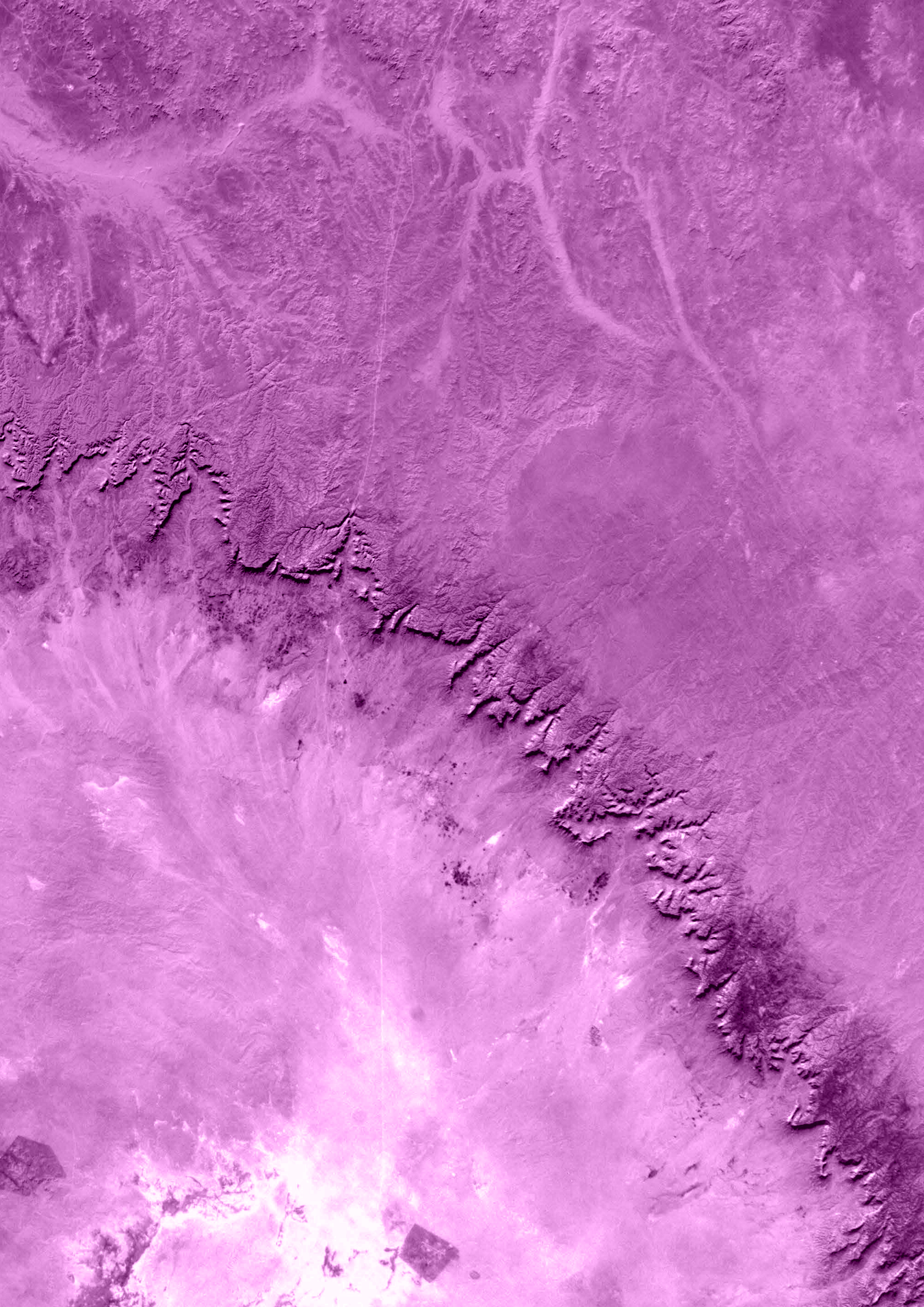
The business case for the next phase of work was developed and funding arrangements are now in place for work during FY20-21. The achievement in FY19-20 provides a design baseline that allows the programme to be shaped by the wider PNT work being led centrally by the Cabinet Office.



An aerial photograph of a desert landscape, showing a winding river or road through a vast, arid region. The terrain is characterized by deep, winding canyons and a network of smaller, branching paths. The entire image is overlaid with a semi-transparent purple filter, creating a monochromatic effect. The text 'ACCOUNTABILITY REPORT' is written in a large, white, sans-serif font, oriented vertically along the left side of the image.

# ACCOUNTABILITY REPORT







# ACCOUNTABILITY REPORT

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As in previous years, we have focused on the effectiveness of the Agency's systems and controls and supporting evidence behind the Agency's assurance statements of internal control. We have been pleased to see the Agency continue to strengthen its 'three lines of defence' approach within a new assurance map, as well as having made good progress on clearing aged GIAA audit recommendations. However, I note that our internal auditors have awarded an overall annual rating of limited assurance, primarily based upon the outcome of three audits during the year, where we received limited assurance. In addition to the GIAA internal audits, the Agency commissioned two additional external audits covering GNSS and Security.

We examined the work of our internal auditors on key areas of our activities: the spaceflight and UK GNSS<sup>1</sup> programmes; due diligence in relation to our grant funding activities; as well as key business processes. All of these are detailed elsewhere in this statement. Where assurance findings were 'limited' and where areas for improvement were identified, we have discussed with the management team how they intend to implement recommendations to improve matters, including the adoption of strengthened controls, improved systems and processes or capability development in the workforce. We were pleased with the increased emphasis on implementing actions from previous years.

We were also pleased to be able to discuss the output of the ISO27001 security review and welcome the appointment of the security advisor to implement the findings of that review. In general, we appreciate management's desire to investigate new areas of evolving potential risk and their readiness to investigate assurance around such risks through internal and external audit, particularly gateway reviews by the Infrastructure & Projects Authority (IPA). We will encourage management to continue to consider the role of specialist and more external audit

in the coming year. In recognition of the change in size of the agency and pressures on personnel, we encouraged management to introduce monitoring of 'People' risks within the Agency.

Throughout the year we continued to consider the implications for the Agency, its projects, and the UK space sector of the consequences of EU Exit. At the end of the year we received assurance of the preparedness of the Agency and its staff for the severe business disruption expected to be caused by Covid-19, and saw an effective and rapid implementation of the Agency's business continuity plans in this connection.



**Clive Tucker**  
Audit Committee Chair

<sup>1</sup> The proposed UK replacement for the EU Galileo project

# DIRECTORS' REPORT

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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 Directors' Report, I highlighted six areas for the Agency to improve our internal assurance and governance procedures during 2019-20. I am pleased to report that the Agency has made satisfactory progress in meeting these goals.**

**Assess the Agency's internal assurance processes to ensure they continue to meet the needs of a maturing organisation and are in line with the government policies and best practice.**

The Agency developed in 2019-20 an assurance map that identified controls around the 'three lines of defence' model. This was subject to independent review before adoption and will be used to integrate with the Agency's risk strategy to help identify areas of control risk and inform future audit activity.

**Conduct an annual assurance review of compliance with the HM Government's Functional Standard for Counter Fraud (GovS 013).**

The Agency completed its annual review and this was submitted for external scrutiny and comment. In addition, the Agency refreshed its counter fraud strategy and policy.

**By the end of Q3, take forward recommendations from the Security Audit concluded in April 2019.**

The Agency welcomed the recommendations of the security review and with the recruitment of an experienced Security Advisor in August 2019, has delivered the actions as agreed from the report. Security remains an Agency priority and we shall continue to focus on developing an appropriate security culture within the Agency as part of continuous improvement.

**Grant assurance – this will be taken forward by the newly-appointed commercial officer.**

The Government Internal Audit Agency (GIAA) conducted an audit of grant practices during 2019, focusing on how we undertake due diligence activity. This resulted in a number of recommendations, a number of which were implemented by the due date, with the remainder on course for implementation in 2021, to include a new Corporate Grant Policy.

**Analyse purchase to pay processes between the Agency and UKSBS in order to improve adherence to prompt payment guidance.**

The Agency's finance team continues to have a close working relationship with UKSBS to ensure payments are processed efficiently and in accordance with the Government prompt payment policy.

**Improve health & safety procedures by ensuring that all staff have completed mandatory training. We are also working with the site owners of our office locations to ensure that appropriate site-specific notices and information are prominently displayed and readily accessible.**

All staff have been required to complete mandatory health and safety training. In addition, all office locations now display appropriate health and safety notices.



# CORPORATE GOVERNANCE

## Our Leadership

The Agency Steering Board has continued to provide strategic leadership for the Agency in delivering its objectives through scrutiny, advice and challenge. The Board's non-executive members bring a wide range of experience, covering industry, academia, legal, and finance. Our new Chair, Dr Sally Howes, OBE was appointed on April 2019.

## Non-Executive Members



**Dr Sally Howes, OBE**  
Chair of the Steering Board

Appointed in April 2019.

Sally started her career in the space industry and later served as Director General of the national trade association for aerospace. She moved into a commercial position with MOD and then joined the leadership team of the National Audit Office. Since then, she now undertakes a range of consulting and non-executive positions specialising in digital transformation and cyber security, Chairs the Surrey Research Park for the University of Surrey and is a Professor of Practice and Director of INDEX, the University of Exeter's research centre for the digital economy. In 2019 she was awarded an honorary fellowship of the Association for Project Management.



**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.



**Dr Dame Frances Saunders, DBE, 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. She holds a range of non-executive roles in science and engineering organisations including UKRI/STFC and the Royal Academy of Engineering, where she is a Fellow. She has a particular interest stimulating innovation and research impact and is on the Physics Panel for REF 2021.



**Prof. Malcolm Macdonald**  
Non-Executive Member of the Steering Board.

Appointed in July 2017.

A professional space technology engineer, academic & director, Malcolm is Professor and Chair of Space Technology at the University of Strathclyde, and Director of the Scottish Centre of Excellence in Satellite Applications (SoXSA). He is an acknowledged expert in space research who has worked in industry, academia, and government, is a Fellow of the Royal Aeronautical Society, and an Associate Fellow of the American Institute of Aeronautics and Astronautics.

## Members



### **Keira Shepperson**

Member of the Audit Committee

Appointed in May 2018.

She is currently senior change manager at the British Business Bank, which is a government-owned business development bank dedicated to making finance markets work better for smaller businesses. She previously held several finance roles at the Foreign and Commonwealth Office, the Department for International Development and Audit Scotland.



### **Allison Brown**

Trainee Board Member

Trainee Board Member of the Steering Board and Audit Committee, joined January 2020 through the BEIS Open Boards Mentoring scheme. She is currently Director of Finance & Business Systems at UK Atomic Energy Authority, which researches fusion energy and related technologies, with the aim of positioning the UK as a leader in sustainable nuclear energy. A qualified finance professional with broad senior experience in scientific research, manufacturing and telecommunication sectors.



## Executive Board

Our Executive Board (EB) 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

Graham has been CEO since April 2017.

Prior to this he led the Better Regulation Executive, a unit within BEIS. Graham has extensive experience across Whitehall and at a European level having worked in the European Commission and having held several other posts in the UK Civil Service with a strong European element, including the Treasury's lead on the EU budget.



**Ian Annett**  
Deputy Chief Executive

Joined the Agency in February 2014.

Ian joined the UK Space Agency in January 2020 as Deputy CEO for Project Delivery, responsible for overseeing major National space programmes including Spaceflight, Regulatory Control and UK GNSS. Prior to this he was Assistant Chief of Staff for Information Warfare and Chief Information Officer for the Royal Navy, where he was responsible for development, delivery and deployment of Royal Navy information, intelligence and communication capabilities, including satellite communications, networks, electronic warfare and cyber.



**Dr Alice Bunn**  
Director of International

Alice is International Director at the Agency, responsible for international engagement through multilateral and bilateral frameworks, capturing the wider societal benefits of space programmes and harnessing the inspirational effect of space for skills and education. She also leads security and resilience of the UK's infrastructure and space applications. Alice is vice chair of the Council of the European Space Agency, sits on the Board of Directors at the US Space Foundation; and is a member of the Imperial Space Lab Strategic Advisory Board; co-chair of the World Economic Forum Future Council on space technology; and is a fellow of the Royal Aeronautical Society. Alice also has a PhD in Metallurgy from Darwin College, University of Cambridge.



**Emma Floyd**  
Director of Commercial Spaceflight

Joined the Agency in January 2020.

Emma is a Government Project Delivery professional responsible for ensuring the cross-government Spaceflight Programme achieves the UK Space Agency's ambition to grow our space sector. She joined the Agency from the Department for Business, Energy and Industrial Strategy where she was Project Director for the £320m Heat Network Investment Project.

## Executive Board



**Claire Barcham**  
Director of Strategy

Claire qualified as a solicitor before joining UK government in 2009. Claire has held posts in the Department for Health, Home Office and HM Revenue & Customs. Claire joined the UK Space Agency in 2016 and the programme of work to enable space launch from the UK. In January 2020 Claire was appointed as Director of Space Strategy.



**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. He was appointed Visiting Professor to the Open University in January 2019.



**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 and risk and assurance.



**Catherine Mealing-Jones**  
Director of Growth

Joined the Agency in January 2012.

Catherine is responsible for the UK Space Agency's work to deliver the innovation and business environment which will grow and sustain the national capabilities required to meet the UK's space ambitions. She represents the UK Space Agency on the Space Growth Partnership Board.

## Executive Board



**Colin Macleod**  
Director of Regulation

Joined the Space Agency in October 2018.

He has held a wide range of roles in policy and delivery across government including the Cabinet Office, Business Enterprise and Industrial Strategy, Department of Energy and Climate Change and Department for Environment Food and Rural Affairs. He succeeded Nicola Higgins in this role in September 2019.



**Tim Guy**  
Director of GNSS

Joined UKSA in March 2020

From Transformation Programme Director at the Planning Inspectorate, where he was responsible for wholesale change across people, process and technology. He held Director roles with the GB Smart Metering Programme in DECC, and the Border Systems Programme in the Home Office. He has delivered a range of large-scale transformational change delivery programmes during his 10 years in the Civil Service



**Natalie Golding**  
Director of Organisational Development

Joined the Agency in March 2020.

She has worked on international, security and domestic policy across government departments including the Home Office, Foreign Office and Cabinet Office. At DfT Natalie was involved in London transport policy and strategic finance before becoming head of the Permanent Secretary's office. Most recently, she has been heading up DfT's crisis management function, including drone incursions at Gatwick and the Thomas Cook repatriation.

## Executive Board leavers in 2019-20



**Dr Nicola Higgins**  
Director of Regulation

Nicola left the Agency in September 2019 and was succeeded by Colin Macleod



**Martin Petto**  
Director of Organisational Development

Martin left the Agency in March 2020 and was succeeded by Natalie Golding.



**Andrew Timms**  
Deputy Senior Officer

Andrew was succeeded by Tim Guy during March 2020



# STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

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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 UK Space Agency and of its income and expenditure, Statement of Financial Position 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 HM 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 financial statements on a going-concern basis; and
- confirm that the Annual Report and Accounts as a whole are fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

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, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and safeguarding the Agency's assets, are set out in Managing Public Money published by the HM Treasury.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Agency's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.



**Graham Turnock**  
Chief Executive  
9 July 2020

# GOVERNANCE STATEMENT

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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 2019 to 31 March 2020 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 external audit Management Letters

## 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 Agency is a 'Contracting Authority' on behalf of the Secretary of State for BEIS, which is the 'Authority'.

## Governance structure

The 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 its 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 reviews 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 Industrial Strategy, Science & Innovation 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.

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. In April 2019, following the retirement of the Chair, Prof. David Southwood, a new Chair was appointed by BEIS: Dr Sally Howes OBE.

## 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 four NEMs including one BEIS appointee, the Chief Executive and the Agency's SIRO. The meetings are also attended by the representatives from the Government Internal Audit

Agency (GIAA), National Audit Office (NAO), BEIS Sponsor Team, and the Agency's Executive Board members as required. The meetings are also open to the other Steering Board members to attend.

The Audit Committee generally meets on a quarterly basis but can meet more frequently to deal with exceptional matters. Six meetings were held during 2019-20, two of which were ad-hoc meetings. All Committee meetings were quorate.

## Board and Committee attendance 1 April 2019 to 31 March 2020

Board Member	Steering Board	Audit Committee
Sally Howes (SB Chair)	4 (4)	3 (4)
Clive Tucker (AC Chair)	3 (4)	6 (6)
Graham Turnock (CEO)	4 (4)	5 (6)
Peter Finn (SIRO)	4 (4)	5 (6)
Frances Saunders (NEM)	4 (4)	5 (6)
Malcolm Macdonald (NEM)	3 (4)	n/a
Keira Shepperson (NEM)	n/a	6 (6)
Allison Brown	0 (1)	1 (1)
BEIS Sponsor Team Representatives	4 (4)	6 (6)

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's website:

[www.gov.uk/government/organisations/uk-space-agency/about/our-governance](http://www.gov.uk/government/organisations/uk-space-agency/about/our-governance)

## Executive Board

The Executive Board, chaired by the Chief Executive, manages the day-to-day operations and activity of the Agency, including the provision of policy advice to ministers. The Board convenes twice monthly to make decisions and oversee high-level business planning, financial, risk and management issues. In 2019, The Board segregated topics into Strategic or Operational, with one meeting each month focusing on each area. 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 shared with all staff and actions are monitored by the Agency Performance Team.

At the beginning of 2020 a new Strategy directorate was established to focus on people, capability and change within the Agency.

Board Member	Strategic Board	Operations Board
Graham Turnock (CEO)	10 (11)	10 (12)
Ian Annett (Deputy CEO)	1 (3)	3 (3)
Natalie Golding	1 (1)	1 (1)
Colin Macleod	5 (6)	4 (7)
Chris Castelli	11 (11)	10 (12)
Catherine Mealing-Jones	10 (11)	7 (12)
Alice Bunn	7 (11)	7 (12)
Peter Finn (SIRO)	10 (11)	9 (12)
Clair Barcham	10 (11)	9 (12)
Martin Petto	10 (10)	9 (11)
Rebecca Evernden	3 (3)	1 (3)
Nicola Higgins	4 (5)	4 (5)

## Space Sector Council

The Space Sector Council is the forum through which sector discusses strategic issues facing the sector and engages with Government. It is chaired by Will Whitehorn, President of the UKSpace Trade Association, and co-chaired by Amanda Solloway MP. Its membership comprises of senior industrialists, academics and officials from the UK Space Agency, Department of International Trade and the Ministry of Defence.

The Council met four times in 2019-20, empowering the Chair of the Council to offer clear and strategic advice to ministers related to: Space industrial policy; the impact of National and local space initiatives; membership of the European Space Agency; and regulation. In particular, the Council championed the need for a National Space Innovation Programme as an additional mechanism to take forward National priorities alongside European Space Agency research projects.

The Council also provides the high-level governance for the sector's Space Growth Partnership (SGP), itself a cross-Sector team established to define and implement practical actions to grow sector revenues and innovation. The Council works through an SGP Board, which includes the Agency's Director of Growth, to provide the direction of travel, agree major deliverables and communicate the resultant partnership strategy and benefits to Ministers. This has enabled the Council to provide a coordinated space sector contribution to the Government's Industrial Strategy.



# CONTROL ACTIVITIES

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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 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 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.

**UK Shared Business Services (UKSBS)** – To support our business delivery, the Agency uses BEIS's partner organisation, UKSBS, to provide strategic and operational procurement; and transactional services in finance, payroll 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 2019-20, the overall assurance for UKSBS customer facing operations was assessed as Amber. Further narrative is available in the Governance Statement for UKSBS, which is published

as part of its Annual Report and Accounts.

**BEIS ICT services** – The 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 and Safety Executive's Science Division (HSE-SD) –**

The Agency uses the HSE-SD to undertake research and help shape development of regulations and guidance on safety management systems and risk analysis with respect to spaceflight activities in the UK. HSE is Britain's statutory regulator of occupational health and safety. They provide input to HMG across a wide range of issues from both a technical angle (using its extensive scientific capability), and a regulatory perspective. HSE-SD's relationship with the rest of HSE gives them a unique insight into the regulation of safety-critical regulatory context of high-risk and hazardous industries such as spaceflight. HSE-SD has a strong international reputation for high-quality, published research and worldwide collaboration on risk management. They are a designated World Health Organization Collaborating Centre for Occupational Health and Safety Research.

## **Government Recruitment Service (GRS) –**

To support the Agency's resourcing needs, we use GRS for delivering the service associated around our recruitment and resourcing requirements. UKSA provide the information and GRS deliver the placing of job adverts on to CS Jobs Portal both for internal and external vacancies, together with information

that supports the sifting and interview process and elements that support the on-boarding. Assurance is maintained on the effectiveness of the service being provided through the SLA, Management Information and meetings with the GRS Account Manager.

**The Ministry of Justice** – The MOJ’s advisory service manages all Agency HR Casework. Assurance is maintained on the service through data received from Civil Service HR Casework through the BEIS single point of contact and regular client meetings with the Account Manager. In addition, feedback is provided as required by the Agency Managers who use the service to highlight any strengths or weakness that may need to be resolved.

Other third-party services provide 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 UKRI on the Agency’s behalf as part of the UKRI grants system.

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

- fair and open themed calls for applicants to bid into for funding;
- advisory panels to provide technical and impartial scrutiny and advice on which applications to fund, in accordance with the published evaluation criteria;
- due diligence undertaken on proposed grant funding projects including value for money assessment, technical and commercial viability, compliance with Government Standards for General Grants and State Aid rules;
- programme staff to scrutinise grant recipients’ progress in delivering project milestones and claims for grant funding to ensure that grant funded projects remain on track, change is controlled and sound financial management;
- an independent annual audit of accounts to provide assurance that funds have been expended in accordance with the terms of the Grant Funding Agreement.

### Payment policy

During 2019-20, UKSBS processed 7,071 invoices (1,346 in 2018-19) on behalf of the Agency with

93.41% of payments made within five working days of UKSBS receiving the invoice (79.94% in 2018-19) and 98.81% within 30 days (96.66% in 2018-19). In line with guidance published by the Cabinet Office in April 2019, from 2019-20 the prompt payment calculation includes supplier invoices, batch upload files and individual GPC transactions.

### International Subscriptions

The 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 also members 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 this space applications. Subscribing to ESA programmes allows UK industry to benefit from contracts awarded to the value of the overall subscription.

The Agency’s subscriptions to ESA are determined at Councils at Ministerial level which are held periodically. The last Council took place in November 2019. It set the UK subscription levels substantially up to the end of 2022.

The Agency actively oversees spending of these subscriptions through its membership of a range of ESA governance committees and project oversight boards. In addition, ESA’s financial accounts are subject to independent audit.

### Openness and transparency

The Agency is subject to the Freedom of Information Act 2000 and the Environmental Information Regulations 2004. In 2019-20, we responded to 34 requests, 32 of which were answered within the statutory time limits.

### Business continuity and disaster recovery

The UK Space Agency’s Business Continuity Plan was tested in 2019-20 and has more recently been successfully activated in the business response to Covid-19. Communication tests with all staff across all Agency sites using a bulk SMS system are conducted periodically throughout the year, and utilised whenever there is a need, such as building closure due to severe weather.

The Covid-19 pandemic was identified as a growing topical business continuity threat, and a bespoke Covid-19 plan was written as a companion to the UK Space Agency Business Continuity Plan. This bespoke plan was enabled by staff already having

the necessary equipment to work from home, and therefore, when the plan was invoked, the Agency's operations transitioned relatively smoothly towards remote working. The Agency has continued working remotely since lockdown was declared and will consider returning to work when advised it is safe and appropriate to do so.

### **General Data Protection Regulation (GDPR)**

The Agency's policies and processes for 2019-20 incorporated both the GDPR and the Data Protection Act 2018. In 2019-20 Agency staff reported six cases to the BEIS Data Protection Officer. The majority of these cases involved human error where personal data was emailed to the wrong recipient and was promptly rectified. One of these cases resulted in a referral to the Information Commissioner's Office (ICO). This matter was resolved with no further action required of the Agency as the information was already in the public domain.

### **Welfare**

During 2019-20, there were no reportable injuries within the Agency under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) 2013, as in 2018-19. However, given the rapid expansion of the Agency, we will be reviewing our RIDDOR processes in 2020-21 to ensure that they remain appropriate.

### **Information security**

The Agency's core IT provision is managed and delivered by Cirrus, which ensure security controls are in place. Our overarching security policy and procedural framework governing this IT provision is set by BEIS. In 2019-20, Agency staff reported two laptops stolen, one mobile phone stolen, and four mobile phones lost. All reports were investigated by Agency Security and the devices remotely disabled. Advice for staff in keeping their IT secure, particularly while travelling and working remotely, is now included in all new staff security inductions, staff training days and overseas travel security briefings.

### **Counter fraud and bribery**

The Agency's control environment is managed across three lines of defence: Line Management scrutiny; the UK Space Agency finance team; and external independent scrutiny by UKSBS, GIAA and BEIS, which provides independent oversight in the prevention and detection of fraud. Any transactions that are deemed to be unusual are reported to the Agency's finance team.

Staff have access to 'Counter Fraud' training annually. There were no instances of fraud identified within the Agency in 2019-20.

### **Gifts and hospitality**

The Civil Service Code ([www.gov.uk/government/publications/civil-service-code](http://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 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, and without seeking appropriate clearance if required to do so. The Agency follows the BEIS hospitality policy for the treatment and recording of any offers of gifts and receipt of hospitality. The Gifts and Hospitality Register is completed quarterly and submitted to BEIS for independent scrutiny. During 2019-20, the Agency has continued to require all staff to declare whether any reportable gifts or hospitality has been received, including submissions of nil returns. This allows monitoring of submitted declarations by all staff irrespective of in the reporting period. Non-compliance is reported to the relevant EB member.

### **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.

### **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. There were no instances of whistleblowing under this policy in 2019-20.

### **Tax arrangements for Public Sector Appointees**

In line with the Alexander Review (2012) recommendations, all Senior Civil Servants and Non-Executive Members are paid through formal payroll resulting in appropriate tax and National Insurance contributions are deducted at source.

The Agency assesses the employment status of all off-payroll workers to ensure compliance with IR35 tax regulations. If the assessment finds the role status falls within scope of IR35, the Agency deducts income tax and National Insurance contributions at source. If the role is deemed out of scope of IR35 then individuals are paid their contracted gross rate.



# ASSURANCE

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## Internal audit and assurance programme

Internal audit was provided independently by the Government Internal Audit Agency (GIAA). GIAA reports annually to the Accounting Officer. The cost of internal audits undertaken during 2019-20 was £71,560 (2018-19: £50,075). No remuneration was paid to the internal auditors in respect of non-audit work during 2019-20.

The internal audit assurance programme is managed by GIAA and developed annually in consultation with the 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 2019-20 audit programme with GIAA, the Agency initiated a number of audits on areas where it believed the effectiveness of controls could be improved. 7 audits were subsequently undertaken by GIAA, and their reports identified 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.

Overall, the Agency received a limited assurance from GIAA in its annual audit opinion. Key contributing factors which led to this rating included receiving limited assurance ratings in 3 audits concerning programme management and grant due diligence out of 7 audits in total across the year. In addition, GIAA commented that the recognition of cross-cutting lessons learned, and the pace of resolution of outstanding management actions, were areas that the Agency could improve. A summary of the audit work undertaken during 2019-20 is shown overleaf.

We take the findings and recommendations of GIAA seriously and are considering how we can further develop our processes to strengthen our internal controls. Each audit report where we were awarded a limited assurance in 2019-20 has produced a detailed action plan to improve the control framework where recommended by GIAA. Strong progress is already being made towards implementing those agreed recommendations, and evidence for actions that were due for completion by 31 March 2020 has been

submitted to GIAA to allow their closure. In addition, we are undertaking work to capture cross-cutting issues, and using means such as the transformation project, Proteus, to understand how we can best address them. The Agency has also established a commercial function by bringing in house services that were previously supplied externally, and strengthened project capability through the appointment of the Deputy CEO.

In addition to this, the Agency is implementing improvements to the means of oversight and control of its annual audit programme, and implementation of agreed recommendations by its Executive Board. We are also working closely with GIAA to better plan and prepare for forthcoming audits.

## Summary of internal audit work undertaken in 2019-20

Core programme	Summary of audit purpose	Audit opinion
GNSS	To provide a level of assurance on Agency governance and management of the GNSS programme, which is a major project within the Agency's portfolio.	Limited
Spaceflight Programme	To provide reasonable assurance to the Agency's Accounting Officer on the framework of governance, risk management and control relating to the programme.	Moderate
Stakeholder Engagement & Governance	To provide assurance over whether approach to stakeholder engagement is fit for purpose and aligned with the Agency's strategic objectives.	Moderate
Due Diligence in Support of Grant Funding	To provide assurance on the governance, risk management and control of due diligence applied at key points through the life-cycle of grant funding awarded by the Agency.	Limited
Business Continuity Planning	To consider the control framework for the Agency's Business Continuity Planning arrangements, and key tasks to reduce risk of failure or delay in business recovery processes.	Moderate
Corporate Dashboard Reporting	To provide assurance on the utility, quality and accuracy of the information provided in the UK Space Agency corporate dashboard pack.	Moderate
SSGP	To provide assurance on SSGP's delivery; impact planning and assessment; and stakeholder management.	Limited

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).

## Outstanding Audit Recommendations from previous financial years.

The outstanding audit recommendations from previous years are regularly reviewed and are being closed when evidence of completion is agreed with GIAA. The audit reports for 2019-20 were issued by GIAA between November 2019 and May 2020 and are under review for completion within target dates.

Year	Prior year recommendations	2019-20
Number of audits with outstanding actions	5	7
Actions cleared in 19-20	28	3
Actions still outstanding	8	34
Details of audits with outstanding actions	Risk Management Financial Management Satellite Launch Programme Pre-approval of Travel GDPR	GNSS Spaceflight Programme Stakeholder Engagement & Governance Due Diligence in Support of Grant Funding Business Continuity Planning Corporate Dashboard Reporting SSGP

## Risk Management

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, in the form of negative threats, or positive opportunities and we must ensure that we maintain control over our risk exposure as much as practicably possible.

Therefore, 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 status of their projects and programmes.

- **Directorate Risks (Risks that may impact on delivery of Directorate objectives)**

Directors review their Directorate Risk Registers monthly, considering 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 assess the Corporate Risk Register monthly. Audit Committee and Steering Board review 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 therefore we need to understand the amount of risk that we are prepared to accept before we take action i.e. our risk appetite. Our **risk appetite** is 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 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.

**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.).

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

## Infrastructure & Projects Authority (IPA) Gateway Review GNSS

The GNSS Programme was subject to an Infrastructure and Project Authority Project Assessment Review in September 2019. It gave a delivery confidence assessment of amber/red and made 4 critical and 2 essential recommendations. Good progress is being made to implement the agreed recommendations. These are reviewed monthly at the UK GNSS Programme Assurance Board and reported to the Programme Board.

## External Reviews

The Agency has accepted all the recommendations made by the ISO27001 security review (April 2019) and has recruited an experienced Security Advisor (August 2019) to take them forward. The Security Advisor has already engaged with the Centre for the Protection of the National Infrastructure (CPNI) and the National Cyber Security Centre (NCSC) to implement additional security measures to better protect Agency staff, assets and information. These improvements include better physical security for our workspaces, improved overseas travel risk assessments and bespoke staff security briefings. Cyber security has been further strengthened with the Agency receiving additional support from Government Cyber Security specialists. The security recommendations will continue to be delivered throughout the coming year, allowing the Agency to improve its security culture and adapt to changing security threats.

## External Audit

In 2019-20, the National Audit Office outsourced the audit of the Agency’s Financial Statements to EY, whilst retaining the overall responsibility of certifying the accounts. The final management letter 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 Agency’s assurance map;
- the Corporate Dashboard reporting mechanism effectiveness, to facilitate management of risks, KPIs, and Financial stewardship;
- the work of internal audit GIAA, which has highlighted some specific areas where we as an Agency need to focus in the coming year;
- the work of internal audit, which in 2019-20 awarded the Agency an overall ‘Limited’ 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 2020 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, I recognise we have a number of assurance goals to achieve. My review has identified the following internal control and governance improvements that the Agency will address during 2020-21:

- Stronger oversight by the Executive Board of the Agency's 2020-21 internal audit programme, identification of emergent cross-cutting audit themes, timely implementation of agreed audit recommendations;
- Consideration of most appropriate means of securing audit support, including for specialist requirements;
- Developing greater cohesion to our RIDDOR reporting processes across all 3 Agency locations;

- Review the Agency's approach towards risk management, focusing on strategy, the Agency's risk appetite, and the training undertaken by risk owners;
- A review of the processes used to produce the Agency's financial forecasts to ensure they remain as accurate as reasonably possible;
- A review around our processes for declaring and recording Declarations of Interest of Senior Staff and Non-Executive Members;
- Review the Agency's IR35 processes to assure continued compliance with HMRC policies.

Delivering against these in 2020-21 will enable the Agency to build upon the good progress made over the last year and keep the Agency moving towards the goal of raising our assurance standards.



**Graham Turnock**

Chief Executive and Accounting Officer  
9 July 2020

# REMUNERATION AND STAFF REPORT



# REMUNERATION AND STAFF REPORT

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## 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 at: [www.gov.uk/government/organisations/review-body-on-senior-salaries](http://www.gov.uk/government/organisations/review-body-on-senior-salaries)

### 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 2018-19 which was paid in 2019-20. These performance awards varied in amount within an overall cost envelope of 3.3% of the departmental SCS pay budget. As part of the 2019 SCS Pay Award, an annual flat rate base pay increase was applied for the SCS1 and SCS2 pay grades of £1,250 and £1,350 respectively (2018-19: £850 and £950). No base pay increases were paid to those subject to poor performance procedure.

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](http://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 based on 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 below, 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: <https://civilservicecommission.independent.gov.uk/>

## Audited Information

### Salary and pension entitlements

The following table shows the remuneration of Executive Board members during 2019-20, including the details of their salary and pension entitlements. All Board members are Senior Civil Servants.

**Table 1: Remuneration of Executive Board members 2019-20**

Name	Salary <sup>(i)</sup> in bands of £5,000		Performance reward payments <sup>(ii)</sup> to nearest £1,000		Benefits in kind to nearest £100		Pension benefits <sup>(iii)</sup> to nearest £1,000		Single total figure of remuneration in bands of £5,000	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Graham Turnock	90 - 95	90 - 95	-	-	-	-	36	34	125 - 130	120 - 125
Claire Barcham <sup>(iv)</sup>	75 - 80	70 - 75	5 - 10	-	-	-	30	28	110 - 115	100 - 105
Andrew Tims <sup>(v)</sup>	70 - 75	Not in post	0 - 5	Not in post	-	Not in post	100	Not in post	175 - 180	Not in post
Chris Castelli	70 - 75	70 - 75	-	-	-	-	29	28	100 - 105	100 - 105
Catherine Mealing-Jones	70 - 75	70 - 75	-	-	-	-	29	22	100 - 105	90 - 95
Peter Finn	70 - 75	70 - 75	-	-	-	-	29	21	100 - 105	90 - 95
Martin Petto <sup>(vi)</sup>	60 - 65	10 - 15	-	-	-	-	25	4	85 - 90	10 - 15
Alice Bunn <sup>(vii)</sup>	50 - 55	45 - 50	5 - 10	5 - 10	-	-	24	27	85 - 90	75 - 80
Nicola Higgins <sup>(viii)</sup>	40 - 45	80 - 85	-	-	-	-	16	32	55 - 60	110 - 115
Colin Macleod <sup>(ix)</sup>	35 - 40	Not in post	-	Not in post	-	Not in post	16	Not in post	50 - 55	Not in post
Ian Annett <sup>(x)</sup>	25 - 30	Not in post	-	Not in post	-	Not in post	-	Not in post	25 - 30	Not in post
Emma Floyd <sup>(xi)</sup>	10 - 15	Not in post	-	Not in post	-	Not in post	6	Not in post	15 - 20	Not in post
Rebecca Evernden <sup>(xii)</sup>	15 - 20	65 - 70	5 - 10	5 - 10	-	-	11	25	35 - 40	100 - 105
Natalie Golding <sup>(xiii)</sup>	5 - 10	Not in post	-	Not in post	-	Not in post	2	Not in post	5 - 10	Not in post
Tim Guy <sup>(xiv)</sup>	0 - 5	Not in post	-	Not in post	-	Not in post	2	Not in post	5 - 10	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) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increases or decreases due to a transfer of pension rights.
- iv. Through fair and open competition, Claire Barcham was appointed as substantive Director of Commercial Space on 5 December 2018. On 29 January 2020, she was appointed as Director of Strategy.
- v. Andrew Tims was appointed on a temporary promotion basis as UK GNSS Deputy Senior Officer from 17 September 2018 to 31 March 2020. Remuneration details disclosed in the above table relate to the period between 2 June 2019 and 31 March 2020 during which he was a formal EB member. His annualised salary in 2019-20 was £85-90k.
- vi. Martin Petto was appointed on a temporary promotion basis as Director of Organisational Development from 4 February 2019. He stood down on 29 February 2020. His annualised salary in 2019-20 would have been £65-70k (2018-19: £65-70k).
- vii. Alice Bunn, joint Director of EU & International, worked as job share on a part-time basis at 0.7 FTE increased to 0.8 FTE from 25 June 2019. Her FTE annualised salary in 2019-20 would have been £65-70k (2018-19: £65-70k).
- viii. Nicola Higgins, Director of Regulation, left the Agency on 30 September 2019. Her annualised salary in 2019-20 would have been £80-85k (2018-19: £75-80k).
- ix. Colin Macleod was appointed on a temporary basis as Director of Regulation from 9 September 2019. His annualised salary in 2019-20 would have been £70-£75k.
- x. Ian Annett was appointed as Deputy CEO for Project Delivery from 6 January 2020. His annualised salary in 2019-20 would have been £115-120k.
- xi. Through fair and open competition, Emma Floyd was appointed as Director of New Commercial Space from 29 January 2020. Her annualised salary in 2019-20 would have been £70-75k.
- xii. Rebecca Evernden, joint Director of EU & International, worked as job share until 2 June 2019 when she left the Agency on promotion and on loan to Department for Exiting the European Union (DEEU). When DEEU ceased, Rebecca returned to the Agency on 2 March 2020 and was appointed temporarily to Transformation and Foresight Senior Director. She worked at 0.68 FTE. Her annualised salary in 2019-20 at a full time equivalent would have been £90-£95k (2018-19: £65-70k).
- xiii. Through fair and open competition, Natalie Golding was appointed as Director of Organisational Development and Design from 2 March 2020. Her annualised salary in 2019-20 would have been £70-75k.
- xiv. Through fair and open competition, Tim Guy was appointed as the UK Global Satellite System Programme Director from 16 March 2020. His annualised salary in 2019-20 would have been £105-110k.

## 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. The payment of legitimate expenses is not part of the salary.

## 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 2019-20 relate to performance in 2018-19 and the comparative bonuses reported for 2018-19 relate to performance in 2017-18.

## 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.

## Fair Pay Disclosures

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.

	2019-20	2018-19
Band of Highest Paid Director's Total Remuneration <sup>(i)</sup>	£115-120k	£90-95k
Median Total Remuneration <sup>(ii)</sup>	£48,100	£47,600
Ratio	2.44	1.94

Notes:

- The highest paid director in 2019-20 was Ian Annett, the Deputy Chief Executive Officer for Programme Delivery (2018-19: Graham Turnock, the Chief Executive).
- The median calculation is based on the full-time equivalent staff at 31 March 2020 on an annualised basis.

The banded remuneration of the highest paid director in the Agency in 2019-20 was £115,000 to £120,000 (2018-19: £90,000 to £95,000). This was 2.44 times (2018-19: 1.94 times) the median remuneration of the workforce, which was £48,100 (2018-19: £47,600).

In both 2019-20 and 2018-19, no employee received salary in excess of the highest paid director. Remuneration in the Agency ranged from £23,900 to £117,000 (2018-19: £20,450 to £90,500).

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 4.6% and 8.05% of actual pensionable earnings regardless of whether members are in classic, classic plus, premium, nuvos or 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. From 1 September 2018, Legal & General are the new stakeholder pension provider for the Civil Service (prior to 1 September 2018 the provider was Standard Life). 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. 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 are 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](http://www.civilservicepensionscheme.org.uk)



**Table 2: Pension benefits of Executive Board members 2019-20<sup>(i)</sup>**  
**All Executive Board Members are SCS.**

Name	Accrued pension at pension age as at 31/03/2020 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 £2,500	CETV at 31/03/2020 to the nearest £1,000	CETV at 31/03/2019 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 £100
Graham Turnock	35 - 40 plus a lump sum of 75 - 80	0 - 2.5 plus a lump sum of 0	646	596	19	-
Andrew Tims	35 - 40 plus a lump sum of 110 - 115	2.5 - 5 plus a lump sum of 7.5 - 10	854	733	85	-
Claire Barcham	10 - 15	0 - 2.5	128	108	9	-
Chris Castelli	10 - 15	0 - 2.5	191	161	17	-
Catherine Mealing-Jones	30 - 35 plus a lump sum of 65 - 70	0 - 2.5 plus a lump sum of 0 - 2.5	577	533	16	-
Peter Finn	30 - 35 plus a lump sum of 70 - 75	0 - 2.5 plus a lump sum of 0 - 2.5	597	553	16	-
Martin Petto	10 - 15	0 - 2.5	102	85	9	-
Alice Bunn	20 - 25	0 - 2.5	279	253	12	-
Nicola Higgins	5 - 10	0 - 2.5	72	59	7	-
Colin Macleod	20 - 25 plus a lump sum of 5 - 10	0 - 2.5 plus a lump sum of 0 - 2.5	359	336	9	-
Ian Annett <sup>(ii)</sup>	-	-	-	-	-	4,100
Emma Floyd	20 - 25	0 - 2.5	255	251	3	-
Rebecca Evernden	20 - 25	0 - 2.5	330	323	6	-
Natalie Golding	20 - 25	0 - 2.5	228	227	1	-
Tim Guy	25 - 30	0 - 2.5	382	380	1	-

Notes:

- The pension figures quoted show pension earned in PCSPS and CSOPS (alpha) as appropriate. Where the Executive Board member has benefits in both the PCSPS and CSOPS the figure quoted is the combined value of their benefits in the two schemes.
- Ian Annett has opted to have a partnership pension account rather than joining the pension scheme.

### Real increase in pension and lump sum

Real increase in pension and lump sum represents the increase in the value of the pension over the year after considering the effect of inflation.

### 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.

Sally Howes receives additional £4,000 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 2019-20**

Non-Executive Member	Position	Period of Appointment	Honoraria	
			2019-20 £000	2018-19 £000
Sally Howes <sup>(i)</sup>	Chair of Steering Board	April 2019 - March 2022	10	Not in post
Clive Tucker <sup>(ii, vii)</sup>	Chair of Audit Committee	Dec 2014 - May 2021	6	6
Frances Saunders <sup>(iii, vii)</sup>	Non-Executive	Dec 2014 - May 2021	6	6
Malcolm Macdonald <sup>(iv, vii)</sup>	Non-Executive	July 2017 - May 2021	6	6
Keira Shepperson <sup>(v)</sup>	Non-Executive	May 2018 - May 2021	Nil	Nil
Alison Brown <sup>(vi)</sup>	Trainee Board Member	Jan 2020 - Jan 2021	Nil	Not in post

Notes:

- Sally Howes was appointed as Chair of Steering Board with effect from 1 April 2019 for a period of 3 years.
- 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 three years.
- Keira Shepperson joined the Audit Committee as an independent member with effect from 1 May 2018 for a period of 3 years. She is an employee at the British Business Bank. She is not remunerated for her work as honorarium 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.
- Alison Brown joined the Steering Board and Audit Committee as a trainee board member with effect from January 2020 for a period of one year. She is an employee at the UK Atomic Energy Authority. She is not remunerated for her work as honorarium 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.
- Memberships for Frances Saunders, Clive Tucker and Malcolm Macdonald were due to expire in 2020, but due to Covid-19 disruptions and the additional challenges it presents, their terms have been extended until May 2021.

## 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 2016 and determined that from 1 April 2019 the average employer contribution will increase to 27.3% of pensionable earnings. In the previous year, the average employer rate of 21.1% was maintained in line with the recommendations made in the actuarial valuation as at 31 March 2012. The contribution rates are set to meet the cost of the benefits accruing during 2019-20 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

More information can be found at the Civil Service Pensions website at:

[www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

During 2019-20, employer contributions of £2,504,052 were payable to the Scheme (2018-19: £1,624,143) at one of four rates in the range 26.6% to 34.1% of pensionable earnings (2018-19: 20.0% to 24.5%), based on salary bands.

Under the Partnership scheme employees have the option of opening a partnership pension account with Legal & General. 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 2019-20, employer contributions of £11,710 were payable to partnership pension providers (2018-19: £2,300). There were no prepaid contributions at 31 March 2020.

In addition, employer mini-ASLC contributions of £331.59 (2018-19: £190), 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 2019-20 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 (2018-19: none) retired early on ill-health grounds, therefore there were no additional pension liabilities accrued during the reporting period (2018-19: none).

There were no redundancy or other departure costs paid during the year (2018-19: none).

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

The Agency has continued to grow in order to deliver on its projects and programmes which is reflected in the tables below.

	2019-20			2018-19		
	Permanently employed £000	Other £000	Total £000	Permanently employed £000	Other £000	Total £000
Wages and salaries	9,352	-	9,352	7,695	-	7,695
Social security costs	1,044	-	1,044	868	-	868
Other pension costs	2,516	-	2,516	1,627	-	1,627
<b>Subtotal</b>	<b>12,912</b>	<b>-</b>	<b>12,912</b>	<b>10,190</b>	<b>-</b>	<b>10,190</b>
Add cost of inwards secondments	-	174	174	-	260	260
Less recoveries in respect of outward secondments	-	(16)	(16)	-	(65)	(65)
<b>Total staff costs</b>	<b>12,912</b>	<b>158</b>	<b>13,070</b>	<b>10,190</b>	<b>194</b>	<b>10,384</b>
	<b>FTE</b>	<b>FTE</b>	<b>FTE</b>	<b>FTE</b>	<b>FTE</b>	<b>FTE</b>
<b>Average number of persons employed<sup>(i, ii)</sup></b>	<b>210.2</b>	<b>2.2</b>	<b>212.4</b>	<b>173.6</b>	<b>1.6</b>	<b>175.2</b>

Notes:

- On average there have been no FTE outward secondees (1.7 FTE in 2018-19) when the Agency's staff have been seconded to other organisations.
- In addition to the 2.2 FTE inward secondees in the above table (1.6 FTE in 2018-19), the Agency also benefited from an average of 4.1 FTE inward secondees (3 FTE in 2018-19) provided at nil cost by other government organisations and industry as part of their staff development programme.



## Unaudited information recruitment policies

### Recruitment position for UK Space Agency – 2019-20

Number of recruitment campaigns run in 2019-20	123
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Total number of applicants: 1771		
	Civil Service Internal: 996	External: 775

Potential posts available: 136		Total posts filled: 83		
	UKSA Internal on Promotion:	UKSA Internal on Lateral Transfer:	From OGDs:	External:
	9	8	45	21

Number of posts filled on:	Permanent basis:	45
	Loan Basis:	17
	Other: Fixed Term	21

Time to Hire:	
On average we fill our posts within:	53.2 Days
The average target for Civil Service to fill is:	63.5 Days

Consultancy costs of £2,081,714 have been incurred during 2019-20. The cost of contingent labour during the year was £2,593,556.

## Remuneration policy

The remuneration policy adopted by the UK Space Agency is in line with the BEIS departmental policy. The Agency implemented the 2019 pay award in line with the increases approved. This was effective from 1 August 2019.

The Agency operates an In-Year Award Scheme which is a cash and non-cash bonus scheme for individual payments recommended by line managers and colleagues for specific projects or outstanding pieces of work. These are managed by Directors and awarded quarterly following directorate panels. 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 2019-20 we issued 163 awards at a cost of £102,750 (2018-19 we issued 155 awards totalling £97,050).

## 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 continued to source 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	2019-20		2018-19	
	Actual number	% of workforce	Actual number	% of workforce
Administrative Assistants and Administrative Officers	1	0.39	2	1.04
Executive Officers	14	5.57	10	5.23
Higher Executive Officers and Senior Executive Officers	112	44.62	93	48.70
Grade 7/6	109	43.42	77	40.32
Senior Civil Servants <sup>(i)</sup>	15	5.97	9	4.71

Note:

i. Includes 3 SCS on Temporary Promotion as at 31 March 2020.

## 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. In 2019 we introduced the D&I/Women's Network and took a corporate membership to join Women in Aerospace.

Workforce diversity (Executive Board only)	2019-20	2018-19	2017-18
Black and minority ethnic	0	0	0
Women	54	50	50
Disabled	38	0	0
Working pattern - part-time	16	38	50

	2019-20		2018-19	
	Actual number	% of workforce	Actual number	% of workforce
<b>Gender</b> Male	131	52	104	54
<b>Gender</b> Female	120	48	87	46
<b>Working Pattern</b> Full-time	246	98	184	96
<b>Working Pattern</b> Part-time	5	2	7	4
<b>Disability</b> Yes	7	3	6	3
<b>Disability</b> No	74	29	120	63
<b>Disability</b> Prefer not to Say	170	68	65	34
<b>Ethnicity</b> White-English	46	18.32	25	14
<b>Ethnicity</b>	1	0.40	1	0.5
<b>Ethnicity</b> White-Welsh	1	0.40	3	1.5
<b>Ethnicity</b> White -Scottish	2	0.80		
<b>Ethnicity</b> Black - African	1	0.40		
<b>Ethnicity</b> Black – Black, Black Scottish, Black British	1	0.40		
<b>Ethnicity</b> Asian - Indian	1	0.40		
<b>Ethnicity</b> Arab			1	0.5
<b>Ethnicity</b> Pakistani			1	0.5
<b>Ethnicity</b> White and Black Caribbean	2	0.80	1	0.5
<b>Ethnicity</b> Other White Background	9	3.58	11	5.5
<b>Ethnicity</b> Other Asian Background	1	0.40	2	1
<b>Ethnicity</b> Mixed – Any other mixed background	1	0.40		
<b>Ethnicity</b> Prefer not to Say/Unknown	185	73.70		

## Sickness Absence

In the 12-month period April 2019 - March 2020 the average working days lost through recorded sickness absence was 7.5 days (per employee absent through sickness). In the same period April 2018 - March 2019 average working days lost through recorded sickness absence was 5.7 days (per employee absent through sickness). The increase is attributable to some long-term absence cases which have impacted on the Average Working Days Lost.

# PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT



# PARLIAMENTARY ACCOUNTABILITY

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These pages present information about the 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 62.

## **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 Agency. In 2019-20, the total statutory licence fees collected by the Agency amounted to £221,000 (2018-19: £305,500). More information can be found in Note 5 to the Financial Statements, Income from operating activities, on page 78.

### **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 licensees 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 to indemnify HMG for licenced activities.

The cap is set at €60 million for standard missions and can be increased for higher risk 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 licensees to obtain third party liability insurance (set at €60m for standard 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 licensee. This liability is unquantifiable at the time of reporting.

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

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## Opinion on financial statements

I certify that I have audited the financial statements of the UK Space Agency (the Agency) for the year ended 31 March 2020 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 Agency's affairs as at 31 March 2020 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'<sup>1</sup>. 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 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.

## Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Agency's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Agency have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Agency's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

<sup>1</sup> Reference here to PN10 is to cover the basis of our regularity 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 Agency's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of the Agency'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 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 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 report. However, future events or conditions may cause the Agency to cease to continue as a going concern.

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, but does not include 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.

### Gareth Davies

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

14 July 2020



## Our Annual Report and Accounts 2019-20

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 62). The cost of the audit was £40,000. No remuneration was paid to the external auditors in respect of non-audit work in 2019-20.

The Chair of the Audit Committee endorsed this report 9 July 2020. 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 20 to 25) provides a fair, balanced and understandable analysis of our performance. As required, I have signed and dated our Performance Report on page 15, 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 69.



**Graham Turnock**

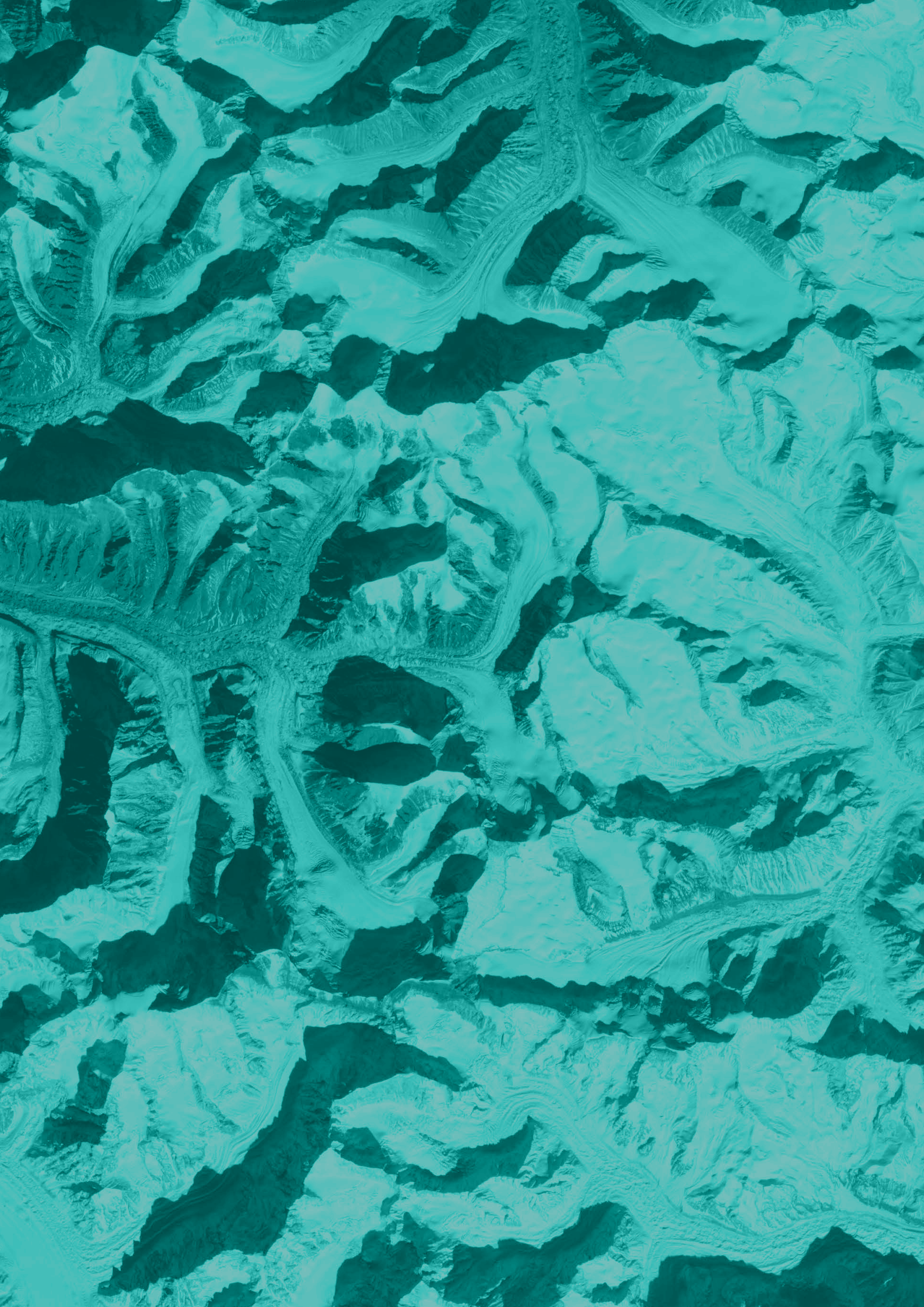
Chief Executive  
9 July 2020



# ACCOUNTS







# FINANCIAL STATEMENTS

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2020

	Note	2019-20 £000	2018-19 £000
Income from operating activities	5	(1,785)	(4,517)
<b>Total operating income</b>		<b>(1,785)</b>	<b>(4,517)</b>
Staff costs	3	13,070	10,385
International subscriptions, grants and other funding	4	421,982	346,088
Technical contracts and contract management	4	27,369	20,268
Provision expense	14	770	14
Other operating expenditure	4	8,045	3,081
<b>Total expenditure</b>		<b>471,236</b>	<b>379,836</b>
<b>Net operating expenditure</b>		<b>469,451</b>	<b>375,319</b>
<b>Other comprehensive net expenditure</b>			
<b>Items which will not be reclassified to net operating costs:</b>			
Net gain/(loss) released on the disposal of cash flow hedges <sup>i</sup>	4,6	18,442	29,076
<b>Items which may be reclassified subsequently to net operating costs:</b>			
Net (gain)/loss on revaluation of cash flow hedges <sup>ii</sup>	6	(6,567)	27,353
<b>Total comprehensive net expenditure for the year ended 31 March 2020</b>		<b>481,326</b>	<b>431,748</b>

Notes:

- 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.
- The reported gains on revaluation of forward exchange contracts in 2019-20 are notional gains caused by an increase in the fair value of the contracts held at 31 March 2020 compared to the fair value of contracts held at 31 March 2019. 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 72 to 84 form part of these financial statements.



## Statement of Financial Position for the year ended 31 March 2020

	Note	31 March 2020	31 March 2019
		£000	£000
<b>Non-current assets</b>			
Other financial assets	6	242	6,953
<b>Total non-current assets</b>		<b>242</b>	6,953
<b>Current assets</b>			
Trade & other receivables	7	61,451	48,148
Other financial assets	6	8,770	16,978
Cash & cash equivalents	8	15,576	11,022
<b>Total current assets</b>		<b>85,797</b>	76,148
<b>Total assets</b>		<b>86,039</b>	83,101
<b>Current liabilities</b>			
Trade & other payables	9	60,783	41,285
Other financial liabilities	6	-	951
<b>Total current liabilities</b>		<b>60,783</b>	42,236
<b>Total assets less current liabilities</b>		<b>25,256</b>	40,865
<b>Non-current liabilities</b>			
Provisions	14	770	-
Other financial liabilities	6	32	2,125
<b>Total non-current liabilities</b>		<b>802</b>	2,125
<b>Total assets less total liabilities</b>		<b>24,454</b>	38,740
<b>Taxpayers' equity</b>			
General fund		15,474	17,885
Revaluation reserve		8,980	20,855
<b>Total taxpayers' equity</b>		<b>24,454</b>	38,740

The notes on pages 72 to 84 form part of these financial statements.



**Graham Turnock**

Chief Executive and Accounting Officer

9 July 2020



## Statement of Cash Flows for the year ended 31 March 2020

	Note	2019-20	2018-19
		£000	£000
<b>Cash flows from operating activities</b>			
Net operating expenditure for the year	SOCNE	(469,451)	(375,319)
Adjustments for non cash transactions - auditor's remuneration	4	40	40
(Increase)/Decrease in trade and other receivables	7	(13,303)	(12,203)
Increase/(Decrease) in trade payables	9	19,498	7,075
Use of provisions	14	770	14
<b>Net cash outflow from operating activities</b>		<b>(462,446)</b>	<b>(380,393)</b>
<b>Cash flows from financing activities</b>			
Net parliamentary funding - drawn down		467,000	378,500
<b>Net financing</b>		<b>467,000</b>	<b>378,500</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>		<b>4,554</b>	<b>(1,893)</b>
Cash and cash equivalents at the beginning of the period	8	11,022	12,915
Cash and cash equivalents at the end of the period	8	15,576	11,022

The notes on pages 72 to 84 form part of these financial statements.

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2020

2019-20	General fund <sup>i</sup>	Revaluation reserve <sup>ii</sup>	Total
	£000	£000	£000
<b>Balance at 01 April 2019</b>	<b>17,885</b>	<b>20,855</b>	<b>38,740</b>
Net Parliamentary Funding - drawn down	467,000	-	467,000
Net operating expenditure for the year	(469,451)	-	(469,451)
<b>Non-cash adjustments</b>			
Non-cash charges - auditor's remuneration	40	-	40
<b>Movements in reserves</b>			
Disposals	-	(18,442)	(18,442)
Revaluations	-	6,567	6,567
<b>Balance at 31 March 2020</b>	<b>15,474</b>	<b>8,980</b>	<b>24,454</b>

2018-19	General fund <sup>i</sup>	Revaluation reserve <sup>ii</sup>	Total
	£000	£000	£000
Balance at 01 April 2018	14,664	77,284	91,948
Net Parliamentary Funding - drawn down	378,500	-	378,500
Net operating expenditure for the year	(375,319)	-	(375,319)
<b>Non-cash adjustments</b>			
Non-cash charges - auditor's remuneration	40	-	40
<b>Movements in reserves</b>			
Disposals	-	(29,076)	(29,076)
Revaluations	-	(27,353)	(27,353)
Balance at 31 March 2019	17,885	20,855	38,740

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 72 to 84 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR

## 1. Statement of Accounting Policies

### 1.1 Basis of accounting

These financial statements have been prepared in accordance with the 2019-20 Government Financial Reporting Manual (FReM) and its Addendum issued by HM Treasury on the 20 May 2020, 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 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 financial statements cover the activities of the UK Space Agency and are prepared on a going concern basis. The Directors have assessed the financial position as at 31 March 2020, giving consideration to the impact of Covid-19 and the anticipated continuation of the statutory basis of the Agency's services, and are content not to doubt the Agency's continuing existence for 2020-21 and beyond. In the FReM Addendum 2019-20, HMT issued revised guidelines around the consideration of going concern and whether there are any material uncertainties in this area. The UK Space Agency considers there are no such material uncertainties as our principal source of funding is via Supply Estimates and there are no consultations on changing the existence, nature or funding of the Agency. The UK Space Agency is an Executive Agency of the Department for Business, Energy and Industrial Strategy (BEIS), and the Department has agreed 2020-21 budget for the Agency. Moreover, the department's estimates and forward plans include provision for the Agency's continuation beyond 2020-21. 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 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 Agency recognises and measures financial instruments in accordance with IFRS 9 Financial Instruments as interpreted by the FReM for public sector.

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 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 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 Hedge accounting under IFRS 9 Financial Instruments

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 IFRS 9 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 Agency does not hold or issue derivative financial instruments for trading purposes.

### 1.6.1 Financial assets

In accordance with IFRS 9 Financial Instruments, the Agency classifies financial assets into the following categories:

- Amortised cost
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVTPL).

The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

IFRS 9 introduced some key changes to impairment of financial assets. The new impairment model is forward looking and is based on expected credit loss (ECL) model which applies to the following financial assets:

- Financial assets measured at amortised cost;
- Trade receivables, contract assets and lease receivables;
- FVOCI loans; and
- Financial guarantees.

### 1.6.2 Financial liabilities

In accordance with IFRS 9 Financial Instruments, the Agency classifies financial liabilities as either:

- Amortised cost, or
- Fair value through profit or loss (FVTPL).

Financial liabilities are measured at amortised cost unless either:

- The financial liability is held for trading (i.e. it is held with principal purpose of selling or repurchasing it in the near term), therefore it must be measured at FVTPL; or

- The Agency elects to measure the financial liability at FVTPL.

## 1.7 Operating income

Operating income is income that relates directly to the operating activities of the 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; grant funding from the EU; and charges for services provided, on a full cost basis, to external customers. Operating income is recorded in accordance with IFRS 15.

For the licensing income stream, the Agency considers performance obligation to be satisfied on delivery of the OSA licence or application decision to the licensee. Contract liabilities (deferred income) relate to the consideration received from licensees in advance of the performance obligation.

## 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 Agency belongs to that Institution. Through the Conditions of Grant applied to funded institutions, the 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 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 exchange 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.

### **1.12 Pensions**

The Agency's 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 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 and CSOPS 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 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](http://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 2020 on an undiscounted basis.

### **1.14 Taxation**

The Agency, as an Executive Agency of BEIS, 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 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 Provisions**

A provision is recognised when it is probable that an outflow of economic benefits will be required to settle a present obligation (legal or constructive) that can be reliably measured and which results from a past event. Where the time value of money is material the provision is measured at present value using discount rates prescribed by HM Treasury. No provision presented in these financial statements has been discounted as the impact of the time value of money was deemed to be immaterial.

### **1.18 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.

### 1.19 Estimation techniques used and key judgements

The preparation of the 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 for further information).

## 1.20 Changes to International Financial Reporting Standards (IFRS) and 2019-20 Financial Reporting Manual (FReM)

### 1.20.1. Changes to IFRS

In accordance with the FReM, these financial statements apply EU adopted IFRS and Interpretations in place as at 1 January 2020. The following new standards will be adopted by the Agency in full, when they are applied in the FReM, unless the requirements are interpreted or adapted by the FReM:

- IFRS 16 Leases, will replace IAS 17 Leases and related IFRIC and SIC Interpretations. IFRS 16 was published by IASB in January 2016 with the aim of improving the financial reporting of leases. FReM has deferred implementation of this standard in the public sector until 1 April 2021, it therefore does not affect the 2019-20 financial statements.

IFRS 16 represents a significant change in lessee accounting by removing the distinction between operating leases (off-statement of financial position financing) and finance leases (on-statement of financial position financing), and introducing a single lessee accounting model. IFRS 16 requires the recognition of all leases as finance leases with exemption given to low value leases and short-term leases, i.e. those with lease terms of less than 12 months. This will result in the recognition of a right-to-use asset, measured at the present value of future lease payments, and a matching liability in the Statement of Financial Position.

The Agency is undertaking a programme of work to assess the impact of the introduction of IFRS 16 on the Statement of Financial Position. Preliminary analysis has indicated that there will be a material impact. IFRS 16 will be adopted by the Agency for the first time in 2020-21 with 2019-20 forming a comparative year.

- IFRS 17 Insurance Contracts, will replace IFRS 4 Insurance Contracts. IFRS 17 will be effective for accounting periods beginning on or after 1 January 2021. As the Agency does not provide any insurance contracts in the normal course of business, this Standard is not expected to have an impact on the financial statements of the Agency.

### 1.20.2. Changes to the FReM

There were no changes adopted in the 2019-20 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.

	2019-20			2018-19		
	National segment	International segment	Total	National segment	International segment	Total
	£000	£000	£000	£000	£000	£000
Gross expenditure	134,461	336,775	471,236	123,473	256,363	379,836
Income	(277)	(1,508)	(1,785)	(306)	(4,211)	(4,517)
<b>Net operating costs</b>	<b>134,184</b>	<b>335,267</b>	<b>469,451</b>	123,167	252,152	375,319

### 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

	2019-20	2018-19
	£000	£000
Wages and salaries	9,352	7,695
Social security costs	1,044	868
Other pension costs	2,516	1,627
<b>Subtotal</b>	<b>12,912</b>	10,190
Add cost of inward secondments	174	260
Less recoveries in respect of outward secondments	(16)	(65)
<b>Total staff costs</b>	<b>13,070</b>	10,385

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	2019-20 £000	2018-19 £000
<b>International subscriptions</b>			
European Space Agency (ESA)	i	352,428	282,070
Recognised (gain)/loss on forward exchange contracts		(18,442)	(29,076)
Net (gain)/loss on foreign exchange spot rate (non-hedge)		234	(584)
<b>Total ESA subscriptions</b>		<b>334,220</b>	252,410
<b>Other international subscriptions</b>		-	32
<b>Other international grants &amp; payments</b>			
French Space Agreement (CNES) bilateral agreements		1,292	2,709
ESA mandatory tax adjustment and other payments	ii	1,263	1,212
ESA ECSAT2 development		-	225
<b>National grants and other funding</b>			
International Partnership Programme		24,293	26,624
Academic grants	iii	19,626	24,625
SABRE		13,123	16,262
Spaceflight Programme		12,196	6,276
National Space Technology Programme		4,465	3,458
Spectrum charges		4,017	4,017
JASON C/S		3,309	-
CEOI 2020		-	1,970
Other national programme grants and funding		4,178	6,268
<b>Total subscriptions, grants and other funding</b>		<b>421,982</b>	346,088
<b>Technical contracts and contract management</b>		<b>27,369</b>	20,268
<b>Operational costs</b>			
Temporary staff costs	iv	2,580	51
Travel and subsistence		1,260	646
Accommodation		1,099	253
Rentals under operating leases	vi	1,038	554
Payments for departmental shared services	v	907	778
Training and other staff costs		379	174
Auditors remuneration (external)		40	40
Other	iv	742	586
<b>Total operational costs</b>		<b>8,045</b>	3,081
<b>Total expenditure</b>		<b>457,396</b>	369,437



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 76% of its total 2019-20 commitments to ESA. The total exposure at spot rate in 2019-20 would have been £352,428k.
- 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 2019-20 tax liability of £1,263k (2018-19: £1,212k) 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), now part of UK Research and Innovation (UKRI). 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 UKRI have in this area it has been agreed that UKRI 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 UKRI has agreed to undertake this activity on a nil cost basis. Therefore there is no charge for this activity to the Agency.
- iv. Temporary staff costs were disclosed as Other costs in 2018-19.
- v. Payments for departmental shared services include the costs of centrally provided information technology and legal advice. From 1 April 2017 legal services are provided by the Government Legal Department via an SLA with BEIS. The overall charge for legal advice costs in 2019-20 was £353k (2018-19: £272k).
- vi. The Agency entered into four operating lease agreements for office accommodation. See Note 12 Operating Leases for more information.

## 5. Income from operating activities

	Note	2019-20 £000	2018-19 £000
EU SST Programme		1,165	3,915
European GNSS Agency rental income	12.2	315	296
Outer Space Act 1986 licence fees		221	306
Other Income		84	-
<b>Total</b>		<b>1,785</b>	<b>4,517</b>

## 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 £2,000,000. 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	2019-20 £000	2018-19 £000
Balance at 01 April 2019		20,855	77,284
Disposals (contracts settled in year)	i	(18,442)	(29,076)
Revaluation movement	ii	6,567	(27,353)
<b>Balance at 31 March 2020</b>		<b>8,980</b>	20,855
Non-current other financial assets		242	6,953
Current financial assets		8,770	16,978
<b>Total other financial assets</b>		<b>9,012</b>	23,931
Non-current other financial liabilities		(32)	(2,125)
Current financial liabilities		-	(951)
<b>Total other financial liabilities</b>		<b>(32)</b>	(3,076)
<b>Total net other financial assets and liabilities</b>		<b>8,980</b>	20,855
<b>Net change in value of cash flow hedges impacting reserves</b>	iii	<b>(11,875)</b>	(56,429)

Notes:

- The disposal value arose through the completion of seven 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 2020 and 31 March 2019. These contracts are for subscriptions payable up to 1 October 2021. The GBP to EUR forward rate moved on average from 1.14 to 1.12 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 71 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 2019-20, these gains and losses are only recognised under the Resource Annually Managed Expenditure (RAME) budgetary category.

During the reporting period the Agency maintained in total a hedge portfolio of 13 forward exchange contracts, seven of which matured during the year. The outstanding six contracts will reach settlement between 1 June 2020 and 1 October 2021. The total cost of these contracts was £414,650,389 and as at 31 March 2020 fair value of all forward contracts held by the Agency was £423,630,300. There has been a positive movement on the revaluation reserve as at 31 March 2020 of £8,979,911.

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 2020 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, Energy and Industrial Strategy, 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

	Note	31 March 2020	31 March 2019
Trade and other receivables less than one year		£000	£000
Trade receivables		362	118
Other receivables		21	253
Prepayments & accrued income	i	60,708	47,503
VAT		360	274
<b>Total</b>		<b>61,451</b>	<b>48,148</b>

Note:

i. Prepayments and accrued income include a prepayment made to the European Space Agency of £59,018k (2018-19: £46,139k).

## 8. Cash and cash equivalents

	Note	31 March 2020	31 March 2019
		£000	£000
<b>Cash and cash equivalents</b>			
Balance at 1 April		11,022	12,915
Net change in cash and cash equivalents		4,554	(1,893)
<b>Balance at 31 March</b>		<b>15,576</b>	11,022
<b>The following balances at 31 March were held at:</b>			
Government Banking Service <sup>i</sup>	i	<b>15,576</b>	11,022

Note:

- i. Included in the cash balance is £472,377 (2018-19: £473,377) held on behalf of the Ministry of Defence, who are third party beneficiaries in the EU SST programme. This funding was received from the EU.

## 9. Trade payables and other current liabilities

	Note	31 March 2020	31 March 2019
		£000	£000
<b>Trade and other payables less than one year</b>			
Trade payables		1,779	748
Other payables		630	453
Accruals <sup>i</sup>	i	56,938	40,009
Contract liabilities <sup>ii</sup>	ii	1,157	-
Deferred income		279	75
<b>Total</b>		<b>60,783</b>	41,285

Note:

- i. Accruals include accrued expenditure in respect of ESA of £11,710k (2018-19: £1,792k); National Programme (via UKRI) of £11,506k (2018-19: £4,568k); GNSS of £9,223k (2018-19: £6,067k); Spaceflight Programme of £7,364k (2018-19: £5,012k); SABRE of £3,390k (2018-19: £7,456k); IPP of £2,605k (2018-19: £2,632k) and NSTP of £1,032k (2018-19: £1,311k).
- ii. In accordance with IFRS15, contract liabilities of £1,257k were recognised with regards to OSA licence fees received in 2019-20 for licences not yet issued as at 31 March 2020 (2018-19: None).

## 10. Capital commitments

There were no capital commitments as at 31 March 2020 (2018-19: None).

## 11. Other financial commitments

### 11.1 International subscription 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 2020	31 March 2019
ESA	£000	£000
Not later than one year	264,384	266,961
Later than one year and not later than five years	150,266	414,650
<b>Total</b>	<b>414,650</b>	681,611



## 11.2 Grants commitments

	31 March 2020	31 March 2019
	£000	£000
<b>Not later than one year</b>		
Academic Grant commitments	19,643	16,909
International Partnership Programme	16,980	28,075
Spaceflight Programme	16,410	16,391
SABRE	2,614	13,383
<b>Later than one year and not later than five years</b>		
Academic Grant commitments	10,655	15,765
Spaceflight Programme	6,264	9,279
SABRE	-	4,717
International Partnership Programme	-	22,077
<b>Total</b>	<b>72,566</b>	<b>126,596</b>

## 12. Operating leases

### 12.1 Obligations under operating leases

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

	31 March 2020	31 March 2019
Offices	£000	£000
Not later than one year	1,085	543
Later than one year and not later than five years	3,356	2,165
Later than five years	470	4,274
<b>Total</b>	<b>4,911</b>	<b>6,982</b>

Notes:

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 was £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 2019-20, the total lease payments charged to the Statement of Comprehensive Net Expenditure were £501,853 (2018-19: £480,339).

On 1 October 2023, the Agency will exercise an early lease surrender option in line with the break clause in the lease agreement. The total minimum lease payments on an undiscounted basis up to that point are included in the above table. The total minimum lease payments on an undiscounted basis up to 31 December 2030 would amount to £6,259,660.

In August 2019, the Agency entered into a lease agreement with the Government Property Agency (GPA) for office accommodation at 10 Victoria Street, London, for the GNSS programme staff. The lease commenced on 27 August 2019 and will expire on 18 February 2026. There is no security of tenure after this date. The agreed initial rent charge is £172,645 per annum which will be subject to annual indexation. The lease payments charged to the Statement of Comprehensive Net Expenditure were £171,845 (2018-19: Nil).

In September 2019, the Agency entered into an additional lease agreement with the Government Property Agency (GPA) for office accommodation at 10 Victoria Street, London. The lease commenced on 30 September 2019 and will expire on 18 February 2026. There is no security of tenure after this date. The agreed initial rent charge is £364,820 per annum which will be subject to annual indexation. The lease payments charged to the Statement of Comprehensive Net Expenditure were £335,149 (2018-19: Nil).

In April 2018, the UK Space Agency entered into a short-term lease agreement 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. The lease payments charged to the Statement of Comprehensive Net Expenditure were £36,168.

In April 2020, the UK Space Agency entered into a new short-term lease agreement with Satellite Applications Catapult Limited for a lease term up to 31 March 2021 at the cost of £30,558 per annum. There is no security of tenure after this date.

## 12.2 Operating leases granted

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

	31 March 2020	31 March 2019
Offices	£000	£000
Not later than one year	517	315
Later than one year and not later than five years	1,206	1,363
Later than five years	-	2,714
<b>Total</b>	<b>1,723</b>	<b>4,392</b>

Notes:

In 2013-14, the 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 headlease 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 2019-20, the total lease income charged to the Statement of Comprehensive Net Expenditure was £314,807 (2018-19: £296,346).

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. At the time of reporting, the lease has not been formally terminated in accordance with the early surrender clause in the lease agreement. The Agency has, however, been in negotiations to replace GSA with a new tenant who will take over the lease commitment from 1 April 2020 until 1 October 2023, in line with the Agency's intention to exercise the break clause in the headlease with NATs Plc on that date. The initial rental charge will be set at £511,000 per annum, which will be reviewed annually in line with RPI increases applied to the headlease with NATs Plc. The future minimum sub-lease income in the above table is disclosed on an undiscounted basis.

## 13. Head office accommodation

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

## 14. Provisions for liabilities and charges

	Dilapidations <sup>i</sup>
	£000
Balance at 1 April 2019	-
Provided in the year	770
Provisions not required written back	-
Provisions utilised in the year	-
<b>Balance at 31 March 2020</b>	<b>770</b>

Note:

- i. In 2013-14, the UK Space Agency entered into an operating lease with NATS (En Route) Plc for office accommodation for the Galileo Security Monitoring Centre (GSMC). At the end of the lease term in December 2030 or in the event of an early surrender of the lease, the Landlord has the contractual right to enforce the Agency to pay for costs of dilapidations which as at 31 March 2020 were estimated at £770,400.

Following the EU's decision to relocate the GSMC centre from the UK, the Agency will exercise an early lease surrender option in October 2023 in line with the break clause in the lease agreement. In accordance with IAS 37, a dilapidations provision was recognised in the 2019-20 accounts.

## 15. Related party transactions

During 2019-20, 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 UK Research and Innovation (UKRI), formerly the Science and Technology Facilities Council (STFC), which was also recognised as a related party. UKRI are an entity for which BEIS is regarded as the parent Department.

Employee benefits received by Agency's key management personnel are disclosed in the Remuneration and Staff Report on page 49. 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
Frances Saunders	Member of the UKRI Science and Technology Facilities Council	Programme expenditure	6,976
Sally Howes	Transformation associate to Cabinet Office Infrastructure and Projects Authority	Programme expenditure; CO led cross departmental services; staff secondment charges	875
	Chair of Surrey Research Park at the University of Surrey	Programme expenditure	41
	Independent non-executive director at the Copyright Licensing Agency	License Fee	1
Chris Castelli	Professor at the Open University	Programme expenditure	170
Graham Turnock	Trustee for the National Space Centre	Programme expenditure	135
Malcolm Macdonald	Chair of Space Technology at the University of Strathclyde	Programme expenditure	94

## 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	JWST	James Webb Space Telescope
ARAC	Audit and Risk Assurance Committee	KPI	Key Performance Indicator
ARTES	Advanced Research in Telecommunications Systems Programme	MoU	Memorandum of Understanding
ASLC	Accruing Superannuation Liability Charges	NAO	National Audit Office
BCM	Business Continuity Management	NASA	National Aeronautical and Space Administration
BEIS	Department for Business, Energy and Industrial Strategy	NCSC	National Cyber Security Centre
CAA	Civil Aviation Authority	NGO	Non-government Organisation
CETV	Cash Equivalent Transfer Values	NSSI	National Space Skills Institute
CSOPS	Public Service (Civil Service and Others Pension Scheme)	NSTP	National Space Technology Programme
CPNI	Centre for the Protection of National Infrastructure	ODA	Official Development Assistance
CNI	Critical National Infrastructure	OSS	Oxford Space Systems
DAASICS	Director's Annual Assurance Statements of Internal Control	PNT	Positioning, Navigation and Timing
DEL	Departmental Expenditure Limits	PSA	Programme Support Activities
DSTL	Defence, Science and Technology Laboratory	PCSPS	Principal Civil Service Pension Scheme
ECSAT	European Centre for Satellite Applications and Telecommunications	SABRE	Synergistic Air-breathing Rocket Engine
EEI	Employee Engagement Index	STSC	Science and Technical Sub-Committee
ESA	European Space Agency	SAR	Synthetic Aperture Radar
EU	European Union	SCS	Senior Civil Service
FCO	Foreign & Commonwealth Office	SEO	Senior Executive Officer
FTE	Full-time equivalent	SIRO	Security, Information and Risk Officer
GAD	Government Actuary's Department	SLA	Service Level Agreement
GCRF	Global Challenges Research Fund	SME	Small and Medium-sized Enterprise
GIAA	Government Internal Audit Agency	SoXSA	Scottish Centre of Excellence in Satellite Applications
GIS	Government Interview Scheme	SPIN	Space Placements in Industry
GLD	Government Legal Department	SSC	Space Sector Council
GSTP	General Support Technology Programme	SSGP	Space for Smarter Government Programme
HEO	Higher Executive Officer	STEM	Science, technology, engineering, and mathematics
HSE	Health and Safety Executive	SPINtern)	Space Placements in INdustry int
IADC	Inter-Agency Space Debris Coordination Committee	SPIN	Space Placements in Industry
ICAI	International Commission on Aid Impact	STSC	Science and Technical Sub-Committee
IPP	International Partnership Programme	UN	United Nations
ISS	International Space Station	UN COPUOS	United Nations Committee on the Peaceful Use of Outer Space







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