

Technology Strategy Board  
Driving Innovation

## Annual Report and Accounts 2013-14



# Annual Report and Accounts 2013-2014

Presented to Parliament pursuant to schedule 1, Sections 2(2)  
and 3(3) of the Science and Technology Act 1965

Ordered by the House of Commons to be printed 09 July 2014



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Print ISBN 9781474108416  
Web ISBN 9781474108423

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

ID 26061402 07/14

Printed on paper containing 75% recycled fibre content minimum

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This *Annual report and accounts* covers the financial year 2013-14, ending 31 March 2014.

### **About the Technology Strategy Board**

The Technology Strategy Board is the UK's national innovation agency. Our goal is to accelerate economic growth by stimulating and supporting business-led innovation.

We understand business; our people come mainly from a business background. We work across government, business, and the research community – removing barriers to innovation, bringing organisations together to focus on opportunities and investing in the development of new technology-based products and services for future markets.

Everything we do is driven by one question: will it help UK business bring new ideas and technologies to market?

[www.innovateuk.org](http://www.innovateuk.org)

## INTRODUCTION FROM OUR CHAIRMAN

It is my pleasure to present the Technology Strategy Board's Annual Report and Accounts for 2013-14.

The Technology Strategy Board is the UK's innovation agency, working with business to stimulate and support innovation and accelerate economic growth. As the primary channel through which the Government encourages innovation, this has been another important year for us.

There has been a surge of strategic work in Government on innovation, industry and growth, in which we have played an important part. We have been closely supporting BIS in developing the sector-based industrial strategies launched in 2013, which focus on sectors most likely to bring added value and employment to the economy, and we are working with many of the leadership councils created to deliver those strategies. Many of the priority areas we focus on in our own work are also reflected in the 'Eight Great Technologies' identified by Science and Universities Minister David Willetts.

The acceleration of innovation cannot happen without business. Innovative companies of all sizes are our key partners, and I continue to be excited by the range of high quality businesses whose projects we support. Each is making its own contribution to the future economy, often working with outstanding university researchers, by developing new products, services and processes - frequently with global market potential. It is important to inspire others by highlighting the innovation achievements of these businesses, and we have published many of their exciting success stories over the past year.

We have recognised the need to strengthen our focus on evaluating impact and agreed an evaluation programme to look at our main areas of investment and are reviewing ways of getting more accurate data on business growth. We are working with BIS on value for money assessments and have started close collaboration with academic centres of excellence in the study of business innovation.

Smaller businesses with high growth potential will become the drivers of the future economy, and this year we have continued to develop our tools helping SMEs to commercialise their innovative ideas, through new programmes and partnerships with organisations such as GrowthAccelerator.

Horizon 2020, the European innovation funding programme, is also a major opportunity for UK businesses. To help increase their engagement we have stepped up our activities in this area - including launching the Horizon 2020 UK website for business and opening a small office in Brussels.

Our work is highly valued in many sectors of industry, research and government, but our profile could be stronger. We are developing a bolder, clearer and more consistent narrative to help our stakeholders in business and Government better understand what we do and why we do it, and appreciate the power and potential of our role as the UK's innovation agency. This year we developed an enhanced communications strategy, including starting a major programme to redevelop our brand, and building a marketing strategy to help new potential businesses discover and access the support we offer.

In October the report from our Triennial Review was published. The conclusions were generally very positive, with a few areas for improvement. We have now addressed all the recommendations made.

In past years we have faced challenges forecasting and managing our annual spend against our complex range of grant commitments. This year we have taken key actions to improve financial forecasting, and as a result are able to manage our resource flow significantly better.

After another successful year, we are preparing for further growth. In the Spending Review for 2015-16 the Government allocated significant extra funding and we have now started work on ramping up activity in preparation for launching a number of new innovation programmes.

I am delighted by the progress the Technology Strategy Board has made in 2013-14 and I look forward to the organisation playing an increasingly vital role in enabling the innovation that is needed for future UK prosperity.

**Phil Smith**  
**Chairman**

## FOREWORD FROM OUR CHIEF EXECUTIVE

This has been another very busy year for the Technology Strategy Board, as we continue to deliver our existing strong programme of innovation support for business while at the same time launching a series of new projects and initiatives.

One of our main tools is collaborative R&D funding; during the year we ran 38 such competitions in a broad range of growth-creating areas, from transport to biosciences and from construction to nanoscale technologies. These collaborative R&D programmes were supplemented by 19 feasibility study competitions, encouraging smaller and faster projects designed to prove the feasibility of innovative technology solutions.

The Biomedical Catalyst, which promotes innovation in partnership with the BBSRC, has made a major impact since its launch in 2011. This was recognised in 2013 when we were presented with the 'highest impact investor' award by OBN, the membership organisation for emerging life sciences. This year we extended the model to launch catalysts in agricultural technology (part of the Agri-Tech Industrial Strategy), energy and industrial biotechnology.

Other programmes which continued to be well subscribed are those which are open to business to apply at any time and from any sector, and especially smaller businesses - Smart awards, Knowledge Transfer Partnerships and Innovation Vouchers.

Our focus on SMEs has grown further. We extended our successful Launchpad format - which supports new ideas from micro or start-up businesses in local clusters - and ran four new Launchpads. We continued to champion the growth of SBRI (the Small Business Research Initiative) which is used by Government departments looking to solve challenges with the help of innovative businesses. And, recognising that small companies need much more than funding on their journey, we piloted a collaboration with GrowthAccelerator to give enhanced support including mentoring and coaching. More than 180 businesses, whose projects we funded, have signed up.

Equally important for the UK's innovators are the connections that help a business take its ideas from concept to commercialisation. This year great progress has been made in optimising our Knowledge Transfer Networks. Networking is a key part of our strategy, and we have brought 14 existing KTNs together to create a single Knowledge Transfer Network of communities and cross-cutting activities.

Our major programme to set up the Catapults - world-leading technology and innovation centres - is advancing very well. Seven centres are now open for business and making an impact, and in 2013 we announced two more, focusing on precision medicine and energy systems.

We also stepped up our regional business engagement through existing Venturefest events at Oxford, York and Bristol and will become anchor sponsor for a national network of Venturefest events over three years.

International activity has also been a focus this year. We have enhanced our support for UK businesses seeking European opportunities, especially the Horizon 2020 programme. With UKTI, we have run entrepreneur missions to Brazil, China and the US, and will be collaborating on a pilot programme of export support for 200 companies.

In terms of outreach, a notable success in 2013 was our partnership with the Design Museum. A collaborative exhibition, *The Future is Here*, attracted thousands of people to find out about innovative manufacturing and design technologies and approaches. This is just one example of the new ways we are highlighting the achievements of the innovative companies which we have helped.

As we mature as an organisation, we are increasingly using our expertise to support delivery of innovation programmes where we are not the main funders. In 2013-14 we continued to support the Advanced Manufacturing Supply Chain Initiative, and also worked with BIS running competitions associated with the new Aerospace Technology Institute and Advanced Propulsion Centre.



I am proud of the people we have in the Technology Strategy Board, whose expertise and passion have enabled us to achieve so much. With our portfolio growing and increased activity planned for 2015, this year we took important steps to build our capability further with new appointments, particularly in the areas of IT, HR, communications, business process improvement, planning and evaluation. With a great team, I am confident that we will continue to meet the challenges ahead.

A handwritten signature in black ink, appearing to read 'Iain G. Gray', with a stylized flourish at the end.

**Iain G Gray CBE**  
**Chief Executive and Accounting Officer**

# BUSINESS REVIEW OF THE YEAR

## Statutory basis and history

The Technology Strategy Board was incorporated by Royal Charter on 7 February 2007 and was established as a research council for the purposes of the Science and Technology Act 1965 by the Technology Strategy Board Order 2007 (S.I. 2007/280). It commenced operations on 1 July 2007, when it took over certain activities previously carried out by the Secretary of State for Trade and Industry relating to energy and technology innovation. The Technology Strategy Board is a business-led executive non-departmental public body (NDPB) and its primary source of funds is the Request for Resources grant-in-aid allocated by its sponsoring body, the Department for Business, Innovation and Skills (BIS).

These financial statements have been prepared in accordance with the Accounts Direction given by the Secretary of State for Business, Innovation and Skills in accordance with section 2(2) of the Science and Technology Act 1965.

## Purpose

The Technology Strategy Board is the UK's innovation agency. Its goal is to accelerate economic growth by stimulating and supporting business-led innovation – bringing together business, research and the public sector, supporting and accelerating the development of innovative products and services to meet market needs, tackle major societal challenges and help build the future economy.

## Delivering innovation

The businesses whose projects we support range from pre-start-up and early-stage micro companies to larger corporates and multi-nationals. Since business is both the source of innovation and the means of its delivery, our role is to help companies take their ideas on the difficult journey to market by providing them with a powerful array of programmes and tools.

Funding for research, development and demonstration projects extends from proof-of-concept grants and feasibility studies through to large multi-partner collaborative research and development projects. Other resources include the new network of Catapult centres, which are a major boost to the UK's ability to transform ideas into new products and services in specific fields.

We also offer knowledge-sharing opportunities for academia and business, facilitate networking to boost open innovation, and provide the route for UK businesses to access European support for innovation and technology.

## Our strategy

In 2011 we launched a four-year strategy designed to accelerate economic growth by stimulating and supporting business-led innovation.

The strategy – *Concept to Commercialisation* – was backed by a budget of more than £1bn over the period and was designed to generate investment in innovation of around £2.5bn, including contributions from business and partners. It concentrated on five strategic themes:

- accelerating the journey between concept and commercialisation
- connecting the innovation landscape
- turning government action into business opportunity
- investing in priority areas based on potential
- continuously improving our capability.

Financial year 2014-15 will be the final year of our corporate strategy and we have begun a review process to develop a new strategy to take us forward in 2015.

## Accelerating the journey between concept and commercialisation

The road from initial idea to market-ready products and services is rarely straightforward. Our role is to offer the best possible support at appropriate points in that journey, building understanding of the innovation process and the support needed by different types of business, sectors and stages of development.

### Catalysts

Catalysts are run in partnership with the research councils, offering businesses and researchers a clear and progressive route for development, so that successful early-stage projects can easily find support for the next stage on their innovation journey.

The Biomedical Catalyst is run jointly by the Technology Strategy Board and the Medical Research Council (MRC). In October we were presented with the 'highest impact investor' award by OBN, the membership organisation for emerging life sciences in the UK. It was in recognition of the impact of the Biomedical Catalyst in investing around £122m over its first 18 months, including 112 awards to small and medium-sized enterprises (SMEs).

Following the success of the Biomedical Catalyst we launched three further Catalysts during the year:

- Agri-tech Catalyst
- Energy
- Industrial Biotechnology Catalyst.

The Agri-tech Catalyst is an important part of the UK *Strategy for Agricultural Technologies* and supports the 'proof of concept' development of near-market agricultural innovations. The Government has invested £60m in the Catalyst, with an additional contribution of £10m from the Department for International Development (DfID) to help in the transfer of technology and new products to developing countries.

We are delivering this Catalyst with support from the Biotechnology and Biological Sciences Research Council (BBSRC).

The Industrial Biotechnology Catalyst is being run in partnership with the BBSRC and the Engineering and Physical Sciences Research Council (EPSRC) and has committed £45m to major integrated projects. It will support R&D for the processing and production of materials, chemicals and bioenergy through the sustainable exploitation of biological resources. The first round of funding opened in January 2013.

The Energy Catalyst was launched at the end of the financial year with the first round of applications expected in May 2014

### Catapult centres

A Catapult is a technology and innovation centre where the very best of the UK's businesses, scientists and engineers can work side by side on research and development – transforming ideas into new products and services to generate economic growth.

Catapults add an important new dimension to complement our existing research and development programmes, helping businesses to adopt, develop and exploit innovative products and technologies.

They offer concentrated expertise in areas such as manufacturing processes, test facilities, type approval and accreditation or supply chain development. Many provide access to cutting-edge equipment and specialist facilities to develop and test ideas in reality. And all use the power of people and organisations working closely together to unlock opportunity, reduce innovation risk and speed new products and services towards commercial reality.

The Catapults programme represents more than £1bn of private and public sector investment over the next few years and will transform the UK's innovation capability for the long term. Seven Catapults are now up and running, each focusing on an area which we have already identified as strategically

important in global terms and where there is genuine potential for the UK to gain competitive advantage:

- high value manufacturing
- cell therapy
- offshore renewable energy
- satellite applications
- connected digital economy
- future cities
- transport systems.

It was also announced in August 2013 that the Catapult network is to be expanded in 2015-16 to include two more centres, covering energy systems and precision medicine.

## Support for high-potential SMEs

The UK's prospects for economic growth depend to a large extent on small and medium-sized companies, whether they are early-stage entrepreneurial businesses needing to bring their ideas more rapidly to market or more mature businesses seeking to deliver stronger growth. We are dedicated to supporting innovation by SMEs, with up to 60% of the companies we work with falling into this category.

**Innovation Vouchers.** We provide start-ups, micro-businesses and SMEs with an Innovation Voucher worth up to £5k so that they can seek specialist knowledge to help them innovate, develop and grow. Vouchers are awarded on a quarterly basis and round six was launched in October 2013. For round seven in January 2014 we added two new themes – space and high-value manufacturing – to those already supported: agri-food; built environment; cyber security; energy, water and waste; and open data.

To date we have awarded about 1,100 vouchers with a total value of just over £5m.

**Smart.** Our Smart scheme offers funding to SMEs to engage in the strategically important areas of science, engineering and technology, from which successful new products, processes and services could emerge. It provides funding to pre-start-ups, micro businesses and SMEs with ambition and potential for growth to invest in game changing R&D and innovation.

This is our most popular scheme for small businesses, with a budget of £40m in 2013-14. We issued 524 grants during the year.

**Missions.** Missions, which we run with UK Trade & Investment (UKTI) and other partners, are a proven way to help early-stage businesses accelerate their growth potential overseas.

In September, we supported the six-day Tomorrow's Manufacturing Mission to China to explore greener approaches to manufacturing. Selected UK technology companies visited three Chinese regions renowned for their enterprise and heavy manufacturing and were given an opportunity to extend their international operations in sectors ranging from automotive, textiles, metallurgical and machine building to electronics and pharmaceuticals.

We also supported two 'Clean and Cool' Missions in late 2013. The first was to Brazil in October, the second in Colorado, US, in December. The aim was to enable the UK's most promising clean technology companies to showcase their innovations and explore business opportunities associated with tackling climate change and improving resource efficiency.

**Knowledge Transfer Partnerships (KTP).** KTPs help UK businesses improve their competitiveness, productivity and performance by accessing the knowledge, technology and skills that are available within our world-class universities, colleges and research organisations.

They do this through the development of collaborative partnerships which stimulate innovation and help to transform the organisations taking part. The projects, running from six to 36 months, involve partnerships between businesses and universities, driven by recently qualified graduates.

There were more than 700 projects in the portfolio at the end of 2013-14. Funding is being made available for these KTPs by the Technology Strategy Board and 12 other funding organisations; it totalled more than £27m in 2013-14.

Two new targeted KTP competitions opened during 2013-14, in the areas of modelling and simulation in rail and new methodologies in multi-disciplinary software development, with a total additional investment of up to £1.5m. The Technology Strategy Board is funding the modelling and simulation in rail competition together with RSSB, as a new funder for KTPs.

### **Investment in SME clusters**

Launchpads provide funding for business innovation that supports the development and strengthening of clusters of high-tech companies in specific theme areas and geographical locations.

Following the success of our £1.25m investment in 2012-13 to support innovation in companies around London's media and technology hub, Tech City, we invested more than £4m in further Launchpads during 2013-14, including Materials and Manufacturing North West, Motorsport Valley, Greater Manchester Creative and Digital and the Severn Valley Cyber Launchpads.

We also announced that there will be at least five more Launchpads in 2014-15, with funding of £1m each. These will include a second Tech City Launchpad, with a focus on digital companies further into East London, healthcare technologies in Wales and manufacturing (process industries) in the North East.

### **New forms of knowledge exchange and networking**

The effective exchange of knowledge helps to drive innovation in a number of ways, so that establishing, encouraging and nurturing networking becomes an important part of our work.

Our online virtual networking platform, **\_connect**, provides a powerful innovation and collaboration opportunity. Home to many different knowledge transfer communities and special interest groups, it allows disparate communities of businesses and researchers to make contact and work together and for us to work together with them in turn to develop new programmes. We continued to grow **\_connect** and by year-end it had more than 94,000 active users.

Early in 2014 we set up a not-for-profit company, KTN Ltd, to bring the previously separate knowledge transfer network communities together under one umbrella from 1 April. The new Knowledge Transfer Network has created a more fluid structure, enabling greater opportunities for collaboration, providing even more invigorating networking opportunities and making cross-cutting activity across disciplines easier.

### **Connecting the innovation landscape**

We recognise that the disconnected nature of the innovation landscape poses difficulties for businesses trying to find support. To help them succeed, we made better connections with the financial investment community, increased investor engagement at our events, developed a searchable database of funded companies and linked to other schemes providing support.

One example where we work closely with other organisations is GrowthAccelerator, which aims to provide small businesses across England with the know-how and ability to achieve rapid and sustainable growth. Many of the businesses we engage with are exactly those that GrowthAccelerator is aiming to attract.

We have been working closely with the GrowthAccelerator since its launch in May 2012. Between February and June 2013, 196 Technology Strategy Board clients committed to join GrowthAccelerator. More than half (54%) of these were micro-businesses (0-9 employees), a third (36%) were small (10-49 employees) and 10% were medium-sized (50-249 employees).

GrowthAccelerator was a partner in our pilot SME growth programme, which tried out different types of external business advice and support to see if they could add value to SMEs and, if so, to identify a way of delivering that support.

The pilot, delivered by a partnership of GrowthAccelerator, Plymouth University and Entrepreneurs & Education Programme, showed that both GrowthAccelerator and the entrepreneurial skills training provided significant benefits in supporting Technology Strategy Board-funded SMEs. The support had helped drive changes in their attitude, behaviour and performance. In 2014-15 we will be rolling out an SME growth support programme based on the results of this pilot.

## **EU and International**

EU and international activities are playing an increasingly important part in our work and we are continuing to build a range of EU activities.

Our support for business, especially SMEs, and research organisations to exploit EU Horizon 2020 funding includes a network of UK National Contact Points, the Horizon 2020 UK website ([www.H020UK.org](http://www.H020UK.org)) and greater co-ordination with the UK Enterprise Europe Networks.

Horizon 2020 represents an unprecedented opportunity for UK companies and organisations, particularly smaller firms, since at least 20% of the €79bn H2020 budget is targeted at SMEs. H2020 activities and initiatives offer an excellent platform to establish collaborations and partnerships and to build supply chains and networks with other businesses and research organisations across the EU and globally.

During the year, we invested more than £9.5m in UK partners collaborating in European programmes, with support for more than 65 companies covering over 45 projects. Of these, more than two thirds were SMEs. For EUREKA Eurostars, an EU-wide programme specifically designed for SMEs undertaking R&D, the UK budget in 2013-14 was £3m.

## **Turning government action into business opportunity**

### **Procurement**

We work with government to identify areas where policy, procurement, standards and the use of regulation can stimulate business innovation and develop our innovation platforms.

The Small Business Research Initiative (SBRI) programme provides businesses with public sector procurement contracts to research and develop new products and services to address public sector challenges. SBRI enables the public sector to engage with industry during the early stages of development, supporting projects through the stages of feasibility and prototyping.

As an example, during 2013-14 we ran an SBRI competition on behalf of the Ministry of Defence to help develop innovative solutions and technology that could help mitigate the threat from insider attacks on current operations in Afghanistan as well as future operations.

We also announced in January an £8m initiative, designed to re-invigorate the UK's high streets. It is inviting businesses to compete for funding to explore innovative approaches to retailing/services, logistics and travel and traffic.

We ran five SBRI competitions ourselves during the year and another nine on behalf of other partners in government.

### **Our role as a delivery partner**

We aim to act as an effective delivery partner to other public sector organisations, helping them to maximise the impact of their support for innovation.

We use our core expertise to deliver programmes jointly with, and on behalf of, a range of government organisations such as the Department of Transport's Office for Low Emission Vehicles (OLEV).

For instance, we have an important role in overseeing a £75m investment by BIS, in partnership with the Automotive Council, which is supporting a small number of projects that form the initial portfolio for the UK's Advanced Propulsion Centre (APC).

These collaborative R&D projects will strengthen UK capability and develop the country's supply chain in the field of low carbon vehicles and deliver significant reductions in vehicle CO<sub>2</sub> emissions.

We also have a service level agreement with the UK Space Agency (UKSA) as its delivery partner for telecoms, navigation and integrated projects funded through the European Space Agency, running activities such as the *Space for growth* collaborative research and development competition.

### Innovation platforms

Our innovation platforms bring together industry, academia and government to focus on a specific challenge such as vehicle emissions or disease diagnosis. An innovation platform is a long-term commitment to a programme of support using many of our different tools and mechanisms as appropriate.

We currently run innovation platforms in five areas:

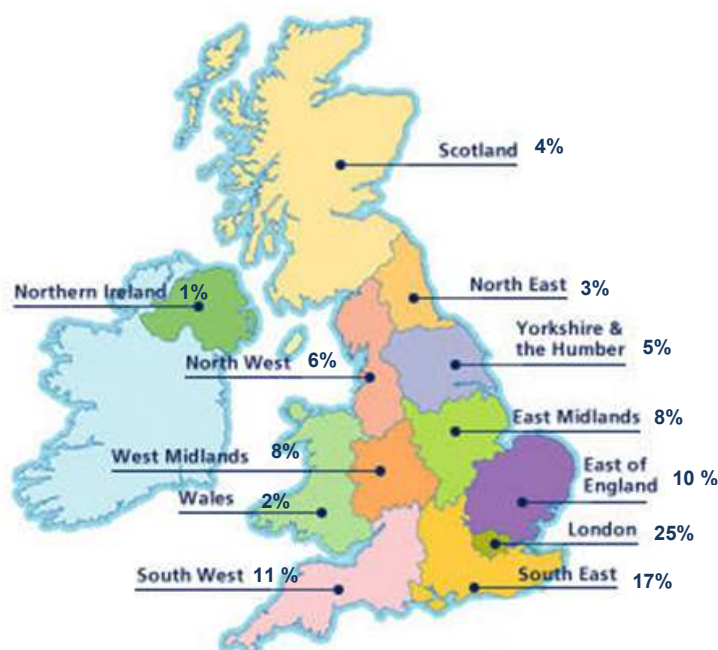
- low carbon vehicles
- assisted living
- low impact buildings
- sustainable agriculture and food
- stratified medicine (now incorporating the detection and identification of infectious agents).

### Investing in priority areas based on potential

We have developed our thematic programme to focus on areas that address global challenges and market opportunities, complemented and supported by innovation in competences and enabling technologies.

Working in consultation with business, academia, government and our networks, we published in September 2013 a new strategy covering the creative industries, one of the UK's leading industrial sectors. PwC has forecast a compound annual growth rate of 4.2% for the UK's media and entertainment industry to 2016.

**As at the 31<sup>st</sup> March 2014, the geographical split of grants committed in the 2013-14 financial year was as follows:**



## Demonstrator projects

Large-scale demonstrators enable the testing of new products and services in the real world. They can help to overcome barriers, bringing partners together to test and validate what can be achieved, so moving new products closer to industrial-scale application.

The *dallas* programme continues to make progress. Launched in May 2012, *dallas* (delivering assisted living lifestyles at scale) is a £37m demonstrator programme that aims to transform the lives of up to 200,000 older people by 2015.

Four groups of partners – working through nationwide networks, but also in Liverpool and across Scotland – are exploring ways of using innovative products, systems and services to promote well-being in their communities and provide high-quality health and care. *dallas* has been developed by the Technology Strategy Board and is jointly funded by the National Institute for Health Research and the Scottish Government.

Following the decision to award the £24m Future Cities Demonstrator project to Glasgow, in April 2013 we announced that three further cities would receive grants of £3m each to develop elements of their original proposals.

Peterborough, London and Bristol were runners-up in the competition to demonstrate how cities could integrate their transport, energy, health, communications and other city infrastructure to improve the local economy and quality of life of their citizens.

## Collaborative R&D

Collaborative research and development (R&D) encourages businesses and researchers to work together on innovative projects, from which successful new products, processes and services can emerge, contributing to both business and economic growth.

During 2013-14 we opened 38 competitions for collaborative R&D funding, mostly focusing on specific thematic areas.

These included support for major business-led collaborative R&D projects in a broad range of growth-creating technology areas, including construction, advanced materials, biosciences, electronics, photonics and electrical systems, information and communications technology and nanoscale technologies.

We worked in partnership with OLEV and the EPSRC to provide £10m that funded 27 collaborative R&D projects worth more than £45m as part of our Low Carbon Vehicles Innovation Platform. The projects were carefully selected to make a real difference to our ability to deliver sustainable transport systems for the future.

Businesses developing innovative solutions to reduce emissions in naval, leisure and merchant marine vessels and improve their overall efficiency also received a total of £3m from collaborative R&D funding.

We are working with India's Global Innovation & Technology Alliance and their government's Department of Science and Technology to invest in joint R&D projects that will focus on 'clean tech', especially energy systems and affordable healthcare.

Other collaborative R&D competitions include £11m for localised energy systems that will help revolutionise the way energy is generated, distributed and stored and will enable UK companies to exploit this rapidly developing market.

## Feasibility studies

Our funding for feasibility studies enables businesses to test an innovative idea on its ability to be developed and eventually taken to market.

Among the feasibility studies announced in 2013-14 were measurement technologies for agri-food systems, new business models in high value manufacturing and for emerging energy technologies.



Those successful in gaining funding for 'Technology-inspired' projects take part in Collaboration Nation events which enable companies to showcase the results of their projects to their peers and others, with a view to finding new collaboration partners as well as new sources of funding. We also ran Collaboration Nation events resulting from other feasibility competitions.

There were 19 competitions for feasibility studies, all encouraging innovation to tackle issues of societal need and other challenges and many of them supported by co-funders in government and the research community.

## **Sustainability**

The effective use of resources, energy and social capital is vital for long-term economic success. The businesses that can manage this successfully are likely to have the most staying power.

Sustainability innovation is driven through a cluster of Technology Strategy Board programmes – low impact buildings, sustainable agriculture and food, resource efficiency and 'future cities'. Other sustainability-related programmes, such as low carbon vehicles and offshore renewables, are managed in separate strategy areas. We try to incorporate sustainability principles into everything we do.

## **Challenge-led areas**

We have identified five potential markets where innovation is led by societal challenges:

- energy
- built environment
- agriculture and food
- healthcare
- transport.

It is always difficult to predict the future of markets and what products and services will be required, but since these are driven by societal needs, they are almost certain to grow and will require innovative solutions.

## **Energy**

Developing an energy supply that is secure, affordable and sustainable presents great challenges. However, it also creates huge opportunities for UK business and economic growth. Our strategy focuses on three overarching objectives where we believe UK business can really make a difference and generate wealth:

- developing affordable and secure sources of energy supply which also reduce greenhouse gas emissions
- integrating future demand and energy supply into a flexible, secure and resilient energy system
- reducing greenhouse gas emissions at point of use.

We are also supporting businesses developing innovative solutions for wave, tidal and offshore wind technologies through our 'Infrastructure for offshore renewables' collaborative R&D competition.

This is providing up to £7m, with a further £500k from the EPSRC, to help cut the cost of producing clean, green power and ultimately to harness even more power from wind and marine devices out at sea.

The EPSRC partnered us in another collaborative R&D competition which offered up to £6m to stimulate innovation leading to supply chain opportunities for hydrogen energy technologies while addressing barriers to the use of hydrogen as an energy vector.

Again with EPSRC support, we invested £11m in a collaborative R&D competition to develop localised energy systems and ways of bringing energy generation and supply down to local level – from clusters of buildings to whole districts.

We are also working in partnership with the Department for Energy and Climate Change (DECC) and the Nuclear Decommissioning Authority to help businesses take advantage of the opportunities that the growing nuclear market offers. Together, we are committing up to £13m as part of a drive to grow a robust and sustainable UK supply chain by developing innovative products and services for the nuclear sector, focusing on construction, manufacturing, operation, maintenance and decommissioning and waste.

## **Built environment**

In the UK, buildings are responsible for some of the largest environmental impacts. Legislation to reduce carbon emissions by 80% by 2050 (compared to a 1990 baseline) will require a revolution in the design, construction, operation and refurbishment of all buildings.

This provides great opportunities for the UK construction industry, both at home and in the global market.

In October, in partnership with the Department for Environment, Food and Rural Affairs (Defra), we launched an SBRI competition for design for future climate resilience in the infrastructure and built environment sectors. This provided investment of up to £500k to fund a maximum of 10 projects.

## **Agriculture and Food**

As the global population increases, food security is becoming a serious concern, resulting in the need to deliver greater quantities of more nutritious food from the available land without long-term environmental damage. Our programme seeks to increase the productivity of crops and animals and, at the same time, to reduce the environmental impact of the industry.

We are investing £8.5m in research projects to tackle issues around nutritional values, food safety, specific dietary requirements and food waste. Innovations being developed include a project to identify foods that could treat osteoporosis, and studies assessing the potential for using pumpkin and mulberry extracts to help treat diabetes and obesity.

The competition, 'Nutrition for life', is supporting a total of 39 projects. All are business-led with additional support from universities and research institutes.

The initiative has received co-funding from BBSRC, Scottish Enterprise, Defra, the Food Standards Agency (FSA), the Economic and Social Research Council (ESRC) and MRC.

We have continued to contribute to the Global Food Security programme, a multi-partner programme that brings together the food security-related research interests of research councils, government departments and executive agencies to meet the challenge of supplying enough safe, nutritious and affordable food in a sustainable way for a growing global population.

For clarity we have repositioned this focus area as 'Agriculture and food' which better reflects our activity.

## **Transport**

The UK has a strong transport industry, especially in the aerospace, road, rail and marine sectors as well as newer capabilities in intelligent transport systems. Our specific objectives are to help UK industry profit from developments that improve transport effectiveness and efficiency and that support manufacturers in developing and delivering new vehicle technologies.

In July 2013 we announced that the new Catapult for integrated transport systems will be built in Milton Keynes. The Catapult will provide a national hub for transport modelling and monitoring, testing latest theories on how transport systems interact and function against real-world demonstrators. This will help UK businesses to develop effective and sustainable solutions to our transport needs – for both freight and people.

We have committed funding for the new Catapult of up to £50m over five years. Including private sector business and collaborative R&D projects the total funding for the centre over this period is expected to be around £150m.

We were also able to boost the development of low carbon vehicles in the UK through two competitions run via the Low Carbon Vehicles Innovation Platform. Working in partnership with OLEV and the EPSRC, we are providing nearly £9m of support to 27 business-led projects.

The project, which will receive nearly £9m of funding from the Technology Strategy Board, will be undertaken by a consortium led by Jaguar Land Rover with 11 other partners, including SMEs and universities. The resulting vehicles will be based on the Range Rover Evoque.

We also announced a new £10m competition, 'Building an automotive supply chain of the future', aimed at helping businesses develop and commercialise low carbon vehicles. The aim is to fast-track some of the most promising ideas in low carbon transport technology and maintain the UK's reputation as a global leader in this industry.

The competition will also act as a feeder for the UK's £1bn Advanced Propulsion Centre (APC). The APC is to be funded jointly by government and the automotive industry, with each investing £500m over the next ten years.

## **Health and care**

Healthcare providers in the UK are under greater pressure than ever before to 'do more with less' while facing greater challenges from a population enjoying growing life expectancy.

We are therefore an increasingly important partner for the NHS because innovation can improve disease prevention and health management, aid earlier and better diagnosis, and provide therapies more closely tailored to patients' needs.

The UK also has a pharmaceuticals and biosciences sector with a global reputation and is well-placed to meet these and other healthcare challenges.

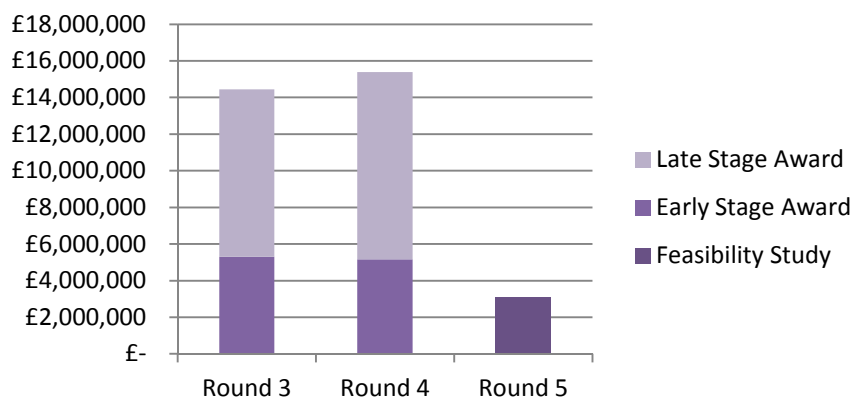
Our health and care programmes (formerly known as 'health') concentrate on:

- independent living
- stratified medicine (including detection and identification of infectious diseases)
- regenerative medicine.

In July 2013 we announced a £95m package of support for UK health industries, including the new £38m National Biologics Manufacturing Centre, £25.9m from the third wave of the Biomedical Catalyst and an additional £29.3m investment in innovative health companies.

The Biomedical Catalyst funded 29 companies and five universities to develop projects that include clinical trials to 'repurpose' a cancer drug that could be used to treat rheumatoid arthritis and an implant to reduce pain and restore mobility to people with knee cartilage injuries. The new National Biologics Manufacturing Centre is being funded through investment announced as part of the life sciences strategy and will be a national base for the manufacturing of biological medicines such as antibodies and vaccines.

**As at 31 March 2014 breakdown of committed investment for the Biomedical Catalyst was as follows:**



To complete this package of support, we launched two competitions to support businesses in stratified medicine and regenerative medicine.

Ambient Assisted Living (AAL) uses intelligent products and remote services to help extend the time older people can live in their homes. We provided funding of up to €600k per project as part of the European Framework 7 programme.

### Competences

Underpinning the challenge-led areas and markets and linking them to the technologies we support are the competences.

### High Value Manufacturing (HVM)

Our high value manufacturing programme aims to grow the contribution of manufacturing to UK GDP by investing in innovation that will maintain or improve its competitiveness and help to drive commercialisation of new technologies.

In one of our first investments in 2013-14 we committed up to £5m in feasibility projects and collaborative R&D exploring new ways of designing, improving and manufacturing high-value formulated products in sectors such as pharmaceuticals, cosmetics, detergents, food, agrochemicals, paints, adhesives, lubricants and formulated process chemicals. A further £1m was available from the EPSRC for collaborative R&D.

We also pledged an extra £7m investment in the High Value Manufacturing Catapult. In its first year, the centre was involved in 830 projects and engaged with almost 2,000 SMEs.

We worked with the Ministry of Science and Technology of the People’s Republic of China to help innovative UK tech companies explore greener approaches to manufacturing.

Tomorrow’s Manufacturing: Mission to China was designed to encourage collaboration on research, development and innovation between businesses and focused on: the use of alternative, greener substances; the recycling and re-manufacturing of finite resources; decreasing the amount of material used in delivery; and lower energy consumption over a product lifecycle.

### Digital economy

We aim to help businesses work together in new ways to create value from digital information, content and services. In order to stay ahead of the changes sweeping across the digital economy, rapid and continuous innovation is needed.

In the summer of 2013 we funded the Digital and Creative Clyde Launchpad in partnership with Creative Clyde. Eleven creative and digital businesses in Glasgow won £620k between them to help develop innovative products and services.

Among their ideas for products are a small flexible digital tag for wireless monitoring and security applications, a 3D virtual reality technology that creates highly immersive branding and training experiences and computer games rendering technology that will help make feature films easier and cheaper to produce.

The UK has a richly deserved reputation as a global leader in fashion and retail but the sector needs to adapt in order to embrace innovation and capitalise on the emerging opportunities of this digital age. We launched a £120k IC tomorrow competition to provide funding for businesses to develop products and services in partnership with established industry names.

We announced another competition as part of our IC tomorrow programme, 'Embedding digital technologies in healthcare' in which we invited proposals for digital applications that can improve the systems used by healthcare professionals.

We also supported projects using gaming technologies to deliver health information more effectively as well as helping to improve patient behaviours towards their health.

Devised in collaboration with the British Fashion Council and the Tech City Investment Organisation, the 'Digital innovation contest – Fashion' was announced in May, with challenge partners including the London College of Fashion, augmented reality business Holition, the creators of the world's first pop-up mall, Boxpart, and fashion and celebrity magazine Grazia.

### **Space applications**

The UK has a world-class space capability, with advanced manufacturing capabilities, world-leading satellite operators and one of the world's largest satellite broadcasters, as well as a global services sector delivering systems integration and software to support new space applications.

We are investing up to £1m in businesses with innovative R&D projects, focusing on the cluster of space and satellite applications technology companies around Harwell.

The Harwell Space Launchpad competition aims to accelerate innovative projects towards commercial success and to stimulate the development of the cluster by encouraging high-growth companies to engage with it.

Scottish Enterprise, in partnership with the Space Applications Catapult, announced the establishment of a Centre of Excellence for Space and Life Sciences which will be based at the Edinburgh BioQuarter.

The centre will create a physical environment for innovation in which healthcare providers, experts from space and life sciences domains, industry and investment organisations can explore together the synergies in these fields and use complementary technologies to address global healthcare challenges.

We expect this unique concept in healthcare R&D to be a catalyst for significant economic benefits to both Scotland and the wider UK, with a focus on business incubation and growing the SME industrial base.

### **Enabling technologies**

The four enabling technologies – advanced materials; biosciences; electronics, sensors and photonics; and ICT – have a key role to play in helping businesses to develop high-value products and services that meet market needs across all economic sectors and for them to generate significant growth in the UK.

In addition, electronics, sensors and photonics and ICT are often vital in enabling innovation in markets that rely on the ability to sense, transmit and harness data. A single market or challenge may often require a combination of technologies.

During 2013-14 we again funded both feasibility studies and collaborative R&D projects under the 'Technology-inspired' competitions banner. Companies showcased their ideas at Collaboration Nation events to which we invited potential commercial partners, investors and other organisations able to help them realise their market potential.

## **Advanced materials**

Businesses in the UK that produce, process, fabricate and recycle materials form a critical element of the high value manufacturing supply chain. In the area of advanced materials we want to stimulate innovation that drives the development and exploitation of new high-value products, processes and services based on advanced materials technologies.

Together with the EPSRC, we are investing up to £8.5m in collaborative R&D projects to develop advanced materials and manufacturing technologies which deliver lighter, better-performing and more material-efficient structures and products across a broad range of industrial sectors and global markets. This competition aims to strengthen the UK's collective expertise in lightweighting and resource-efficient manufacturing, and to develop a more robust and competitive supply base.

## **Biosciences**

Biosciences play an important part in the development of products and services that are an integral part of our lives. They provide opportunities for replacing unsustainable production methods, reducing our reliance on fossil fuels, improving public health and encouraging development of new products and services in areas as diverse as healthcare and medicine, agriculture and food, energy, and personal care.

In conjunction with the BBSRC and the EPSRC, we committed £45m to major integrated research and development projects through the Industrial Biotechnology Catalyst. It will support R&D for the processing and production of materials, chemicals and bioenergy through the sustainable exploitation of biological resources. The first round of funding opened in January 2013.

## **Electronics, sensors and photonics**

Electronics, sensors and photonics underpin activity in healthcare, energy, transport, environmental sustainability, built environment and consumer goods. The UK has a strong base in the uses of electricity and light and we envisage excellent opportunities for huge growth in this area.

We made up to £850k available through the SBRI programme for research proposals that find ways to reduce sonar cost, size, mass, power, environmental impact and also increase reliability, bandwidth, directionality, sensitivity and robustness. A further SBRI funding competition launched in February offers businesses up to £600k for projects that explore a range of novel ideas for future electro-optic and infra-red sensors.

## **Information and Communication Technology (ICT)**

The aim of our ICT programme is to help UK industry profit from developments in software technology and software-intensive systems.

We are supporting businesses aiming to access Horizon 2020 funding, targeting a wide range of topics worth €660m with up to €125m for proposals that specifically focus on the Advanced 5G Network Infrastructure for the Future Internet.

## **Emerging technologies**

Our aim is to identify high-potential technologies just emerging from the science base and help turn them into the growth sectors of tomorrow for UK business.

In partnership with the EPSRC, we announced in June an investment of up to £3m in technical feasibility studies to stimulate innovation in emerging energy technologies, and support their development and commercialisation.

In November we announced an investment of up to £3.8m to help grow the emerging synthetic biology industry. This programme is being funded and delivered in partnership with the BBSRC, the EPSRC and the Welsh Government.

A Graphene Special Interest Group (SIG) was launched on our \_connect platform in January. The aim of this group is to provide leadership and a focal point for the exploitation of graphene by UK industry.

In February, we announced investment of up to £1.25m in feasibility studies to bring emerging imaging technologies closer to commercial use. This competition supports projects that could enable richer, more wide-ranging information to be gained from imaging, creating new applications and value propositions with the potential to disrupt existing markets.

## **Development**

Throughout the year we continued to work on programme development to identify and evaluate potential innovation areas for the UK where we do not currently support major programmes.

We developed the *Creative Industries Strategy*, published in the summer of 2013. The strategy will be mainly delivered through our digital programme but we are also continuing to look for innovation opportunities where our 'Design option' support – plugged into a project at the start – can be used to further increase the chances of successful innovation.

We evaluated the case for setting up an innovation platform in personal security but decided against this, although we will continue to support innovation in this area. We also looked at the developing several new innovation platforms and will be launching these during 2014-15.

## **Continuously improving our capability**

The very nature of our organisation means that we must constantly seek to adapt and change, in order to continue to succeed. To achieve this, we ensure that continuous improvement is embedded in our business practice.

During the year we undertook a number of improvement projects looking at the competition processes, feedback to business, internal and external communications and the management information system.

An important part of our work is evaluating the impact of our programmes so we can use the findings to help steer future investments. We will continue to develop our resources and business processes to ensure that we remain effective and deliver value for money.

For example, the pilot SME growth programme has provided a solid evidence base on which we can begin to build future support for smaller, high-growth businesses.

# CORPORATE ACTIVITIES

## Human Resources Management

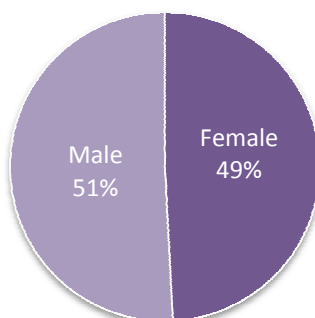
The following were the main objectives for human resources management in 2013-14:

- develop and resource a comprehensive workforce plan for the Technology Strategy Board to deliver the right number of people with the right skills, experiences, and competencies in the right jobs at the right time, at an optimum cost
- develop and implement an effective Talent Management process
- continue effective staff consultation and engagement, using feedback from the Employee Survey
- embed the Technology Strategy Board values
- manage rewards in line with the public sector restrictions whilst also attracting and retaining the required skills and expertise
- manage appropriate arrangements for short-term specialist requirements and source long term staff where the roles transition into core staff
- develop capability – ensuring that the Technology Strategy Board management and staff have the appropriate skills/experience to deliver high performance and the business objectives
- support the establishment of the Catapult network and individual organisations
- support the Executive Management Team to develop and implement actions resulting from the staff survey results
- introduce field-working to support the organisation, including its external engagement and ability to recruit from the national pool of specialists and talent.

## Equal opportunities

The Technology Strategy Board’s policy on recruitment and selection is based on the ability of a candidate to perform the job regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion. Full and fair consideration is given to applications for employment from disabled people where they have the appropriate skills to perform the job. If disablement should occur during employment, the Technology Strategy Board would make every effort to maintain employment and to ensure the availability of adequate retraining and career development facilities.

As at 31 March 2014 the gender split for all staff employed at the Technology Strategy Board was as follows:



As at the 31 March 2014 there were 6 male and 1 female directors.



## Employee involvement

Information is provided to employees through the Human Resources Staff and Managers' Guidance, office notices, email, intranet and a pocket guide to The Technology Strategy Board. Consultation with employees takes place through meetings with line management, senior staff, the Staff Consultative Council, through bilateral, directorate, sectional meetings, and through working groups set up to look at specific organisational issues and, where appropriate, through all-staff meetings.

The Technology Strategy Board disseminates financial information by issuing reports to the Governing Board, to the Executive Management Team and to budget holders. Successful Spending Review bids and budgetary information are detailed in emails, press notices and the Annual Report and Accounts, all of which have a wide circulation.

All staff receive a briefing on, and copies are made available of, the Technology Strategy Board's 2011-2015 corporate strategy *Concept to Commercialisation* and the current Delivery Plan, and are then involved in developing and implementing directorate and personal objectives, which flow from the Delivery Plan, through the performance management process.

Biannual all-staff meetings are in place to brief staff on progress, achievements and challenges associated with the plan. In addition, these meetings engage, consult with and empower staff towards continual organisational improvement.

## Health and safety

The Technology Strategy Board's policy is to set and maintain high standards of health and safety performance to ensure the health and safety of staff as well as that of others who may work in or visit the premises. To achieve this the Technology Strategy Board has a health and safety statement and policy, signed by the Chief Executive and the other Executive Directors. The policy covers responsibilities, competencies, risks, controls, the provision of advice, performance measurement and staff consultation. The policy is accessible to all staff through the Technology Strategy Board's intranet along with all health and safety guidance and procedures.

The Technology Strategy Board Health and Safety Officer, and Representatives, meet on a regular basis as the Technology Strategy Board Health and Safety Committee. Its role is to review the adequacy of safety training and the supply of information, consider accident statistics and safety audit reports and to help the Technology Strategy Board's Health and Safety Officer carry out his/her duties. Institution of Occupational Safety and Health training has been undertaken by members of the Health and Safety Committee. Representatives from the Committee undertake quarterly safety audits and reports are made to the Executive Management Team and Staff Consultative Council. The Technology Strategy Board continues to monitor health and safety risks, to train staff and take appropriate action.

## Sickness and absence

The calculation of the Technology Strategy Board sickness/absence rates is as follows, with figures for 2012-13 shown in brackets.

<b>2013-14 (Prior Year 2012-13)</b>	<b>Absence rate as a % of total working days</b>		<b>Average working days lost to sickness (per member of staff)</b>	
All staff	1.19%	(0.46%)	3.02	(1.77)
Excluding one staff (two in 2012-13) on long-term sick leave	0.92%	(0.18%)	2.34	(0.71)

## Off-payroll engagements

Table1: For all off-payroll engagements as of 31 March 2014, for more than £220 per day and that last for longer than six months:

	<b>2013-14</b>
<b>No. of existing engagements as of 31 March 2014</b>	<b>5</b>
Of which...	
No. that have existed for less than one year at a time of reporting	1
No. that have existed for between one and two years at time of reporting.	4
No. that have existed for between two and three years at time of reporting.	0
No. that have existed for between three and four years at time of reporting.	0
No. that have existed for between four or more years at time of reporting.	0

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014, for more than £220 per day and that for longer than six months

	<b>2013-14</b>
<b>No. of new engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014</b>	<b>4</b>
No. of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	2
No. for whom assurance has been requested	4
Of which...	
No. for whom assurance has been received	4
No. for whom assurance has not been received	0
No. that have been terminated as a result of assurance not being received	0

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2013 and March 2014

	<b>2013-14</b>
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year	1
No. of individuals that have been deemed "board members, and/or senior officials with significant financial responsibility", during the financial year. This figure should include both off-payroll and on-payroll engagements	2

## Reporting of personal data incidents

Records are kept of personal data incidents. One member of staff had a laptop stolen (2012-13: nil); no smart phones were lost/stolen (2012-13: six); and no memory sticks were lost/stolen (2012-13: four). Four dongles and two RSA fobs were lost (2012-13: nil). However, there was a low risk of loss of personal data as all laptops are encrypted.

The above incidents did not need to be reported to the Information Commissioner. No other loss of personal data has been reported during the financial year 2013-14.

## Management of information risk

Following the issue of the HMG Security Policy Framework by the Cabinet Office in December 2008 the Technology Strategy Board has ensured its continued compliance with the standard laid down by the Data Handling Review. Quarterly reviews and risk assessments regarding data held are undertaken with the identified information asset owners. In relation to personal data it has been identified that the Technology Strategy Board does not carry a great risk as it does not hold significant levels of personal data. The audited Security Risk Management Overview (SRMO) 2013-14 established that the Technology Strategy Board has no identified issues. Established principles include:

- encryption of all laptops and mobile phones
- communication of the information assurance policy to all staff and appropriate partners
- communication of the new Government Security Classification policy to all staff and appropriate stakeholders
- on-line new Government Classification training for all staff
- on-line Information Assurance training for all new staff with annual refresher training for all staff in line with Cabinet Office guidelines
- higher level annual training for identified information asset owners and a refresher training for those that have been in the role for two years
- Senior Information Risk Officer and the Information Security Officer attended a refresher training conducted by National Archives
- completed the accreditation of the \_connect platform
- awareness sessions for identified partner and delivery bodies;

These arrangements to monitor and assess information risks will also identify and address any weaknesses and ensure continuous improvements.

## Major contracts

The Technology Strategy Board has a number of significant contracts for the support and delivery of its technology grant programmes. The costs of these are shown in the Notes to the accounts under Note 3 as Programme Support Contracts.

## Creditor payment policy

The Technology Strategy Board's policy is to comply fully with the Better Payment Practice Code for the payment of goods and services. The policy is to make payments in accordance with the timing stipulated in the contract with suppliers. Where there is no contractual provision, every effort is made to ensure that payment is effected within 30 days of receipt of goods or services, or presentation of a valid invoice or similar demand for payment, whichever is the later. During 2013-14, the Technology Strategy Board paid 72.6% (2012-13: 67.5%) of its undisputed invoices within the 30 day period.

A prompt payment target of 5 days was introduced for the public sector. In 2013-14, the Technology Strategy Board paid 0.8% (2012-13: 2.0%) of its invoices within the 5 day period, this is low due to weekly payment runs and manual approvals required from a large field based workforce.

## SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Our Governing Board has recognised the importance of taking sustainability into account in all our activities. We accept the definition of sustainability as that which “meets the needs of the present without compromising the ability of the future generations to meet their own needs” and have published a sustainability statement and policy that sets out the Technology Strategy Board’s position.

We take this rationale into account when evolving programmes and projects, and continue to focus our programme of investments in business innovation towards recognising the importance of markets created by the need to move to a more sustainable model.

Many of our programmes have a clear theme of environmental or resource sustainability as a driver of innovation, and about two-thirds of projects we fund have a sustainability objective. We have introduced methodology in assessing grant applications in our collaborative R&D competitions to ensure that sustainability considerations are central to the assessment and outcome.

In 2011-12 we developed a sustainability framework, together with Forum for the Future, to help in evaluating the candidate areas for Catapult centres, refreshing our technology strategies, and evaluating potential new areas of investment under development.

We cannot expect our external stakeholders to take our advice and leadership on sustainability unless we can show that we take this seriously in our own operations. The Technology Strategy Board is committed to following the joint Research Council Environmental Policy Statement which calls for:

- compliance with all relevant legislation
- minimising the adverse impacts of new buildings and refurbishments
- making efficient use of natural resources
- operating effective arrangements for waste disposal and recycling
- promoting effective environmental supply management
- working with staff to promote more economic forms of transport
- providing appropriate information and training to new staff.

Figures for the joint Swindon-based Research Councils show that approximately 70.3% of waste is recycled.

We also seek to be a socially responsible employer. As a small organisation we have in place an effective policy and programme to deliver at a scale relative to our organisation. To achieve this we have introduced a range of measures to:

- help us to understand and measure the impacts of our operations and various activities on the environment and reduce those impacts over time
- promote staff purchase of bicycles and cycling to work
- support staff acting as science, technology, engineering and maths (STEM) ambassadors;
- support staff requiring childcare (through a childcare voucher scheme)
- increase the use of remote (video and telephone) conferencing instead of travel
- support staff through continuous training and development.

# FINANCIAL HIGHLIGHTS

## Net expenditure for the year

In total, net expenditure for the year increased to £576.4m (2012-13: £397.7m).

## Technology grants expenditure and accruals

There was an increase of £197.8m in technology grants expenditure to £572.1m. A breakdown of grant expenditure by grant stream has been provided in Note 5.

Most grants are paid on claims for reimbursement made quarterly in arrears. Consequently, a substantial proportion of the grant expenditure has been accrued. The policy for accruing grant expenditure is outlined at Note 1g and 1m.

## Operating costs

Average staff numbers in 2013-14, including interims and agency temps, increased by 61 to 257 in order to build up resource levels to deliver the ramping up of new and existing programmes and to improve the efficiency and effectiveness of operations. This resulted in staff costs increasing by £1.6m, or 10.7%, to £16.3m. Programme support contract costs increased by £1.6m, or 8.7%, to £20.0m. This increase occurred in a period of significantly increased activity.

Other operating costs decreased by £1.7m, or 11%, to £14.1m, owing to a release of £0.5m of VAT accrual which is now not due and also a reduction in intervention management activity of £1.4m.

## Pension liabilities

The accounting treatment of pension liabilities and details of the funding arrangements are set out in the Notes to the accounts at 1h Pension costs and 2e Pension arrangements. Scheme documents may be obtained on request. Details of the salary and pensions benefits of senior employees are included in the remuneration report in this document.

## Cash flow

As reported in the cash flow statement, there was a net cash outflow from operating activities in the year of £568.5m (2012-13: £358.4m).

## Current liquidity

Cash held at 31 March 2014 was £6.2m (31 March 2013: £20.8m); a payment file of £19.8m was processed on 3 April 2013 and assets less liabilities were £155.1m (31 March 2013: £132.7m).

## Financing

Grant-in-aid financing received during the year from BIS increased by £174.8m to £554.0m.

Co-funding for the year increased by £21.9m to £46.3m of which £2.3m relates to an increase in EU funding. This represents an increase in co-funded programme expenditure.

Operating income of £1.1m was received from the recharging of Knowledge Transfer Partnership management fees to the other co-funders and rental income (2012-13: £1.6m).

## Allocation and outturn

In the 2013-14 financial year, the budget increased by £144.8m to £585.6m (2012-13: £440.9m). The budget included £85.0m allocated for Catapult centres, £15.0m for Smart and £30.0m for Biomedical Catalyst.

Overall, the Technology Strategy Board recorded £9.2m non usable underspend against the budget allocation.

Within our Core programme the Technology Strategy Board recorded an overspend of £11.9m and an underspend against our Non Core allocation of £21.1m.

The following table gives a comparison of outturn against allocation:

	<b>Non-cash<sup>1</sup></b>	<b>Resource</b>	<b>Capital</b>	<b>Total</b>
	<b><u>£000</u></b>	<b><u>£000</u></b>	<b><u>£000</u></b>	<b><u>£000</u></b>
Total net expenditure for the year <sup>2</sup>	1,574	574,818	-	576,392
Treatment of capital grants	-	(127,914)	127,914	-
Expenditure on non-current assets <sup>3</sup>	-	-	50	50
FY13-14 Outturn	1,574	446,904	127,964	576,442
FY13-14 Budget Allocation	1,578	449,507	134,539	585,624
Variances	4	2,603	6,575	9,182
<i>of which:</i>				
Underspend	4	2,603	6,575	9,182
In year (over-)/underspend	-	-	-	-

<sup>1</sup> A non-cash item is an expense or income that appears on the statement of net expenditure yet does not actually represent a real cash outflow or inflow; the non-cash figure shown is the sum of the depreciation and amortisation expense.

<sup>2</sup> Taken from the statement of comprehensive net expenditure

<sup>3</sup> Taken from the statement of cash flows

## Going concern

The total expenditure of £576.4m has been transferred to reserves. Total government funds at 31 March 2014 amounted to a deficit of £155.1m (31 March 2013: deficit of £132.7m). Other reserve movements are shown in the statement of changes in taxpayers' equity.

The deficit reflects the inclusion of liabilities falling due in future years which will be met by future grant-in-aid from the Technology Strategy Board's sponsoring department, BIS. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grant-in-aid for 2013-14, taking into account the amounts required to meet the Technology Strategy Board's liabilities falling due in that year, has already been included in BIS's estimates for the year, which have been approved by Parliament. Longer term commitments are contained within existing funding allocations arising from the Government's spending review settlement figures which cover up to 2014-15. The Technology Strategy Board's financial commitments on grants beyond that period can be met well within the minimum reasonably anticipated income for those years. Such grants issued by the Technology Strategy Board are made under statutory powers within the terms of the Science and Technology Act 1965, applied upon the objects set out in Article 2 of the Technology

Strategy Board Royal Charter. This is confirmed in the Technology Strategy Board Management Statement issued by DIUS, the Department for Innovation, Universities and Skills, the precursor to BIS, in June 2007. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements. The Triennial Review published in October 2013 concluded that the Technology Strategy Board should continue as an executive NDPB.

## **Risk**

The governance statement outlines the Technology Strategy Board's policy with regard to corporate governance, internal control and risk management. The factors and influences that may have an effect on present and future performance are listed in risk registers and the most important are identified to the Governing Board at each of its meetings.

A handwritten signature in black ink, appearing to read 'Iain G Gray', with a stylized flourish underneath.

Iain G Gray CBE  
Chief Executive and Accounting Officer  
26 June 2014

# REMUNERATION REPORT

## General

Section 421 of the Companies Act 2006 requires the preparation of a Remuneration Report containing certain information about the directors' remuneration in accordance with the requirements of Part 4 and Schedule 8 of Statutory Instrument 2008 No. 410.

## Remuneration policy

The remuneration of the Chief Executive of the Technology Strategy Board is reviewed and proposed by the Remuneration Committee and approved by the Director General – Innovation, Enterprise and Better Regulation Executive, BIS. The performance of Executive Directors is assessed annually by the Chief Executive through the performance management process, and against annual stretch objectives, and approved by the Technology Strategy Board's Remuneration Committee. These assessment outcomes are used to calculate the individual contractual performance-related pay in line with the agreed target scale and the provisions of the Pay Remit approved by BIS. The remuneration of the Technology Strategy Board's Governing Board members and Chairman is reviewed annually by BIS. In 2013-14 membership of the Technology Strategy Board's Remuneration Committee consisted of:

Phil Smith – (Chairman)  
David Grant – (Governing Board member)  
Hazel Moore (Governing Board member)  
Colin Paynter (Governing Board Member)

The performance rewards paid to the Chief Executive and five Executive Directors are based on achievement of individual and corporate objectives, agreed at the beginning of the performance cycle. The performance bonus for the Chief Executive and Executive Directors, the performance bonus is up to 20% of base salary. However the Director of Innovation Programme's performance reward was a fixed amount based on his performance satisfying the required criteria.

## Contractual policy

The Chief Executive is contracted for the period 31 October 2012 to 30 October 2014. The Director of Innovation Programmes was engaged through an employment contract from the 1 July 2012 to the 30 December 2013. The Director of Knowledge Exchange & Special Projects (KESP) was also engaged through an employment contract to the 30 December 2013.

We currently have three Executive Directors who are permanent employees of the Technology Strategy Board. In addition, we have other acting Executive Directors engaged on a non permanent basis as follows:

- Executive Director of Communications – Interim
- Executive Director of IT – Secondment
- Executive Director of Knowledge Exchange – Fixed term contract

We have an active recruitment programme to appoint on a permanent basis.

The Chief Executive is subject to a notice period of three months; all permanent Executive Directors are subject to a notice period of six months.

Governing Board members and the Chairman are not employees of the Technology Strategy Board and received a letter of appointment from BIS. The terms of appointment allow for members to resign from office by notice in writing to the Secretary of State. Members may also be removed from office by the Secretary of State on grounds of incapacity, misbehaviour or a failure to observe the terms and conditions of appointment.



## Audited information

### Details of 2013-14 remuneration for the Technology Strategy Board Chief Executive and Executive Directors

#### Remuneration of senior employees

The UK corporate governance code requires the disclosure of information on salary and pension entitlements of each company director. Government is committed to adopting best commercial practice and therefore requires non-departmental public bodies to report in accordance with modified UK corporate governance code principles. The following disclosures are considered appropriate for the Technology Strategy Board:

#### Salary, performance pay and benefits in kind

Where an individual has only served for part of the year, equivalent salary is reported in brackets.

Single Total Figure of Remuneration										
Chief Executive and Directors	2013-14					2012-13				
	£'000					£'000				
	Salary and allowances (1) banded for the period in post	Performance Pay	Benefits in Kind (cash equivalent) (7)	Pension Benefits	Total	Salary and allowances (1) banded for the period in post	Performance Pay	Benefits in Kind (cash equivalent) (7)	Pension Benefits	Total
Mr Iain Gray Chief Executive	260 - 265	45 - 50	-	75 - 80	380 - 395	230 - 235	45 - 50	-	60 - 65	330 - 350
Mr Graham Hutchins Director	115 - 120	15 - 20	-	15 - 20	145 - 160	110 - 115	20-25	-	25 - 30	155 - 170
Dr Allyson Reed Director (8)	-	-	-	-	-	260 - 265	15 - 20	-	30 - 35	305 - 320
Mr David Way Director (2)	70 - 75 (90 - 95)	10 - 15	-	10 - 15	90 - 105	85 - 90	15-20	-	10 - 15	110 - 125
Mr Mark Glover Director	120 - 125	20 - 25	-	45 - 50	185 - 200	110 - 115	20-25	-	30 - 35	160 - 175
Mr David Bott Director (2) (6)	120 -125 (165-170)	10 - 15	-	-	130 - 140	165 - 170	10-15	-	65 - 70	240 - 255
Mr Simon Edmonds Director (6)	135 - 140	5 - 10	-	85 - 90	225 - 240	30-35 (135-140)	5-10 (25-30)	-	0 - 5	35 - 50
Mr Nigel Townley (3)	20 - 25 (90 - 95)	5 - 10	-	-	25 - 35	-	-	-	-	-
Mrs Aileen Thompson (4)	80 - 85 (190 - 205)	-	-	-	80 - 85	-	-	-	-	-
Mr Simon Bennett (5)	50 - 55 (100 - 110)	-	-	-	50 - 55	-	-	-	-	-
Highest Earner's Total Remuneration (£'000)	305 - 315					275-285				
Median Total Remuneration	39,984					52,338				
Ratio	7.95					5.11				

#### Notes

(1) Allowances include car, mortgage differential and season ticket

(2) Mr David Way and Mr David Bott ended employment at the end of December 2013.

(3) Mr Nigel Townley is on secondment from Cisco (January 14 – June 14)

(4) Mrs Aileen Thompson is an Interim Director (October 13 -June 14) Actual amount paid during the period including expenses £105,302 for the period.

(5) Mr Simon Bennett started employment in September 2013

(6) Reflects lump sum transfer into pension scheme for S Edmonds in FY1314 and D Bott in FY1213

(7) The Value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights as per EPN 380.

(8) Dr Allyson Reed left the Technology Strategy Board on 31 March 2013 following the announcement of a planned restructuring of the organisation's Communications function. Dr Reed chose not to work her notice period and has received a payment of compensation for loss of office of £85,000-£90,000.

	2013-14 £'000	2012-13 £'000
<b>The aggregate of salary costs, bonus and benefits in kind for senior employees:</b>	1,057	1,032

#### Salary and allowances, including performance pay

Salary and allowances, including performance pay, covers both pensionable and non-pensionable amounts and includes: gross salaries; performance pay or bonuses; overtime; allowances and any ex-gratia payments. It does not include amounts which are a reimbursement of expenses directly incurred in the performance of an individual's duties.

#### Benefits in kind

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

#### Pension Benefits

<b>Chief Executive and Executive Directors</b>	<b>Total of accrued pension at age 60 as at 31 March 2014 and related lump sum</b>	<b>Real increase / (decrease) of pension and related lump sum at age 60*</b>	<b>Cash Equivalent Transfer Value (CETV) at 1 April 2013</b>	<b>CETV at 31 March 2014</b>	<b>Real increase / (decrease) in CETV*</b>
£'000					
Iain Gray Chief Executive	30 - 35	4.5 – 5	387	475	50
Graham Hutchins Executive Director	10 - 15	0 - 2.5	155	182	9
David Way Executive Director	50 - 55	0 - 2.5	1,040	1,060	20
Mark Glover Executive Director	10 - 15	2.5 - 5	116	156	25
Dr David Bott ** Executive Director	N/A	N/A	N/A	N/A	N/A
Simon Edmonds * Executive Director	15 - 20	17.5 – 20 *	7.8	380 *	88 *

\*\* Note that David Bott had under 2 years service when his employment ended in December 2013. His benefits were subsequently transferred out of the scheme.

\*Reflects transfer of previous pension benefits.

## Unaudited information

### 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 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 CETV figures and the other pension details include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Research Councils' Pension Schemes and for which the schemes have received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

### Real increase in CETV

The real increase in the value of the CETV reflects the increase effectively funded by the employer. It takes account of 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. Where the individual was not in post for the full year, the CETV at 31 March 2013 represents the value at their start date and the CETV at 31 March 2014 represents the value as at their end date.

## Audited information

### Remuneration of Governing Board members

The standard honorarium paid to Governing Board members amounted to £9,180 pa (2012-13: £9,180 pa). The emoluments of the present Chairman, Phil Smith, were £15,720 however this payment goes towards a charitable donation. Non-consolidated bonus, benefits in kind and pension arrangements do not apply to Governing Board members. Total remuneration paid to Governing Board members is as follows:

	2013-14 £000	2012-13 £000
<b>Governing Board members' annual honoraria</b>		
Dr John Brown FRSE	-	0 - 5
Eur Ing Nick Buckland OBE	-	0 - 5
Michael Carr	5 - 10	5 - 10
Dr Stewart Davies	5 - 10	5 - 10
Anne Glover CBE	-	0 - 5
Dr David Grant CBE	5 - 10	5 - 10
Lord Jonathan Kestenbaum	-	5 - 10
Andrew Milligan*	5 - 10	5 - 10
Sara Murray	5 - 10	5 - 10
Colin Paynter*	5 - 10	5 - 10
Ian Shott CBE	5 - 10	5 - 10
Professor, Sir Christopher Snowden FRS	5 - 10	5 - 10
Dr Robert Sorrell	5 - 10	5 - 10
Hazel Moore	5 - 10	0 - 5
Doug Richard	5 - 10	0 - 5
Phillip Smith*	15 - 20	15 - 20

\* Payments made to charitable organisations through payroll just giving.

Expenses paid to the Governing Board members in relation to T&S reimbursements for the year 2013-14 were £17,711.



Iain G Gray CBE  
Chief Executive and Accounting Officer  
26 June 2014

## STATEMENT OF RESPONSIBILITIES of the Technology Strategy Board and of its Chief Executive

Under the Science and Technology Act 1965, the Secretary of State for Business, Innovation and Skills (with the consent of the Treasury) directed the Technology Strategy Board to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Technology Strategy Board and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

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

- observe the Accounts Direction issued by the Secretary of State for the Department of Business, Innovation and Skills (with the consent of the Treasury), including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis.

The Accounting Officer for the Department for Business, Innovation and Skills appointed the Chief Executive as Accounting Officer of the Technology Strategy Board. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Technology Strategy Board's assets, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum issued by HM Treasury and published in *Managing Public Money* published by the HM Treasury.

# GOVERNANCE STATEMENT

## Chief Executive & Accounting Officer

### Introduction

This Governance Statement sets out the governance structures, risk management and internal control procedures that have operated within the Technology Strategy Board during 2013-14. It gives a clear understanding of the dynamics of the Board and its control structure. It records the stewardship of the organisation and provides a sense of the organisation's performance and of how successfully it has coped with the challenges it faces.

The Technology Strategy Board's role is to help accelerate economic growth through the stimulation and support of business-led innovation. It works across business, academia and government, helping companies take concepts through to commercialisation. This means tackling the barriers to innovation by reducing risk, promoting collaboration and creating a more effective innovation environment, using its convening power to make connections and to bring different partners together. Key activities in 2013-14 to achieve these objectives have included

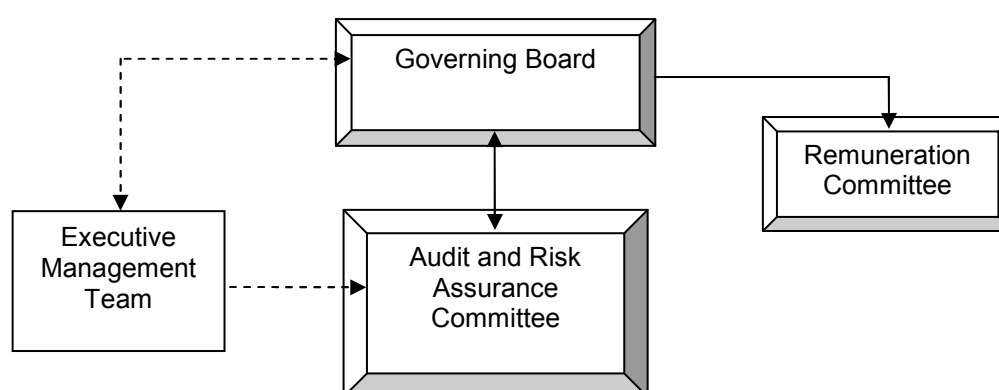
- Establishing and supporting seven Catapults, world-leading centres of innovation designed to accelerate commercialisation in specific fields
- Boosting support for SMEs through the provision of Smart Grants and Innovation Vouchers
- Taking the UK lead for the delivery of the European Union's new innovation programme Horizon 2020
- Establishing a new unified Knowledge Transfer Network spanning all industry sectors

Further information on the TSB's role and ambitions can be found in its strategy document *2011-15 Concept to Commercialisation*. This is underpinned by a series of annual delivery plans.

### How the Board is managed

The Technology Strategy Board is a non-departmental public body established by Royal Charter. The Board's working relationship and lines of accountability with its sponsor, the Department for Business, Innovation and Skills, are defined in the Management Statement and Financial Memorandum, which are subject to periodic review.

In my role as the Board's Accounting Officer I am supported by the Governance framework which includes the Governing Board, its Committees and Executive Directors.



## Governing Board

Members of the Governing Board are appointed by the Secretary of State for Business, Innovation and Skills and are drawn from business, the public sector and research communities by reason of their knowledge and experience of the exploitation of science, technology and new ideas by business. Members have corporate responsibility for the actions of the Technology Strategy Board.

The Governing Board meets at regular intervals throughout the year and exercises full and effective oversight of the activities of the organisation. It is specifically responsible for setting the strategic direction, vision and mission, agreeing corporate objectives, and approving the published strategies and annual delivery plans. It seeks to ensure that all activities, either directly or indirectly, contribute towards its mission. It brings an external perspective to ensure that the organisation is challenged on its economic impact and it monitors in-year progress against the Delivery Plan.

The Governing Board delegates responsibility to me as Chief Executive, and to other staff to the maximum extent possible. A formal process of delegation exists within the organisation which sets out responsibilities and financial limits.

The Governing Board met five times in 2013-14. The table below shows Governing Board membership and attendance in 2013-14

Name	Role	Period of Office	Number of Meetings	Number of Meetings Attended	Attendance Rate (%)
Phil Smith	Chair	All Year	5	5	100
Iain Gray CBE	Chief Executive	All Year	5	5	100
Mike Carr	Member	All Year	5	5	100
Dr Stewart Davies	Member	All Year	5	5	100
Dr David Grant CBE	Member	All Year	5	5	100
Lord Kestenbaum	Member	All Year	1	0	0
Andrew Milligan	Member	All Year	5	3	60
Sara Murray OBE	Member	All Year	5	4	80
Colin Paynter	Member	All Year	5	5	100
Ian Shott CBE	Member	All Year	5	5	100
Professor, Sir Christopher Snowden	Member	All Year	5	3	60
Dr Robert Sorrell	Member	All Year	5	4	80
Doug Richard	Member	All Year	5	2	40
Hazel Moore	Member	All Year	5	3	60

Appointments are made in accordance with the Code of Commissioner for Public Appointments. Governing Board members are required to declare their personal interests. Details of members' declared interests are available on the Governing Board's website. Members of the Governing Board are individually assessed by the Chair for contribution and effectiveness when the Secretary of State is considering their reappointment. New members receive a formal introduction to the Board, which involves meeting with the Executive Directors, introductory meetings with other Governing Board members and the board Secretary along with information on the current Strategy and Delivery Plan, as well as previous Board papers, Management Statement (including the Royal Charter) and Financial Memorandum.

During 2013-14 the Governing Board's activities have focused on:

- Approving and monitoring the annual delivery plan
- Overseeing the financial situation
- Approving new risk management policies
- Reviewing the implementation of the Catapults programme
- The development of a communication strategy
- Senior appointments to the Executive Team

In line with good governance the Governing Board has undertaken a self-assessment exercise. The results of this exercise fed into the development of the new Board Operating Framework.

The Governing Board is supported and informed by the Audit and Risk Assurance Committee and the Remuneration Committee.

### **Audit and Risk Assurance Committee**

The Audit and Risk Assurance Committee includes three members of the Governing Board and one independent member. They met four times in the financial year 2013-14 to review internal and external audit matters, the TSB's financial position and its risk management arrangements. The Committee reviewed and updated it terms of reference in 2013 in line with the latest guidance from HM Treasury. The Terms of Reference include monitoring of the application of internal controls and risk management, oversight of the TSB's corporate governance arrangements and review of the financial statements. The Audit and Risk Assurance Committee receives and considers reports from both internal and external auditors.

The Audit and Risk Assurance Committee members in 2013/14 were:

<b>Name</b>		<b>Meetings Attended (max 4)</b>
Andrew Milligan	Chair of Committee	4
Mike Carr	Board Member	3
Dr Stewart Davies	Board Member	3
Dr Robert Sorrell	Board Member	3
Andrew Fyfe*	Independent Member	2

*\*Mr Andrew Fyfe was appointed to the Committee from December 2013 and the maximum number of meetings he could therefore attend was two. He is an independent member appointed to strengthen the Committee's financial and accounting expertise.*

During 2013-14 the Committee's activities have focused on:

- Reviewing the implementation of the Board's financial improvement plan
- monitoring developments in risk management
- reviewing outcomes from reviews carried out by Internal and External Audit

### **Remuneration Committee**

The Remuneration Committee met three times in 2013-14 and advises on executive salaries and other benefits. Members of the Remuneration Committee in 2013-14 were:

<b>Name</b>		<b>Meetings Attended (max 3)</b>
Phil Smith	Chair of Committee	3
Dr David Grant CBE	Board Member	3
Hazel Moore	Board Member	2
Colin Paynter	Board Member	2

The Director of Innovation from the Department for Business, Innovation and Skills also has attendance rights at the Committee.

### **Executive Management Team**

The Executive Management Team includes the Chief Executive and Directors. It is responsible for the operational delivery of the Board's strategy. It meets twice a month to ensure a corporate approach to business delivery and to review performance. It is responsible for managing TSB operations and finances in line with the strategy, objectives and plans approved by the Governing Board.



There is a process of formal delegation of responsibilities from the Chief Executive to the Directors. Each year the Directors provide to the Chief Executive formal statements on the level of internal control and governance exercised within their Directorates. The 2013-14 declarations confirmed that satisfactory arrangements existed across the organisation.

The retirement of two Directors in December 2013 has facilitated a restructuring of the executive team and new Director roles in respect of Communications and Information Technology have been established.

### **Risk Management and Internal Control within the Board**

Risk management remains central to the work of the Board. The Executive Management Team has identified the key internal and external risks facing the Board and the achievement of its objectives. They review the progress in managing these risks regularly. The internal control process ensures that all risk procedures and activities are reviewed by management and staff delegated to do so. Delegated members of staff are aware of their responsibility to embed risk management in their activities.

Risks are evaluated in terms of impact and probability. Actions have been identified to mitigate risks. The Board has determined its risk appetite according to the nature of the risk. It has a high tolerance for risk associated with its support of research and development but a much lower tolerance for operational risks.

Further developments in risk management in 2013-14 have included:

- the implementation of risk management software
- the appointment of risk champions in each directorate to embed risk management at directorate level.

During 2013-14 Internal Audit undertook a review of the Board’s risk management arrangements and concluded that the Technology Strategy Board now has satisfactory risk management processes which are operating effectively.

At each meeting the Board reviews the top corporate risks. These are set out in the table below along with the actions being taken to mitigate the risks:

<b>Top Corporate Risks</b>	<b>TSB Response</b>
<i>Delays in achieving Cabinet Office approval and insufficient budget provision may prevent delivery of strategic Information Technology objectives</i>	<i>Complete definition of Information Technology strategic priorities. Continue to develop business cases for 2014 development work. Undertake scenario planning.</i>
<i>A significant step change in budget between 2014/15 and 2015/16, without any staged lead in to the additional activity, may result in over spending in 2014/15</i>	<i>Enhanced budget monitoring and resource reallocation where appropriate</i>
<i>Future admin budget may not be sufficient to provide effective support to additional non core programme activity and Board’s expanded role as UK Innovation Agency may therefore be compromised</i>	<i>Escalate concerns to Governing board and BIS. Establish clear view on level of admin budget needed. Build management capacity in accordance with admin resource made available</i>

The Board recognises the continuing opportunities to improve its risk management process. Current and future activities include:

- developing the risk champion role in directorates
- providing risk management training to staff more widely throughout the organisation
- better monitoring of the completion of mitigating actions

I have considered any weaknesses in internal control that have become apparent in 2013-14. The Board suffered a financial fraud which whilst not financially material nevertheless indicated a failure to

comply with an established financial control. The Board has put in place further measures to minimise the risk of fraud including:

- The development of a fraud risk assessment and register
- Review and improvement of existing financial controls
- Further staff training and awareness raising

The transition programme to a new single Knowledge Transfer Network revealed that the Board had not received all the independent accountants' reports on grant expenditure that it had requested from the outgoing Networks. A process is now in place to obtain all outstanding reports.

A breach of our Information Security Policy has occurred in the early part of 2014-15. We have assessed this incident and our initial conclusion is that its impact is limited. Nevertheless we intend to carry out a fuller review of our information governance processes.

### **Audit**

Internal Audit is provided by the UK Research Councils' Audit and Assurance Services Group. Their work programme is risk based and aligned with the Board's own risk management and assurance framework. Key audits in 2013-14 have included:

- Risk management
- Project governance
- Communications
- Human Resources

In all these areas Internal Audit provided a substantial level of assurance. Internal Audit has also provided an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. Its opinion for 2013-14 was that it could provide a substantial level of assurance.

In 2014 Internal Audit followed up the implementation of recommendations made in earlier audits of corporate governance and management accounting. They found that of twenty recommendations originally made all but one had been successfully implemented. The remaining recommendation was no longer relevant.

External Audit is provided by the National Audit Office which provides an audit report on the financial statements of the Board. In completing the 2012-13 audit the National Audit Office reported to the Board on the need for improved processes for grant accruals, better compliance with government expenditure controls and better reporting of third party assets. During 2013-14 the Board has improved its processes to address these issues.

### **Other Governance Developments**

The Board has taken a number of other steps in 2013-14 to improve its governance arrangements including:

- The introduction of a more comprehensive scheme of financial delegation
- The completion of a financial improvement plan
- Review of arrangements for obtaining independent accountants' reports on grant expenditure
- Development of new guidelines for monitoring officers

### **Triennial Review**

During 2013 the Board underwent a triennial review carried out by the Department for Business, Innovations and Skills. The purpose of such reviews is to consider the continuing need for organisations and to assess compliance with the principles of good corporate compliance. The review of the Technology Strategy Board concluded that:

- There was a continuing need for the Board and it should retain its current status
- The Board was fully compliant with all aspects of statutory accountability and governance

- The leadership structure of the Board was appropriate and highly effective at providing strategic direction and oversight.
- Where there were opportunities for improvement plans were already in place and being implemented

## **Value for Money**

In the current economic climate the Board fully recognises its responsibilities to exercise tight financial control and achieve value for money in all its activities. To achieve these aims in 2013-14 it has:

- Continued to implement the action plan from its project on Managing the risk of financial loss
- Reviewed its controls over procurement and introduced a new travel and subsistence policy
- Used shared services facilities for ICT, procurement and building services and considered the scope for use of shared services in other areas
- Published on its public website details of grant funded projects and expenditure items over £25,000

## **Tax Assurance**

The Board has implemented the recommendations of HM Treasury's Review of the tax arrangements of public sector appointees. I confirm that the Chief Executive, Executive Directors and senior officials with significant financial responsibility are on the organisation's payroll or have provided the appropriate assurances about their tax affairs.

## **Review of Effectiveness**

As Accounting Officer I have responsibility for conducting an annual review of the effectiveness of the organisation's system of governance, risk management and internal control. This review is informed by the work of executive managers and internal auditors within the organisation who have responsibility for the development and maintenance of the governance structure, internal control framework, and comments made by the external auditors in their management letter and other reports. The Governance Statement represents the end product of the review of the effectiveness of the governance framework, risk management and internal control.

My review is informed by:

- The Governing Board which meets every two months in order to consider the TSB's plans, strategic direction, performance reports and corporate governance issues;
- Director's Annual Statements on Internal Control (DASIC). The DASIC exercise provides the main evidence informing the nature of my own assurance on internal controls as these assurances come from Executive Directors responsible for the development and maintenance of the TSB internal controls framework. The Directors have assured me that a satisfactory level of internal control existed in 2013-14;
- Regular reports by the internal Audit and Assurance Service including the Director of Internal Audit's independent opinion on the adequacy and effectiveness of the TSB's systems of internal control; he has provided substantial assurance.
- The National Audit Office's report on the financial statements
- The Audit Committee which meets at least four times a year to discuss all aspects of corporate governance, including risk management and internal control.
- A research and development grant validation procedure involving monitoring officer visits and reports, and periodic audit reports which provide assurance on the regularity of research and development project expenditure by grants recipients.
- The Triennial Review carried out in 2013

## Conclusion

The conclusion of my review is that the Board's overall governance and internal control structures are appropriate for the level of risk it faces. It will continue to strengthen its arrangements in 2014-15 by:

- Continuing improvements in financial management
- further embedding risk management in the organisation
- updating our governance policies and procedures
- continuing to seek efficiencies and value for money in our activities

A handwritten signature in black ink, appearing to read 'Iain G Gray', with a stylized flourish at the end.

Iain G Gray CBE  
Chief Executive and Accounting Officer  
26 June 2014

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

I certify that I have audited the financial statements of the Technology Strategy Board for the year ended 31 March 2014 under the Science and Technology Act 1965. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## Respective responsibilities of the Technology Strategy Board, Chief Executive and Auditor

As explained more fully in the Statement of the Technology Strategy Board's and Chief Executive's Responsibilities, the Technology Strategy Board and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Science and Technology Act 1965. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

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

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

## Opinion on regularity

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

## Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Technology Strategy Board's affairs as at 31 March 2014 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Science and Technology Act 1965 and Secretary of State directions issued thereunder.

## Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Science and Technology Act 1965; and

- the information given in Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Matters on which I report by exception**

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

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

#### **Report**

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

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

## STATEMENT OF COMPREHENSIVE NET EXPENDITURE

### for the year ended 31 March 2014

Expenditure	Notes	2013-14 <u>£000</u>	2012-13 <u>£000</u>
Staff costs	2	16,348	14,770
Programme support costs	3	19,984	18,390
Other operating costs	4	14,149	15,894
Technology grants	5	572,057	374,228
Depreciation & amortisation	9,10	1,574	1,905
<b>Total operating expenditure</b>		624,112	425,187
Operating income	7	(1,147)	(1,587)
Co-funding income	8	(41,820)	(22,182)
EU co-funding	8	(4,453)	(2,188)
<b>Net operating expenditure</b>		576,692	399,230
Net gain on investment property	11	(300)	(1,566)
<b>Total comprehensive net expenditure for the year</b>		576,392	397,664

All activities are continuing.

The notes on pages 43 to 64 form part of these accounts.

# STATEMENT OF FINANCIAL POSITION

## as at 31 March 2014

		31 March 2014 <u>£000</u>	31 March 2013 <u>£000</u>
<b>Assets</b>	Notes		
<b>Non-current assets:</b>			
Property, plant and equipment	9	183	206
Intangible assets	10	2,643	4,145
Investment properties	11	4,800	4,500
<b>Total non-current assets</b>		<u>7,626</u>	<u>8,851</u>
<b>Current assets:</b>			
Trade and other receivables	12	32,790	8,081
Cash and cash equivalents	13	6,249	20,794
<b>Total current assets</b>		<u>39,039</u>	<u>28,875</u>
<b>Total assets</b>		<u>46,665</u>	<u>37,726</u>
<b>Current liabilities</b>			
Trade and other payables	14	(28,121)	(62,230)
Accruals	14	(173,612)	(108,172)
<b>Total current liabilities</b>		<u>(201,733)</u>	<u>(170,402)</u>
<b>Non-current assets less net current liabilities</b>		<u>(155,068)</u>	<u>(132,676)</u>
<b>Assets less liabilities</b>		<u>(155,068)</u>	<u>(132,676)</u>
<b>Taxpayers' equity</b>			
Government funds		<u>(155,068)</u>	132,676
		<u>(155,068)</u>	<u>132,676</u>



Iain G Gray CBE  
Chief Executive and Accounting Officer  
26 June 2014

The notes on pages 43 to 64 form part of these accounts.



## STATEMENT OF CASH FLOWS for the year ended 31 March 2014

	Notes	2013-14 <u>£000</u>	2013-14 <u>£000</u>	2012-13 <u>£000</u>	2012-13 <u>£000</u>
<b>Cash flows from operating activities</b>					
Total expenditure for the year		(580,845)		(399,851)	
EU income		4,453		2,188	
Adjusted for:					
Depreciation & amortisation	9,10	1,574		1,905	
Other non cash movements					
Gain on investment property	11	(300)		(1,566)	
(Increase)/Decrease in receivables	12	(24,709)		5,124	
Increase in payables	14	31,331		33,831	
<b>Net cash outflows from operating activities</b>			(568,496)		(358,369)
<b>Cash flows from investing activities</b>					
Purchase of intangible assets	10	0		(98)	
Purchase of property, plant and equipment	9	(49)		(11)	
<b>Net cash outflows from investing activities</b>			(49)		(109)
<b>Cash flows from financing activities</b>					
Grant-in-aid received		554,000		379,245	
<b>Net cash inflows from financing activities</b>			554,000		379,245
Net (decrease) / increase in cash and cash equivalents			(14,545)		20,767
Cash and cash equivalents at 1 April			20,794		27
Cash and cash equivalents at 31 March			6,249		20,794

The notes on pages 43 to 64 form part of these accounts.

## STATEMENT OF CHANGES IN TAXPAYERS' EQUITY for the year ended 31 March 2014

Notes	Government Funds	Total Reserves
	<u>£000</u>	<u>£000</u>
<b>Balance at 31 March 2012</b>	<b>(114,257)</b>	<b>(114,257)</b>
Retained deficit	(399,230)	(399,230)
Gain on acquisition	1,566	1,566
<b>Total recognised income and expense for 2012-13</b>	<b>(397,664)</b>	<b>(397,664)</b>
Grant-in-aid	379,245	379,245
<b>Balance at 31 March 2013</b>	<b>(132,676)</b>	<b>(132,676)</b>
Retained deficit	(576,692)	(576,692)
Gain on investment property	300	300
<b>Total recognised income and expense for 2013-14</b>	<b>(576,392)</b>	<b>(576,392)</b>
Grant-in-aid	554,000	554,000
<b>Balance at 31 March 2014</b>	<b>(155,068)</b>	<b>(155,068)</b>

The notes on pages 43 to 64 form part of these accounts.

# NOTES TO THE ACCOUNTS

## 1 STATEMENT OF ACCOUNTING POLICIES

### a. Basis of Accounting and Accounting Convention

These financial statements have been prepared in accordance with the 2013-14 *Government Financial Reporting Manual* (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adopted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the Technology Strategy Board for the purpose of giving a true and fair view has been selected.

These financial statements have been prepared under the historical cost convention, modified by the revaluation of non-current assets, where material. They comply with the Accounts Direction issued by the Secretary of State for Business, Innovation and Skills on 31 March 2010 in accordance with section 2(2) of the Science and Technology Act 1965.

The particular policies adopted by the Technology Strategy Board for 2013-14 are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### Going Concern

The accounts have been prepared on the basis of a Going Concern. Any deficit shown on the Government Funds will be extinguished over time, having regard to the resource and capital budgets to which the Technology Strategy Board can expect to have access from the sponsoring department, BIS.

These financial statements are presented in £ sterling, the functional currency, and all values are rounded to the nearest thousand, except where indicated otherwise.

#### Adoption of Standards and Changes in Policy 2013-14

All International Financial Reporting Standards, Interpretations and Amendments to published standards, effective at 31 March 2014, have been adopted in these financial statements, taking into account the specific interpretations and adaptations included within the FReM.

#### Adoption of Standards and Changes in Policy effective for future financial years

The IASB and IFRIC issued certain standards and interpretations with an effective date after these financial statements. Where these changes are relevant to Technology Strategy Board's circumstances they are listed below and will be adopted at the effective date. They have not been adopted early and their adoption is not expected to have a material impact on the Technology Strategy Board's reported income or net assets in the period of adoption.

IFRS 9 Financial Instruments: Classification and Measurement (effective for periods beginning on or after 1 January 2013) – IFRS 9 is a replacement for IAS 39 and introduced new requirements for the classification and measurement of financial assets, together with the elimination of two categories. The Technology Strategy Board does not expect there to be any transactions requiring disclosure but will assess further as appropriate for the 2014-15 financial statements.

IFRS 10 Consolidated Financial Statements: IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 Consolidation - Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements and is effective for annual periods beginning on or after 1 January 2013. Earlier

application is permitted. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Technology Strategy Board does not expect there to be any transactions requiring disclosure but will assess further as appropriate for the 2014-15 financial statements.

**IFRS 11 Joint Arrangements:** IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. The Technology Strategy Board does not expect there to be any transactions requiring disclosure but will assess further as appropriate for the 2014-15 financial statements.

**IFRS 12 Disclosure of Interests in Other Entities:** IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after 1 January 2013. The Technology Strategy Board does not expect there to be any transactions requiring disclosure but will assess further as appropriate for the 2014-15 financial statements.

**IFRS 13 Value Measurement** applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The Standard defines fair value on the basis of an 'exit price' notion and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific, measurement. IFRS 13 is effective for annual periods beginning on or after 1 January 2013. The Technology Strategy Board has adopted this standard as appropriate for the 2013-14 financial statements.

**b. Non-current assets, depreciation and amortisation**

Capital expenditure includes the purchase of property, plant and equipment valued at £5,000 or more. Individual items valued at less than the threshold are capitalised if they constitute integral parts of a composite asset that is in total valued at more than the threshold. Individual items valued at less than the threshold and not forming part of a composite asset have not been capitalised.

Property, plant and equipment

Property, plant and equipment are accounted for in accordance with IAS16. These assets are carried at modified historical cost less accumulated depreciation and any accumulated impairment losses.

In the opinion of the Technology Strategy Board there is no material difference between the depreciated historical and current cost values of the computing, office equipment and intangible assets. Accordingly these assets have not been revalued. This position is kept under review.

Depreciation

Depreciation is calculated on a straight-line basis to write off assets over their useful economic life, commencing from when they are available to use and continuing to depreciate them until they are derecognised, even if during that period the items are idle. Furniture and fittings are depreciated over five to ten years and computers over three years.

### Intangible assets

Intangible assets are accounted for in accordance with IAS38 and are carried at historical cost less accumulated amortisation. Acquired software is depreciated over five years.

### Amortisation

Amortisation is calculated on a straight-line basis to write off assets over their useful economic life, commencing from when they are available to use. Information Technology (IT) expenditure and software purchased is amortised over five years.

### Impairment

The recoverable amount of the assets is measured annually to establish whether there is need for impairment in accordance with IAS36. The Technology Strategy Board conducted its annual impairment review and concluded that there was no impairment requirement in 2013-14.

### Investment properties

Investment properties are measured using the fair value model as per IFRS 13. The fair value of investment properties reflects the market conditions at the end of the reporting period based on the rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions.

A gain or loss arising from a change in the fair value of investment property is recognised in the statement of comprehensive net expenditure in the period it arises.

#### **c. Ownership of equipment purchased with Technology Strategy Board grants**

Equipment purchased by an organisation with grant funds supplied by the Technology Strategy Board belongs to the organisation and is not included in the Technology Strategy Board's non-current assets. Through the Conditions of Grant applied to funded organisations, if, during the life of the grant, an asset is not used for the purpose for which it was funded, the Technology Strategy Board reserves the right to recover the grant paid. Once the grant has been completed, and in some grant schemes after a further period of time, the organisation is free to use such equipment without reference to the Technology Strategy Board.

#### **d. Grant-in-aid**

Grant-in-aid (GIA) is regarded as a contribution from a controlling entity thereby giving rise to a financial interest in the organisation, additional payments from the controlling entity are treated the same. Hence it is accounted for as financing on a cash basis. GIA is credited to the Government Funds in the statement of financial position. As a result, the Income and expenditure account shows net expenditure for the year rather than a surplus or deficit, and is consequently named 'statement of net expenditure'.

#### **e. Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated using the closing rate, which is the rate of exchange ruling at the year-end date. Transactions in foreign currencies are recorded at the actual rate ruling at the time of the transaction. Gains and losses arising from movements in foreign exchange rates are taken to the statement of comprehensive net expenditure.

**f. Value added tax**

The Technology Strategy Board does not reclaim input VAT and therefore accounts for its transactions gross of VAT. Accordingly all purchases are shown inclusive of VAT.

**g. Technology grants**

Technology grant expenditure is recognised in the period, in which eligible activity creates an entitlement in line with the terms and conditions of the grant. Accrued grants are charged to the Statement of Comprehensive Net Expenditure on the basis of estimates (refer to note 1m below) and are included in the accruals in the Statement of Financial Position.

**h. Pension costs**

Employees of the Technology Strategy Board are entitled to be members of the Research Councils' pension schemes. The schemes are multi-employer unfunded defined benefit schemes and the Technology Strategy Board is unable to identify its share of underlying liabilities. Therefore the amount charged in the statement of net expenditure represents the contributions payable to the schemes in respect of current employees in the accounting period.

**i. Contingent liabilities**

The disclosure of contingent liabilities in the notes to the accounts is prepared in accordance with IAS37: *Provisions, Contingent Liabilities and Contingent Assets*. No disclosure is made for those contingencies, where crystallisation is considered to be remote or the amounts involved are immaterial.

**j. Operating leases**

Operating lease rental charges are included in the category Information Technology & Communications Charges within the expenditure heading Other Operating Costs which is shown in Note 4, and charged in the period they relate to in accordance with IAS17. Operating lease rental income is included in Operating Income which is shown in Note 7.

**k. Co-funding income**

The Technology Strategy Board recognises grant-in-aid and any other grants from the parent department as financing. Therefore funding from other bodies is recognised as income on an accruals basis.

Where public and private sector bodies have agreed to fund or co-fund some of the Technology Strategy Board's research expenditure, such income is recognised when the Technology Strategy Board is entitled to the income. Income is deferred where there are conditions in the co-funding agreement that have not been met as at the year end.

**l. IFRS 8 – Operating segments**

The disclosure of the various operating segments allows for greater transparency with regard to financial reporting and has been presented in line with the financial investment strategy and the presentation of financial performance in the monthly management accounts.

**m. Accounting estimates and key accounting judgements**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical

experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Uncertainty about these assumptions and estimates could result in outcomes that require an adjustment to the carrying value of the asset or liability. Where applicable these uncertainties are disclosed in the Notes to the Accounts.

In accordance with IAS 8, changes to accounting estimates are recognised:

- a) in the period in which the estimate is changed, if the change affects only that period; or
- b) in the period of the change and future periods, if the change affects both.

The only 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 relate to the technology grant accrual policy.

### **Technology Grant Accrual**

The accounts include a grants accrual for each project where it has been determined that there is an unclaimed amount due to participants.

The accrual is based on participants' forecast of expenditure submitted with their latest claim, adjusted for the participants' historical forecasting accuracy. For a number of large projects, KTNS, the MNT centre and Catapults, the Technology Strategy Board contacts the participants directly to obtain further information and assurances on claims due at the year end date. For those grants that are based on procurements, the Technology Strategy Board confirms the accruals based on purchase orders raised for the period. The technology grant accrual at the end of March 2014 was £165.6m (2012-13: £96.8m).

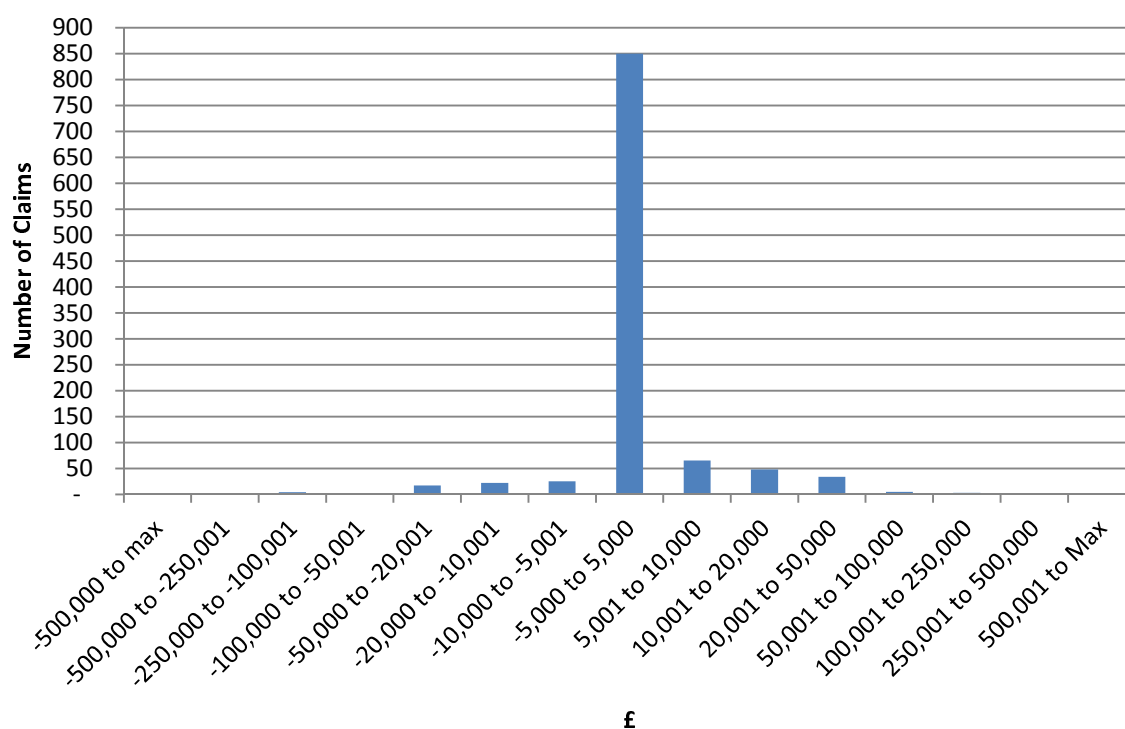
The major sources of uncertainty in the estimate relate to the profiling of incurring and defraying the project costs that create the entitlement to the grant and the amount of the grant not utilised at the end of the project. The projects funded by the Technology Strategy Board are typically collaborations between private businesses and academia; this aspect introduces a degree of interdependency between project partners that may impact on the timing of individual work-packages. In addition, projects are typically two to five years long, which permits a degree of flexibility for grant recipients in the scheduling of their project activity. The projects seek to develop new technology-based products and services for future markets and as such are inherently uncertain in terms of their success and, related to this, the project duration and activity costs ultimately incurred.

The projects are accrued for on an estimated basis; the combined estimates of all the amounts owed to the projects make up a portfolio of liabilities for which the Technology Strategy Board is responsible.

As at 30 April 2014, the remaining grant accrual that has yet to unwind, amounted to £58.3m. Within this amount there is an element of uncertainty as to the exact amount which will be claimed.

Of the grant accrual, the participant risk adjusted share of this accrual, on a sample of 1,074 claims which were received at 30 April 2014, we can give an indication of the likely claim profile and therefore substantiate the accrual. From the chart below it can be seen that the majority of claims submitted (850) were within +/- £5,000 of the amounts originally accrued.

## Grant Accrual Analysis 2013-14



## 2. STAFF COSTS

### a. Remuneration of senior employees

Remuneration of senior employees can be found in the Remuneration report.

### b. Staff costs

	2013-14	2012-13
	£000	£000
Permanent staff		
- Salaries and wages	10,047	9,678
- Social Security costs	1,038	1,011
- Superannuation costs	2,113	1,572
	13,198	12,261
Agency and interim staff	3,048	2,380
Board members' fees	102	129
	16,348	14,770



**c. Average number of persons employed**

The average number of full-time equivalent persons employed during the year was as follows.

	<b>2013-14</b>	<b>2012-13</b>
	<b>Number</b>	<b>Number</b>
Permanent staff	185	164
Agency and interim staff	72	32
	<b>257</b>	<b>196</b>

**d. Remuneration of Governing Board and Committee members**

Remuneration of Governing Board member's details can be found in the Remuneration report.

**e. Pension arrangements**

The BBSRC has responsibility for the research councils' pension scheme (RCPS) and the Chief Executive of the BBSRC is the Accounting Officer for the pension scheme. Employees of the Technology Strategy Board are eligible to either join the RCPS or open a partnership pension account which is a stakeholder pension with an employer contribution. The RCPS is funded on a pay-as-you-go basis principally through employer and employee contributions and annual grant-in-aid.

The pension scheme provides retirement and related benefits on final emoluments by analogy to the Principal Civil Service Pension Scheme (PCSPS). The RCPS is administered by the research councils' Joint Superannuation Services, a unit within BBSRC. Separate RCPS Accounts are published and contain the further disclosure of information required under the relevant accounting standards.

As the RCPS are unfunded multi-employer defined benefit scheme, the Technology Strategy Board is unable to identify its share of the underlying assets and liabilities. Details can be found in the accounts of the Research Councils pension scheme at [www.bbsrc.ac.uk](http://www.bbsrc.ac.uk).

The last full actuarial valuation was carried out by GAD as at 31 March 2006. Following consideration of the valuation report the employer's contribution rate was set at 26.0%. The contribution rate reflects benefits as they are accrued, not when the costs are actually incurred, and reflect the past experience of the scheme. The next full scheme valuation by GAD is on hold pending advice from H M Treasury.

For 2013-14, employer's contributions of £2.1m (2012-13: £1.6m) were paid to the RCPS at 26% (2012-13: 26%) of pensionable pay.

**f. Compensation schemes and exit packages**

During 2013-14 there were no exit packages agreed (2012-13: Two).

The total net redundancy cost incurred by the Technology Strategy Board was £0k.

<b>Exit packages cost band</b>	<b>Number of voluntary redundancies agreed</b>
<£10,000	0 (1)
£10,000 to £25,000	0 (0)
£25,000 to £50,000	0 (0)
£50,000 to £100,000	0 (0)
£100,000 to £150,000	0 (0)
£150,000 to £175,000	0 (1)
	<hr/>
	0 (2)
	<hr/> <hr/>

**3. PROGRAMME SUPPORT CONTRACTS**

	<b>2013-14</b>	<b>2012-13</b>
	<b>£000</b>	<b>£000</b>
Third party programme support contracts	3,009	3,623
IT Platform	6,052	6,455
Monitoring officer and assessment fees and expenses	<hr/>	<hr/>
	10,923	8,312
	<hr/>	<hr/>
	19,984	18,390
	<hr/> <hr/>	<hr/> <hr/>

The charges for third party programme support contracts are for the management and delivery of the Technology Strategy Board's programmes. The 2013-14 figure includes £2.1m (2012-13: £2.4m) for KTP support costs. The monitoring officer fees are incurred on the monitoring of projects and the authorisation of claims within the collaborative research and development programme.

#### 4. OTHER OPERATING COSTS

	<b>2013-14</b>	<b>2012-13</b>
	<b>£000</b>	<b>£000</b>
Travel and subsistence	1,353	1,146
Utilities, rent, rates and maintenance	(190)	764
Communications and events	6,450	5,599
Intervention management	2,970	4,341
General administration	2,095	2,510
Recruitment	907	945
Employee relocation costs	28	3
Office equipment	23	18
Information technology and communications charges	412	493
Auditors' remuneration	98	99
Exchange rate (gains)/losses	3	(23)
	<b>14,149</b>	<b>15,895</b>

The amount charged in the year for operating leases was £601,361 (2012-13: £364,338). Of this, £239,737 (2012-13: £222,875) was included within information technology and communications charges and relates entirely to equipment, with the remaining £361,624 (2012-13: £141,463) included within rent, rates and maintenance.

Auditors' remuneration includes £98,000 (2012-13: £99,000 plus £4,000 for additional work) for the statutory audit fee.

Utilities, rent, rates and maintenance is negative due to a VAT accrual which was released in the year as it was no longer due following discussions with HMRC.

## 5. TECHNOLOGY GRANTS

	2013-14			2012-13		
	Gross grant expenditure	Co-funding income	Net grant expenditure	Gross grant expenditure	Co-funding income	Net grant expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Thematic Interventions</b>						
Energy	24,203	(2,447)	21,756	18,049	1,569	19,618
Sustainability	3,738	(429)	3,309	1,733	(263)	1,470
Built environment	32,794	(2,914)	29,880	15,032	(123)	14,909
Food supply	9,723	(6,132)	3,591	7,504	(4,249)	3,255
Transport	30,779	(14,273)	16,506	23,315	(6,441)	16,874
Space	5,004	(1,965)	3,039	6,868	(2,104)	4,764
Healthcare	50,205	(2,761)	47,444	19,619	(290)	19,329
High value manufacturing	14,190	(108)	14,082	7,878	-	7,878
Digital services	14,728	(20)	14,708	15,056	125	15,181
Advanced materials	6,920	(460)	6,460	7,166	(306)	6,860
Biosciences	5,515	(1,167)	4,348	7,959	(635)	7,324
Electronics, photonics & electrical systems	9,598	(1,679)	7,919	8,040	(1,426)	6,614
Information & communication technology	8,969	(775)	8,194	6,077	(430)	5,647
Development	5,504	(428)	5,076	2,726	-	2,726
<b>Subtotal Thematic</b>	<b>221,870</b>	<b>(35,558)</b>	<b>186,312</b>	<b>147,022</b>	<b>(14,573)</b>	<b>132,449</b>
<b>Responsive Interventions</b>						
Small Business Research Initiative	7,947	(2,058)	5,889	3,500	(236)	3,264
European Union Grant for Research & Development	2,773	(2,579)	194	1,882	(2,710)	(828)
Knowledge Transfer Networks	42,378	(8)	42,370	33,700	(718)	32,982
Knowledge Transfer Partnerships	16,648	(482)	16,166	14,680	(274)	14,406
Catapult Centres	17,682	(3,659)	14,023	22,028	(4,759)	17,269
Micro Nano Technology Centres	154,521	(1,250)	153,271	86,549	(1,100)	85,449
Non-core projects	598	0	598	887	-	887
Vouchers	104,750	0	104,750	63,493	-	63,493
	2,890	(679)	2,211	487	-	487
<b>Sub-total responsive</b>	<b>350,187</b>	<b>(10,715)</b>	<b>339,472</b>	<b>227,206</b>	<b>(9,797)</b>	<b>217,409</b>
<b>Total grant expenditure</b>	<b>572,057</b>	<b>(46,273)</b>	<b>525,784</b>	<b>374,228</b>	<b>(24,370)</b>	<b>349,858</b>

### Analysis of technology grants recipients:

Universities and not-for-profit private sector	65,196	71,103
Other private sector	481,468	284,413
Public sector	25,393	18,712
<b>Total</b>	<b>572,057</b>	<b>374,228</b>

## 6. OPERATING SEGMENTS

	2013-14			2012-13		
	Gross expenditure £'000	Co-funding income £'000	Net expenditure £'000	Gross expenditure £'000	Co-funding Income £'000	Net expenditure £'000
<i>Thematic Interventions</i>	221,870	(35,558)	186,312	147,022	(14,573)	132,449
<i>Responsive Interventions</i>	350,187	(10,715)	339,472	227,206	(9,797)	217,409
<b>Total grant expenditure</b>	<b>572,057</b>	<b>(46,273)</b>	<b>525,784</b>	<b>374,228</b>	<b>(24,370)</b>	<b>349,858</b>
Programme delivery costs	19,984	-	19,984	18,390	-	18,390
Innovation Climate	6,450	-	6,450	5,599	-	5,599
Intervention Management	2,970	-	2,970	4,341	-	4,341
Payroll related costs	16,348	-	16,348	14,770	-	14,770
Other overheads	6,303	-	6,303	7,859	-	7,859
Other operating income	-	(1,147)	(1,147)	-	(1,587)	(1,587)
Net gain on acquisition	-	(300)	(300)	-	(1,566)	(1,566)
<b>Total Expenditure</b>	<b>624,112</b>	<b>(47,720)</b>	<b>576,392</b>	<b>425,187</b>	<b>(27,524)</b>	<b>397,664</b>

The Technology Strategy Board's reportable segments are aligned to its internal management accounts and its financial investment strategy, which focuses on those areas of the economy where the UK has strength and which will provide the greatest impact.

Thematic programmes focus on societal challenges, cross cutting competencies, enabling technologies and emerging technologies. The knowledge transfer represents investment in networks and knowledge exchange, as well as public engagement activities. Small Business Research Initiatives provides public sector procurement contracts to business for R&D to develop new products and services. EU programmes aim to assist UK business in accessing EU R&D funding, and in collaborating with EU partners.

The co-funding amounts represent financing received from EU and other governmental bodies, with whom the Technology Strategy Board works in partnership.

Total assets are not analysed by segment as assets are not allocated to segments in the management accounts.

## 7. OPERATING INCOME

	<b>2013-14</b>	<b>2012-13</b>
	<b>£000</b>	<b>£000</b>
KTP management fee recharge	(654)	(931)
Ticket sales	28	(135)
Rental income	(521)	(521)
	<u>(1,147)</u>	<u>(1,587)</u>

The KTP management fee recharge represents our partners' share of the costs associated with the management and delivery of the KTP programme.

The financial objective is to ensure that every sponsor, including the Technology Strategy Board, shares the cost of managing and delivering the KTP programme. In 2013-14, the charge was calculated on the basis of the estimated cost to manage and deliver KTPs, calculated at the beginning of the financial year with reference to the active partnerships at the end of the previous year. The full cost of the estimated management and delivery charge was £3,569,651 (2012-13: £4,432,956). The Technology Strategy Board's share of these costs was £2,915,251 (2012-13: £3,501,436). Taking one year with another, the financial objective of sharing the costs of management and delivery on an equitable basis between the sponsors is achieved.

This information is provided for fees and charges purposes.

The rental income relates to the Blyth property which is let on two leases. The main lease relates to the majority of the site for a term of 25 years from 8 April 2011, with a passing rent of £478k per annum. The lease for Offshore House runs conterminously to the main lease with a passing rent of £43k per annum.

## 8. CO FUNDING INCOME

	2013-14	2012-13
	£'000	£'000
<b>Income from BIS Group</b>		
Biotechnology & Biological Sciences Research Council	1,532	2,005
Engineering & Physical Sciences Research Council	1,243	1,841
Economic & Social Research Council	1,001	1,569
Medical Research Council	1,170	400
UK Space Agency	1,965	2,103
Other BIS bodies	3,233	1,143
<b>Total Income from BIS Group</b>	<b>10,144</b>	<b>9,061</b>
<b>Income from Central Government Departments</b>		
Department for Environment, Food & Rural Affairs	6,121	3,688
Department for Transport	14,136	6,364
Department Of Health	790	1,029
Other Government Departments	9,242	2,032
<b>Total Income from Central Government Departments</b>	<b>30,289</b>	<b>13,113</b>
<b>Income from Other Bodies</b>		
European Community	4,453	2,188
Other UK	1,387	8
<b>Total Income from Other Bodies</b>	<b>5,840</b>	<b>2,196</b>
<b>Total Income</b>	<b>46,273</b>	<b>24,370</b>

## 9. PROPERTY, PLANT AND EQUIPMENT

	Furniture and Fittings	Computers	Total
	£000	£000	£000
<b>Cost</b>			
At 1 April 2013	570	9	579
Additions	49	0	49
Disposals	0	0	0
<b>Cost at 31 March 2014</b>	<b>619</b>	<b>9</b>	<b>628</b>

### Depreciation

Depreciation at 1 April 2013	366	7	373
Charge for the year	70	2	72
Disposals	0	0	0
<b>Depreciation at 31 March 2014</b>	<b>436</b>	<b>9</b>	<b>445</b>

### Net Book Value:

<b>At 31 March 2014</b>	<b>183</b>	<b>0</b>	<b>183</b>
At 1 April 2013	204	2	206

	Furniture and Fittings	Computers	Total
	£000	£000	£000
<b>Cost</b>			
At 1 April 2012	559	9	568
Additions	11	0	11
Disposals	0	0	0
<b>Cost at 31 March 2013</b>	<b>570</b>	<b>9</b>	<b>579</b>

### Depreciation

At 1 April 2012	256	5	261
Charge for the year	110	2	112
Disposals	0	0	0
<b>Depreciation at 31 March 2013</b>	<b>366</b>	<b>7</b>	<b>373</b>

### Net Book Value:

<b>At 31 March 2013</b>	<b>204</b>	<b>2</b>	<b>206</b>
At 1 April 2012	303	4	307



## 10. INTANGIBLE NON-CURRENT ASSETS

	Information Technology £000	Software Purchased £000	Total £000
<b>Cost</b>			
At 1 April 2013	7,877	61	7,938
Additions	0	0	0
<b>Cost at 31 March 2014</b>	<b>7,877</b>	<b>61</b>	<b>7,938</b>
<b>Amortisation</b>			
At 1 April 2013	3,735	58	3,793
Charge for the year	1,499	3	1,502
Disposals	0	0	0
<b>Amortisation at 31 March 2014</b>	<b>5,234</b>	<b>61</b>	<b>5,295</b>
<b>Net Book Value:</b>			
<b>As at 31 March 2014</b>	<b>2,643</b>	<b>0</b>	<b>2,643</b>
As at 1 April 2013	4,142	3	4,145

	Information Technology £000	Software Purchased £000	Total £000
<b>Cost</b>			
At 1 April 2012	7,779	61	7,840
Additions	98	0	98
<b>Cost at 31 March 2013</b>	<b>7,877</b>	<b>61</b>	<b>7,938</b>
<b>Amortisation</b>			
At 1 April 2012	1,962	37	1,999
Charge for the year	1,773	21	1,794
<b>Amortisation at 31 March 2013</b>	<b>3,735</b>	<b>58</b>	<b>3,793</b>
<b>Net Book Value:</b>			
<b>As at 31 March 2013</b>	<b>4,142</b>	<b>3</b>	<b>4,145</b>
As at 1 April 2012	5,817	24	5,841

Included in the above carrying cost is £2,643,000 for development costs of an internally developed IT platform (\_connect), comprising a grant management system application and a web portal that facilitates collaboration between Knowledge Transfer Network members, other industry groups and Technology Strategy Board technologists. The Information Technology asset is an intangible asset and it has been capitalised since January 2011. The asset is amortised from this date for a period of five years. The assets were tested in May 2013 and there was no need for impairment. Additional expenditure in 2013-14 of £6.5m was expended on \_connect, however, this was not deemed to add benefit to TSB, but rather the external users of the system and has therefore, not been capitalised.

## 11. INVESTMENT PROPERTIES

	31 March 2014	31 March 2013
	£000	£000
<b>Carrying value as at 1 April 2013</b>	4,500	2934
Additions	0	0
Transfers in (out)	0	0
Revaluations	300	1,566
Disposals		
	<hr/>	<hr/>
<b>Carrying value as at 31 March 2014</b>	<b>4,800</b>	<b>4,500</b>

Investment properties are measured using the fair value model.

The investment properties are valued at £4.8 million (2012-13: £4.5 million) and the cumulative changes in fair value recognised for the period ending 31 March 2014 in the Consolidation SoCNE amounted to a net gain of £0.3 million. The properties were valued on 28 February 2014 by independent valuers DTZ, in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors (MRICS). This valuation has been adopted at the reporting date on the grounds that there were no material changes in fair value between the valuation date and the reporting date.

The Blyth property income is based on two leases: The main lease relates to the majority of the site for a term of 25 years from 8 April 2011, with the next breakout clause in 3 years and a passing rent of £478k per annum. The lease for Offshore House runs conterminously to the main lease with a passing rent of £43k per annum.

### Future Payments from Operating Lease

	Land and Buildings	
	31 March 2014	31 March 2013
	£000	£000
Not later than one year	521	521
Later than one year and not later than five years	521	1,042
Later than five years	0	0
Total	<hr/> 1,042	<hr/> 1,563

## 12. TRADE AND OTHER RECEIVABLES

	31 March 2014	31 March 2013
	£000	£000
<b>Amounts falling due within one year</b>		
Trade receivables	8,279	5,682
Other receivables	190	210
Bad Debt*	(60)	(95)
VAT recoverable	607	0
Prepayments **	15,928	123
Accrued income	5,190	994
EU Accrued income	2,656	1,167
<b>Total Trade receivables</b>	<b>32,790</b>	<b>8,081</b>
<b>Analysis of receivables balance:</b>		
Bodies external to government	22,621	3,150
Other Central Government Bodies	9,914	4,931
Local Authorities	255	0
<b>Total</b>	<b>32,790</b>	<b>8,081</b>

\*The bad debt provision is based on a review of the Technology Strategy Board's doubtful trade receivables.

\*\*Prepayments have increased due to payments made to the Catapult Centres to enable them to operate during the period between grant claim and payment.

## 13. CASH AND CASH EQUIVALENTS

The net funds at 31 March 2014 of £6,249,390 comprise cash held within the Government Banking Service (31 March 2013: £20,793,668).

Third Party Assets held at 31 March 2014, were £3,079,491 (31 March 2013: £2,327,463). This represents cash received from the European Commission and held on behalf of European Partners to be distributed at a future date on completion of agreed claims and milestones.

#### 14. TRADE AND OTHER PAYABLES

(a) Analysis by type	31 March	31 March
	2014	2013
	£000	£000
<b>Amounts falling due within one year</b>		
Trade payables	27,541	60,838
Other payables	272	1,050
Other taxation and social security	308	342
Grant accruals	165,607	96,762
Other accruals	8,005	11,410
<b>Total</b>	<b>201,733</b>	<b>170,402</b>

#### (b) Analysis by source

##### Amounts falling due within one year

Other Central Government Bodies	3,197	3,020
Local Authorities	0	9,070
NHS bodies	5	183
Public corporations and trading funds	0	-
Bodies external to government	198,531	158,129
<b>Total</b>	<b>201,733</b>	<b>170,402</b>

#### 15. CONTINGENT LIABILITIES

As at the 31 March 2014 the Technology Strategy Board has a single contingent liability. The liability may arise if the Technology Strategy Board has to provide a grant to Narec (Natural Renewable Energy Centre) in order for them to be able to decommission a weather monitoring platform in the North Sea. This is currently collecting data to support the development of an offshore wind test site. This may take place anytime between 3 and 25 years dependent on the development of the site, at an estimated cost of £2.5m.

## 16. COMMITMENTS

### a. Capital expenditure

The Technology Strategy Board has no capital commitments to disclose.

### b. Operating lease commitments

	Land and Buildings		Other	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Not later than one year	189	182	289	289
Later than one year and not later than five years	448	637	0	0
Later than five years	0	0	0	0
Total	<u>637</u>	<u>819</u>	<u>289</u>	<u>289</u>

In connection with a move to new offices, the Technology Strategy Board entered into a lease. After an initial 18-month rent-free period, rental payments commenced in May 2010. The Technology Strategy Board may terminate the lease on 8 June 2017 or 18 June 2022 by giving the landlord at least 12 months' prior written notice.

### c. Grant commitments

The Technology Strategy Board had the following commitments at the balance sheet date:

	31 March 2014 £000
Payable within 1 year	598,175
Payable in 2 to 5 years	1,592,100
Payable beyond 5 years	<u>101,346</u>
Total Commitment	<u>2,291,621</u>

## 17. RELATED PARTY TRANSACTIONS

- a. The Technology Strategy Board is an NDPB, sponsored by BIS during the period covered by this *Annual Report and Accounts*. BIS is regarded as a related party.

During the year, the Technology Strategy Board had a number of transactions with BIS and with other entities for which BIS was regarded as the parent Department, such as: AHRC; BBSRC; EPSRC; ESRC; MRC; the Natural Environment Research Council (NERC); and the Science & Technology Facilities Council (STFC).

In addition, the Technology Strategy Board had material transactions with other government departments and with other central government bodies, such as: Intellectual Property Office, Foreign and Commonwealth Office, Defra, the Department of Health, the DFT, DECC and the Ministry of Defence.

The Technology Strategy Board also had material transactions with devolved administrations, such as the Scottish Government and the Welsh Assembly Government.

- b. These Accounts provide disclosure of all material financial transactions with those who have been defined as 'Directors'. In the context of the Technology Strategy Board this has been taken to include members of the Executive Board and all Governing Board members.

During the year, the Technology Strategy Board did not enter into any transactions with any such Directors. However, it did enter into a number of material transactions with bodies connected with Directors, who had no direct interest in the grant concerned. The information includes transactions with any related party of these Directors. The disclosed transactions are receipted co-funding income, grant and administrative expenditure, and year end receivables, payables and accrued income and grant expense balances where such analysis is available. None of the Directors were involved in the recommendation of grants awarded to the body to which they are connected.

- c. The Technology Strategy Board operated internal procedures designed to remove any staff or Board member from any decision-making process under which they or any of their close family may have benefited.

## Technology Strategy Board Material Transactions

<b>Directors</b>	<b>Organisation</b>	<b>Net Expenditure</b>	<b>Accruals Balance</b>
Dr David Bott	Royal Society of Arts	22,384	-
	Institute of Materials, Mining & Minerals	1,559,860	597,951
	Frost & Sullivan	59,825	-
	University of Sheffield	4,638,581	316,499
Mike Carr	Ordnance Survey	2,071	-
	Royal Academy of Engineering		-
Dr Stewart Davies	Augean Plc	16,096	13,269
	Balfour Beatty	57,057	54,496
Dr David Grant CBE	Renishaw Plc	252,623	168,087
	IQE Ltd	217,634	45,189
	Defence Science & Technology Laboratory	1,982,482	-
	IET	3,500	-
Iain G Gray	University of the West of England	545,669	-
	Institute of Directors	14,835	-
	Energy Technologies Institute	10,208,000	-
	Royal Society of Arts	22,384	-
	City University London	407,939	-
Sara Murray	Royal Society of Arts	22,384	-
Colin Paynter	Astrium Ltd	1,104,169	592,942
	Surrey Satellite Technology Ltd	3,150,234	91,807
Ian Shott CBE	Shott Consulting	2,091	-
	Institute of Chemical Engineering		-
	Chemoxy Int Ltd	10,893	-
Phil Smith	Cisco Systems Ltd	443,590	-
	Council for Industry and Higher Education	-	-
Professor, Sir Christopher Snowden	University of Surrey	595,197	550,177.00
	Science & Technology facilities council	63,821	-
	The Royal Society	9,912	3,720
	IET	3,500	
Dr Robert Sorrell	BP	41,858	-
Aileen Thompson	Institute of Directors	14,835	
Nigel Townley	CISCO Systems Ltd	443,590	-

## 18. FINANCIAL INSTRUMENTS

Due to the largely non-trading nature of its activities and the way in which it is financed, the Technology Strategy Board is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IAS32, IAS39 and IFRS7 mainly apply. The Technology Strategy Board has very limited powers to borrow or invest funds, and its financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Technology Strategy Board in undertaking its activities.

### Liquidity and credit risks

The Technology Strategy Board's net revenue resource requirements are financed by resources voted annually by Parliament. In order to meet liabilities falling due in future years, the Technology Strategy Board is dependent on continuing funding from its sponsoring department, BIS, and other government bodies, who have committed to co-fund specific projects and/or programmes.

### Interest rate risk

None of the Technology Strategy Board's financial assets or liabilities is subject to interest; therefore the Technology Strategy Board is not exposed to interest rate risk.

### Foreign currency risk

The Technology Strategy Board has not been exposed to foreign currency risk during the reporting period.

## 19. EVENTS AFTER THE REPORTING PERIOD

In accordance with the requirements of IAS10 'Events After the Reporting Period', post Statement of Financial Position events are considered up to the date on which the Accounts are authorised for issue, this is interpreted as the same date as the date of the Certificate Report of the Comptroller and Auditor General. There are no post Statement of Financial Position events between the balance sheet date and this date.

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ISBN 978-1-4741-0841-6



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