



*Delivering Confidence
Since 1995*



United Kingdom Accreditation Service

A company limited by guarantee

Annual Report and Financial Statements for the year ended 31 March 2020



Company information

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Performance at a glance

Financial highlights:

Financial summary for 2019/20

	(£m) 2019/20	(£m) 2018/19
Turnover	33.9	33.3
Cost of Sales	20.4	20.5
Gross Profit	13.5	12.8
Administrative expenses	11.2	10.0
Operating Profit	2.3	2.9
Profit after taxation	2.1	2.4

Business highlights:

- Turnover increased to £33.9m, gross profit margin 39.8%, mirroring improved productivity.
- Agile delivery of Covid-19 remote-working/ assessment and safety arrangements.
- Development of virtual training courses and free webinars to support customers.
- Increased customer satisfaction survey – net promoter score from 40 to 51.
- Initiated projects to enhance the value of accreditation to customers and stakeholders.
- Advanced projects to develop accreditation for 49 new areas/activities.
- Progress made to position accreditation in building safety improvements post-Grenfell.
- Created a single Healthcare section enabling scheme alignment and increased uptake.
- D365 ERP implemented in August 2019, delivering operational efficiencies, new customer portal on track for delivery at the end of 2020.

30,128

Assessment days delivered

2,982

Number of accreditations held

2,659

Number of accredited customers

885

Number of Extensions to Scope

157

New customers

460

Delegates trained

438,000

Searches for an accredited organisation

16,176

Followers on social media

51

Customer Satisfaction Survey Net Promoter Score

Chairman's report 2020

Whilst it would be customary to look back over the 19-20 financial year, it would be remiss of me not to mention the seismic events that occurred towards the end of that year, which have carried on into FY20-21. I refer, of course, to the Covid-19 pandemic and the very considerable impact it has had upon UKAS, its customers and stakeholders, and the UK as a whole – indeed, the world as a whole.

When the magnitude of the crisis started to emerge from China and elsewhere in the early part of 2020, UKAS took decisive action to bring its staff back to the UK and postpone all overseas travel. This was followed by a cessation of UK on-site assessments and – in mid-March – the closure of the Staines office, with all staff working from home. It is a testament to the foresight of the senior management team that the IT systems had been designed with just this eventuality in mind and the switch to homeworking was made swiftly and efficiently. Furthermore, with no travel possible, UKAS immediately moved to remote assessments and these began within days of 'lockdown' being announced, something that had previously only been considered as a theoretical possibility. Similarly, the training portfolio was quickly transferred to online delivery. Again, the way this transition has been managed is a testament to the agility of UKAS and all its staff.

Inevitably, there has been an impact on the financial performance of the business, but I am pleased to report that despite these difficulties, UKAS sustained a profit on ordinary activities before tax of £2.4 million in FY19-20, allowing continued investment in our services. The impact of Covid-19 will continue throughout FY20-21 but the business has taken impressive steps to adopt remote assessment to the extent that the unavoidable loss of assessment days and income are minimised alongside robust plans to recoup some of the lost ground in the second half of the year. This has been accomplished without resorting to the Government's 'furlough' arrangements.

Putting the pandemic to one side, UKAS had been on track for another strong performance in excess of its budget and FY19-20 has been a successful year in most other respects. The breadth and reach of UKAS continue to grow. New development areas include topics as diverse as biobanks, the regulation of drones, environmental land management, car park operators, halal food and blockchain, to name but a few. We continue to work closely with government and regulators. For instance, our work with the Forensic Science Regulator is now extending to sexual assault referral centres and road traffic collision investigation. In addition, the pandemic has resulted in UKAS being involved in the accreditation of Covid-19 test methods, assessment of the 'Lighthouse Testing Hubs', and the sourcing of reliable PPE and ventilator testing. This perfectly demonstrates the vital role that UKAS fulfils on behalf of government and the UK.

Behind all of this is the ongoing issue of Brexit and the negotiations of potential trade deals with the EU, the USA and several other countries. As the UK approaches the end of the 'transition period' UKAS has been in regular dialogue with the Government, offering advice and insight to ensure that the important role that accreditation and standards play in facilitating international trade is fully recognised. It is a tribute to the high regard in which UKAS is held that EA – the European co-operation for Accreditation – has extended UKAS' membership of the regional group for a further two years.

Clearly, difficult times lie ahead as the world comes to terms with the 'new normal' and it would be foolish to suppose that the fallout from the pandemic will not continue to affect UKAS in some way. Nevertheless, throughout this crisis UKAS has shown itself to be resilient, resourceful and decisive and I look forward to the coming year with cautious optimism.

Lord Jamie Lindsay
Chairman

Chief Executive's report

Towards the end of 2019, in one of my regular update blogs, I invited the UKAS team to take stock of the year and to look ahead to the possibilities for accreditation, in our 25th Anniversary year. At that time, it would have been impossible to foresee the momentous impact Covid-19 would have on society and the way it has changed work, life and play. But throughout the crisis one thing has remained clear – the opportunities and case for accreditation is stronger than ever especially in this increasingly complex, uncertain and digital world. More precisely, standards and accreditation have played a critical role in this social and health crisis ensuring the safety of PPE, medical devices and Covid-19 testing. In many thousands of ways accredited testing, inspection and certification has proven its essential role, underpinning the quality and safety of our daily lives.

FY2019/20 was an important year for UKAS as we implemented new roles, structures and systems and managed the transitions to ISO17025. As a team we delivered new levels of operational productivity, whilst at the same time elevating customer service to new heights. We delivered a strong revenue performance, whilst maintaining the highest levels of technical integrity. We raised the profile of accreditation with Government and wider stakeholders, whilst also investing in the skills and benefits for all our staff. Throughout the year I have remained incredibly impressed by the dedication, expertise and warmth of our people.

But the greatest accomplishment of the year was the agility, ingenuity and commitment our team showed in preparing and adapting our services to the onset Covid-19. We have established new models of assessment, communication and collaboration that will have long-lasting benefits to customers and stakeholders beyond the current crisis.

Financial Performance

Underlying financial performance remained strong throughout the year, strengthened by the delivery of additional transition assessments from the ISO17025 transition. However, consolidated turnover was impacted by a deferment of approximately 1,000 assessment days as the Covid-19 threat emerged in China and Europe, followed by a UK national lockdown enforced at short notice in the middle of March 2020. As a result, revenue in this final month was significantly impacted and overall growth increased by just 1% in FY2019/20 to £33.9M from £33.3M in the prior year. This equated to 30,128 assessment days from 30,823 days in FY2018/19, and 29,725 days in FY2017/18. Despite this impact, gross profitability was maintained at 39.8%, resulting from improved productivity. Profit for the year was £2.1M from £2.4M last year, reflecting the effect of Covid-19 in the last month and a £0.5M discretionary pension contribution.

Strategic Investment

In November 2018 we took the decision to update the three-year strategy and define eight new guiding strategic priorities with accompanying objectives and a new balanced score card to track performance. It is particularly pleasing to report that significant progress has been made, in large part due to the creation of a strategic projects team, dedicated to improving the efficiency and effectiveness of our service. Most notable of these projects is the development of a risk-based assessment approach which will be piloted in the FY2021/22. This model will allow UKAS to focus our resources on those customers who present a greater risk, whilst lowering the assessment burden on those that present lower risk. I am also pleased to report the launch of UKAS E-Certificates backed up by a blockchain register. Moreover, the new D365 ERP system reported last year was delivered in August 2019. It has already created several operational

Chief Executive's report

efficiencies and in early 2021 will be augmented further with the launch of a new customer portal. These investments mark the start of several planned technology advances over the coming years, including a verifiable database of all UKAS accredited management system certificates as well as a new digital assessment reporting system.

Customers

In keeping with our National Accreditation Body remit, we aim to deliver our services to the highest technical standards whilst being self-financing, cost-efficient and customer-centric. In early 2019, we established a new customer service feedback system with a detailed service excellence plan and Quality Champions in each department. This has brought about a greater cultural focus on process improvement and customer service across the business. A measure of this improvement is seen in the net promoter scores achieved at the end of August 2020 which reached a high of 81 for post-assessment feedback and 51 for overall service feedback (56 and 40 respectively in April 2019).

Despite the significant operational challenges of switching to a remote assessment model in March this year, clients have continued to praise the technical competence, sector knowledge, professionalism and preparedness of our Assessors. Going forward, remote assessments will play a permanent role in our blended approach to assessments, because of the service and efficiency benefits. Nonetheless, we are acutely aware of the downside risks of remote assessments, and accordingly we have initiated a technical work stream with ABCB, FCB, IIOC and SAFed¹ to ensure technical integrity of remote assessments in the certification and inspection sectors.

From the earliest point possible of the Covid-19 crisis, we communicated our policy on adopting remote assessments and encouraged certification and inspection bodies to embrace similar models, whilst ensuring the integrity was not detrimentally impacted. We increased communications, so that we can engage more effectively with our customers and the market on the value of accreditation. We have consulted on and produced two important technical policy statements TPS 62 and TPS 73 which have provided clarity on the approach to conformity assessment during the crisis. We have delivered several free webinars with customers to help them understand the best ways to survive and adapt. We have been working very closely with the National Health Service, the Department of Health & Social Care and Public Health England to ensure that our services for medical laboratories maintain the integrity of pathology testing including developing accreditation of Covid-19 testing.

People

As a professional service-orientated firm, we believe our people are at the very heart of our business. Our service quality, technical excellence and our fundamental financial success all rely on the 250 staff (and over 700 contractor assessors) who work for us. We therefore strive to make UKAS a great place to work. Our 2019 annual employee engagement study demonstrated that we have a loyal team, proud to work for UKAS and strongly committed to quality. It also pointed to areas for improvement including leadership skills, talent development, reward and recognition and company communications. A company engagement plan and section plans have been developed to address improvements. Since then, we have improved staff benefits through the provision of private medical insurance and health cash plans and during the switch to remote working, we enhanced our company and team communications (through the companywide adoption of MS Teams) as well as implementing health and wellbeing employee assistance programmes, including establishing mental first aiders.

Chief Executive's report *continued*

Stakeholders

Alongside this, UKAS continues to set a high benchmark in terms of the level and quality of stakeholder engagement. This has been augmented by the appointment of a new External Affairs Director. As reported last year, we have received ongoing strategic insight and technical input from stakeholders on our Technical Advisory Committees, Policy Advisory Committee and the annual Policy Advisory Forum. We are deeply grateful for the standard of expertise that we draw upon which helps to ensure we are focused on emerging trends and best practice across our range of services. On the international front, we have continued to remain an active contributor to the development of international accreditation through our membership of EA, IAF and ILAC². Our commitment to international engagement remains strong and we will continue to work to retain our status as a world leader in accreditation. This is mirrored by the endorsement given by EA, extending UKAS's EA membership to 31st January 2022, and the process to modify EA membership criteria to allow UKAS to remain a full regional member has now begun.

Risk Management and Business Resilience

As reported last year, we have implemented a Risk Register to identify and mitigate risk at the earliest opportunity. This is critical to ensure long-term business resilience. Aside from Covid-19, the new arrangements created by Brexit and future trade deals remain the most significant issue to UKAS. Hence, we have remained close to BEIS, DIT and other key departments to advise on technical matters relating to Conformity Assessment and Notified Body Accreditation. We have continued to be proactive in supporting customers impacted by exiting the EU and assisted their application for accreditation with EU NABs. We look forward to the opportunities created by the new UK Conformity Assessment Mark (UKCA) and have been supporting BEIS with preparations for its launch in January 2021

New Service Development

Our new service development pipeline has remained healthy, with over 100 leads and live developments for new areas of accreditation. Our Development Team has been actively engaged with a broad spectrum of stakeholders to develop schemes such as Building Information Modelling (BIM), Point of Care Testing, Biobanks, Cannabidiol Novel Foods, Medical Physics and Clinical Engineering. We have continued to prioritise and support the technical working groups under The Industry Safety Steering Group set up by Dame Judith Hackitt to monitor the construction industry's progress on implementing the recommendations in the Independent Review of Building Regulations and Fire Safety (The Hackitt Review). To this end we have formed an MOU with the Engineering Council to identify ways to ensure competency across the key roles in the design, construction and maintenance of High-Risk Residential Buildings.

At our January annual staff conference, we launched the year with the theme of the impact and application of the 'Fourth Industrial Revolution' (IR4.0) to accreditation. This followed an invitation from Government for UKAS to set out its vision for the role of standards and accreditation for the challenges and opportunities of IR4.0. We have continued to actively monitor technological advancements including AI, the Internet of Things (IoT), drones, cybersecurity and blockchain for their implications to accredited conformity assessment. Going forward, we are confident that this range of projects will provide a long-term platform for the evolution of accreditation as a tool to deliver confidence.

Outlook

On reflection FY2019/20 was a remarkable year of change and progress, which was only made possible with the hard work of our staff and contractor assessors, alongside the support and collaboration of customers, stakeholders and international partners. Our resilient financial performance of FY2019/20 allows us to continue with planned investments in long-term service improvement and secure our long-term future. The ongoing Covid-19 crisis will adversely affect our FY20/21 results, but it is too early to quantify the final impact over the year. Nonetheless, we remain confident that we will reach a breakeven point over the financial year. We will continue to monitor the crisis closely and take appropriate actions to minimize its impact on our people, customers and stakeholders.

In this 25th anniversary for UKAS, we can look back at the achievements of the last year as testament to the contribution of all our staff, customers and stakeholders, which has made UKAS a strong and resilient organisation, able to quickly respond to the Covid-19 crisis and use the opportunity to adapt and develop our services further. With the onset of the Fourth Industrial Revolution and the opportunities that new trade deals bring to the United Kingdom, accreditation and UKAS will continue to play a strong public service role in the coming 25 years.



Matthew Gantley

Chief Executive

Foot note:

¹ ABCB – Association of British Certification Bodies

FCB – Federation of Certification Bodies

IIOC – Independent International Organisation for Certification

SAFed – The Safety Assessment Federation

² EA – European Co-operation for Accreditation,

IAF – International Accreditation Forum

ILAC -- International Laboratory Accreditation Cooperation

Financial review

Overall, UKAS delivered a strong financial performance despite the effect of the Coronavirus pandemic which impacted the tail end of the financial year.

Group turnover for the year ending 31 March 2020 increased to £33.9m compared to £33.3m in the previous year, a year on year increase of just 1%. Gross profit margin of 39.8% was in line with longer term trends, reflecting strong levels of productivity across all business areas.

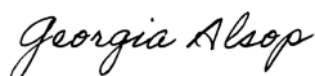
Group profit after tax of £2.1m for the year ending 31 March 2020 was 10% down year on year, largely due to less days delivered year on year, and a £0.5m ad hoc, discretionary payment into the UKAS Defined Benefit Pension Scheme to fund inflationary increases of 2% to benefits of Scheme Members that were accrued between 1 October 2003 and 31 March 2019 and not crystallised before 31 March 2020.

During 2020 the UKAS group delivered 30,128 assessment days to customers compared to 30,823 days in the previous year. Some 1,000 assessment days were deferred into the next financial year as the Coronavirus threat emerged in the UK and a national lockdown was enforced at short notice in the middle of March 2020. Soon after the initial disruption, UKAS was able to quickly adapt to a remote assessment model, flexing its robust systems infrastructure in order to support and deliver accreditation services to its customers whilst at the same time securing the safety of its staff and the future viability of its business.

The Group continued to contain underlying costs whilst also investing in important infrastructure projects such as a new enterprise wide cloud-based business system which was implemented in August 2019, and the continued development of its customer and contractor portal which is now expected to be delivered in the first quarter of 2021.

Profit and loss reserves of £12,780k were positive and included a £1,952k long term pension liability, relating to the company's defined benefit pension scheme. At the last actuarial valuation as at 31 March 2018, the UKAS Defined Benefit Pension Scheme was fully funded, even on a prudent basis. The Scheme's funding levels have deteriorated since due to unfavourable changes in market conditions as a result of the Coronavirus pandemic. However, the Scheme's asset valuations have recovered since March 2020 and funding levels in September 2020 were above 90%. The Group aims to hold three months turnover as reserves and as at 31 March 2020 exceeded its target.

The Group's liquidity position as at 31 March 2020 strengthened further with its current asset ratio increasing from 2.7 to an even healthier 3.2.



Georgia Alsop

Finance and Corporate Services Director

Overview of our strategy

Following an extensive consultation and strategic review exercise, conducted during 2018, we have established our Strategic Plan for the business which is broken down into eight strategic priorities (illustrated below). Our strategic plan has a three-year horizon and will be reviewed and revised on an annual basis, continually looking toward a three-year outlook.



Our eight strategic priorities are:

- **Benchmarking**
 - To be outward looking and actively engaged in activities that enable us to compare our policy and performance against the best in class, be that with a financial operational, technical, customer service or quality perspective; to ultimately improve the service we deliver to stakeholders and customers.
- **Innovation and Technology**
 - To enable a culture of innovation and technology adoption that allows us to improve our consistency and productivity and place UKAS at the forefront of assessment and accreditation services.
- **Agile Service Development**
 - To develop new innovative accreditation services, simplify standards transitions and evolve our core processes to ensure they are responsive to a rapidly changing environment whilst ensuring they provide long-term public benefit, stakeholder value and sustainable financial return.
- **Profile and Influence**
 - To maintain and enhance UKAS’s reputation both nationally and internationally thereby ensuring we can effectively influence accreditation issues that affect ourselves, our customers and our stakeholders.
 - Brexit/Free Trade Agreements – support Government, stakeholders and customers to understand the value and role of accreditation in trade agreements and assist test, inspection and certification customers to make suitable changes brought about by exiting the EU.

● Sustainable Growth

- Develop the capability to anticipate and respond to market needs and identify potential investment opportunities that support the UKAS vision that “Everything that should be accredited, is”.
- Maintain and enhance our international profile and influence, Government and Stakeholder engagement.
- Increase understanding of the value and benefits of accreditation.
- Targeted and focused commercial growth for UK and International Accreditation Services, Training and Advisory and Service Development.

● Financial Stability and Productivity

- To deliver prudent financial performance which supports continued investment in our services to ensure they are efficient, effective and deliver broad stakeholder value, whilst maintaining our integrity and technical capability as a world class accreditation body.

● Quality and Technical Excellence

- Maintain and enhance UKAS’s quality and technical systems to support the delivery of a world class accreditation service.

● Talent Development

- Foster a culture that encourages continuous learning, collaboration and growth and align our workforce to the strategic aims and values of the business and develop the talent and technical excellence, capable of delivering a world class accreditation service.

The strategic review which has allowed UKAS to arrive at these eight strategic priorities has considered many factors including, amongst other factors: feedback from our staff, customers and stakeholders; comparison of UKAS services with our peers and competitors; the environment in which UKAS and accreditation operates and the risks currently present to the business. This has allowed us to identify our key strengths and those areas in need of improvement. Our strategy to deliver world leading accreditation services is therefore centred on making the most of our key strengths and addressing the areas in need of improvement.

In the short to medium term a focus of the strategy is to improve and enhance the delivery of UKAS’s assessment services, modernising several of our services and improving our digital and online offerings to our customers and stakeholders. Highlights of this area of the strategy include:

- Delivery of a customer and assessor portal;
- Flexible training options supported by online delivery;
- A risk-based approach to assessments;
- Technology to improve assessment efficiency and support remote assessments and
- An online database of certificates issued by UKAS Accredited CABs

Also, in the short term the current uncertainty around BREXIT presents a need for UKAS to maintain our profile and influence both at home – with UK Government and stakeholders and internationally – with the wider international accreditation community. We feel that this is vital to ensuring that UKAS accreditation continues to provide value to our customers and stakeholders. Our strategy will help to ensure that UKAS has the right resources focused in the right areas to ensure that we maintain and build upon our UK and International profile and influence.

The outlook for accreditation looks promising as the demand for accreditation continues to grow and diversify. Therefore, it is essential that UKAS maintains the right resources and structure to allow us to deliver on the expectations of many new customers and stakeholders. Within our strategy are objectives and actions that will ensure we have those resources and that our structure evolves to meet the needs of delivering a world class accreditation service.

In summary our strategy is challenging and exciting and presents a clear roadmap to allow our world class reputation for delivering technical excellence to be supported by world class delivery of our services.



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